Annual Report 2023

Zürcher Kantonalbank

Our commitment to art:

Finding the right balance – this has been at the heart of Zürcher Kantonalbank's public service mandate since its foundation.

It is therefore essential that the bank is economically successful. At the same time, it is also important to contribute to solving social problems in the canton and to treat the environment responsibly.

In terms of the balance, for example, it would not be in the interests of the bank to distribute the entire profit. Its security and stability would suffer as a result. Nor would it be in the interests of the people of Zurich to use the entire profit to increase the reserves, as that would not fulfil our purpose.

Zurich artist Daniela Keiser shows what can happen when something gets out of balance with her work "I – The Semiologist", which forms the cover of this year's annual report. Inspired by the characteristics of different printing techniques, she explores the interplay of reduction and abundance, of scarcity and excess and its effect on her compositions.

Our commitment to the arts is also in line with our public service mandate. For many years, Zürcher Kantonalbank has been collecting contemporary art and supporting artists with a connection to the Zurich area. With our collection activities, we promote cultural creation and the creative industries. We have numerous works on display in our visitor rooms and offices.

Roger Liebi, Deputy Chairman
Chairman of the Art Commission

Video link to the creation of the artwork.

“I – The Semiologist”

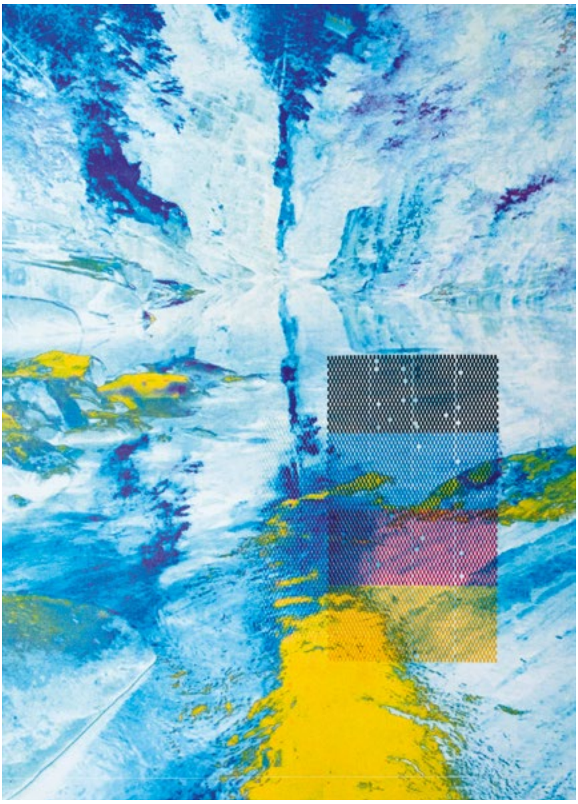
The work “I – The Semiologist”, created especially for the 2023 annual report, came into being against the backdrop of Zürcher Kantonalbank’s understanding of sustainability, namely that its actions are in harmony with the economy, society and the environment.

Zurich-based artist Daniela Keiser explores and scrutinises the balance between “abundance” and “reduction”, and thus also between “excess” and “scarcity”, the relationship to nature and the language of signs. The starting point was a photograph taken spontaneously in the summer: The Ticino river Isorno flows slowly, cool and invitingly through a gorge; the clear water gently washes around the rock formations with their layered rock structure. The sun shines on the lush leaves of the surrounding plants. Its bright lime green plunges like a waterfall from above into the picture and pours into the water like emptied paint as a cloudy apparition.

With this picture the artist played with balance, abundance and scarcity by experimenting with colour shifts and the interaction and superimposition of different printing techniques. She explored the properties of materials, sought control and their loss.

If a printer works in fast and ink-saving draft mode, the result is speckled and powdery soft. If a nozzle test is conducted to check the cartridges, a geometric grid is printed, which shows an accumulation of white, rectangular empty spaces if there is a lack of colour: simple shapes that are read like a system of symbols and make clear statements about any missing colours. If, on the other hand, the printer emits an excess of colour on its own, organic shapes are created at the edge of the sheet – neither controllable nor repeatable.

In close collaboration with various printing experts from the Zurich area, the artist experimented with screen printing, offset printing and lithography, playing with the possibilities of colours and structures. Superimpositions, material abundance and reduction create a whole that unites balance, sustainability, cohesion, language, flow and development.



Born in Switzerland in 1963, Daniela Keiser lives and works in Zurich. In her work, the conceptual and installation artist explores, among other things, visual science, photography, collage and language. She studied at the Zurich University of the Arts and also at the University of Art and Design in Basel. She has been a lecturer in art at the Berne University of the Arts since 2008.

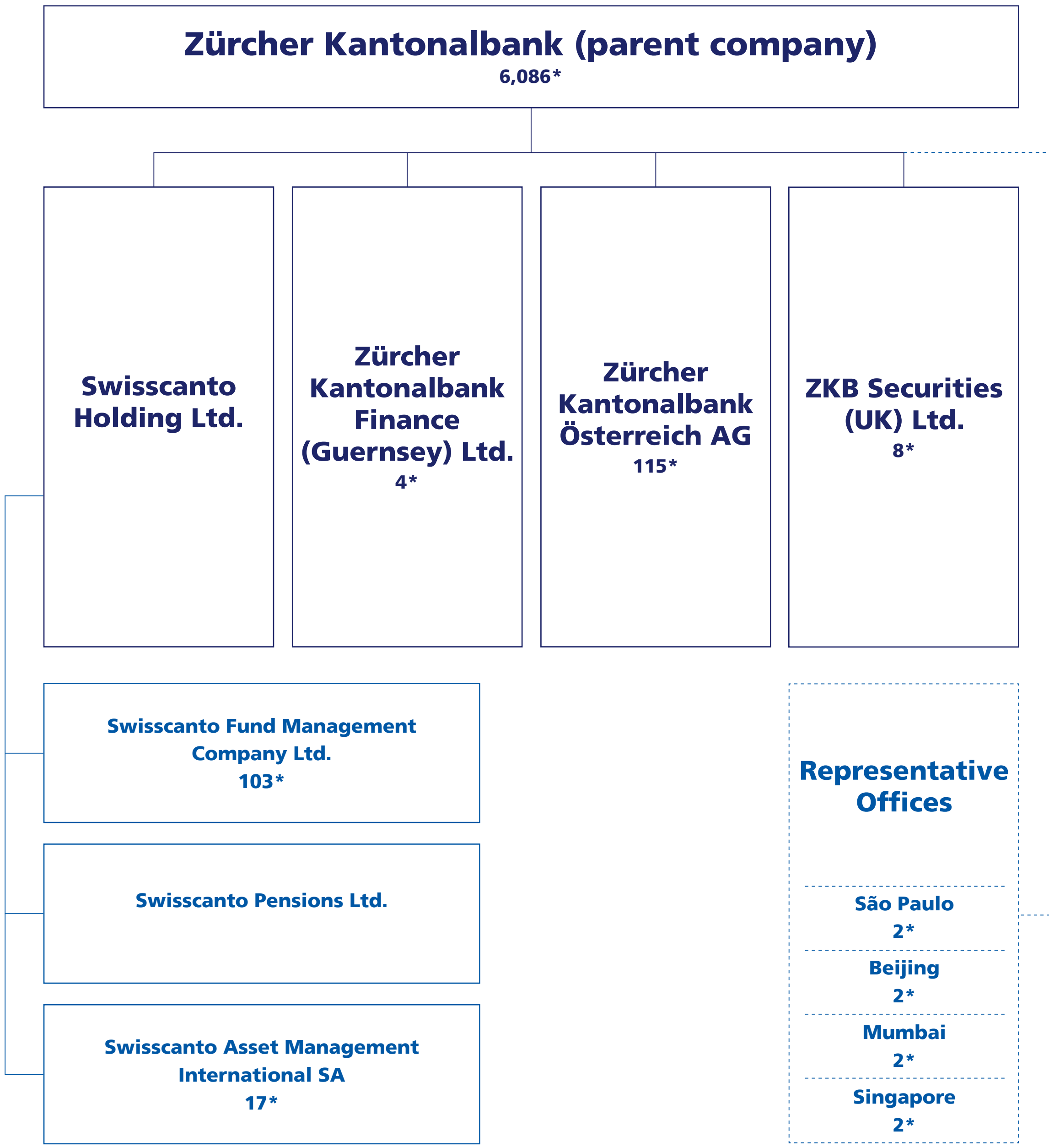
Zürcher
Kantonalbank

Key figures (group)

	2023	2022	Change in %
Key figures in %			
Return on equity (RoE)	**9.3**	8.4	
Cost income ratio (CIR)[1]	**51.8**	57.5	
Common equity tier 1 ratio (CET1) (going-concern)[2]	**17.4**	16.8	
Risk-based capital ratio (going-concern)[2]	**18.7**	18.2	
Risk-based capital ratio (gone-concern)[2]	**8.0**	4.3	
Risk-based TLAC ratio[2/3]	**26.8**	22.5	
Leverage ratio (going-concern)[2]	**6.6**	6.2	
Leverage ratio (gone-concern)[2]	**2.8**	1.5	
TLAC Leverage Ratio[2/3]	**9.4**	7.7	
Liquidity coverage ratio (LCR)[4]	**147**	146	
Net stable funding ratio (NSFR)	**117**	124	
Income statement in CHF million			
Net result from interest operations	**1,821**	1,403	29.8
Result from commission business and services	**940**	926	1.5
Result from trading activities and the fair value option	**415**	409	1.6
Other result from ordinary activities	**19**	15	26.7
Operating income	**3,194**	**2,752**	**16.1**
Operating expenses	**–1,679**	–1,594	5.3
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	**–75**	–101	–25.8
Changes to provisions and other value adjustments and losses	**28**	2	–
Operating result	**1,469**	**1,059**	**38.8**
Extraordinary result	**1**	8	–83.3
Changes in reserves for general banking risks	**–225**	–	–
Taxes	**–7**	–8	–10.6
Consolidated profit	**1,238**	**1,059**	**17.0**
Balance sheet in CHF million			
Total assets	**201,259**	199,791	0.7
Mortgage loans	**100,874**	96,838	4.2
Amounts due in respect of customer deposits	**101,452**	103,351	–1.8
Equity	**14,268**	13,299	7.3
Profit distribution in CHF million			
Share paid to canton to cover actual costs	**18**	11	59.8
Dividend for the canton	**340**	320	6.3
Dividend for municipalities	**170**	160	6.3
Total	**528**	**491**	**7.5**
Additional payments in CHF million			
Compensation for state guarantee	**30**	28	6.1
Payments from public service mandate	**161**	140	14.9
Further information in CHF million			
Total customers' assets	**450,789**	399,965	12.7[5]
Net new money inflow/outflow (NNM)	**36,773**	33,928	8.4
Headcount after adjustment for part-time employees, as at the reporting date (number)	**5,539**	5,249	5.5
Branches[6] (number)	**53**	53	0.0

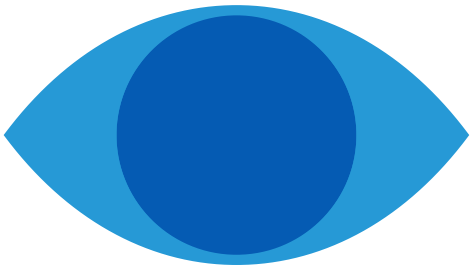
1 Calculation: Cost/income ratio (excl. changes in default-related value adjustments and losses from interest operations).
2 In accordance with the provisions for systemically important banks.
3 TLAC = Total Loss Absorbing Capacity
4 Simple average of the closing values on the business days during the quarter under review.
5 In addition to NNM, the change in customers' assets contains the change arising from price gains/losses, interest rates, dividends and currency gains/losses of CHF +15,463 million (previous year: CHF –42,020 million) and other effects of CHF –1,411 million (previous year: CHF –1,133 million).
6 Of which 51 branches (previous year: 51) of Zürcher Kantonalbank in Zurich as well as 2 branches (previous year: 2) of the subsidiary Zürcher Kantonalbank Österreich AG in Salzburg and Vienna.

Group structure



* Number of employees

Group mission statement

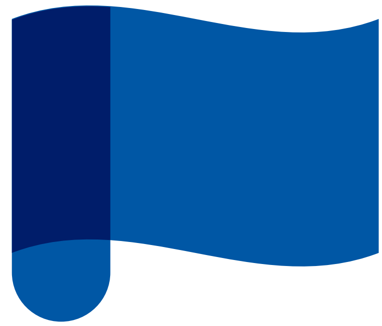


Our vision

Close to you

We support, advise and offer solutions.
Always, everywhere. Throughout your life.

— No. 1 in the Greater Zurich Area
— Nationally strong
— Internationally successful



Our goals

Powerful Swiss universal bank

— Happy clients
— Committed staff
— High financial security
— Sustainable success

Our values

Inspiring

Motivate, think ahead, show courage

Responsible

Be reliable, create value, be present

Passionate

Be involved, enthuse, persevere

Our roots

Bank of the people of Zurich

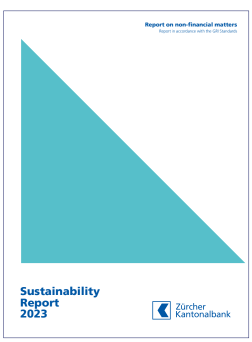
— For the population and the economy
— Continuity in business policy
— Economic, ecological and social engagement

About the 2023 reporting

Annual Report 2023

This annual report comprises the management report, the corporate governance report, the compensation report and the financial statements of the Zürcher Kantonalbank group and its parent company.

The electronic version of this annual report is available at geschaeftsbericht.zkb.ch.



Sustainability report 2023

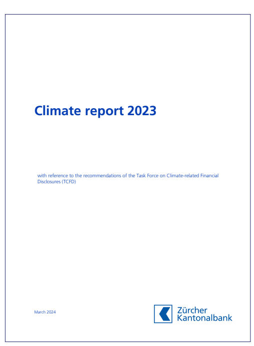
The sustainability report is the report on non-financial matters in accordance with article 964a et seq. of the Swiss Code of Obligations. It was prepared in accordance with the requirements of the GRI Standards.

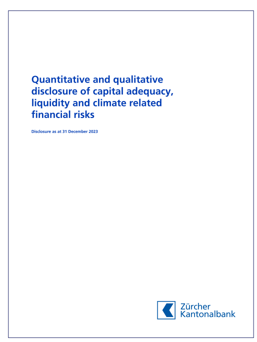
zkb.ch/reports

Climate report 2023

The climate report is based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). It contains qualitative and quantitative information on climate risks and opportunities and implements the first requirements of the Net-Zero Banking Alliance (NZBA), which Zürcher Kantonalbank joined in December 2022.

zkb.ch/reports





Disclosure 2023

Regulatory disclosure is made in accordance with the requirements of the Swiss Financial Market Supervisory Authority FINMA. The requirements set out in FINMA Circular 2016/1 “Disclosure - Banks” are relevant for the disclosure.

zkb.ch/disclosure

Contents

Dear residents of Zurich,

The past financial year once again confirmed our resilience. Unfortunately, geopolitical crises continued to increase. With our role in the world, the energy supply, labour shortages, pensions, healthcare or housing costs, there are also major areas for action in Switzerland. Global inflation has persisted, albeit at a lower level in Switzerland.

In March 2023, the Swiss financial centre experienced a critical turning point; the demise of an independent Credit Suisse marked a turning point. The collapse of a large international property group has also led to upheavals in our banking centre. Confidence, the most important value in the financial system, has suffered. The critical questions about the financial centre are understandable.

Nevertheless, the Swiss financial centre with its more than 200 banks is diversified, strong and stable. It remains an important pillar for our country, our economy and our prosperity. In the event of stricter regulation, it is important to differentiate between the complexity of the business model and the risk profile of a globally active major bank, on the one hand, and a domestically active bank on the other. For years, Zürcher Kantonalbank has been characterised by its great stability and consistency. Our bank fulfils its statutory public service mandate in a risk-conscious manner for society, the economy and the environment, which should be taken into account in adapted banking regulation.

We are aware of our growing economic importance and responsibility as a universal bank with a full range of services for private individuals and companies of all sizes, and fulfil our role responsibly. This includes ensuring that the bank's growth matches the economic expansion of the Canton of Zurich. Leading rating agencies give Zürcher Kantonalbank top marks, even without a state guarantee. We have been one of the safest banks in the world for years.

Maintaining stability and continuity at Zürcher Kantonalbank also includes forward-looking, continuous succession planning in the Board of Directors and in the Executive Board.

In the reporting year, the Cantonal Parliament elected the Board of Directors and the Chairperson's Committee for the new legislative period. Gregor Kreuzer, Prof. Dr. Hans-Ueli Vogt and Claudia Zimmermann were newly elected to the Board of Directors. They took office in January 2024 and succeed Anita Sigg, Peter Ruff and Stefan Wirth, who stepped down from the Board of Directors at the end of 2023 having reached the maximum term of office of twelve years. The newly elected members ideally complement the Board of Directors and will contribute to the further development of the bank.

In the Executive Board, the Board of Directors has elected Dr Martin Bardenhewer, an internal expert in finance and capital market issues, as CFO to succeed Rudolf Sigg. To replace our Head of Risk, Roger Müller, the Board of Directors has elected Hjalmar Schröder as a further internal expert with international specialist and management experience in risk management and trading. He assumes his new responsibilities as of April 2024.

The Board of Directors made a trend-setting decision by adjusting the compensation model: Despite the significant 17 percent increase in profit in the past financial year, the Board has reduced the profit-sharing scheme for all employees to the previous year's level, converted a large proportion of variable compensation into fixed compensation, significantly reduced the future growth momentum of the profit-sharing scheme for all employees compared to the current model, and doubled the proportion of variable compensation for senior management, which is deferred for three years, and also linked it to the fulfilment of the public service mandate. As a result, Zürcher Kantonalbank has a balanced compensation system in line with the market that takes appropriate account of the interests of the canton, the bank and its employees, and enables the bank to recruit proven specialists and managers. This ensures that the successful model of Zürcher Kantonalbank as a universal bank can be continued.

Finally, the Board of Directors has redesigned and redefined the strategy for the 2030 public service mandate and thus also launched the abolition of account management fees and the establishment of an umbrella foundation for the current year. In terms of sustainability, the adjustment is in line with the amendment of the Zürcher Kantonalbank Act, in which sustainable development is now more firmly anchored.

Zürcher Kantonalbank remains in excellent shape. It is secure, stable and competitive. It has an excellent reputation and broad support among the population. Our employees are competent, loyal and effective. I am convinced that we will continue to master turbulent times in the future and exploit the opportunities that arise – for the benefit of the people, companies and the cultural, social and sporting organisations and institutions of the Canton of Zurich.

Dr. Jörg Müller-Ganz, Chairman

“For years, Zürcher Kantonalbank has been characterised by its great stability and consistency.”

Dear clients, Dear staff,

2023 will go down in the history books as a historic year for the banking centre. We experienced critical moments during the merger of the big banks, and a great deal of uncertainty prevailed throughout the country.

We also experienced significant interest rate momentum in 2023. After many years of negative interest rates, the interest rate turnaround led to a normalisation of the interest rate situation. Savers benefit because their savings earn interest again. The bank increased its interest rates on savings deposits three times in 2023 – in December 2022, we were one of the first banks to respond with an interest rate increase as of the beginning of 2023. In addition, we offer our clients products, such as cash bonds and fixed-term deposits, which allow them to benefit from higher interest rates. The return to a positive interest rate environment has also had a positive impact on our bank's earnings power and capitalisation.

Zürcher Kantonalbank, as a universal bank, is currently the only Swiss alternative to the remaining big bank. Our strategy, however, remains unchanged. We aim to expand our leadership position in the Greater Zurich Area, strengthen our national position and utilise international opportunities. This enables further diversification and therefore also a strengthening of the bank's security and stability.

A look at our financial year shows just how strong and secure the bank already is. At CHF 1.238 billion, we achieved the highest consolidated profit in the bank's history. We have never before made a higher distribution to the canton and municipalities: CHF 528 million. The leading rating agencies award us their highest ratings. The bank's capital ratios and leverage ratio far exceed the regulatory requirements. We welcomed over 28,000 new clients, and the broad-based net new money inflow totalled CHF 36.8 billion. In a challenging year, we were able to grow as one of the world's safest universal banks across the entire breadth of the market. In addition, we have our costs and risks under control.

Having our business in such an excellent state allows us to shape the banking of the future. Our goal is clear: We want to be perceived as the most highly appreciated bank across Switzerland, both in the physical and digital worlds. With ZKB Banking, we have created an attractive, digital banking offering that is available throughout Switzerland. We have eliminated the annual fees for private accounts and debit cards as of 1 January 2024. This benefits both the bank's future and existing retail clients – regardless of their assets or digital affinity. This is supported by the digital opening of a new client relationship, which we launched in the year under review. This new offering makes us the first major Swiss bank to offer free everyday banking for everyone, both digitally and in branches.

We also rely over the long term on the densest branch network in the canton and are reorganising our branches in line with a newly developed concept. We are modernising the client and brand experience, standardising it across all channels and aligning it with the changing needs of our clients.

This means we combine the advantages of a free, purely digital bank with the security and added value of a traditional bank that offers high service quality and personalised advice for everyday banking transactions via digital channels – and has a presence in the Canton of Zurich through its 51 branches.

In terms of sustainability, we focus on supporting our clients on their journey towards a more sustainable future. In 2023 we successfully tested a corresponding advisory service for our SME clients. In the financing business, we incentivise ecological construction and the replacement of fossil heating systems with our ZKB environmental loan. We introduced the ZKB sustainability standard in the investment business.

Our success would not be possible without our employees. Their passionate and loyal commitment, their professionalism and their openness make our corporate culture particularly special. Our employee survey is a key tool for managing our appeal as an employer, retaining employees and attracting new talent. We had a high response rate in the last survey, which is an expression of an open feedback culture. The commitment index is also at an unchanged high level, which is something we are proud of.

I would like to thank you for your trust and look forward to continuing the success story of Zürcher Kantonalbank together with you.

Urs Baumann, Chief Executive Officer

"The excel-
lent state of
our business
allows us
to shape the
banking of
the future."

Close
to you.

Zürcher Kantonalbank is the second-largest universal bank and one of the most important cantonal banks in Switzerland. We have successfully positioned ourselves as a universal bank with a regional base as well as a domestic and international network. With a market penetration of 50 percent, we are the number 1 for retail and corporate clients in the Greater Zurich Area. We fulfil our increased economic responsibility throughout Switzerland and are a strong partner for large companies as well as private and institutional investors. We are one of the safest banks in the world – as confirmed by top marks from leading rating agencies. Zürcher Kantonalbank is an autonomous public-law institution of the Canton of Zurich and benefits from a state guarantee. Through our public service mandate, we are committed to the well-being of society and the environment – and have been for over 150 years. We uphold our values: responsible, inspiring and passionate. Our vision is “Close to you”.

History

1830 – 1869
A peaceful revolution

The foundation of Zürcher Kantonalbank came as the result of a movement aimed not only at changing the banking system, but at restructuring the political system from the ground up. It was termed the democratic movement because its main objective was to enforce direct democratic rights. Among other things, the new constitution of 1869 included the right to referendums as well as the right to directly elect the members of Zurich's Government Council, abolished the death penalty, guaranteed the freedom of association and introduced progressive taxation. The establishment of a state bank was intended as a way of strengthening the economic policy of this democratic reform programme. The bank was to offer affordable loans to agricultural and commercial businesses and to meet the savings and investment needs of broad segments of the population.

1870 – 1914
Storm and stress

The newly established Zürcher Kantonalbank opened its first counter at Paradeplatz on 15 February 1870. Its beginnings were modest as the bank's first task was to establish basic operating procedures and build up a client base. The Franco-Prussian War also broke out in the summer of 1870, severely hampering the banking business. The bank gained a foothold quickly after that and rapidly expanded its lending volume. Until the establishment of the central bank in 1907, it also issued its own banknotes, which, in addition to savings and bonds, secured its financing. To serve its clients, it opened up a large number of branches and agencies throughout the canton, as well as part-time collection offices that accepted savings deposits. No other bank has had a comparable presence in the Canton of Zurich ever since.

1914 – 1945
Solid as a rock

Despite setbacks caused by war and crises between 1914 and 1945, Zürcher Kantonalbank remained a reliable pillar of the canton's economy. It avoided speculative transactions due to its legal mandate. Unlike the big global banks, its focus on the domestic market helped it survive the Great Depression of the early 1930s relatively unscathed. Resilience to crises enhanced its reputation and offered proof of the need for a state-owned bank. Although it expanded its business activities to other areas such as the capital market, at heart it still remained the canton's most important mortgage bank. It was particularly active as a lender to the housing cooperatives that had become popular in the 1920s.

1945 – 1990
Impressive growth

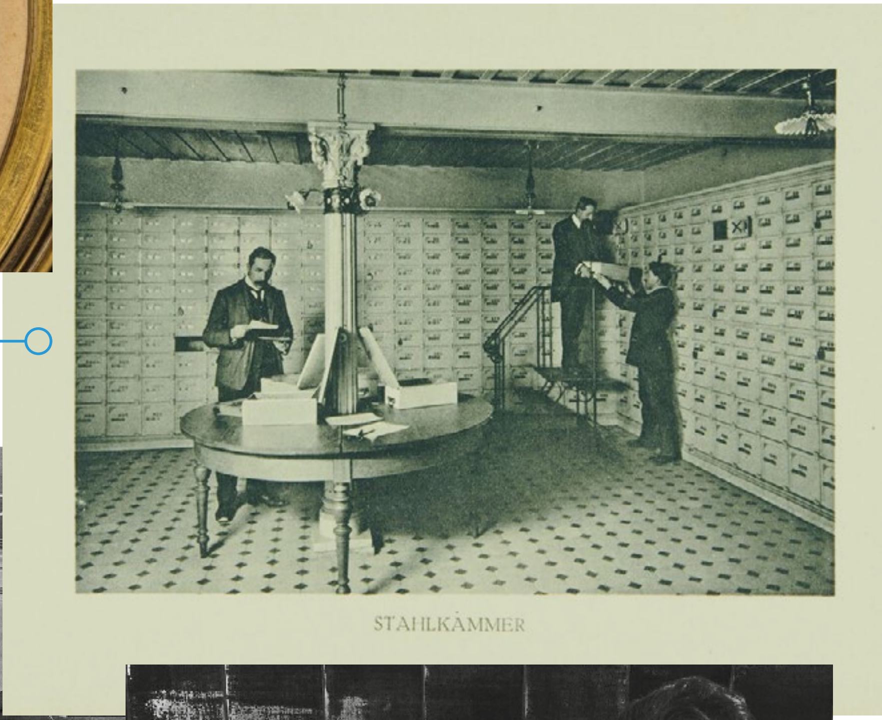
The longest and most powerful economic upswing in the history of Western Europe began soon after the end of World War II. This marked the start of the golden age for Zurich's financial centre and Zürcher Kantonalbank developed accordingly. While it employed 689 people in 1945, this number rose to over 4,000 in 1990. Total assets increased from CHF 1.6 to 44.4 billion, which was also a consequence of the expanded range of products and services. A manageable credit institution had become a big bank. The real estate sector overheated towards the end of this period, however, which resulted in high follow-up costs later.

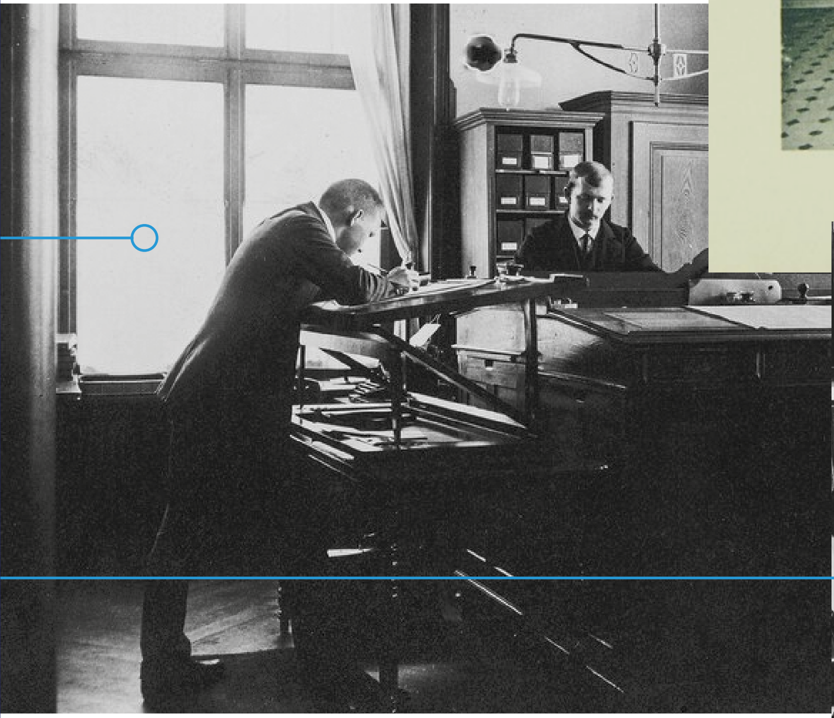
1990 – today
Stability through diversification

The 1990s real estate crisis prompted the bank to initiate the first major reorganisation in its history; this also involved a strategic realignment. Eager to reduce its dependence on real estate financing, the bank continuously strengthened its commission and fee income business as well as its trading business, for example by acquiring the investment fund company Swisscanto in 2014. The environment remained volatile during this period: the dotcom bubble burst shortly after the turn of the millennium and the global financial crisis erupted in the summer of 2007. During these crises, the diversification strategy proved to be a stabilising factor and pillar for both the bank and the canton. Following the merger of the two big banks, Zürcher Kantonalbank is the only remaining Swiss alternative to the newly created big bank, offering comprehensive services for all client segments. Even in this new situation, the bank continues to fulfil its social and economic responsibilities.

As an entrepreneur and politician, Johann Jakob Keller from Fischenthal was strongly committed to the Canton of Zurich and its people. Among other things, he made a significant contribution to the founding of Zürcher Kantonalbank. 2023 marked the 200th anniversary of the birth of the "bank's father".

The "Steel Chamber" in an image brochure from 1908.





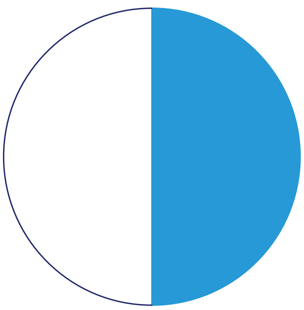
Workplaces at the Rüti branch, around 1915.

Electronic tools for "remote data processing" make their way into the bank.

The new concept branch opened in Winterthur in 2022.

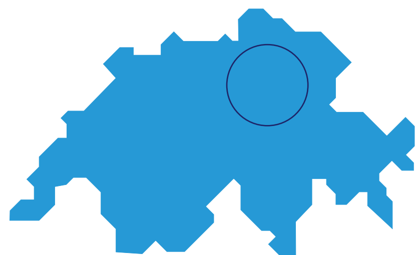
Leader in the Greater Zurich Area

50 %
market penetration



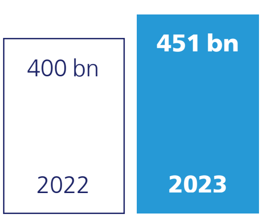
Nearly half of the people of Zurich and of the companies domiciled in the Canton of Zurich are clients of Zürcher Kantonalbank.

Densest network of branches and ATMs



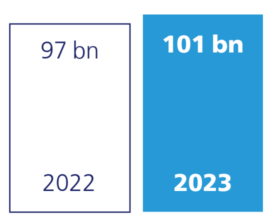
51 branches

CHF 451 billion
Client assets

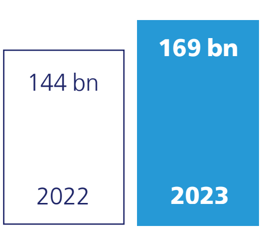


Net new money inflow in 2023:
CHF 36.8 billion

CHF 101 billion
Mortgages



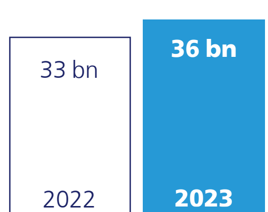
CHF 169 billion
fund volume



Swisscanto is the third-largest fund provider in Switzerland.

Net new assets in 2023:
CHF 17 billion

CHF 36 billion
credit exposure



To corporate clients

Attractive employer

6,341

employees

6,341 people work at Zürcher Kantonalbank in more than 5,500 full-time positions. With 423 apprenticeships, we are one of the largest providers of vocational training in the Canton of Zurich.

Satisfied

employees

2021	2023
78	**77**

Commitment index of the biennial survey

Loyal

employees

2022	2023
6.4 %	**6.1 %**

Low fluctuation rate

Rooted in the canton

For more than 150 years

Public service mandate

We have been providing financial services to both individuals and companies and fulfilling our public service mandate since 1870.

CHF 4 billion

Distribution

Over the past ten years, we have distributed CHF 4 billion to the Canton of Zurich and its municipalities.

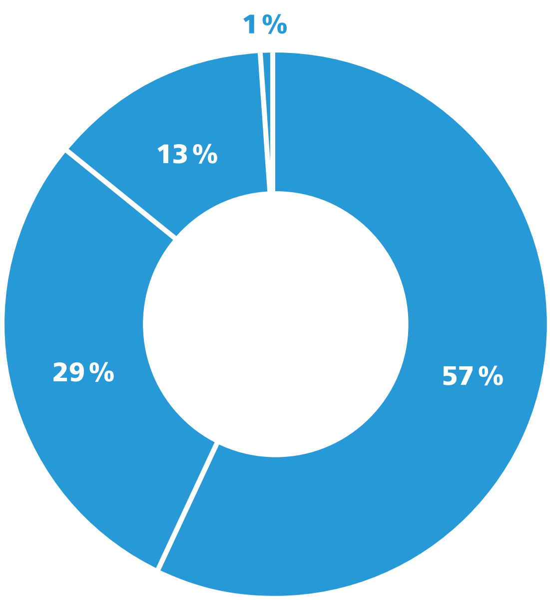
CHF 161 million

for support

Over the course of 2023, we committed more than CHF 161 million in financial support in the Canton of Zurich in the economic, social and environmental arenas. Through more than 400 sponsorships, we are also actively helping to make the Canton of Zurich liveable.

Overview of 2023

Diversified income



CHF 1,821 million
Result from interest operations (57 %)

CHF 940 million
Result from commission business (29 %)

CHF 415 million
Result from trading activities (13 %)

CHF 19 million
Other result (1 %)

Consolidated profit

CHF 1.238 billion

Profit distribution

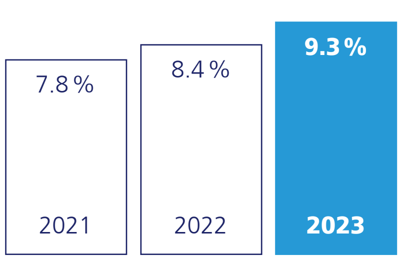
CHF 528 million

CHF 340 million
Dividend for the canton

CHF 170 million
Dividend for municipalities

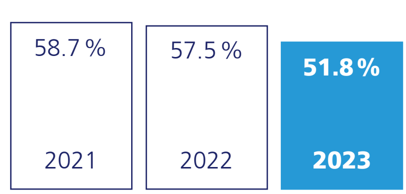
CHF 18 million
Share paid to canton to cover actual costs

Return on equity (RoE)

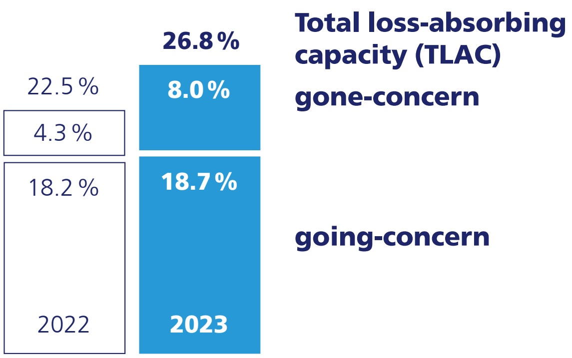


Cost/income ratio (CIR)

Target: 58–64 %



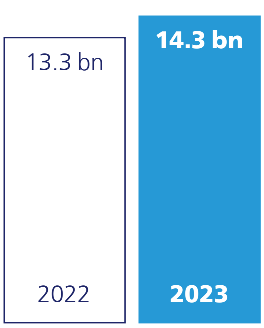
Risk-based capital ratio



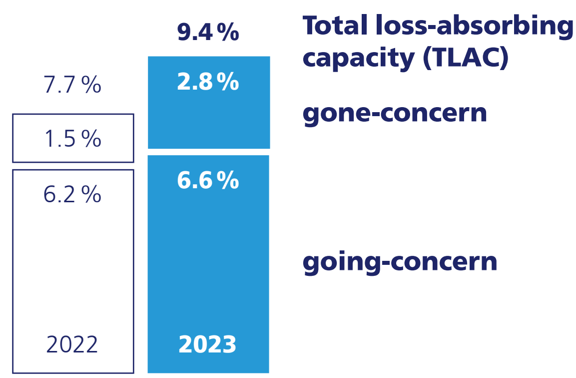
Group rating

AAA
Aaa

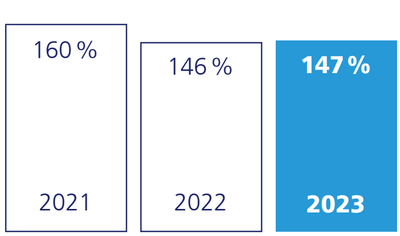
Equity



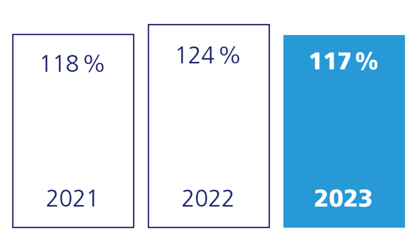
Leverage ratio



Liquidity coverage ratio (LCR)



Net stable funding ratio (NSFR)



Milestones and material events

Commit-ment

The bank as an employer

employees

In the reporting year, the compensation policy was revised with regard to the relationship between basic salary and variable compensation (see p. 60). The employee satisfaction survey showed a consistently high commitment index (see p. 60). The bank also set itself gender diversity targets (see p. 62). Around 90 apprentices started their training, including in the recently offered specialisations of mediamatics and digital business. Around 80 apprentices graduated and over 90 percent are continuing their careers with us (see p. 61).

Corporate Governance

Chairperson's Committee, Board of Directors and Audit

The Cantonal Parliament elected the members of the Board of Directors and the Chairperson's Committee for the 2024–2027 legislature period. The composition of the Chairperson's Committee remains unchanged. Anita Sigg, Peter Ruff and Stefan Wirth stepped down from the Board of Directors at the end of December 2023 due to reaching the maximum term of office. Gregor Kreuzer, Prof. Dr. Hans-Ueli Vogt and Claudia Zimmermann succeeded them (see p. 78).

New CFO

Executive Board

In the reporting year, we continued the regular succession planning for the members of the Executive Board. Martin Bardenhewer was elected as the successor to our departing CFO Rudolf Sigg. Mr Bardenhewer became Head of Finance and a member of the Executive Board as of 1 May 2023 (see p. 84).

Public service mandate

Public service mandate

With a view to 2030, the Board of Directors has strategically enhanced the public service mandate and the three sub-mandates of service, support and sustainability (see p. 22). The amendments to the Zürcher Kantonalbank Act on greenhouse gas neutrality and sustainable development, which came into force on 1 January 2024 and were adopted by the Cantonal Parliament in March 2023, were taken into account.

Net-zero

Sustainability

The Cantonal Parliament revised the Cantonal Banking Act on Zürcher Kantonalbank in the reporting year and anchored sustainable development more firmly, in particular greenhouse gas neutrality (see p. 22). Furthermore, the granting criteria for the ZKB environmental loan have been expanded so that more borrowers can benefit from more favourable conditions (see p. 24). A test phase was also launched to advise SMEs on the transition to a more sustainable economy (see p. 24). In its own operations, Zürcher Kantonalbank intends to achieve the net-zero target by 2030 at the latest and has entered into a new cooperation to this end (see p. 24).

Banking business

frankly

Retirement planning offering

With the expansion to risk provision, we have completed our free advisory service in retirement planning (see p. 45). Furthermore, an additional sales channel was created for frankly with the web version. We also expanded our offering to include the management of vested benefits assets, created the option of saving pension assets in cash and introduced sustainable portfolios to our range of investment products (see p. 46).

Launch of ZKB Banking

Client proximity

We introduced in the reporting year the option for future clients to open a new client relationship online – without visiting a branch (see p. 43). In order to align ourselves with the changing needs for physical contact in the branches, we will modernise all our locations by 2030 (see p. 42). With ZKB Banking, we launched free everyday banking for all retail clients by abolishing the annual fees for debit cards and private accounts (see p. 44).

Outlook

The environment for the banking industry will remain challenging in 2024. As a universal bank, however, we still expect to be able to present pleasing results thanks to our strategy and diversified business model. When conducting our business activities, we aim for a balanced combination of economically, socially and environmentally sustainable development. We aspire to further expand our market position in the Greater Zurich Area as the number one for private individuals and SMEs.

Challenging price levels and fluctuations on the financial markets

Inflation and restrictive monetary policy have left their mark on the real economy, which is why we expect global economic growth to slow further at the start of 2024. The recession in the major industrialised countries, however, will be mild.

Although inflation will probably fall further, it looks set to remain above the central banks' target values. The price level therefore remains challenging and is a burden on households and companies. Interest rates will probably not be cut until inflation falls further towards 2 percent or recessionary forces get out of hand and unemployment starts to rise significantly.

Fluctuations on the financial markets will remain high in 2024. The central banks have reached the peak of the interest rate hike cycle, but we do not expect any stimulating interest rate cuts – only neutralising ones.

Challenging environment

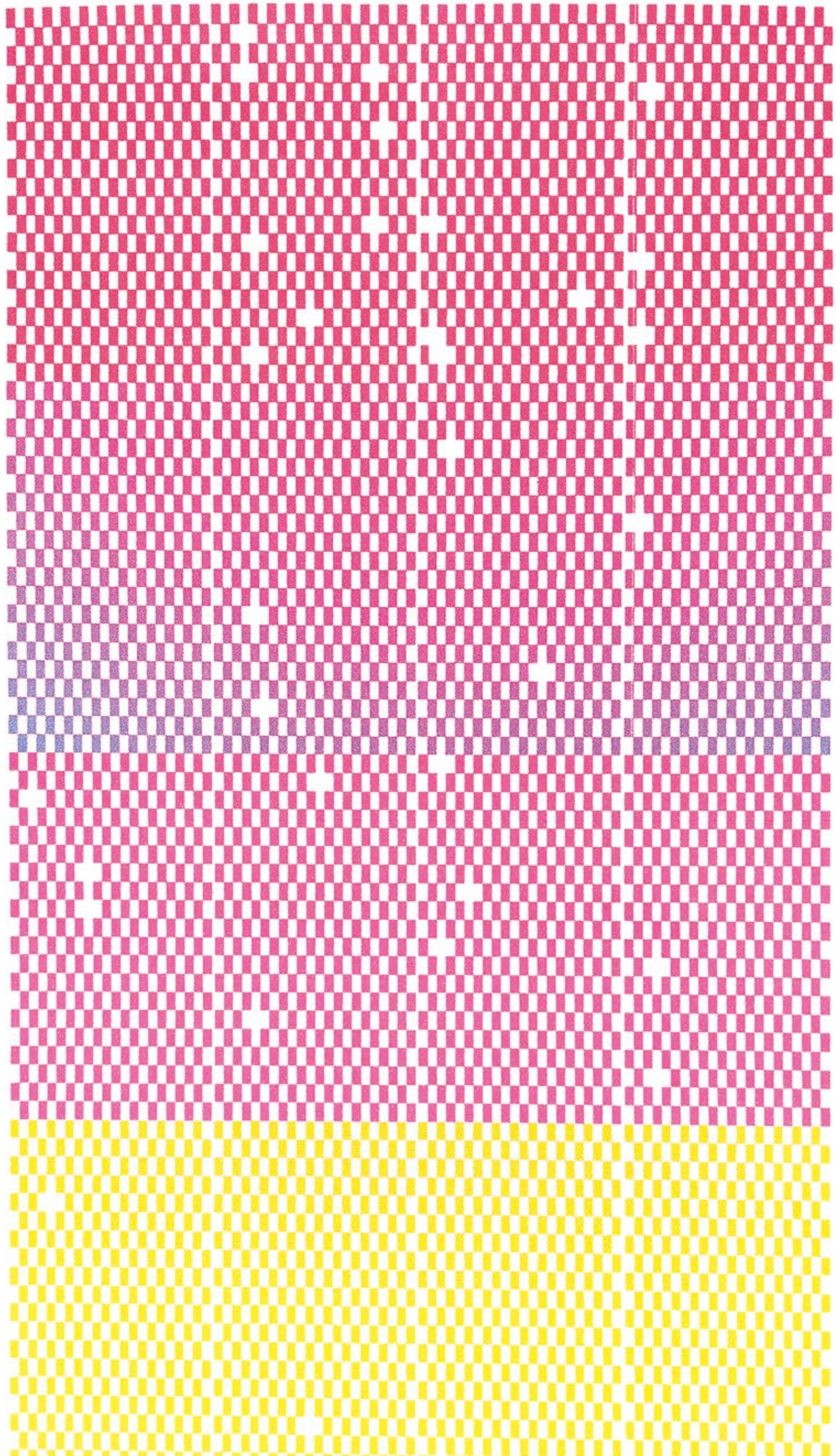
A merger of the major Swiss banks took place in the market. As a Swiss universal bank, Zürcher Kantonalbank is the only alternative to the remaining big bank. Despite this merger in the big-bank environment, we expect competition in the Swiss banking centre will intensify even further. Together with the political community, the aim must be to maintain the good framework for Switzerland as a financial centre. Equally important is that people's trust in the financial centre be strengthened while also highlighting the important role played by banks, particularly that of domestic banks, with respect to society and the economy.

Continuing the strategy

Zürcher Kantonalbank is adhering to its strategy even after the merger of the big banks. We have a business policy focused on continuity that prioritises the universal bank strategy, the bank's high level of security and stability as well as its proximity to clients. We are also driving income diversification forward, in particular through a balanced product portfolio and a broad range of services in the investment and pension business. In the individual clients and SME core segments, we are striving to expand on our standing as a top-ranked bank. All internal activities are focused on increasing efficiency. Great importance is attached to the Zürcher Kantonalbank brand. We want to be perceived as the most highly appreciated bank across Switzerland, both in the physical and digital worlds.

Sustainability as an integral component of our business model

Sustainability is an integral component of our business model. We incorporate the criteria of ecological, social and economic sustainability into everything we do and are guided by the United Nations Sustainable Development Goals and the Paris Agreement. We support our corporate and retail clients with banking services on the path to net zero by 2050. With our Net-Zero Banking Alliance commitment, we have undertaken to establish interim targets for 2030 and every five years thereafter until 2050. We make our contribution to social responsibility through our strong and, in particular, locally rooted social commitment, and by ensuring comprehensive access to financial services, especially for target groups with specific needs.

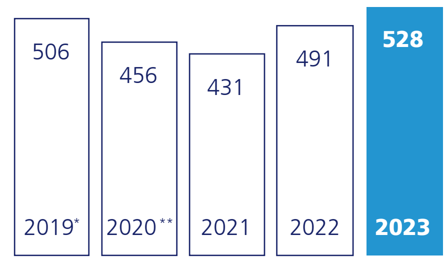


Bank of the People of Zurich

Management Report

Zürcher Kantonalbank has a clear statutory public service mandate from the Canton of Zurich: to provide investment and financial services to the public and business, to contribute towards efforts to address economic and social issues and to ensure that its actions are environmentally and socially responsible. This has made us unique for more than 150 years.

Distribution of profit to canton and municipalities (in CHF million)



* incl. anniversary dividend for the canton (CHF 100 million) and municipalities (CHF 50 million)
** incl. special coronavirus dividend for the canton (CHF 66 million) and municipalities (CHF 33 million)

400

sponsorship commitments for a canton worth living in

161

million Swiss francs for support in the economic, social and environmental arenas

Public service mandate

Zürcher Kantonalbank was founded in 1870 as the bank of the people of Zurich. It is an independent public-law institution under the cantonal law of Zurich. We have a public service mandate from the Canton of Zurich. The scope of this mandate is formulated in the Zürcher Kantonalbank Act and in the Guidelines for the Fulfilment of the Public Service Mandate of the Board of Directors (zkb.ch/corporate-governance). Our business activities and public service mandate therefore benefit the canton, the municipalities, companies and the population. Non-profit commitments under the public service mandate amounted to over CHF 161 million in 2023 (2022: CHF 140 million).

Endowment capital and state guarantee

The endowment capital of CHF 2.425 billion forms the corporate capital of Zürcher Kantonalbank and is provided by the Canton of Zurich. The canton also provides the bank with a state guarantee. In doing so, it is liable for all the bank's (non-subordinate) liabilities should the bank's resources prove inadequate. This is a security measure that has never had to be drawn upon. In exchange for the provision of the state guarantee, we pay annual compensation to the canton, the amount of which is calculated in accordance with an actuarial model that is approved by the Cantonal Parliament. This amounted to CHF 30.1 million in 2023.

Profit distribution to the canton and municipalities

Zürcher Kantonalbank fulfils its public service mandate through a business strategy geared to long-term continuity. It is based on market-oriented principles and intended to achieve an adequate level of profitability. Zürcher Kantonalbank will distribute a dividend of CHF 528 million for 2023 (2022: CHF 491 million). The canton uses this to first cover the actual costs incurred for its endowment capital (2023: CHF 18 million, 2022: CHF 11 million). Of the rest, two-thirds go to the canton and one-third to the municipalities.

Developments from the public service mandate

Zürcher Kantonalbank Act amended to include greenhouse gas neutrality and sustainable development

The Zurich Cantonal Parliament adopted amendments to three paragraphs in the Cantonal Banking Act on Zürcher Kantonalbank in the reporting year. Sustainable development was explicitly anchored for the first time in § 2, section 1. § 2, section 2 now also states that Zürcher Kantonalbank promotes the achievement of greenhouse gas neutrality. A fourth section has been added to § 7, which requires Zürcher Kantonalbank to make an active contribution to achieving the cantonal climate targets, particularly with regard to energy-efficient building refurbishments. The amendments came into force on 1 January 2024. The complete text of the Zürcher Kantonalbank Act is available at zkb.ch/corporate-governance.

Public service mandate enhanced with a view to the year 2030

The Board of Directors strategically enhanced the public service mandate in the years 2022 – 2023 with a view to the year 2030. The amendments to the Zürcher Kantonalbank Act on greenhouse gas neutrality and sustainable development, which came into force on 1 January 2024 and were adopted by the Cantonal Parliament in March

Public service mandate in the canton Zurich

Excerpt from the Cantonal Banking Act on Zürcher Kantonalbank (as at 1 January 2024)

§ 2 Purpose

[1] The bank's purpose is to contribute to the canton's fulfilment of its economic, social and ecological tasks and thus to support sustainable development.

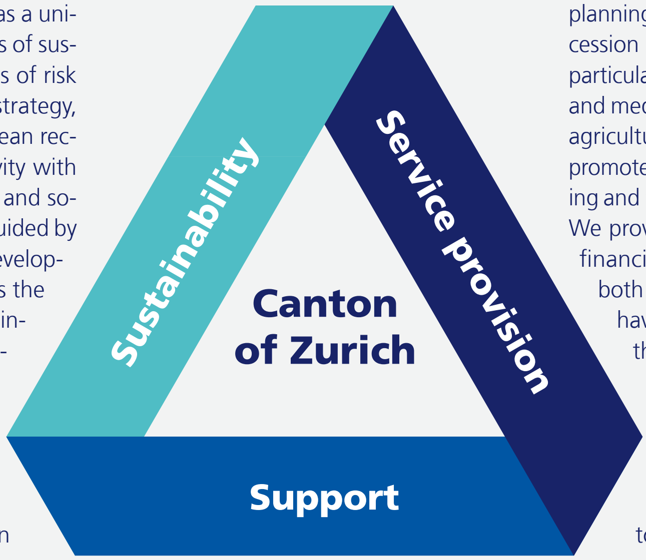
[2] It satisfies investment and financing needs through a business policy geared towards continuity. In doing so, it pays particular attention to the concerns of small and medium-sized enterprises, employees, agriculture and public authorities. It promotes home ownership, affordable housing and net zero greenhouse gas emissions.

§ 7 Business activities, sections 1 – 3 unchanged

[4] It actively contributes to achieving the cantonal climate targets, particularly with regard to energy-efficient building refurbishments.

Sustainability mandate

We pursue a business policy geared towards sustainability and continuity. Sustainability is an integral component of our business model. When fulfilling its public service mandate, Zürcher Kantonalbank, as a universal bank, observes the principles of sustainability and the recognised rules of risk management. Under our group strategy, we understand sustainability to mean reconciling successful economic activity with responsibility for the environment and society in a lasting manner. We are guided by the United Nations Sustainable Development Goals and have set ourselves the ambition of actively shaping sustainability issues, being a leader in sustainable offerings and supporting our clients on their path to a more sustainable future. With our sustainability mandate, we focus on operational sustainability, sustainable banking and promotion of the transition to net zero. When implementing the mandate in our own operations, we are a role model in the areas of net zero and employee satisfaction.



Service mandate

We provide the people and the economy with the financial services of a universal bank. These include payment transactions, saving, investing, financing, retirement planning, financial planning, taxes and succession planning. When doing so, we pay particular attention to the concerns of small and medium-sized enterprises, employees, agriculture and public authorities. We also promote home ownership, affordable housing and net zero greenhouse gas emissions. We provide our clients with access to our financial services across all channels in both the physical and digital worlds. We have the densest branch network in the Canton of Zurich and cover the basic needs of our clients at low cost. We are characterised by the high quality of our financial services. Stability and security are central pillars of Zürcher Kantonalbank.

Support mandate

In line with our public service mandate, we support the Canton of Zurich in fulfilling its economic and social tasks. We are one of the largest providers of vocational training and are a major employer in the canton. We are one of the largest promoters of start-ups in Switzerland. We support the innovation and educational institutes in the Canton of Zurich. Our contribution to strengthening the canton's competitiveness is an important pillar of our public service mandate. We contribute to the quality of life in the Canton of Zurich with our sponsorship commitments and awards in order to protect our natural resources and maintain social cohesion. It only goes to follow that we advocate for nature and the environment as well as sustainable mobility, cultural diversity, equal opportunity, access to financial knowledge, education, innovation, and entrepreneurship. Detailed information is available at zkb.ch/sponsoring (only available in German).

2023, were taken into account. The enhancement of the public service mandate comprised three sub-mandates: the service mandate, the sustainability mandate and the support mandate. The service mandate includes physical and digital access to financial services (see launch of ZKB Banking, p. 44), the quality of financial services, and the stability and reputation of Zürcher Kantonalbank. The sustainability mandate focuses on operational sustainability, sustainability in the banking business and promotion of the transition to net zero. With its support mandate, Zürcher Kantonalbank contributes to the competitiveness of the canton and the quality of life in the canton. This includes the ZKB umbrella foundation.

Branch strategy 2030 defined

Zürcher Kantonalbank is "Close to you". Due to our service mandate, it is important to us that we have a physical presence and are anchored locally. Zürcher Kantonalbank has the densest branch network in the Canton of Zurich and guarantees the supply of cash in all branches. The branch strategy presented in the reporting year provides for the modernisation of all locations by 2030, thus ensuring the physical availability of Zürcher Kantonalbank in the canton in the future. For more information on the modernisation of the branches, see p. 42.

Discontinuation of annual fees for debit cards and private accounts

Zürcher Kantonalbank announced in the reporting year that it would discontinue annual fees for private accounts in CHF and debit cards for retail clients as of 1 January 2024. In line with our public service mandate, we thus aim to send a signal and give back part of our success.

This benefits all existing and future retail clients, regardless of their assets or digital affinity. For more information on the offering, see p. 44.

ZKB environmental loans expanded further

Switzerland's buildings are an important cornerstone for achieving the climate targets. We therefore expanded the ZKB environmental loan further.

The ZKB environmental loan can now be used for all types of property, multiple times and throughout Switzerland. In particular, we would like to promote staged and coordinated energy renovation measures by providing interest rate reductions. The ZKB environmental loan can now also be used for the installation of an e-charging station if a photovoltaic system is available.

Farmers who take measures to achieve the Swiss 2050 climate target have also been able to claim the ZKB environmental loan since 2022. For example, investments in slurry tank ventilation systems, biogas plants, centralised combined heat and power plants for wood combustion and pyrolysis facilities benefit from an interest subsidy.

Advice on sustainability for SMEs

We are providing a new advisory service to support SMEs towards attaining a sustainable and successful future. To do this, we combine engineering and financing expertise and provide our clients with advisors from the Reffnet network of experts (the Swiss Resource Efficiency Network, which is supported by the Swiss federal government). For more information on the advisory service, see page 48.

Bank's commitment to net zero by 2050 and net zero in operations by 2030 at the latest

In December 2022, we joined the Net-Zero Banking Alliance convened by the UN and led by the financial sector. Our bank thus aims to achieve net zero greenhouse gas emissions by 2050 and undertakes in its business activity to pursue science-based targets aligned with the 1.5-degree climate goal (see climate report 2023, section 5 "Key figures and objectives", zkb.ch/reports).

We focus on supporting our clients on their way to net zero with our range of products and services.

⟵ Sustainability in product and service offering: sustainability report 2023 p. 18

Our Asset Management division has joined the Net Zero Asset Manager Initiative, which is pursuing the 1.5-degree climate goal. It is currently committed to this goal in around 25 percent of its assets under management. As part of the Net-Zero Banking Alliance, a reduction path for the residential mortgage business was defined for the on-balance-sheet business. This is based on the Swiss federal government's net zero scenario and the cantonal net zero target to be achieved by 2040, or 2050 at the latest. Detailed information on our climate targets and our implementation measures can be found in the climate report and the sustainability report (zkb.ch/reports).

Our environmental programme defines the environmental targets for our operational ecology. The aim of the bank's environmental programme is to continuously reduce CO_2e emissions and increase the bank's environmental performance. As part of this programme, we have been able to reduce our CO_2e footprint by around 70 percent since 2010. The goal of our new operational environmental programme is to reach net zero by 2030. To this end, Zürcher Kantonalbank has set itself the goal of reducing its operational CO_2 emissions to less than 1,800 tonnes per year by 2030. We offset 100 percent of unavoidable CO_2e emissions and are increasingly using a portfolio of technical and natural negative emissions technologies (NET). From 2025, for example, we will purchase technical negative emission certificates from neustark, a Swiss company that stores CO_2 in demolition concrete. By promoting innovative technologies like this, we are making a contribution to net zero. In the reporting year we offset 2,263 tonnes of CO_2e.

← Sustainability in the bank's own operations: sustainability report 2023 p. 54 ff., 67 ff.

Project for biodiverse branch greening completed

We have collaborated in recent years with our partner Kompass B to create more than 20 biodiverse gardens at our branches, covering a total area of around 7,500 m^2. The project was concluded with an exhibition at our head office. Further projects to promote biodiversity will follow.

The remodelling of our branches is part of our commitment to biodiversity and the pursuit of the Swiss Biodiversity Strategy. This includes the Grüningen Botanical Garden, which has been a foundation of Zürcher Kantonalbank since 1988 (see sustainability report 2023 p. 57). We have also been the main sponsor of the Stiftung Wildnispark Zürich (Zurich wildlife park foundation) since its launch in 2009.

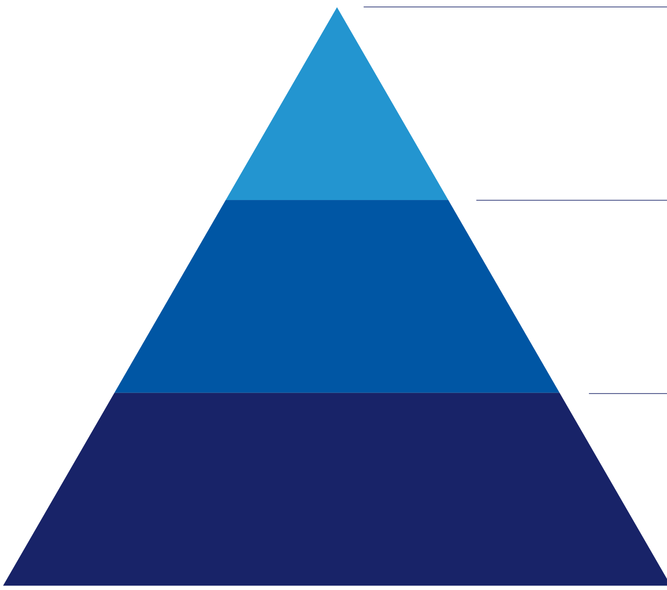
← More about our commitment to biodiversity: sustainability report 2023 p. 57

Group Mission Statement and Strategy

Our vision

Close to you

**We support, advise and offer solutions.
Always, everywhere. Throughout your life.**



Internationally successful

Nationally strong

No. 1 in the Greater Zurich Area

Our vision is “Close to you”. Our mission statement describes our identity and serves as a compass for our conduct: we support, advise and offer solutions. Always, everywhere. Throughout your life. Our strategy shows us which path we need to follow in order to fulfil our public service mandate, both now and in the future: we are a universal bank and a leaderin our home market. We fulfil our increased economic responsibility throughout Switzerland and are a strong partner for large companies as well as private and institutional investors. We provide services in selected countries outside Switzerland.

Group mission statement

⟵ Chart: Page 1

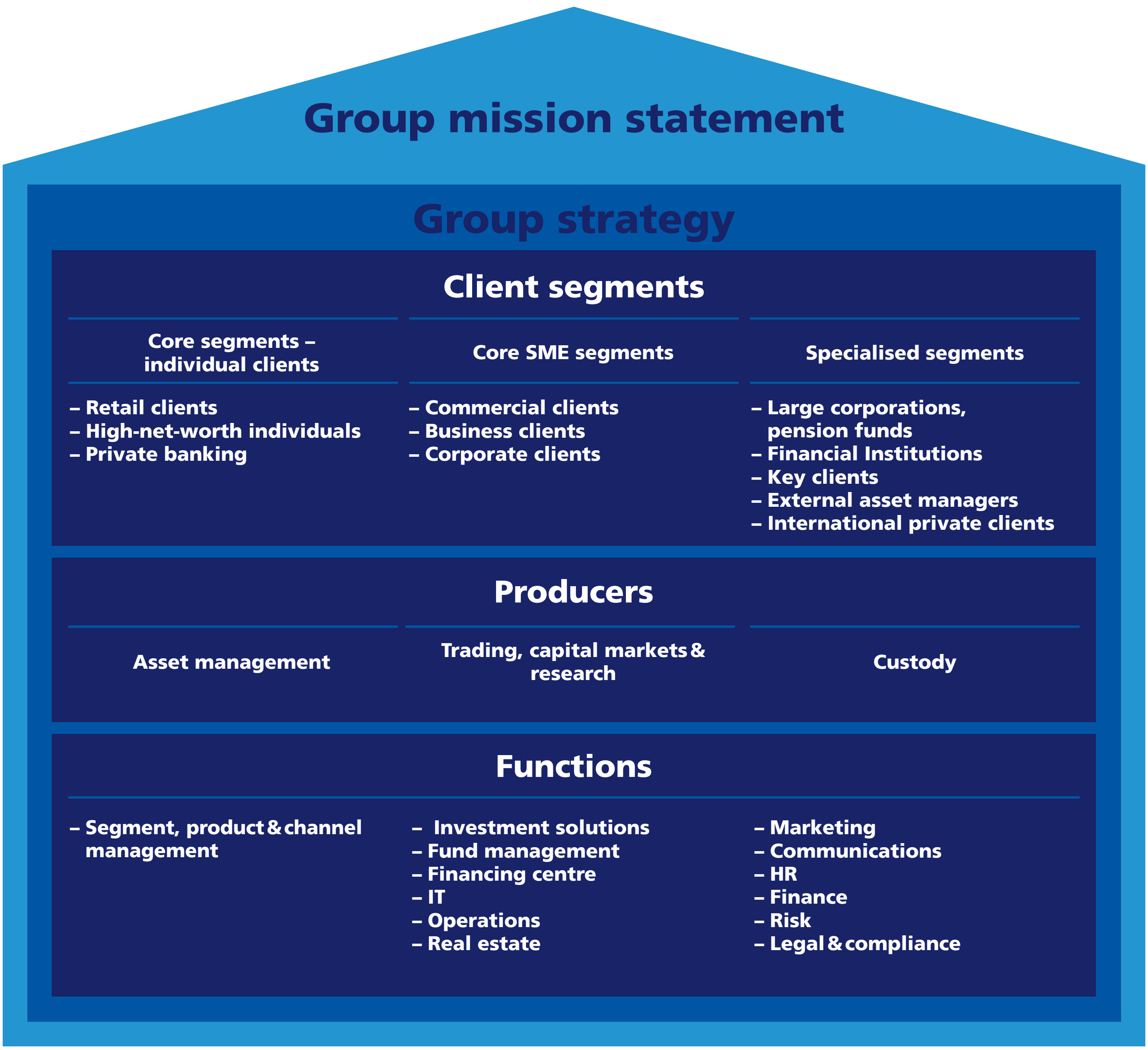
Zürcher Kantonalbank is characterised by continuity and stability. To ensure that we can continue to keep our promise of being “close to you" in future, we keep pace with economic, social and technological developments and align our organisation accordingly.

The group mission statement serves as a compass for our conduct and the future development of Zürcher Kantonalbank and its subsidiaries.

The more fast-paced the environment, the more important it is that long-term visions, goals and values guide our actions. Our Board of Directors has reformulated what this means in today’s world in our mission statement.

The key element of this is the way we view ourselves. We’re the bank of both the people and companies of Zurich. We engage in economic, environmental and social activities to fulfil our public service mandate.

Our strategy house



Reports on:

⟶ Client segments: p. 44 ff.
⟶ Core segments – individual clients: p. 44 ff.
⟶ Core SME segments: p. 47 ff.
⟶ Specialised segments: p. 50 ff.
⟶ Producers: p. 54 ff.

Stakeholder groups

We want to enthuse our clients. In order to position ourselves successfully in this rapidly changing world, we continuously strive to improve our understanding of proximity: we want to advise our clients not only as financial experts, but also expand their own financial expertise, provide them with lifelong support and offer them solutions to challenges they might not even be aware of.

As an institution under public law, we have a special responsibility to our owner, the Canton of Zurich. Because of this, we conduct our business activities with a focus on maximum financial security and reliability at all times.

This is only possible through the efforts of committed employees who identify with our vision, goals and values. That is why we provide our employees with comprehensive, long-term support to enable them not only to contribute actively to the development of our organisation, but also to successfully develop individual plans for enhancing their own qualifications and skills.

Our partners and suppliers are also pivotal to our actions. We attach great importance to cultivating a fair and cooperative business relationship with them, not only by focusing on economic aspects, but also by paying attention to ecological and social standards as well as the regional value chain.

We communicate with our clients, employees and the public collaboratively, transparently and in good time.

Our values

Our values – responsible, inspiring and passionate – shape and reflect our culture and the conduct of our staff.

We conduct ourselves responsibly in every situation and with respect to all stakeholder groups. We are a reliable partner, make a positive impact and are at hand when needed. At the same time, our decision-making is always focused on creating sustainable added value – for both society and the environment.

Those who take initiative and inspire do not wait to see what others do. We think ahead, anticipate trends, show courage and assume a pioneering role, and in doing so inspire others and provide positive food for thought. We internalise our value of “inspiring” within our culture and thus become the bank that sets the pace beyond the Zurich area.

Our actions always revolve around people. Our passion for what we do is palpable – regardless of whether these contacts take place in person or online. Our collaborative commitment and perseverance spark enthusiasm in every encounter and in every aspect of our work.

Group strategy

Strategic principles

We are a universal bank and a leader in our home market, the Greater Zurich Area. We fulfil our increased economic responsibility throughout Switzerland and are a strong partner for large companies as well as private and institutional investors. Our international activities are modest and in the interests of Swiss clients.

Globalisation, digitalisation, regulation of the financial sector and demographic change are challenges that we face by providing contemporary and forward-looking solutions for our clients. Our strategy tells us which path we must take as Zürcher Kantonalbank. It defines our current and future business activities and priorities.

We firmly believe that the only way for us to fulfil our broad statutory public service mandate – which we passionately embrace – is by being a universal bank. This puts us in a position to offer the full range of banking services from one source and generate added value for our clients in the process. We actively address our key sustainability-related issues, lead the way with sustainable offerings and guide our clients on their journey towards a sustainable future.

Our entire value chain is focused on providing banking services to private individuals and companies in the Greater Zurich Area. Our strong presence in our home canton and cross-divisional collaboration under the umbrella of the universal bank give us a competitive edge that we use to offer benefits to our clients.

We pursue a diversification strategy: We generate our income in several different business areas. Doing so enables us to minimise risks and increase stability, which in turn benefits our clients. We pursue a policy of broad income diversification and intend to expand on this even further, in part by aiming for qualitative growth in the investment and asset management business.

Our group strategy is geared toward client segments, producers and functions, and we define a sub-strategy for each of these areas.

Client segments

In the core individual client segments, we aim to retain our status as the leading financial services provider for the people of Zurich. We are there for our clients. When faced with life events such as the purchase of residential property, the founding of a company or inheritances, we are the reliable partner at their side. We understand what moves our clients and which challenges they face. Our experts offer the right solutions for those events and create added value.

In the core SME segments, our goal is to further expand our position as the clear number one for commercial, business and corporate clients in the Greater Zurich Area. We aspire to be the indispensable financial partner of choice for the 5,000 largest corporate groups in Switzerland.

The specialised segments include large corporations, pension funds, financial institutions, key clients, external asset managers and international private clients. We make targeted investments in these specialised segments in order to achieve qualitative growth.

Producers

Producers is the term we apply to our asset management, trading, capital markets & research divisions and our custody business. These are divisions that not only offer products directly on the market and maintain client relationships, but also perform an internal service function for the bank's various distribution channels (i.e. for product distribution via our client advisors, via our digital channels, etc.). We make ongoing, targeted investments to strengthen our producers and ensure that they are capable of delivering high-quality services that underpin their long-term ability to compete on the market.

Functions

Functions include all internal activities that provide targeted services to support and monitor the client segments and producers. These include Risk Management, Legal & Compliance, Communications, Marketing, IT, Segment, Product & Channel Management, Human Resources and Finance. They are all committed to boosting the efficiency of the universal bank even further and delivering on the promise of being the bank "close to you".

Business environment and risk assessment

The year under review was characterised by geopolitical uncertainties, rising inflation, interest rate hikes and a merger of the big banks. Nevertheless, the financial centre remains a pillar of the Swiss economy amid challenging conditions. Numerous regulatory requirements have been implemented and new ones are in the works. Despite the uncertain environment, Zürcher Kantonalbank's risk profile remained stable and there were no material changes in 2023.

Overall economy

In 2023, stubborn inflation prompted central banks to raise key interest rates more sharply and keep interest rates high for longer than planned. Measures aimed at combating inflation were slow to take effect. Since inflation in all industrialised countries was approaching the target of 2 percent towards the end of the year, most central banks in developed countries brought their cycle of interest rate hikes to a close in autumn 2023.

Robust economy

The global economy proved resilient, even despite the high interest rates. This was due in part to the energy crisis in Europe that had been averted at the start of the year. China said goodbye to its zero-Covid regime, which boosted domestic demand despite the real estate crisis. Consumers used their surplus savings from during the pandemic and stimulated consumption. Many companies were reluctant to lay off employees given the shortage of skilled labour. These factors prevented most economies from sliding into a recession. In the euro zone, consumers' loss of purchasing power and the high interest burden on private households and companies left a bigger dent, causing the region to fall into a mild recession at the end of the year. The Swiss economy proved more resilient, due in particular to the high level of immigration.

Volatile financial markets

After a positive start to the year, turbulence in the US banking sector brought an abrupt halt to the upbeat sentiment on equity markets. Several smaller US banks had to be rescued to prevent a firestorm in the financial sector. The merger of the big banks temporarily dominated the Swiss equity market.

The higher interest rate environment led to valuation losses on the bond markets. Long-term interest rates rose sharply in the US in the third quarter. In Switzerland, fluctuations in yields were less pronounced. Real estate also suffered from the sharp rise in interest rates – especially listed real estate funds in the US and the euro zone. The correction among Swiss real estate funds was not as hefty.

Switzerland as a banking centre

The Swiss financial centre makes an important contribution to the Swiss economy. Some 240 banks account for almost 5 percent of the domestic value chain. Switzerland is still the world's number one for cross-border private banking.

Turbulence on Switzerland's domestic market

Margins remain under pressure in many business areas, especially as the Swiss market is highly competitive. In the important interest operations, however, improvements were made to the negative margins in the deposit business. This is attributable to the rapid turnaround in interest rates, followed by further rate hikes by the Swiss National Bank in 2023 to combat inflation.

The merger of the big banks was a major event in the year under review and will entail major structural changes for the Swiss financial centre.

The general conditions in banking operations remain challenging. Banks have to contend with increasingly extensive national and international regulatory requirements, find the right solutions to accommodate changing client behaviour and make good use of the opportunities opened up by digitalisation.

Cost management remains one of the key strategic objectives at many banks.

Swiss banks optimistic despite uncertainties

The SNB raised the key CHF interest rate in several steps, from 1.00 to 1.75 percent, during the year under review.

The turnaround in interest rates continued as a result and helped Swiss banks put a stop to margin erosion and achieve strong growth in interest operations. So far, there have not been any major defaults in the Swiss lending business. While banks' income from the commission business stagnated, the trading result often helped to compensate for this, with the result from interest operations boosting total income sharply in some cases.

Many growth initiatives

Some areas of activity in the advisory business hold obvious potential for banks. Investment, pension and tax matters have become more complex, for example. Concerns about inflation and uncertainties are prompting a greater focus on sustainable asset protection. Against that backdrop, there is a growing need for comprehensive financial advice; banks can meet that need by offering both advisory services and corresponding products.

Digitalisation solutions

Digitalisation is leading to new fintech companies trying to gain a foothold in the market. It is also opening up numerous opportunities for established banks – in some cases through collaborative partnerships with innovative fintech start-ups. These collaborative partnerships are seen by most financial services providers in Switzerland as a key to success if they want to offer new client experiences and solid quality at reasonable costs.

Most of the institutions active in retail banking are still working on digitalisation solutions. Ultimately, however, the digital channels are more useful for maintaining the loyalty of existing clients than for acquiring new ones.

Regulation

The regulatory focus was mainly on the major trends of data management and digitalisation as well as sustainability and sustainable finance. Another topic was a review of banking legislation following the merger of the big banks. Bank-related initiatives are monitored by Zürcher Kantonalbank and proactively supported by its representatives, either directly or in trade associations.

Continued development of supervisory law

The merger between the big banks has prompted scrutiny of banking legislation. Over 60 motions were submitted to the Swiss Parliament. The Federal Council's report on systemically important banks will be published in spring 2024 and will also contain the inspection orders that the Federal Council has received from Parliament. It is still unclear as to when the report will be published by the Parliament-appointed investigation committee. In connection with the merger of the two big banks, this committee has been examining the management of the Federal Council, the Federal Administration and other federal authorities in recent years.

At the same time, the Federal Council published a dispatch on the introduction of a public liquidity backstop. This legislation is intended to enable the federal government to provide default guarantees for liquidity assistance loans from the SNB. For this, systemically important banks are to pay a lump-sum compensation, which will be calculated differently depending on the business model and risks. With respect to Zürcher Kantonalbank, the draft law calls for the cantonal state guarantee to be taken into account when calculating the lump sum.

The Basel Committee's requirements (Basel III) will be implemented through an amendment of the Liquidity Ordinance and FINMA's rules. The new rules will come into force on 1 January 2025.

The EU is modernising its trading rules (MiFID3/MiFIR 2). The Financial Market Infrastructure Act (FinMIA) is also to be updated, partly in response to this.

Data and digitalisation becoming increasingly important

As further headway is made with respect to digitalisation, the importance of data increases too. This development goes hand in hand with a growing number of statutory regulations and requirements.

The revised Data Protection Act and its ordinances came into force in the year under review, although the decision regarding EU equivalence is still pending. The dispatch on the Electronic Identity Act (e-ID) was available at the end of 2023. The creation of an e-ID is particularly important for digital business models. Furthermore, the introduction of a duty to report major cyber attacks on critical infrastructure is expected to come into force on 1 January 2025 once the provisions of the ordinance have been established.

In response to the EU AI Act, the Federal Council has promised to draw up proposals for the regulation of artificial intelligence (AI) in Switzerland by the end of 2024.

In addition, numerous regulations enacted in the EU are likely to have an impact on Switzerland, such as a new transatlantic data protection framework or regulations on markets and tax transparency for crypto assets. The fully revised FINMA Circular 2023/1 "Operational risks and resilience – banks" already reflects the EU regulation on digital operational resilience.

Sustainability

The Climate Protection Act was adopted in a referendum in the year under review. Among other things, it obliges companies to become climate-neutral by 2050.

Furthermore, the Swiss Bankers Association has defined its guidelines on ESG criteria for investment advice and portfolio management in greater detail in an effort to prevent greenwashing. Other financial associations have issued similar self-regulations. It remains to be seen whether these self-regulations will be recognised as regulations that replace laws or whether additional regulatory provisions will be issued.

The Federal Council wants to enhance the "Swiss Climate Score" in order to improve its credibility and international competitiveness.

The EU has launched numerous initiatives to establish standardised and comparable rules in the area of sustainable finance and to improve the transparency of reporting.

Under certain circumstances, these could also be applicable to Swiss companies from the financial sector and the rest of the economy with operations in the EU.

Developments at cantonal level

The Cantonal Parliament spoke out against the introduction of a salary cap for the Chief Executive Officer of Zürcher Kantonalbank during the year under review and rejected a parliamentary initiative that had called for it. During the debate, however, various parliamentary groups expressed an expectation that the bank should revise its compensation strategy. As a result, the Board of Directors accelerated a review of the compensation model that had already been in progress and made major changes with effect from 1 January 2024. (see p. 100)

Following the adoption of the OECD/G20 proposal to tax large, internationally active companies at a minimum rate of 15 percent in the federal referendum on 18 June 2023, the regulation came into force on 1 January 2024. The OECD minimum tax also affects Zürcher Kantonalbank, which will be subject to tax based on the new criteria. For state-owned organisations, income from the supplementary tax accrues to the owners. The bank and Cantonal Parliament want to amend the Zürcher Kantonalbank Act to ensure that the current distribution of profit from Zürcher Kantonalbank remains the same. The respective tax amount paid to the canton is to be taken into account when determining the amount of the distribution. The Cantonal Parliament will decide on the bill in early February 2024.

Until the end of February 2024, the Department of Finance will be consulting on a parliamentary initiative that provides for the Cantonal Parliament to approve the profit distribution in a separate vote at the request of the Board of Directors. The parliamentary initiative had the tentative support of the Cantonal Parliament in 2022.

The amended Law on Zürcher Kantonalbank entered into force on 1 January 2024 and its purpose article now enshrines sustainable development and greenhouse gas neutrality (see p. 22).

Other relevant regulatory topics

The revision of the Anti-Money Laundering Act (AMLA) came into force on 1 January 2023. Shortly thereafter, the FDF presented a new revision with the following key points: Creation of a register for beneficial owners and – for certain transactions – making lawyers and other advisors subject to AMLA obligations.

On the subject of market access, the Federal Council has published a draft negotiating mandate with the EU that also covers the financial sector. At the same time, Switzerland and the United Kingdom (UK) have signed an agreement on the mutual recognition of financial services.

Risk assessment

The Board of Directors' risk management tasks

Risk management is practised at every level within the bank. The Board of Directors is responsible for managing overall risks: It approves the principles for risk management and compliance, the Code of Conduct, the framework for group-wide risk management and the risk policy requirements at group level. The Board of Directors is responsible for assuring a suitable risk and control environment within the group and arranges for an effective internal control system (ICS). It also approves transactions involving major financial exposure.

Ongoing risk monitoring

Zürcher Kantonalbank fosters a risk culture that is geared towards responsible behaviour. This includes the ongoing monitoring of risks in all dimensions. The risk organisation provides the Board of Directors and the Executive Board with comprehensive reports on a quarterly basis on the development and profile of credit, market and liquidity risks, as well as compliance risks and reputational risks.

Credit risks

Both the turnaround in interest rates and the reorganisation of the Swiss banking landscape with the merger of the big banks represent risks as well as opportunities for Zürcher Kantonalbank. The bank has emerged from these changes unscathed and with greater earnings power. The risk profile remains stable and, as at the reporting date, essentially unchanged over the previous year.

The corporate loan portfolio continues to be robust in terms of default risks and has grown slightly. The globally sluggish economic momentum, however, is also weighing on the Swiss economy and posing challenges for companies. Nevertheless, the regular assessment of all major unsecured balance sheet exposures has not yet revealed any extraordinary risks. Greater uncertainties related to the geopolitical situation and the subdued economic outlook mean that a scenario with an increasing need for value adjustments cannot be ruled out in the medium term, particularly in the SME portfolio.

The mortgage portfolio of Zürcher Kantonalbank grew by a total of 4.2 percent. Risk management employs suitable measures in mortgage lending to ensure that portfolio growth has a balanced risk profile.

Zurich real estate market

Residential property prices in the Canton of Zurich continued to rise, even despite the end of negative interest rates. Compared with the previous year, however, when residential property prices rose by 5.4 percent, price growth has cooled down noticeably to 3.7 percent. In the third quarter, years-long price increases even came to a complete halt with a timid decline of 0.1 percent. The surprisingly strong increase of 1.6 percent in the fourth quarter, however, indicates that demand for owner-occupied homes was revived by declining interest costs for fixed-rate mortgages. A similar trend can also be seen in the number of transactions. Significantly fewer transactions for residential properties were concluded in the first half of the year and the number of sales requiring a second attempt was on the rise. During the second half of the year, however, the number of arm's-length transactions recovered again and the market for owner-occupied homes remains liquid. There are still signs of excess demand that support the price trend and transactions. The reasons for this are complex. First, home ownership is not motivated by financial factors alone. Security, creative freedom and even prestige are important considerations too. Second, finding the right rental apartment is also becoming increasingly difficult. The drop in construction activity in recent years coupled with a high level of net immigration has resulted in a sharp decline in the number of vacant apartments available for rent. Growing scarcity on the rental housing market is having repercussions on the market for owner-occupied homes. The difficulties in finding a suitable rental apartment indirectly support demand for residential property. That means the residential property market remains in a stable condition.

Market and liquidity risks

In the wake of financial market turbulence in March, which culminated in the merger of the big banks, sharp increases were seen at times not only in interest rate and equity volatilities, but also the value at risk (VaR) of the trading position. The key figure, however, already shifted back to its usual range by mid-April and at year-end was at a similar level to the year-end figure of the previous year. The low risk profile reflects the trading strategy of focusing on client business.

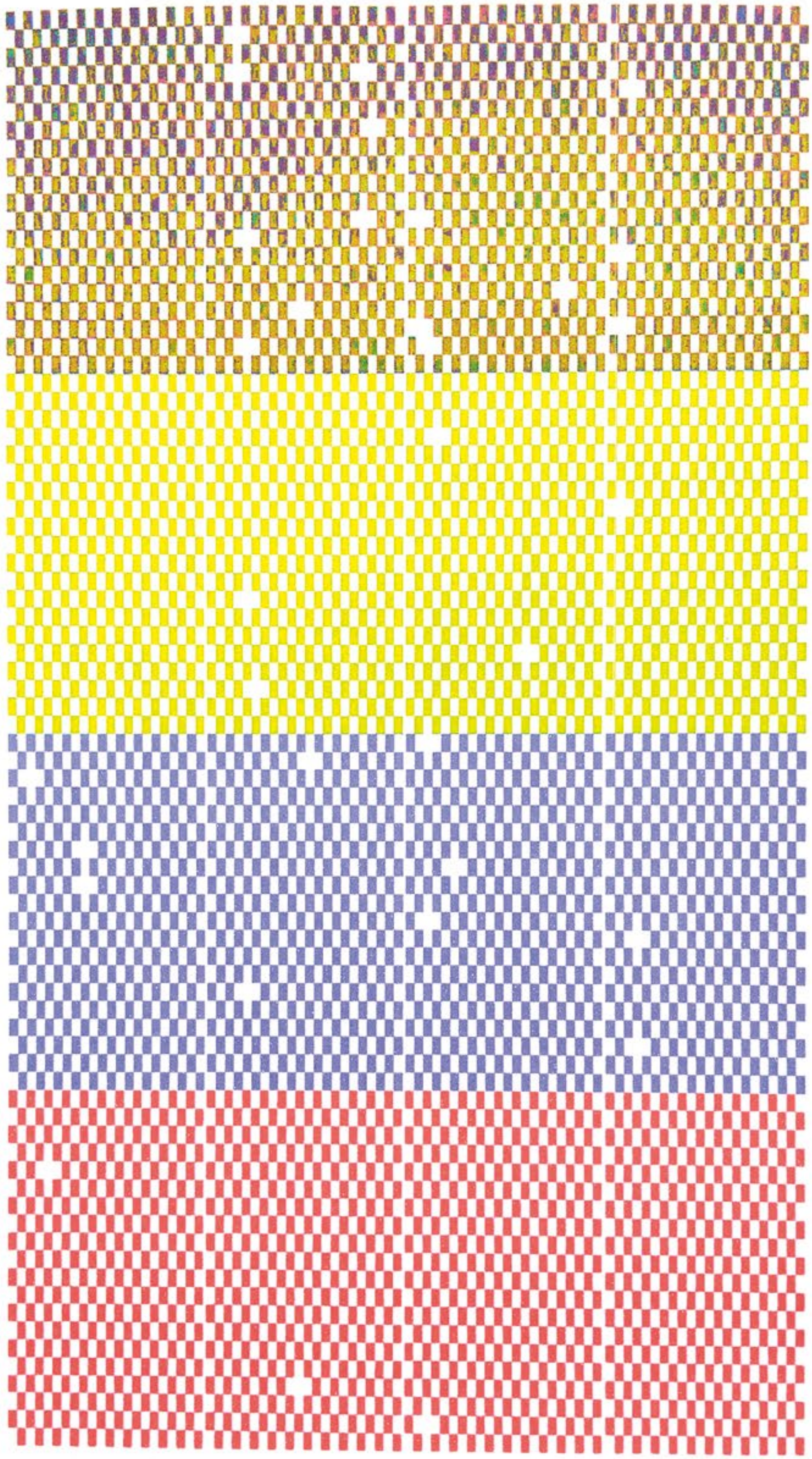
The key figures for liquidity risk bear witness to the very solid liquidity situation at Zürcher Kantonalbank. As a systemically important institution, higher liquidity coverage ratio (LCR) requirements have applied to Zürcher Kantonalbank since 2021, which were comfortably met at all times in 2023. The requirements for the structural funding ratio (NSFR) have also been met with a comfortable reserve.

Operational and compliance risks

The bank's risk profile for operational risks has not changed fundamentally. Process and cyber risks continue to be the areas with the most significant residual risks, which means that managing these risks remains a high priority. Internal planning ensures that the necessary resources are allocated accordingly.

The compliance risk profile remained stable overall. The implementation of the evolving regulatory framework, particularly regarding investor protection, data protection and the fight against money laundering, continues to require the deployment of substantial resources.

Further information on risk management and the risk profile is available in the Risk Report (Note I in the Financial Report).



Banking services for individuals and companies

Management Report

In a challenging market environment, we delivered a strong performance in all business areas thanks to the fact that our organisation is systematically aligned with clients' needs. Continuous further development of both our physical and digital sales channels ensures that our clients enjoy an excellent client experience.

Modernisation of all locations by 2030

Client proximity

We ensure physical proximity to our clients every single day, whether it be during personal advisory consultations or during interactions at our locations. To that end we maintained 51 branches in the Canton of Zurich as at the end of 2023. With our branches, ATMs and other locations, we operate the densest network in the Canton of Zurich.

We create additional proximity with a variety of cutting-edge digital self-service options. We are constantly developing services that are provided via mobile channels in particular, as they are becoming increasingly important. As a result, clients can carry out their banking activities regardless of the time or location via the ZKB eBanking and ZKB Mobile Banking services.

We are of the opinion that security, user-friendliness and service quality are of the utmost importance, which is why we continuously review and optimise our processes.

In view of changing client needs in terms of being able to conduct everyday banking transactions anywhere and at any time as well as the simultaneous upgrading of digital channels, we invest substantially in our eBanking, Mobile Banking and cashless payment solutions. We are constantly adapting the digital services and functionalities we offer for banking transactions to meet our clients' needs and adding new, cutting-edge functions.

6.5

million logins per month in ZKB Mobile Banking

High client loyalty

Client satisfaction survey: Our client loyalty remains consistently high

Our clients give us feedback on the performance of Zürcher Kantonalbank as part of the client satisfaction survey conducted every two years. Conducted by an external organisation, the survey focuses on client loyalty and satisfaction with respect to various aspects of the client relationship.

The survey was last conducted in 2022. The results showed that client loyalty remained consistently high in all three business units – Private Banking, Corporate Clients and Direct Banking – compared with the 2020 survey.

The next survey is scheduled for 2024.

Modernisation of all branches in the Canton of Zurich

Zürcher Kantonalbank also relies on its local presence in the long term. We therefore announced in the year under review that we would be investing substantially in the densest network of locations in the Canton of Zurich. By 2030, all of the branches are to be remodelled in line with a new location concept and boast a more modern, standardised client and brand experience across all channels.

The branches will focus on personal advice and providing support for important life or corporate events. As more and more day-to-day transactions are being taken care of digitally, branch employees provide clients with assistance for self-service channels on site and help them venture into the digital world.

The insights and client feedback from the two pilot projects at the Stettbach and Winterthur locations have been incorporated into the new location concept.

Another increase in cashless transactions

2023 saw a continuation of the trend towards cashless payments.

Cash services in the client lobbies declined by 20 percent in the year under review. Cash withdrawals at our ATMs decreased by 7 percent. By contrast, cashless transactions (ZKB Visa debit card, credit card or TWINT) increased by 18 percent. In payment transactions, there was a further shift from physical payment orders (Quickpay) to electronic payments (eBanking, Mobile Banking, eBill, LSV).

ZKB Mobile Banking is the most frequently used channel among private individuals

With 6.5 million logins per month, Mobile Banking has become the primary channel for retail clients. Use of our ZKB Mobile Banking channel is growing strongly and has surpassed that of eBanking. The number of clients who use only Mobile Banking (mobile-only users) is also growing strongly.

In keeping with our goal of offering all everyday banking transactions in Mobile Banking, in 2023 we also launched expansions and improvements to the user guidance and in the areas of payment transactions, stock exchange transactions and appointment scheduling.

Our mobile applications ZKB Mobile Banking, ZKB Twint and Access App are rated as very good. A nationwide comparison with apps from other financial services providers has revealed us as the leader.

On the topic of open banking, Zürcher Kantonalbank supports the retail multibanking project.

Further development in the areas of digitisation and innovation

Every business unit within Zürcher Kantonalbank is working on new solutions. We foster a corporate culture that supports not only ongoing but also transformative innovation at every level.

We develop products, services and business models for every client segment in the bank based on our bank's strategy. Throughout the bank, we ensure that important market developments and future trends are incorporated into the different strategies of the business areas at an early stage. We use a variety of future scenarios to work on expansions, updates and transformations from the client's perspective. The close exchange with specialised companies, academic research partners as well as innovative start-ups ensures that the latest market developments are incorporated into future solutions. Promising ideas are broken down into concrete steps, and various offers are tested with clients directly. As a result, several innovations contributed to the bank's success in the past financial year.

Zürcher Kantonalbank develops and operates our bank's applications and systems in the centre of Zurich – something we are proud of. Because it keeps us close to our users, which lets us run our IT both efficiently and effectively.

Building on stable, simple and secure services, we are focusing on important forward-looking investments for the next few years, including the cloud and information management, the implementation of our cyber security roadmap and support for our business portfolios. We use automation and standardisation as ways to increase our impact on behalf of the bank, and we use systematic performance management to steer our developments based on facts.

Here, our employees are our greatest asset. Which is why we make long-term investments in our IT engineering culture as well as in the skills and competencies of our employees.

Opening client relationships online

We reached an important milestone in our digital services in the year under review and now offer new private clients the option of opening their banking relationship with us online. New client identification, verification and the opening of the client's desired banking products – it is all done digitally using a biometric ID and a smartphone. They no longer need to visit a branch. The next step will be to introduce digital contract signing, which will round out the digitalisation of the entire process. Contracts are currently still being sent by post. The ability to digitally open new client relationships is also to be extended to other client segments.

Software and banking interfaces expanded for open banking

The applications for open banking and open finance interfaces were expanded in the year under review.

The new multibanking service also enables corporate and commercial clients to link their accounts to a few third-party banks in ZKB eBanking. This gives them a cross-bank overview of their assets and simplifies their cash management as a result. The bank is currently working to link additional third-party banks.

The digital interface for external asset managers and custody clients was also expanded. This is partly due to the large growth in the number of members of the "Open-Wealth Association".

Pilot phase for wooden credit card

The year under review saw us launch the pilot phase of a wooden payment card with selected participants. Apart from the payment technology (chip, magnetic strip, antenna), this alternative to a plastic card is made of 98 percent wood, paper and a biodegradable adhesive. Swiss Wood Solutions, a spin-off of ETH Zurich and EMPA, has developed an innovative method for processing wood for the cards and applied for a patent. Only maple and paper from certified forests are used.

Leading role in bond settled with central bank digital currency in a wholesale CBDC transaction

Zürcher Kantonalbank successfully issued as joint lead manager the Canton of Zurich's first digital bond settled with a central bank digital currency on the regulated platform of the SIX Digital Exchange (SDX). This transaction also represents the first syndicated Swiss franc bond settled using a central bank digital currency as part of the Swiss National Bank's Helvetia III pilot project. It is also one of the first issues of its kind worldwide.

Settling digital bonds against central bank digital currency is groundbreaking. The Swiss financial centre is at the vanguard in this technological development. With its long-standing expertise in the capital market, Zürcher Kantonalbank has always played a pivotal role in shaping financial innovations.

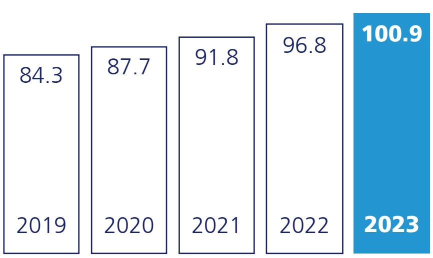
50 %

market penetration

740,000 active individual clients

Mortgage loans (in CHF billion)

101 billion in mortgage loans



95,000

frankly users with CHF 2.5 billion in pension assets

Individual clients

As a financial partner in touch with the realities of life, we support and advise our clients during major life events. When it comes to important financial events and decisions, such as starting a family, buying residential property, retirement and inheritances, our client advisors are personally available as competent partners. They stand at the ready to develop, in a timely manner, comprehensive solutions for investments, financing and taxes, as well as for retirement and succession planning. Additional specialists may also be consulted, depending on the complexity of the matter. We provide comprehensive solutions to meet individual requirements and are at our clients' side at every stage of their lives to ensure they can make the right financial decisions for the long term.

Our direct bank provides advice and support for our clients' day-to-day banking transactions while simultaneously serving as the central processing centre for Zürcher Kantonalbank. Our wide range of services includes the execution of our daily business activities, business openings and closings, maintenance of master data, availability and deputisation management as well as services related to complex needs in connection with estates and guardianships. This also includes our phone-based customer services, which recorded around 930,000 incoming calls in 2023 (2022: 1,171,000).

At the end of 2023, we had active relationships with around 740,000 individual clients in our core individual client segments (2022: 710,000).

Launch of ZKB Banking: Now no annual fees on debit cards and private accounts

Zürcher Kantonalbank announced during the year under review that it would eliminate annual fees for private accounts in CHF and for debit cards for retail clients as of 1 January 2024.

Zürcher Kantonalbank has led the way with its new ZKB Banking service and is the first major Swiss bank to offer free everyday banking for all retail clients – regardless of their assets or digital affinity: The offer includes per person up to two ZKB Visa debit cards, three private accounts in CHF as well as savings accounts, eBanking, Mobile Banking and TWINT.

Existing clients began to reap the benefits of this automatically starting on 1 January 2024. Since then, the possibility of opening new accounts digitally has enabled new clients from all over Switzerland to use the new ZKB Banking service.

ZKB Banking combines the advantages of a free, purely digital neobank with the security and added value of a traditional bank that offers high service quality and personalised advice for everyday banking transactions via digital channels – and also has a presence in the Canton of Zurich through its 51 branches. Clients have access to products and services from one of the safest universal banks in the world – with personalised advice and service from specialised experts by phone, video or on site at the branches in the Canton of Zurich.

Zürcher Kantonalbank's goal is for clients to be able to carry out all their day-to-day transactions through a hybrid offering – meaning either digitally or physically – by 2025. ZKB Banking is an important milestone on this path.

Interest rates raised on savings and retirement accounts

Zürcher Kantonalbank raised its interest rates on savings and retirement accounts several times during the year under review. The bank offers its clients attractive interest rates with the highest possible security and excellent service. Not only that, the bank also offers products such as cash bonds that earn interest at higher rates than savings accounts.

Investments: Growth in the number of mandates and positive performance in wealth management

⟵Standardised wealth management in Sustainability Report 2023: p. 53

Investing unneeded liquidity on the investment markets makes sense, even after the turnaround in interest rates. Following a suitable investment strategy when investing savings is becoming increasingly important, particularly with regard to long-term asset protection and asset growth. We help our clients define their investment strategy based on their financial situation, their risk appetite, their investment horizon and their investment objective. Together we determine the most suitable investment solution for their individual needs – ZKB Discretionary Mandate or ZKB Portfolio Consulting. This gives clients access to the expertise of the Chief Investment Officer (CIO) and the numerous investment experts at Investment Solutions.

In ZKB Discretionary Mandate, clients delegate the investment decision to us. We ensure that the assets are always invested in line with the agreed investment strategy.

In ZKB Portfolio Consulting, we help our clients make investment decisions by providing them with personalised investment proposals tailored to their investment strategy. Furthermore, we continuously monitor the portfolio and inform them immediately if the portfolio's risk deviates from the range defined in the risk / return profile.

We recorded further growth in the number of wealth management mandates, while the number of advisory mandates stagnated.

The challenging 2023 investment year saw central banks focused on combating inflation. The resulting higher interest rates made bonds more attractive again compared to equities, whose prices recovered strongly towards the end of the year. The performance of all investment strategies used by ZKB Discretionary Mandate was positive as at the end of the year under review. In a peer comparison of the ARC Private Client Indices provided by ARC Research, which we have been tracking since the beginning of 2018, we are still clearly outperforming our competitors.

Additional advisory service launched in private pensions

We not only offer support on the topics of wealth building and financing, but also consider the guidance we provide on the topic of retirement planning as being a pivotal part of the advisory services we perform for our clients to ensure their financial well-being. This includes financial planning for the period following retirement, passing assets on to the next generation and protecting clients against risk.

Our goal – across all retirement-related topics – is to offer free advice provided by personal relationship managers, expert advice subject to a fee as well as self-service solutions. Once an advisory session has taken place, support is then provided via eBanking.

We introduced a new advisory service related to risk provision during the year under review. This new service is aimed at private individuals, especially (young) homeowners.

Our relationship managers analyse a client's financial situation in the event that they become incapable of working as a result of death or disability and point out gaps in cover as well as retirement planning solutions for situations like these. Advice on risk provision rounds off the range of free retirement advice provided by our relationship managers in the branches. We have already launched offers relating to retirement and estate planning in recent years.

Raising awareness of retirement planning

In collaboration with TeleZüri, the regional television station, a new television format was created in the year under review that aims to sensitise the population to various retirement-related topics. The new show presents complex retirement-related topics briefly and concisely on the screen. Zürcher Kantonalbank's experts use concrete examples to explain matters related to money and retirement planning in a way that can be understood by a broad public. This approach provides a simple starting point for everyone to address their financial matters in good time to safeguard themselves and their loved ones for the future.

⟵Access to financial knowledge in the Sustainability Report 2023: p. 60 ff.

Growth and product expansion at frankly

frankly, the digital pension solution developed by Zürcher Kantonalbank, recorded strong growth again in 2023. frankly had more than 95,000 clients and over CHF 2.5 billion in assets by the end of the year under review (2022: 72,000 clients with assets of over CHF 1.5 billion).

We also expanded our offering so that pillar 2 vested benefits assets can now also be managed in frankly and invested in securities in addition to pillar 3 assets. The offer is aimed primarily at people over the age of 50 who are resident in Switzerland, and the same all-in fee applies as for pillar 3a.

An option was also created that allows people to save pension assets in frankly in cash without any all-in fee while enjoying a preferential interest rate. Previously, only investment strategies had been offered.

Furthermore, an online version was added to create an additional distribution channel for computer and tablet use. frankly had previously been offered only as an app. With this, we have granted a wish frequently expressed by our clients and opened up the possibility of tapping into additional target groups.

The range of investment products was also expanded in November to include sustainable portfolios that follow our strictly sustainable approach.

Strongly positioned in the mortgage business

Zürcher Kantonalbank is the market leader for real estate financing in the Canton of Zurich. Competition in the market environment remained intense. Compared with recent years, one thing that stood out was the swift inflation-related increase in interest rates (see p. 34). We continue to attach great importance to the quality of our loans and embrace a credit policy that is geared towards continuity.

Our mortgage loans increased by CHF 4.0 billion to CHF 100.9 billion in the year under review, thereby exceeding the CHF 100 billion mark for the first time. This corresponds to an increase of 4.2 percent, whereas the market as a whole (only banks, excluding mortgage investment companies and insurers) grew by 2.5 percent. At the end of the year under review, ZKB rollover mortgages based on SARON accounted for 23 percent of the mortgage portfolio (2022: 18 percent). The share of fixed-rate mortgages (including ZKB starter mortgages and ZKB environmental loans) in the total mortgage portfolio was 77 percent at the end of the year.

⟵Real estate financing in the Sustainability Report: p. 44 ff., 65 f.

Home ownership guaranteed in the third phase of life

Many people approaching retirement worry about their mortgage solution because their post-retirement income usually declines. Since Zürcher Kantonalbank stands by its clients for life, conveying a sense of security and appreciation is a priority of the customer services provided at Zürcher Kantonalbank. Accordingly, Zürcher Kantonalbank not only continues to maintain the mortgages in its clients' third phase of life, but also increases them if necessary – even if a client's income decreases. Clients who have always met their mortgage obligations and whose mortgage does not exceed two-thirds of the value of their property will also receive this promise in writing.

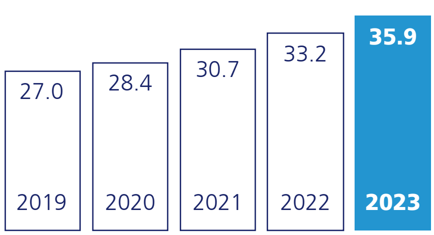
50 %

market penetration

72,000 active clients

Credit exposure to companies (in CHF billion)

CHF 36 billion in credit exposure



New companies in traditional sectors

CHF 15.8 million for 46 start-ups and scale-ups

More than CHF 230 million for over 280 start-ups and scale-ups since 2005

SMEs

Our employees assist companies through every phase of the business life cycle and provide them with the support they need to overcome the financial challenges they face - from the company's foundation to succession planning.

Our direct bank advises commercial clients on all aspects of day-to-day business and stands by this client segment on matters related to payment transactions, financing, investments and retirement planning.

As a universal bank, we offer companies the full range of services – even in around 100 countries through our correspondent banks if needed. Our specialised corporate client advisors act as personal contacts for our business and corporate clients for all financial matters, dealing with their specific and complex needs.

As set out in the bank's statutory public service mandate, we place a great deal of emphasis on our commitment to small and medium-sized enterprises (SMEs). Thanks to our consistent lending policy, we make a significant contribution to the functioning of the economy by supplying credit to SMEs in the Canton of Zurich as well as to medium-sized and large companies throughout Switzerland.

Bank for SMEs in the Greater Zurich Area

At the end of 2023, we had active relationships with around 72,000 companies in the core SME segments (2022: 70,000). That means we have a market penetration rate of around 50 percent in the Canton of Zurich.

Our credit exposure to companies increased to CHF 35.9 billion in the year under review, an 8.1 percent increase year over year.

⟵ Corporate financing in Sustainability Report 2023: p. 45 ff., 64 ff.

We see growth opportunities in expanding our business with existing clients or through new client acquisition. Occupational pensions also play a very important role, both from a company perspective and for the individual entrepreneur.

Coronavirus loans continue to be repaid

Covid-19 emergency loans in the year under review amounted to CHF 278 million. Of this amount, CHF 236 million were Covid-19 loans and CHF 42 million were

Covid-19 plus loans from the federal programme. After peaking at CHF 1 billion in 2020, 72 percent (or CHF 718 million) of the loans had been repaid by the end of 2023. Loans from the cantonal programme came to a total of CHF 23 million. CHF 1 million of this amount related to loans that Zürcher Kantonalbank granted at its own risk. Loans granted to start-ups amounted to CHF 5 million. SMEs seeking capital continue to receive prudent support from Zürcher Kantonalbank through its ordinary range of financing offers.

ZH SME: Innovative answers to the staff shortage

With its ZH SME Initiative, the bank makes a contribution towards the ongoing and sustainable success of SMEs. To that end, it has commissioned the Zurich University of Applied Sciences (ZHAW) to conduct an annual study on SMEs.

Zürcher Kantonalbank publishes the findings, collaborates with experts to take a more detailed look at one of the SME-relevant topics and develops some potential solutions.

Topic of the year in 2023 went to the shortage of trained specialists at SMEs. In the ZH SME practical seminar entitled "Employer attractiveness as a success factor", Zürcher Kantonalbank conducted four one-day sessions covering concrete solutions for employer branding, recruitment and relationship management. ZH SME also brought together givers and seekers of advice – free of charge – under the title of "From SME to SME". The platform promotes dialogue with and between entrepreneurs.

Advisory service for the transition to a sustainable economy

Zürcher Kantonalbank aims to guide SMEs towards a sustainable and successful future with its new advisory service. They are coming under pressure not just as a result of legal requirements, but also due to the goals set by large companies. Some of those large companies have their suppliers, including many SMEs, commit to gradually reducing their environmental impact. Higher raw material and energy prices as well as clients' and employees' expectations are another source of pressure.

This new service combines engineering and financing expertise and provides our clients with advisors from the Reffnet network of experts, a nationwide network accredited by the Swiss federal government that provides consultations on resource efficiency and energy.

The test phase was successfully completed during the year under review. Clients from various sectors had an opportunity to make use of this service and their feedback has been positive. When working with these clients, we discovered that sustainability is embedded in their companies to different degrees. Our clients have confirmed that the advisory service was beneficial and offers added value. That makes us confident about the 2024 launch for all our SME clients.

Start-up services in demand

New companies in traditional sectors, such as a painting business or a medical practice, are part of the regular financing business of Zürcher Kantonalbank. In 2023, Zürcher Kantonalbank provided CHF 27.6 million in funding for traditional company start-ups. On top of that, we also provide financing for innovative start-ups.

In order to help people start up their own companies, we make ongoing improvements to the services and support we offer. Zürcher Kantonalbank's offering comprises advisory services and ongoing client support. We collaborate with prominent start-up services that handle the formalities that come with company start-ups.

The bank also works closely with the "GO! Ziel selbststandig" association, helping people to become freelance entrepreneurs with microloans.

Start-ups and Pioneer portfolio

⟵Start-up commitment in the Sustainability Report 2023 p. 66

Zürcher Kantonalbank is one of the largest investors in start-ups in Switzerland. A total of CHF 15.8 million in risk capital financing was approved for 46 promising start-ups and scale-ups in 2023. Through the Pioneer programme, around CHF 230 million in support has flowed to more than 280 innovative young companies since 2005.

Several of our portfolio start-ups successfully exited the programme during the year under review, including Avrios, Metaco and Lunaphore.

Support for generational changes

Thousands of Zurich-based SMEs need to work out their succession plans and require both specialist and financial support during this phase. Our priority is to ensure that the generational change at SMEs is a success, as it is also important to the economy. Interested parties can take their first steps digitally (zkb.ch/nachfolgecheck, only available in German). We enable a simple assessment of the current situation, offer customised solutions or individual project support on matters relating to succession planning.

In the year under review, we provided personal support to companies through over 120 advisory mandates and over 50 acquisition loans (totalling more than CHF 130 million) to help ensure that the generational change proceeds smoothly.

Demand for microloans remains steady

Microbusinesses and small enterprises make an important contribution to the vibrant Zurich economy. We therefore ensure that these companies have access to professional advice and a wide range of services with fair conditions. Zürcher Kantonalbank granted more than 3,000 non-cost-covering microloans of less than CHF 200,000 to SMEs in the year under review.

Leasing as a liquidity-preserving form of financing

Capital goods leasing is becoming increasingly important. For SMEs and the agriculture sector in particular, this represents a liquidity-preserving alternative to a traditional investment loan. Zürcher Kantonalbank is a major provider of capital goods leases throughout Switzerland. Our leasing calculator (zkb.ch/leasingrechner, only available in German) makes the initial contact even easier. Overall, around 3,300 lease agreements were concluded with a volume of around CHF 363 million. The portfolio at the end of 2023 contained more than 13,000 contracts with a volume of around CHF 762 million. The joint distribution network with other cantonal banks continues to prove successful.

1,200

relationships with foreign banks

for internationally oriented companies in the Greater Zurich Area

10

billion Swiss francs in syndicated loans

with Zürcher Kantonalbank as lead bank.

Partner for financial services providers in Switzerland

Specialised segments

In our capacity as a universal bank, we also meet the needs of large Swiss corporations with international operations, key clients, foundations, trading companies, large international organisations and financial services providers, such as banks, insurance companies, pension funds, asset managers, external asset managers, investment funds and brokers. By being active in this wide range of specialised segments, we diversify our income, spread our risks and provide a broad basis for the business of the bank as a whole. In doing so, we also take the international orientation of the Greater Zurich Area into account.

Meeting complex requirements of large corporations and insurance companies

In times of increasing regulatory requirements, we see it as our task to provide services to our clients in a secure, simple and efficient manner, and to meet the increasing complexity of client demand with professional and effective solutions. We support our clients as a reliable partner not only with financing via loans or the extremely strong Swiss capital market, but also with trade and export finance business, securities and foreign exchange trading, payment transactions, as well as custody and asset management.

Regardless of the economic situation and market trends, we stand for continuity and consistency, which we confirmed again in 2023. Following the merger of the big Swiss banks, large companies are faced with the question of who to select as their strategic banking partners. We are increasingly shifting into the spotlight as the only universal bank in Switzerland apart from the remaining major bank; with a predictable lending policy, we are and will remain a reliable and solution-oriented partner.

Leading role in syndicated loans

We use syndicated loans to satisfy large-volume financing requirements of CHF 50 million or more. In our role as lead bank, we bundle the financing power of the Swiss cantonal and regional banks as well as other national and selected foreign banks. As the new number two on the national syndicated loan market, we want to continue to grow while adhering to our proven risk policy. Our many years of experience, our excellent banking network and our strong financing power make us a highly valued and reliable partner for syndicated loans.

In our capacity as lead bank, we had a portfolio of syndicated loans totalling around CHF 10 billion at the end of 2023.

Expertise in pension fund business

The consolidation of Swiss pension funds is progressing steadily and, in our view, will continue to accelerate against the backdrop of increased requirements (regulation, integration of sustainability, efficiency, performance). The demands placed on the management of pension funds and asset management continue to grow as a result. As one of the leading banks in this segment and the third-largest asset manager in Switzerland, we advise pension funds and provide them with comprehensive support in the form of investment, custody and trading services as well as payment transactions.

We offer training for members of boards of trustees and organise annual professional and networking events like the Pension Fund Day, which serves as a platform for pension fund representatives. In addition, we publish the Swiss Pension Fund Study every year under the brand Swisscanto by Zürcher Kantonalbank. This representative study has been published for more than 20 years and fulfils an important social function by presenting findings on the general state of pension plans in this country. Both the professional events and the Swiss Pension Fund Study are recognised throughout the industry and underline the competence of Zürcher Kantonalbank.

Internationally networked for local clients

In today's globally networked economy, we offer our clients access to banking services worldwide. Foreign trade plays an especially important role both for Switzerland and for the companies in the Canton of Zurich. Having a broad range of payment and performance insurance products in the area of trade and export finance is crucial for enabling clients to conduct their internationally oriented business transactions safely and successfully.

To that end, we cultivate international banking relationships in around 100 countries, meaning we are in charge of a high-calibre network of correspondent banks. Through our representative offices in Brazil, China, India and Singapore, we are also able to draw on local knowledge to support our Swiss-domiciled clients in their most important export markets in East Asia, the Indian subcontinent, South and Central America.

Here, some of the factors our clients appreciate include short decision-making paths and quick decisions. With our modernised foreign trade and export financing software, we continue to provide a wide range of services and even more efficient transaction processing to those of our clients and partners in the financial industry that are involved in foreign trade. We are also adding new functionalities on the electronic channels to strengthen client loyalty.

We maintain a strong network of cash correspondents and custodians geared to the needs of our clients; this network serves as a basis for the flawless, efficient processing of clients' international payment transactions as well as for the trading business and asset management. Zürcher Kantonalbank provides its clients with access to 55 investment markets and 30 currencies through its global network. At the same time, we grant banks with global operations access to international payment transactions in Swiss francs, thereby supporting the global business activities of our clients in the process.

We consider the selection and ongoing monitoring of our business relationships to be of paramount importance. To that end, Zürcher Kantonalbank focuses on continuously strengthening its due diligence and know-your-client (KYC) processes as well as its transaction monitoring measures, which comply strictly with national and international regulations and recommendations and exceed them in certain subject areas.

Solutions for financial services providers in Switzerland

Cooperation with other financial services providers in Switzerland has been a core strategic business area of Zürcher Kantonalbank for many years. As a nationally significant universal bank with roots in the local area and an outstanding credit rating, we are the natural partner for many third-party institutions.

The services we provide include solutions in all our core businesses. These include investment and asset management business, trading and capital market services, and financing.

Structural change in the financial sector and technological advancements continue unabated. They pose complex challenges for small and medium-sized banks in particular. There is a growing need for strategic collaboration through the targeted procurement of products and services from provider banks like Zürcher Kantonalbank, particularly in the areas of asset management, investment advice, custody and trading. The partner banks benefit from our bank's expertise and innovativeness.

2023 also saw us expand our collaborative partnerships in the investment business, for example in the areas of investment solutions and research. Over and over again, our leading position in the area of sustainability has been a criterion in our favour and served as a unique selling point, with the launch of expanded ESG-related research being just one example of this. Our services are based on proven processes that are also used successfully by our own clients every day. This expertise enables us to respond to the individual needs of our partners in a targeted manner.

Ideally positioned among key clients

For more ten years, we have been conducting business with the wealthiest client segment among private individuals and their family offices in the Key Clients division of the Private Banking business unit.

Combining the strengths of a universal bank with the highly customised customer service of extremely skilled relationship managers with excellent internal and external networks is proving to be a recipe for success.

This approach allows us to generate tangible strategic added value for clients in the relevant segment: from governance to the structuring of total assets to individual implementation. The excellent performance seen in the year under review once again shows that this approach is paying off. Zürcher Kantonalbank provides support to prominent clients on challenging financial matters. Accordingly, this segment contributes significantly to the growth of assets under management.

Expansion of support for foundations and non-profit organisations

When it comes to implementing not-for-profit ideas and projects, non-profit organisations (NPO) play an important role in Switzerland. The foundation and NPO client segment has become an important business area in recent years. This sector has become more professional over time and is increasingly dependent on external support. Here, Zürcher Kantonalbank positions itself as an excellent banking partner, including in the area of tailored sustainable investment solutions and for a wide range of financing needs. The offer is aimed at NPOs of all kinds – from extremely large, complex foundations to charitable organisations. The year under review already saw the bank advise more than 1,600 organisations.

The ZKB Foundation Dialogue series of events has become just as well established as our involvement as the main shareholder in the leading digital philanthropy platform StiftungSchweiz (stiftungschweiz.ch). Through this commitment, the bank makes a major contribution towards digitalising and increasing the efficiency of the entire philanthropic sector in Switzerland.

Reliability for external asset managers – now and in the future

The traditional market with external asset managers in Switzerland plays an important role for Zürcher Kantonalbank. Thanks to our positioning as a reliable partner for external asset managers, we were once again able to build on the positive developments of recent years and gain further market share. Our very specific expertise, many years of experience and high level of client focus remain central to the bank's continued long-term success. This success is based on the trust that clients place in Zürcher Kantonalbank. We strengthen this trust through the professional and personal support provided by our asset managers, state-of-the-art digital services as well as our employees' solid, first-class expertise in the investment business.

In the year under review, we launched a new online user interface for external asset managers that not only lets them display and analyse portfolio data but also enter and monitor orders. With these functionalities, it can be used at both the individual and multi-client level. This offering gives our clients a tool that efficiently helps them manage client portfolios and optimise the client experience.

Private Banking International – a leader for Swiss citizens living abroad

The Private Banking International division served for the first time more than 4,000 Swiss citizens living in countries around the world during the year under review. We have a dedicated team of around 100 experts available to support our international clients and our Swiss clients living abroad.

Currently, around 30,000 Swiss citizens move abroad every year. And that trend is rising. The bank has a comprehensive offering that meets their need for a long-term, reliable partner capable of handling their financial affairs. As the leading financial institution for Swiss citizens abroad, Zürcher Kantonalbank makes it possible for all Swiss citizens who move abroad to remain or become clients of the bank.

In addition, Zürcher Kantonalbank has fulfilled all the requirements to actively engage in cross-border marketing in Germany since 2023. Around a dozen events were held throughout Germany during the year under review.

Leading provider of sell-side research

134

bond issues

worth CHF 25 billion and 20 equity market transactions as lead manager

246

billion Swiss francs in assets under management at ZKB Asset Management

Producers

Growth in custody

Custody and asset services are important basic services for our institutional investors. These include custodian and administrative services, securities accounting, performance reporting, independent ESG reporting and investment compliance services, as well as custodian bank services for investment funds. We also satisfy growing demand for front- and mid-office support, such as the automated delivery of transaction, position and price data into asset managers' systems or the timely transmission of settlement instructions.

Our focus is on the digitalisation of business services, i.e. the development of APIs for connecting third-party systems as well as the enhancement of user interfaces on the web. Zürcher Kantonalbank is a founding member of the Open Wealth Association, which aims to define and operationalise an Open API standard for the global wealth management community. The agreed standard will be implemented via bidirectional interfaces such as bLink, the open finance platform operated by SIX. Zürcher Kantonalbank also offers a new platform solution that provides institutional clients and asset managers with enhanced digital access to their assets, giving them more efficient, comprehensive tools for managing and controlling those assets.

Efforts to develop new, innovative solutions – often in close cooperation with our clients – as well as our broad range of services enabled us to once again achieve very good growth in new assets as well as in custody and custodian bank clients in a saturated market.

Leading provider of research on Swiss companies

Zürcher Kantonalbank's research covers more than 180 public companies, real estate funds and investment foundations nationwide, as well as an equal number of bond issuers – more than any other institution in Switzerland. That means our 28 analysts make up the most important research team in the country. Thanks to its broad coverage and close contact with companies, our team of experts has in-depth knowledge of the Swiss market and publishes research with insights that create added value. What's more, our ratings are essential for a large proportion of the issuers in the Swiss Bond Index (SBI). Our share recommendations outperformed their respective benchmarks again this year.

Further expansion of our sustainability research

We published a record number of comprehensive studies and reports in 2023 that comprised 40 company studies and over 20 “ESG Insights” reports. We also published the “ESG Compass Equities 2023” report, in which we once again analysed 141 equities (98 percent of the market capitalisation of the Swiss Performance Index) to offer our clients a sound assessment of the sustainability of Swiss equities.

The second edition of the “ESG Compass Equities” report shows that 57 percent of the companies analysed have already published targets for achieving net-zero emissions. This figure had been at 46 percent in the previous year.

Expansion of credit research coverage

The credit research team expanded its already extensive coverage of bond issuers with credit ratings by a net total of four issuers in the year under review. The credit research team currently covers more than 75 percent of all borrowers on the Swiss franc domestic market and nearly 100 percent of the outstanding bond volume.

Platform for companies, investors and investors

Zürcher Kantonalbank promotes dialogue between companies and investors by organising investor events, production tours and more than 150 roadshows per year, including 20 in the real estate sector.

The Swiss Equity Conference and the Swiss Real Estate Conference, attended by a total of around 80 Swiss companies and real estate funds as well as over 500 investors, are a highlight every year. This holds particularly true for our Tier 1 clients, as we can offer them access to the top management of listed Swiss companies through one-on-one meetings.

The 2023 Bondholder Event was attended by a variety of prominent industry representatives. There, the new “Swiss Rating Guide” featuring a special focus on the topic “Industrial issuers: An eventful year for a strong sector” was presented to a record number of attendees.

Trading and Capital Markets division achieves outstanding results

We are one of Switzerland’s leading providers in the trading business as well as in the issuing of debt capital and equity instruments (capital market). In trading, we cover all of the important products and asset classes, such as equities, foreign currencies, precious metals, interest rate and credit instruments, as well as structured products. In a consolidating market environment, we position ourselves as an “insourcer” in our domestic market of Switzerland and provide our clients with our integrated value chain and cutting-edge interfaces. The Trading and Capital Markets division is also an important service provider for the parent company.

The year under review was characterised by strongly fluctuating interest rates as well as declining volatility on equity and foreign exchange markets. Thanks to the broad-based business model in the Trading and Capital Markets business as well as prudent risk management, the division achieved strong results in the financial year. It should be noted that certain significant revenue components are booked under commission or interest income rather than trading income.

The bank achieved very respectable results in its equity capital markets (ECM) and equity brokerage businesses. In the ECM business, we acted as lead manager for 20 transactions of issuers listed on the SIX Swiss Exchange and in other functions and/or on other exchanges for another eight transactions, making us the market leader in Switzerland.

On debt capital markets, Zürcher Kantonalbank managed the issue of 96 bonds worth CHF 16.5 billion. We are one of the market leaders in the CHF domestic segment.

Additionally, 38 transactions worth CHF 8.5 billion were carried out for the Central Mortgage Bond Institution of the Swiss Cantonal Banks.

Faced with a challenging investment year, the structured products business closed the period below expectations. Trading in interest rate instruments, foreign exchange and precious metals achieved excellent results in a multi-year comparison. In the securities lending, repo and money market business, revenues were down slightly compared with the highly successful previous year.

The result from trading activities (excluding commission and interest income) amounted to CHF 415 million in the year under review, 1.6 percent above the previous year's level. On average, market risks in the trading book (value at risk) amounted to CHF 12 million in 2023.

Asset Management reports steady growth and market share gains

⟵Asset Management in Sustainability Report 2023: p. 38 f., 51 ff.

Zürcher Kantonalbank's Asset Management is the competence centre in charge of the development and management of investment solutions, such as investment funds and individual, institutional mandates. As such, Asset Management provides professional and innovative investment solutions to meet client needs in Zürcher Kantonalbank's various business units. It also provides clients with support in connection with technical issues and sales.

Thanks to strong net new asset growth of CHF 25.1 billion and a positive market trend, assets under management increased by 18.2 percent over the course of 2023. They amounted to CHF 246 billion at the end of the year. According to Swiss Fund Data, this enabled the Asset Management division in Switzerland to increase its market share to 10.29 percent at the end of 2023 (2022: 8.88 percent).

Business with funds and institutional asset management mandates in the "Responsible" and "Sustainable" segments performed well once again. Overall, Zürcher Kantonalbank's Asset Management division was one of the top fund providers in Europe in terms of sales.

Innovations and awards

Asset Management is continuously expanding its range of sustainability-related services for both active and passive investments. We are not only convinced that we have a responsibility towards society as a whole, but also that the principles of sustainability promote performance in asset management.

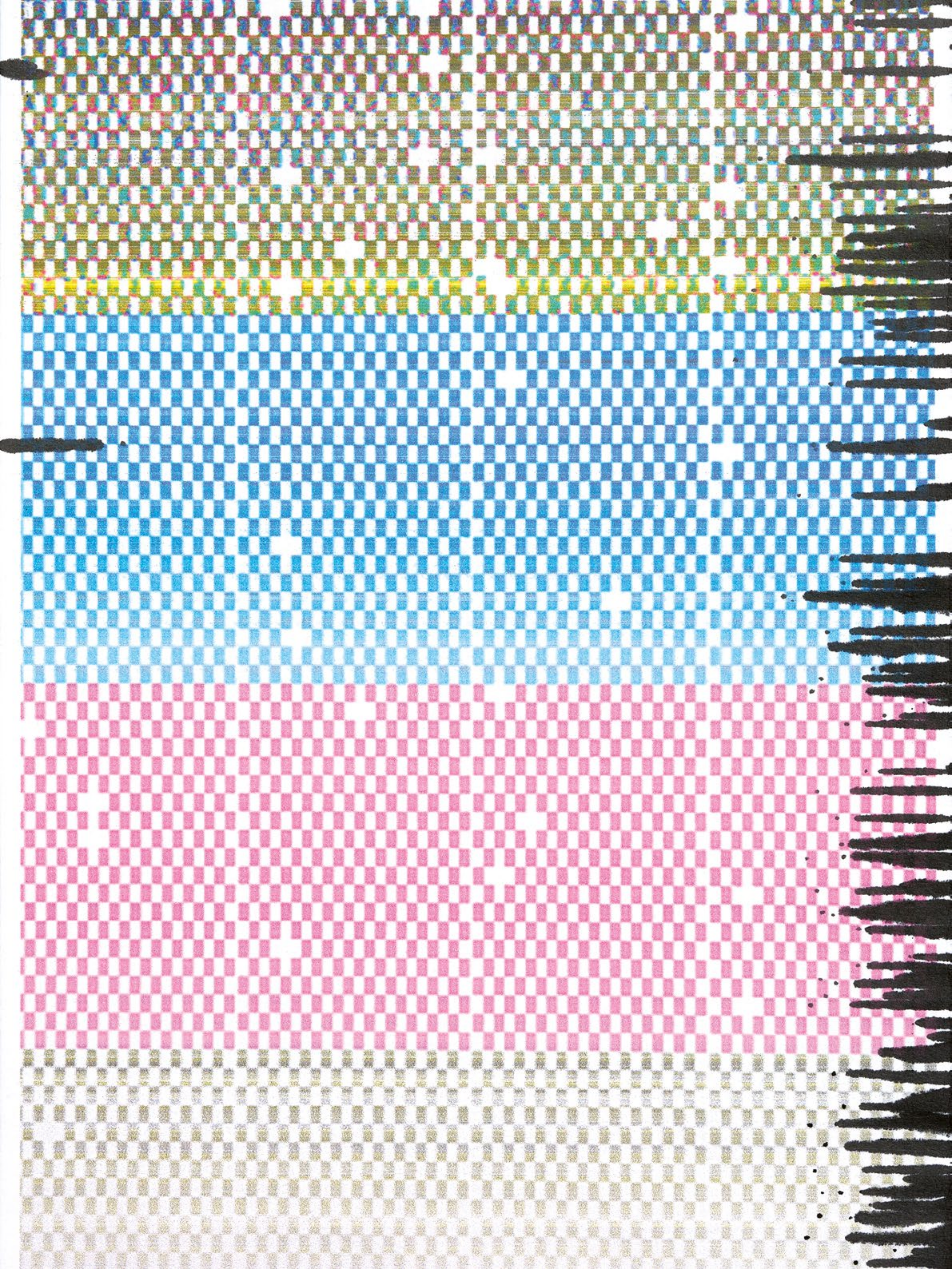
Achieving the net-zero target calls for innovative business ideas and technologies. One milestone in 2022 was the launch of the Decarbonisation thematic private equity fund. This fund allows investors to make targeted investments in companies promoting business ideas that reduce greenhouse gases, thereby promoting the economy's climate transformation at the same time. The initial closing of the subscription was at the end of October 2022 with an investment amount of CHF 89 million. The investment amount increased to CHF 92.55 million in 2023. The second closing of the subscription is expected to occur sometime in 2024.

Also significant was the certification of six of our sustainable funds by Forum Nachhaltige Geldanlagen (FNG), the independent German label for investments that take ethical and environmental factors into consideration. This prestigious award is regarded as a seal of quality and is held in particularly high esteem in Germany, Austria and Switzerland (DACH region). The funds we submitted for the evaluation were awarded top marks straight away.

Responsible voting and engagement

The Swisscanto fund management companies actively exercise their voting rights for the shares included in our active and passive investment funds. We update our sustainable voting policy on an annual basis. This includes, for example, supporting relevant shareholder proposals at annual general meetings and promoting ESG best practice standards. Our voting guidelines and voting behaviour are published online.

We use our active engagement to demand and promote change. Our investment stewardship is built on three pillars, regardless of whether we have invested in equities or fixed income securities: Through direct dialogue, we promote responsible corporate governance at companies in which we have significant investments. Through collaborations, we help to promote the UN Sustainable Development Goals (UN SDG). Through global commitment, we advocate for the principles of the UN Global Compact.



Employees

We offer our employees a great deal of creative freedom in a dynamic and digital environment. As one of the canton’s largest training centres, we also make it possible for numerous young adults to enter a wide range of professions in banking and IT.

Zürcher Kantonalbank is a popular and attractive employer. Our culture is characterised by our focus on performance, fairness and respect. We take our corporate responsibility seriously by encouraging our employees to take responsibility for their own actions, paying fair market compensation and offering flexible working arrangements to help employees strike a healthy work-life balance.

Unless indicated otherwise, the figures and information below relate to the parent company (excluding subsidiaries and their subsidiaries).

← Detailed information on the personnel structure and other key personnel figures: Sustainability Report 2023 p. 70 ff.

Headcount

The group’s headcount rose by 291 in 2023, from 5,249 to 5,539 full-time equivalents (FTE). 16 full-time equivalents were filled by temporary employees. The group employs a total of 6,341 people. 332 employees were at the parent company on an apprenticeship or high school internship.

High level of identification with the company

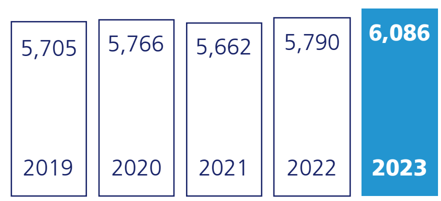
We have a high level of employee commitment and low staff turnover (2023: 6.1 percent, 2022: 6.4 percent).

Our employees also actively act as brand ambassadors by carrying over into their personal lives our corporate culture and our corporate values as well as their enthusiasm for working in the bank.

This positive image should help ensure that we are widely perceived as an employer of choice.

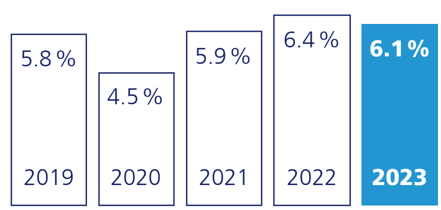
Number of employees at the parent company as at 31 December

Large regional employer



Turnover rate

Loyal employees



One of the largest training centres in the canton

423

apprenticeships

Employee satisfaction survey confirms commitment

We conduct our employee satisfaction survey every two years – with the most recent in the year under review.

The response rate serves as an indicator of employees' willingness to provide direct feedback; it was at a very high level again in 2023, with 8 out of 10 employees completing the questionnaire in full. We view this high level of participation as an expression of an open feedback culture.

The Commitment Index, which comprises six individual questions, provides information on how satisfied employees are with Zürcher Kantonalbank as their employer and how strongly connected they feel to the company. At an average of 77 out of 100 points, this score has remained at nearly the same high level. These positive results were received throughout all of the business units. (The rating scale has been adjusted since the last survey in 2021. An index of 89 on the previous scale corresponds to a score of 78 on the new scale).

The survey also gives us insights into what drives commitment and helps us gather and address our employees' concerns.

Compensation model adjusted

The Board of Directors decided in the year under review to adjust the compensation model of Zürcher Kantonalbank with effect from 1 January 2024. The proportion of variable compensation was reduced in the new compensation model and fixed compensation was simultaneously adjusted to a level in line with the market.

The proportion of variable compensation for members of the Executive Board and key management personnel that is only paid out on a deferred basis was doubled. Further information can be found in the compensation report on p. 100 ff.

Performance & Development

The environment of Zürcher Kantonalbank has been changing; the Performance & Development (P&D) framework was put in place to help us keep pace with those changes and tackle the challenges they bring. We will continue to expand this framework in the years to come.

The development of all our employees lays the basis for individual and collective performance and, by extension, for our corporate success.

These enable employees to take responsibility for their own learning and development process and actively use a variety of digital tools. Managers support and accompany their employees and the team by giving them creative freedom and encouraging dialogue. The aim is for employees to be able to use their strengths even better and align their actions with our strategy. Development discussions, development plans and brief feedback are core elements of P&D. They are the foundation and prerequisite for the personal development measures based on the performance, behaviour and potential of each individual employee.

We launched new offers for members of management during the year under review aimed at helping them make better use of the P&D framework. Supervisors and teams are monitored by default whenever changes are made on a variety of topics.

Promotion of training and further education

We find it extremely important that our employees continually expand their technical, methodological and social skills. We provide a wide range of internal classes, workshops, podcasts and videos, among other things, as well as the opportunity to attend external training and development courses.

We invested CHF 11.1 million in basic training and further education in the year under review. Each employee spent an average of 18.6 hours on internal training and further education (2022: 16.1 hours). 830 employees (15.6 percent) are currently taking part in a training course (2022: 849 employees, 16.9 percent). We are continuously expanding our proven learning portal geared toward self-study to ensure that it continues to provide a needs-based range of courses to promote our employees' development and make them fit for the future.

Talent management – Talent Community

Continuous dialogue shows what potential our employees have and where their strengths lie. We therefore invest heavily in a comprehensive talent management programme. Our aim here is not just to train young people, but to promote lifelong learning at all levels.

Zürcher Kantonalbank has been offering an extensive networking and development service – its Talent Community – for all employees defined as talents. It is structured to match our talent management objectives and include personal development, networking, visibility and inspiration. The aim is to contribute to the further development of the bank.

At the same time, we view the internal Talent Community as complementary to our external talent acquisition and recruitment activities. Employees with above-average potential, excellent performance levels and exemplary conduct are offered special opportunities. 27 high-performing employees with great potential were given the opportunity in the year under review to proceed with their personal and professional development in tailored support programmes.

Wide range of offers for young professionals

With 423 apprenticeships, we are one of the largest providers of vocational training in the Canton of Zurich. The majority of the vocational training we offer is in the areas of banking and IT.

Attractive apprenticeship programme – even after graduation

70 apprentices began their apprenticeships in 2023 after the new commercial training reform took effect. Added to those are 15 IT apprentices specialising in application and platform development and two apprentices each in the areas of mediamatics and digital business development. In the spring of 2023, around 100 hands-on instructors were then prepared for the upcoming changes to the three training locations (vocational school, company and CYP competence centre) and the areas of competence. The highlight for nearly 90 of our first-year apprentices was the traditional apprentice camp, which was held in Fiesch, Valais, for the first time. One focus was on managing your own resources during the apprenticeship.

In addition to apprentice camp, apprentices can look forward to one special day every year of their apprenticeship. The first year of their apprenticeships features a sustainability day, there is an art and creativity day in the second year, and the third year includes an innovation day.

66 commercial bank apprentices and 11 IT apprentices graduated, with 38 of them also earning their vocational baccalaureate.

We were once again able to meet our main objective of continuing to employ young employees in the bank after they have completed their apprenticeships. Of those apprentices in the year under review, 91 percent chose to pursue a career within the bank and gain more valuable professional experience.

Programmes for high school and university graduates

In addition to apprenticeships, we also offer internships for vocational school, high school and IMS graduates, as well as trainee programmes for university graduates and graduates of apprenticeship programmes.

In its second iteration, the summer internship programme for students proved popular once again. The ten-week programme gave 19 students an insight into the bank, enabling them to gain some initial professional experience and build a network. We were able to convince several participants to stay on with us as employees.

There were 51 interns and about 91 trainees working at the bank in 2023. All high school graduates completed their internships successfully.

The bank sparks young people's interest in working in IT. The Information Technology Days were attended by around 200 young people, including 35 girls.

Employer commitment

Equal opportunities – diversity & inclusion

Zürcher Kantonalbank aims to achieve equal opportunity for all employees and is committed to a shared understanding of diversity and inclusion (D & I). We believe that the diversity of our employees offers the bank substantial added value. Furthermore, it reflects our equally diverse client structure. We are firmly committed to fairness and respect and promote equal opportunities – regardless of age, gender, sexual orientation, nationality, religion and physical impairment. We have the following D & I networks: Women's Network, Queers & Peers, the Mensch* network (for employees with disabilities) and a Co-Lead Network (job sharing in management). Zürcher Kantonalbank has the LGBTI Quality Seal.

Diversity & Inclusion was enshrined in the 2030 public service mandate (see p. 22) as a component of corporate sustainability.

At the end of the year under review, women made up 37.0 percent of the workforce (2022: 37.0 percent). The percentage of women in middle management was 37.8 percent (2022: 37.5 percent), with 17.9 percent in senior management (2022: 16.6 percent).

Focus on gender equality

The bank fulfils its social responsibility and is committed to ensuring gender equality in management and junior staff. The Executive Board has decided to implement accompanying measures in order to achieve its gender diversity targets. Taking suitability into account, by the end of 2026 the proportion of women at the second most senior level of management should be 20 percent and 30 percent at the third most senior level. Another goal is to strike a balance in the gender distribution in the trainee programmes. The Diversity Steering Committee monitors implementation.

In 2023, managers up to the third management level received sensitivity training in an online event on the topic of "unconscious bias".

Externally, we are a member of the Advance gender equality network, where Florence Schnydrig Moser, Head of Private Banking and member of the Executive Board, sits on the Board.

Specifically targeting girls for careers in IT

To address the IT skills shortage, having a higher proportion of women in IT is more important than ever. IT is a professional field with a future and it is being shaped by young people. With around 1,000 employees, Zürcher Kantonalbank is one of the largest IT employers in Switzerland. Our 2023 Information Technology Days were very successful again this year. Held in the middle of Zurich's District 5, they make the multifaceted world of information technology tangible for students, school classes and teachers in both secondary schools and high schools. A virtual programme was offered for school classes that featured daily events on key topics for students in senior grades; Friday events were focused on girls.

National Future Day is held every November and offers girls and boys from grades 5 to 7 an opportunity to accompany their parents to work. Half-day programmes were offered at the main sites. The special "Mädchen-Informatik-los!" project proved very popular once again. In this project, IT-savvy girls spent half a day each gaining an insight into IT professions.

Increasing awareness of people with disabilities

Founded in 2022, the Mensch* network provides a knowledge platform for employees with and without disabilities. This network helps us promote awareness and give all employees opportunities in order to draw attention to life as a person with a disability and break down barriers. The member of the Executive Board responsible for this is Remo Schmidli, Head of IT, Operations & Real Estate.

Work-life balance

We want our employees to be able to find a healthy balance between their professional commitments and their personal lives. To do that, we offer them flexible working models. The combination of management and part-time work is becoming increasingly important for both men and women.

Demand for co-lead roles remains strong. This means that two managers share one management function. 40 employees currently work in a co-lead function.

In total, 29.6 percent of our employees work on a part-time basis. We have also seen a slight increase in the number of part-time employees working in middle and senior management. The percentage of women working in senior management positions has likewise increased again.

We find it extremely important that our female employees return to us after their maternity leave. Our maternity concept strengthens this intention. In addition, we provide financial support for employees with certain workloads who have one or more children in daycare while they are working. Around 92 fathers took the two-week paternity leave.

Political engagement

Zürcher Kantonalbank supports employees if they choose to hold a political office. A total of over 120 employees are involved in politics. Through this commitment, they make a valuable contribution towards embedding our bank in both the political and social realms. The bank supports these non-profit activities by offering up to one month's worth of paid days off without any reduction in annual leave, for example. As an expression of the appreciation we have for the commitment shown by these employees, the Chairperson's Committee organises the "Politics and Commitment" event every year. At the 2023 event, Chairman Jörg Müller-Ganz welcomed former National Councillor and entrepreneur Peter Spuhler, who spoke on the topics of politics and entrepreneurship. The Cantonal Parliament was represented by its President Sylvie Matter.

Health

Our systematic approach to health management makes an important contribution to the work-life balance and well-being of our employees. An important aspect of our commitment as an employer is preventive healthcare and health promotion.

The bank took part in and successfully passed the reassessment for the Friendly Work Space label in 2023. This was the fourth time the bank has earned the right to display the label for another three-year period. Our systematic health-related offers include financial support for health checks, free flu vaccinations in collaboration with the Swiss Association of Pharmacists, and support for sporting activities such as the health-promoting Swiss-wide "Bike to Work" campaign.

The trainHARD health room in the Hard office building offers a varied programme throughout the week featuring a variety of different sports and relaxation courses. The room has also been open for independent use since spring 2023.

We also provide our employees with ergonomically designed workplaces, as well as rest and massage rooms. What's more, if they find themselves in stressful situations, our employees can take advantage of a free and anonymous external counselling service. We are constantly optimising our measures with the aim of helping our employees to stay fit and healthy.

In the year under review, we reported 6.4 lost days per employee as a result of sickness or occupational and non-occupational accidents (2022: 8.1 days).

Integration

We also pay special attention to employees with health problems. We provide close, personal and professional support to affected employees and take steps that enable them to maintain or restore their ability to work.

In 2023, we were able to offer temporary jobs to several people under tailored integration programmes for people with disabilities. In total, nearly 1 percent of our employees received support that enabled them to re-enter the workforce during the year under review.

Annual report of the employee representation committee for 2023

The employee representation committee (ERC) consists of five members and represents the interests and rights of employees vis-à-vis Zürcher Kantonalbank as employer. It promotes open dialogue and communication about different opinions, viewpoints and interests.

During the ERC's first year with a newly constituted composition (2022–2026 term), it tasked a working group to focus on the committee's key topic "Working in the future" and conducted a bank-wide employee survey on working models and places of work; over 2,200 employees took part in this survey.

The results of the survey were presented to the members of the Executive Board and have already been passed on to the Human Resources department, which will then analyse them in greater depth and incorporate the insights into existing projects.

For 2023, the two parties agreed on an effective increase in the basic salary budget for individual raises of 1.5 percent. Salary negotiations regarding 2024 were conducted as part of the adjustments made to the compensation model. The ERC was involved in the process and was able to represent employees' interests.

Employee benefits

Our employees are compensated according to the total compensation approach. Their compensation consists of a base salary, variable compensation based on the performance of the group, as well as statutory allowances and additional voluntary benefits. Please see the Compensation Report from page 100 onwards.

In the year under review, the Pension Fund of Zürcher Kantonalbank covered 5,842 active insured persons and 2,260 retirees. As at 31 December 2023, it managed assets of approximately CHF 5.2 billion and had a coverage ratio of 109.7 percent (unaudited). For further information on occupational pensions and employee benefits, please see Note 13.

Business development

2023 – A year of challenges and new opportunities

After exceeding the one-billion mark in the previous year, Zürcher Kantonalbank's group result surpassed even that figure in the 2023 financial year. Accordingly, the bank reported an excellent result, with consolidated profit up by 17.0 percent to CHF 1,238 million (previous year: CHF 1,059 million).

Following the interest rate turnaround in the previous year, the positive trend in interest income persisted in the current year as well. The net result from interest operations increased by CHF 418 million or 29.8 percent to CHF 1,821 million (previous year: CHF 1,403 million).

Given the difficult market environment, the bank's result in the commission and services business was encouraging with growth of 1.5 percent and profit of CHF 940 million.

Despite waning income in the second half of the year and in the third quarter in particular, the trading result of CHF 415 million is slightly above the previous year's figure of CHF 409 million. The positive year-on-year development was attributable in particular to the result from foreign exchange activities and the result from securities lending and borrowing.

At CHF 1,679 million, operating expenses were 5.3 percent or CHF 84 million higher than in the previous year. All in all, the bank generated an operating result of CHF 1,469 million, thereby exceeding the previous year by 38.8 percent or CHF 411 million.

Analysis of earnings

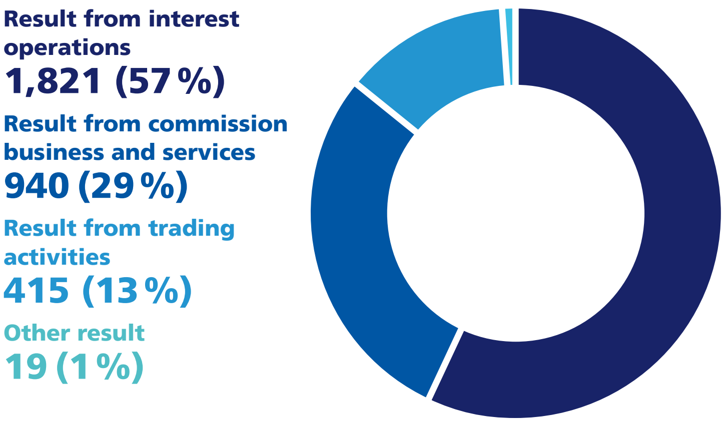
Interest rate turnaround drives interest operations

Gross interest income stands at CHF 1,870 million, a year-on-year increase of 31.5 percent. The additional interest rate hikes by the Swiss National Bank (SNB) in 2023 had a positive impact on the income situation, particularly in the first half of the year. The bank increased its interest rates on savings deposits three times in 2023, meaning that clients are also benefiting from the interest rate trend; the interest margin between the interest rates on savings deposits and average mortgage rates in the portfolio has not increased, however. The bank, on the other hand, benefited from the fact that the shift of client funds to higher-yielding investment opportunities took place more slowly than expected in the first half of the year. Interest income was also generated again on amounts due from banks, particularly in the repo business.

This positive development was marred by higher individual value adjustments of CHF 51 million (previous year: CHF 23 million). At CHF 49 million, the line item Changes in value adjustments for default risk and losses from interest operations is therefore considerably higher than in the previous year (CHF 18 million). However, at CHF 27 million, the releases of provisions for default risk were also around CHF 17 million higher than in the previous year (see comment regarding provisions on page 70).

The value adjustments for expected losses continue to show a net release, although at CHF 4 million this is slightly lower than in the previous year (CHF 6 million). This is due in part to the fact that, after the interest rate turnaround, clients almost exclusively took out Saron mortgages and therefore mortgages with shorter terms to maturity. Fixed-rate mortgages regained their appeal towards the end of the year. Overall, this led to an encouraging net result from interest operations totalling CHF 1,821 million, which exceeds the previous year's figure by CHF 418 million or 29.8 percent.

Breakdown of operating income in CHF million/percent



Higher result from commission business and services

At CHF 940 million, the result from commission business and services is 1.5 percent or CHF 14 million higher year-on-year. This result is particularly encouraging since market performance posed a challenge for the investment business. The sustained inflow of net new money, on the other hand, had an offsetting effect. As a result, commission income from securities trading and investment activities still recorded an increase of CHF 4.2 million or 0.4 percent to CHF 1,022 million. At CHF 72 million, commission income from lending activities is on a par with the previous year.

Commission income from other services also developed positively (up 6.2 percent or CHF 9.4 million), due in particular to higher income from services in the real estate business.

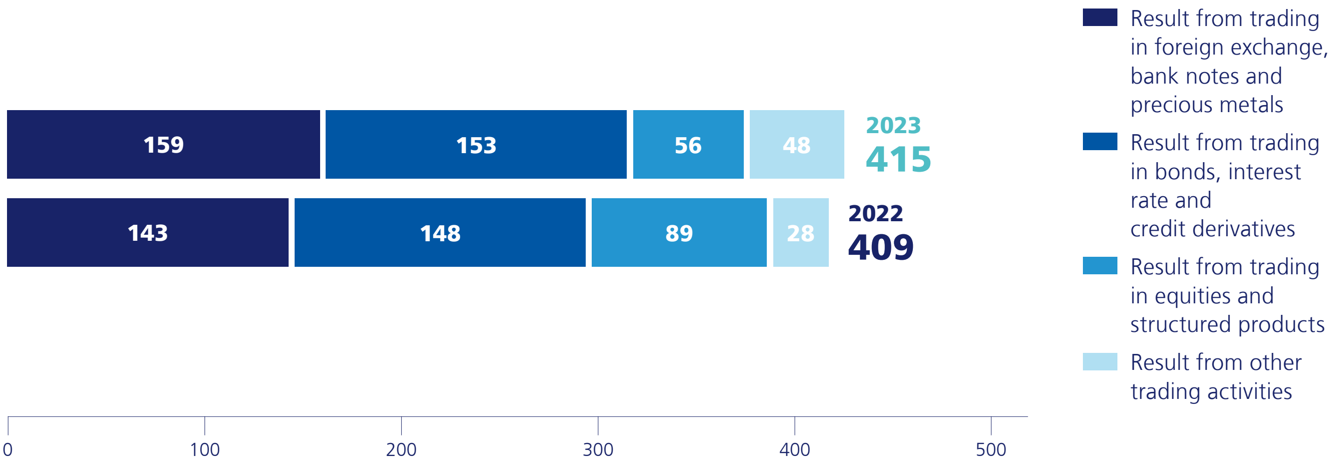
At CHF 314 million, commission expense remained on a par with the previous year (CHF 315 million).

Excellent trading result

At CHF 415 million, the result from trading activities again slightly exceeded the already very strong previous year (CHF 409 million). Following the extraordinary result in the first half of the year, momentum slowed significantly in the third quarter. New opportunities arose again in December, however, which had a positive impact on the result. The result from trading activities is mainly supported by two components: the result from trading in foreign exchange, bank notes and precious metals of CHF 159 million and the result from trading activities in bonds, interest rate and credit derivatives of CHF 153 million. Both results improved again over the previous year.

At CHF 56 million, the result from trading in equities and structured products was unable to achieve the previous year's figure of CHF 89 million. This was largely due to the ongoing decline in volatility levels, which recently hit their lowest level since the pandemic. The result from other trading activities followed a different trend and rose sharply to CHF 48 million compared to CHF 28 million in the previous year. This is due in particular to income

Breakdown of result from trading activities in CHF million



from securities lending and borrowing. For further information, please see Note 32 to the Financial Report.

Positive development in other result from ordinary activities

The other result from ordinary activities stands at CHF 19 million, up CHF 4 million or 26.7 percent over the previous year.

Once again, this is mainly driven by dividend income from participations, which amounted to CHF 13 million (previous year: CHF 11 million). Positive contributions also came from the result from the disposal of financial investments totalling around CHF 7 million and the result from real estate of just under CHF 6 million. On the other hand, market-related value adjustments of financial investments in the amount of CHF 14 million reduced the result. Around CHF 12 million of this relates to investments in start-up positions.

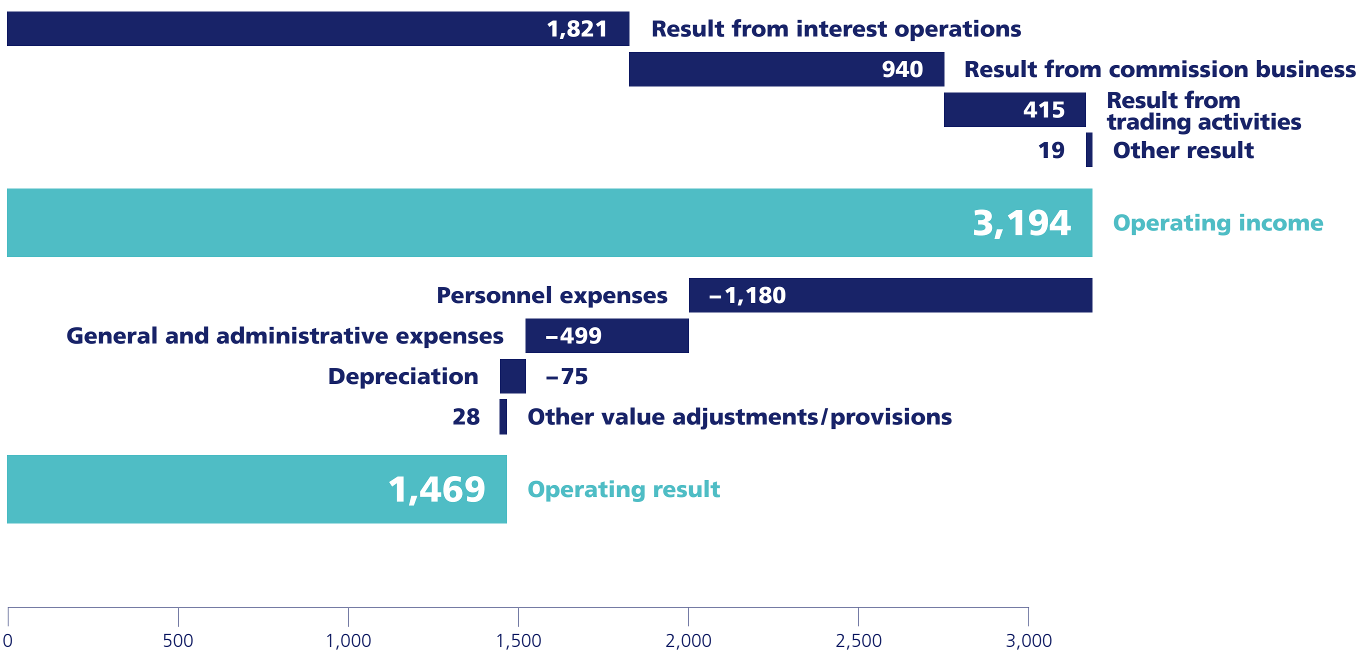
Operating expenses increase only moderately

Operating expenses increased by 5.3 percent or CHF 84 million over the previous year to CHF 1,679 million.

Around CHF 27 million of this relates to personnel expenses, which rose by 2.4 percent year-on-year to CHF 1,180 million. This is mainly due to the higher headcount (FTEs up 5.5 percent).

The rest of the increase in the amount of CHF 57 million relates to general and administrative expenses. At CHF 499 million, which is an increase of around 12.9 percent, these are considerably higher than in the previous year (CHF 442 million). However, this is due in particular to non-recurring special factors. One of these, for example, is an umbrella foundation established in the 2023 financial year with funds totalling CHF 25 million. Higher costs were also incurred for third-party services and licences. Specialists with specific expertise were engaged to a greater extent in 2023 to support the enhancement of the bank's IT, which also led to higher costs.

Breakdown of operating result in CHF million



For further information on personnel, general and administrative expenses, please see Notes 34 and 35 to the Financial Report.

Goodwill-related decrease in depreciation and amortisation

Expenses in connection with value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets in the year under review amount to CHF 75 million, compared to CHF 101 million in the previous year. The decrease is due in particular to the fact that the goodwill on the investment in Swisscanto was fully amortised after the first quarter, reducing the related amortisation expense by CHF 25 million year-on-year. Once again, the largest share of this, at CHF 42 million (previous year: CHF 43 million), was attributable to depreciation on bank premises and other real estate, followed by depreciation on tangible fixed assets of CHF 13 million. Year-on-year, amortisation of intangible assets remained stable at CHF 3 million. At CHF 8 million, however, write-downs on participations are slightly below the previous year's figure of CHF 9 million.

Lower provisions positively impact the result

Value adjustments and provisions are recognised to the extent necessary to cover default risks and any other identifiable risks.

For 2023, changes to provisions and other value adjustments and losses show a release of CHF 28 million (previous year: release of CHF 2 million). This is again due to a decrease in provisions for default risks on off-balance-sheet items, which show a net release of CHF 27 million for 2023 (previous year: net release of CHF 10 million). For the changes in value adjustments for default risks and losses from interest operations, please see the section on interest operations.

In addition, provisions of CHF 5 million for other business risks were released (previous year: net allocation of CHF 11 million). A net new allocation of CHF 1 million was made to other provisions, following the release of CHF 6 million in the previous year.

Allocation to reserves for general banking risks due to the very good operating result

At CHF 1,469 million, the bank's operating result exceeded expectations. This made it possible to build up reserves for general banking risks in the amount of CHF 225 million in order to further strengthen the bank's capital. After taking into account the extraordinary result and taxes, consolidated profit of CHF 1,238 million was achieved, which is CHF 180 million or 17.0 percent above the previous year.

Analysis of the asset and financial position

Total assets stand at CHF 201.3 billion as at the end of 2023. On the assets side, the growth in the mortgage business stands out (up 4.2 percent or CHF 4.0 billion). This figure exceeded the 100 billion mark for the first time. On the other hand, amounts due from securities transactions and financial assets fell by CHF 2 billion each. The latter was mainly due to maturing money-market book claims.

At CHF 39.7 billion, liquid assets remained stable at a high level compared to the previous year. Accordingly, the bank continues to comply comfortably with regulatory liquidity requirements. This is also reflected in the short-term liquidity coverage ratio (LCR). The ratio at the end of the year was 147 percent, showing no significant change compared to the previous year (146 percent).

On the liabilities side, there was a shift from amounts due to banks to liabilities from securities financing transactions. Amounts due in respect of customer deposits decreased by CHF 1.9 billion. By contrast, bond issues recorded an increase of CHF 1.1 billion compared to the previous year. This is connected in part to the issue of bail-in bonds totalling around CHF 1.5 billion that serve to strengthen gone-concern capital. Other liabilities amount to CHF 1.8 billion at year-end. Of these, some 50 percent relate to broker settlement accounts as at the reporting date.

Development of the interbank and securities financing business

On the assets side, the portfolio of the securities financing business stood at CHF 25.7 billion as at the reporting date and was therefore 7.4 percent lower than in the previous year.

Amounts due from banks, on the other hand, increased by CHF 464 million or 15.8 percent to end the year at CHF 3.4 billion.

As mentioned in the previous section, there was a shift from amounts due to banks to liabilities from securities financing transactions. As a result, amounts due to banks stood at CHF 35.4 billion (down CHF 3.6 billion) and liabilities from securities financing transactions stood at CHF 14.1 billion (up CHF 3.5 billion) at the end of 2023.

Please see Note 1 in the Financial Report for further information.

Increase in volume of loans

Mortgage loans in the amount of CHF 100.9 billion were outstanding at the end of 2023 (previous year: CHF 96.8 billion). This corresponds to a net increase of 4.2 percent or CHF 4.0 billion, taking into account the value adjustment for impaired loans and expected losses. The value adjustments are offset directly against the portfolio. At year-end, the value adjustment for expected losses on mortgage loans amounted to CHF 363 million (previous year: CHF 368 million) and CHF 36 million for impaired mortgage loans (previous year: CHF 42 million).

Amounts due from customers amounted to CHF 11.3 billion and these recorded net growth of 6.5 percent or CHF 684 million. Value adjustments for expected losses for this item were slightly higher than in the previous year at CHF 52 million (previous year: CHF 50 million). As already mentioned, at CHF 199 million, individual value adjustments significantly exceeded the previous year's figure of CHF 152 million.

Decline in market momentum

The trading portfolio shows no major change on the assets side. It amounted to CHF 11.9 billion at the end of the year, compared with CHF 11.1 billion in the previous year. The positive replacement values of derivative financial instruments, however, fell by 18.7 percent to CHF 968 million as at the reporting date.

On the liabilities side, there was a year-on-year increase of 19.0 percent in the negative replacement values of derivative financial instruments (portfolio at year-end: CHF 2.5 billion). The increase reported on the liabilities side is due to lower netting opportunities.

Trading portfolio liabilities (portfolio at year-end: CHF 3.2 billion) declined by CHF 412 million or 11.3 percent year-on-year.

Liabilities from other financial instruments at fair value remained on a par with the previous year at CHF 4.0 billion.

For further information on trading activities, please see Notes 3 and 4 to the Financial Report. Information on market risk management can be found in section 1.6 of the Risk Report.

Decrease in financial investments

At CHF 5.6 billion, the portfolio of financial investments is around CHF 2 billion or 25.5 percent lower than the previous year. The decline is mainly related to expiring money-market book claims that were not compensated. At CHF 5.3 billion (previous year: CHF 7.2 billion) or 94.5 percent (previous year: 95.9 percent), debt securities account for the largest share of financial investments. These are generally held to maturity. Fixed-interest securities that qualify as high-quality liquid assets (HQLA) under the Liquidity Ordinance may be counted towards liquidity. At the end of 2023, the portfolio of securities eligible to be regarded as HQLA stood at CHF 4.7 billion. The remaining portfolio was mainly divided into precious metals (CHF 187 million) and equity securities (CHF 112 million).

Participations, tangible fixed assets and intangible assets

At CHF 154 million, non-consolidated participations remained at the previous year's level. For further information, please see Notes 6 and 7 to the Financial Report.

Tangible fixed assets amount to CHF 534 million (previous year: CHF 565 million). The change versus the previous year is due to depreciation of CHF 56 million in combination with (replacement) investments in the amount of CHF 25 million. Bank premises and other properties account for the largest share at CHF 504 million. Further details on tangible fixed assets can be found in Note 8.

Intangible assets amount to around CHF 3 million (previous year: CHF 14 million). The decrease is due to the fact that the previously largest item (the remaining Swisscanto goodwill) was completely eliminated in the 2023 financial year through amortisation. This can also be seen in Note 9 of the Financial Report.

Slight decline in customer deposits

Despite a slight decline of 1.8 percent to CHF 101.5 billion, amounts due in respect of customer deposits remained essentially stable. This item includes savings accounts as well as other customer accounts at sight and on time. The changed interest rate environment also made time deposits more important again in the financial year.

Issue of bail-in bonds strengthens gone-concern capital

The changed interest rate environment is also reflected in the outstanding cash bonds, which have found renewed attractiveness following the end of the negative interest rate phase. This portfolio grew by around CHF 92 million or 46.8 percent to CHF 288 million. The change in money market securities is even more striking; here, the portfolio grew by CHF 528 million or 505.5 percent to end the financial year at CHF 632 million. Bail-in bonds in the amount of CHF 1.5 billion were issued to strengthen gone-concern capital. The issue of the bail-in bonds also resulted in a significant increase (up 12.2 percent) in bonds outstanding, bringing the total to CHF 10.5 billion at the end of the year.

Central mortgage institution loans recorded maturities of around CHF 1.3 billion in 2023. However, these were not fully compensated. At year-end, central mortgage institution loans in the amount of CHF 11.6 billion were recognised in the books (previous year: CHF 11.9 billion). Along with client funds, bond issues as well as central mortgage institution loans represent important funding instruments. For further information, please see Note 15 to the Financial Report.

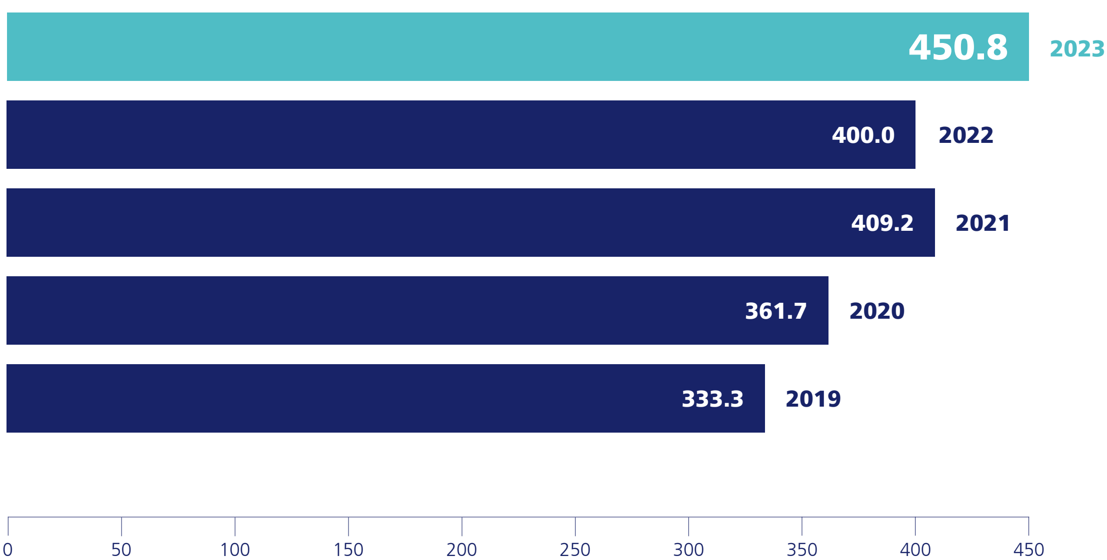
Creation of reserves for general banking risks to further strengthen the capital base

Reserves for general banking risks in the amount of CHF 225 million were created in the financial year to strengthen the bank's capital.

At year-end, the situation is therefore as follows. Shareholders' equity reported in the balance sheet before appropriation of profit increased by CHF 969 million or 7.3 percent over the previous year. This figure contains the bank's capital of CHF 2.4 billion provided by the Canton of Zurich, which has an indefinite time limit. Other elements include retained earnings in the amount of CHF 10.2 billion, reserves for general banking risks (CHF 379 million) and consolidated profit (CHF 1,238 million). The currency translation reserve had a negative impact of CHF 15.8 million. At year-end, the bank's equity totalled CHF 14.3 billion (previous year: CHF 13.3 billion).

The higher amount of equity is also reflected in the risk-based going-concern capital ratio, which increased again year-on-year to 18.7 percent as at 31 December 2023 (end of previous year: 18.2 percent). The bank thus continues to clearly exceed the current capital

Total client assets in CHF billion



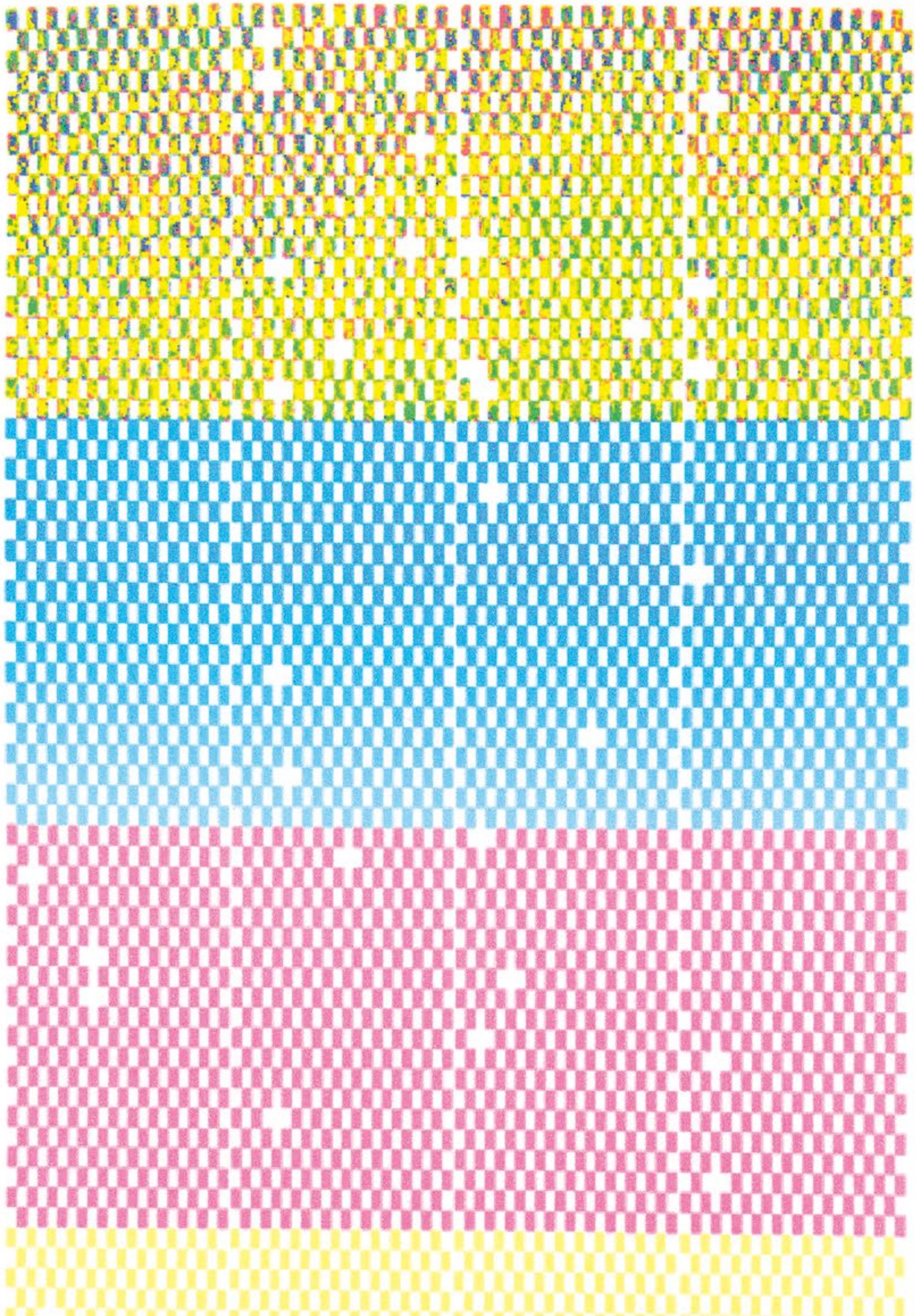
adequacy requirement (13.8 percent of risk-weighted positions) imposed on it as a systemically important bank. This confirms Zürcher Kantonalbank's strong capitalisation. The going-concern leverage ratio of 6.6 percent is likewise far above the 4.5 percent requirement applicable to systemically important domestic banks; this figure also improved over the previous year (6.2 percent).

Client assets

The volume of client assets under management amounted to around CHF 450.8 billion at the end of the financial year, a year-on-year increase of CHF 50.8 billion or 12.7 percent. At CHF 36.8 billion, net new money inflow was slightly higher than in the previous year (up 8.4 percent). Contrary to the previous year, the market performance also made a positive contribution to growth at CHF 15.4 billion. For further information, please see Notes 31 a) and 31 b) to the Financial Report.

AAA rating confirmed once again

The rating agencies Fitch, Moody's and Standard & Poor's left their ratings for Zürcher Kantonalbank unchanged at AAA and Aaa, respectively. Zürcher Kantonalbank is also one of the safest universal banks in the world on a stand-alone basis (i.e. without taking any government support into account), as evidenced by the stand-alone rating of aa- (Standard & Poor's).



Corporate Governance

We take our responsibility to the Canton of Zurich and its residents seriously. This is also reflected in our corporate governance. We engage in open, transparent dialogue with our stakeholder groups. The management and supervision bodies of our bank comprise the Board of Directors, the Chairperson's Committee, the Executive Board, the Audit Committee, the Auditor, and the Cantonal Parliamentary Committee. The Board of Directors, the Chairperson's Committee and the Executive Board ensure that the objectives of the public service mandate are fulfilled.

Basic principles

Zürcher Kantonalbank is a responsible bank which engages in a constant, open and transparent dialogue with its stakeholder groups. As an institution under public law, the bank is accountable in particular to the Canton of Zurich, its residents and the Cantonal Parliament, which is ultimately responsible for the supervision of the bank via a standing commission. As a bank, it is regulated by the Swiss Financial Market Supervisory Authority FINMA and, due to its systemic importance, the Swiss National Bank (SNB) also deals with it. In addition to the provisions of federal supervisory law, the requirements of FINMA Circular 2017/1 "Corporate governance – banks" in particular are applicable to Zürcher Kantonalbank. Insofar as this is possible for an institution under public law, Zürcher Kantonalbank also applies the Directive on Corporate Governance of 29 June 2022 of SIX Swiss Exchange Ltd, which has been in force since 1 January 2023. Unless otherwise specified, all stated information is valid as at 31 December 2023.

Structure and ownership

Zürcher Kantonalbank is a public-law institution under the cantonal law of Zurich. In accordance with the Cantonal Banking Act on Zürcher Kantonalbank of 28 September 1997 (Zürcher Kantonalbank Act), the bank's purpose is to contribute to addressing economic and social issues and support environmentally sustainable development in the Canton of Zurich. The group structure and scope of consolidation are shown in Note b) Accounting and valuation principles in the Consolidated Financial Statements. For information on the change in equity, please refer to the Consolidated statement of changes in equity in the financial report.

Swiss Financial Market Supervisory Authority FINMA

In its capacity as an independent supervisory authority for the Swiss financial market, FINMA has sovereign powers over financial market participants, including banks. It works to protect creditors, investors and policyholders, as well as to ensure the stability and effectiveness of the financial markets.

Swiss National Bank

As an independent central bank, the Swiss National Bank (SNB) manages Switzerland's monetary policy and also has the task of contributing to the stability of the financial system. It defines the systemically important banks after prior consultation with FINMA. The SNB and FINMA collaborate regarding matters related to financial stability.

Board of Directors and Chairperson's Committee

The Board of Directors consists of 13 members elected by the Cantonal Parliament for a term of four years. This number includes three full-time members of the Chairperson's Committee.

All of the members of the Board of Directors are Swiss citizens resident in the Canton of Zurich and are independent within the meaning of FINMA Circular 2017/1 "Corporate governance – banks". No member has ever served on the bank's Executive Board. None of the part-time members of the Board of Directors have significant business connections with the bank.

Members of the Board of Directors and its committees as at 31.12.2023 (2019–2023 legislative period)

			Audit Committee	Risk Committee	Compensation and Personnel Committee	IT Committee
Dr Jörg Müller-Ganz	Chairman Deputy Chairman Member of the Board of Directors	since 01.07.2011 (from 01.10.2010 until 30.06.2011) since 01.07.2007	(Jul 2007 – Nov 2008)	(Oct 2010 – Jun 2011)	since Jul. 2019	(Nov 2008 – Jun 2019)
Roger Liebi	Deputy Chairman Member of the Board of Directors	since 01.07.2019 since 01.07.2018	(Jul 2018 – Jun 2019)	since Feb 2022		(Jul 2018 – Jan 2022)
Mark Roth	Deputy Chairman Member of the Board of Directors	since 01.02.2022 since 01.09.2013	(Jul 2015 – Jan 2022) (Sep 2013 – Jun 2015)			since Feb 2022 (Sep 2013 – Jun 2015)
Amr Abdelaziz	Member of the Board of Directors	since 01.07.2015	since Jul. 2015		since Jul 2015	
Sandra Berberat Kecerski	Member of the Board of Directors	since 01.03.2022	since Mar 2022	since Mar 2022		
Prof. Dr. Adrian Bruhin	Member of the Board of Directors	since 26.10.2020	(Nov 2020 – Jan 2022)	since Feb 2022 (Nov 2020 – Jan 2022)		
Prof. Dr. Bettina Furrer	Member of the Board of Directors	since 24.06.2019	since Jul. 2019			since Jul. 2019
René Huber	Member of the Board of Directors	since 01.11.2014	since Nov 2014	since Jul. 2015		
Henrich Kisker	Member of the Board of Directors	since 01.07.2015	since Feb. 2022 (Jul 2015 – Sep 2020)	(Oct 2020 – Jan 2022) (Jul 2018 – Sep 2020)		(Jul 2015 – Jun 2018)
Peter Ruff	Member of the Board of Directors	from 30.06.2011 until 31.12.2023		(Jun 2011 – Sep 2014)	Oct 2014 – Dec 2023 (Sep 2013 – Sep 2014)	(Jun 2011 – Aug 2013)
Walter Schoch	Member of the Board of Directors	since 01.07.2015				since Jul 2015
Anita Sigg	Member of the Board of Directors	from 30.06.2011 until 31.12.2023		(Jun 2011 – Dec 2023)	(Jun 2011 – Dec 2023)	
Stefan Wirth	Member of the Board of Directors	from 30.06.2011 until 31.12.2023	(Jun 2011 – Sep 2014)		Oct 2014 – Dec 2023	(Jun 2011 – Dec 2023)

Legend: Chair

The Chairperson’s Committee is an independent body.

The duties and compensation of the Board of Directors and Chairperson’s Committee are set out in § 15 and § 16 of the Cantonal Banking Act on Zürcher Kantonalbank, sections 34 and 35 of the bank’s organisational regulations of 15 December 2022, the regulations governing the compensation of members of the Board of Directors of Zürcher Kantonalbank, as approved by the Cantonal Parliament of Zurich on 25 November 2004, and in other specific regulations. As laid down in § 14.3 of the Cantonal Banking Act on Zürcher Kantonalbank, members of the Board of Directors may not work for any other bank, be a member of the Government Council, Cantonal Parliament or highest cantonal courts, or work for the tax authorities.

The Cantonal Parliament of Zurich elects the members of the Board of Directors and the Chairperson’s Committee for a four-year term of office. In doing so, it considers their personal characteristics such as assertiveness, credibility and integrity, and their suitability with regard to banking expertise, as well as regulatory requirements and proportional political representation. The professional qualifications for each individual member of the Board of Directors are regularly assessed by external specialists. Members are eligible for re-election. There are no restrictions on periods of office for members of the Chairperson’s Committee. For the other members of the Board of Directors, the total period of office may not exceed 12 years. The term of office for members of the Board of Directors ends at the latest on their 70th birthday. If a member of the Chairperson’s Committee reaches their 65th birthday during their term of office, their time in office ends when their term of office expires.

The table on page 78 lists the members of the Board of Directors for the legislative period that ended on 31 December 2023, which lasted four and a half years exceptionally instead of the usual four years, i.e. from July 2019 until December 2023 (due to the revision of the regulations on the preparation of elections for members of the Board of Directors and the Chairperson’s Committee of 25 November 2013).

Cantonal Parliament and Cantonal Parliamentary Committee

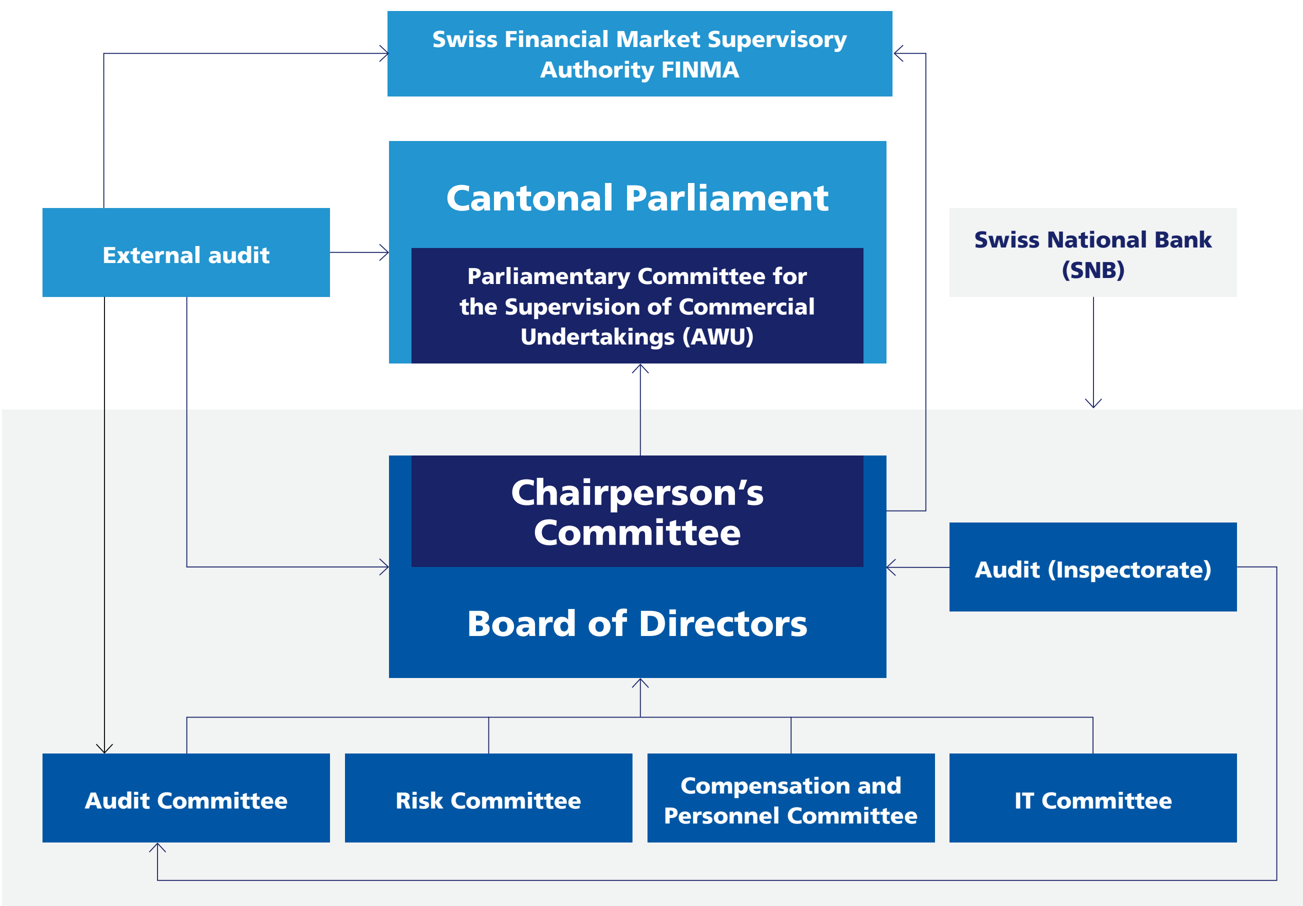
Responsibility for the ultimate political supervision of Zürcher Kantonalbank lies with the Cantonal Parliament. Its duties are set out in § 11 of the Cantonal Banking Act on Zürcher Kantonalbank. In addition to the election of the members of the Board of Directors and Chairperson’s Committee, they include approving the Guidelines for the Fulfilment of the Public Service Mandate, the regulations governing the compensation paid to members of the Board of Directors, and the annual financial statements and annual report of the bank, as well as relieving the governing bodies of some of their tasks.

The Cantonal Parliament of Zurich has charged the Parliamentary Committee for the Supervision of Commercial Undertakings (AWU) with ultimate supervision in accordance with § 12 of the Cantonal Banking Act on Zürcher Kantonalbank. This standing, supervisory Cantonal Parliamentary Committee inspects the minutes of the Board of Directors and, depending on the matter concerned, obtains information from the Chairperson, the Chairperson’s Committee, members of the Board of Directors, the Chief Executive Officer, other members of the Executive Board or representatives of the external auditors with regard to the activities, course and results of the bank’s business and any important events. As at 31 December 2023, this Cantonal Parliamentary Committee comprised the members listed in the following table.

AWU members as at 31.12.2023

Stefanie Huber, GLP	Chairperson
Thomas Anwander, Die Mitte	Member of the Committee
André Bender, SVP	Member of the Committee
Beat Bloch, CSP	Member of the Committee
Astrid Furrer, FDP	Member of the Committee
Hanspeter Göldi, SP	Member of the Committee
Roland Kappeler, SP	Member of the Committee
Monika Keller, FDP	Member of the Committee
Thomas Lamprecht, EDU	Member of the Committee
Beat Monhart, EVP	Member of the Committee
René Truninger, SVP	Member of the Committee

Corporate Governance at Board of Directors level



Information and control instruments

The Board of Directors and Chairperson's Committee are regularly briefed on the course of business and the main activities of the Executive Board as well as on significant developments. At the invitation of the Chairperson's Committee, members of the Executive Board attend meetings of the Board of Directors to inform its members on current issues and are involved in the strategy and planning. The Chairperson's Committee scrutinises all minutes of the meetings of the Executive Board, business units and committees.

At least once every quarter, the Board of Directors receives a detailed briefing on the course of business, developments in key risk categories (including compliance risks) and the status of important projects. This also includes monitoring of reputation risks. The Legal & Compliance business unit reports directly to the Board of Directors and Executive Board in accordance with margin no. 78 ff. FINMA Circular 2017/1. The Anti-Money Laundering unit also reports to this unit.

Moreover, Zürcher Kantonalbank has an Audit unit that reports directly to the Board of Directors and is independent of the Executive Board. Audit assists the Chairperson's Committee and the Board of Directors in fulfilling their supervisory and control tasks, and has unlimited rights of inspection and information within the bank. It reports to the Audit Committee and the Chairperson's Committee, and as required but at least once per year, to the Board of Directors.

The AWU of the Cantonal Parliament of Zurich monitors the fulfilment of the public service mandate in accordance with § 12 of the Cantonal Banking Act on Zürcher Kantonalbank. This is primarily based on an annual focus report, the theme of which changes annually depending on the AWU's requests. This focus report is integrated into the German annual report (pp. 27 – 40), which also accounts for the bank's fulfilment of the public service mandate.

Internal organisation

Areas of responsibility

The responsibilities of the Chairperson's Committee, Board of Directors, Executive Board and external auditors are governed by the Cantonal Banking Act on Zürcher Kantonalbank of 28 September 1997 (§ 15 – 18), the bank's organisational regulations of 15 December 2022 and other regulations.

Chairperson's Committee

Under § 16 of the Cantonal Banking Act on Zürcher Kantonalbank, the Chairperson's Committee, which is an executive body in its own right, is responsible for the direct supervision of the Executive Board. In this context, the Chairperson's Committee monitors the implementation of decisions of the Board of Directors and compliance with statutory and regulatory requirements. Within the framework of such statutory and regulatory requirements, it takes decisions on various operational and electoral matters. It prepares strategic and other topics for the attention of the Board of Directors. The Chairperson's Committee also bears responsibility for the public service mandate being addressed by the Board of Directors and therefore also for sustainability issues.

The Chairperson's Committee consists of Jörg Müller-Ganz, Roger Liebi and Mark Roth. Jörg Müller-Ganz is the Chairman and Roger Liebi is his deputy. Elected substitute members of the Chairperson's Committee are Anita Sigg and Walter Schoch.

Board of Directors

The Board of Directors bears ultimate responsibility for the management of the bank and for the supervision of the individuals entrusted with its operational management (§ 15 of the Cantonal Banking Act on Zürcher Kantonalbank).

The Board of Directors follows a structured annual cycle and examines the group strategy and analyses Zürcher Kantonalbank's strengths and weaknesses, opportunities and risks as well as the associated strategic risks. This includes the related planning, controlling and reporting activities, as well as regular examination of risk management, risk reporting, the regulatory audit report by auditors Ernst & Young AG (EY), and measures and reports relating to the public service mandate and sustainability.

Areas of responsibility

Chairperson's Committee

Main responsibilities of the Chairperson's Committee: It

- prepares topics relating to strategy and corporate culture for submission to the Board of Directors
- scrutinises the decisions of the Executive Board and assures its direct supervision
- monitors the execution of resolutions passed by the Board of Directors
- approves loans in accordance with the delineation of powers laid down by the Board of Directors
- takes decisions on providing assistance to economic, social and cultural institutions
- decides on the bank's representation in organisations
- is informed of new lending transactions that fall within the remit of the Executive Board
- is informed of the course of business at participations
- hires, dismisses and promotes members of senior management
- reviews the Legal & Compliance reports on a half-yearly basis
- is regularly informed of major risk positions
- deals with pressing matters that fall under the responsibilities of the Board of Directors and subsequently obtains the Board's approval
- decides on transactions with particularly significant risks, conflicts of interest and extraordinary effects on the group's reputation
- regularly checks the quality and efficiency of the fulfilment of the public service mandate
- represents the bank externally regarding strategy, public service mandate and reputation

Board of Directors

Main responsibilities of the Board of Directors: It

- defines the principles of the corporate strategy, the mission statement, the business strategy and the organisational structure
- approves the risk policy, the equity strategy, group-wide risk and global limits, equity investments and the general framework for group-wide risk management
- establishes and closes branches and establishes subsidiaries
- is responsible for a suitable risk and control environment and an effective internal control system (ICS)
- determines the group and financial planning
- issues guidelines on human resources policy as part of the group strategy
- is informed quarterly of risk concentration in accordance with article 95, paragraph 1 of the Ordinance on Capital Adequacy and Risk Diversification for Banks and Securities Dealers
- approves projects of strategic importance
- approves contingency planning
- takes note of the reporting on the business framework for international activities
- consults the detailed quarterly reports of the Executive Board
- is regularly informed by the Executive Board of all relevant aspects of risk management
- approves unsecured loans in excess of CHF 1 billion
- is regularly informed of lending transactions that fall within the remit of the Chairperson's Committee
- approves the annual planning, annual and semi-annual financial statements and the annual report including the compensation report
- hires and dismisses the members of the Executive Board and their deputies, branch managers at senior level, and the Head and Deputy Head of Audit
- issues regulations and special regulations provided for by law or regulatory provisions
- decides on the annual distribution of profit to the canton and municipalities

The Board of Directors also takes decisions on loan and limit applications as well as other transactions that fall within its remit.

Audit

Audit is responsible for the group's internal audit. It is headed by Jörg Steinger and at the end of 2023 had 49.7 full-time employees (FTE).

In organisational terms, Audit reports directly to the Board of Directors and is independent of the Executive Board. It assists the Board of Directors and its committees in fulfilling their supervisory and control tasks by using a systematic, risk-oriented approach to evaluate the effectiveness of risk management and controls as well as of the management, performance and oversight processes, and by submitting recommendations for optimisation. Audit also checks the bank's compliance with regulatory provisions, internal directives and guidelines in all areas of the business.

To perform its audit role, Audit has unlimited rights of inspection, information and access within the bank and group companies. Audit is not bound by any directives in substantive terms in the drafting of its reports, which are generally drawn up for the attention of the Audit Committee of the Board of Directors, the Chairperson's Committee (which can take immediate measures), occasionally other bank committees, the members of the Executive Board, other managers and the external auditors. Audit follows strict quality guidelines and designs its procedures in accordance with recognised international auditing standards – the Standards and the Code of Ethics of the Institute of Internal Auditors (IIA).

Board of Directors Committees

Four committees assist the Board of Directors in its decisions by providing preliminary advice:
- Audit Committee
- Risk Committee
- Compensation and Personnel Committee
- IT Committee

The Board of Directors Committees have no decision-making powers: instead they make proposals and give recommendations to the Board of Directors. Information on the work of the committees is presented at every meeting of the Board of Directors. The committee chairpersons hold a joint coordination meeting every year with the Chairperson's Committee. Where possible, subjects concerning more than one committee are dealt with at joint meetings. In addition, all members of the Board of Directors receive the minutes of all meetings of Board of Directors Committees.

Audit Committee

The Audit Committee supports the Board of Directors in its supervisory and control functions in accordance with § 15a of the Cantonal Banking Act on Zürcher Kantonalbank, § 49 and § 50 of the bank's organisational regulations of 15 December 2022 and FINMA Circular 2017/1 "Corporate governance – banks". Within its area of responsibility, it prepares specialist resolutions of the full Board of Directors and, in this regard, is responsible in particular for critically analysing the published annual and interim financial statements of the parent company and group. In addition, the Audit Committee assesses the functionality of the internal control system and appraises the audit plan and reports issued by Audit and the external auditors.

Until 31 December 2023, this Committee comprised Henrich Kisker (Chairman), Amr Abdelaziz, Sandra Berberat Kecerski, Bettina Furrer and René Huber. The Head of Audit attends all meetings of the Audit Committee as a permanent guest. The CFO participates in portions of each meeting of the Audit Committee.

Risk Committee

The Risk Committee assists the Board of Directors in monitoring the bank's risk management and compliance with regulatory requirements regarding the management of risk. It prepares the corresponding transactions for the Board of Directors. The Risk Committee provides preliminary advice to the Board of Directors. It evaluates the quality, adequateness and effectiveness of the processes and procedures for identifying, assessing, limiting, controlling, monitoring and managing risks.

Until 31 December 2023, this Committee consisted of Adrian Bruhin (Chairman), Sandra Berberat Kecerski, René Huber, Roger Liebi and Anita Sigg. The Chief Risk Officer, the Head of Audit and the Head of Risk Control participate in every meeting of the Risk Committee.

Compensation and Personnel Committee

The Compensation and Personnel Committee (EPA) assists the Board of Directors in connection with personnel decisions, the human resources strategy, as well as personnel and compensation policy. It assists the Board of Directors by providing preliminary advice and issuing recommendations on these matters.

Until 31 December 2023, the Compensation and Personnel Committee comprised Peter Ruff (Chairman), Amr Abdelaziz, Jörg Müller-Ganz, Anita Sigg and Stefan Wirth. The Head of Human Resources participates in each meeting of the Compensation and Personnel Committee.

IT Committee

The IT Committee supports the Board of Directors in defining and monitoring the IT-relevant aspects of the group strategy. It advises the Board of Directors on all matters relating to IT at Zürcher Kantonalbank and makes appropriate recommendations. For this purpose, it works to obtain a picture of the contribution of IT to the bank's performance. Furthermore, it assesses the cost and investment framework for IT by considering the potential effects on current and future courses of action as well as on business risks. Finally, it assesses the functionality of the management of IT risks with an impact on IT-related investment risks.

Until 31 December 2023, the IT Committee comprised Walter Schoch (Chairman), Bettina Furrer, Mark Roth and Stefan Wirth. The Head of the IT, Operations & Real Estate business unit and the Head of IT Audit participate in each meeting of the IT Committee.

Auditor

Under the Cantonal Banking Act on Zürcher Kantonalbank, the Cantonal Parliament appoints the external auditors for a two-year period. The external auditors must be recognised by FINMA. On 30 May 2022, the Cantonal Parliament confirmed the appointment of EY (since 1998) as external auditors for 2023 and 2024.

Bruno Patusi has been the lead auditor for the financial audit since 2018. Patrick Schwaller has been the lead auditor for the regulatory audit since 2020.

In the year under review, EY charged CHF 4.1 million for regulatory audits (basic and additional audits), the audit of the annual financial statements of the bank and group companies as well as the consolidated financial statements (2022: CHF 3.7 million). EY charged CHF 0.02 million (2022: CHF 0.02 million) for additional consulting services, and CHF 0.2 million for audit-related services (2022: CHF 0.1 million). Furthermore, EY charged CHF 3.3 million (2022: CHF 3.1 million) via group companies for auditing collective capital investments.

The external auditors work together with Audit and, to the extent permitted, base their work on that of Audit. The tools used to inform the Board of Directors include reports on the regulatory and financial audits as well as reports on any interim audits and summary audits. The external auditors also attend meetings of the Board of Directors or its committees where necessary.

Executive Board

The Executive Board of Zürcher Kantonalbank has eight members. It is headed by Urs Baumann (Chief Executive Officer, CEO). Under § 17 of the Cantonal Banking Act on Zürcher Kantonalbank, the Executive Board is responsible for managing the bank's operations. The members of the Executive Board occupy an advisory role on the Board of Directors and the Chairperson's Committee. The Executive Board is responsible for business as well as human resources matters where they concern the management of the bank. With the exception of Audit, it is responsible for the appointment and dismissal of members of senior management. The duties of the Executive Board are governed by the law and regulations. The organisational structure is governed by the bank's organisational regulations dated 15 December 2022.

Under section 79 of the bank's organisational regulations of 15 December 2022, the Chief Executive Officer is responsible for managing the Executive Board, implementing the group mission statement and group strategy as well as the group structure and organisation, representing the Executive Board both internally and externally, coordinating the business activities of the Executive Board, and ensuring that the duties assigned by the Board of Directors and the Chairperson's Committee are carried out.

The Chief Executive Officer reports to the Chairperson's Committee and Board of Directors. Subject to the responsibilities of the Board of Directors and the Chairperson's Committee, the individual members of the Executive Board report to the CEO.

Members of the Executive Board

All members of the Executive Board are Swiss nationals. For information on compensation, profit-sharing and loans, please refer to the Compensation Report. As at 31 December 2023, the Executive Board comprised the persons listed in the below table.

For further information about the individual members of the Executive Board, please see p. 96 ff.

Members of the Executive Board as at 31.12.2023

Urs Baumann	Chief Executive Officer Member of the Executive Board	since 01.09.2022 since 01.06.2022
Dr Stephanino Isele	Deputy Chief Executive Officer Member of the Executive Board	since 01.05.2021 since 01.04.2014
Dr Martin Bardenhewer	Member of the Executive Board	since 01.05.2023
Dr Jürg Bühlmann	Member of the Executive Board	since 01.07.2012
Roger Müller	Member of the Executive Board	since 01.01.2014
Daniel Previdoli	Member of the Executive Board	since 01.12.2007
Remo Schmidli	Member of the Executive Board	since 01.07.2019
Florence Schnydrig Moser	Member of the Executive Board	since 01.01.2021

Public service mandate

As part of the strategy process, the Board of Directors, Chairperson's Committee and Executive Board deal on a regular basis with the subject of the public service mandate. They ensure that the bank's legal requirements and strategically defined targets are met. The Chairperson's Committee is assigned special responsibility for control and monitoring in this regard (§ 9 and § 10 of the Guidelines for the Fulfilment of the Public Service Mandate).

The central body is the internal Public Service Mandate Steering Committee, which is chaired by the officer responsible for the public service mandate. The committee advises and supports the bank's governing bodies and business units on all aspects of the public service mandate and reports annually on the fulfilment of the mandate to the supervisory committee of the Cantonal Parliament. All business units are represented on the Public Service Mandate Steering Committee by a manager with responsibility for the relevant area.

The Public Service Mandate specialist area is part of the general management staff office. It coordinates planning, implementation and reporting with regard to the fulfilment of the public service mandate and all associated activities. It also prepares the business of the Public Service Mandate Steering Committee. Various specialist areas within the individual business units assist with the achievement of objectives.

Focus of the risk strategy and risk profile

For information on the focus of the risk strategy and the risk profile, please see the Risk Report in Note I) to the Consolidated Financial Statements.

Compensation of the members of the Board of Directors and the Executive Board

For detailed information on the compensation of the members of the Board of Directors and the Executive Board and the process underlying the determination of the amounts to be compensated, please see the Compensation Report.

Management contracts

The group and its companies have not concluded any management contracts with third parties.

Communication policy

Zürcher Kantonalbank pursues a transparent communication policy towards its stakeholder groups. The most important communication tools are the comprehensive annual and sustainability report, the half-yearly report and press conferences. The 2023 annual results were announced on 9 February 2024, and the annual report and sustainability report are set to be approved by the Cantonal Parliament on 27 May 2024. The bank's half-yearly results are expected to be published at the end of August 2024.

Activity reports

Chairperson's Committee

In addition to addressing strategic, planning, organisational and human resources questions as well as issues concerning the corporate culture, the Chairperson's Committee, in accordance with statutory and regulatory competencies, dealt at their weekly meetings in the year under review with lending and limit transactions within their area of responsibility pursuant to the applicable regulations, as well as transactions involving special reputation risks. The Chairperson's Committee decided on any immediate measures to address objections in audit reports, closely oversaw the monitoring and implementation of regulatory requirements, and dealt with requests addressed to the Board of Directors from both FINMA and the Cantonal Parliament. Members of the Executive Board, the Head of Audit and representatives of the specialist units were regularly invited to attend these meetings.

The Chairperson's Committee dealt intensively in the reporting year with the handover from the outgoing to the new Head of the Finance business unit (CFO) and from the outgoing to the new Head of Audit. They also collaborated with the Compensation and Personnel Committee to prepare for electing the successor to the Head of the Risk business unit (Chief Risk Officer, CRO), who will assume the role of CRO as of 1 April 2024. In addition, the Chairperson's Committee addressed succession planning for all of the bank's key management personnel. The revision of the organisational regulations, which had been planned and prepared by the Chairperson's Committee well in advance, was completed with the entry into force of the new regulations as of 1 July 2023. The Chairperson's Committee was also involved in developing the new concept for monitoring international activities, which has been applicable since the beginning of 2023. Moreover, in conjunction with the Risk Committee of the Board of Directors, they engaged an external consulting firm to review the effective allocation of control activities in the first and second lines of defence.

One of the focal points of 2023 was the challenging bank-wide adjustment of the compensation model as of 1 January 2024, which the Chairperson's Committee prepared together with the Compensation and Personnel Committee (CPC), an Executive Board committee and external advisors. The Chairperson's Committee also prepared the onboarding of the newly elected members of the Board of Directors and a Board of Directors training session for January 2024. Additionally, they held personal discussions with the existing and newly elected members of the Board of Directors to ensure that they could propose to the Board of Directors a professionally appropriate and balanced composition of the Board of Directors committees from 2024. The Chairperson's Committee kept abreast of regulatory changes and their implementation (e.g. FINMA Circular 2023/1 "Operational risks and resilience – banks") in the year under review and monitored the development of important bank projects. The Chairperson's Committee prepared a bill for the Cantonal Parliament to amend the Cantonal Banking Act on Zürcher Kantonalbank. This amendment was needed to take into account an OECD minimum tax on dividend distributions and ensure the existing participation of the canton and municipalities.

The Chairperson's Committee also met several times to discuss and prepare strategic topics for the attention of the Board of Directors. In addition, they initiated and prepared the strategy seminar of the Board of Directors and the Executive Board. They cooperated with the Board of Directors Committees in preparing the substantive resolutions and personnel decisions as well as the basic principles for the strategic adjustment requirement on behalf of the Board of Directors and ensured their swift implementation. In addition, they continuously examined current geopolitical and national events and measures, particularly regarding the impact of the conflict in the Middle East. It also decided on sponsorship commitments and donations under the public service mandate.

In order to better promote the interests of Zürcher Kantonalbank among important decision-makers in politics and business, the Chairperson's Committee maintained regular contact with FINMA and strengthened their collaboration with the Public Affairs specialist unit. The Chairperson's Committee maintained a personal dialogue with the Cantonal Parliament of Zurich – particularly with the Parliamentary Committee for the Supervision of Commercial Undertakings (AWU) and the Executive Board – as well as the Government Council of Zurich, the executive authorities of towns and municipalities in the Canton of Zurich, and Zurich's representatives in the National Council and Council of States. The Chairperson's Committee represented Zürcher Kantonalbank in regular discussions between bank chairpersons in the context of the Association of Swiss Cantonal Banks, as well as at various representative cultural, political, environmental and business events. In accordance with a timetable, the Chairperson's Committee visited market areas and specialist units.

Board of Directors

Eleven ordinary meetings were held in the presence of the Executive Board and the Head of Audit. Representatives of EY attended three meetings. A two-day Board of Directors seminar and a constituent meeting were also held. In addition, members of the Board of Directors visited ten branches and five specialist units in pairs during the year under review.

As it does every year, the Board of Directors sought guidance on the effects on the bank of national and geopolitical events and conditions on the financial markets. In 2023, the focus was on the events surrounding the takeover of Credit Suisse by UBS and its impact on the Swiss financial centre and our bank. The Board of Directors examined this topic at several meetings and also discussed strategic opportunities and risks for the bank in various business areas against the backdrop of these developments. Due to the systemic importance of the bank, the Board of Directors also dealt in detail with the contingency planning and the stabilisation plan and received a report on the successful issue of bail-in bonds in CHF and EUR, which it had approved in advance.

In the reporting year, the Board of Directors elected a new CRO to replace the current CRO, who will retire on 1 April 2024. In addition, the age-related management changes in Audit and in the Finance business unit, for which the Board of Directors had been preparing well in advance, took place in the reporting year. The Board of Directors appointed a new branch manager for the Wiedikon, Höngg and Prime Tower branches during the financial year.

One of the focal points of 2023 was the bank-wide adjustment of the compensation model as of 1 January 2024. The Board of Directors held several meetings throughout the year to develop a compensation system that is suitable for the future. It involved external experts and approved a system during two meetings.

During a two-day seminar, the Board of Directors developed and decided on ambitious goals for the public service mandate until 2030. Additionally, the Board of Directors took note of the national frameworks of the individual business units as part of its annual approval of the concept for monitoring the bank's international activities. In the reporting year, it also passed a bill for the Cantonal Parliament to amend the Cantonal Banking Act on Zürcher Kantonalbank. This amendment was needed to take into account an OECD minimum tax on dividend distributions and ensure the existing participation of the canton and municipalities. Moreover, it approved the sub-strategies and the critical banking services with disruption tolerances and authorised the reduction path for the residential mortgage business, a requirement of the Net-Zero Banking Alliance. It took note of the periodic reporting on finances, risks and ICS, start-up and risk financing, capital market transactions and the employee satisfaction survey 2023. It was also informed about the implementation of the human resources strategy, the bank's strategic projects, the activities of the Public and Regulatory Affairs business unit, and the review by an external consulting firm of the effective allocation of control activities in the first and second lines of defence.

Audit Committee

The Audit Committee held a total of ten meetings in 2023 with the Head of Audit in attendance. The CFO was always present when agenda items relating to financial planning, controlling and reporting were discussed. The lead auditors at the firm of external auditors regularly attended the meetings to discuss their reports, Audit's reports and other agenda items, such as FINMA's audit strategy. Various agenda items were discussed in the presence of the Chairperson's Committee. The CEO, the CRO and the Head of Legal & Compliance periodically participated in the meetings. The relevant management decision-makers were also involved in the discussions on a regular basis where needed. The Chairman of the Audit Committee regularly conferred with the partners at the external auditors responsible for the regulatory and financial audits, as well as with the Head of Audit and the CFO.

At each meeting, attention focused on financial reporting (monthly, quarterly, half-yearly and annual reports including disclosures) as well as the external and internal audit reports. A total of 57 internal and 17 external audit reports were discussed. This also involved the assessment of the appropriateness of measures taken by the entities audited and reporting on the current implementation status of the measures decided. At several meetings and at the annual workshop organised by Audit, key changes in the risk profile as well as the consequent setting of audit objectives for internal and external auditing were discussed. FINMA also presented its view to the Audit Committee as part of the supervisory risk analysis. It focused in particular on the risk-oriented overall coverage of the supervisory audit universe in a multi-year cycle by internal and external audit activity.

Other important activities and activities required by the regulator in the year under review included:

- analysis and assessment of reporting on the structure and effectiveness of the internal control system for all business units and subsidiaries of the bank
- discussion of the activity report by Legal & Compliance and a forward-looking assessment of statutory and regulatory developments
- critical assessment of the regulatory audit report, the comprehensive financial audit report and the special report from the external auditors for the attention of the Parliamentary Committee (AWU) regarding the bank's economic standing with respect to the state guarantee
- discussion of reports on the course of business of the group companies and participations
- assessment of Audit's performance
- assessment of the performance, compensation and independence of the external auditors

With regard to financial management, the Audit Committee also examined the bank's financial strategic parameters in the year under review. Furthermore, the bank's financial value added was assessed and compared with other banks on the basis of the CFO's annual benchmarking study. Other important topics for the Audit Committee in the year under review included the business performance, the annual and multi-year financial planning, and the update of the stabilisation and contingency plan. The Audit Committee then paid particular attention to the enhancement of the sustainability report and climate report as part of non-financial reporting. It also obtained information about regulatory developments related to sustainability. Moreover, the Audit Committee was informed about current topics in the financial industry, such as crypto assets.

Risk Committee

The Risk Committee held ten ordinary meetings in the reporting year, as well as one joint meeting with the IT Committee . It regularly consulted standard reports, stress scenarios and risk reports. The quarterly report by the CRO giving an account of credit, market, liquidity, operating, compliance and reputation risks was an important tool for the Committee in terms of performing its tasks.

It also took note of changes relevant to risk, especially in connection with the mortgage business, international risks, a deterioration in the economic situation and other business areas. The Risk Committee kept itself informed of credit exposures and limits, and periodically sought information about lending and limit transactions that fall within the remit of the Chairperson's Committee in particular. It provided preliminary advice on strategic credit and limit applications, the proposal concerning the approval of the international business concept and other matters within the remit of the Board of Directors from a risk perspective; it evaluated the appropriateness of our bank's risk management processes at a workshop, the completeness of the risk inventory and the risk profiles for both operational and compliance risk. It also submitted to the Board of Directors recommendations concerning the group-wide risk framework and the requirements in the bank's risk policy. The Risk Committee also examined the findings in the risk-relevant audit reports and noted the minutes of the Risk Committee of the Executive Board.

In the reporting year, the Committee dealt with the consequences of the takeover of Credit Suisse by UBS, the implementation of FINMA Circular 2023/1 "Operational risks and resilience – banks" and real estate financing by institutional investors. In addition, the Risk Committee of the Board of Directors discussed an external report with recommendations on the effective allocation of control activities in the first and second lines of defence within the bank, found out about the new concept of the counterparty credit risk model for OTC derivatives and obtained information about the latest regulatory developments within the framework of Basel III. Moreover, it received reports on the largest risk positions and individual value adjustments, liquidity risk and balance sheet management, cluster risks, exposures to central counterparties, the 20 largest exposures, exception-to-policy transactions, and the business framework of a large corporate group.

Compensation and Personnel Committee

The Compensation and Personnel Committee met for ten ordinary meetings and three extraordinary meetings in the year under review. Depending on the topic, the CEO, CFO, the Head of Institutionals & Multinationals and other representatives of the specialist units as well as external advisors participated in the meetings.

As is standard, the Compensation and Personnel Committee attended to succession planning, the implementation of the human resources strategy and, in particular, matters related to compensation (including equal pay), promotions, disciplinary cases and dismissals, and staff training and development. For the annual report, it reviewed the compensation report and examined the compensation of the Executive Board, variable compensation for Trading, the implementation of the group-wide salary and variable compensation system, and the parameters for the 2023–2025 long-term deferred compensation.
The focus in the reporting year was on the bank-wide revision of the compensation system as of 1 January 2024. The Compensation and Personnel Committee worked on the issues relating to this revision at several ordinary and two extraordinary meetings together with the Chairperson's Committee, the CEO and external advisors. The requested adjustments to the compensation model were submitted to the Board of Directors in two packages.

In the reporting year, the Compensation and Personnel Committee also conducted a multi-stage recruitment process to prepare for the appointment of the new CRO to replace the current CRO, who will retire on 1 April 2024. For these succession processes, the Committee members (as well as the Chairperson's Committee and the Chairman of the Risk Committee of the Board of Directors) participated in full or in part in assessments, interviews and individual discussions with the applicants. In joint meetings they made the decisions essential for recruitment, including submitting an election recommendation to the Board of Directors. The Compensation and Personnel Committee also examined proposals to the Board of Directors for the election of a new Deputy Head of the Institutionals & Multinationals business unit, a new branch manager for the Wiedikon, Höngg and Prime Tower branches and a new secretary to the Board of Directors. Furthermore, the Committee examined topics such as the shortage of skilled staff, junior staff strategy, commercial training reform, gender diversity, delineations of power for retirement planning and the Performance & Development 2.0 initiative.

IT Committee

The IT Committee held five ordinary meetings in the year under review. The IT Committee examined strategic IT reports in detail on a quarterly basis. The Chairman of the IT Committee reported on this to the Board of Directors. These reports included the key indicators for IT as well as the status of the most important IT programmes. The Committee obtained guidance on the strategic focal points in the portfolio from the individuals directly responsible for them. These strategic focal points include the "Digital Banking" and "SESAM" programmes. The "SESAM" project aims to support sales employees with digital technology so that they can work much more efficiently and serve more clients better. The IT Committee also receives semi-annual updates on the status of the "Cloud" project.

The IT Committee discussed IT operations in several meetings. Topics such as year-end processing, SLA management and the modern division of roles between IT engineering and IT operations were discussed in detail.

The IT Committee examined matters related to IT security on a regular basis. It was informed about the topics of "IT Security at Zürcher Kantonalbank Österreich AG" and "Cyber Security" as well as the "Security Roadmap". The IT Committee additionally dealt with all audit reports relevant to IT and was regularly updated about the rectification status of the findings of the audit firm and the implementation of FINMA requirements (particularly those set out in Circular 2023/1 "Operational risks and resilience – banks").

In order to have general background information on important IT topics, the Committee examined the complexity in IT and the use of new technologies and innovations. The Committee also received information on IT investment planning and the development of the personnel portfolio, and obtained an overview of outsourcing.

Chairperson’s Committee

Jörg Müller-Ganz

Chairman
Dr. oec. HSG
Swiss/German national; born in 1961

Key mandates:
– Member of the Board of Trustees of Innovationspark, Zurich
– Member of the Board of Trustees of Zurich Zoo, Zurich
– Member of the Board of Trustees of ETH Foundation, Zurich
– Member of the Board of Directors of Technopark Immobilien AG, Zurich
– Chairman of the Board of Directors of Opo Oeschger AG, Kloten

Jörg Müller-Ganz was elected to the Board of Directors in 2007 and the Chairperson’s Committee in October 2010. From 1992 to 2010, he worked as a consultant, CEO and partner at the Helbling Group. He also lectured on the subject of corporate finance at various universities. Prior to that, he worked at Bank Vontobel and Credit Suisse. He was a member of the Audit Committee from 2007 to 2008, a member of the IT Committee from 2008 to 2019 and has been a member of the Compensation and Personnel Committee of the Board of Directors of Zürcher Kantonalbank since 2019. He was appointed Chairman of the Board of Directors of Opo Oeschger AG, Kloten, in 2015. He holds a doctorate in banking economics from the University of St. Gallen.

Roger Liebi

Deputy Chairman
Banker, BoD certification from SAQ
Swiss national; born in 1961

Key mandates:
– Chairman of the Board of Trustees of SanArena, Zurich
– Member of the Board of Trustees of the Excellence Foundation for Economic & Social Research at the University of Zurich, Zurich
– Member of the Board of Trustees of the BlueLion Incubator, Zurich
– Chairman of the Advisory Board of kmu.zh
– Member of the Advisory Board of Umwelt Arena Schweiz, Spreitenbach

Roger Liebi was elected to the Chairperson’s Committee in June 2019, having joined the Board of Directors in 2018. He began his career in 1981 at Union Bank of Switzerland in Thun, working in commerce, retail client business and as a foreign exchange/money market dealer at various locations. He rose to the rank of vice-director in international private banking, working, for instance, for the partially state-owned Scandinavian Nordea Bank (Switzerland) as regional manager of several countries from 2004 to 2015. In 2017, he became a self-employed executive search consultant and sports agent, and was also active in the Zurich Banking Association, entrepreneur groups and as chairman of an NGO. He was a member of Zurich City Parliament from 2002 to 2017, chairing several committees, such as finance and audit. As a member of the Cantonal Parliament of Zurich, he headed up its Committee for Economic Affairs and Taxation from 2015 to 2018. He is a member of Zürcher Kantonalbank’s Risk Committee.

Mark Roth

Deputy Chairman
Swiss Certified Accountant
Swiss national; born in 1974

Key mandates:
– Chairman of the Board of Directors of Budliger Treuhand AG, Zurich
– Member of the Board of Trustees of the Chance Foundation, Zurich
– Chairman of the Management Committee of the Pension Fund of Zürcher Kantonalbank and Chairman of the Board of Trustees of the Marienburg Foundation

Mark Roth has been a member of the Board of Directors since September 2013 and was appointed as János Blum’s successor on the Chairperson’s Committee as at the end of January 2022. He was a member of the Executive Board and Head of Auditing for Budliger Treuhand AG in Zurich from 2009 until 2022. From 2011 to 2014 he was Finance Delegate on the Executive Board of the SP City of Zurich. Prior to this, he worked for Itema (Switzerland) Ltd. in Rüti and Ernst & Young, Zurich, in both Zurich and Amman (Jordan). Since 2022, Mark Roth has been Chairman of the Board of Directors of Budliger Treuhand AG, Zurich, and a member of the Board of Trustees of the Chance Foundation, Zurich, as well as a member of the Advisory Board of the Zurich University of the Arts (ZHdK), Zurich. From 2013 until his election to the Chairperson’s Committee, he was a member of the Audit Committee, which he chaired from 2015. He is a member of the IT Committee of the Board of Directors of Zürcher Kantonalbank and, since April 2022, Chairman of the Management Committee of the Pension Fund and the Marienburg Foundation of Zürcher Kantonalbank.

Board of Directors

Amr Abdelaziz

Member of the Board of Directors
lic. iur. attorney-at-law
Swiss/Egyptian national; born in 1977

Key mandates:
None

Amr Abdelaziz studied law at the University of Zurich and the University of Geneva, and completed a Master of European Law degree (L.L.M.) at the College of Europe in Bruges, Belgium. He was elected to the Board of Directors in 2015. From 2007 to 2015, he worked as a lawyer at CMS von Erlach Poncet AG, Zurich, specialising in cartel investigations. Today he is a partner in a law firm specialising in criminal law. He is a member of the Audit Committee and the Compensation and Personnel Committee of the Board of Directors of Zürcher Kantonalbank.

Sandra Berberat Kecerski

Member of the Board of Directors
Swiss/Canadian national;
born in 1976

Key mandates:
- Partner in Goldenberg Immobilien GmbH, Kefikon
- Partner in Winterthurer Bau und Immobilien GmbH, Winterthur
- Member of the Board of Trustees of the Stiftung für Kleinsiedlungen, Winterthur
- Member of the Executive Board at Expert Suisse

Sandra Berberat Kecerski has been a member of the Board of Directors since March 2022. Since 2013, she has been a Managing Partner and shareholder of Goldenberg Immobilien in Kefikon. In addition, she has chaired the audit committee of EXPERTsuisse since 2020, and has been a member of the Executive Board of the Expertenverband für Wirtschaftsprüfung, Steuern und Treuhand since 2022. Her professional career took her to Deloitte AG in Zurich as Manager of Audit & Advisory in 2005 and to UBS AG as a specialist in financial reporting in 2011. From 2014 to 2020, she led the financial control department of Winterthur municipal administration. Sandra Berberat Kecerski is a Swiss Certified Accountant and Business Economist and holds an Executive MBA from the University of St. Gallen. She is a member of the Risk and Audit Committees of Zürcher Kantonalbank's Board of Directors.

Adrian Bruhin

Member of the Board of Directors
Prof. Dr. oec.
Swiss national; born in 1981

Key mandates:
None

Adrian Brukin has been a member of the Board of Directors since October 2020. He studied at the University of Zurich and earned a doctorate in economics. From 2010 to 2012, he worked as a senior economist in the Financial Stability department at the Swiss National Bank in Berne. From 2012 to 2016, he was an assistant professor, and since 2016 he has been a full professor of economics at the University of Lausanne. Adrian Bruhin is an external scientific advisor at Polynomics AG, Olten. He chairs the Risk Committee of the Board of Directors of Zürcher Kantonalbank.

Bettina Furrer

Member of the Board of Directors
Dr. sc. ETH Zurich and Prof. ZFH
Swiss national; born in 1970

Key mandates:
None

Bettina Furrer has been a member of the Board of Directors since June 2019. She studied environmental science at the Swiss Federal Institute of Technology Zurich and earned a doctorate in economics. She also completed the Executive Management Programme at the Swiss Banking School, Zurich, with distinction. From 1995 to 2003, she held a management position with the rank of Vice President at UBS AG. She was subsequently employed by Zurich University of Applied Sciences, Winterthur, where she served as a lecturer (2004–2011) as well as a professor and Head of the Institute of Sustainable Development (2012–2018). As a member of the Sustainability Advisory Board, she advised the management of Basler Kantonalbank, Basel, and Bank Cler, Basel, from 2016 to 2019. She has been Head of the Office of Urban Development in the city of Winterthur since December 2020. She is a member of both the Audit Committee and the IT Committee of the Board of Directors of Zürcher Kantonalbank.

René Huber

Member of the Board of Directors
Swiss certified banking expert
Swiss national; born in 1956

Key mandates:
- Mayor of the political municipality of Kloten
- Chairman of the Board of Directors of the Glatt Valley transport authority (Verkehrsbetriebe Glattal AG (VBG)), Glattbrugg
- Member of the Board of Directors of Seitzmeir Immobilien AG, Zurich

René Huber has been a member of the Board of Directors since 1 November 2014. He has served as the Mayor of Kloten since 2006, and has been Chairman of the Board of Directors of the Glatt Valley transport authority, Glattbrugg, since 2011, and a member of the Board of Directors of Seitzmeir Immobilien AG, Zurich, since 2016. He was a senior advisor for retail clients at UBS AG in Kloten until October 2014, after having occupied various roles at UBS AG. René Huber is a member of the Management Committee (as employer representative) of the Pension Fund of Zürcher Kantonalbank, and a member of the Audit Committee and Risk Committee of the Board of Directors of Zürcher Kantonalbank.

Henrich Kisker

Member of the Board of Directors
Swiss Certified Accountant
Swiss/German national; born in 1955

Key mandates:
- Directorships in certain group companies of Senior plc, Rickmansworth (UK)
- Delegate of the Board of Directors of NF Technology Holding AG, Zurich, and member of the Board of Directors of its subsidiaries, Schmid & Partner Engineering AG, Zurich, ZMT Zurich MedTech AG, Zurich, Zeugi 43 AG, Zurich and TI Solutions AG, Zurich

Henrich Kisker is a Swiss Certified Accountant. He was elected to the Board of Directors in 2015. From 1992 to March 2017, he held the position of Director of Tax and Treasury at Senior plc, Rickmansworth (UK). Between 1989 and 1992, he worked as Lead Auditor for Arthur Andersen AG, Zurich. He chairs the Audit Committee of the Board of Directors of Zürcher Kantonalbank.

Peter Ruff

Member of the Board of Directors
dipl. Ing. FH
Swiss national; born in 1956

Key mandates:
– Member of the Boards of Directors of Exploris AG, Russikon, and Exploris Health AG, Wallisellen
– Partner in Unimex GmbH, Zug

Peter Ruff was a member of the Board of Directors from 2011 until the end of 2023. He is a qualified engineer and has been CEO and co-owner of Exploris Health AG since 2018, a company that develops artificial intelligence-based diagnostics and therapy solutions. Since 2002, he has been the owner and managing director of Exploris AG, which specialises in data analysis in the healthcare sector. From 1994 to mid-2017, he was a member of the Board of Directors and co-owner of Ruf Group, an information technology business. In 2019 he was elected as a member of the Board of Trustees of the Marienburg Foundation of Zürcher Kantonalbank. He was a member of the Management Committee and employer representative of the Pension Fund of Zürcher Kantonalbank from 2015 until 2023. Peter Ruff chairs the Compensation and Personnel Committee of the Board of Directors of Zürcher Kantonalbank.

Walter Schoch

Member of the Board of Directors
dipl. El. Ing. FH Technikum Winterthur; MA in Theology at the University of Lampeter, UK/Swiss national; born in 1956

Key mandates:
– Chairman of the Board of Trustees of "acasa männedorf", Männedorf

The engineer and theologian Walter Schoch was elected to the Board of Directors in 2015. He was a member of the Cantonal Parliament from 2007 to 2015 and served as Justice of the Peace in the municipalities of Bauma, Wila and Wildberg from 2003 until 2021. After working for BBC Oerlikon as a project manager (1982 to 1983) and for Imeth AG, Wetzikon, as technical director (1983 to 1987), he worked for Swisscom AG, Zurich, from 1987 to 2003 as key account manager, senior project manager and divisional director. In 2005, Walter Schoch began his studies at the University of Lampeter in the UK, while simultaneously managing the MEOS Media department at MEOS Svizzera. From 2007 to 2010, he headed up the Swiss Mission Fellowship's office in Winterthur. Since 2019, he has been a substitute member of the Management Committee and employer representative of the Pension Fund of Zürcher Kantonalbank. He chairs the IT Committee of the Board of Directors of Zürcher Kantonalbank.

Anita Sigg

Member of the Board of Directors
lic. oec. publ.
Swiss national; born in 1966

Key mandates:
– Member of the awards committee of Sustainable Harvest Switzerland, Zurich
– Member of the Board of Trustees of Ökopolis Foundation, Zurich

Anita Sigg was a member of the Board of Directors from 2011 until the end of 2023. Since 2003, she has been a lecturer, project manager and Head of the Centre of Personal Finance and Wealth Management at the Zurich University of Applied Sciences in Winterthur. In addition, the economist is a trustee of the Ökopolis Foundation and a member of the association FinanceMission. She previously held various management positions at Zürcher Kantonalbank within the Corporate Centre and in sales management. Anita Sigg was a member of the Risk Committee and the Compensation and Personnel Committee of the Board of Directors of Zürcher Kantonalbank.

Audit

Stefan Wirth

Member of the Board of Directors
dipl. Ing. ETH/BWI
Swiss national; born in 1961

Key mandates:
None

Stefan Wirth was a member of the Board of Directors from 2011 until the end of 2023. A mechanical engineer and business administrator, he headed up software development at Credit Suisse Asset Management until 2003. He is an independent IT and organisational consultant, and implements projects for various banks in his role as project manager and business engineer. Stefan Wirth was a member of the IT Committee and of the Compensation and Personnel Committee of the Board of Directors of Zürcher Kantonalbank.

Jörg Steinger

Head of Audit
Dr. oec. HSG, Swiss Certified Accountant; CFE
Swiss national; born in 1967

Key mandates:
None

Jörg Steinger has held the position of Head of Audit since 1 July 2023. He joined Zürcher Kantonalbank in April 2023. Prior to this, he spent nine years as Head of Internal Audit at Bank Vontobel AG in Zurich, 14 years in various functions in internal audit and risk management at Luzerner Kantonalbank, Lucerne, and five years at Credit Suisse, Zurich.

Executive Board

Urs Baumann

Chief Executive Officer
Master of Arts and Master of Business Administration
Swiss national; born in 1967

Key mandates:
– Member of the Board of Directors of the Swiss Bankers Association, Basel
– Member of the Board of Directors of the Association of Swiss Cantonal Banks, Basel

Urs Baumann has been the Chief Executive Officer since 1 September 2022. He has many years of experience in domestic and international management as a board member, group CEO, general manager and managing director. He started his career in 1993 as a consultant with McKinsey & Company in Zurich. From 1998, he gained professional experience in the finance and banking sector at Swisscard in Horgen, Barclays Bank PLC in London, Lindorff Group in Oslo and Bellevue Group AG in Küsnacht. In 2015, Urs Baumann co-founded Blue Earth Capital AG in Zug (formerly PG Impact Investments AG), which he led as CEO until March 2022. Urs Baumann holds a Master of Arts degree from the University of St. Gallen and an MBA degree from the University of Chicago Booth School. He is a member of the Board of Directors of the Swiss Bankers Association, a member of the Board of Directors of the Association of Swiss Cantonal Banks, Basel, and a member of the Board of Zürcher Volkswirtschaftliche Gesellschaft.

Stephanino Isele

Head of Institutionals & Multinationals, Deputy Chief Executive Officer
Dr. oec. publ.
Swiss national; born in 1962

Key mandates:
– Vice Chairman of the Board of Directors of Swisscanto Holding Ltd.
– Vice Chairman of the Boards of Trustees of Swisscanto Anlagestiftung, Zurich, and Swisscanto Anlagestiftung Avant, Zurich
– Deputy Chairman of the Regulatory Board of SIX Swiss Exchange AG, Zurich
– Member of the Advisory Board of the Institute for Banking and Finance at the University of Zurich (IBF), Zurich
– Vice Chairman of the Board of Trustees of the Swiss Finance Institute, Zurich

Dr Stephanino Isele has been Head of Institutionals & Multinationals since 1 April 2014 as well as Deputy Chief Executive Officer since 1 May 2021. He joined Zürcher Kantonalbank on 1 January 2008 as the Head of Trading, Sales & Capital Markets after holding various national and international roles at J.P. Morgan & Co. and Morgan Stanley in London, most recently as COO, where he dealt with equity derivatives.

Jürg Bühlmann

Head of Corporate Banking
Dr. oec. publ.
Swiss national; born in 1967

Key mandates:
– Member of the Board of Directors of SIX Group
– Member of the Board of Directors of Venture Incubator AG
– Board of Trustees of Swiss GAAP FER

Dr Jürg Bühlmann has headed the Corporate Clients business unit since 1 January 2020. From 2012 to June 2019, he managed the Logistics business unit as a member of the Executive Board. He studied business management at the University of Zurich, where he gained a doctorate. His initial role with Zürcher Kantonalbank was in Controlling. From 2002 until his appointment as a member of the Executive Board, he held a variety of positions within the Logistics business unit. His main duties were the management of strategic IT projects (a sub-area of the IT unit) and the Real Estate unit.

Florence Schnydrig Moser

Head of Private Banking
Master of Mathematics at the EPFL Lausanne, CFA
Swiss national; born in 1972

Key mandates:
- Chairwoman of the Supervisory Board of Zürcher Kantonalbank Österreich AG, Salzburg
- Member of the Board of Directors of Advance (Gender Equality in Business)
- Member of the Board of Trustees of the Hasler Foundation

Florence Schnydrig Moser was appointed as a member of the Executive Board as of 1 January 2021, and has been Head of the Private Banking business unit since 1 May 2021. Previously she was CEO of Swisscard AECS GmbH in Horgen. Florence Schnydrig Moser worked for Credit Suisse from 2000 to 2018 in various functions in the private banking environment – including in Zurich, Australia and Hong Kong. Most recently, as Head of Products, Investments & Marketing, she was responsible for the development and marketing of products for Swiss private clients and, as a member of the Executive Board, had overarching responsibility within Credit Suisse (Switzerland) Ltd. Florence Schnydrig Moser studied mathematics at the Ecole polytechnique fédérale de Lausanne (EPFL) and then passed the examinations to become a Chartered Financial Analyst (CFA).

Daniel Previdoli

Head of Products, Services & Direct Banking
lic. rer. pol.
Swiss national; born in 1962

Key mandates:
- Chairman of the Board of Directors of Swisscanto Fund Management Company Ltd., Zurich
- Member of the Board of Directors of Swisscanto Holding Ltd., Zurich
- Member of the Board of Directors of TWINT AG, Zurich
- Member of the Board of Directors of Viseca Payment Services SA, Zurich
- Deputy Chairman of the Greater Zurich Area Foundation Board, Zurich

Daniel Previdoli has been a member of the Executive Board since 2007. He became Head of Products, Services & Direct Banking on 1 October 2014 after having led the Retail Banking business unit. Prior to that, he spent 11 years with UBS, as Head of Recovery Management Primaries between 1996 and 2002 and subsequently as Head of Retail and Corporate Banking for the Zurich region. From 1987 until 1996, he held various positions with Credit Suisse, both in Switzerland and abroad.

Martin Bardenhewer

Chief Financial Officer (CFO)
Dr. rer. pol.
Swiss / German national; born in 1967

Key mandates:
- Chairman of the Board of Directors of Swisscanto Holding Ltd., Zurich
- Member of the Board of Directors of the Central Mortgage Bond Institution of the Swiss Cantonal Banks, Zurich
- Member of the Board of Directors of the Swiss Banks' and Securities Dealers' Deposit Guarantee Association, Basel

Martin Bardenhewer was appointed Head of the Finance business unit and member of the Executive Board from 1 May 2023. He joined the bank in 2001 as the person responsible for the models used to manage balance sheet risk at Zürcher Kantonalbank. He then served as Head of Market Risk Controlling and was in charge of risk measurement in the trading business. In 2007, he was promoted to Head of Treasury and Deputy CFO. After around ten years in the Finance business unit, he switched to the Institutionals & Multinationals business unit in 2017, which he also headed up in a deputy capacity. Martin Bardenhewer began his career as a Senior Consultant at KPMG Zurich. After studying economics at the University of Bonn, he earned his doctorate in economics at the University of Mannheim. In 2022, he graduated from the Advanced Management Programme at Harvard Business School in Boston.

Roger Müller

Chief Risk Officer (CRO)
Swiss certified banking expert
Swiss national; born in 1962

Key mandates:
None

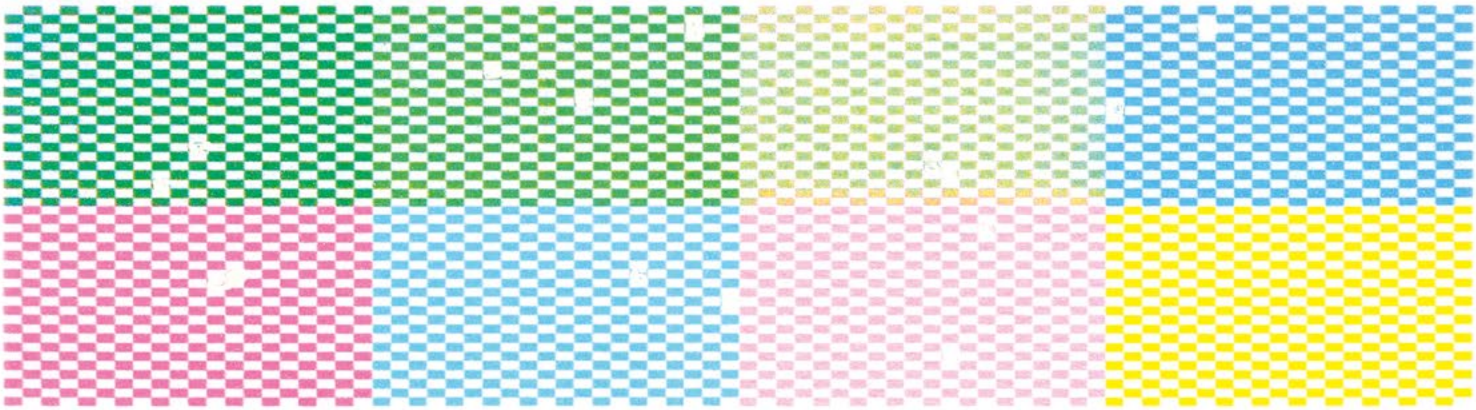
Roger Müller has been serving as Chief Risk Officer since 1 January 2014. From 2008 until his appointment as a member of the Executive Board, he was Head of the Credit Office and Deputy Chief Risk Officer. He has held a wide variety of roles within the bank since 1978, mainly in commercial lending and corporate banking. From 2000, he headed up credit office analysis in Corporate Banking.

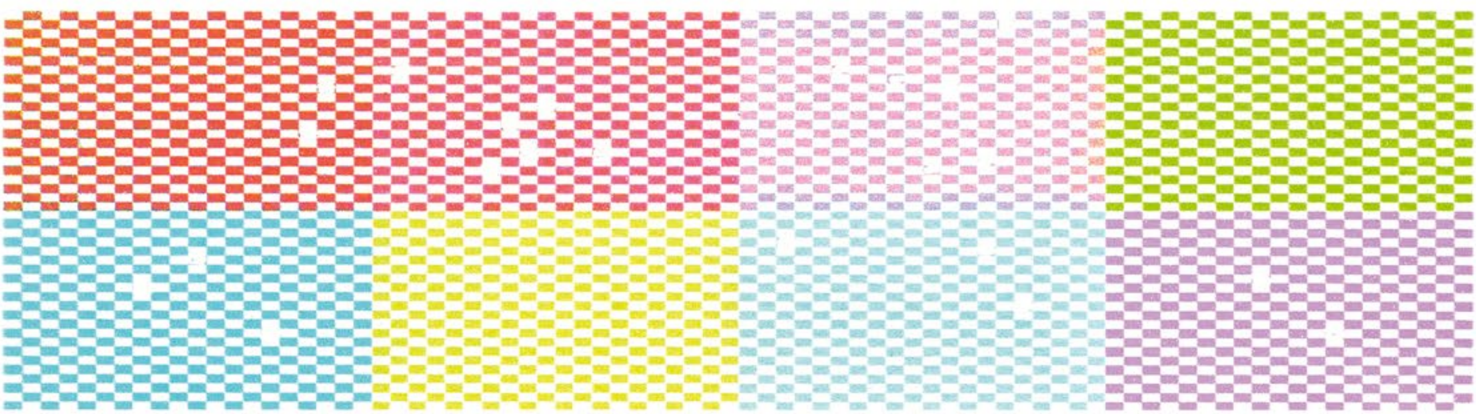
Remo Schmidli

Head of IT, Operations & Real Estate
Computer science graduate, Executive Master of Business Administration ZFH from the University of Applied Sciences in Business Administration, Zurich
Swiss national; born in 1978

Key mandates:
- Member of the Board of Directors of Swiss Fintech Innovations (SFTI)

Remo Schmidli has been Head of IT, Operations & Real Estate and a member of the Executive Board since 1 July 2019. Prior to that, he held a variety of positions at Zürcher Kantonalbank, including in the areas of IT and project management, starting in 2001. He took charge of Multichannel Management in the Products, Services & Direct Banking business unit in 2014.





Compensation Report

Statement of the Board of Directors on Zürcher Kantonalbank's new compensation model

The long-term success of Zürcher Kantonalbank lies in the strength of its business model, which is characterised in particular by a diversified income structure. The real foundation of Switzerland's second-largest universal bank, however, is its employees. The total compensation in the financial sector, in particular the variable component, popularly known as the bonus, has been a topic of social and political debate for some time now. The upheavals in the Swiss banking sector in the spring of 2023 have fuelled this discourse even further. That was reason enough to subject the compensation system at Zürcher Kantonalbank to a comprehensive review with the involvement of HCM International, a recognised external expert. The resulting findings will be implemented as of 1 January 2024.

Market conformity of the total compensation

The review has shown that the total compensation (base salary plus variable compensation) is appropriate in light of the size of Zürcher Kantonalbank and the complexity of its business model, and is therefore appropriate given its positioning as the second-largest universal bank in Switzerland. The benchmarking was carried out based on data from Willis Towers Watson.

Zürcher Kantonalbank does not have a bonus model, rather a profit-sharing model. That means Zürcher Kantonalbank pays variable compensation only if it also realises a profit. All function levels benefit proportionally from the profit-sharing model.

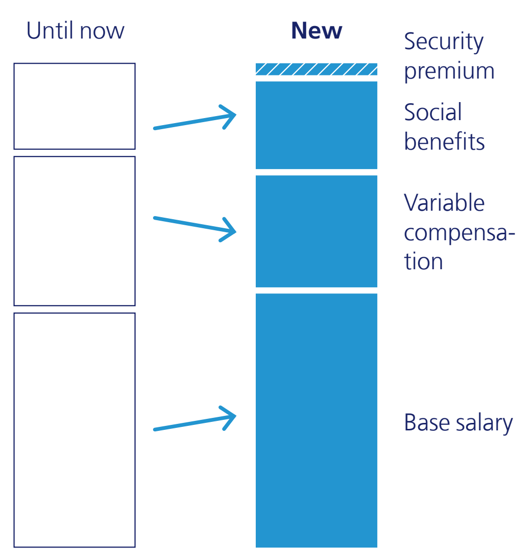
Over the past years, the previous profit-sharing model has led to a continuous increase in variable compensation due to the bank's steady increase in profits. In contrast, the base salaries have been adjusted only slightly for some time. This means they currently tend to be too low compared to the rest of the industry. While the current total compensation is in line with the market, the variable compensation component is too high. The Board of Directors has recognised that this development must be corrected. Consequently, as of 1 January 2024, around CHF 60 million will be shifted from variable compensation to base salary. A certain deduction ("security premium") is made in acknowledgement of the fact that a secure franc in base salary is "worth more" than an insecure franc in variable compensation. The illustration below compares the old and new compensation models based on unchanged business performance.

Calculation model of variable compensation

The operating result increased by 39 percent to CHF 1.5 billion in 2023. Without intervention, the resulting consolidated profit would have led to a further increase in variable compensation totalling CHF 80 million under the existing calculation model and would have caused the total compensation to rise above the desired market positioning. The Board of Directors has therefore decided to freeze the total variable compensation for the 2023 financial year at the 2022 level, with the increase in headcount being accommodated accordingly.

With a view to the 2024 financial year, two measures adopted by the Board of Directors will be implemented for the calculation of variable compensation. First, the model will be recalibrated. If profit in 2024 is in line with expectations, this will result in variable compensation that is lower by the amount shifted to the base salary as part of the "pay mix" measure. Second, an adjustment in the calculation model will lead to a significant flattening of the growth of the variable compensation in the future. Overall, the variable compensation is therefore significantly reduced, but remains at a competitive level appropriate for a universal bank. One

Compensation model



The security premium, which is deducted, is not part of the total compensation.

key aspect that remains valid in the future is that the Zürcher Kantonalbank model is a profit-sharing model and not a bonus model: no variable compensation without profit.

Long-term deferred compensation

The long-term deferred compensation for the Executive Board and senior management will be significantly tightened with effect as of the 2024 financial year. The share of the variable compensation that is blocked for three years is now 50 percent for the Executive Board and 30 percent for senior management. This corresponds to a doubling of the previous figure and is intended to ensure greater management commitment to the bank's successful future. The long-term deferred compensation can increase, decrease or even be cancelled completely depending on the business development. In addition, the payout is linked to the achievement of the targets set from the public service mandate. Failure to meet the targets results in a penalty of up to 20 percent.

Conclusion

In summary, the measures adopted by the Board of Directors balance the interests of the owner, the bank and the employees without jeopardising the success model of Zürcher Kantonalbank as Switzerland's second-largest universal bank.

The review of total compensation has shown that it – at all function levels – is in line with the market and within the desired market positioning. A further increase in the 2023 financial year was avoided by intervening in the existing model. The profit-sharing model has been recalibrated for the coming years.

Recruiting new talent will be easier for the bank due to the adjustment of the compensation mix. For employees, planning security increases because the volatility of their total compensation decreases.

Basic principles

As a public-law institution, Zürcher Kantonalbank generally aligns its compensation policy to § 732 ff. of the Swiss Code of Obligations (to the extent applicable to Zürcher Kantonalbank), the SIX Swiss Exchange directive on corporate governance, the Swiss Code of Best Practice for Corporate Governance promulgated by Economiesuisse, and the FINMA requirements set out in Circular 2010/1 "Remuneration Schemes".

In accordance with the SIX directive, variable compensation is charged on an accrual basis, i.e. to the financial year in which it is actually incurred. Total personnel expenses include base salaries and variable compensation as well as created and deferred long-term compensation components and changes in their value. They also include costs for the employer's social security contributions to the pension fund as well as other mandatory social security contributions. Other personnel expenses include training costs, preferential rates, employee appreciation, benefits and other personnel expenses. The compensation guidelines are set out in the Personnel and Compensation Regulations issued by the Board of Directors for Zürcher Kantonalbank and apply throughout the group. The procedures for determining compensation are structured and documented by the group companies. This Compensation Report refers to the parent company of Zürcher Kantonalbank. The compensation paid by the consolidated subsidiaries also fulfils the relevant requirements in an appropriate manner.

Competencies and responsibilities

Competencies	Body responsible
Compensation for the Chairperson's Committee and other members of the Board of Directors	Cantonal Parliament, based on proposal of the Board of Directors
Setting up or amending compensation plans	Board of Directors, based on recommendation of the Compensation and Personnel Committee
Determining total amount of variable compensation	Board of Directors, based on recommendation of the Compensation and Personnel Committee
Compensation for CEO	Board of Directors, based on proposal of the Chairperson's Committee
Compensation for members of the Executive Board	Board of Directors, based on proposal of the Chairperson's Committee
Compensation for Head of Audit	Board of Directors, based on proposal of the Chairperson's Committee
Compensation for senior management	Executive Board

Competencies

The Zurich Cantonal Parliament has overall supervision of the bank in accordance with the Cantonal Banking Act on Zürcher Kantonalbank (Zürcher Kantonalbank Act). It is also responsible for approving the regulations on the compensation of the members of the Board of Directors. The Board of Directors issues regulations governing the compensation of the members of the Board of Directors, subject to approval by the Cantonal Parliament.

The Board of Directors additionally issues the regulations regarding personnel and compensation at Zürcher Kantonalbank. The Compensation and Personnel Committee assists the Board of Directors in matters concerning the compensation policy. It prepares the corresponding transactions for the Board of Directors, gives its view on compensation issues that fall within the remit of the Chairperson's Committee and Board of Directors, and reviews the market conformity of compensation for the bank as a whole. The Compensation and Personnel Committee has the following duties and powers for determining compensation policy:

- making recommendations to the Board of Directors on the strategic and human resource policy principles of the pension funds from the employer's viewpoint
- making recommendations on principles concerning the compensation of members of the Executive Board and Audit, as well as any profit-sharing and benefit programmes
- evaluating the bank's compensation system, specifically with regard to its sustainability and the avoidance of false incentives

In the financial year, the Compensation and Personnel Committee took part in eight meetings at which compensation-related issues at Zürcher Kantonalbank were discussed.

Sign-on and severance payments agreed in 2023

in CHF 1,000	No. of employees	Total	Paid in 2023	Amounts due in 2024 or later
Total sign-on payments	8	531	80	451
– of which to Key Risk Takers	–	–	–	–
Total severance payments	–	–	–	–
– of which to Key Risk Takers	–	–	–	–
Total compensation	**8**	**531**	**80**	**451**

Compensation policy

Zürcher Kantonalbank's compensation policy is aligned with the bank's business strategy, objectives and values. It takes into account the long-term financial interests of the bank and supports solid and effective risk management. It is up to the Board of Directors to reconcile the interests of the Canton of Zurich with those of Zürcher Kantonalbank and its employees. The compensation policy is also aimed at attracting and retaining highly qualified employees in the long term. Through our compensation policy, we recognise outstanding performances and motivate employees to continue their professional development. Accordingly, the compensation system of Zürcher Kantonalbank does not create any incentives to take inappropriate risks that might affect the bank's stability or good reputation. Any compensation (professional or attendance fees, etc.) received for acting as a delegate or representative of the bank must be surrendered to Zürcher Kantonalbank. Any reimbursed expenses are retained by the appointee. Zürcher Kantonalbank's principles of compensation are based on the following objectives:

- promoting close cooperation within management and ensuring that all actions are undertaken in the interests of the bank as a whole as well as its integrated business and risk model
- motivating employees to create lasting added value while taking account of the risks
- promoting a performance-led environment for the benefit of the bank as a whole
- ensuring that variable compensation is adjusted for risk and only income that is sustainable in the long term is included
- offering competitive, balanced compensation for comparable jobs

Benchmarks

Zürcher Kantonalbank attaches great importance to offering compensation that is competitive within the industry in terms of structure and level. In this regard, the bank conducted a new benchmarking study in cooperation with various external consultants in this financial year. The external consultants did not fulfil any other mandates in the financial year.

Zürcher Kantonalbank based its market comparison on Swiss financial institutions. Additional compensation parameters were taken into account, such as the size of the organisation, number of employees, hierarchy, depth of the organisation, geographical reach and internationality. This has shown that the bank's total compensation is in line with the market.

Sign-on and severance payments

Payments agreed in connection with the signing of an employment contract such as guaranteed bonuses or bonus buyouts are referred to as sign-on payments. Zürcher Kantonalbank agrees to such payments only on an exceptional basis and only in justified individual cases.

Payments agreed in connection with the termination of an employment relationship are referred to as severance payments. Zürcher Kantonalbank's employment contracts do not contain any pre-agreed severance payments or notice periods that differ from the general terms and conditions of employment. Both sign-on and severance payments must be approved by the Chairperson's Committee on the basis of clear decision-making processes. The sign-on and severance payments agreed in the financial year are shown in the above table.

Compensation groups

Board of Directors

The compensation of the members of the Board of Directors and the Chairperson's Committee is based on the regulations governing the compensation of members of the Board of Directors of Zürcher Kantonalbank, as approved by the Cantonal Parliament of Zurich on 25 November 2004. In principle, these regulations are unchanged compared with those prevailing in 1989 (Chairperson's Committee) and 1994 (Board of Directors) and were never adjusted for inflation. Part-time members of the Board of Directors receive a fixed annual salary plus compensation for each membership of a committee as well as an expense allowance. An attendance fee is paid for meetings, visits to specialist units and branch offices, as well as for training and development events. No variable compensation is paid to the members of the Board of Directors.

Chairperson's Committee

The members of the Chairperson's Committee are full-time members of the Board of Directors. They each receive a fixed annual base salary, an expense allowance as well as the benefits set out in the relevant regulations for all Zürcher Kantonalbank employees. The Chairperson receives an additional allowance of 10 percent of their annual base salary. No variable compensation is paid to the members of the Chairperson's Committee.

Audit

In view of Audit's special function, the Head of Audit and employees at the second most senior level of management who report directly to the Head do not receive any variable compensation. Their entire compensation takes the form of a fixed annual salary.

Executive Board

Compensation for the members of the Executive Board is based on Zürcher Kantonalbank's overall compensation policy. A variable element is paid depending on the group's result. Part of the variable compensation takes the form of long-term deferred compensation.

Senior management

Senior management has a sustained influence on the bank's business operations (risks, image, etc.), on the group's result and therefore on the implementation of the strategy. Senior management accounts for approximately 1 percent of the total headcount. As with the Executive Board, variable compensation is paid – in addition to the base salary. The variable compensation is linked to the group's result and individual managers' performance. Part of the variable compensation (long-term deferred compensation) is deferred as in the case of the Executive Board.

Other management and employees

In principle, all the bank's employees are entitled to a variable element of compensation. The amount of variable compensation allocated to each employee depends on their position, individual performance and conduct. Selected employees in the Trading, Sales & Capital Markets organisational unit (OU) are subject to a different compensation model. This involves deferring a portion of the variable compensation and exposing it to future risk developments as deferred compensation.

Key Risk Takers

In accordance with FINMA guidance, one of the compensation groups is defined as Key Risk Takers, which is subject to the rules for deferred variable compensation. Key Risk Takers are:
- the Executive Board
- members of senior management with a substantial influence on the resources of the business and/or risk profile

Components of compensation

Base salary	Contractually agreed, regularly paid salary
Variable compensation	Variable component of salary that is contingent on result and performance
Deferred compensation	Element of compensation based on sustainable success of the business deferred for a longer period
Statutory allowances and additional benefits	Child and education allowances, family allowances (Agreement on Conditions of Employment for Bank Staff), allowances under the Employment Act, expense allowances, allowance for years of service, etc.

Overview of variable compensation

	Recipient	Due	Sunset clause	Performance, penalty clause	Performance-related[1]
Variable compensation	Permanent employees	Immediately	Yes	Dependent on individual performance; may be cancelled altogether in the event of misconduct.	Yes
Long-term deferred compensation	Executive Board, senior management	Payment after three years	Yes	Amount of cash sum paid out on due date depends on development of economic profit.	Yes
Deferred compensation exposed to risk	Certain employees in the Trading, Sales & Capital Markets OU	Payment in equal shares over two years	Yes	Amount of cash sum paid out on due date depends on whether a penalty has been imposed	Yes

1 Taking capital and risk costs into account

– selected employees in the Trading, Sales & Capital Markets OU who exceed a defined threshold in relation to variable compensation

A total of 102 employees are currently defined as Key Risk Takers, of whom nine were members of the Executive Board in the financial year.

Components of compensation

In terms of its compensation policy, Zürcher Kantonalbank applies the total compensation approach, which comprises the following compensation components in accordance with the table on page 104. The base salary, variable compensation and deferred compensation are explained in greater detail below.

Base salary

Base-salary levels are usually reviewed annually. The amount of the base salary is determined by the employee's position, experience and skills, and takes account of their individual sustainable performance. Adjustments are made to reflect market conditions, affordability, individual performance and the overall financial position of Zürcher Kantonalbank.

Variable compensation

Variable compensation is a central element of the bank's compensation practices and offers flexibility in making adjustments to reflect a change in the business situation. The parent bank's pool for variable compensation is based on a proportional share of the group's result, with capital and risk costs taken into account. Changes in the proportional share are distributed fairly and evenly across all levels. The variable compensation for Trading is determined on the basis of its operating result less risk and capital costs. The amount of variable compensation allocated to each employee depends on their position, individual performance and conduct. Variable compensation is set by the bank and may be forfeited in full at its discretion due to inadequate individual performance, staff misconduct (for details, see Penalty clause) or a poor business result. The thresholds for deferred compensation components are in line with the risk profile of Zürcher Kantonalbank.

Long-term deferred compensation

For members of the Executive Board and senior management, part of the variable compensation takes the form of long-term deferred compensation. The targets for each series of long-term deferred compensation components are set in advance and apply for the entire term. The value of the long-term deferred compensation at the end of the term is determined by the achievement of targets, which in turn is dependent on the level of economic profit. The maximum value is set at 1.5 times its original amount and the minimum at 0.5 times. In the event that internal cumulated net income over the three-year deferral period is negative, the value of the long-term deferred compensation is reduced to zero.

Deferred compensation exposed to risk

For certain employees in the Trading, Sales & Capital Markets OU who bear greater responsibility in terms of results and risks and whose variable compensation exceeds a defined threshold, a portion of this variable compensation is deferred for two years and exposed to risk. The CEO and Head of Human Resources, who are both independent of the Trading, Sales & Capital Markets OU, may impose a penalty, i.e. a reduction or forfeiture of the deferred compensation exposed to risk for individual employees, particularly in the event of

- significant financial losses at department, desk or individual level
- reputational damage or actions that may be detrimental to Zürcher Kantonalbank, such as activities that breach regulations and result or may result in sanctions being imposed by FINMA
- activities that cause significant numbers of clients to leave the bank or inappropriate risk-taking outside of the ordinary risk processes

Risk overview

Risk adjustments made prior to the allocation of variable compensation		Risk adjustments made after the allocation of variable compensation	
Quantitative	– Equity – Risk costs – Special factors	**Explicit**	– Deferred compensation components – Conduct-based adjustment (penalty or forfeiture)
Qualitative	– Employee assessment – Reporting by internal control units	**Implicit**	– Economic profit

Consideration of risks

Risk-adjusted variable compensation pool

Two different methods are used for the risk adjustment of the variable compensation pools. The variable compensation pool of the parent bank is based on the consolidated result after adjusting for the cost of risk capital and the cost of equity. The standard risk costs are considered to be the risk costs instead of the default risk costs actually incurred.

The model for standard risk costs is based on the default rates for an entire economic cycle. This evens out the annual default risk costs, which would otherwise be irregular. By taking account of standard risk costs, the annual accounts include risk costs arising from current business volumes under the model. This means that management decisions to focus on specific products or markets immediately incur the relevant risk costs. Using this procedure ensures that the basis for calculating the variable compensation pool is geared towards sustainable growth for the bank. As equity compensation, an interest rate at market terms is applied to the total amount of equity.

The size of the variable compensation pool for Trading is calculated on the basis of the result for the Trading, Sales & Capital Markets organisational unit, adjusted for the default and market risk costs of the individual trading desks. These are calculated on the basis of the standard risk costs for default risks and the cost of risk capital in accordance with internal models for default as well as market risks (internal capital-at-risk models). The capital-at-risk approach is used to determine the internally required capital that is tied up for a year on account of market and default risks in connection with trading activities. The maximum risk capital available for trading activities is allocated annually by the Board of Directors. This allocation takes into account the bank's strategic orientation and capital planning for the coming years. This risk capital is charged to the result of the Trading, Sales & Capital Markets organisational unit using a customary interest rate.

Determining the compensation for control functions

For the purpose of efficient risk monitoring, Legal & Compliance, Risk, Finance and Human Resources must be able to perform their control and escalation tasks independently. Therefore, their compensation does not directly depend on the results of the individual business units being monitored. Using the total compensation approach for these functions ensures that compensation is attractive to qualified, experienced people.

Determining the compensation of Key Risk Takers

Key Risk Takers are subject to a performance evaluation and development process in the same way as other employees. The performance evaluation also takes account of risk aspects, any breaches of internal or external directives and guidelines, misconduct that could negatively affect the bank's reputation, and ongoing disciplinary proceedings. The individual performance of a Key Risk Taker is regularly discussed with their supervisor. During the process of allocating and paying variable compensation components to Key Risk Takers in the Trading, Sales & Capital Markets organisational unit, the independent control functions Legal & Compliance, Risk Management and Human Resources are consulted.

As stated in the section "Competencies" (p. 102), the Board of Directors determines the compensation of the members of the Executive Board at the request of the Chairperson's Committee. The Executive Board determines the compensation of Key Risk Takers in senior management at the request of the relevant member of the Executive Board. The Head of Institutionals & Multinationals determines the compensation of Key Risk Takers in Trading, Sales & Capital Markets at the request of the head of the relevant organisational unit.

Risk adjustment in relation to deferred compensation

Deferred components of compensation are subject to further risk adjustment. They may lapse in full or in part if negative business developments or other predefined conditions occur (see "Long-term deferred compensation" (p. 105), "Deferred compensation exposed to risk" (p. 105) and "Penalty clause" (p. 107) for further details on possible reductions).

Penalty clause

Employees' variable compensation is not or only partially paid out at the bank's discretion if they have violated contractual, risk, or compliance requirements before the date of the intended payment, or if the bank has otherwise sustained losses due to their activity. Moreover, such employees are deemed "bad leavers" under the bank's compensation models, and their entitlement to any deferred compensation components lapses. The breach of laws, codes of conduct, directives or internal rules may also lead to additional disciplinary measures, which may entail the reduction or forfeiture of variable compensation and/or of deferred compensation or similar elements of compensation. In the event of ongoing investigations or suspicion of misconduct that could lead to disciplinary measures, Zürcher Kantonalbank is entitled to delay payment of variable compensation and/or deferred compensation and similar elements of compensation until the matter has been definitively clarified or the sanction decided. Under the "bad leaver" rule, the long-term deferred compensation as well as the deferred compensation exposed to risk may lapse in full if Zürcher Kantonalbank parts company with an employee for certain reasons. This may in particular be the case where an employee has committed a breach of contract or caused material or non-material damage, or the relationship of trust between the employee and the bank has suffered lasting damage as a result of the employee's conduct.

Personnel expenses in 2023 (parent company)

in CHF million	2023	2022
Base salary[1]	572.9	547.3
Total amount of variable compensation	353.7	349.0
Social security contributions	179.3	188.2
Other personnel expenses[2]	32.9	30.8
Total personnel expenses	1,138.8	1,115.3
No. of employees[3]	5,304	5,037

1 Fixed compensation for permanent employees, temporary staff and governing bodies as well as compensation for loss of income
2 In particular, costs for training, preferential rates, employee appreciation, benefits and other personnel expenses
3 Part-time-adjusted headcount/FTE weighted as at year-end

Details of variable compensation (parent company)

	2023		2022	
	Number of employees[1]	in CHF million	Number of employees[1]	in CHF million
Total amount of variable compensation	5,304	353.7	5,037	349.0
– of which deferred compensation	96	15.8	100	19.7
– of which sign-on and severance payments	8	0.53	4	0.7

1 Part-time-adjusted headcount/FTE weighted as at year-end

Compensation in 2023

Personnel expenses for all 5,304 (2022: 5,037) employees (full-time equivalents) amounted to CHF 1,139 million (parent company). Social security expenses also include payments to the bank's pension fund. All variable components of compensation are charged to the financial year in which they are actually incurred.

As part of the annual revision of the base salaries, Zürcher Kantonalbank decided to increase the total amount of the base salaries for the 2023 financial year for employees subject to the bank's Agreement on Conditions of Employment. This increase, which amounted to CHF 6.1 million (+1.5 percent) compared to the previous year, aims primarily to bring employees' base salary closer to market standards and to pay higher salaries to employees who have taken on more responsibility or shown excellent performance. The amount of variable compensation per employee has remained constant compared to the previous year despite a 17 % increase in the group's result in the 2023 financial year. The variable compensation totalled CHF 354 million, and the total amount of deferred compensation amounted to CHF 15.8 million.

Compensation for members of the Board of Directors

Compensation for members of the Board of Directors is based on the regulations governing the compensation of members of the Board of Directors of Zürcher Kantonalbank, as approved by the Cantonal Parliament of Zurich on 25 November 2004. In principle, these regulations are unchanged compared with those prevailing in 1989 (Chairperson's Committee) and 1994 (Board of Directors). The regulations do not stipulate an inflation adjustment. For part-time members of the Board of Directors, compensation comprises a fixed annual salary of CHF 18,000 plus CHF 6,000 compensation for each membership of a committee, as well as an annual expense allowance of CHF 6,000. A fixed attendance fee of CHF 700 per day and CHF 350 per half-day is paid for meetings and visits to branch offices and specialist units. The part-time members of the Board of Directors are insured in accordance with federal social security standards and the regulations of the bank's pension funds.

As full-time members of the Board of Directors, the members of the Chairperson's Committee receive an annual base salary of CHF 311,500 as well as the benefits set out in the relevant regulations for all Zürcher Kantonalbank employees. The Chairperson receives an additional allowance of 10 percent of their annual base salary. The full-time members of the Board of Directors are paid an annual allowance of CHF 14,000 each. The full-time members of the Board of Directors are insured in accordance with the regulations of the bank's pension funds. No variable compensation is paid to the members of the Board of Directors. No other compensation or benefits in kind were paid to current or former members of the Board of Directors or related parties during the financial year. There are no unusual commitments between Zürcher Kantonalbank and the members of the Board of Directors or related parties.

No loans on unusual terms were granted to part-time members of the Board of Directors or related parties.

The members of the Board of Directors and related parties received no other fees or payments for additional services rendered to the Zürcher Kantonalbank group or any of its subsidiaries during the financial year.

Compensation for members of the Executive Board

To increase transparency in the reporting on the total compensation, a consistent distinction is made in the 2023 Compensation Report between allocated total compensation and realised total compensation of the Executive Board active in the financial year. As is customary in the market, this ensures a clear allocation of the total compensation for the respective financial year and a clearer presentation of the performance trend. The figures shown in this Compensation Report are therefore not directly comparable with those disclosed in the 2022 Compensation Report.

The total compensation of the individual members of the Executive Board takes account of their performance in their areas of responsibility. The total compensation allocated to the members of the Executive Board for the 2023 financial year amounted to CHF 18,960,477 for nine members or eight full-time positions[1], (2022: CHF 19,550,355/nine members or eight full-time positions). This includes deferred compensation allocated in the amount of CHF 3,168,750 that will be paid out in three years under certain conditions (2022: CHF 3,015,536).

The highest sum paid to a member of the Executive Board during the financial year was CHF 2,650,000 in base salary and variable compensation plus CHF 203,910 in pension payments (employer contributions to the pension fund) and other compensation, and was paid to Urs Baumann (2022: CHF 2,791,276 to Martin Scholl). Of this, CHF 487,500 was allocated to deferred compensation (2022: CHF 337,500 to Martin Scholl).

The deferred compensation allocated in 2020 totalling CHF 2,642,500 (previous year: CHF 2,405,000) for the members of the Executive Board, whose 3-year performance cycle ended as at 31 December 2022, was realised with a factor of 1.5 (previous year: 1.5). This results in an amount paid out in 2023 totalling CHF 3,963,750 (including former members of the Executive Board) for deferred compensation related to the 2020–2022 period (previous year: CHF 3,607,500).

The members of the Executive Board and related parties received no other fees or payments for additional services rendered to the Zürcher Kantonalbank group or any of its subsidiaries during the financial year.

Total loans and mortgage lending to the Executive Board members amounted to CHF 7,599,775 (of which CHF 5,926,500 on employee terms). No loans on unusual terms were granted to related parties of the Executive Board.

1 Taking into account incoming and outgoing members of the Executive Board on a pro rata temporis basis.

Outlook for the total compensation of the Executive Board in 2024

The structure of the total compensation of the Executive Board will be modified as of 1 January 2024. Part of the variable compensation will be shifted to the base salary. At the same time, the proportion of variable compensation that is not paid out directly (deferred compensation) will be doubled (from 25 to 50 percent). A deduction will be made from the amount shifted to the base salary to take into account the additional pension fund costs borne by the employer and a security premium of 6 percent.

This will align the compensation structure with the market. This adjustment would have led to the following indicative total compensation for the CEO (Urs Baumann) in the 2023 financial year (simulation):

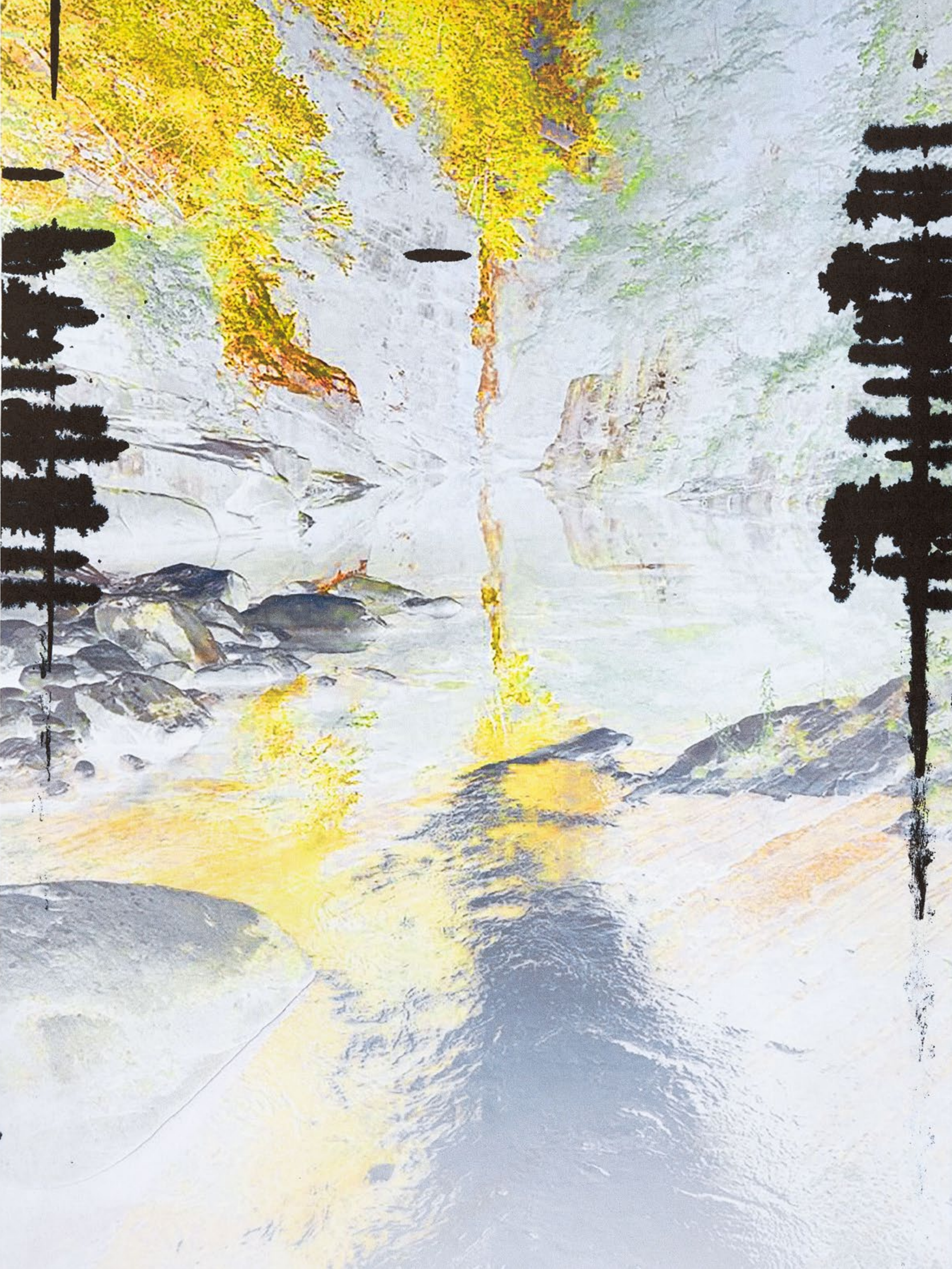
		Performance-related factors				
Year	Base salary	Variable compensation	Deferred compensation	Total direct compensation[2]	Pensions and other compensation	Total compensation
in CHF 1,000						
CEO compensation 2023	700	1,463	488[1]	**2,650**	204	**2,854**
CEO compensation 2023 (indicative; after pay-mix adjustment)	1,000	809	809	**2,618**	218	**2,836**

2 Corresponds to the deferred compensation allocated in the financial year.
3 The difference is due to various effects of the reclassification (e.g. taking into account contributions to the pension fund, etc.) and an increase in the proportion of deferred compensation with corresponding interest.

Compensation and loans for members of the Board of Directors (in CHF)

	Year	Annual compensation	Attendance fee	Expense allowance[1]	Benefits in kind[2]	Employer contributions to pillar 2	Total	Loans as at 31.12. in CHF
Chairperson's Committee								
Jörg Müller-Ganz	**2023**	**342,650**	**–**	**14,040**	**900**	**90,110**	**447,700**	**1,200,000**
	2022	342,650	–	14,040	2,400	88,569	447,659	1,300,000
János Blum	**2023**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2022 (until 31.1.2022)	25,958	–	1,170	–	6,849	33,977	–
Roger Liebi	**2023**	**311,500**	**–**	**14,040**	**–**	**80,132**	**405,672**	**–**
	2022	311,500	–	14,040	–	78,591	404,131	–
Mark Roth	**2023**	**311,500**	**–**	**14,040**	**900**	**82,561**	**409,001**	**–**
	2022 (since 1.2.2022)	285,542	–	12,870	–	74,205	372,617	–
Other members of the Board of Directors								
Amr Abdelaziz	**2023**	**30,000**	**26,600**	**6,000**	**–**	**5,178**	**67,778**	**–**
	2022	30,000	21,000	6,000	–	5,178	62,178	–
Sandra Berberat Kecerski	**2023**	**30,000**	**25,200**	**6,000**	**5,225**	**5,178**	**71,603**	**–**
	2022 (since 28.2.2022)	25,090	20,650	5,018	–	4,315	55,073	–
Adrian Bruhin	**2023**	**24,000**	**29,750**	**6,000**	**–**	**2,568**	**62,318**	**–**
	2022	24,500	24,850	6,000	–	2,640	57,990	–
Bettina Furrer[3]	**2023**	**30,000**	**20,300**	**6,000**	**–**	**5,178**	**61,478**	**388,000**
	2022	30,000	20,650	6,000	–	5,178	61,828	388,000
René Huber	**2023**	**30,000**	**26,250**	**6,000**	**–**	**1,925**	**64,175**	**4,436,000**
	2022	30,000	23,800	6,000	–	1,925	61,725	4,446,000
Henrich Kisker	**2023**	**24,000**	**26,250**	**6,000**	**–**	**1,440**	**57,690**	**–**
	2022	24,000	27,300	6,000	–	1,440	58,740	–
Mark Roth	**2023**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2022 (until 31.1.2022)	2,000	4,900	500	–	–	7,400	–
Peter Ruff	**2023 (until 31.12.2023)**	**24,000**	**27,300**	**6,000**	**–**	**1,440**	**58,740**	**–**
	2022	24,000	22,400	6,000	–	1,440	53,840	–
Walter Schoch	**2023**	**24,000**	**25,900**	**6,000**	**–**	**1,440**	**57,340**	**–**
	2022	24,000	27,650	6,000	–	1,440	59,090	–
Anita Sigg	**2023 (until 31.12.2023)**	**30,000**	**19,950**	**6,000**	**–**	**4,921**	**60,871**	**3,852,499**
	2022	30,000	23,800	6,000	–	4,921	64,721	3,654,944
Stefan Wirth	**2023 (until 31.12.2023)**	**30,000**	**24,500**	**6,000**	**–**	**4,921**	**65,421**	**–**
	2022	30,000	20,650	6,000	–	4,921	61,571	–
Total	**2023**	**1,241,651**	**252,000**	**102,120**	**7,025**	**286,992**	**1,889,788**	**9,876,499**
	2022	1,239,240	237,650	101,638	2,400	281,612	1,862,540	9,788,944

1 For the members of the Chairperson's Committee, CHF 40 is attributable to rounding differences due to monthly payments.
2 Benefits in kind: child, education and family allowances (Agreement on Conditions of Employment for Bank Staff), loyalty bonuses, medical check-ups, contribution to ZVV/SBB season tickets.
3 Loans: Heirs of Dr Dieter Furrer: CHF 388,000; Bettina Furrer alone: CHF 0



Financial Report

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Parent company

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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
– Figure not available or not meaningful

Consolidated income statement

in CHF million	Notes	2023	2022	Change	Change in %
Result from interest operations					
Interest and discount income		4,013	1,873	2,140	114.3
Interest and dividend income from financial investments		32	28	5	17.0
Interest expense		–2,176	–479	–1,697	354.1
Gross result from interest operations	**33**	**1,870**	**1,421**	**448**	**31.5**
Changes in value adjustments for default risk and losses from interest operations		–49	–18	–31	166.7
Subtotal net result from interest operations		**1,821**	**1,403**	**418**	**29.8**
Result from commission business and services					
Commission income from securities trading and investment activities		1,022	1,018	4	0.4
Commission income from lending activities		72	72	–0	–0.7
Commission income from other services		160	151	9	6.2
Commission expense		–314	–315	1	–0.3
Subtotal result from commission business and services		**940**	**926**	**14**	**1.5**
Result from trading activities					
Result from trading activities and the fair value option	**32**	**415**	**409**	**7**	**1.6**
Other result from ordinary activities					
Result from the disposal of financial investments		7	6	0	3.9
Income from participations		13	11	2	19.9
– of which, participations valued using the equity method		1	2	–1	–49.0
– of which, from other non-consolidated participations		12	9	3	31.4
Result from real estate		6	5	1	24.0
Other ordinary income		9	9	–1	–5.7
Other ordinary expenses		–16	–17	1	–5.3
Subtotal other result from ordinary activities		**19**	**15**	**4**	**26.7**
Operating income		**3,194**	**2,752**	**442**	**16.1**
Operating expenses					
Personnel expenses	34	–1,180	–1,153	–27	2.4
General and administrative expenses	35	–499	–442	–57	12.9
Subtotal operating expenses		**–1,679**	**–1,594**	**–84**	**5.3**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets		–75	–101	26	–25.8
Changes to provisions and other value adjustments and losses		28	2	27	–
Operating result		**1,469**	**1,059**	**411**	**38.8**
Extraordinary income	36	1	8	–7	–83.3
Extraordinary expenses	36	–	–0	0	–100.0
Changes in reserves for general banking risks	36	–225	–	–225	–
Taxes	39	–7	–8	1	–10.6
Consolidated profit		**1,238**	**1,059**	**180**	**17.0**

Consolidated balance sheet
as at 31 December

in CHF million	Notes	2023	2022	Change	Change in %
Assets					
Liquid assets		39,706	40,302	–596	–1.5
Amounts due from banks		3,401	2,937	464	15.8
Amounts due from securities financing transactions	1	25,740	27,804	–2,065	–7.4
Amounts due from clients	2	11,252	10,567	684	6.5
Mortgage loans	2	100,874	96,838	4,036	4.2
Trading portfolio assets	3	11,880	11,071	809	7.3
Positive replacement values of derivative financial instruments	4	968	1,190	–222	–18.7
Other financial instruments at fair value	3	–	–	–	–
Financial investments	5	5,577	7,490	–1,913	–25.5
Accrued income and prepaid expenses		644	457	187	41.0
Non-consolidated participations	6,7	154	155	–1	–0.5
Tangible fixed assets	8	534	565	–31	–5.5
Intangible assets	9	3	14	–11	–81.5
Other assets	10	527	400	127	31.6
Total assets		**201,259**	**199,791**	**1,469**	**0.7**
Total subordinated claims		292	132	160	121.4
– of which, subject to conversion and/or debt waiver		96	17	79	465.7
Liabilities					
Amounts due to banks		35,404	39,051	–3,647	–9.3
Liabilities from securities financing transactions	1	14,095	10,636	3,459	32.5
Amounts due in respect of customer deposits		101,452	103,351	–1,899	–1.8
Trading portfolio liabilities	3	3,224	3,636	–412	–11.3
Negative replacement values of derivative financial instruments	4	2,458	2,066	393	19.0
Liabilities from other financial instruments at fair value	3,14	4,000	3,953	47	1.2
Cash bonds	15	288	196	92	46.8
Certificate of deposits	15	632	104	528	505.5
Bond issues	15	10,547	9,400	1,147	12.2
Central mortgage institution loans	15	11,558	11,924	–366	–3.1
Accrued expenses and deferred income		1,371	1,063	308	29.0
Other liabilities	10	1,789	897	892	99.4
Provisions	16	174	214	–40	–18.7
Reserves for general banking risks	16	379	154	225	146.3
Bank's capital	21	2,425	2,425	–	–
Retained earnings reserve	21	10,241	9,674	567	5.9
Foreign currency translation reserve	21	–16	–13	–3	22.8
Consolidated profit	21	1,238	1,059	180	17.0
Shareholders' equity	**21**	**14,268**	**13,299**	**969**	**7.3**
Total liabilities		**201,259**	**199,791**	**1,469**	**0.7**
Total subordinated liabilities		3,035	1,569	1,467	93.5
– of which, subject to conversion and/or debt waiver		3,035	1,569	1,467	93.5
Off-balance-sheet transactions					
Contingent liabilities	2,28	3,772	4,119	–348	–8.4
Irrevocable commitments	2	14,167	12,929	1,238	9.6
Obligations to pay up shares and make further contributions	2	353	367	–14	–3.9
Credit commitments	2,29	–	–	–	–

Consolidated cash flow statement

in CHF million	Cash inflow 2023	Cash outflow 2023	Cash inflow 2022	Cash outflow 2022
Cash flow from operating activities (internal financing):				
Result of the period	1,238	–	1,059	–
Change in reserves for general banking risks	225	–	–	–
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	75	–	101	–
Provisions and other value adjustments	140	180	144	168
Changes in value adjustments for default risks and losses	280	244	280	268
Accrued income and prepaid expenses	–	187	–	177
Accrued expenses and deferred income	308	–	275	–
Other items	–	1	0	2
Previous year's dividend	–	491	–	431
Balance	**1,163**	**–**	**815**	**–**
Cash flow from equity transactions:				
Share capital / participation capital / cantonal banks' endowment capital etc.	–	–	–	–
Recognised in reserves	–	4	0	4
Balance	**–**	**4**	**–**	**4**
Cash flow from transactions in respect of non-consolidated participations, tangible fixed assets and intangible assets:				
Non-consolidated participations	–	6	–	7
Real estate	0	7	4	12
Other tangible fixed assets	0	18	0	15
Intangible assets	0	0	0	0
Mortgages on own real estate	–	–	–	–
Balance	**–**	**31**	**–**	**30**

Consolidated cash flow statement
(continued)

in CHF million	Cash inflow 2023	Cash outflow 2023	Cash inflow 2022	Cash outflow 2022
Cash flow from banking operations:				
Medium and long-term business (> 1 year):				
Amounts due to banks	–	6	–	32
Amounts due in respect of customer deposits	–	28	–	209
Liabilities from other financial instruments at fair value	42	–	–	569
Cash bonds	92	0	98	39
Bond issues	1,541	250	1,684	1,821
Central mortgage institution loans	887	1,253	1,233	616
Loans from central issuing institutions	–	–	–	–
Other obligations (other liabilities)	892	–	236	–
Amounts due from banks	–	101	–	32
Amounts due from customers	–	91	501	–
Mortgage loans	–	4,025	–	4,978
Other financial instruments at fair value	–	–	–	–
Financial investments	317	–	89	–
Other accounts receivable (other assets)	–	127	67	–
Short-term business:				
Amounts due to banks	–	3,642	4,187	–
Liabilities from securities financing transactions	3,459	–	6,233	–
Amounts due in respect of customer deposits	–	1,871	6,784	–
Trading portfolio liabilities	–	412	1,693	–
Negative replacement values of derivative financial instruments	393	–	950	–
Liabilities from other financial instruments at fair value	5	–	134	–
Certificate of deposits	1,236	707	11,875	24,519
Amounts due from banks	–	361	252	–
Amounts due from securities financing transactions	2,065	–	–	1,515
Amounts due from customers	–	642	–	1,186
Trading portfolio assets	–	953	879	–
Positive replacement values of derivative financial instruments	222	–	82	–
Other financial instruments at fair value	–	–	–	–
Financial investments	1,596	–	–	2,820
Liquidity:				
Liquid assets	596	–	581	–
Balance	–	1,129	–	781
Total	**1,163**	**1,163**	**815**	**815**

Consolidated statement of changes in equity

in CHF million	Bank's capital	Retained earnings reserve	Reserves for general banking risks	Consolidated profit	Foreign currency translation reserve	Total equity
2022						
Total equity as at 31.12.2021	2,425	9,163	154	942	−9	12,674
Effect of any restatement	–	–	–	0 [1]	–	0
Capital increase	–	–	–	–	–	–
Capital decrease	–	–	–	–	–	–
Increase in scope of capital consolidation	–	–	–	–	–	–
Decrease in scope of capital consolidation	–	–	–	–	–	–
Other contributions/other capital paid in	–	–	–	–	–	–
Currency translation differences	–	–	–	–	−4	−4
Dividends and other distributions	–	–	–	−431	–	−431
Allocation to (transfers from) the reserves for general banking risks	–	–	–	–	–	–
Allocation to (transfers from) the retained earnings reserve	–	512	–	−512	–	–
Consolidated profit	–	–	–	1,059	–	1,059
Total equity as at 31.12.2022	**2,425**	**9,674**	**154**	**1,059**	**−13**	**13,299**
2023						
Total equity as at 31.12.2022	2,425	9,674	154	1,059	−13	13,299
Effect of any restatement	–	–	–	−1 [1]	–	−1
Capital increase	–	–	–	–	–	–
Capital decrease	–	–	–	–	–	–
Increase in scope of capital consolidation	–	–	–	–	–	–
Decrease in scope of capital consolidation	–	–	–	–	–	–
Other contributions/other capital paid in	–	–	–	–	–	–
Currency translation differences	–	–	–	–	−3	−3
Dividends and other distributions	–	–	–	−491	–	−491
Allocation to (transfers from) the reserves for general banking risks	–	–	225	–	–	225
Allocation to (transfers from) the retained earnings reserve	–	567	–	−567	–	–
Consolidated profit	–	–	–	1,238	–	1,238
Total equity as at 31.12.2023	**2,425**	**10,241**	**379**	**1,238**	**−16**	**14,268**

1 Corrections of subsidiaries after the reporting deadline for the consolidated financial statements.

Notes to the consolidated financial statements

a) Portrait

Zürcher Kantonalbank is "Close to you". We have successfully positioned ourselves as a universal bank with a regional base as well as an international network. Within the Greater Zurich Area we are the leaders in universal banking. Our clients profit from a broad range of products and services.

Our core business includes the following: financing, investment and asset management, trading and capital markets, and the borrowing, payment transactions and card businesses.

Zürcher Kantonalbank has its registered office in Zurich, was founded in 1870 and is an independent public-law institution of the Canton of Zurich.

Broad diversification

The business model of Zürcher Kantonalbank focuses on diversification of income. Sustainability is an integral aspect of our business model. That means we incorporate environmental, social and economic criteria into everything we do.

Our income base is spread across various business areas. This reduces our dependence on individual income components and thus our entrepreneurial risk. We therefore continue to aim for qualitative growth. We wish to grow mainly organically. Our focus is on the Greater Zurich Area.

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

b) Accounting and valuation principles

Changes in accounting and valuation principles

There were no significant changes made to the accounting and valuation principles in the year under review.

General principles

Pursuant to the Listing Rules of the Swiss Exchange, the consolidated financial statements of Zürcher Kantonalbank are prepared in line with the accounting rules for banks, securities firms, financial groups and conglomerates (consisting of the FINMA Accounting Ordinance (RelV-FINMA) and FINMA Circular 2020/1).

The consolidated financial statements provide a true and fair view of the financial position, results of operations and cash flows.

Scope of consolidation

The consolidated annual financial statements comprise the accounts of the parent company and the directly and indirectly owned significant subsidiaries in which the bank has a participation of more than 50 percent of the voting capital or which it controls in another way. An exception are the immaterial (from an accounting perspective) subsidiary Zürcher Kantonalbank Representações Ltda. and the insignificant majority stake in Philanthropy Services Ltd. Please refer to the section "Non-consolidated participations" for further information.

The consolidated financial statements are prepared in accordance with the principle of substance-over-form.

The individual accounts of the group companies are included in the consolidated financial statements on the basis of uniform accounting standards that are applied throughout the group.

Method of consolidation

Capital is consolidated in accordance with the purchase method. This involves offsetting the equity of the group companies at the time of acquisition or at the time of incorporation against the book value of the parent company's interest. Please refer to the section on "Intangible assets" for details of the treatment of any goodwill. All the assets and liabilities as well as expenses and income of the subsidiaries and sub-subsidiaries to be consolidated are included in the consolidated financial statements. Intragroup transactions and intercompany earnings are eliminated on consolidation.

Period of consolidation

The period of consolidation corresponds to the calendar year.

Recognition of transactions

All business transactions are recorded and measured in accordance with recognised principles on the day they occur. Foreign exchange and precious metal transactions (spot and forward) concluded but not yet executed are booked in accordance with the settlement-day principle.

These transactions are stated between the trade and settlement dates (value date) at replacement value under the corresponding item (Positive or negative replacement values of derivative financial instruments). Securities and options transactions are posted and recognised on the trade date. Balance sheet fixed-term transactions are recognised as a rule on the settlement date. Own bond issues, which are posted on the transaction day, are an exception.

Foreign exchange translation

Transactions in foreign currency are translated at the corresponding daily rate. Assets and liabilities in foreign currency, with the exception of bank notes, are translated at the average rate as at the balance sheet date. The bid rates on the balance sheet date are applied for foreign bank notes.

Translation gains and losses are recognised under "Result from trading activities and the fair value option". The annual financial statements of Zürcher Kantonalbank Österreich AG are prepared in euros and the annual financial statements of ZKB Securities (UK) Ltd. in pounds sterling. The assets and liabilities are translated at the rate on the balance sheet date, and income and expenses at the respective average exchange rate for the year. The difference between these exchange rates is reported directly in equity as a currency translation difference effect under the item "Currency translation reserve".

	2023		2022	
	Rates on the balance sheet date	Average annual rates	Rates on the balance sheet date	Average annual rates
EUR	0.9297	0.9701	0.9874	1.0020
GBP	1.0729	1.1178	1.1129	1.1728
USD	0.8417	0.8962	0.9252	0.9539

Offsetting of assets and liabilities as well as expenses and income

There is generally no offsetting of assets and liabilities. Assets and liabilities may, however, be offset in the following cases:

- Receivables and liabilities if they stem from similar transactions with the same counterparty; have the same due date as the receivable or earlier; are in the same currency and do not result in a counterparty risk. These conditions must be met cumulatively.
- Positive and negative changes in the book value in the compensation account not recognised in the income statement.
- For over-the-counter (OTC) transactions, between the positive and negative replacement values of derivative financial instruments as well as the related cash collateral. For this purpose, a relevant bilateral netting agreement with the affected counterparties

must be in place. This agreement must be proven to be recognised and legally enforceable.

Assets and liabilities are also offset in the following cases:
- For holdings of own bonds, money market securities and cash bonds are offset against the corresponding liability items.
- Value adjustments with the corresponding asset item.
- For sub-participations given as lead bank in a loan with the principle.

There is generally no offsetting of expenses and income. Expenses and income may be offset in the following cases:
- Newly recognised value adjustments for default risk and losses from interest operations as well as newly recognised provisions and other value adjustments and losses with the corresponding recoveries and released value adjustments and provisions.
- Gains on trading in securities and transactions valued using the fair value option with losses from these transactions.
- Positive value adjustments of financial investments valued at the lower of cost or market with the corresponding negative value adjustments.
- Expenses and income from real estate under the item Result from real estate.
- Results from hedging transactions with the corresponding result from the hedged transaction.

Liquid assets
Liquid assets mainly comprise sight deposits and central bank digital currency with the Swiss National Bank. They also include cash holdings in Swiss francs, foreign bank notes, as well as sight deposits with foreign central banks. These items are recognised at nominal value.

Amounts due from and to banks
Unless stated otherwise in a different item, amounts due from and to banks are stated in this item. These items are recognised at nominal value.

Appropriate value adjustments are created for default risks on existing positions and directly deducted from assets (see also the section “Value adjustments for default risks in respect of impaired loans/receivables”, and “Value adjustments and provisions for expected losses”).

Claims and liabilities from securities financing transactions
The amounts due from securities financing transactions include reverse repo transactions, which are treated as advances against collateral in the form of securities.
This underscores the financing nature of the transactions. The securities are transferred in the same way as if they had been pledged as collateral for a loan. Reimbursement claims in the context of securities borrowing which arise from cash collateral for the borrowed, non-monetary values are also included.

Repo transactions in the sense of a collateralised refinancing are entered in the balance sheet under Liabilities from securities financing transactions. Within the framework of securities lending, Zürcher Kantonalbank lends non-monetary assets, such as securities, on its own account and at its own risk (principal status). The repayment obligation for cash deposits received is also shown here. The bank conducts lending and borrowing transactions within the framework of trading operations.

Loan transactions involving securities or money market securities that are not collateralised with cash are not recognised in the balance sheet but reported in the Notes.

Amounts due from customers, mortgage loans and amounts due in respect of customer deposits

These items are recognised at nominal value. One exception to this are book claims in precious metals, which are stated at market values.

Leasing arrangements are reported in the balance sheet under Loans, at their nominal value (or property value) less accumulated amortisation plus instalments due but not paid, interest on arrears and fees. The element of the leasing instalment representing the interest for the period in question is included in Interest income. The remaining amount of the leasing instalment represents the repayment element and reduces the claim amount. Appropriate value adjustments are created for default risks on existing positions and directly deducted from the corresponding assets (see also the following section and the section “Value adjustments and provisions for expected losses”). Default risks on credit limits granted but not utilised on the balance sheet date are accounted for by means of provisions (see “Provisions”). Explanatory material on the valuation of collateral for loans can be found in section e) Explanation of the valuation of collateral.

Value adjustments for default risks in respect of impaired loans / receivables

Loss risks on existing exposures are allowed for by appropriate value adjustments. They are recognised in the item “Changes in value adjustments for default risks and losses from interest operations” and deducted directly from the asset affected.

A systematic approach is used to determine the amount of value adjustments. The bank considers loans / receivables to be impaired if there are indications that the debtor will not be able to meet future liabilities, but at the latest when the contractually defined amortisation, interest and commission payments are overdue for 90 days or more. The corresponding interest and commission are fully covered by provisions. Impaired loans / receivables are valued on an individual basis.

Individual value adjustments for credit risks are established in accordance with the following principles:

- Claims are valued individually taking into account the borrower’s creditworthiness and any collateral at liquidation value.
- As soon as it is no longer assured that the loan repayments can be recovered, a value adjustment is made for the probable credit default (book value less estimated recoverable amount).

Exposures rated as impaired are subjected to a creditworthiness test at least twice a year. If necessary, an appropriate value adjustment is made or existing ones are altered in line with the current circumstances. Value adjustments for impaired loans are released if there is reasonable assurance of timely collection of the interest and principal in accordance with the contractual terms of the claim agreement. In the case of small risks in homogeneous credit portfolios, the need for a value adjustment is assessed collectively (collective individual value adjustments). Country-specific risks in connection with loans/receivables are accounted for separately. Among other factors, country assessments of various rating agencies are taken into consideration.

Value adjustments and provisions for expected losses

For non-impaired loans/receivables and off-balance-sheet transactions, Zürcher Kantonalbank recognises value adjustments and provisions for expected losses.

Expected loss (EL) is the anticipated value of future losses from credit defaults. It is the product of the statistical probability of default (PD), the loss given default (LGD) and the exposure at default (EAD). Expressed mathematically, the relationship is as follows: EL = PD x LGD x EAD.

The EL approach is based on the regulatory parameters (the IRB approach) and a residual maturity approach. Discounting is not applied. For the positions without internal rating information, the one-year PD is derived based on the SA-BIS risk weighting. Regulatory PDs are based on long-term average estimates and extrapolated into lifetime PDs with the assumption of constant forward PDs.

IRB residual maturities with a one-year floor and five-year cap are used for this purpose. The regulatory IRB parameters from the capital adequacy calculation are also used to calculate the LGD. The EAD from the IRB approach is adopted for off-balance-sheet items too. An EAD excluding accrued interest is used for balance sheet items. EAD and LGD are constant in the (residual) term calculation. The EL is determined on the non-impaired loans/receivables of the following balance sheet and off-balance-sheet items:

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

The value adjustments and provisions for expected losses are a safety cushion required by the regulator. They are only intended to be used in the event of a "crisis" (high loan defaults). A crisis situation is defined as follows: The changes in value adjustments/provisions for impaired loans/receivables, incurred losses and default-risk-related changes in value on debt securities held in financial investments exceed the one-year expected loss (one-year RelV-EL) calculated on regulatory parameters for the corresponding period. For half-year periods, 50 percent of the one-year RelV EL is compared to the actual values.

If the trigger criterion is met, use may be at the 0 percent, 50 percent or 100 percent level, with higher use intended for short, severe crises and lower use for longer-lasting ones. In the case of a large single event without an actual crisis, for example, it may also be possible to dispense with its use.

Replenishment is essentially linear over a period of five years after a crisis. While a crisis is ongoing, no replenishment takes place. The replenishment period is assessed semi-annually and may be shortened. Ongoing changes resulting from changes in credit volumes, credit ratings and maturities are always recognised in the period to which they relate (there is no deferral in the event of a crisis).

Trading portfolio assets and liabilities

Trading positions including money market securities held in the context of the trading business are recognised at fair value. This is defined as the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing and independent parties. This corresponds to the price set on a price-efficient and liquid market or determined on the basis of a valuation model. Where, as an exception, no fair value is ascertainable, valuation and recognition are to follow the principle of the lower of cost or market value. Valuation differences are recognised in the income statement. Interest and dividend income on securities trading portfolios are credited to the item “Result from trading activities and the fair value option”. Results from securities lending and borrowing transactions are also recognised under “Result from trading activities and the fair value option”. The refinancing result for trading portfolio assets is recognised by compensating the result from trading activities within net interest. With the exception of the physical precious metal portfolios accounted for under Financial investments, all other precious metals that are physical and held in account form are accounted for as Trading portfolio assets and at fair value. Short positions are also accounted for at fair value and stated under the item “Trading portfolio liabilities”. In the case of trading in combinations of money market transactions and currency swaps, the aim is to report the interest income or trading result in the way that most closely captures the economic impact, following the principle of substance over form. As a result, the gain or loss on the currency swaps is compensated under the result from interest operations. Hence the results from these combined transactions are posted uniformly in the result from interest operations.

This avoids inflating the income statement and shifting amounts between interest operations and trading activities with no substantive or economic rationale.

Positive and negative replacement values of derivative financial instruments

Derivative financial instruments are valued at fair value and, in principle, represent trading activities. Comments on the business policy parameters for the use of derivative financial instruments and explanations in connection with the application of hedge accounting can be found under section f). Replacement values of derivative financial instruments from client transactions resulting from contracts traded over-the-counter (bank as agent) are, in principle, accounted for. Exchange-traded contracts from client transactions are accounted for if no daily margining takes place. Replacement values from trading activities are accounted for under “Positive replacement values of derivative financial instruments” on the asset side or the item “Negative replacement values of derivative financial instruments” on the liability side. Hedging transactions are also measured at fair value. Valuation gains and losses are recognised through income in the item “Result from trading activities and the fair value option”. An exception are the derivative financial instruments used to hedge interest rate risk within the scope of asset and liability management. In this case, value changes are recognised in the compensation account as “not affecting net income". The net balance of this compensation account is included in "Other assets" or "Other liabilities". If the result from the hedging transaction exceeds the result from the hedged underlying transaction, the hedge is considered ineffective.

The excess part of the derivative instrument is treated like a trading transaction. Please see the statements in the section "Offsetting assets and liabilities" with respect to the recognition of netting agreements for derivative financial instruments.

Other financial instruments at fair value or liabilities from other financial instruments at fair value

Structured products with own debenture components issued by the bank are valued as a whole at fair value (no separation of the derivative from the underlying instrument) provided that the following conditions have been met on a cumulative basis:

- The financial instruments are part of a trade-related strategy and are based on a documented risk management and investment strategy which ensures correct recording, measuring and limitation of the various risks.
- There is an economic hedging relationship between the financial instruments on the asset side and those on the liability side that is largely neutralised in terms of income by the fair value valuation (avoidance of an accounting mismatch).
- Any impact of a change in own creditworthiness on the fair value is neutralised and does not affect the income statement where it arises.

The amounts are accounted for under "Liabilities from other financial instruments at fair value". Investments by subsidiaries managed in the trading book and connected to self-issued structured products are stated at market value. These are recognised in "Other financial instruments at fair value".

Financial investments

The item includes money market securities which are not held in the context of trading business. Accounting takes place at nominal value taking a discount provision into account. Financial investments also include fixed-interest securities as well as shares and other equity securities.

Fixed-interest securities held to maturity are recognised in accordance with the amortised cost method and valued at acquisition cost with amortisation of the premium or discount over the maturity. Realised gains from sales prior to maturity are amortised to maturity. The lower of cost or market rule is applied in the case of value losses resulting from changes in credit standing. Fixed-interest securities not intended to be held until maturity are recorded based on the same rule. The same applies for shares and other equity securities that, irrespective of the share of voting rights, are also booked under this item provided that they were not acquired as a permanent investment. Financial investments also include real estate taken over from the lending business and intended for sale. They are also valued according to the lower of cost or market principle (acquisition value or prudently estimated lower liquidation value). Unrealised losses and market-related revaluations up to the original cost of the securities components are stated under "Other ordinary expenses" or "Other ordinary income". Realised gains or losses on the securities components from the sale of financial investments are booked under "Result from the disposal of financial investments". Unrealised and realised gains and losses in foreign currency components are booked under "Results from foreign exchange trading". Physical stocks of precious metals held as a financial investment are recognised at fair value.

Non-consolidated participations

Shares and other equity securities are considered as participations regardless of the share of voting rights held, provided they have been acquired as a permanent investment. Participations with voting rights of up to 19.9 percent are valued at lower of cost or market. Participations are subject to impairment testing at least once a year. Non-consolidated participations with voting rights of between 20 percent and up to and including 49.9 percent, together with the immaterial (from an accounting perspective) subsidiary Zürcher Kantonalbank Representações Ltda. as well as the insignificant majority stake in Philanthropy Services Ltd., are stated in accordance with the equity method in proportion to the equity held on the balance sheet date. The proportionate net annual result is included in the equity valuation and is recognised in the consolidated income statement as participation income.

Tangible fixed assets

Bank premises, including installations and fittings in rented properties, are recognised at cost value plus major investments and are amortised on a straight-line basis over their estimated useful life. Other properties acquired as a long-term investment are also recognised at the lower of cost value less straight-line amortisation or lower earnings value. The remaining tangible fixed assets comprise IT systems and equipment, furniture, vehicles and machinery. Smaller acquisitions are charged in full to General and administrative expenses in the year of acquisition.

Larger investments are capitalised and depreciated/amortised in full over their estimated useful life according to business criteria, or, in the case of acquired IT programmes, generally over 12 months. Estimated useful life for depreciation purposes (in years):

Land	**no depreciation**
Bank premises and other properties	
– Shell	**max. 80**
– Building envelope	**max. 30**
Installations (fitting out, technical installations)	**max. 25**
Fittings in rented properties	**remaining duration of rental agreement** [1]
IT systems and equipment	**4**
Acquired IT programmes	**max. 1**
Furniture / vehicles / machines	**max. 5**

1 In the case of rental agreements with an option to extend, depreciation is extended to the option date should the investment be made with the intention of taking up the option.

An impairment test of all tangible fixed assets is undertaken on a regular basis. An asset is subject to impairment if its book value exceeds the recoverable amount. In the real estate sector, the recoverable amount is determined by a property valuer. For other tangible fixed assets, the recoverable amount is equivalent to the value-in-use, which is defined according to business criteria.

Intangible assets

Goodwill. If the purchase cost of an acquisition is greater than the net assets valued in accordance with standard group-wide accounting principles, the remaining amount is capitalised as goodwill. This goodwill is amortised over the estimated useful life on a straight-line basis. The amortisation period is generally five years from the date of acquisition, with a maximum of ten years in justified instances. If the recoverability of goodwill is no longer ensured on the balance sheet date (impairment), an impairment is recognised.

Licences. These include purchased software licences. Smaller acquisitions are charged in full to General and administrative expenses in the year of acquisition. Larger investments are capitalised and normally fully amortised over 12 months.
Other intangible assets. This item includes acquired non-monetary assets with no physical existence which will provide the bank with measurable benefits over several years. Amortisation is over the estimated useful life on a straight-line basis. The amortisation period is generally five years from the date of acquisition, with a maximum of ten years in justified instances.

Cash bonds, money market securities, bond issues and central mortgage institution loans

These items are recognised at nominal value. Holdings of own bonds and cash bonds are offset against the corresponding liability items (see also the section "Offsetting assets and liabilities").

Provisions

Loss risks in connection with off-balance-sheet transactions (e.g. credit limits confirmed but not utilised) as well as other identifiable and foreseeable risks as of the balance sheet date are accounted for by means of appropriate provisions.

Creation and dissolution take place via the item "Changes to provisions and other value adjustments and losses".

Reserves for general banking risks

These items include reserves for general banking risks created and/or released since 2018. Creation and release of such reserves is shown in the income statement under "Changes in reserves for general banking risks". Please see the next section "Retained earnings reserve" for reserves for general banking risks created/released prior to 2018 and solely at the parent company.

Retained earnings reserve

The retained earnings reserve includes retained earnings, i.e. the funds generated by the group itself. This item includes reserves for general banking risks created at the parent company prior to 2018.

Pension schemes

An annual evaluation is performed to assess whether, from the group's perspective, an economic benefit or economic obligation arises for the bank or the group as a result of a pension fund. The determination is based on agreements and annual financial statements of the pension funds, which, in Switzerland, are prepared according to Swiss GAAP FER 26. Other calculations showing the financial situation and existing surplus/shortfall for each pension fund in accordance with actual circumstances are also taken into account.

Zürcher Kantonalbank has no liabilities that extend beyond the regulatory foundations. Please see Note 13 for additional information.

Contingent liabilities, irrevocable commitments, obligations to pay up shares and make further contributions, credit commitments and fiduciary investments

With the exception of commitments under currency swaps facilities and collateral upgrade transactions, off-balance-sheet transactions are reported at nominal value. Commitments under currency swap facilities and collateral upgrade transactions are reported in accordance with the principle of substance over form at 5 percent or 4 percent, respectively, of the nominal value. Appropriate provisions are set aside for identifiable risks. Irrevocable commitments also include forward commitment mortgages.

Taxes

As an independent public-law institution, Zürcher Kantonalbank is exempt from taxes on its income and capital under cantonal tax law (§ 61) and the federal law on direct taxation (§ 56). The subsidiary Zürcher Kantonalbank Finance (Guernsey) Ltd. is a finance company under Companies Law in Guernsey. In terms of tax law, as of 1 January 2008 the company is deemed to be resident and is liable to pay tax.

As it does not perform any banking activities that are subject to income tax or any other regulated transactions that are subject to tax, Zürcher Kantonalbank Finance (Guernsey) Ltd. pays only a fixed "validation fee", which is included in General and administrative expenses. Zürcher Kantonalbank Finance (Guernsey) Ltd. is not liable for any federal, cantonal or municipal taxes in Switzerland. The Swisscanto companies are subject to cantonal and federal taxes or the tax regime of Luxembourg in accordance with their domicile. Zürcher Kantonalbank Österreich AG is subject to Austrian corporation tax. Its taxable income is taxed at a fixed rate of 25 percent. The subsidiary ZKB Securities (UK) Ltd. is subject to UK corporation tax. Its taxable income is taxed at a fixed rate of 19 percent.

The tax implications of timing differences between the balance sheet values reported in the consolidated financial statements and the tax values in the individual accounts are reported as deferred tax claims or liabilities. Deferred tax claims from loss carry-forwards are capitalised where it is likely that sufficient taxable profits will be generated within the statutory time limits, against which these differences/corresponding loss carry-forwards may be offset. Changes in deferred taxes are stated in the income statement via the Taxes item. The property gains tax charged on the sale of land is separated from the gain on the sale of properties and booked to the income statement under Taxes.

c) Explanations on risk management

For explanations on risk management in general and the treatment of the interest rate risk, other market risks and credit risks specifically, please refer to the statements in section l) Risk report (p. 158 ff).

d) Explanation on the methods used for identifying default risks and determining the need for value adjustments

The methods used to identify default risks and determine the need for value adjustments are set out in the section "Value adjustments for default risks in respect of impaired loans/receivables" and "Value adjustments and provisions for expected losses" in the accounting and valuation principles. Further information can also be found in section l) Risk report, under the sub-section "Credit risks" (p. 170 ff).

e) Explanation of the valuation of collateral

The valuation of collateral for loans is specified in comprehensive internal regulations. They define the methods, procedures and competencies. These rules are regularly reviewed and aligned with regulatory requirements and market changes. The bank distinguishes between mortgage claims and readily realisable collateral.

Mortgage claims
Zürcher Kantonalbank uses recognised estimation methods appropriate to the type of property for the valuation of mortgage claims. The lower of cost or market principle is applied: accordingly, the lower of estimated value or purchase price is taken as the lending value. This corresponds to the guidelines for the examination, valuation and processing of mortgage-secured loans issued by the Swiss Bankers Association.

The key valuation factors for a property assessment are:
– Land (macro and micro position, area)
– Building (construction standard, condition, room concept, sustainability)
– Type of use (private, commercial, non-profit)
– Legal regulations
– Situation under property law and contractual agreements (rights, encumbrances)
– Result from rented properties

Model-based valuation processes are used in the first instance in the financing of single-family houses and owner-occupied apartments. In the bank's internal hedonic model, the estimated value is determined based on the characteristics of the property to be valued and with the assistance of the data from similar market transactions.

Depending on the type of property, client and complexity, Zürcher Kantonalbank also makes use of expert appraisals. The assessment criteria, the valuation procedures and methods to be used and the required valuation skills of the experts are set out in the bank's internal regulations. The valuation of mortgage claims is reviewed on a regular basis. The frequency depends on the type of property. Special developments in the real estate market or macroeconomic framework conditions may require an adjustment to the valuation intervals or portfolio-specific, extraordinary revaluations. The maximum permitted loan for the financed property is based on the class of collateral. This reflects the expected volatility of the value of the property or the usability of the property. It is determined by the type of property (e.g. single-family house, commercial property), the type of use (owner-occupied, rented) and other property-specific criteria (e.g. location, size of property).

Other collateral

Other collateral includes account balances, marketable securities as well as other readily realisable assets (precious metals, fiduciary investments, claims from life insurance policies, etc.). To the extent possible, lending values are based on market values. Other collateral is subject to the deduction of specified margins. These take into account the likelihood of fluctuations in value and concentration risks within the coverage.

f) Explanation on the bank's business policy regarding the use of derivative financial instruments and the use of hedge accounting

Use of derivative financial instruments

Trading in derivative financial instruments must comply with business policy requirements. It may be conducted for the purposes of proprietary and client trading as well as for hedging, and comprises both over-the-counter (OTC) and exchange-traded transactions. Derivative financial instruments may only be established on underlyings that fulfil the following conditions:

– Prices are set regularly via a stock exchange or an alternative organised exchange or according to recognised, transparent regulations determined in advance.
– The prices are published.
– The underlying instrument may only be physically delivered for participation rights, bonds, fund units and precious metals.

Explanations regarding the application of hedge accounting

Hedge accounting is a balance sheet depiction of collateral relationships. It aims to reduce the volatility of the results figures or equity capital stated and adjust them to the economic risk. The group applies hedge accounting to limit the interest rate risk in connection with balance sheet structure management. In this process, there is both a present value and an income consideration.

Contractually agreed client transactions, financial investments as well as debt financing in the banking book qualify as underlying transactions to be hedged. For the underlying instrument, a distinction is made between direct and indirect transactions. For direct transactions, Treasury has a direct influence on the timing and terms of the underlying instrument (purchase of financial investments, bond issues). Indirect transactions are understood to be all the transactions concluded by Sales and transferred to Treasury for interest risk management. For direct transactions, the result of individual transactions is taken into account, whilst for indirect transactions only the market value of the positions, based on changed market conditions (in particular the yield curve), is included. Appropriate derivative financial instruments (mainly interest swaps) are used for hedging purposes. For each hedging relationship, a review is undertaken to determine whether it meets the conditions for the application of hedge accounting (e.g. the hedging transactions must be concluded with an external counterparty).

All hedging transactions are treated as direct transactions. Zürcher Kantonalbank hedges the underlying transaction by means of a macro hedge. It optimises the total exposure on the basis of key rate sensitivities while adhering to the risk policy requirements. The result from the hedging transactions runs counter to the result of the underlying transactions and indicates the economic risk assumption and cover. The hedge effectiveness is measured every six months as of the balance sheet date at the end of June and the end of December. It is based on the effects on the result from the interest exposures of the underlying transactions and the hedging transactions. Specifically, the result from the underlying transaction is compared to the result from the hedging transaction as of the balance sheet date. The cumulative absolute amounts from the monthly result from the underlying and hedging transactions are compared for the aggregate view of the hedge effectiveness over the six-month horizon. The hedge is regarded as effective as long as the result from the hedging transactions does not exceed the result from the underlying transactions. If the result from the hedging transactions, accumulated over six months, exceeds the result from the underlying transactions, the excessive part of the hedge is regarded as ineffective. The transactions responsible for the ineffectiveness of the hedge are then identified in the hedging portfolio. These transactions are derecognised from the hedging portfolio and allocated to the trading portfolio. This is carried out until the hedge is effective in the period under review. No ineffectiveness was recorded in the year under review.

g) Explanation on material events occurring after the balance sheet date

No significant events affecting the assets, liabilities, financial position and the results of operations of the group occurred between the reporting date of the financial statements and the date on which the report was approved.

i) Information on the balance sheet

1 Breakdown of securities financing transactions

in CHF million	2023	2022
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions	25,740	27,804
Book value of obligations from cash collateral received in connection with securities lending and repurchase transactions	14,095	10,636
Book value of securities lent in connection with securities lending or delivered as collateral in connection with securities borrowing as well as securities in own portfolio transferred in connection with repurchase agreements	4,262	3,410
– of which, with unrestricted right to resell or pledge	4,262	3,410
Fair value of securities received and serving as collateral in connection with securities lending or securities borrowed in connection with securities borrowing as well as securities received in connection with reverse repurchase agreements with an unrestricted right to resell or repledge	62,711	66,103
– of which, repledged securities	6,506	963
– of which, resold securities	41,384	45,734

2 Overview of collateral for loans/receivables and off-balance-sheet transactions, as well as impaired loans/receivables

Overview by collateral

	Type of collateral			
in CHF million	Mortgage collateral	Other collateral	Unsecured	Total
Loans (before netting with value adjustments)				
Amounts due from customers	30	1,953	9,519	11,503
Mortgage loans				
– Residential property	83,339	10	9	83,359
– Office and business premises	12,057	0	10	12,066
– Commercial and industrial premises	2,411	–	17	2,428
– Other	3,416	2	3	3,420
Total mortgage loans	101,224	12	38	101,274
Total loans (before netting with value adjustments) 2023	**101,254**	**1,965**	**9,557**	**112,776**
Total loans (before netting with value adjustments) 2022	**97,227**	**2,125**	**8,666**	**108,018**
Total loans (after netting with value adjustments) 2023	**100,891**	**1,962**	**9,274**	**112,126**
Total loans (after netting with value adjustments) 2022	**96,859**	**2,120**	**8,428**	**107,406**
Off-balance-sheet				
Contingent liabilities	37	229	3,506	3,772
Irrevocable commitments	3,166	279	10,722	14,167
Obligations to pay up shares and make further contributions	–	–	353	353
Credit commitments	–	–	–	–
Total off-balance-sheet transactions 2023	**3,203**	**508**	**14,582**	**18,292**
Total off-balance-sheet transactions 2022	**2,943**	**677**	**13,797**	**17,416**

2 Overview of collateral for loans/receivables and off-balance-sheet transactions, as well as impaired loans/receivables (continued)

Information on impaired loans

Impaired loans	in CHF million	Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Individual value adjustments[1]
2023		**487**	**201**	**286**	**249**
2022		425	202	224	209

1 Individual value adjustments of 100 percent of the net debt amount are normally made. Individual value adjustment rates may apply in the case of major positions.

3 Trading portfolios and other financial instruments at fair value

Assets	in CHF million	2023	2022
Debt securities, money market securities/transactions		**7,104**	6,776
– of which, listed[1]		**6,221**	5,678
Equity securities		**2,541**	2,212
Precious metals and commodities		**2,235**	2,083
Other trading portfolio assets		**0**	0
Total trading transactions		**11,880**	**11,071**
Debt securities		**–**	–
Structured products		**–**	–
Other		**–**	–
Total other financial instruments at fair value		**–**	**–**
Total assets		**11,880**	**11,071**
– of which, determined using a valuation model		**997**	1,098
– of which, securities eligible for repo transactions in accordance with liquidity requirements		**2,719**	2,636

Liabilities	in CHF million	2023	2022
Debt securities, money market securities/transactions		**3,213**	3,607
– of which, listed[1]		**3,100**	3,550
Equity securities		**5**	22
Precious metals and commodities		**5**	4
Other trading portfolio liabilities		**1**	3
Total trading portfolio liabilities		**3,224**	**3,636**
Debt securities		**–**	–
Structured products		**4,000**	3,953
Other		**–**	–
Total liabilities from other financial instruments at fair value		**4,000**	**3,953**
Total liabilities		**7,224**	**7,589**
– of which, determined using a valuation model		**4,227**	4,011

1 Listed = traded on a recognised exchange.

4 Derivative financial instruments (assets and liabilities)

in CHF million	Trading instruments: Positive replacement values	Trading instruments: Negative replacement values	Trading instruments: Contract volume[1]	Hedging instruments: Positive replacement values	Hedging instruments: Negative replacement values	Hedging instruments: Contract volume[1]
Interest rate instruments						
Forward contracts including FRAs	–	–	–	–	–	–
Swaps	15,303	15,154	640,115	737	141	23,937
Futures	–	–	10,129	–	–	–
Options (OTC)	100	75	6,556	–	–	–
Options (exchange-traded)	0	0	1	–	–	–
Total	**15,403**	**15,229**	**656,801**	**737**	**141**	**23,937**
Foreign exchange/precious metals						
Forward contracts	4,883	5,856	388,019	–	–	–
Combined interest rate/currency swaps	386	457	2,273	–	163	2,310
Futures	–	–	327	–	–	–
Options (OTC)	51	53	5,589	–	–	–
Options (exchange-traded)	–	0	3	–	–	–
Total	**5,321**	**6,366**	**396,212**	**–**	**163**	**2,310**
Equity securities/indices						
Forward contracts	–	–	–	–	–	–
Swaps	14	29	592	–	–	–
Futures	–	–	2,842	–	–	–
Options (OTC)	39	43	4,202	–	–	–
Options (exchange-traded)	184	329	9,724	–	–	–
Total	**238**	**402**	**17,360**	**–**	**–**	**–**
Credit derivatives						
Credit default swaps	1	3	171	–	–	–
Total return swaps	–	0	2	–	–	–
First-to-default swaps	–	–	–	–	–	–
Other credit derivatives	–	–	–	–	–	–
Total	**1**	**3**	**172**	**–**	**–**	**–**
Other[2]						
Forward contracts	–	–	–	–	–	–
Swaps	–	–	–	–	–	–
Futures	–	–	360	–	–	–
Options (OTC)	–	–	–	–	–	–
Options (exchange-traded)	–	–	–	–	–	–
Total	**–**	**–**	**360**	**–**	**–**	**–**
Total before netting agreements						
2023	**20,963**	**22,000**	**1,070,905**	**737**	**304**	**26,248**
– of which, determined using a valuation model	**20,963**	**22,000**	**–**	**737**	**304**	**–**
2022	28,900	28,900	1,149,297	1,040	455	20,544
– of which, determined using a valuation model	28,900	28,900	–	1,040	455	–

1 The contract volume shows the amount of underlying on which a derivative is based or the notional amount underlying the derivative in accordance with the requirements of FINMA Circular 2020/1, irrespective of whether the derivative is traded long or short. The contract volume is determined differently depending on the type of contract and does not permit any direct conclusions to be drawn about the risk exposure.

2 Includes commodities and hybrid derivatives.

4 Derivative financial instruments (assets and liabilities) (continued)

Total after netting agreements[3]	in CHF million	Positive replacement values (cumulative)	Negative replacement values (cumulative)
2023		**968**	**2,458**
2022		1,190	2,066

Breakdown by counterparty

Positive replacement values (after netting agreements)	Central clearing houses	Banks and securities firms	Other customers
2023	**130**	**319**	**518**

3 For over-the-counter (OTC) transactions, the positive and negative replacement values of derivative financial instruments as well as the related cash collateral are offset (netting). For this purpose, a relevant bilateral agreement with the affected counterparties must be in place. This agreement must be proven to be recognised and legally enforceable.

5 Financial investments

	Book value		Fair value	
in CHF million	**2023**	**2022**	**2023**	**2022**
Debt securities	**5,271**	7,182	**5,166**	6,916
– of which, intended to be held to maturity	**5,271**	7,182	**5,166**	6,916
– of which, not intended to be held to maturity (available for sale)	**–**	–	**–**	–
Equity securities	**112**	108	**233**	245
– of which, qualified participations[1]	**8**	15	**14**	32
Precious metals	**187**	196	**187**	196
Real estate	**7**	3	**7**	3
Cryptocurrencies	**–**	–	**–**	–
Total financial investments	**5,577**	**7,490**	**5,593**	**7,360**
– of which, securities eligible for repo transactions in accordance with liquidity requirements	**4,729**	7,117	**4,628**	6,858

1 At least 10 percent of the capital or voting rights.

Counterparties by rating

in CHF million						
Moody's	Aaa – Aa3	A1 – A3	Baa1 – Baa3	Ba1 – Ba3	Lower than Ba3	Unrated
Standard & Poor's, Fitch	AAA – AA-	A+ – A-	BBB+ – BBB-	BB+ – B-	Below B–	Unrated
Debt securities: Book values 2023	**5,071**	**51**	**–**	**–**	**–**	**149**

All debt instruments without a rating fulfil the conditions of high-quality liquid assets (HQLA) according to the Liquidity Ordinance (LiqV).
If two ratings exist with different risk weightings, the rating with the lower risk weighting is used.
If more than two ratings exist with different risk weightings, those ratings which correspond to the two lowest risk weightings are taken into consideration. The higher of the two risk weightings is used. Top priority is given to the issue rating and second priority to the issuer rating.

6 Presentation of non-consolidated participations

in CHF million	Cost value	Accumulated value adjustments/ changes in book value (equity valuation)	Book value end of 2022	Reclassi-fications	Addi-tions	Disposals (incl. any FC diffe-rences)	Value adjust-ments	Changes in book value for participations using the equity method/ depreciation reversals	Book value end of 2023	Market value end of 2023
Participations valued using the equity method										
– with market value	–	–	–	–	–	–	–	–	–	–
– without market value	42	–21	22	–	6	–	–7	0	20	–
Other participations	–	–	–	–	–	–	–	–	–	–
– with market value	–	–	–	–	–	–	–	–	–	–
– without market value	144	–11	133	–	–	–	–0	1	133	–
Total participations [1]	**186**	**–31**	**155**	**–**	**6**	**–**	**–8**	**1**	**154**	**–**

1 No material impairment losses or reversals of impairment to be recorded.

7 Disclosures on companies in which the bank holds a permanent direct or indirect significant participation

			Currency bank's capital	Bank's capital in CHF million	Zürcher Kantonal-bank share capital (in %)	Zürcher Kantonal-bank voting rights	Held directly	Held indirectly
Fully consolidated participations								
Swisscanto Asset Management International S.A.	Luxem-bourg	Fund management	CHF	0	100.0	100.0		■
Swisscanto Fund Management Company Ltd. [1]	Zurich	Fund management	CHF	5	100.0	100.0		■
Swisscanto Holding Ltd. [2]	Zurich	Participations	CHF	24	100.0	100.0	■	
Swisscanto Private Equity CHF I Ltd.	Zurich	Financial services	CHF	0	100.0	100.0		■
Swisscanto Private Equity CHF II Ltd.	Zurich	Financial services	CHF	0	100.0	100.0		■
Swisscanto Pensions Ltd.	Zurich	Financial services	CHF	1	100.0	100.0		■
Zürcher Kantonalbank Finance (Guernsey) Ltd.	Guernsey	Financial services	CHF	1	100.0	100.0	■	
Zürcher Kantonalbank Österreich AG	Salzburg	Financial services	EUR	6	100.0	100.0	■	
ZKB Securities (UK) Ltd.	London	Financial services	GBP	15	100.0	100.0	■	
Reported under non-consolidated participations: [3]								
of which, participations values using the equity method.								
Technopark Real Estate Ltd.	Zurich	Project planning, construction, maintenance	CHF	40	33.3	33.3	■	
– of which, from other non-consolidated participations								
Pfandbriefzentrale der schweizerischen Kantonalbanken AG	Zurich	Pfandbrief institution	CHF	2,225 [4]	17.8	17.8	■	
Viseca Payment Services SA	Zurich	Participations	CHF	25	14.7	14.7	■	

1 Swisscanto Fund Management Ltd holds 100 percent of the shares of Swisscanto Private Equity CH I Ltd and of Swisscanto Private Equity CH II Ltd.
2 Swisscanto Holding Ltd. holds 100 percent of the shares in Swisscanto Fund Management Company Ltd., Swisscanto Pensions Ltd. and Swisscanto Asset Management International S.A.
3 All non-consolidated participations whose share of capital is more than 10 percent are shown. In addition, either the share of the participations in the bank's capital must be more than CHF 2 million or the book value must be more than CHF 15 million.
4 Of which CHF 445 million have been paid in.

7 Disclosures on companies in which the bank holds a permanent direct or indirect significant participation (continued)

			Currency bank's capital	Bank's capital in CHF million	Zürcher Kantonalbank share capital (in %)	Zürcher Kantonalbank voting rights	Held directly	Held indirectly
Subsidiaries not fully consolidated								
Philanthropy Services Ltd. [5]	Basel	Services	CHF	1	88.1	88.1	■	
Zürcher Kantonalbank Representações Ltda. [6]	São Paulo	Representative office	BRL	0	100.0	100.0	■	

5 Total assets in CHF thousand: (2022: 4,391; 2021: 975), loss for the period in CHF thousand: (2022: 2,788; 2021: 2,073).
6 Total assets in CHF thousand (2022: 302; 2021: 286), result for the period in CHF thousand (2022: 41; 2021: 26).

8 Presentation of tangible fixed assets

in CHF million	Cost value	Accumulated depreciation	Book value at end 2022	Change to scope of consolidation	Additions	Disposals	Depreciation	Reversals	Book value at end 2023
Bank buildings	1,315	–776	539	–	7	–0	–42	–	504
Other real estate	2	–2	1	–	0	–	–0	–	1
Proprietary or separately acquired software	0	–0	–	–	–	–	–	–	–
Other tangible fixed assets	209	–185	25	–	18	–0	–13	–	29
Tangible assets acquired under finance leases	–	–	–	–	–	–	–	–	–
– of which, bank buildings	–	–	–	–	–	–	–	–	–
– of which, other real estate	–	–	–	–	–	–	–	–	–
– of which, other tangible fixed assets	–	–	–	–	–	–	–	–	–
Total tangible fixed assets	**1,527**	**–962**	**565**	**–**	**25**	**–0**	**–56**	**–**	**534**

The insurance value of the real estate within tangible fixed assets amounted to CHF 1,254 million.
The insurance value of the other tangible fixed assets amounted to CHF 399 million.

Operating leases

Leasing obligations not recognised in the balance sheet	in CHF million	2023	2022
Due within 12 months		0	0
Due between 12 months and 5 years		0	0
Due after more than 5 years		–	–
Total of leasing obligations not recognised in the balance sheet		**0**	**0**
– of which, cancellable within 1 year		–	–

9 Presentation of intangible assets

in CHF million	Cost value	Accumulated amortisation	Book value end of 2022	Changes to scope of consolidation	Reclassifications	Additions	Disposals	Amortisation	Reversals	Book value end of 2023
Goodwill	300	–291	8	–	–	–	–	–8	–	–
Patents	–	–	–	–	–	–	–	–	–	–
Licences	48	–48	0	–	–	0	–0	–0	–	0
Other intangible assets [1]	15	–10	5	–	–	–	–	–3	–	2
Total intangible assets	**362**	**–349**	**14**	**–**	**–**	**0**	**–0**	**–12**	**–**	**3**

1 In connection with the completed takeover of the investment management and marketing of GAM precious metals and money market funds.

10 Other assets and liabilities

in CHF million	Other assets 2023	Other assets 2022	Other liabilities 2023	Other liabilities 2022
Compensation account	–	–	361	472
Deferred income taxes recognised as assets	4	6	–	–
Amount recognised as assets in respect of employer contribution reserves	–	–	–	–
Amount recognised as assets relating to other assets from pension schemes	–	–	–	–
Negative goodwill	–	–	–	–
Settlement accounts	494	339	1,310	371
Indirect taxes	22	50	107	43
Other	6	5	11	12
Total	**527**	**400**	**1,789**	**897**

11 Assets pledged or assigned to secure own commitments, and assets under reservation of ownership

in CHF million	2023 Book value	2023 Effective commitment	2022 Book value	2022 Effective commitment
Pledged/assigned assets				
Liquid assets	236	236	–	–
Amounts due from banks	2,149	2,118	2,915	2,898
Amounts due from customers	2,252	2,238	2,304	2,289
Mortgage loans	14,393	11,558	14,765	11,924
Trading portfolio assets	593	593	883	883
Financial investments	123	97	–	–
Total pledged/assigned assets	**19,746**	**16,840**	**20,867**	**17,994**

No assets are subject to reservation of ownership.
Note 1 shows instruments serving as collateral for which a right of resale or pledging has been granted in connection with securities financing.

12 Liabilities relating to own pension schemes and number and nature of equity instruments of the bank held by own pension schemes

Liabilities to own pension schemes from balance-sheet transactions (in CHF million)	2023	2022	Change
Amounts due in respect of customer deposits	47	98	–51
Cash bonds	0	0	0
Negative replacement values of derivative financial instruments [1]	63	12	51
Accrued expenses and deferred income	0	0	0
Other liabilities	0	0	0
Total	**110**	**110**	**–0**

Own pension schemes do not hold any of the bank's equity instruments.
1 After taking netting agreement into account.

13 Information on pension schemes

The Zürcher Kantonalbank pension fund is a public-law institution and is a separate legal entity. The purpose of the pension fund is to insure the bank's employees against the economic consequences of age, death and disability. The pension fund's pension plan comprises three different pension vehicles. The annuity plan insures the basic salary (annual salary) according to the combined defined benefit/defined contribution principle.[1] The capital plan insures any paid variable compensation (bonus) subject to AHV. The capital plan is also based on a combined defined benefit/defined contribution principle. The third vehicle – the supplementary account – enables insured individuals to pre-finance the reduction in benefits on early retirement between the ages of 58 and 65.

The premiums required for these plans constitute a component of personnel expenses. Contributions to the annuity and capital plans are funded jointly by the insured individual and the bank. The supplementary account is funded exclusively by the insured individuals.

An additional plan is operated in the form of a separate trust, the Marienburg Foundation of Zürcher Kantonalbank, for the senior management of affiliated employers. Structured on a defined contribution basis, this solution insures the element of the base salary in excess of a specific minimum amount. The Marienburg Foundation of Zürcher Kantonalbank is funded jointly by the insured individuals and the bank. However, employer contributions for salary components insured in the Marienburg Foundation are lower than those in the pension fund after the age of 45. Also, unlike the pension fund, the Marienburg Foundation does not pay pensions, only retirement capital. This means that investment risk and longevity risk are borne by the retirees.

1 Retirement benefits are based on the individually accumulated savings assets, while death and disability benefits are calculated as a percentage of the insured salary. Disability pensions are paid for life, and the pension is recalculated when the insured individual reaches normal retirement age.

The following employers are affiliated to Zürcher Kantonalbank's pension fund:
– Zürcher Kantonalbank's Grüningen Botanical Garden Trust
– Zürcher Kantonalbank pension fund
– Zürcher Kantonalbank's SanArena Trust
– Swisscanto Fund Management Company Ltd.
– Zürcher Kantonalbank

in %	Coverage ratio as at 31.12.2023 (not yet audited)	Coverage ratio as at 31.12.2022 (audited)
Zürcher Kantonalbank pension fund	**110**	104
Marienburg Foundation of Zürcher Kantonalbank (solution for senior management)	**105**	99

Coverage ratio pursuant to Article 44 BVV2

Occupational pension provision for the employees of the Austrian subsidiary is outsourced to a collective scheme governed by Austrian law. The pension plan is structured on a defined contribution basis. The employees of the subsidiary Zürcher Kantonalbank Finance (Guernsey) Ltd. are not affiliated to any pension scheme.

Swisscanto Asset Management International S.A. in Luxembourg has set up a pension plan for all employees. The plan, including the investment of employee assets, is managed by an insurance company. The savings contributions are fully financed by the employer. The risks are comprehensively covered by the insurance company. The office in Germany is a member of the pension fund for the banking industry. The employees can save tax-free contributions for retirement, with the employer paying part of the contributions.

The pension plan for the employees of ZKB Securities (UK) Limited is a defined contribution scheme and is administered by an independent retirement benefit institution.

There is no possibility of a shortfall or surplus for pension solutions in other countries as the investment risk is fully borne by the employee.

13 Information on pension schemes (continued)

a) Employer contribution reserves (ECR)

Neither Zürcher Kantonalbank nor its subsidiaries have employer contribution reserves.

b) Economic benefit/obligations and the pension expenses

	Over-/underfunding	Economic interest of the bank		Change in economic interest versus previous year	Contributions paid	Pension expenses in personnel expenses	
in CHF million	**End 2023**	**2023**	**2022**	**2023**	**2023**	**2023**	**2022**
Employer-sponsored funds/employer-sponsored pension schemes	–	–	–	–	–	–	–
Pension plans without overfunding/underfunding	–	–	–	–	114	114	114
Pension plans with overfunding	–	–	–	–	–	–	–
Pension plans with underfunding	–	–	–	–	–	–	1
Pension schemes without own assets	–	–	–	–	–	–	–
Total	**–**	**–**	**–**	**–**	**114**	**114**	**115**

14 Issued structured products

Underlying risk of the embedded derivative		Book value				Total
		Valued as a whole		Valued separately		
in CHF million		**Booked in trading portfolio**	**Booked in other financial instruments at fair value**	**Value of the host instrument**	**Value of the derivative**	
Interest rate instruments	With own debenture component	–	54	–	–	54
	Without oDC	–	–	–	–	–
Equity securities	With own debenture component	–	3,896	–	–	3,896
	Without oDC	–	–	–	–	–
Foreign currencies	With own debenture component	–	44	–	–	44
	Without oDC	–	–	–	–	–
Commodities/precious metals	With own debenture component	–	2	–	–	2
	Without oDC	–	–	–	–	–
Loans	With own debenture component	–	4	–	–	4
	Without oDC	–	–	–	–	–
Real estate	With own debenture component	–	–	–	–	–
	Without oDC	–	–	–	–	–
Hybrid instruments	With own debenture component	–	–	–	–	–
	Without oDC	–	–	–	–	–
Total 2023		**–**	**4,000**	**–**	**–**	**4,000**
Total 2022		**–**	**3,953**	**–**	**–**	**3,953**

15 Presentation of bonds outstanding and mandatory convertible bonds (incl. cash bonds, certificate of deposits and central mortgage institution loans)

Cash bonds

	Outstanding amount in CHF million	Weighted average interest rate	Maturities
31.12.2023	**288**	**0.74**	**2024–2033**
31.12.2022	196	0.48	2023–2032

Maturity structure	in CHF million	2024	2025	2026	2027	2028	after 2028	Total
Cash bonds		78	101	28	17	22	42	288

Certificate of deposits

	Outstanding amount in CHF million	Weighted average interest rate	Maturities
31.12.2023	**632**	**1.71**	**2024**
31.12.2022	104	0.00	2023

Maturity structure	in CHF million	2024	2025	2026	2027	2028	after 2028	Total
Certificate of deposits		632						632

Bonds and mandatory convertible bonds

	Outstanding amount in CHF million	Weighted average interest rate	Maturities
31.12.2023 (Issuer: Zürcher Kantonalbank)	**10,547**		
– of which, non-subordinated	**7,512**	**0.59**	**2024–2044**
– of which, subordinated without PONV clause [1]	**1,506**	**3.70**	**2027–2030**
– of which, subordinated with PONV clause	**1,529**	**2.74**	**2028–perpetual**
31.12.2022 (Issuer: Zürcher Kantonalbank)	9,400		
– of which, non-subordinated	7,832	0.63	2023–2044
– of which, subordinated without PONV clause [1]	–	–	–
– of which, subordinated with PONV clause	1,569	2.01	2028–perpetual

Maturity structure	in CHF million	2024	2025	2026	2027	2028	after 2028	Total
Bond issues		300	1,021	1,492	1,296	1,397	5,042	10,547

Central mortgage institution loans

	Outstanding amount in CHF million	Weighted average interest rate	Maturities
31.12.2023	**11,558**	**0.61**	**2024–2039**
31.12.2022	11,924	0.53	2023–2039

Maturity structure	in CHF million	2024	2025	2026	2027	2028	after 2028	Total
Central mortgage institution loans [2]		1,923	1,304	780	1,143	1,635	4,773	11,558

1 Point of non-viability (PONV).
2 Pfandbriefzentrale der schweizerischen Kantonalbanken AG loans.

16 Presentation of value adjustments and provisions, reserves for general banking risks, and changes therein during the current year

in CHF million	Balance at end of 2022	Changes to scope of consolida-tion	Use in conformity with designated purpose and reversals	Reclassifi-cations	Currency differences	Past due interest, recoveries	New creations charged to income	Releases to income statement	Balance at end of 2023
Provisions for deferred taxes	0	–	–	–	–	–	–	–0	**0**
Provisions for pension benefit obligations	–	–	–	–	–	–	–	–	**–**
Provisions for default risks	173	–	–	–	–0	–	125	–152	**146**
– of which, provisions for expected loss	57	–	–	–	–0	–	80	–83	**54**
Provisions for other business risks [1]	27	–	–8	–	–	–	0	–5	**13**
Provisions for restructuring	–	–	–	–	–	–	–	–	**–**
Other provisions [2]	14	–	–0	–	–0	–	15	–14	**14**
Total provisions	**214**	**–**	**–8**	**–**	**–0**	**–**	**140**	**–172**	**174**
Reserves for general banking risks	**154**	**–**	**–**	**–**	**–**	**–**	**225**	**–**	**379**
Value adjustments for default and country risks	640	–	–11	–	–0	2	278	–232	**676**
– of which, value adjustments for default risks in respect of impaired loans/receivables [3]	209	–	–11	–	–0	2	93	–44	**249**
– of which, value adjustments for expected loss	431	–	–	–	–0	–	185	–189	**427**

1 Provisions for other business risks relate to provisions for settlement risks, for example, which cover identifiable risks as at the balance sheet date.
2 The other provisions include, among other things, provisions for litigation and provisions for employees' holiday credits.
3 Default risks consist primarily of counterparty risks, for which value adjustments of 100 percent of the net debt are generally set aside. Individual value adjustments rates may apply in the case of major positions.

Recoveries from amounts due derecognised in previous periods are reported directly in Changes in value adjustments for default risk and losses from interest operations (2023: CHF 1 million/2022: CHF 1 million).
For more details on the management of credit risks, operational risks and legal and compliance risks, please refer to section I) Risk report.

17 Presentation of the bank's capital

The disclosure pursuant to the accounting rules for banks is made only by the parent company (page 214).

18 Number and value of equity securities or options on equity securities held by all executives and directors and by employees, and disclosures on any employee participation schemes

Neither Zürcher Kantonalbank nor its subsidiaries have employee participation schemes.

19 Amounts due from/to related parties

in CHF million	Due from 2023	Due from 2022	Due to 2023	Due to 2022
Holders of qualified participations	**15**	40	**463**	839
Group companies	**–**	–	**2**	4
Linked companies	**330**	479	**864**	1,267
Transactions with members of governing bodies	**16**	15	**30**	24
Other related parties	**–**	–	**–**	–

Affiliated companies are public-law institutions of the respective canton or public-private enterprises in which the canton holds qualified participations.
On- and off-balance-sheet transactions with related parties are conducted at usual market conditions, with the exception of loans to members of governing bodies. Loans to governing bodies are granted on employee terms in some cases.
This primarily involved the usual balance sheet banking business, i.e. it was mainly amounts due from and due to customers.
The totals above also include securities items and claims and liabilities from transactions in derivatives (positive and negative replacement values).
The off-balance-sheet transactions with related parties in the amount of CHF 1,436 million (2022: CHF 1,450 million) primarily include irrevocable loan commitments and other contingent liabilities.

20 Disclosure of holders of significant participations

The disclosure pursuant to the accounting rules for banks is only made by the parent company (page 215).

21 Disclosure of own shares and composition of equity capital

in CHF million	2023	2022
Reserves for general banking risks	**379**	154
Bank's capital	**2,425**	2,425
Retained earnings reserve	**10,241**	9,674
Foreign currency translation reserve	**–16**	–13
Consolidated profit	**1,238**	1,059
Total shareholders' equity	**14,268**	**13,299**

The bank does not hold any of its own shares.

22 Disclosures in accordance with the Ordinance against Excessive Compensation with respect to Listed Stock Corporations and Article 663c para. 3 CO for banks whose equity securities are listed

The disclosure pursuant to the accounting rules for banks is only made by the parent company (page 216).

23 Maturity structure of financial instruments

in CHF million	At sight	Cancel-lable	Due within 3 months	Due within 3 to 12 months	Due after 1 to 5 years	Due after 5 years	No maturity	Total
Assets/financial instruments								
Liquid assets	39,470	236	–	–	–	–	–	39,706
Amounts due from banks	998	0	641	1,491	6	266	–	3,401
Amounts due from securities financing transactions	51	9,206	16,450	33	–	–	–	25,740
Amounts due from customers	153	2,362	4,112	1,564	2,365	696	–	11,252
Mortgage loans	101	22,704	5,238	7,279	41,380	24,172	–	100,874
Trading portfolio assets	11,880	–	–	–	–	–	–	11,880
Positive replacement values of derivative financial instruments	968	–	–	–	–	–	–	968
Other financial instruments at fair value	–	–	–	–	–	–	–	–
Financial investments	299	–	290	1,191	2,028	1,761	7	5,577
Total assets/financial instruments 2023	**53,919**	**34,508**	**26,732**	**11,558**	**45,778**	**26,895**	**7**	**199,398**
Total assets/financial instruments 2022	**53,964**	**28,819**	**30,447**	**11,871**	**44,448**	**28,648**	**3**	**198,200**
Debt capital/financial instruments								
Amounts due to banks	4,635	301	28,507	1,268	693	–	–	35,404
Liabilities from securities financing transactions	23	6,395	7,677	–	–	–	–	14,095
Amounts due in respect of customer deposits	41,908	34,173	18,091	5,925	407	948	–	101,452
Trading portfolio liabilities	3,224	–	–	–	–	–	–	3,224
Negative replacement values of derivative financial instruments	2,458	–	–	–	–	–	–	2,458
Liabilities from other financial instruments at fair value	4,000	–	–	–	–	–	–	4,000
Cash bonds	–	–	0	77	168	42	–	288
Certificate of deposits	–	–	307	325	–	–	–	632
Bond issues	–	3,035	300	–	3,849	3,363	–	10,547
Central mortgage institution loans	–	–	581	1,342	4,862	4,773	–	11,558
Total debt capital/financial instruments 2023	**56,249**	**43,904**	**55,462**	**8,938**	**9,979**	**9,126**	**–**	**183,658**
Total debt capital/financial instruments 2022	**69,734**	**45,593**	**43,555**	**4,907**	**10,073**	**10,457**	**–**	**184,318**

24 Assets, liabilities and off-balance-sheet positions by domestic and foreign origin in accordance with the domicile principle

in CHF million	2023 Domestic	2023 Foreign	2022 Domestic	2022 Foreign
Assets				
Liquid assets	**39,524**	**182**	40,213	89
Amounts due from banks	**435**	**2,966**	315	2,622
Amounts due from securities financing transactions	**17,683**	**8,057**	20,301	7,503
Amounts due from clients	**9,098**	**2,154**	8,463	2,104
Mortgage loans	**100,874**	**0**	96,838	0
Trading portfolio assets	**6,587**	**5,294**	6,154	4,917
Positive replacement values of derivative financial instruments	**637**	**331**	819	371
Other financial instruments at fair value	**–**	**–**	–	–
Financial investments	**4,588**	**989**	6,510	979
Accrued income and prepaid expenses	**620**	**25**	436	21
Participations	**153**	**1**	154	1
Tangible fixed assets	**531**	**3**	563	3
Intangible assets	**2**	**0**	14	0
Other assets	**379**	**148**	271	129
Total assets	**181,112**	**20,147**	**181,051**	**18,739**
Liabilities				
Amounts due to banks	**3,336**	**32,068**	4,260	34,791
Liabilities from securities financing transactions	**245**	**13,849**	1	10,635
Amounts due in respect of customer deposits	**94,213**	**7,239**	95,113	8,237
Trading portfolio liabilities	**1,234**	**1,990**	1,941	1,695
Negative replacement values of derivative financial instruments	**2,017**	**441**	1,730	336
Liabilities from other financial instruments at fair value	**2,288**	**1,712**	2,511	1,442
Cash bonds	**288**	**–**	196	–
Certificate of deposits	**632**	**–**	104	–
Bond issues	**10,547**	**–**	9,400	–
Central mortgage institution loans	**11,558**	**–**	11,924	–
Accrued expenses and deferred income	**1,347**	**24**	1,041	22
Other liabilities	**1,535**	**255**	776	121
Provisions	**172**	**2**	212	2
Reserves for general banking risks	**379**	**–**	154	–
Bank's capital	**2,425**	**–**	2,425	–
Retained earnings reserve	**10,093**	**149**	9,531	143
Foreign currency translation reserve	**–16**	**–**	–13	–
Consolidated profit	**1,224**	**15**	1,049	10
Total liabilities	**143,516**	**57,743**	**142,355**	**57,436**
Off-balance-sheet transactions				
Contingent liabilities	**1,946**	**1,826**	2,196	1,923
Irrevocable commitments	**12,868**	**1,300**	11,950	980
Obligations to pay up shares and make further contributions	**353**	**–**	367	–
Credit commitments	**–**	**–**	–	–

25A Assets by country or group of countries

	2023		2022	
	in CHF million	Share as %	in CHF million	Share as %
Switzerland	181,112	90.0	181,051	90.6
Rest of Europe	11,928	5.9	10,683	5.3
– of which, Germany	1,561	0.8	1,282	0.6
– of which, France	1,079	0.5	635	0.3
– of which, United Kingdom	4,978	2.5	5,347	2.7
– of which, Guernsey	8	0.1	29	0.0
Americas	6,732	3.3	6,122	3.1
– of which, USA	4,798	2.4	4,655	2.3
Asia and Oceania	1,448	0.7	1,861	0.9
Africa	39	0.0	74	0.0
Total assets	**201,259**	**100.0**	**199,791**	**100.0**

25B Liabilities by country or group of countries

	2023		2022	
	in CHF million	Share as %	in CHF million	Share as %
Switzerland	143,516	71.3	142,355	71.3
Rest of Europe	33,321	16.6	28,685	14.4
– of which, Germany	3,958	2.0	3,200	1.6
– of which, France	9,743	4.8	6,628	3.3
– of which, United Kingdom	5,110	2.5	5,268	2.6
– of which, Guernsey	2,227	1.1	1,917	1.0
Americas	15,502	7.7	17,517	8.8
– of which, USA	7,366	3.7	8,456	4.2
Asia and Oceania	6,838	3.4	9,478	4.7
Africa	2,081	1.0	1,756	0.9
Total liabilities	**201,259**	**100.0**	**199,791**	**100.0**

25C Contingent liabilities, irrevocable commitments, obligations to pay up shares and make further contributions by country or group of countries

	2023		2022	
	in CHF million	Share as %	in CHF million	Share as %
Switzerland	15,167	82.9	14,513	83.3
Rest of Europe	2,119	11.6	1,737	10.0
– of which, Germany	181	1.0	129	0.7
– of which, France	249	1.4	182	1.0
– of which, United Kingdom	156	0.9	97	0.6
– of which, Guernsey	87	0.5	117	0.7
Americas	164	0.9	321	1.8
– of which, USA	80	0.4	134	0.8
Asia and Oceania	801	4.4	780	4.5
Africa	41	0.2	65	0.4
Total	**18,292**	**100.0**	**17,416**	**100.0**

26 Breakdown of total assets by credit rating of country groups (risk domicile view)

Rating system ZKB's own country rating	Moody's	2023 Net foreign exposure in CHF million	2023 Net foreign exposure Share as %	2022 Net foreign exposure in CHF million	2022 Net foreign exposure Share as %
A	Aaa / Aa1 / Aa2 / Aa3	**23,036**	**88.1**	22,491	85.9
B	A1 / A2 / A3	**1,224**	**4.7**	1,138	4.3
C	Baa1 / Baa2 / Baa3	**448**	**1.7**	870	3.3
D	Ba1 / Ba2	**857**	**3.3**	677	2.6
E	Ba3	**12**	**0.0**	3	0.0
F	B1 / B2 / B3	**279**	**1.1**	408	1.6
G	Caa1 / Caa2 / Caa3 / Ca / C	**306**	**1.2**	601	2.3
Total		**26,161**	**100.0**	**26,188**	**100.0**

27 Balance sheet by currencies

	Currencies translated in CHF million				
	CHF	USD	EUR	Other	Total
Assets					
Liquid assets	39,489	2	212	3	39,706
Amounts due from banks	265	2,304	718	114	3,401
Amounts due from securities financing transactions	15,724	6,413	3,602	0	25,740
Amounts due from clients	7,784	1,209	1,700	560	11,252
Mortgage loans	100,800	2	72	–	100,874
Trading portfolio assets	9,119	2,042	494	225	11,880
Positive replacement values of derivative financial instruments	692	131	133	12	968
Other financial instruments at fair value	–	–	–	–	–
Financial investments	5,071	0	506	0	5,577
Accrued income and prepaid expenses	551	60	30	3	644
Non-consolidated participations	153	–	0	0	154
Tangible fixed assets	532	–	2	0	534
Intangible assets	2	–	0	–	3
Other assets	296	153	61	17	527
Total assets shown in balance sheet	**180,479**	**12,315**	**7,532**	**934**	**201,259**
Delivery entitlements from spot exchange, forward forex, forex options and precious metal transactions	134,698	142,790	89,797	27,200	394,484
Total assets	**315,176**	**155,105**	**97,329**	**28,133**	**595,744**
Liabilities					
Amounts due to banks	9,489	17,101	5,826	2,988	35,404
Liabilities from securities financing transactions	278	5,150	8,667	–	14,095
Amounts due in respect of customer deposits	89,493	4,587	6,278	1,094	101,452
Trading portfolio liabilities	1,904	1,194	107	20	3,224
Negative replacement values of derivative financial instruments	1,786	185	476	12	2,458
Liabilities from other financial instruments at fair value	2,706	812	467	15	4,000
Cash bonds	288	–	–	–	288
Certificate of deposits	632	–	–	–	632
Bond issues	8,711	–	1,836	–	10,547
Central mortgage institution loans	11,558	–	–	–	11,558
Accrued expenses and deferred income	1,101	193	66	11	1,371
Other liabilities	1,564	170	22	33	1,789
Provisions	172	–	1	–	174
Reserves for general banking risks	379	–	–	–	379
Bank’s capital	2,425	–	–	–	2,425
Retained earnings reserve	10,257	–	–11	–5	10,241
Foreign currency translation reserve	–	–	–14	–1	–16
Consolidated profit	1,238	–	2	–1	1,238
Total liabilities shown in the balance sheet	**143,980**	**29,392**	**23,722**	**4,165**	**201,259**
Delivery obligations from spot exchange, forward forex, forex options and precious metal transactions	173,040	125,441	73,304	23,747	395,531
Total liabilities	**317,020**	**154,833**	**97,026**	**27,912**	**596,791**
Net position per currency in 2023	**–1,844**	**272**	**303**	**222**	**–1,047**
Net position per currency in 2022	**–415**	**28**	**149**	**210**	**–27**

j) Information on off-balance-sheet transactions

The following gives more detailed information on off-balance-sheet positions as well as managed assets and other liabilities not included in the balance sheet.

28 Contingent liabilities and contingent assets

in CHF million	2023	2022
Guarantees to secure credits and similar	434	431
Performance guarantees and similar	2,140	2,593
Irrevocable commitments arising from documentary letters of credit	1,198	1,096
Other contingent liabilities	–	–
Total contingent liabilities	**3,772**	**4,119**
Contingent assets arising from tax losses carried forward	–	–
Other contingent assets	–	–
Total contingent assets	**–**	**–**

29 Breakdown of credit commitments

There are no credit commitments as of 31 December 2023 and 31 December 2022.

30 Breakdown of fiduciary transactions

in CHF million	2023	2022
Fiduciary investments with third-party companies	983	446
Fiduciary investments with linked companies	–	–
Fiduciary loans	–	–
Fiduciary transactions arising from securities lending and borrowing (in the bank's own name for the account of customers)	–	–
Fiduciary crypto currencies held for customer's accounts	–	–
Other fiduciary transactions	–	–
Total	**983**	**446**

31 Breakdown of managed assets and presentation of their development

a) Breakdown of managed assets

Type of managed assets — in CHF million	2023	2022
Assets in collective investment schemes managed by the bank	141,113	124,575
Assets under discretionary asset management agreements	87,089	75,497
Other managed assets	222,587	199,893
Total managed assets (including double counting) [1]	**450,789**	**399,965**
– of which, double counting	75,787	65,206

1 The client assets shown include all client assets of an investment nature held with Zürcher Kantonalbank, as well as client assets held with third-party banks that are managed by Zürcher Kantonalbank. Zürcher Kantonalbank also includes client deposits that are not of an investment nature in its reported client assets. Non-inclusion of accounts that do not have an investment element would lead to greater volatility in managed client assets and thus distort the meaningfulness of trends in client assets. Assets held with Zürcher Kantonalbank but managed by third parties (custody-only) are not included. Banks and significant investment fund companies (including collective pension fund foundations, investment trusts, pension foundations and pension funds) for which Zürcher Kantonalbank acts exclusively as custodian bank are treated as custody-only.

b) Presentation of the development of managed assets

in CHF million	2023	2022
Total managed assets (including double counting) at beginning	399,965	409,190
+/– net new money inflow or net new money outflow [1]	36,773	33,928
+/– price gains/losses, interest, dividends and currency gains/losses	15,463	–42,020
+/– other effects	–1,411	–1,133
Total managed assets (including double counting) at end	**450,789**	**399,965**

1 The net new money inflow/outflow corresponds to the development of managed client assets adjusted for fluctuations in prices and exchange rates, interest and dividend payments, fees and expenses charged to clients, and reclassification of assets. Changes due to acquisitions/disposals of subsidiaries are not included. The interest billed to loan clients is included in the change in net new money inflow/outflow.

k) Information on the income statement

In this section, individual income statement items are broken down in greater detail and the components of the return on equity explained.

32 Breakdown of the result from trading activities and the fair value option

a) Breakdown by business area (in accordance with the organisation of the bank/financial group)

in CHF million	2023	2022
Result from trading in foreign exchange, bank notes and precious metals	159	143
Result from trading in bonds, interest rate and credit derivatives	153	148
Result from trading in equities and structured products	56	89
Result from other trading activities [1]	48	28
Total	**415**	**409**

1 The result from other trading activities includes results from securities lending and borrowing as well as positions for which the Executive Board or Asset Management is responsible.

b) Breakdown by underlying risk and based on the use of the fair value option

		Result from trading activities from:						
in CHF million	2023	Foreign exchange and bank notes	Precious metals	Securities lending and borrowing	Bonds, interest rate and credit derivatives	Equities and equity derivatives	Commodities and commodity derivatives	Other products [2]
Result from trading in foreign exchange, bank notes and precious metals	159	150	9	–	–0	–	–	–
Result from trading in bonds, interest rate and credit derivatives	153	–0	–	–13	161	5	–	–
Result from trading in equities and structured products	56	–14	6	0	25	42	–0	–4
Result from other trading activities	48	0	–0	49	0	–1	–0	–1
Total	**415**	**136**	**16**	**36**	**185**	**46**	**–0**	**–4**
– of which, from fair value option on assets	–0	–	–	–	–0	–	–	–
– of which, from fair value option on liabilities	–262	6	–0	–	6	–273	–0	–0

2 The trading result from other products includes hybrid products and real estate derivatives.

33 Disclosure of material refinancing income in the item interest and discount income as well as material negative interest

During financial year 2023, refinancing income from trading activities of CHF –435.6 million (previous year: CHF –73.4 million) was included in the item Interest and discount income.

The item Interest and discount income also includes the result of currency swaps in the amount of CHF 987.4 million (previous year: CHF 471.3 million), which were entered into solely for the purpose of engaging in interest arbitrage. Negative interest on lending business is shown as a reduction in the interest and discount income. Negative interest on deposit-taking business is shown as a reduction in interest expenses.

in CHF million	2023	2022
Negative interest on lending business (reduction in interest and discount income)	0	94
Negative interest on deposit-taking business (reduction in interest expenses)	2	135

34 Breakdown of personnel expenses

in CHF million	2023	2022
Salaries for members of the bank's governing bodies and personnel	959	926
– of which, alternative forms of variable compensation	1	–
AHV, IV, ALV and other social security contributions	187	195
Changes in book value for economic benefits and obligations arising from pension schemes	–	–
Other personnel expenses	34	32
Total	**1,180**	**1,153**

35 Breakdown of general and administrative expenses

in CHF million	2023	2022
Office space expenses	33	29
Expenses for information and communications technology	180	166
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	2	2
Fees of audit firms	7	6
– of which, for financial and regulatory audits	7	6
– of which, for other services	0	0
Other operating expenses	276	238
– of which, compensation for state guarantee	30	28
Total	**499**	**442**

36 Explanations regarding material losses, extraordinary income and expenses, reserves for general banking risks and value adjustments and provisions no longer required

in CHF million	2023	2022
Extraordinary income		
Reversal of impairment on other participations	1	1
Income from sale of other real estate / bank premises	–	7
Income from sale of participations	–	–
Other	0	1
Total	**1**	**8**
Extraordinary expenses		
Losses from sale of other real estate / bank premises	–	–
Losses from disposal of participations	–	–
Other	–	0
Total	**–**	**0**
Changes in reserves for general banking risks		
Creation of reserves for general banking risks [1]	225	–
Release of reserves for general banking risks	–	–
Total	**225**	**–**

1 Allocation to strengthen the bank's capital.

37 Disclosure of and reasons for revaluations of participations and tangible fixed assets up to acquisition cost at maximum

in CHF million		2023	2022
Participations	**Registered office**		
CLS Group Holdings AG	Lucerne	0	0
Twint AG	Zurich	0	–
Venture Incubator AG	Altendorf	–	0
Total		**1**	**1**

Appreciation is applied to non-listed participations in accordance with the mean value method and, for listed participations, in accordance with the market value method.

38 Income statement broken down according to domestic and foreign origin, according to the principle of permanent establishment

in CHF million	2023 Domestic	2023 Foreign	2022 Domestic	2022 Foreign
Result from interest operations				
Interest and discount income	4,004	10	1,871	1
Interest and dividend income from financial investments	32	0	28	0
Interest expense	−2,170	−7	−479	−0
Gross result from interest operations	**1,866**	**4**	**1,420**	**1**
Changes in value adjustments for default risk and losses from interest operations	−49	0	−20	1
Subtotal net result from interest operations	**1,816**	**4**	**1,400**	**3**
Result from commission business and services				
Commission income from securities trading and investment activities	1,209	150	1,179	149
Commission income from lending activities	72	0	72	0
Commission income from other services	160	0	150	1
Commission expense	−520	−113	−505	−111
Subtotal result from commission business and services	**920**	**37**	**897**	**39**
Result from trading activities				
Result from trading activities and the fair value option	**386**	**29**	**394**	**15**
Other result from ordinary activities				
Result from the disposal of financial investments	7	–	6	–
Income from participations	13	–	11	0
– of which, participations valued using the equity method	1	–	2	–
– of which, from other non-consolidated participations	12	–	9	0
Result from real estate	8	0	7	0
Other ordinary income	35	0	31	0
Other ordinary expenses	−16	–	−17	–
Subtotal other result from ordinary activities	**47**	**0**	**39**	**1**
Operating expenses				
Personnel expenses	−1,160	−20	−1,134	−18
General and administrative expenses	−511	−34	−451	−25
Subtotal operating expenses	**−1,671**	**−54**	**−1,585**	**−43**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	−74	−1	−100	−1
Changes to provisions and other value adjustments and losses	28	0	2	−0
Operating result	**1,453**	**17**	**1,046**	**13**
Extraordinary income	1	0	8	0
Extraordinary expenses	–	–	−0	–
Changes in reserves for general banking risks	−225	–	–	–
Taxes	−5	−2	−5	−3
Consolidated profit	**1,224**	**15**	**1,049**	**10**

In the past, the elimination of intercompany results was borne entirely by the parent company («domestic»). Since 2023, the allocation has been based on the gross method. For better comparability, the previous year's figures have been adjusted.

39 Presentation of current taxes, deferred taxes, and disclosure of tax rate

in CHF million	2023	2022
Creation of provisions for deferred taxes	–	–0
Reversal of provisions for deferred taxes	0	–
Recognition of deferred taxes on losses carried forward	–1	–1
Recognition of other deferred taxes	0	0
Reversal of other deferred taxes	–	–0
Expenses for current income and capital taxes	–7	–7
Expenses for property gains taxes	–	–
Total	**–7**	**–8**
Unrecognised tax reductions on losses carried forward, and tax credits not recognised under the principle of prudence	–	–
Hypothetical deferred income taxes calculated at theoretical tax rates on revaluations of investments not relevant for tax purposes	–	–

Figures in table: minus = expense; plus = income

As Zürcher Kantonalbank is exempt from direct income and capital taxes, no weighted average interest rate is disclosed.

40 Disclosures and explanations of the earnings per equity security in the case of listed banks

Zürcher Kantonalbank has no listed equity securities.

41 Components of return on equity

in %	2023	2022
Return on equity (RoE)	9.3 %	8.4 %

in CHF million	2023	2022
Relevant net annual result for calculating ROE		
Consolidated profit	1,238	1,059
Total	**1,238**	**1,059**
Relevant average equity [1] for calculating ROE		
Average bank's capital	2,425	2,425
Average other equity components	10,932	10,111
Total	**13,357**	**12,536**

1 The average bank's capital and other equity components are calculated on a monthly basis.

l) Risk report

1.1.1 Risk profile

Developments on the financial and capital markets in 2023 were characterised by the interplay between inflation, monetary policy and growth concerns. In the first half of March, the insolvency of three small to medium-sized US banks within a few days caused considerable market turbulence and triggered concerns about possible global contagion. In the maelstrom of this banking crisis, the merger of the two major Swiss banks was announced on 19 March. Following various stabilisation measures by international and Swiss authorities, the markets calmed back down again. In this crisis situation, Zürcher Kantonalbank was once again able to fall back on tried-and-tested structures and processes. In comprehensive assessments, all the business areas concerned analysed the situation and, where necessary, took appropriate measures to adapt the risk profile to the situation. Both the turnaround in interest rates and the reorganisation of the Swiss banking landscape represent risks as well as opportunities for the Zürcher Kantonalbank. The bank has emerged from these changes unscathed and with greater earnings power. The risk profile as at the reporting date was essentially unchanged over the previous year.

The corporate loan portfolio continues to be robust in terms of default risks and has grown slightly. The globally sluggish economic momentum, however, is also weighing on the Swiss economy and posing challenges for companies. The regular assessment of all major unsecured balance sheet exposures has not yet revealed any extraordinary risks. Greater uncertainties related to the geopolitical situation as well as the subdued economic outlook may, however, mean that a scenario with an increasing need for value adjustments cannot be ruled out in the medium term, particularly in the SME portfolio.

In the Swiss real estate market, the turnaround in interest rates was felt to varying degrees depending on the segment. The residential property market proved to be comparatively robust. Housing output is still unable to keep pace with the strong demand and the resulting excess demand is supporting the price trend. Although the upward trend in prices has slowed, it remains in positive territory. The mortgage portfolio of Zürcher Kantonalbank grew by a total of 4.2 percent in 2023, with owner-occupied housing up 1.9 percent. Credit risk management employs suitable measures in mortgage lending to ensure that portfolio growth has a balanced risk profile.

At CHF 9.9 million, the value at risk (VaR) for market risks in trading as at the reporting date was slightly below the previous year's level (CHF 12.6 million) due to lower market volatility. The utilisation of the risk capital limit allocated internally for trading (capital at risk) was 65 percent at the end of the year (previous year 48 percent). The increase in utilisation in the second half is the result of taking increased positions due to the extremely active primary market and the increasing overhang of sellers in the secondary market for Swiss franc bonds.

As in the previous year, the management of balance sheet structure risks was characterised by high client demand for money market mortgages with minimal interest rate risks for the bank, along with slightly weaker but still robust growth in the mortgage business. With interest rates falling again, client preferences increasingly shifted away from money market mortgages towards fixed-rate mortgages as the end of the year approached. The interest rate sensitivity of the banking book at year-end was 21 percent above the previous year.

The solid liquidity situation of Zürcher Kantonalbank is reflected in the liquidity risk ratios. As a systemically important institution, higher liquidity coverage ratio (LCR) requirements have applied to Zürcher Kantonalbank since 2021, which were comfortably met at all times in 2023. The same applies to the net stable funding ratio (NSFR).

The bank's risk profile for operational risks (OpRisk) has not changed fundamentally. This means that the internal capital allocation for OpRisk remains at a constant level (capital-at-risk, see section 1.3). Process and cyber risks continue to be the two OpRisk areas with the most significant residual risks, which means that managing those risks continues to be a high priority. Internal planning and budgeting ensure that the necessary resources are allocated accordingly.

Compliance risks remained stable overall. The implementation of the evolving regulatory framework, particularly regarding investor protection, data protection and the fight against money laundering, continues to require the deployment of substantial resources. At the same time, the legal requirements relating to sustainability are increasing. In the year under review, for example, special efforts were necessary to update anti-money laundering systems and manage legal and compliance risks connected to sanctions imposed in response to geopolitical conflicts.

Zürcher Kantonalbank discloses its climate-related financial risks. This is done in accordance with the requirements for systemically important banks set out in the FINMA circular on disclosure. Climate protection has long been a central issue for Zürcher Kantonalbank. The bank has underscored this commitment by joining the Net-Zero Banking Alliance. Climate-related financial risks do not represent a top risk for the bank. This is due to the business activities and the strong focus on the Zurich economic area. A summary of the corresponding risk analysis can be found at the end of the risk report in section 1.10.

1.1.2 Risk management and internal control system (ICS)

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

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

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

1.1.3 Principles of risk management

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

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

1.1.4 Principles of compliance

The objective of compliance is to ensure that Zürcher Kantonalbank conducts its business operations in accordance with legal and ethical norms. The principles of the compliance policy are as follows: relevant legal and ethical norms; ethical and performance-related basic values in a code of conduct; duty of all employees and members of governing bodies to comply with laws, regulations, internal rules, industry standards; special reporting procedure available for identified violations of the rules (whistleblowing). Primary responsibility for compliance lies with the Executive Board. The specialist Legal & Compliance group function prepares an annual assessment of compliance risk and a corresponding action plan based on a risk inventory. The Compliance function is organisationally independent of the income-driven business units. The most important principle of all is that Zürcher Kantonalbank conducts its banking operations in accordance with the statutory and regulatory provisions as well as recognised professional and ethical principles within the banking industry.

1.1.5 Risk and compliance organisation

The risk management organisation is based on the Three Lines model. The profit-driven business units form the first line. They actively manage risks and are responsible for constant compliance with internal and external risk tolerance and compliance requirements. The independent risk management and control units represent the second line. Under the stewardship of the Chief Risk Officer (CRO) or the General Counsel, they identify, evaluate and monitor risks and submit regular reports to the Executive Board and the

Board of Directors. The third line is the Audit unit, which is responsible for the internal auditing of Zürcher Kantonalbank under the applicable laws and regulations. Each line is supported by the appropriate committees (see Figure 1).

Board of Directors and Chairperson's Committee. The Board of Directors approves the principles for risk management and compliance, the Code of Conduct and Ethics, the framework for group-wide risk management and the risk tolerance regulations at group level. It is responsible for the regulation, organisation and monitoring of an effective risk management system as well as the management of overall risks. The Board of Directors is responsible for ensuring that there is a suitable risk and control environment within the group and arranges for an effective internal control system (ICS). It also approves transactions involving major financial exposure. The Risk Committee and Audit Committee of the Board of Directors support the Board in its tasks and duties in the areas of risk management and the internal control system.

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

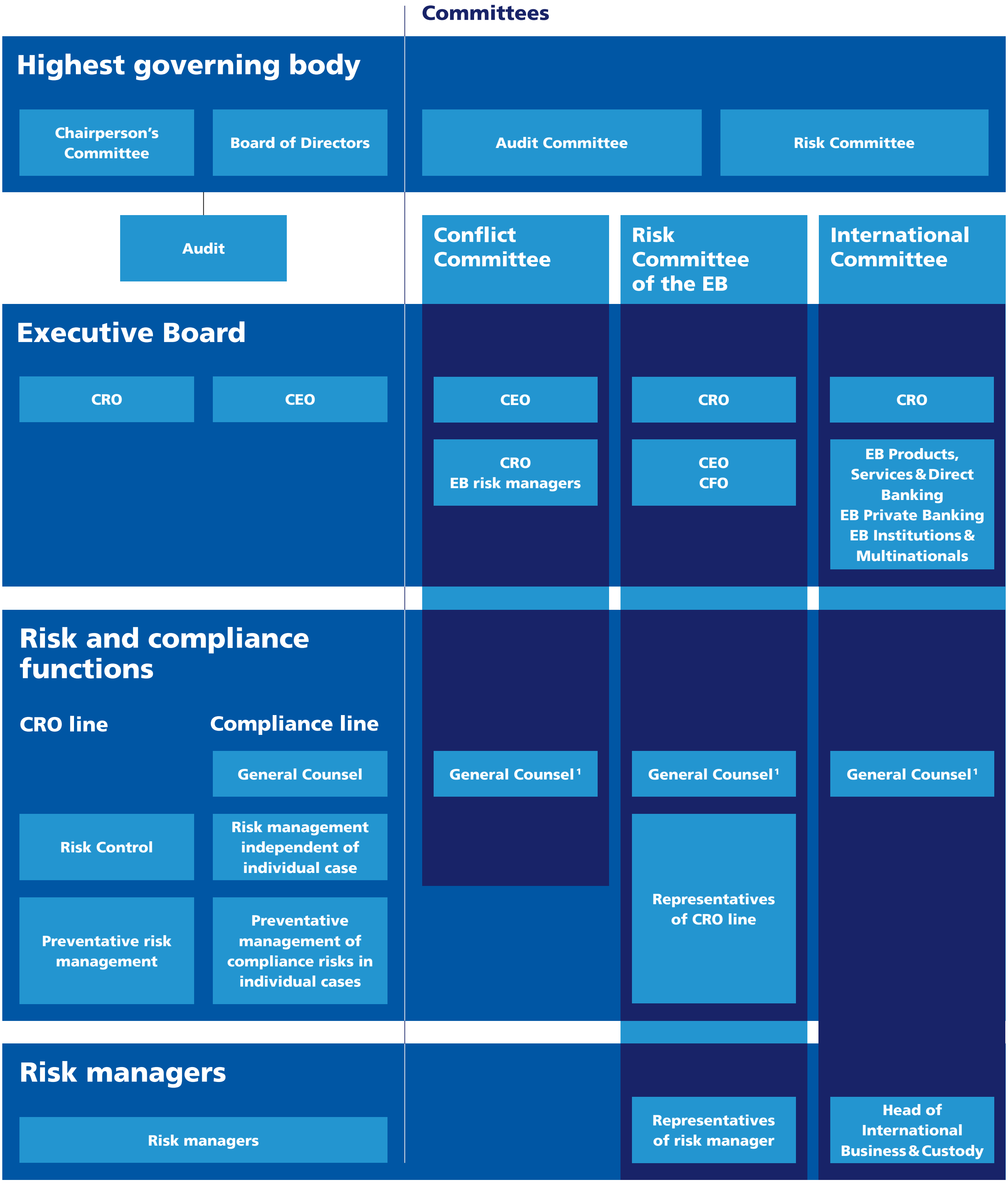
Audit. Audit supports the Board of Directors in fulfilling its statutory supervisory and control tasks and discharges the monitoring tasks assigned to it by the Board of Directors. In particular, Audit independently and objectively evaluates the appropriateness and effectiveness of the internal control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

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

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

Risk Committee of the Executive Board. The Risk Committee assists the Executive Board in defining risk management processes. The Committee is chaired by the Chief Risk Officer (CRO) and approves the methods of risk measurement on the basis of the responsibilities

Fig. 1: Risk and compliance organisation



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

delegated to it. The risk managers on the four separate subcommittees (credit, trading, treasury and operational risk) and members of the risk and compliance organisation discuss the Risk Committee's business and formulate proposals for its attention. In a crisis situation, individual crisis management teams reporting to the Risk Committee ensure that necessary and appropriate measures are defined and implemented.

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

Risk unit. The CRO is a member of the Executive Board and heads the Risk unit and also has a right of intervention that permits measures to be assigned to the risk managers if required by the risk situation or to protect the bank. The CRO also enjoys direct access to the Chairperson's Committee at all times.

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

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

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

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

The specialist Legal & Compliance group function has the following duties, among others: examining the compliance risk inventory on an annual basis and preparing the action plan with focal points relating to the management of compliance risks, formulating proposals and carrying out defined monitoring and control duties (e.g. as pre-deal or post-deal control), as well as defining risk management tools. The Compliance function also defines risk management measures for compliance risk independently of the individual case, such as the editing of directives when implementing new ordinances as well as conducting training courses. The Compliance function is further responsible for providing forward-looking legal advice with the objective of avoiding or minimising individual identified risks and threats arising from legal requirements. Legal advice is provided in the context of existing mandatory consultations, as a pre-deal consultation or on request.

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

Risk reporting. The Risk Control and Compliance functions report on a quarterly basis as part of integrated risk reporting to the Executive Board and Board of Directors on the development of the risk profile, on material internal and external events, and on findings from monitoring activities. Quarterly reports are supplemented by special analyses on relevant topics. Besides quarterly reporting, various reports are produced for the individual types of risk. In terms of the frequency with which they are published and the group of recipients, they are tailored to individual risks, and they provide comprehensive, objective and transparent information for decision-makers and supervisory bodies.

1.2 Regulatory capital adequacy and liquidity requirements

This section includes the regulatory key figures (Table KM1) to be published in the Annual Report in accordance with FINMA Circular 2016/1. The other tables on qualitative and quantitative disclosure as at 31 December 2023 will be available online from the end of April 2024 at zkb.ch/disclosure.

Under Basel III, a selection of different approaches is available to banks for the calculation of capital adequacy requirements for credit, market and operational risks. The capital required for credit risks has been calculated using the IRB approach (F-IRB) since the end of 2017. For market risks, the model-based approach is used in combination with the international standard approach (SA-BIS) for specific interest rate risks. The capital base needed for operational risks is calculated using the basic indicator approach.

A FINMA directive from 2012 permits Zürcher Kantonalbank to solo-consolidate the subsidiary Zürcher Kantonalbank Finance (Guernsey) Ltd. in line with the individual institution provisions. Accordingly, the required capital is calculated on a solo-consolidated basis by the parent company.

As at 31 December 2023, the group had minimum required capital of CHF 6,316 million, compared with eligible capital of CHF 15,427 million. Both the total capital ratio of 19.5 percent of risk-weighted assets and the leverage ratio of 6.6 percent reflect Zürcher Kantonalbank's solid equity base.

The liquidity coverage ratio (LCR) of 147 percent and the net stable funding ratio (NSFR) of 117 percent point to a comfortable liquidity situation. The following two pages show the regulatory key figures for the group and the parent company, with essentially the same picture in the capital and liquidity situation.

Fig. 3: Breakdown of the regulatory risk-weighted minimum required capital as at 31.12.2023, by risk category

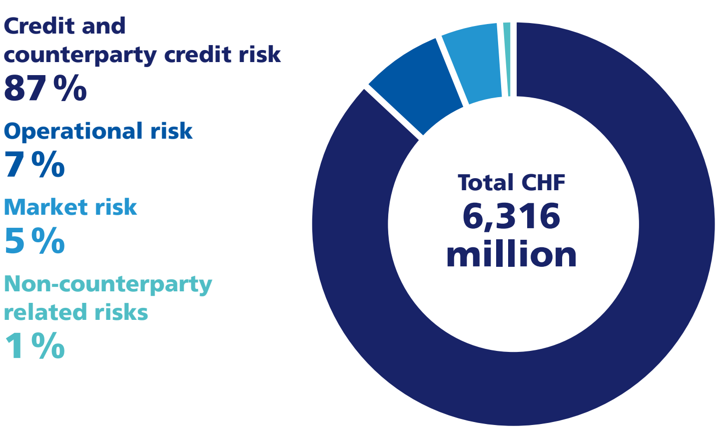


Fig. 2a: Table KM1: Key regulatory figures group

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

1 In accordance with the provisions of the CAO for non-systemically important banks.
2 The following three key figures as at 30 June 2023 include adjustments:
– Total capital: before adjustment CHF 15,494 million / change CHF –825 million / after adjustment CHF 14,669 million
– Total capital ratio: before adjustment 19.9 % / change –1.0 % / after adjustment 18.9 %
– Available CET1 after meeting the Basel minimum standards: before adjustment 11.9 % / change –1.0 % / after adjustment 10.9 %
In the disclosure as at 30 June 2023, the bail-in bonds placed in the second quarter of 2023 were recognised as Tier 2 capital in total capital. In accordance with the provisions of the CAO for non-systemically important banks, bail-in bonds are no longer counted as Tier 2 capital, as they do not fulfil all the requirements for eligibility set down in § 30 CAO.
3 In accordance with the provisions for systemically important banks. TLAC includes Tier 1 capital (going-concern) and eligible additional loss-absorbing capital (gone-concern). For details on the composition of the eligible additional loss-absorbing capital (gone-concern), please refer to the separate report "Disclosure for systemically important banks".
4 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 capital buffer in accordance with § 44 CAO.
5 Simple average of the closing values on the business days during the quarter under review.

Fig. 2b: Table KM1: Key regulatory figures parent company

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

1 In accordance with the provisions of the CAO for non-systemically important banks.

2 The following three key figures as at 30 June 2023 include adjustments:
– Total capital: before adjustment CHF 15,636 million / change CHF –824 million / after adjustment CHF 14,812 million
– Total capital ratio: before adjustment 20.0 % / change –1.1 % / after adjustment 18.9 %
– Available CET1 after meeting the Basel minimum standards: before adjustment 12.0 % / change –1.1 % / after adjustment 10.9 %
In the disclosure as at 30 June 2023, the bail-in bonds placed in the second quarter of 2023 were recognised as Tier 2 capital in total capital. In accordance with the provisions of the CAO for non-systemically important banks, bail-in bonds are no longer counted as Tier 2 capital, as they do not fulfil all the requirements for eligibility set down in § 30 CAO.

3 In accordance with the provisions for systemically important banks. TLAC includes Tier 1 capital (going-concern) and eligible additional loss-absorbing capital (gone-concern). For details on the composition of the eligible additional loss-absorbing capital (gone-concern), please refer to the separate report "Disclosure for systemically important banks".

4 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 capital buffer in accordance with § 44 CAO.

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

The breakdown of the regulatory minimum required capital within the group of CHF 6,316 million shows the importance of the lending business to Zürcher Kantonalbank (Figure 3).

1.3 Capital allocation within internal risk management

Zürcher Kantonalbank employs a capital at risk approach to internal risk management. The Board of Directors defines the risk tolerance with the maximum risk capital. The quantitative risk tolerance requirements are determined by the Board of Directors by allocating risk capital to the risk categories of credit, market and operational risks.[1] The models are based on an observation horizon of one year and a maximum probability of default of 0.1 percent per year.

The risk capital for market and credit risks is allocated to the individual organisational units, and the cost of capital is charged to the units. In the case of operational risks, there is no internal allocation of the cost of capital.

Of the CHF 14,624 million in eligible capital (total capital) at the end of 2022, a total of CHF 6,060 million was allocated to the risk business in 2023. The remaining CHF 8,564 million is not allocated to a specific risk category. The percentage breakdown by risk category of the allocated capital is shown in Figure 4.

1 The risk capital for operational risks also covers compliance risks.

Fig. 4: Risk capital assigned by the Board of Directors, by risk category

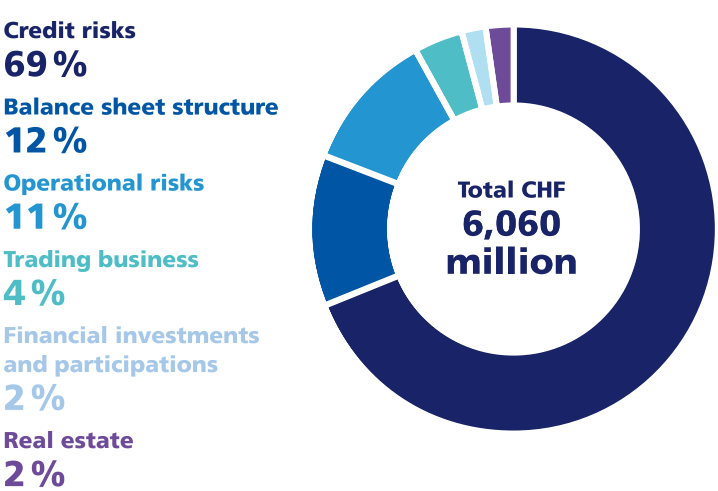


Fig. 1.4 Risk categories

Zürcher Kantonalbank divides risks into the following categories.

Fig. 5: Risk categories

Credit risk

Credit risk constitutes the risk of financial losses that can arise if clients or counterparties do not fulfil contractual obligations that are falling due or do not fulfil them on time. Loans, promises of payment and trading transactions all involve credit risks. Credit risks also include:

Counterparty risks refer to credit risks in trading transactions (e.g. OTC derivatives and SLB transactions). Trading transactions usually include mutual claims, which also depend on market parameters. Counterparty risks are also referred to as counterparty default risks.

Settlement risks are fulfilment risks. This is the risk of losses in connection with transactions involving mutual payment and delivery obligations, where the bank must meet its delivery obligation without first being able to ensure that counter-payment will be made.

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

Market risk

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

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

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

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

Liquidity risk

Liquidity refers to the bank's capacity to settle its liabilities promptly and without restrictions. Liquidity risk is the risk that this capacity to pay will be impaired under institution or market-related stress conditions. Liquidity risks also include (re)financing risk. Refinancing refers to the procurement of funds for the financing of assets. Refinancing risk is the risk that the bank is not in a position to procure sufficient funds at appropriate conditions for the ongoing financing of its lending business.

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

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

Operational risk

Operational risks are the risk of financial losses that occur as a result of the inadequacy or failure of internal processes or systems, inappropriate human behaviour, human error, or as a result of external events. Operational risks also include:

IT risks refer to the potential damage caused by the loss of confidentiality, integrity and availability of data and functions in IT systems.

Cyber risks comprise the risk of attacks from the Internet or similar networks (referred to as hacker attacks) on the confidentiality, integrity and availability of data and functions in IT systems.

Compliance risk

Compliance risks are behavioural risks. These are risks that are caused by breaches of the law, regulations or contracts and can result in legal and regulatory sanctions, financial losses and reputational damage.

Compliance is the observance of legal, regulatory and internal regulations as well as the adherence to industry standards and codes of conduct by the group, its employees and members of governing bodies. This also includes compliance with organisational measures and processes.

Strategic risk

Strategic risks are all possible factors of influence, events and decisions that have the potential to endanger the long-term success of the company.

Business risk

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

Reputation risk

Reputation risk involves the risk of damage to the good reputation of the company, the brand or a person, or, in extreme cases, losing it altogether. Conducting business activities in compliance with the law and in accordance with the company's core values is the best guarantee for maintaining its good reputation. At the same time, it is important to avoid negative reputational consequences for the bank.

Reputation denotes the image that a company enjoys among its stakeholders, i.e. the bank's standing in terms of its integrity, competency, performance and reliability from the perspective of stakeholders. Reputational damage occurs when the perception of a stakeholder group differs from its expectations. The trustworthiness and credibility of the bank as aspects of its reputation are negatively influenced by this difference. Reputation is determined by constantly comparing perceptions and expectations over a period of time and is reflected in the company's values and identity.

Reputation risks are treated as a separate category by Zürcher Kantonalbank. Nevertheless it also sees them as a derived risk: they are considered a reputation-affecting component of strategic risks, market and credit risks, liquidity risks, compliance risks, operational risks and business risks. Strategic risks and business risks are managed as part of the bank's strategy and controlling process. Risk management and the risk profile in the other risk categories are described in the following sections.

Sustainability risks are events or conditions related to the environment, society or governance (ESG), the occurrence of which may have actual or potential negative effects on the bank's assets, finances and earnings, as well as on its reputation. Sustainability risks are a component of the risk categories listed above. The management of sustainability risks is an integral part of the bank's risk management processes. For example, aspects of sustainability, such as environmental or social risks, are an important part of risk assessment when reviewing financing for companies that operate globally. Zürcher Kantonalbank's lending rules also explicitly exclude the direct financing of certain commodities, such as crude and heavy oil, coal for electricity production (thermal coal), precious woods, live goods, etc., as well as coal mining, oil and gas extraction, and fossil-fuel power plants. The sustainability mandate, support mandate and service obligation together form Zürcher Kantonalbank's public service mandate, which is anchored in the Cantonal Banking Act on Zürcher Kantonalbank and implemented in the "Guidelines for the Fulfilment of the Public Service Mandate" adopted by the Cantonal Parliament. Internal guidelines for implementation in the business areas are formulated in the sustainability policy. Zürcher Kantonalbank publishes an annual sustainability report, which contains detailed information on the fulfilment of its public service mandate. Climate-related financial risks, which must be disclosed in accordance with FINMA regulatory requirements, are part of sustainability risks. The disclosure report will be published by the end of April 2024 at zkb.ch/disclosure. Section 1.10 of this report provides a summary of climate-related financial risks.

1.5 Credit risks

1.5.1. Strategy, organisation and processes

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

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

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

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

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

A credit portfolio model is used as the basis for the modelling of unexpected losses. Besides default probabilities, exposures in the event of default and loss rates, correlations between debtors are particularly significant for the modelling of unexpected losses. The model covers balance-sheet and off-balance-sheet items. The valuation of collateral for loans, and in particular the calculation of market and collateral values, is governed by an extensive set of internal rules setting out the relevant methods, procedures and responsibilities. These rules are continually reviewed and aligned with regulatory requirements and market changes. For the valuation of mortgage collateral, the bank uses recognised estimation methods that are tailored to the type of property. These include hedonic models, income capitalisation approaches and expert appraisals, among others.

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

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

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

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

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

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

The calculation of value adjustments and provisions for expected losses on exposures not at risk of default is explained in the section "Accounting and valuation principles" on page 146 .

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

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

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

1.5.2 Risk profile

At the end of the year, the loan portfolio was robust in the face of the ongoing consequences of geopolitical conflicts and the economic and interest rate trends described at the beginning of the risk report (section 1.1.1).

Credit exposure in the main sub-portfolios

The following sections provide information about the most important sub-portfolios of the credit exposures in Zürcher Kantonalbank's balance sheet.

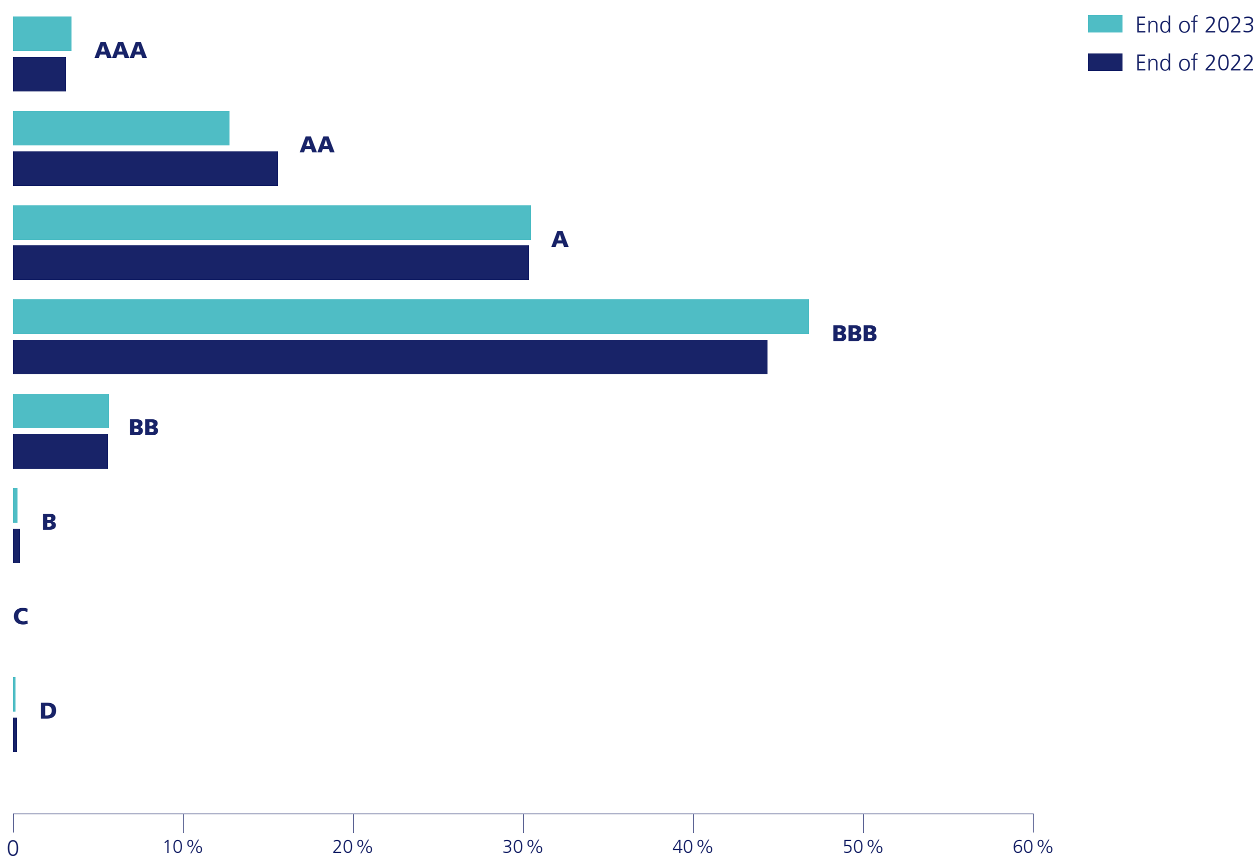
Credit exposures by rating category. Default probability ratings are assigned internally on the basis of a scale from 1 to 19. Figure 6 shows the credit exposures broken down by counterparty credit rating, mapped to Standard & Poor's rating scale. At the overall portfolio level, only marginal changes occurred compared with the previous year. Credit exposures in the non-investment categories (BB and below) account for 6.3 percent of the volume (2022: 6.3 percent).

Credit exposures by client portfolio. Figure 7 shows credit exposures classified in accordance with the bank's internally defined client portfolios. The volume of credit exposures increased by around CHF 3 billion (2.2 percent) compared with the previous year. Credit exposures in relation to "private individuals" consisted almost entirely of receivables secured by mortgages and represented 50 percent (2022: 50 percent) of total credit exposures. The Corporates portfolio consists of credit exposures in relation to clients of a commercial nature (incl. real estate companies and cooperative building associations). The share of this client group in total credit exposures was 25 percent (2022: 24 percent), 82 percent (2022: 83 percent) of which was secured by mortgages or cash. In the "Banks and securities dealers" portfolio, the largest share of credit exposures in volume terms, at 13 percent (2022: 15 percent), was in the form of collateralised transactions such as reverse repo transactions. Other credit exposures in relation to banks arise as a result of trading operations and from the international trade financing business. Insurance companies, pension funds, financial holding companies, investment fund companies and similar companies together constitute the "Financial sector excluding banks" portfolio, which accounted for a 6 percent share (2022: 6 percent). "Governments and public entities" – the smallest portfolio, with a share of 6 percent of the volume of credit exposures – consists of positions with central banks, central governments and public authorities and institutions.

Mortgage loans to private individuals. Real estate financing for private individuals is part of Zürcher Kantonalbank's core business. Almost two-thirds of these mortgage loans relate to owner-occupied residential property. The remaining loans are secured with rented residential properties or properties that are used for commercial purposes. Mortgage loans to private individuals increased by 2.5 percent in 2023. The median gross loan-to-value ratio for all properties in the private client portfolio was 44.1 percent (2022: 46.8 percent).

Unsecured loans. Of the unsecured loans in the "Corporates" portfolio (Figure 8), 81 percent (2022: 79 percent) are attributable to clients in the AAA to BBB (investment grade) rating categories, with a higher year-on-year overall volume at CHF 6.4 billion (+10.6 percent). Figure 9 shows the unsecured loans in the Corporates portfolio broken down

Fig. 6: Credit exposures by rating category
Share as %



by industry. The largest increase in volume compared to the previous year was in manufacturing, while the largest decrease was in energy and water supply.

In the "Banks and securities traders" portfolio (Figure 10), the volume of unsecured loans at about CHF 3.05 billion was higher (10.9 percent) than at the end of 2022. The level of this exposure can change significantly every day, unlike other forms of lending, due to the influence of the bank's trading transactions. The AAA to BBB (investment grade) rating categories accounted for 69 percent (2022: 67 percent) of the unsecured exposures.

Impaired loans/receivables. Impaired loans amounted to CHF 487 million (2022: CHF 425 million). After deducting the estimated liquidation value of collateral, this equals net debt of CHF 286 million (2022: CHF 224 million, see also Note 2 to the balance sheet).

Non-performing loans/receivables. The nominal value of non-performing loans amounted to CHF 125 million at the end of the reporting period (2022: CHF 89 million). 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.

Fig. 7: Credit exposures by client portfolio in CHF million

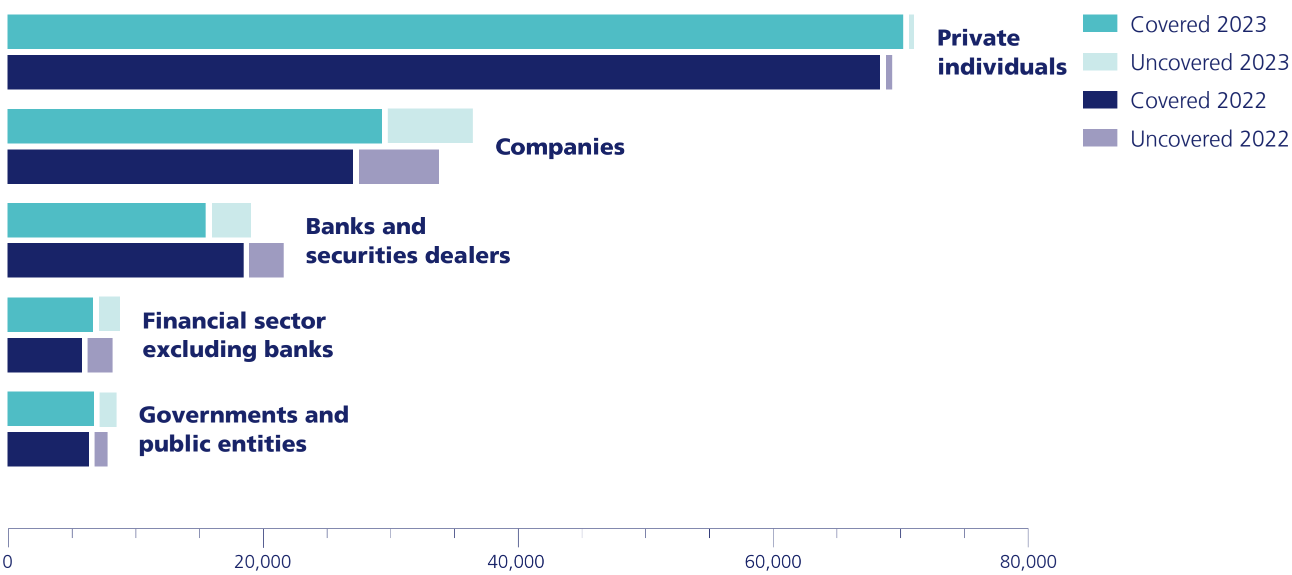


Fig. 8: Unsecured credit exposures to corporate clients by rating category in CHF million

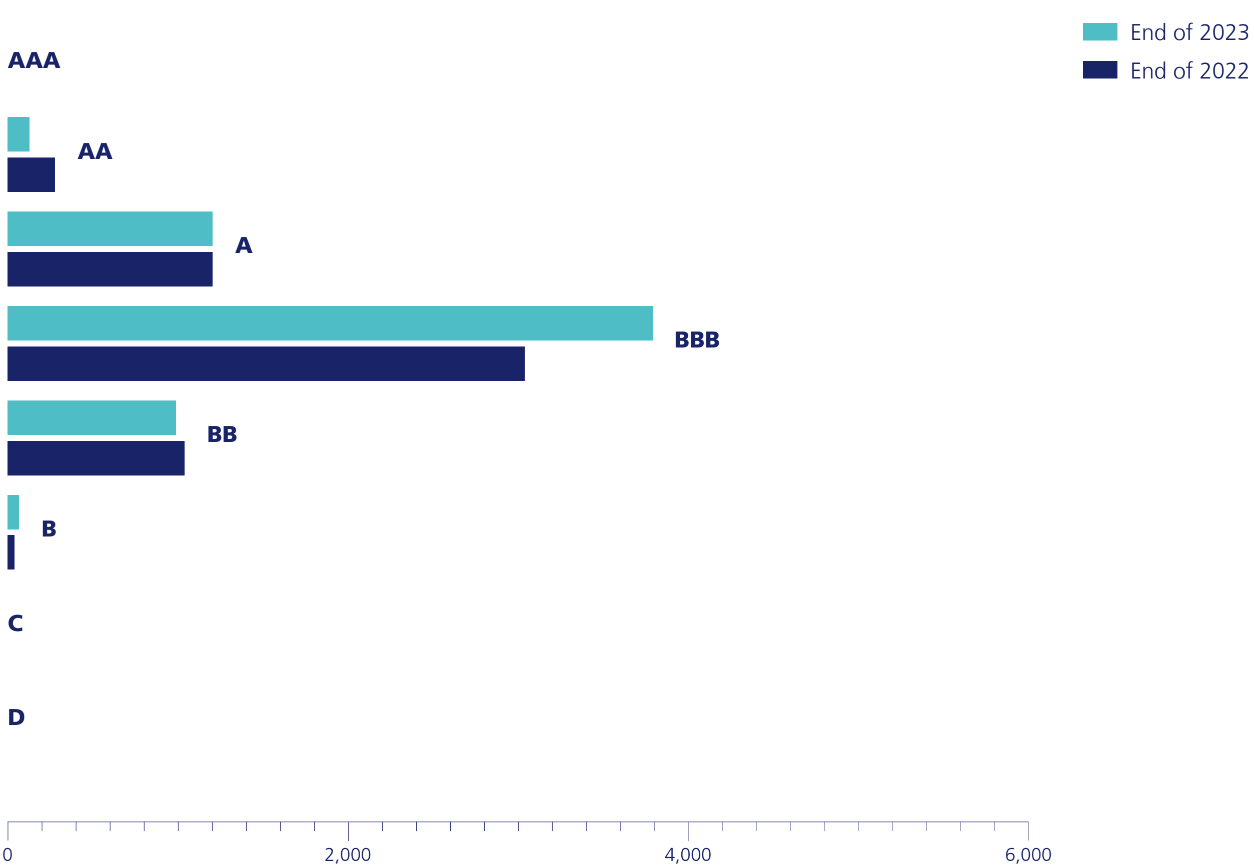


Fig. 9: Unsecured credit exposures to corporate clients by industry in CHF million

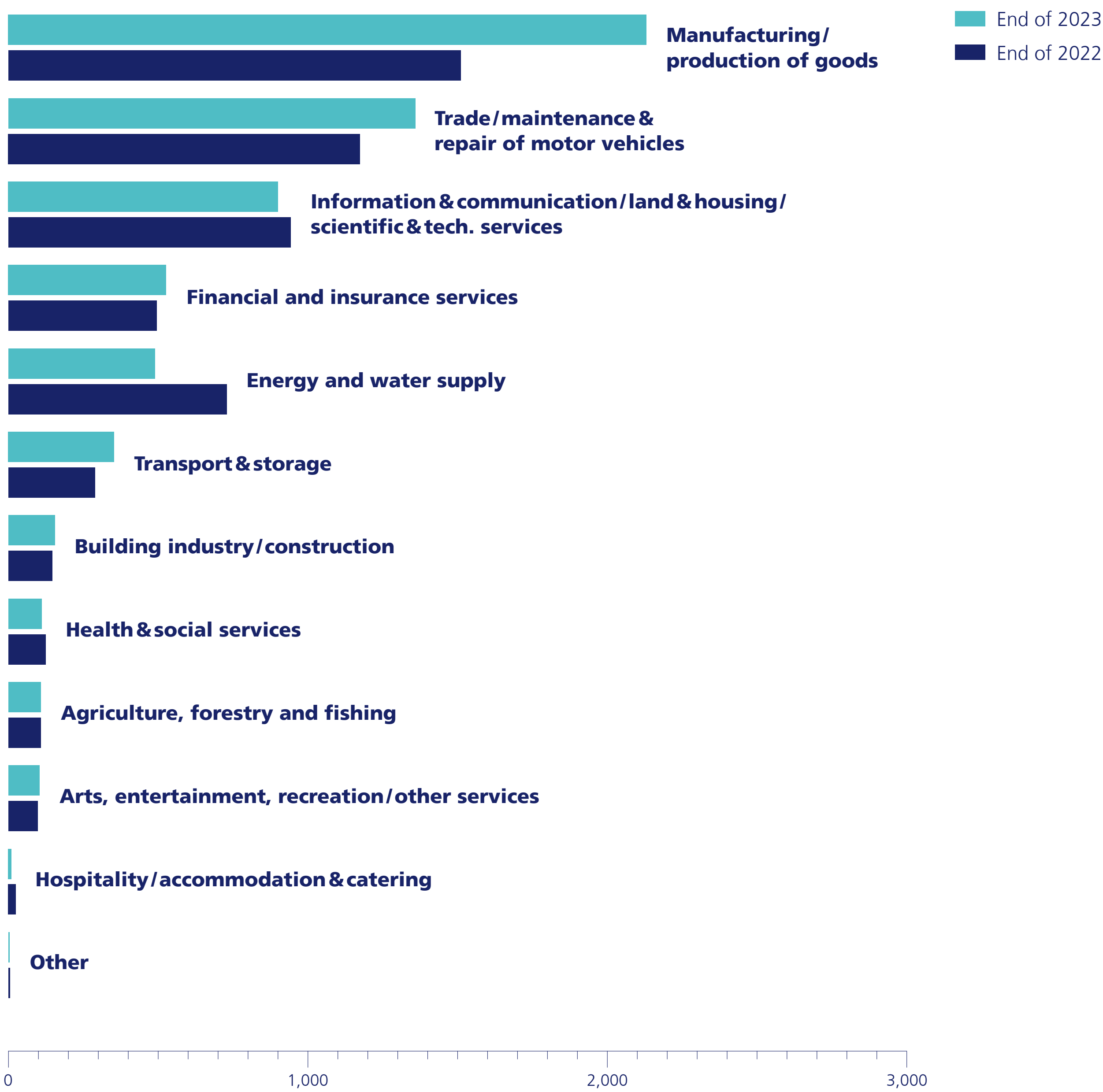
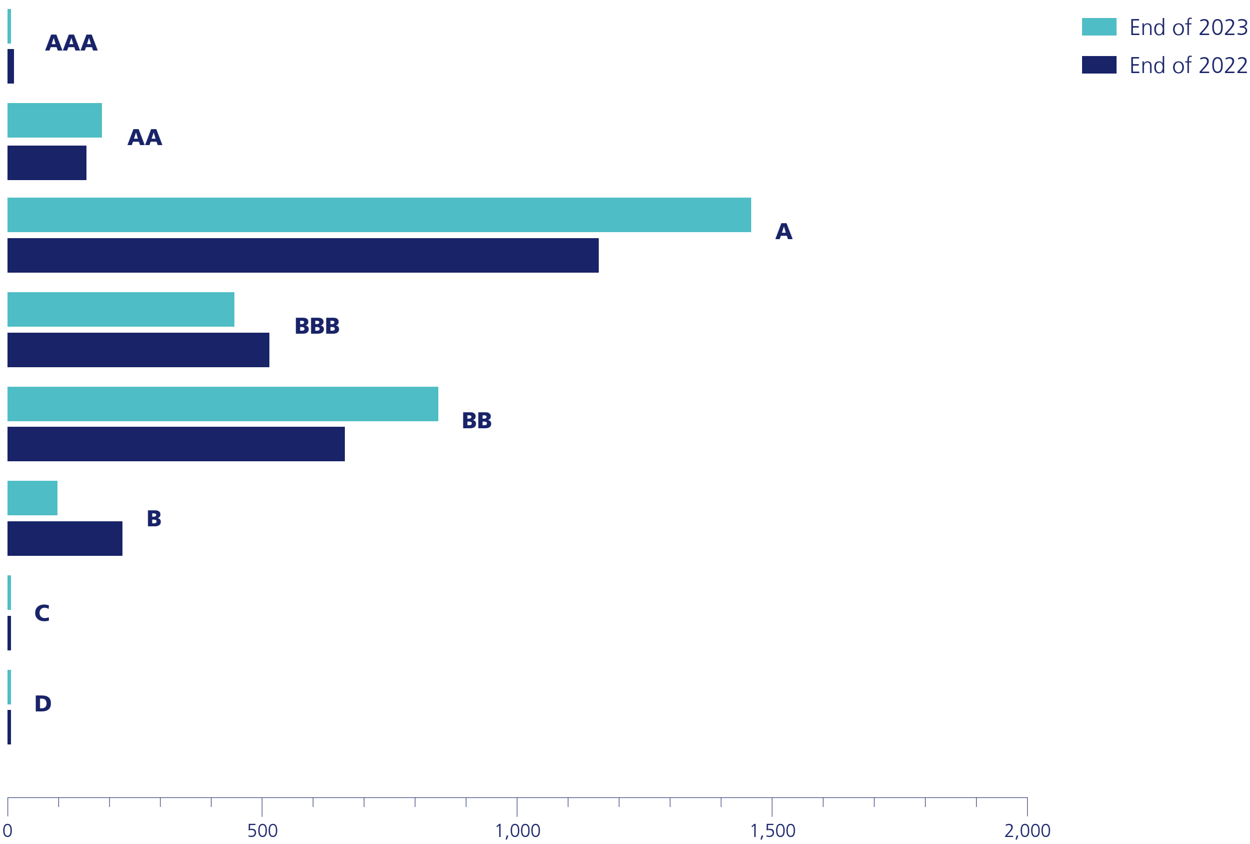


Fig. 10: Unsecured credit exposures to banks and securities traders by rating category in CHF million



This also includes claims against borrowers in liquidation, and loans with special conditions arising from a borrower's financial standing. Non-performing loans are also often a component of impaired loans.

Value adjustments and provisions. The volume of individual value adjustments and provisions for default risks from impaired loans and receivables increased by CHF 16 million to CHF 341 million in 2023 (see also Note 16 to the balance sheet). Forecast uncertainty in the medium and longer term remains elevated, partly due to the continuing tense geopolitical situation.

Accounting regulations require Zürcher Kantonalbank to set up allowances and reserves for expected losses on non-impaired positions. Due to the favourable trend in various risk parameters, the position fell by CHF 7 million year on year to CHF 481 million at the end of 2023.

1.6 Market risk

1.6.1. Strategy, organisation and processes for the management of market risks in the trading book

In the trading business, Zürcher Kantonalbank pursues a strategy focused on client transactions. The individual desks hold trading mandates approved by the Risk Committee of the Executive Board, which set out the basic conditions in terms of the objectives pursued, instruments used for underlying and hedging transactions, the form of risk management, and the holding period. The preventative risk management and risk control functions are separated from risk management at Executive Board level. The responsibilities of the preventative risk management function, which is independent of Trading, and the risk control function downstream of it, include the monitoring of compliance with risk limits and trading mandates, the calculation and analysis of the result from trading activities (P&L) and risk figures, as well as the preventative analysis of potentially high-risk transactions. The risk organisation is also responsible for defining and implementing methods of risk measurement, their independent validation, and internal and external risk reporting.

Market risks are measured, managed and controlled on the one hand by assigning risk capital in accordance with the capital at risk approach and on the other by using value at risk limits. This is supplemented by the periodic performance of stress tests and by the monitoring of market liquidity risks. The value of trading positions is determined using the fair value method, whereby marking to market or marking to model, which is subject to stricter rules, is applied on a daily basis. The “trading market risks” capital at risk corresponds to the assigned risk capital for the market risks of trading transactions on a one-year horizon and at a confidence level of 99.9 percent.

The modelling is based on a stressed value at risk (stressed VaR). Besides general market risks, the model also takes into account issuer default risks. Zürcher Kantonalbank calculates value at risk for a 10-day period and at a confidence level of 99 percent using a Monte Carlo simulation. The loss distribution is arrived at from the valuation of the portfolio using a large number of scenarios (full valuation). The necessary parameters for determining the scenarios are estimated on the basis of historical market data, with more recent observations being accorded a higher weighting for the forecasting of volatility than less recent ones. As a result, value at risk responds rapidly to any changes in volatility on the markets. Value at risk is calculated on a daily basis for the entire trading book. The four groups of risk factors – commodities, currencies, interest rates and equities – are calculated and shown both separately and on a combined basis (Figure 11).

The bank uses different types of scenarios for stress-testing. A distinction is made between scenarios relevant to benchmarks and pure analysis scenarios. Scenarios relevant to benchmarks are historical and hypothetical scenarios that are used to estimate the loss that could result from extreme but plausible macroeconomic stress events. Each one is based on the expected development of market indicators for the corresponding scenario. In this way the bank can identify potential vulnerabilities and risk concentrations, analyse them better and then take action.

The additional analysis scenarios used in market risk monitoring do not have a limiting function, in contrast to the scenarios relevant for benchmarks. These scenarios are used

Fig. 11: Market risks in the group trading book

Risks including volatility risks in CHF million	Commodities[1]	Currencies	Interest rates	Equities	Diversification	Modelled total risk	Total risk[2]
Risks based on the model approach (value at risk with 10-day holding period)							
As at 31.12.2023	**0**	**0**	**11**	**2**	**–4**	**10**	**14**
Average in year 2023	0	1	11	3	–5	10	12
Maximum	1	6	21	12	–20	22	24
Minimum	0	0	7	1	–3	6	8
As at 31.12.2022	0	2	13	2	–4	13	14

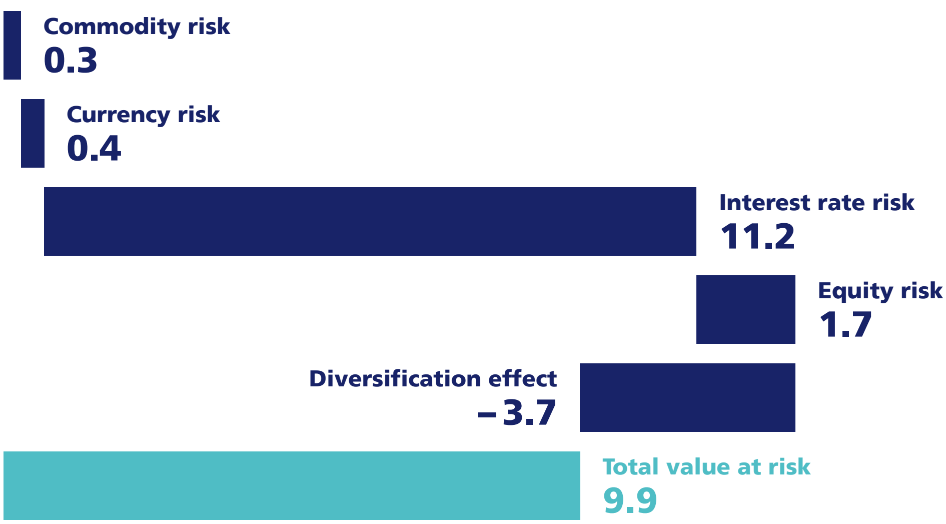
1 Incl. precious metals.
2 Sum of modelled total risk and risk premium for trading products not fully modelled.

solely for risk analysis in that their focus is on individual risk factors (e.g. interest rates), which helps to illuminate the risk profile from different perspectives.

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

The bank performs daily back-testing for the purpose of examining the forecast accuracy of the value at risk. Regulatory back-testing is based on a comparison of the value at risk for a holding period of one day with the back-testing result. Breaches of limits are notified immediately to the competent authorities if the number of breaches exceeds expectations. The market risk model is validated annually on the basis of a defined process. Validation comprises both standardised quantitative analyses, such as back-testing, and in-depth investigations in selected focus areas. In addition to the annual review of the model, risks not modelled in the value at risk are periodically analysed in a separate process and monitored with regard to materiality.

Fig. 12: Components of value at risk as at 31.12.2023
in CHF million



Risk profile. At CHF 12 million, the annual average value at risk (VaR) was in line with the prior year (Figure 11). Distortions on the financial markets and fears of a banking crisis led to higher interest rate volatility in March 2023, resulting in temporarily higher VaR values. Interest rate risks continue to dominate in the composition of value at risk (Figure 12).

Back-testing results. The quality of the value at risk approach used is assessed by comparing the value at risk for a holding period of one day with the daily back-testing result (Figure 13). 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. This occurs when a daily loss in trading is higher than the model predicts. The number of negative back-testing exceptions over roughly 250 business days rose to a maximum of four in September against the backdrop of increased interest rate volatility in the financial markets; it was still three at the end of the year. The total number of exceptions is therefore higher than the previous year's figure of one, but still within statistical expectations.

1.6.2 Strategy, organisation and processes for the management of market risks in the banking book

1.6.2.1 Interest rate risks in the balance sheet

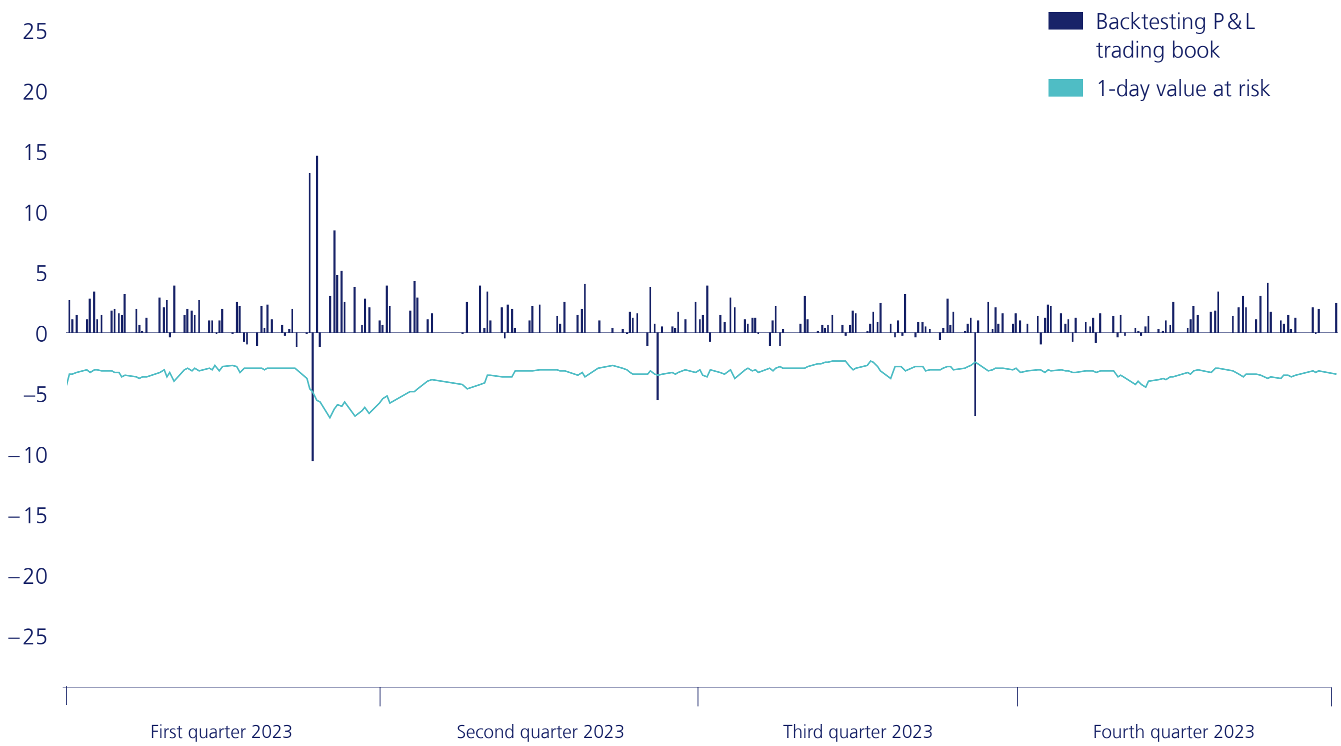
Strategy, organisation and processes. In managing the banking book, Zürcher Kantonalbank pursues a strategy focused on medium-term optimisation of net interest income. The interest rate risk is managed based on the market interest method. For client deposits and loans with a variable interest rate, the interest rate risk is determined by taking into account the bank's anticipated future rate-setting behaviour and client behaviour, and is reviewed at least once a year.

The interest rate risk in the banking book is managed in strategic terms by the Board of Directors and in tactical terms by the CFO and Treasury. The strategic interest rate risk position is set by the Board of Directors on a periodic basis in the form of an investment strategy for equity (equity benchmark). The CFO and Treasury manage the deviation of the interest rate risk position in the banking book from the equity benchmark within the risk limits set by the Board of Directors. The Risk unit is responsible for the measurement and monitoring of risk as well as independent reporting on interest rate risk. Variable products play a central role in the management of interest rate risks. Banking book products without defined interest rates and capital commitment are variable products. These include primarily savings and transaction accounts. These products are modelled by replicating these variable products through synthetic products with defined fixed interest rates on the basis of econometric analyses and expert-based estimates. A key component of this modelling approach is the definition of a "floor", which can be considered a non-interest-rate-sensitive partial volume in terms of capital commitment. The duration of the replication of the floor is determined by the assumed setting of conditions in the event of interest rate changes. The model is updated and validated every year and is approved by the Risk Committee of the Executive Board on an annual basis. Interest rate risk management takes account of the present value as well as earnings prospects. From the present value perspective, interest rate risks are managed by allocating risk capital in accordance with the capital at risk approach (risk horizon of one year, confidence level of 99.9 percent) and by applying value at risk limits (holding period of 20 trading days, confidence level of 99 percent). In addition, stress scenarios are simulated in the present value perspective in order to analyse and limit the impact of extraordinary changes in the interest rate environment.

From the prospective earnings perspective, stress tests provide an indication of the structural contribution in the event of extraordinary changes in market interest rates with unchanged positioning over a one-year period. Besides the structural contribution, margin effects are particularly significant for client deposits with variable interest rates. Additional monitoring tools allow such margin effects to be analysed for different interest rate scenarios over a period of several years.

Risk profile. The maturity-dependent sensitivity data shown in Figure 14 indicate the change in value in Swiss francs when interest rates for each maturity band fall by one basis point (0.01 percentage points). The client deposits contained in the hedged item are represented via replicating portfolios with an average maturity of 22 months. The interest rate exposure of the underlying transaction increased only slightly year on year

Fig. 13: Comparison of back-testing results[1] and value at risk in CHF million



1 The back-testing result corresponds to the trading income used and adjusted for the purpose of methodological reviewing of the quality of the risk model.

Fig. 14: Interest rate sensitivity of the banking book CHF

Basis point sensitivity[1] in CHF 1,000	up to 12 months	1 to 5 years	over 5 years	Total
Hedged item	–853	2,362	8,076	9,585
Hedge	519	–508	–861	–850
Total as at 31.12.2023	**–334**	**1,854**	**7,215**	**8,735**
Total as at 31.12.2022	**–434**	**1,901**	**5,768**	**7,235**

1 Basis point sensitivity is measured as a cash value gain/loss when the interest rate in the maturity band concerned falls by one basis point (bp). One basis point equals 0.01 percentage points.

and newly executed hedging transactions had a positive impact on the interest rate exposure of the banking book. The interest rate sensitivity of the banking book stood at CHF 8.7 million per basis point as at 31 December 2023, 21 percent up on the previous year.

The interest rate exposure serves as a strategic hedge against Swiss franc interest rates falling in future as well as to stabilise interest income. In the event of falling interest rates, a higher structural contribution partially compensates for the gradual decline in liability margins. The euro and US dollar interest rate exposures were almost fully hedged as at the end of 2023.

The present value losses in the regulatory interest rate shock scenarios, as shown in Figure 15, illustrate the development of interest rate risk. In the worst-case scenario in Swiss francs, a parallel interest rate shock of 150 basis points upwards results in a present value loss of CHF 1,239 million, which is CHF 193 million higher than last year.

1.6.2.2 Risks in the investment portfolio

The risks in the investment portfolio comprise issuer risks on debt and equity securities in financial investments, participations and real estate price risks. Interest rate risks are managed and limited as part of asset and liability management.

Strategy, organisation and processes. The investment portfolio mainly has an operational background: the debt securities in the financial assets are part of the bank's liquidity buffer. The investments relate in particular to companies in the financial market infrastructure.

In addition, Zürcher Kantonalbank provides start-up financing to promote young companies. The real estate position consists almost entirely of property in use by the bank. The purchase of financial investments and real estate as well as the acquisition of participations are subject to detailed regulations and responsibilities. The investment strategy for the financial investments managed by Treasury is laid down in the risk tolerance requirements approved by the Risk Committee of the Executive Board. Only debt securities with a first-class credit rating that are considered high-quality liquid assets (HQLA) may be purchased. There are investment guidelines with rules on climate-related financial risks in Zürcher Kantonalbank's sustainability policy. Financial investments by Treasury must now meet not only exclusion criteria for issuers from critical industries, but also requirements regarding their carbon footprint (CO_2emissions relative to revenue). The Risk unit is responsible for the measurement and monitoring of risk as well as independent reporting on investment portfolio risks.

Risks relating to the investment portfolio are managed internally by assigning risk capital. For the determination of this risk capital for financial investments and participations, Zürcher Kantonalbank uses an internal default model that takes diversification effects into account.

For real estate owned by the bank, risk capital is allocated based on regulatory minimum capital adequacy requirements.

Fig. 15: Present value stress results of the standardised interest rate shock scenarios

in CHF million		31.12.2023	31.12.2022	Change
(i) Upward parallel shift		–1,239	–1,046	–193
(ii) Downward parallel shift		1,399	1,175	224
(iii) Steepener shock		–504	–424	–79
(iv) Flattener shock		266	220	46
(v) Shock of short-term interest rates upward		–219	–182	–37
(vi) Shock of short-term interest rates downward		224	183	41
Tier 1 capital (T1)		**14,942**	**14,005**	**938**
Ratio of largest present value loss to Tier 1 capital (T1)	**in %**	**8.3%**	**7.5%**	**0.8%**

Risk profile. The carrying amount of financial investments was CHF 5.6 billion as at 31 December 2023 (2022: CHF 7.5 billion). Of this, CHF 5.3 billion (2022: CHF 7.2 billion) related to debt securities. The portfolio consists mainly of mortgage bonds and first-class bonds, which are diversified in terms of counterparty groups and countries. At CHF 0.3 billion in total, equity instruments, precious metals and real estate are insignificant in the overall context. The presentation of Financial investments and Participations can be found in Notes 5 and 6 to the balance sheet.

1.7 Operational risks

1.7.1. Strategy, organisation and processes

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

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

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

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

1.7.2 Risk profile

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

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

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

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

1.8 Liquidity and refinancing risks

1.8.1. Strategy, organisation and processes

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

The measurement, management and control of short-term liquidity risks are based on both an internal model and on the liquidity coverage ratio (LCR), a regulatory liquidity indicator. The special provisions for systemically important banks set out in the Liquidity Ordinance (TBTF requirements) will come into force from 2024. Over a 90-day stress or restructuring horizon, the TBTF requirements set both basic requirements and additional institution-specific requirements so a minimum level of liquidity is still available on day 90. In addition to the regulatory stress scenario, Zürcher Kantonalbank uses internal stress scenarios based on the liquidity risk measurement system (LRS). The result of the liquidity risk measurement under the internal bank-specific stress scenario is calculated daily. This result is presented in a fully automated report. It contains information on the availability of liquid assets and unencumbered high-quality liquid assets (HQLA) in financial investments and trading positions, liquidity inflows and outflows under the stress scenario, and the liquidity position left after the stress scenario. The emergency plan also constitutes a significant element of liquidity risk management. This supports the situationally appropriate conduct of the relevant functions in a crisis. When calculating the regulatory LCR, the bank uses an internal model to divide wholesale deposits into operational and non-operational categories. Net outflows of funds from the collateralisation of derivatives due to changes in market values are calculated using the look-back method. Besides Swiss francs, which make up by far the largest part of the balance sheet of Zürcher Kantonalbank, the LCR is also monitored and periodically reported in other major currencies. Zürcher Kantonalbank pursues a long-term refinancing policy that includes both cost and risk aspects. Refinancing risks are managed via diversification in terms of maturities, refinancing instruments used and related markets. This diversification limits dependence on funding sources. For this purpose, Treasury uses both short- and long-term instruments, which are placed on the domestic and international markets. The diversified refinancing base is reflected in a broad product portfolio, comprising client deposits, bank deposits and money and capital market refinancing. In addition, the regulatory net stable funding ratio (NSFR) is used to measure, manage and control structural liquidity.

1.8.2 Risk profile

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

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

Figure 16 shows a year-on-year comparison of the coverage ratio for asset-side client transactions. Loans to clients amounted to CHF 112.1 billion and client assets to CHF 101.7 billion as at 31 December 2023. This results in a coverage ratio of 90.7 percent.

1.9 Compliance and legal risks

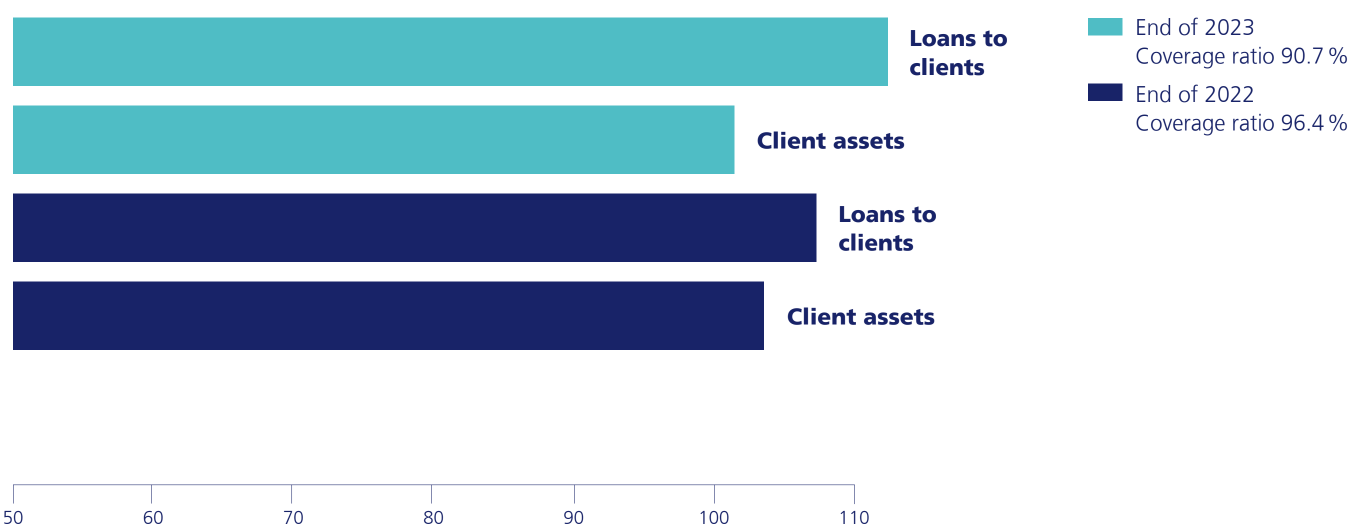
1.9.1 Processes and methods

The risk management instruments used to manage compliance and legal risks include information on the relevant legal frameworks, internal legal advice, training and education of employees, the implementation of ordinances through internal bank directives, and the embedding of compliance and legal requirements into the bank's internal processes. They also include monitoring and controlling, investigations and clarifications in the event of violation of the rules, as well as the conducting and overseeing of civil, criminal and administrative proceedings. The Compliance function maintains a bank-wide compliance risk inventory, which is reviewed annually to ensure it is up to date. It defines the risk management tools for compliance risks and supports the preventative management of compliance risks on a case-by-case basis. To fulfil its role, the Compliance function has unlimited rights of information, access and inspection.

1.9.2 Risk profile

The regulatory framework for Zürcher Kantonalbank remained demanding in the reporting period and has evolved in several respects. Among other things, the new rules of the revised Data Protection Act and comprehensive economic sanctions related to the situation in Ukraine had to be implemented in 2023. At the same time, regulation is increasingly also addressing the issue of sustainability. Corresponding investigation and implementation work was likewise a priority of the bank's work to manage compliance and legal risks. The tightening of the Anti-Money Laundering Act in force with effect from the beginning of 2023 also required ongoing efforts. In addition, the modernisation of various technical risk management tools in this area was driven forward. Finally, the Covid-19 pandemic continued to have an impact on the compliance function and led to significant addition-

Fig. 16: Coverage ratio of client business in CHF billion



al work in the fight against abuse and money laundering. When performing the aforementioned compliance risk inventory, Zürcher Kantonalbank still continuously assesses not only the issues mentioned above, but also all its legal and regulatory risks and, where necessary, takes the appropriate risk provisioning measures.

1.10 Climate-related financial risks

Zürcher Kantonalbank is disclosing its climate-related financial risks for the 2023 financial year, thereby taking into account the enhanced requirements of FINMA's Disclosure Circular for systemically important banks. Climate protection has long been a central issue for Zürcher Kantonalbank. The bank has underscored this commitment by joining the Net-Zero Banking Alliance. Zürcher Kantonalbank will publish the detailed information together with the other elements of its disclosures on capital and liquidity as of the end of April 2024 at zkb.ch/disclosure. The following sections summarise some key components of the disclosure information.

Climate-related financial risks are divided into physical risks and transition risks. Physical risks result both from extreme weather events and their consequences (for example, flood damage) and from chronic changes in climatic conditions (for example, rising temperatures). Transition risks arise from the shift to a low-carbon economy. Transition risks include political/legal/regulatory risks, risks from technological change, risks from changing client and investor preferences, and reputation risks.

1.10.1. Strategy, organisation and processes

Risk management's integrated approach to addressing climate-related financial risks as part of sustainability risks contributes to the long-term protection of client assets and the bank's assets. Zürcher Kantonalbank's broad commitment to the various areas of sustainability, including climate protection, is supported by its statutory public service mandate. Zürcher Kantonalbank's group strategy calls for the bank to shape sustainability issues actively, to lead the way in sustainable offerings and to support clients on their journey to a more sustainable future. Zürcher Kantonalbank aims to minimise climate risks across its entire business operations and to establish transparency in this regard. The climate goals are based on the goals of the Paris Agreement and on achieving greenhouse gas neutrality by 2050.

The Board of Directors, in its capacity as the bank's governing body, defines the group mission statement and the group strategy. The Chairperson's Committee is assisted in fulfilling its responsibilities related to the public service mandate by a specialist unit and a specialist body, which is chaired by the CEO and is made up of leaders from all business units. This specialist body, which is coordinated by the officer responsible for the public service mandate, advises and supports the Chairperson's Committee, the Board of Directors and the Executive Board in all matters relating to the public service mandate.

The Executive Board determines the sustainability policy, which specifies the bank's goals and is also disclosed externally in several ways, including on the bank's homepage (www.zkb.ch/sustainability). The sustainability policy summarises the areas of impact, defines the role of Zürcher Kantonalbank and formulates the targets – specifically, goals and exclusions in line with the dimensions of environment, society, and governance (ESG) – for implementation in the various business areas.

The management of climate-related financial risks is an integral part of Zürcher Kantonalbank's risk management processes. Sustainability aspects are taken into account in risk identification and assessment, and – if material – also in risk control, management, monitoring and reporting on the respective risk category. Elements that are particularly relevant to climate risk in the risk management processes are:

- OpRisk management in banking operations with the goals for achieving operational ecology as set out in the bank's environmental programme (reduce and offset the carbon footprint), and business continuity management for action in the event of natural disasters.
- Credit risk management in the financing business, where ESG criteria are an integral part of the credit assessment process and specifications exist on excluded and undesirable businesses, as well as regarding transactions with special climate risks.
- The management of market risks with climate-specific specifications for investments in the portfolio of financial assets managed by Treasury.
- Risk management in the investment and asset management business.

In investment advisory mandates and the wealth management of investment solutions, the integration of sustainability criteria into the investment process enables a view of the opportunities and risks of investment decisions that is broadened to include sustainability aspects. To assess sustainability, Zürcher Kantonalbank relies on data from external data providers. As part of the risk analysis, CO_2e intensities (Scope 1 and 2), key figures for identifying assets particularly affected by climate risks (also known as "stranded assets") and ESG criteria from the financial services provider MSCI are used. Additionally, one of the aims of the engagement with external managers regarding these criteria (the stewardship approach) is to improve the sustainability profile (including climate aspects).

In the field of asset management, Zürcher Kantonalbank is one of the leading providers of sustainable investment products in Switzerland with its products under the "Swisscanto by Zürcher Kantonalbank" brand. The Paris climate goal is a binding requirement for most actively managed investment funds in traditional asset classes. In the products of the "Responsible" product line, investment activities include not only a systematic integration of ESG criteria, but also a focus on reducing greenhouse emissions by at least 4 percent per year after compensating for economic growth. The "Sustainable" product line also meets additional, stricter sustainability criteria. The product approval process ensures that the contractually stipulated sustainability aspects of the products comply with legal requirements and can be subsequently monitored by the bank's investment controlling function, which is independent of the asset manager. Product approval and investment controlling are important elements to ensure compliance with contractually agreed sustainability standards and thus reduce so-called greenwashing risks. The degree of achievement of the greenhouse gas reduction target and the Swisscanto Sustainability Rating are part of the publicly available sustainability reports for investors. In addition, the Risk unit uses sustainability stress tests in its measurement, monitoring and reporting.

1.10.2 Risk profile

Climate protection is a central theme in Zürcher Kantonalbank's sustainability mandate. Climate-related financial risks influence the risk profile, however not materially, and they are not among the top risks. Nevertheless, the Risk Committee of the Executive Board again dealt in detail with climate-related financial risks in 2023. Figure 17 summarises the results of this qualitative assessment. The assessment is guided by a baseline scenario in which the Paris climate targets are met and the transition to a low-carbon economy occurs in an orderly fashion. Due to the longer-term nature of climate change, no particular physical risks for banking business nor financing business are expected in the short term, which is why the assessment here starts in the medium term. The assessments of transition risks are combined for the medium and long term.

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

– the investment and asset management business with the offering of products with CO_2 reduction targets; and
– the lending business, where future changes in legislation may impact the valuation of collateral (including properties in the mortgage portfolio) and financing of companies in climate-exposed sectors.

Fig. 17: Overview from the qualitative assessment of climate-related financial risks

	Physical risks	Transition risks	
Time frame	Med. – long term	Short term	Med. – long term
Operational risks: Banking operations	●○○○○	●○○○○	●○○○○
Credit risks: Financing business	●○○○○	●○○○○	●●○○○
Market risks: Trading and Treasury	●○○○○	●○○○○	●○○○○
Business risks: Investment and Asset Management business	●○○○○	●○○○○	●●○○○

○○○○○ = no risk, ●●●●● = high risk

Short term = time horizon up to 5 years, med. term to long term = 6 to 30 years

Physical climate risks are significantly less important for the risk profile than transition risks. Areas that are potentially affected by physical climate risks include:
– the mortgage portfolio: the value of individual properties in the mortgage portfolio could be reduced, for example, as a result of flooding or landslides; and
– banking operations: the accumulation of extreme weather events could impact bank operations in a very adverse flooding scenario.

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

Zürcher Kantonalbank is guided by the internationally established United Nations Environment Programme Finance Initiative (UNEP FI) and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) on the disclosure of transition risks from credit exposure to climate-sensitive and, as a subset thereof, carbon-related industries. TCFD defines carbon-related as industries associated with the energy and utilities sectors, according to the Global Industry Classification Standard, excluding water supply and renewable power generation. Zürcher Kantonalbank more comprehensively describes as climate-sensitive those industries that are exposed to higher transition risks due to their greenhouse gas emissions. Zürcher Kantonalbank bases its delimitation on emission statistics and uses the Swiss or European industry classification. The commodity trade finance (CTF) sub-portfolio is reported separately, irrespective of the industry, and is subject to the aforementioned restrictions under the bank's sustainability policy.

Figure 18 shows the unsecured loans and advances in the corporate clients portfolio in line with this classification. In terms of the total balance sheet exposure in this portfolio, at the end of the year climate-sensitive sectors accounted for around 7.8 percent (2022: 7.4 percent). This includes the entire energy sector, which, however, consists almost exclusively of financing for sustainable energy sources. In addition to components manufacturing and repair, the automotive sector also includes, in particular, selling and financing vehicles. The transport sector mainly includes passenger transport in the tourist sector and local transport as well as freight transport by road.

In accordance with the aforementioned exclusion criteria in the sustainability policy, Zürcher Kantonalbank does not provide direct financing in the "coking and petroleum refining" industry, which TCFD designates as carbon-related.

Fig. 18: Unsecured loans and advances in the corporate clients portfolio by "climate-sensitive" and other industries

	31.12.2023			31.12.2022
Industry designation	**Balance sheet exposure in CHF million**	**as % of unsecured exposure**	**as % of balance sheet exposure**	**as % of balance sheet exposure**
Mining/crushed rock and earth	3	0.0	0.0	0.0
Metal production/processing	6	0.1	0.0	0.0
Sewage and waste disposal and elimination of environmental pollution	59	0.9	0.2	0.2
Agriculture, hunting and related activities	93	1.5	0.3	0.3
Glass/ceramics/cement	130	2.0	0.4	0.4
Transport (incl. mountain railways, but excluding rail passenger transport and goods trains)	223	3.5	0.6	0.6
Chemical products	341	5.3	0.9	0.9
Energy supply	441	6.9	1.2	2.0
Automotive	916	14.3	2.5	1.2
CTF (commodity trade finance)	620	9.7	1.7	1.8
Total climate-sensitive sectors	**2,833**	**44.2**	**7.8**	**7.4**
Total other sectors	**3,573**	**55.8**	**9.9**	**9.9**
Total corporate clients portfolio unsecured	6,405	100	17.7	17.3
Real estate financing	28,732		79.3	79.4
Other products	1,110		3.1	3.3
Total balance sheet exposure companies	**36,247**		**100**	**33,350**

m) Multi-year comparison

All figures in the multi-year comparison are based on the accounting rules for banks, securities firms, financial groups and conglomerates.

	2023	2022	2021	2020	2019
Key figures in %					
Return on equity (RoE)	**9.3**	8.4	7.8	7.2	7.2
Cost/income ratio (CIR)[1]	**51.8**	57.5	58.7	60.1[2]	59.9
Common equity Tier 1 ratio (CET1)[3]	**17.4**	16.8	17.0	17.4	17.7
Risk-based capital ratio (going concern)[3]	**18.7**	18.2	18.5	18.9	20.0
Risk-based capital ratio (gone concern)[3/4]	**8.0**	4.3	4.0	3.2	1.4
Leverage ratio (going concern)[3]	**6.6**	6.2	6.2	6.2	7.0
Leverage ratio (gone concern)[3/4]	**2.8**	1.5	1.3	1.1	0.5
Liquidity coverage ratio (LCR)[5]	**147**	146	160	160	123
Net stable funding ratio (NSFR)[6]	**117**	124	118	–	–
Income statement in CHF million					
Net result from interest operations	**1,821**	1,403	1,248	1,218	1,216
Result from commission business and services	**940**	926	926	806	777
Result from trading activities and the fair value option	**415**	409	347	459	319
Other result from ordinary activities	**19**	15	24	29	102
Operating income	**3,194**	**2,752**	**2,544**	**2,513**	**2,414**
Operating expenses	**–1,679**	–1,594	–1,517	–1,580	–1,443
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	**–75**	–101	–104	–117	–113
Changes to provisions and other value adjustments and losses	**28**	2	28	–14	–12
Operating result	**1,469**	**1,059**	**951**	**801**	**846**
Extraordinary result	**1**	8	0	25	4
Changes in reserves for general banking risks	**–225**	–	–	46	–
Taxes	**–7**	–8	–9	–8	–5
Consolidated profit	**1,238**	**1,059**	**942**	**865**	**845**
Balance sheet (before appropriation of profit) in CHF million					
Total assets	**201,259**	199,791	192,105	188,364	167,054
Mortgage loans	**100,874**	96,838	91,847	87,679	84,311
Amounts due in respect of customer deposits	**101,452**	103,351	96,777	92,582	85,089
Shareholders' equity	**14,268**	13,299	12,674	12,650	12,337

1 Calculation: Cost/income ratio (excl. changes in default-related value adjustments and losses from interest operations).
2 Excludes the CHF 46 million non-recurring personnel expense related to the anniversary payment made to employees.
3 In accordance with the provisions for systemically important banks.
4 Effective since 1 January 2019.
5 A simple average of the end-of-day values on business days during the quarter under review.
6 Effective since 1 July 2021.

Multi-year comparison (continued)

	2023	2022	2021	2020	2019
Profit distribution (in CHF million)					
Share paid to canton to cover actual costs	18	11	11	11	11
Distribution to canton	340	320	280	297[7]	330[8]
Distribution to municipalities	170	160	140	148[7]	165[8]
Total profit distribution	**528**	**491**	**431**	**456**	**506**
Additional payments (in CHF million)					
Compensation for state guarantee	30	28	27	23	22
Payments from public service mandate	161	140	141	126	125
Further information (Number)					
Total customers' assets	450,789	399,965	409,190	361,658	333,341
Headcount after adjustment for part-time employees, as at the reporting date	5,539	5,249	5,145	5,180	5,145
Branches[9]	53	53	57	60	66
Rating agencies (Rating)					
Fitch	AAA	AAA	AAA	AAA	AAA
Moody's	Aaa	Aaa	Aaa	Aaa	Aaa
Standard & Poor's	AAA	AAA	AAA	AAA	AAA

7 Including special coronavirus dividend.
8 Including anniversary dividend.
9 Including branches of Zürcher Kantonalbank Österreich AG in Salzburg and Vienna.

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Report of the statutory auditor to the Cantonal Parliament of Zurich on our audit of the consolidated financial statements as of 31 December 2023 of

Zurich, 29 February 2024

Zürcher Kantonalbank, Zürich

Report of the statutory auditor

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Zürcher Kantonalbank and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2023, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 114 to 194) give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the applicable financial reporting framework for banks and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the “Auditor's responsibilities for the audit of the consolidated financial statements” section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the “Auditor's responsibilities for the audit of the consolidated financial statements” section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

Determination of value adjustments and provisions for default risks on loans to clients

Area of focus

Zürcher Kantonalbank discloses loans to clients, consisting of amounts due from customers and mortgage loans, at nominal value less any necessary value adjustments.

For default risks on impaired loans, individual value adjustments are made. For default risks on non-impaired loans value adjustments and provisions for expected losses are recognized.

For the measurement of value adjustments and provisions for default risks, valuation models are used. In addition, this requires making estimates and assumptions which, by definition, involve judgments and may vary depending on the valuation.

As of 31 December 2023, Zürcher Kantonalbank discloses client loans totaling CHF 112.1 billion. As of the balance sheet date, individual value adjustments and provisions for impaired loans amounted to CHF 340.8 million and value adjustments and provisions for expected losses amounted to CHF 481.3 million. With 55.7%, loans to clients represent a material part of the assets of Zürcher Kantonalbank, and we consider the determination of value adjustments and provisions for default risks on loans to clients as a key audit matter.

The significant accounting principles for determining value adjustments and provisions for default risks are described by Zürcher Kantonalbank on pages 123 to 125, 130, 131 as well as on pages 170 to 178 of the bank's annual report. Furthermore, we refer to notes 2 and 16 on pages 133, 134 and 144 in the notes to the consolidated financial statements.

Our audit response

We audited the processes and key controls in connection with granting and monitoring loans as well as with regard to the methods for identifying and determining individual value adjustments and provisions for default risks on loans to clients. Moreover, we evaluated the concept for the determination of value adjustments and provisions for expected losses.

Finally, we performed sample tests on the impairment of selected client loans, and evaluated the compliance of significant accounting principles as well as the appropriateness of the disclosures in the notes to the consolidated financial statements.

Our audit procedures did not lead to any reservations concerning the determination of value adjustments and provisions for default risks on loans to clients.

Fair value measurement of financial instruments

Area of focus

Fair value is defined as the amount for which an asset is exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. This amount corresponds to the price requested in a price-efficient and liquid market or, if this is missing, to the price determined on the basis of a valuation model. Valuation models are significantly affected by the assumptions that are used, including interest, forward and swap rates, spread curves and the volatility and estimates of future cash flows. There is a significant degree of judgment involved in making these assumptions.

Zürcher Kantonalbank discloses financial instruments at fair value measurement in different balance sheet items. As of 31 December 2023, the fair value of positive replacement values of derivative financial instruments amounts to CHF 1.0 billion, while that of the negative replacement values amounts to CHF 2.5 billion. Furthermore, as of 31 December 2023, Zürcher Kantonalbank discloses liabilities from other financial instruments at fair value measurement totaling CHF 4.0 billion that were determined using a valuation model.

As a result of the scope of judgment and the significance of the listed balance sheet items in the consolidated financial statements of Zürcher Kantonalbank, the valuation of these items represents a key audit matter.

The corresponding accounting and valuation principles are described by Zürcher Kantonalbank on pages 125, 126, 131, 132 as well as on pages 179 to 185 of its annual report. Furthermore, we refer to notes 3, 4 and 14 on pages 134 to 136 and 142 in the notes to the consolidated financial statements.

Our audit response

We audited the processes and key controls with regard to fair value measurement, validation and application of valuation models.

Moreover, we assessed the assumptions made in connection with the valuation and their appropriateness on the basis of sample testing and evaluated the measurement of financial instruments by means of independent valuation models. On the basis of sample testing and a comparison with third-party sources, we assessed the fair values used and directly available from an active market. Moreover, we evaluated the appropriateness of the disclosures in the notes to the consolidated financial statements.

Our audit procedures did not lead to any reservations concerning the fair value measurement of financial instruments.

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Other information
The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the consolidated financial statements
The Board of Directors is responsible for the preparation of the consolidated financial statements, which give a true and fair view in accordance with the applicable financial reporting framework for banks and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on EXPERTsuisse's website at: https://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Report on other legal and regulatory requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

Bruno Patusi	Bruno Taugner
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

Annual financial statements of the parent company

Income statement

in CHF million	Notes	2023	2022	Change	Change in %
Result from interest operations					
Interest and discount income		4,004	1,871	2,132	113.9
Interest and dividend income from financial investments		32	28	5	16.7
Interest expense		−2,170	−479	−1,691	353.1
Gross result from interest operations	**33**	**1,865**	**1,420**	**445**	**31.4**
Changes in value adjustments for default risk and losses from interest operations		−49	−20	−30	149.6
Subtotal net result from interest operations		**1,816**	**1,400**	**416**	**29.7**
Result from commission business and services					
Commission income from securities trading and investment activities		798	783	15	1.9
Commission income from lending activities		72	72	−0	−0.7
Commission income from other services		127	122	5	4.4
Commission expense		−150	−150	0	−0.2
Subtotal result from commission business and services		**847**	**827**	**20**	**2.5**
Result from trading activities					
Result from trading activities and the fair value option	**32**	**383**	**390**	**−8**	**−2.0**
Other result from ordinary activities					
Result from the disposal of financial investments		7	6	0	3.9
Income from participations		41	39	2	5.3
– of which, participations valued using the equity method		–	–	–	–
– of which, from other non-consolidated participations		–	–	–	–
Result from real estate		8	7	1	17.8
Other ordinary income		31	28	3	9.9
Other ordinary expenses		−16	−17	1	−5.3
Subtotal other result from ordinary activities		**71**	**64**	**7**	**11.3**
Operating income		**3,117**	**2,681**	**436**	**16.2**
Operating expenses					
Personnel expenses	34	−1,139	−1,115	−24	2.1
General and administrative expenses	35	−481	−424	−57	13.5
Subtotal operating expenses		**−1,620**	**−1,539**	**−81**	**5.2**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets		−75	−110	35	−32.2
Changes to provisions and other value adjustments and losses		27	3	24	–
Operating result		**1,450**	**1,035**	**415**	**40.1**
Extraordinary income	36	4	9	−5	−58.6
Extraordinary expenses	36	–	−0	0	−100.0
Changes in reserves for general banking risks	36	−225	–	−225	–
Taxes	39	–	–	–	–
Result of the period		**1,229**	**1,044**	**185**	**17.7**

Appropriation of profit

in CHF million	2023	2022	Change	Change in %
Result of the period	**1,229**	1,044	185	17.7
Profit carried forward	**4**	3	1	30.6
Distributable profit	**1,232**	1,047	186	17.7

Appropriation of profit

Profit distribution				
Dividend	**528**	491	37	7.5
– of which, paid to cover actual costs	**18**	11	7	59.8
– of which, ordinary dividends for the benefit of the canton	**340**	320	20	6.3
– of which, ordinary dividends for the benefit of the municipalities	**170**	160	10	6.3
Profit retained				
Allocated to reserves	**700**	552	148	26.8
– of which, allocated to voluntary retained earnings reserve	**700**	552	148	26.8
Profit carried forward	**4**	**4**	**1**	**26.6**

The profit distribution takes place on the basis of the provisions in § 26f of the Cantonal Banking Act on Zürcher Kantonalbank of 28 September 1997 in the version applicable at the time, and has no direct link to the endowment capital.
The appropriation of profit was approved by the Board of Directors on 25 January 2024.
Approval of the annual financial statements by the Cantonal Parliament is scheduled for 27 May 2024.

Balance sheet
as at 31 December

in CHF million	Notes	2023	2,022	Change	Change in %
Assets					
Liquid assets		39,524	40,214	−690	−1.7
Amounts due from banks		3,387	2,920	467	16.0
Amounts due from securities financing transactions	1	25,740	27,804	−2,065	−7.4
Amounts due from clients	2	11,177	10,503	673	6.4
Mortgage loans	2	100,874	96,838	4,036	4.2
Trading portfolio assets	3	10,007	9,436	571	6.1
Positive replacement values of derivative financial instruments	4	1,060	1,305	−245	−18.8
Other financial instruments at fair value	3	–	–	–	–
Financial investments	5	5,558	7,462	−1,904	−25.5
Accrued income and prepaid expenses		691	499	193	38.6
Participations		458	469	−10	−2.2
Tangible fixed assets		531	563	−31	−5.6
Intangible assets		2	5	−3	−54.3
Other assets	10	519	391	128	32.7
Total assets		**199,530**	**198,410**	**1,120**	**0.6**
Total subordinated claims		292	132	160	121.4
– of which, subject to conversion and/or debt waiver		96	17	79	465.7
Liabilities					
Amounts due to banks		35,441	39,076	−3,635	−9.3
Liabilities from securities financing transactions	1	14,095	10,636	3,459	32.5
Amounts due in respect of customer deposits		101,409	103,396	−1,987	−1.9
Trading portfolio liabilities	3	3,224	3,636	−412	−11.3
Negative replacement values of derivative financial instruments	4	2,458	2,066	393	19.0
Liabilities from other financial instruments at fair value	3,14	2,288	2,511	−223	−8.9
Cash bonds		288	196	92	46.8
Certificate of deposits		632	104	528	505.5
Bond issues		10,547	9,400	1,147	12.2
Central mortgage institution loans		11,558	11,924	−366	−3.1
Accrued expenses and deferred income		1,353	1,043	309	29.7
Other liabilities	10	1,784	892	892	99.9
Provisions	16	175	213	−38	−17.8
Reserves for general banking risks	16	4,755	4,530	225	5.0
Bank’s capital	17,21	2,425	2,425	–	–
Statutory retained earnings reserve	21	1,213	1,213	–	–
Voluntary retained earnings reserve	21	4,654	4,102	552	13.5
Profit carried forward	21	4	3	1	30.6
Result of the period	21	1,229	1,044	185	17.7
Shareholders’ equity	**21**	**14,279**	**13,316**	**963**	**7.2**
Total liabilities		**199,530**	**198,410**	**1,120**	**0.6**
Total subordinated liabilities		3,035	1,569	1,467	93.5
– of which subject to conversion and/or debt waiver		3,035	1,569	1,467	93.5
Off-balance-sheet transactions					
Contingent liabilities	2	3,771	4,117	−346	−8.4
Irrevocable commitments	2	15,947	14,369	1,578	11.0
Obligations to pay up shares and make further contributions	2	353	367	−14	−3.9
Credit commitments	2	–	–	–	–

Statement of changes in equity

in CHF millions	Bank's capital	Statutory retained earnings reserve	Reserves for general banking risks	Voluntary retained earnings reserve and profit carried forward	Result of the period	Total equity
2022						
Total equity as at 31.12.2021	2,425	1,213	4,530	3,603	932	12,703
Capital increase	–	–	–	–	–	–
Capital decrease	–	–	–	–	–	–
Other contributions/other capital paid in	–	–	–	–	–	–
Capital costs of endowment capital	–	–	–	–	–11	–11
Allocation to the canton from previous year's profit	–	–	–	–	–280	–280
Allocation to municipalities from previous year's profit	–	–	–	–	–140	–140
Allocation to (transfers from) the reserves for general banking risks	–	–	–	–	–	–
Allocation to (transfers from) the Voluntary retained earnings and profit carried forward	–	–	–	501	–501	–
Result of the period	–	–	–	–	1,044	1,044
Total equity as at 31.12.2022	**2,425**	**1,213**	**4,530**	**4,105**	**1,044**	**13,316**
2023						
Total equity as at 31.12.2022	**2,425**	**1,213**	**4,530**	**4,105**	**1,044**	**13,316**
Capital increase	–	–	–	–	–	–
Capital decrease	–	–	–	–	–	–
Other contributions/other capital paid in	–	–	–	–	–	–
Capital costs of endowment capital	–	–	–	–	**–11**	**–11**
Allocation to the canton from previous year's profit	–	–	–	–	**–320**	**–320**
Allocation to municipalities from previous year's profit	–	–	–	–	**–160**	**–160**
Allocation to (transfers from) the reserves for general banking risks	–	–	**225**	–	–	**225**
Allocation to (transfers from) the Voluntary retained earnings and profit carried forward	–	–	–	**553**	**–553**	–
Result of the period	–	–	–	–	**1,229**	**1,229**
Total equity as at 31.12.2023	**2,425**	**1,213**	**4,755**	**4,658**	**1,229**	**14,279**

Notes to the financial statements of the parent company

Under § 36 of the Swiss Ordinance on Banks and Savings Banks (BankO), institutions that draw up consolidated financial statements are exempt from disclosing certain information in the individual financial statements. For reasons of clarity, the same numbering has been used for the required tables as in the consolidated financial statements. The portrait details, explanations relating to risk management, identification of default risks and definition of the need for value adjustments, valuation of coverage and details of business policy on the use of derivative financial instruments as well as on the use of hedge accounting in the group also apply to the parent company. This is also the case for material events occurring after the balance sheet date.

Accounting and valuation principles

Accounting, valuation and reporting are based on the provisions of the Code of Obligations and Swiss banking law, the accounting rules for banks, securities firms, financial groups and conglomerates according to the Accounting Ordinance (RelV-FINMA) and FINMA Circular 2020/1 as well as the Cantonal Banking Act on Zürcher Kantonalbank (Zürcher Kantonalbank Act) in the version in force at the time and the regulations based on it. The statutory financial statements of the parent company are prepared in compliance with the provisions of § 25 section 1 a) Banking Ordinance ("Reliable assessment statutory single-entity financial statements").

They are generally based on the accounting and valuation principles of the group and changes made to them during the financial year, with the following exceptions: All participations are recognised at the lower of cost or market in the statutory financial statements. Goodwill from acquisitions is included under participations. In the single-entity financial statement, the reserves for general banking risks are shown as an individual item in the balance sheet. At group level, retained earnings reserves include reserves for general banking risks created before 2018. Creation and release of such reserves is shown under "Changes in reserves for general banking risks".

i) Information on the balance sheet

1 Breakdown of securities financing transactions

in CHF million	2023	2022
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions	**25,740**	27,804
Book value of obligations from cash collateral received in connection with securities lending and repurchase transactions	**14,095**	10,636
Book value of securities lent in connection with securities lending or delivered as collateral in connection with securities borrowing as well as securities in own portfolio transferred in connection with repurchase agreements	**4,262**	3,410
– of which, with unrestricted right to resell or pledge	**4,262**	3,410
Fair value of securities received and serving as collateral in connection with securities lending or securities borrowed in connection with securities borrowing as well as securities received in connection with reverse repurchase agreements with an unrestricted right to resell or repledge	**62,711**	66,103
– of which, repledged securities	**6,506**	963
– of which, resold securities	**41,384**	45,734

2 Overview of collateral for loans/receivables and off-balance-sheet transactions, as well as impaired loans/receivables

Overview by collateral

	Type of collateral			
in CHF million	Mortgage collateral	Other collateral	Unsecured	Total
Loans (before netting with value adjustments)				
Amounts due from customers	30	1,854	9,542	11,427
Mortgage loans				
– Residential property	83,339	10	9	83,359
– Office and business premises	12,057	0	10	12,066
– Commercial and industrial premises	2,411	–	17	2,428
– Other	3,416	2	3	3,420
Total mortgage loans	101,224	12	38	101,274
Total loans (before netting with value adjustments) 2023	**101,254**	**1,867**	**9,580**	**112,701**
Total loans (before netting with value adjustments) 2022	**97,227**	**2,014**	**8,712**	**107,953**
Total loans (after netting with value adjustments) 2023	**100,891**	**1,863**	**9,297**	**112,051**
Total loans (after netting with value adjustments) 2022	**96,859**	**2,009**	**8,474**	**107,342**
Off-balance-sheet				
Contingent liabilities	37	228	3,506	3,771
Irrevocable commitments	3,166	256	12,525	15,947
Obligations to pay up shares and make further contributions	–	–	353	353
Credit commitments	–	–	–	–
Total off-balance-sheet transactions 2023	**3,203**	**484**	**16,384**	**20,072**
Total off-balance-sheet transactions 2022	**2,943**	**653**	**15,258**	**18,854**

2 Overview of collateral for loans/receivables and off-balance-sheet transactions, as well as impaired loans/receivables (continued)

Information on impaired loans

Impaired loans in CHF million	Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Individual value adjustments [1]
2023	**487**	**201**	**286**	**249**
2022	425	202	223	208

1 Individual value adjustments of 100 percent of the net debt amount are normally made. Individual value adjustment rates may apply in the case of major positions.

3 Trading portfolios and other financial instruments at fair value

Assets in CHF million	2023	2022
Debt securities, money market securities/transactions	5,122	5,088
– of which, listed [1]	4,273	4,051
Equity securities	2,536	2,207
Precious metals and commodities	2,235	2,083
Other trading portfolio assets	114	58
Total trading transactions	**10,007**	**9,436**
Debt securities	–	–
Structured products	–	–
Other	–	–
Total other financial instruments at fair value	**–**	**–**
Total assets	**10,007**	**9,436**
– of which, determined using a valuation model	963	1,095
– of which, securities eligible for repo transactions in accordance with liquidity requirements	1,948	2,206

Liabilities in CHF million	2023	2022
Debt securities, money market securities/transactions	3,213	3,607
– of which, listed [1]	3,100	3,550
Equity securities	5	22
Precious metals and commodities	5	4
Other trading portfolio liabilities	1	3
Total trading portfolio liabilities	**3,224**	**3,636**
Debt securities	–	–
Structured products	2,288	2,511
Other	–	–
Total liabilities from other financial instruments at fair value	**2,288**	**2,511**
Total liabilities	**5,512**	**6,147**
– of which, determined using a valuation model	2,401	2,569

1 Listed = traded on a recognised exchange.

4 Derivative financial instruments (assets and liabilities)

	Trading instruments			Hedging instruments		
in CHF million	Positive replacement values	Negative replacement values	Contract volume [1]	Positive replacement values	Negative replacement values	Contract volume [1]
Interest rate instruments						
Forward contracts including FRAs	–	–	–	–	–	–
Swaps	15,336	15,176	644,363	737	141	23,937
Futures	–	–	10,129	–	–	–
Options (OTC)	100	75	6,556	–	–	–
Options (exchange-traded)	0	0	1	–	–	–
Total	**15,436**	**15,251**	**661,049**	**737**	**141**	**23,937**
Foreign exchange/precious metals						
Forward contracts	4,894	5,857	388,446	–	–	–
Combined interest rate/currency swaps	386	457	2,273	–	163	2,310
Futures	–	–	327	–	–	–
Options (OTC)	51	53	5,589	–	–	–
Options (exchange-traded)	–	0	3	–	–	–
Total	**5,331**	**6,367**	**396,639**	**–**	**163**	**2,310**
Equity securities/indices						
Forward contracts	–	–	–	–	–	–
Swaps	53	33	1,430	–	–	–
Futures	–	–	2,842	–	–	–
Options (OTC)	83	50	6,277	–	–	–
Options (exchange-traded)	184	329	9,724	–	–	–
Total	**321**	**413**	**20,274**	**–**	**–**	**–**
Credit derivatives						
Credit default swaps	1	3	171	–	–	–
Total return swaps	0	0	3	–	–	–
First-to-default swaps	–	–	–	–	–	–
Other credit derivatives	–	–	–	–	–	–
Total	**1**	**3**	**174**	**–**	**–**	**–**
Other [2]						
Forward contracts	–	–	–	–	–	–
Swaps	–	–	–	–	–	–
Futures	–	–	360	–	–	–
Options (OTC)	–	–	–	–	–	–
Options (exchange-traded)	–	–	–	–	–	–
Total	**–**	**–**	**360**		**–**	**–**
Total before netting agreements						
2023	**21,090**	**22,033**	**1,078,495**	**737**	**304**	**26,248**
– of which, determined using a valuation model	**21,090**	**22,033**	**–**	**737**	**304**	**–**
2022	29,061	28,945	1,154,937	1,040	455	20,544
– of which, determined using a valuation model	29,061	28,945	–	1,040	455	–

1 The contract volume shows the amount of underlying on which a derivative is based or the notional amount underlying the derivative in accordance with the requirements of FINMA Circular 2020/1, irrespective of whether the derivative is traded long or short. The contract volume is determined differently depending on the type of contract and does not permit any direct conclusions to be drawn about the risk exposure.

2 Includes commodities and hybrid derivatives.

4 Derivative financial instruments (assets and liabilities) (continued)

Total after netting agreements[3]	in CHF million	Positive replacement values (cumulative)	Negative replacement values (cumulative)
2023		**1,060**	**2,458**
2022		1,305	2,066

Breakdown by counterparty

Positive replacement values (after netting agreements)	Central clearing houses	Banks and securities firms	Other customers
2023	**130**	**319**	**611**

3 For over-the-counter (OTC) transactions, the positive and negative replacement values of derivative financial instruments as well as the related cash collateral are offset (netting). For this purpose, a relevant bilateral agreement with the affected counterparties must be in place. This agreement must be proven to be recognised and legally enforceable.

5 Financial investments

	Book value		Fair value	
in CHF million	**2023**	**2022**	**2023**	**2022**
Debt securities	**5,252**	7,154	**5,147**	6,889
– of which, intended to be held to maturity	**5,252**	7,154	**5,147**	6,889
– of which, not intended to be held to maturity (available for sale)	**–**	–	**–**	–
Equity securities	**112**	108	**233**	245
– of which, qualified participations[1]	**8**	15	**14**	32
Precious metals	**187**	196	**187**	196
Real estate	**7**	3	**7**	3
Cryptocurrencies	**–**	–	**–**	–
Total financial investments	**5,558**	**7,462**	**5,574**	**7,333**
– of which, securities eligible for repo transactions in accordance with liquidity requirements	**4,710**	7,090	**4,609**	6,831

1 At least 10 percent of the capital or voting rights.

Counterparties by rating

in CHF million						
Moody's	Aaa – Aa3	A1 – A3	Baa1 – Baa3	Ba1 – Ba3	Lower than Ba3	Unrated
Standard & Poor's, Fitch	AAA – AA-	A+ – A-	BBB+ – BBB-	BB+ – B-	Below B–	Unrated
Debt securities: Book values 2023	**5,052**	**51**	**–**	**–**	**–**	**149**

All debt instruments without a rating fulfil the conditions of high-quality liquid assets (HQLA) according to the Liquidity Ordinance (LiqV).
If two ratings exist with different risk weightings, the rating with the lower risk weighting is used.
If more than two ratings exist with different risk weightings, those ratings which correspond to the two lowest risk weightings are taken into consideration.
The higher of the two risk weightings is used. Top priority is given to the issue rating and second priority to the issuer rating.

10 Other assets and liabilities

in CHF million	Other assets 2023	Other assets 2022	Other liabilities 2023	Other liabilities 2022
Compensation account	–	–	361	472
Deferred income taxes recognised as assets	–	–	–	–
Amount recognised as assets in respect of employer contribution reserves	–	–	–	–
Amount recognised as assets relating to other assets from pension schemes	–	–	–	–
Negative goodwill	–	–	–	–
Settlement accounts	492	337	1,308	370
Indirect taxes	22	49	106	42
Other	6	5	9	9
Total	**519**	**391**	**1,784**	**892**

11 Assets pledged or assigned to secure own commitments, and assets under reservation of ownership

in CHF million	2023 Book value	2023 Effective commitment	2022 Book value	2022 Effective commitment
Pledged/assigned assets				
Liquid assets	236	236	–	–
Amounts due from banks	2,149	2,118	2,915	2,898
Amounts due from customers	2,252	2,238	2,304	2,289
Mortgage loans	14,393	11,558	14,765	11,924
Trading portfolio assets	593	593	883	883
Financial investments	123	97	–	–
Total pledged/assigned assets	**19,746**	**16,840**	**20,867**	**17,994**

No assets are subject to reservation of ownership.
Note 1 shows instruments serving as collateral for which a right of resale or pledging has been granted in connection with securities financing.

12 Liabilities relating to own pension schemes and number and nature of equity instruments of the bank held by own pension schemes

Liabilities to own pension schemes from balance-sheet transactions (in CHF million)	2023	2022	Change
Amounts due in respect of customer deposits	47	98	–51
Cash bonds	0	0	0
Negative replacement values of derivative financial instruments [1]	63	12	51
Accrued expenses and deferred income	0	0	0
Other liabilities	0	0	0
Total	**110**	**110**	**–0**

Own pension schemes do not hold any of the bank's equity instruments.
1 After taking netting agreement into account.

13 Information on pension schemes

a) Employer contribution reserves (ECR)

Zürcher Kantonalbank does not have any employer contribution reserves.

b) Economic benefit/obligations and the pension expenses

in CHF million	Over-/underfunding End 2023	Economic interest of the bank 2023	Economic interest of the bank 2022	Change in economic interest versus previous year 2023	Contributions paid 2023	Pension expenses in personnel expenses 2023	Pension expenses in personnel expenses 2022
Employer-sponsored funds/employer-sponsored pension schemes	–	–	–	–	–	–	–
Pension plans without overfunding/underfunding	–	–	–	–	111	111	111
Pension plans with overfunding	–	–	–	–	–	–	–
Pension plans with underfunding	–	–	–	–	–	–	1
Pension schemes without own assets	–	–	–	–	–	–	–
Total	**–**	**–**	**–**	**–**	**111**	**111**	**113**

14 Issued structured products

Underlying risk of the embedded derivative		Book value: Valued as a whole		Book value: Valued separately		Total
in CHF million		Booked in trading portfolio	Booked in other financial instruments at fair value	Value of the host instrument	Value of the derivative	
Interest rate instruments	With own debenture component	–	–	–	–	–
	Without oDC	–	–	–	–	–
Equity securities	With own debenture component	–	2,242	–	–	2,242
	Without oDC	–	–	–	–	–
Foreign currencies	With own debenture component	–	44	–	–	44
	Without oDC	–	–	–	–	–
Commodities/precious metals	With own debenture component	–	2	–	–	2
	Without oDC	–	–	–	–	–
Loans	With own debenture component	–	–	–	–	–
	Without oDC	–	–	–	–	–
Real estate	With own debenture component	–	–	–	–	–
	Without oDC	–	–	–	–	–
Hybrid instruments	With own debenture component	–	–	–	–	–
	Without oDC	–	–	–	–	–
Total 2023		**–**	**2,288**	**–**	**–**	**2,288**
Total 2022		**–**	**2,511**	**–**	**–**	**2,511**

16 Presentation of value adjustments and provisions, reserves for general banking risks, and changes therein during the current year

in CHF million	Balance at end of 2022	Changes to scope of consolida-tion	Use in conformity with designated purpose and reversals	Reclassifi-cations	Currency differences	Past due interest, recoveries	New creations charged to income	Releases to income statement	Balance at end of 2023
Provisions for deferred taxes	–	–	–	–	–	–	–	–	–
Provisions for pension benefit obligations	–	–	–	–	–	–	–	–	–
Provisions for default risks	175	–	–	–	–	–	126	–152	149
– of which, provisions for expected loss	59	–	–	–	–	–	80	–82	57
Provisions for other business risks [1]	26	–	–8	–	–	–	0	–5	13
Provisions for restructuring	–	–	–	–	–	–	–	–	–
Other provisions [2]	12	–	–0	–	–	–	15	–14	13
Total provisions	**213**	**–**	**–8**	**–**	**–**	**–**	**141**	**–171**	**175**
Reserves for general banking risks	**4,530**	**–**	**–**	**–**	**–**	**–**	**225**	**–**	**4,755**
Value adjustments for default and country risks	639	–	–11	–	–	2	278	–232	676
– of which, value adjustments for default risks in respect of impaired loans/receivables [3]	208	–	–11	–	–	2	93	–44	249
– of which, value adjustments for expected loss	431	–	–	–	–	–	185	–189	427

1 Provisions for other business risks relate to provisions for settlement risks, for example, which cover identifiable risks as at the balance sheet date.
2 The other provisions include, among other things, provisions for litigation and provisions for employees' holiday credits.
3 Default risks consist primarily of counterparty risks, for which value adjustments of 100 percent of the net debt amount are generally made. Individual value adjustment rates may apply in the case of major positions.

Recoveries from amounts due derecognised in previous periods are reported directly in Changes in value adjustments for default risk and losses from interest operations (2023: CHF 1 million/2022: CHF 0 million).
For more details on the management of credit risks, operational risks and legal and compliance risks, please refer to section I) Risk report.

17 Presentation of the bank's capital

in CHF million	Total par value 2023	Total par value 2022
Endowment capital	2,425	2,425
Total bank's capital	**2,425**	**2,425**

Zürcher Kantonalbank's capital consists of endowment capital in the amount of CHF 2,425 million. On 2 November 2020, the Cantonal Parliament decided to increase the endowment capital ceiling, which has an indefinite time limit, by CHF 425 million to CHF 3,425 million. The endowment capital of CHF 1,000 million (endowment capital reserve), which has been approved by the Cantonal Parliament and has not yet been called on, has been reserved in full for the Bank's contingency plan by resolution of the Board of Directors and will be counted towards the gone concern capital component. As a result, the endowment capital reserve can now only be called on by order of FINMA or a FINMA-appointed restructuring official.

18 Number and value of equity securities or options on equity securities held by all executives and directors and by employees, and disclosures on any employee participation schemes

Zürcher Kantonalbank does not have an employee participation scheme.

19 Amounts due from/to related parties

	Due from		Due to	
in CHF million	**2023**	**2022**	**2023**	**2022**
Holders of qualified participations	15	40	463	839
Group companies	379	372	368	363
Linked companies	330	479	864	1,267
Transactions with members of governing bodies	16	15	30	24
Other related parties	–	–	–	–

Affiliated companies are public-law institutions of the respective canton or public-private enterprises in which the canton holds qualified participations. On- and off-balance-sheet transactions with related parties are conducted at usual market conditions, with the exception of loans to members of governing bodies. Loans to governing bodies are granted on employee terms in some cases.
This primarily involved the usual balance sheet banking business, i.e. it was mainly amounts due from and due to customers.
The totals above also include securities items and claims and liabilities from transactions in derivatives (positive and negative replacement values).
The off-balance-sheet transactions with related parties in the amount of CHF 3,242 million (2022: CHF 2,912 million) primarily include irrevocable loan commitments, in particular the keepwell agreement with Zürcher Kantonalbank Finance (Guernsey) Ltd., and other contingent liabilities.

20 Disclosure of holders of significant participations

Zürcher Kantonalbank is an independent public-law institution of the Canton of Zurich.

21 Disclosure of own shares and composition of equity capital

in CHF million	**2023**	**2022**
Reserves for general banking risks	4,755	4,530
Bank’s capital	2,425	2,425
Statutory retained earnings reserve	1,213	1,213
Voluntary retained earnings reserve	4,654	4,102
Profit carried forward	4	3
Result of the period	1,229	1,044
Total equity	**14,279**	**13,316**

The bank does not hold any of its own shares. The statutory retained earnings reserve cannot be distributed.

22 Disclosures in accordance with the Ordinance against Excessive Compensation with respect to Listed Stock Corporations and Article 663c para. 3 CO for banks whose equity securities are listed

The requirements are not applicable for Zürcher Kantonalbank.

26 Breakdown of total assets by credit rating of country groups (risk domicile view)

		2023 Net foreign exposure		2022 Net foreign exposure	
Rating system ZKB's own country rating	**Moody's**	**in CHF million**	**Share as %**	**in CHF million**	**Share as %**
A	Aaa / Aa1 / Aa2 / Aa3	**21,224**	**87.6**	21,002	85.4
B	A1 / A2 / A3	**1,173**	**4.8**	1,089	4.4
C	Baa1 / Baa2 / Baa3	**436**	**1.8**	857	3.5
D	Ba1 / Ba2	**854**	**3.5**	674	2.7
E	Ba3	**12**	**0.1**	3	0.0
F	B1 / B2 / B3	**250**	**1.0**	383	1.6
G	Caa1 / Caa2 / Caa3 / Ca / C	**266**	**1.1**	572	2.3
Total		**24,215**	**100.0**	**24,580**	**100.0**

j) Information on off-balance-sheet transactions

28 Contingent liabilities and contingent assets

in CHF million	**2023**	**2022**
Guarantees to secure credits and similar	**434**	431
Performance guarantees and similar	**2,139**	2,591
Irrevocable commitments arising from documentary letters of credit	**1,198**	1,096
Other contingent liabilities	**–**	–
Total contingent liabilities	**3,771**	**4,117**
Contingent assets arising from tax losses carried forward	**–**	–
Other contingent assets	**–**	–
Total contingent assets	**–**	**–**

Zürcher Kantonalbank is jointly and severally liable for all obligations in connection with the value added tax (VAT) of companies belonging to the VAT group of Zürcher Kantonalbank in Switzerland.

30 Breakdown of fiduciary transactions

in CHF million	2023	2022
Fiduciary investments with third-party companies	983	446
Fiduciary investments with group companies and linked companies	–	–
Fiduciary loans	–	–
Fiduciary transactions arising from securities lending and borrowing (in the bank's own name for the account of customers)	–	–
Fiduciary crypto currencies held for customer's accounts	–	–
Other fiduciary transactions	–	–
Total	983	**446**

31 Breakdown of managed assets and presentation of their development

a) Breakdown of managed assets

Type of managed assets in CHF million	2023	2022
Assets in collective investment schemes managed by the bank	139,186	122,746
Assets under discretionary asset management agreements	86,458	74,923
Other managed assets	220,901	198,408
Total managed assets (including double counting) [1]	446,546	**396,077**
– of which, double counting	74,448	63,957

1 The client assets shown include all client assets of an investment nature held with Zürcher Kantonalbank, as well as client assets held with third-party banks that are managed by Zürcher Kantonalbank. Zürcher Kantonalbank also includes client deposits that are not of an investment nature in its reported client assets. Non-inclusion of accounts that do not have an investment element would lead to greater volatility in managed client assets and thus distort the meaningfulness of trends in client assets. Assets held with Zürcher Kantonalbank but managed by third parties (custody-only) are not included. Banks and significant investment fund companies (including collective pension fund foundations, investment trusts, pension foundations and pension funds) for which Zürcher Kantonalbank acts exclusively as custodian bank are treated as custody-only.

b) Presentation of the development of managed assets

in CHF million	2023	2022
Total managed assets (including double counting) at beginning	396,077	404,518
+/– net new money inflow or net new money outflow [1]	36,590	33,832
+/– price gains/losses, interest, dividends and currency gains/losses	15,310	–41,119
+/– other effects	–1,431	–1,153
Total managed assets (including double counting) at end	446,546	**396,077**

1 The net new money inflow/outflow corresponds to the development of managed client assets adjusted for fluctuations in prices and exchange rates, interest and dividend payments, fees and expenses charged to clients, and reclassification of assets. Changes due to acquisitions/disposals of subsidiaries are not included. The interest billed to loan clients is included in the change in net new money inflow/outflow.

k) Information on the income statement

32 Breakdown of the result from trading activities and the fair value option

a) Breakdown by business area (in accordance with the organisation of the bank/financial group)

in CHF million	2023	2022
Result from trading in foreign exchange, bank notes and precious metals	155	139
Result from trading in bonds, interest rate and credit derivatives	153	148
Result from trading in equities and structured products	26	75
Result from other trading activities[1]	48	28
Total	**383**	**390**

1 The result from other trading activities includes results from securities lending and borrowing as well as positions for which the Executive Board or Asset Management is responsible.

b) Breakdown by underlying risk and based on the use of the fair value option

		Result from trading activities from:						
in CHF million	2023	Foreign exchange and bank notes	Precious metals	Securities lending and borrowing	Bonds, interest rate and credit derivatives	Equities and equity derivatives	Commodities and commodity derivatives	Other products[2]
Result from trading in foreign exchange, bank notes and precious metals	155	147	9	–	–0	–	–	–
Result from trading in bonds, interest rate and credit derivatives	153	–0	–	–13	161	5	–	–
Result from trading in equities and structured products	26	6	6	0	–10	24	–0	–0
Result from other trading activities	48	0	–0	49	0	–1	–0	–1
Total	**383**	**153**	**16**	**36**	**151**	**28**	**–0**	**–1**
– of which, from fair value option on assets	–	–	–	–	–	–	–	–
– of which, from fair value option on liabilities	–179	6	–0	–	3	–188	–0	–0

2 The trading result from other products includes hybrid products and real estate derivatives.

33 Disclosure of material refinancing income in the item interest and discount income as well as material negative interest

During financial year 2023, refinancing income from trading activities of CHF –435.6 million (previous year: CHF –73.4 million) was included in the item Interest and discount income. The item Interest and discount income also includes the result of currency swaps in the amount of CHF 987.4 million (previous year: CHF 471.3 million), which were entered into solely for the purpose of engaging in interest arbitrage. Negative interest on lending business is shown as a reduction in the interest and discount income. Negative interest on deposit-taking business is shown as a reduction in interest expenses.

in CHF million	2023	2022
Negative interest on lending business (reduction in interest and discount income)	0	94
Negative interest on deposit-taking business (reduction in interest expenses)	2	135

34 Breakdown of personnel expenses

in CHF million	2023	2022
Salaries for members of the bank's governing bodies and personnel	927	896
– of which, alternative forms of variable compensation	–	–
AHV, IV, ALV and other social security contributions	179	188
Changes in book value for economic benefits and obligations arising from pension schemes	–	–
Other personnel expenses	33	31
Total	**1,139**	**1,115**

35 Breakdown of general and administrative expenses

in CHF million	2023	2022
Office space expenses	31	28
Expenses for information and communications technology	175	160
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	2	2
Fees of audit firms	4	3
– of which, for financial and regulatory audits	4	3
– of which, for other services	0	0
Other operating expenses	269	231
– of which, compensation for state guarantee	30	28
Total	**481**	**424**

36 Explanations regarding material losses, extraordinary income and expenses, reserves for general banking risks and value adjustments and provisions no longer required

in CHF million	2023	2022
Extraordinary income		
Reversal of impairment on other participations	3	2
Income from sale of other real estate/bank premises	–	7
Income from sale of participations	–	–
Other	0	0
Total	**4**	**9**
Extraordinary expenses		
Losses from sale of other real estate/bank premises	–	–
Losses from disposal of participations	–	–
Other	–	0
Total	**–**	**0**
Changes in reserves for general banking risks		
Creation of reserves for general banking risks [1]	225	–
Release of reserves for general banking risks	–	–
Total	**225**	**–**

1 Allocation to strengthen the bank's capital.

37 Disclosure of and reasons for revaluations of participations and tangible fixed assets up to acquisition cost at maximum

in CHF million		2023	2022
Participations	**Registered office**		
CLS Group Holdings AG	Lucerne	0	0
Twint AG	Zurich	0	–
Venture Incubator AG	Altendorf	–	0
Zürcher Kantonalbank Österreich AG	Salzburg	2	–
Total		**3**	**1**

Appreciation is applied to non-listed participations in accordance with the mean value method and, for listed participations, in accordance with the market value method.

39 Presentation of current taxes, deferred taxes, and disclosure of tax rate

in CHF million	2023	2022
Creation of provisions for deferred taxes	–	–
Reversal of provisions for deferred taxes	–	–
Recognition of deferred taxes on losses carried forward	–	–
Recognition of other deferred taxes	–	–
Reversal of other deferred taxes	–	–
Expenses for current income and capital taxes	–	–
Expenses for property gains taxes	–	–
Total	–	**–**
Unrecognised tax reductions on losses carried forward, and tax credits not recognised under the principle of prudence	–	–
Hypothetical deferred income taxes calculated at theoretical tax rates on revaluations of investments not relevant for tax purposes	–	–

Figures in table: minus = expense; plus = income

As Zürcher Kantonalbank is an independent public-law institution that is exempt from taxes on its income and capital under both cantonal tax law (§ 61) and the federal law on direct taxation (§ 56), no weighted average tax rate is disclosed.

Pawnbroking agency
of Zürcher Kantonalbank

Zürcher Kantonalbank is required to operate a pawnbroking agency (§ 7 section 3 of the Zürcher Kantonalbank Act). Since 1872, the pawnbroking agency has been granting loans in return for the depositing of pledged items. It is managed as an independent business operation in Zurich, at Zurlindenstrasse 105. The following section shows the balance sheet, income statement and loan transactions of the pawnbroking agency.

Balance sheet (before appropriation of profit)

Assets in CHF 1,000	2023	2022	Liabilities in CHF 1,000	2023	2022
Liquid assets	358	349	Amounts due to banks	5,300	4,800
Amounts due from banks	395	385	Surplus from auctions	149	151
Accounts receivable	–	–	Accounts payable	1	1
Loans	5,659	5,182	Provisions	115	115
Inventory	–	–	Reserve fund	1,248	1,248
Furniture, IT system	0	0	Profit carried forward	0	0
Transitory assets/accrued interest	217	197	Operating profit/loss	–184	–202
Total assets	**6,628**	**6,113**	**Total assets**	**6,628**	**6,113**

Income statement

Expenses in CHF 1,000	2023	2022	Income in CHF 1,000	2023	2022
Operating expenses	890	919	Interest on loans	702	671
Refinancing expenses	81	25	Other income	84	71
Losses	0	1			
Depreciation and provisions	–	–			
Operating profit	–	–	Operating loss	184	202
Total	**971**	**944**	**Total**	**971**	**944**

Loan transactions

	Items	in CHF 1,000	Items	in CHF 1,000
Total loans at 31.12.2022			3,623	5,182
New loans in 2023 (incl. renewals)			7,676	11,758
Repayments in 2023	7,479	11,242		
Proceeds from auctions incl. inventory receipts	69	40		
Total loans at 31.12.2023			**3,751**	**5,659**

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Report of the statutory auditor to the Cantonal Parliament of Zurich on our audit of the financial statements as of 31 December 2023 of

Zurich, 29 February 2024

Zürcher Kantonalbank, Zürich

Report of the statutory auditor

Report on the audit of the financial statements

Opinion
We have audited the financial statements of Zürcher Kantonalbank (the Company), which comprise the balance sheet as at 31 December 2023, the income statement and the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 203 to 221) comply with Swiss law and the Law on Zürcher Kantonalbank.

Basis for opinion
We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the “Auditor's responsibilities for the audit of the financial statements” section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the “Auditor's responsibilities for the audit of the financial statements” section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Determination of value adjustments and provisions for default risks on loans to clients

Area of focus	Zürcher Kantonalbank discloses loans to clients, consisting of amounts due from customers and mortgage loans, at nominal value less any necessary value adjustments. For default risks on impaired loans, individual value adjustments are made. For default risks on non-impaired loans value adjustments and provisions for expected losses are recognized. For the measurement of value adjustments and provisions for default risks, valuation models are used. In addition, this requires making estimates and assumptions which, by definition, involve judgments and may vary depending on the valuation. As of 31 December 2023, Zürcher Kantonalbank discloses client loans totaling CHF 112.1 billion. As of the balance sheet date, individual value adjustments and provisions for impaired loans amounted to CHF 340.8 million and value adjustments and provisions for expected losses amounted to CHF 484.1 million. With 56.2%, loans to clients represent a material part of the assets of Zürcher Kantonalbank, and we consider the determination of value adjustments and provisions for default risks on loans to clients as a key audit matter. The significant accounting principles for determining value adjustments and provisions for default risks are described by Zürcher Kantonalbank on pages 123 to 125, 130, 131 as well as on pages 170 to 178 of the bank's annual report. Furthermore, we refer to notes 2 and 16 on pages 208, 209 and 214 in the notes to the financial statements.
Our audit response	We audited the processes and key controls in connection with granting and monitoring loans as well as with regard to the methods for identifying and determining individual value adjustments and provisions for default risks on loans to clients. Moreover, we evaluated the concept for the determination of value adjustments and provisions for expected losses. Finally, we performed sample tests on the impairment of selected client loans, and evaluated the compliance of significant accounting principles as well as the appropriateness of the disclosures in the notes to the financial statements. Our audit procedures did not lead to any reservations concerning the determination of value adjustments and provisions for default risks on loans to clients.

Fair value measurement of financial instruments

Area of focus	Fair value is defined as the amount for which an asset is exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. This amount corresponds to the price requested in a price-efficient and liquid market or, if this is missing, to the price determined on the basis of a valuation model. Valuation models are significantly affected by the assumptions that are used, including interest, forward and swap rates, spread curves and the volatility and estimates of future cash flows. There is a significant degree of judgment involved in making these assumptions. Zürcher Kantonalbank discloses financial instruments at fair value measurement in different balance sheet items. As of 31 December 2023, the fair value of positive replacement values of derivative financial instruments amounts to CHF 1.1 billion, while that of the negative replacement values amounts to CHF 2.5 billion. Furthermore, as of 31 December 2023, Zürcher Kantonalbank discloses liabilities from other financial instruments at fair value measurement totaling CHF 2.3 billion that were determined using a valuation model. As a result of the scope of judgment and the significance of the listed balance sheet items in the financial statements of Zürcher Kantonalbank, the valuation of these items represents a key audit matter. The corresponding accounting and valuation principles are described by Zürcher Kantonalbank on pages 125, 126, 131, 132 as well as on pages 179 to 185 of its annual report. Furthermore, we refer to notes 3, 4 and 14 on pages 209 to 211 and 213 in the notes to the financial statements.
Our audit response	We audited the processes and key controls with regard to fair value measurement, the validation and application of valuation models. Moreover, we assessed the assumptions made in connection with the valuation and their appropriateness on the basis of sample testing and evaluated the measurement of financial instruments by means of independent valuation models. On the basis of sample testing and a comparison with third-party sources, we assessed the fair values used and directly available from an active market. Moreover, we evaluated the appropriateness of the disclosures in the notes to the financial statements. Our audit procedures did not lead to any reservations concerning the fair value measurement of financial instruments.

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Other information
The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the financial statements
The Board of Directors is responsible for the preparation of the financial statements in accordance with the applicable financial reporting framework for banks, the provisions of Swiss law and the Law on Zürcher Kantonalbank, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse's website at: https://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

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Report on other legal and regulatory requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the financial statements according to the instructions of the Board of Directors.

Furthermore, we confirm that the appropriation of available earnings complies with Swiss law and the Law on Zürcher Kantonalbank. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Bruno Patusi
Licensed audit expert
(Auditor in charge)

Bruno Taugner
Licensed audit expert

Glossary

A

Assessment — Appraisal of a project, situation or participant.

Audit — The business unit Audit (the Inspectorate) is responsible for the group's internal auditing. In organisational terms, it reports directly to the Board of Directors and assists the latter in fulfilling its supervisory and control tasks.

B

Basel III — The reforms published by the Basel Committee for Banking Supervision in 2010, Basel III, include a further revision of the Basel Capital Accord. Besides stricter, risk-based capital requirements with a countercyclical effect, Basel III sets limits on leverage for the first time (leverage ratio). It also specifies a global minimum liquidity standard.

Basel Committee on Banking Supervision — The Basel Committee on Banking Supervision was established by the Bank for International Settlements (BIS) in 1974 and is made up of representatives of central banks and banking supervisory authorities from 27 countries. Switzerland is represented by the SNB and FINMA. The Basel Committee serves as a forum for cooperation on banking supervision issues and is the world's most important standard-setting body for banking regulation. Of particular importance is the Basel Capital Accord, also known as Basel I, Basel II and Basel III.

Bid-ask spread — Difference between the buying and selling price of a financial instrument or currency.

Business continuity management — Business continuity management ensures a company's critical business functions are maintained or restored in the case of internal or external events.

C

Capital at risk — The maximum risk capital specified by the Board of Directors, divided between the various risk categories of credit, market and operational risks in order to limit the various business activities.

Capital budgeting — Planning process for determining the risk capital. The available funds (risk capital) are allocated to the various investment opportunities (risk categories, risk managers).

Clearing house — Financial sector institution that ensures the orderly settlement of financial transactions between two counterparties by acting as a central counterparty through which financial transactions between different parties are processed.

CO_2e — CO_2 equivalent (CO_2e) is a measure of the relative contribution of a greenhouse gas to global warming over a specific period of time. It indicates the degree to which a certain amount of a greenhouse gas contributes to global warming compared to the same amount of CO_2. Carbon dioxide (CO_2) accounts for around 80 percent of global emissions, while the other gases regulated by the Kyoto Protocol are responsible for the remaining 20 percent. These include methane (CH_4), nitrous oxide (laughing gas, N_2O), fluorinated greenhouse gases (CFCs) and sulphur hexafluoride (SF_6).

Commodity trade finance — Financing for commodities trading in the form of loans.

Compliance — Compliance involves ensuring that the conduct and actions of the bank and its employees meet applicable legal and ethical standards and also covers all organisational measures designed to prevent violations of the law and breaches of rules and ethical norms by the bank.

Confidence level — Also known as confidence interval or expectancy range. Indicates an interval for the accuracy of the estimated position of a parameter. The confidence interval is the range that contains the true position of the parameter with a specific frequency (confidence level) when random samples are drawn an infinite number of times.

Core capital — This term was introduced as part of the Basel Capital Accord (Basel III) and refers to the equity available to a company on a permanent basis in order to cover losses in its operations. It consists primarily of paid-up corporate capital or endowment capital, as well as capital and profit reserves (Common Equity Tier 1). Additional Tier 1 capital, such as perpetual hybrid capital, is also included.

Core capital ratio (Tier 1) — This term was introduced as part of the Basel Capital Accord (Basel III) and describes the level of required core capital as a percentage of risk-weighted assets.

Corporate governance — Corporate governance is the totality of principles aimed at safeguarding the owner's interests; it is intended to guarantee transparency and provide a proper system of checks and balances at the highest level of the company while preserving decision-making powers and efficiency.

Cost/income ratio (CIR) — The cost/income ratio is a key measure of the efficiency of a participant in the financial sector.

Countercyclical capital buffer — The countercyclical capital buffer is a preventative capital measure within the Basel III framework aimed at preventing excessive bank lending. The level and implementation timescale for the capital buffer are determined by the Federal Council at the Swiss National Bank's (SNB) request, with FINMA monitoring implementation of the measure at bank level. The SNB can confine the countercyclical capital buffer to just one sector of the credit market (e.g. residential mortgages).

Credit valuation adjustment (CVA) — An additional capital requirement to account for the risk of a change in a counterparty's creditworthiness where OTC derivatives are not settled via a central counterparty.

Creditworthiness — Ability and willingness of an individual, company or country to repay debts.

E

Endowment capital — Equity made available to Zürcher Kantonalbank, as a public-law institution, by the canton, as owner.

Exception to policy — Procedure or approach that deviates from internal guidelines on an exceptional basis.

F

Fair value — Fair value is the amount for which mutually independent, knowledgeable business partners would exchange an asset or repay a debt.

FATCA — The United States Foreign Account Tax Compliance Act aims to prevent US taxpayers from minimising their taxes, particularly through using financial institutions located abroad. The law came into effect for financial institutions worldwide on 1 July 2014.

FINMA — The Swiss Financial Market Supervisory Authority (FINMA) is responsible for supervising banks, insurance companies, exchanges, securities dealers, collective investment schemes, as well as distributors and insurance brokers. An independent authority, it works to protect creditors, investors and policyholders, as well as to ensure the effectiveness of the financial markets.

I

Impairment — Decrease in value where the book value of an asset (participation, tangible fixed asset or intangible asset) exceeds the recoverable amount (the greater of net market value or value-in-use).

IRB approach — The internal ratings-based (IRB) approach is an institution-specific modelling approach based on internal ratings, used to determine risk-based capital requirements for credit risk. IRB approaches are more risk-sensitive than the standard approach and have to be approved by FINMA.

Issuer — Issuer of securities such as equities or bonds.

K

Key rate sensitivity — The degree of sensitivity of an asset's net present value to minor changes in an interest rate, e.g. the effect on the net present value of a portfolio of financial investments of a reduction in the market interest rate by 0.01 percent.

Key risk takers — Key risk takers have a sustained influence on the bank's business operations (risks, image, etc.), on the group's result and therefore on the implementation of the strategy.

L

LCR — The LCR (liquidity coverage ratio) is a regulatory indicator that compares the ratio of the portfolio of assets classified as high quality to the total net outflow over the next 30 days. The LCR must be determined using a predefined stress scenario.

Letter of credit — The (documentary) letter of credit is an instrument guaranteeing the settlement of payment and credit transactions in connection with international trade. An importer's bank issues a written commitment in which it agrees to make payment to the exporter of a good upon receipt of the documents specified in the letter of credit.

Long-term deferred compensation — Unsecured deferred compensation in the form of a future allocation of a cash sum. It is is deferred for a period of three years and is also subject to additional conditions, in particular the sustainable success of the business.

Leverage ratio — The leverage ratio is an unweighted equity ratio and measures a bank's degree of indebtedness. It defines the relationship between equity and the sum of all assets and various off-balance-sheet items.

Liquidity — A company's ability to meet its commitments in full and on time. The Swiss Banking Act requires banks in Switzerland to have adequate liquidity. The money market is central to the liquidity management of banks. The SNB provides the money market with liquidity to implement its monetary policy.

M

Monte Carlo simulation — Stochastic process based on very frequently conducted random experiments. The aim is to use probability theory to analytically solve problems that are difficult or impossible to solve.

N

Negative emission technologies (NET) — Biological and technical processes used to remove CO_2 from the atmosphere and sequester it permanently in forests, soils, wood products or other carbon stores.

Negative replacement value — The replacement value corresponds to the market value of outstanding derivative financial instruments. Negative replacement values constitute a financial obligation and thus a liability.

Net new money inflow — The net inflow or outflow of assets under management (net new money) during a particular period comprises new customers acquired, customer departures, and the inflow and outflow of investments of existing customers. The term "net new money" not only includes cash inflows and outflows but also the inflow and outflow of other investments customary in the banking business (e.g. securities or precious metals). The inflow / outflow of net new money is calculated at the level of "total managed assets", i.e. before the elimination of double counting. Market-related changes in asset values (e.g. price changes, interest and dividend payments) are not to be included as inflows or outflows.

Net stable funding ratio (NSFR) — The NSFR is a ratio established under Basel III. Compliance with this ratio is intended to ensure long-term liquidity. It is a supplement to the liquidity coverage ratio (LCR). The NSFR is calculated by dividing stable refinancing by long-term liabilities (over one year).

Netting — The term netting describes the offsetting of receivables and payables under a netting agreement between two counterparties. Netting agreements must be enforceable under bankruptcy law. As a result of netting, the level of gross receivables/payables is reduced to a net position.

O

Open banking — Open banking is the opening of banking data at the client's request so that, for example, account or transaction data can be made available for third-party software solutions. If the client has accounts with more than one bank, the bank can also consolidate the client's other banking relationships in its own e-banking system at the client's request. The bank fulfils this client need by introducing open and standardised interfaces (API – application programming interface).

OTC transaction — Transaction that takes place over the counter (OTC), i.e. not on an exchange but on a direct, individual basis between two counterparties.

P

Positive replacement value — The replacement value corresponds to the market value of outstanding derivative financial instruments. Positive replacement values constitute a receivable and thus an asset.

R

Repo (repurchase agreement) — Financial transaction where the borrower agrees to transfer securities to the lender in return for an agreed sum of money and redeem them for payment plus interest at the end of the term.

Return on equity (RoE) — The return on equity measures the profitability of equity and is calculated from the relationship between net profit and equity.

Risk-adjusted pricing — Pricing where the price level depends on the level of risk entered into.

Risk capital allocation — The allocation of capital at risk to the various risk categories (or risk managers) as part of the planning process.

Risk-weighted assets (RWA) — The term risk-weighted assets was introduced as part of the Basel Capital Accord (Basel II) and constitutes the main basis for measuring risk-based capital ratios such as the core capital ratio. Risk weighting assumes that not every position entails the same level of risk. For this reason, less risky positions require less equity to underpin them than riskier ones.

S

Securities lending and borrowing (SLB) transaction — SLB transactions involve a lender transferring a security to a borrower to use for a fixed or indefinite, but callable period; in return, they receive a fee from the borrower.

SME — Small and medium-sized enterprises with fewer than 250 employees. Microbusinesses and small enterprises are those with fewer than 20 employees. Companies with 20 to 249 employees are considered medium-sized enterprises.

Straight through processing — Straight through data processing in the sense that the information is processed without manual intervention.

Systemically important banks — A bank or group of banks is systemically important if it performs functions in the domestic lending and deposit business and in the payment transactions business that are indispensable to the Swiss economy and not substitutable at short notice. Other criteria such as size, risk profile and integration are also taken into account. Systemically important banks in Switzerland are subject to particularly strict requirements ("too big to fail").

U

Universal bank — A universal bank is a financial institution that fundamentally conducts all banking transactions and offers them to all client groups. All banking transactions means payment transactions, deposit business (accounts), financing as well as investment, trading and capital market business. All client groups are retail clients (Retail Banking), high-net-worth individuals (Private Banking), corporate clients (Corporate Banking) and large corporations (Investment Banking). A universal bank generates income from interest margin business, commission business and services (from securities and investments), as well as trading activities.

V

Value at risk (VaR) — The maximum loss on a specific risk position (e.g. a securities portfolio) with a given probability (e.g. 95 percent) over a given period of time (e.g. ten days).

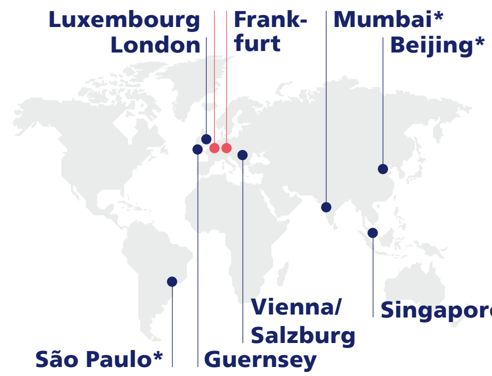
Volatility — Fluctuation, e.g. in the price of a security.

Locations

Canton of Zurich

We have a strong local base. With 51 branches and more than 260 ATMs, we have the densest network of branches and ATMs in the Canton of Zurich.

International



● Branches / Locations of Zürcher Kantonalbank
○ Büro Züri
● Locations of Swisscanto Holding Ltd.
* Representative offices

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Albisstrasse 17
8134 Adliswil

Affoltern am Albis
Obere Bahnhofstrasse 25
8910 Affoltern am Albis

Andelfingen
Landstrasse 42
8450 Andelfingen

Bassersdorf
Postplatz 3
8303 Bassersdorf

Bauma
Bahnhofstrasse 8
8494 Bauma

Bülach
Kreuzstrasse 1
8180 Bülach

Dielsdorf
Wehntalerstrasse 45
8157 Dielsdorf

Dietikon
Zentralstrasse 19
8953 Dietikon

Dübendorf
Usterstrasse 1
8600 Dübendorf

Effretikon
Märtplatz 17
8307 Effretikon

Egg
Forchstrasse 138
8132 Egg

Eglisau
Obergass 8
8193 Eglisau

Fehraltorf
Grundstrasse 2
8320 Fehraltorf

Feuerthalen
Schützenstrasse 30
8245 Feuerthalen

Hinwil
Dürntnerstrasse 9
8340 Hinwil

Hombrechtikon
Grüningerstrasse 12
8634 Hombrechtikon

Horgen
Seestrasse 150
8810 Horgen

Kloten
Bahnhofstrasse 10
8302 Kloten

Küsnacht
Obere Wiltisgasse 48
8700 Küsnacht

Männedorf
Kugelgasse 21
8708 Männedorf

Meilen
Bahnhofstrasse 25
8706 Meilen

Pfäffikon
Turmstrasse 5
8330 Pfäffikon ZH

Regensdorf
Watterstrasse 57
8105 Regensdorf

Richterswil
Poststrasse 15
8805 Richterswil

Rüti
Bergstrasse 1
8630 Rüti

Schlieren
Zürcherstrasse 4
8952 Schlieren

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Bahnhofstrasse 12
8712 Stäfa

Stettbach
Am Stadtrand 5
8600 Dübendorf

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Gotthardstrasse 29
8800 Thalwil

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Tösstalstrasse 58
8488 Turbenthal

Uster
Webernstrasse 3
8610 Uster

Volketswil
Zentralstrasse 19
8604 Volketswil

Wädenswil
Zugerstrasse 12
8820 Wädenswil

Wald
Bahnhofstrasse 38
8636 Wald

Wallisellen
Bahnhofstrasse 23
8304 Wallisellen

Wetzikon
Bahnhofstrasse 186
8620 Wetzikon

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