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CREDIT OPINION

27 August 2026

Update

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RATINGS

Zuercher Kantonalbank

Domicile	Zurich, Switzerland
Long Term CRR	Aaa
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	WR
Type	Senior Unsecured - Dom Curr
Outlook	Rating(s) WithDrawn
Long Term Deposit	Aaa

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

Zuercher Kantonalbank

Update after rating affirmation

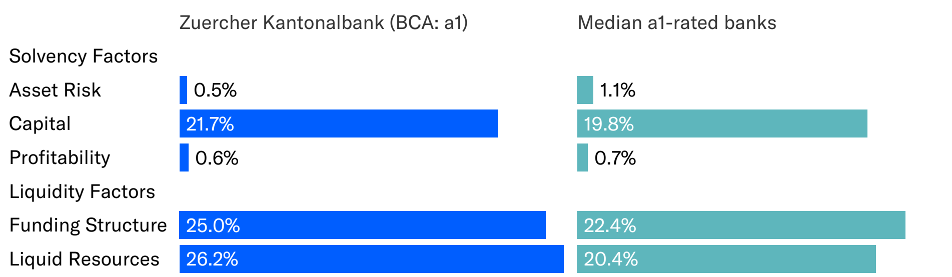
Summary

Zuercher Kantonalbank's (ZKB) Aaa backed deposit ratings reflect its a1 BCA, three notches of rating uplift from affiliate support derived from the maintenance guarantee provided by the bank's sole owner, the Canton of Zurich, which results a aa1 Adjusted BCA, and one notch of rating uplift from our Advanced Loss Given Failure (LGF) analysis, which incorporates the relative loss severity of a liability class. While we consider ZKB as a domestic systemically important bank and assume a moderate likelihood of government support, it does not result in rating uplift.

ZKB's a1 BCA reflects the bank's stable asset quality, yet also considering concentration risks related to real-estate activities in the Zurich region. The bank's strong capital base as well as its existing high loan loss reserves provide additional meaningful protection against adverse developments. We expect the bank's profitability to remain sound and subject to only very limited volatility. The BCA is further supported by contained outflow risks because of the Canton of Zurich's guarantee, which provides the bank with uninterrupted market access even under adverse market situations, and the readily available liquidity provides a strong cushion compared with the limited outflow and refinancing risks.

Exhibit 1

Rating Scorecard Zuercher Kantonalbank - Key financial ratios



Source: Moody's Ratings and company filings

Credit strengths

- The Canton of Zurich provides a maintenance guarantee and a deficiency guarantee (fully guaranteeing all of the bank's senior liabilities)
- Strong capitalisation and stable profitability metrics
- Very solid liquidity buffers with the guarantee by the Canton ensuring good market access as a quasi sub-sovereign issuer

Credit challenges

- Growth in the bank's residential mortgage loan portfolio
- Managing operational risks inherent in the bank's customer-driven trading activities and litigation risks stemming from its significant wealth and asset management operations

Outlook

- The stable outlook on ZKB's backed long-term deposit and issuer ratings reflects our expectation of the bank maintaining its current solvency and liquidity profile, combined with a stable credit profile for the Canton of Zurich. The stable outlook also takes into account our expectation that ZKB will maintain sufficient volumes of bail-in-able liabilities safeguarding the currently assigned rating uplift resulting from our Advanced LGF analysis.

Factors that could lead to an upgrade

- ZKB's senior deposit and issuer ratings as well as its Counterparty Risk Ratings are already positioned at the highest possible level and cannot be upgraded. The bank's junior senior unsecured and subordinated debt ratings could be upgraded following changes in the liability structure, such that it reduces the loss severity for these liability classes from our Advanced LGF analysis. Both liability classes as well as the bank's AT1 ratings could also be upgraded in case the Canton of Zurich's creditworthiness improves.
- A BCA upgrade, although unlikely given its already very high level, could result from a significantly improved solvency.

Factors that could lead to a downgrade

- The bank's ratings could be downgraded if the bank's BCA is downgraded or if the canton's creditworthiness deteriorates. The deposit and issuer ratings could be downgraded, following a shift in the liability structure towards non-bail-in-able instruments, such that it increases the loss severity for senior unsecured liabilities and results in fewer notches of rating uplift could lead to downwards rating pressure.
- The bank's BCA could be downgraded if the combined solvency and liquidity profile weakens, for instance in case ZKB's asset quality would meaningfully deteriorate, leading to persistently lower capitalisation and profitability levels in conjunction with lower liquidity cushions or a weakening of the creditworthiness of the canton.

Key indicators

Exhibit 2

Zuercher Kantonalbank (Consolidated Financials) [1]

	12-25[2]	12-24[2]	12-23[2]	12-22[2]	12-21[2]	CAGR/Avg.[3]
Total Assets (CHF Billion)	206.2	202.6	201.3	199.8	192.1	1.8[4]
Total Assets (USD Billion)	260.2	223.6	239.1	215.9	210.2	5.5[4]
Tangible Common Equity (CHF Billion)	15.7	14.9	14.3	13.3	12.6	5.6[4]
Tangible Common Equity (USD Billion)	19.8	16.4	16.9	14.4	13.8	9.5[4]
Problem Loans / Gross Loans (%)	0.5	0.4	0.4	0.4	0.4	0.4[5]
Tangible Common Equity / Risk Weighted Assets (%)	21.7	17.2	18.1	17.4	17.6	18.4[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	3.4	3.3	3.3	3.1	3.2	3.2[5]
Net Interest Margin (%)	0.8	0.9	0.9	0.7	0.7	0.8[5]
PPI / Average RWA (%)	1.8	1.6	1.9	1.4	1.4	1.6[6]
Net Income / Tangible Assets (%)	0.6	0.5	0.7	0.5	0.5	0.6[5]
Cost / Income Ratio (%)	57.5	57.6	54.5	61.7	63.2	58.9[5]
Gross Loans / Due to Customers (%)	108.7	110.9	110.8	104.3	105.6	108.1[5]
Core Banking Liquidity (HQLA) / Tangible Banking Assets (%)	26.2	25.7	--	--	--	26.0[5]
Less-stable Funds (LCR) / Tangible Banking Assets (%)	25.0	23.8	--	--	--	24.4[5]

[-] Further to the publication of our revised methodology in July 2021, only ratios from annual 2020 onwards included in this report reflect the change in analytical treatment of the "high-trigger" Additional Tier 1 instruments. [1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; LOCAL GAAP. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.

Further to the publication of our revised methodology in November 2025, only ratios from annual 2024 onwards included in this report apply reported risk weights for all exposures, discontinuing our previously applied standard adjustment for certain government securities. Sources: Moody's Ratings and company filings

Profile

ZKB is Switzerland's largest cantonal bank, measured by its total assets of CHF206.2 billion as of 31 December 2025. The bank was established in 1870 by the Canton of Zurich, which is still its sole owner and extends to ZKB a maintenance guarantee, according to article 109 of the cantonal constitution.

ZKB operates an universal banking model, providing financial services to retail, corporate, and institutional clients primarily in the Canton of Zurich, including financing, investment and asset management, trading and capital markets services, payment transactions, and debit and credit cards. The bank has a very strong position in the Canton of Zurich, and a 8.2% share of total Swiss domestic banking assets as of 31 December 2025. The bank also distributes its products and services through representative offices in China, India, Singapore, and Brazil. Employing more than 5,800 staff, ZKB was classified a domestic systemically important institution by the Swiss National Bank (SNB) in November 2013.

For more information, please see ZKB's Issuer Profile and our Swiss Banking System Profile.

Detailed credit considerations

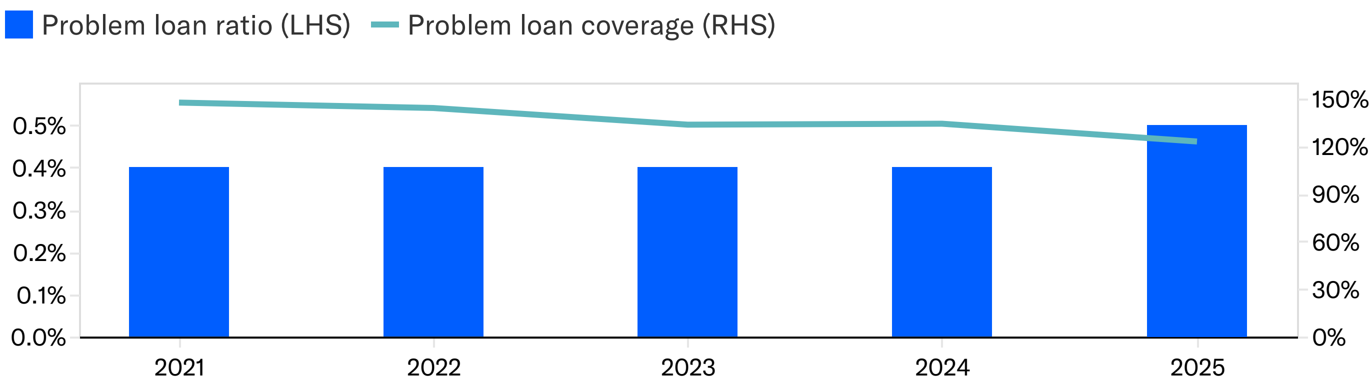
ZKB's asset quality is good, with strong coverage providing protection from sector concentrations in real estate and tail risks in its asset management activities

We assign an a1 asset risk score that reflects our Problem Loans to Gross Loans ratio of 0.5%, which we consider to be Very Strong, and is adjusted for ZKB's geographic and sector concentrations, and further incorporates tail risks stemming from its growing wealth and asset management operations.

As of 31 December 2025, ZKB's residential and commercial mortgage book stood at CHF111.6 billion (54% of the bank's total assets), rendering the bank susceptible to a significant slowdown in the Zurich and Swiss housing markets or a prolonged period of weaker economic growth in Switzerland. The risks related to a potential slowdown are mitigated by an outstandingly strong coverage ratio of 122.9% as of the end of 2025, providing a very solid buffer against adverse developments. ZKB increased provisions during the pandemic, and has only used a limited portion over time. Finally, the bank's loan book is highly granular and has limited exposure to the high-end luxury segments within the retail residential mortgage market.

ZKB has positioned itself as one of the larger providers of wealth and asset management offerings, both nationally and internationally. The bank had total client assets under management of CHF498.6 billion as of the end of December 2025, up CHF41.3 billion compared with the previous year, mainly market-performance related, and displaying solid net new money of CHF13.6 billion. ZKB's private banking operations will continue to be accompanied by certain execution as well as litigation, operational and reputational risks inherent to these activities

Exhibit 3
ZKB's asset quality is excellent and potential risks are covered by very high loan loss reserves



Source: Moody's Ratings and company filings

ZKB´s solid capitalisation provides a strong buffer against adverse developments

We assign an aa3 score for capital that reflects our Tangible Common Equity to Risk Weighted Assets ratio of 21.7%, which we consider to be Very Strong and as well as our expectation of broadly stable capital ratios in the future, however, also the application of the internal ratings based approach to calculate the bank's risk weighted assets.

ZKB's capitalisation provides a significant buffer against rising regulatory minima because of the bank's role as a domestic systemically important bank[1]. The position is accompanied by a regulatory leverage ratio of 7.1% (going-concern), also well above the 4.5% requirement for systemically important banks. We expect the bank's capitalisation to remain stable at least, profit retention should balance potential growth in risk weighted assets.

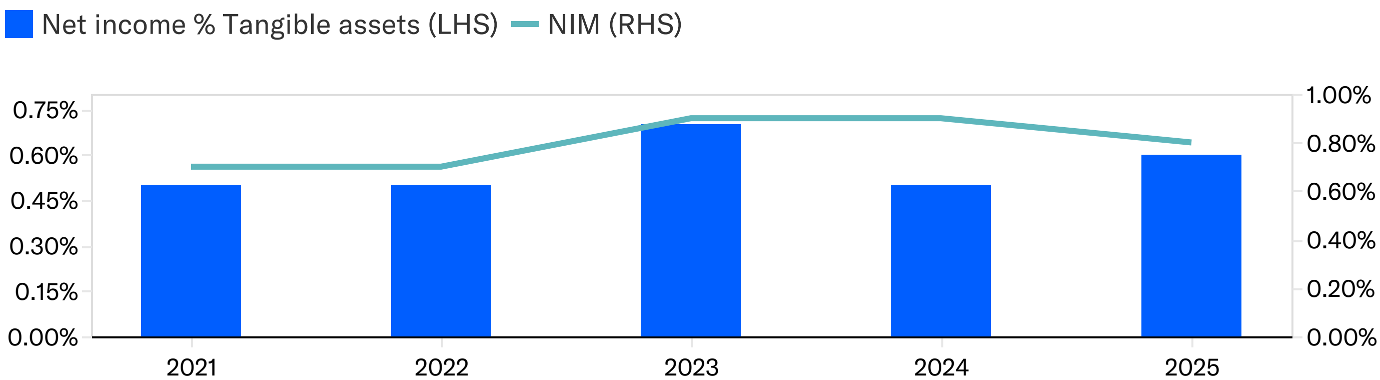
Further, the bank's sole owner, the Canton of Zurich provides a dotation capital frame of CHF3.4 billion. Of this capital frame, CHF2.4 billion has been drawn by ZKB and the remaining dotation capital of CHF1.0 billion is dedicated in full to the emergency planning of the bank, making the dotation capital reserve eligible as gone concern capital. As a consequence, the related amount can only be called by order of the Swiss Financial Market Supervisory Authority (FINMA) or by a person in charge of the restructuring designated by FINMA. Furthermore, we expect the canton to provide further capital support in the unlikely scenario that the bank's solvability is significantly strained.

ZKB's diversified and stable earnings support its capital generation capacity

We assign a baa2 score for profitability score, that reflects our Net Income to Tangible Assets ratio of 0.6%, which we consider to be Moderate, also considering the bank's track record of very stable and increasingly diversified returns.

ZKB's revenues show a sound level of diversification, benefitting from its universal banking model, combining income from interest-earning business, which have contributed some 55% over the past years, and fee and trading income from services - including asset and wealth management - contributing the remainder. In combination with cost management and a conservative risk appetite this has helped ZKB to print a reliable stream of profits during the low rate environment and an improvement following a moderatel normalisation of rates. In 2025 profitability increased, mainly due to growth in fee income and trading revenues linked to its growing asset management activities, which has compensated pressure on net interest margins in a still low-rate environment, particularly as lending growth of ZKB remains contained.

Exhibit 4
ZKB's large share of fee and commission income diversifies its earnings stream



Source: Moody's Ratings and company filings

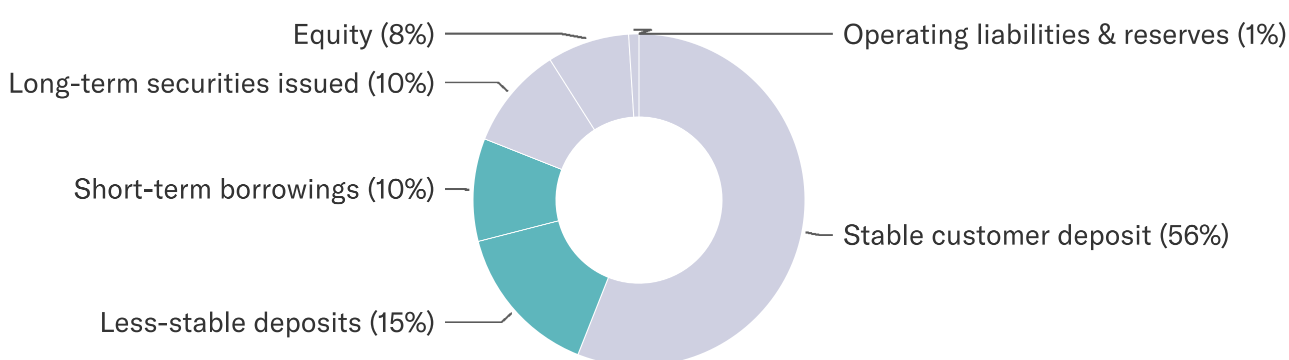
Excellent market access and a strong deposit franchise imply very limited refinancing risks

We assign an aa1 score funding structure that reflects our Less Stable Funds to Tangible Banking ratio of 25.0%, which we consider to be Moderate and is adjusted for the guarantee provided by the canton on ZKB's senior obligations, safeguarding the bank's prime market access even under more adverse market conditions, which significantly reduces any refinancing risks.

While the primary funding source for ZKB is its CHF114.5 billion customer deposit base as of year-end 2025, which increased by CHF7.3 billion from year-end 2024, resulting in a largely unchanged loan-to-deposit ratio of 109% as of year-end 2025. With repo and interbank liabilities of CHF41.3 billion as of 31 December 2025, ZKB is a net borrower in the interbank market and is a frequent issuer, thereby a bank with market funding dependence and ongoing refinancing needs. However, the guarantee provided by the Canton of Zurich significantly reduces potential refinancing risks, given the perception of ZKB as a quasi sub-sovereign borrower and a safe haven.

Outstanding senior unsecured bonds accounted for CHF7.6 billion as of year end 2025, further, ZKB funded CHF12.0 billion Pfandbriefe (sourced via the Pfandbriefzentrale of the Swiss cantonal banks), CHF4.7 billion in structured notes, CHF8.3 billion of trading and derivative liabilities, and CHF2.2 billion of issued bail-in bonds, which represents junior senior unsecured debt that counts towards the bank's gone-concern capital requirement.

Exhibit 5
ZKB's refinancing risks are low, because of the canton's guarantee



Source: Moody's Ratings and company filings

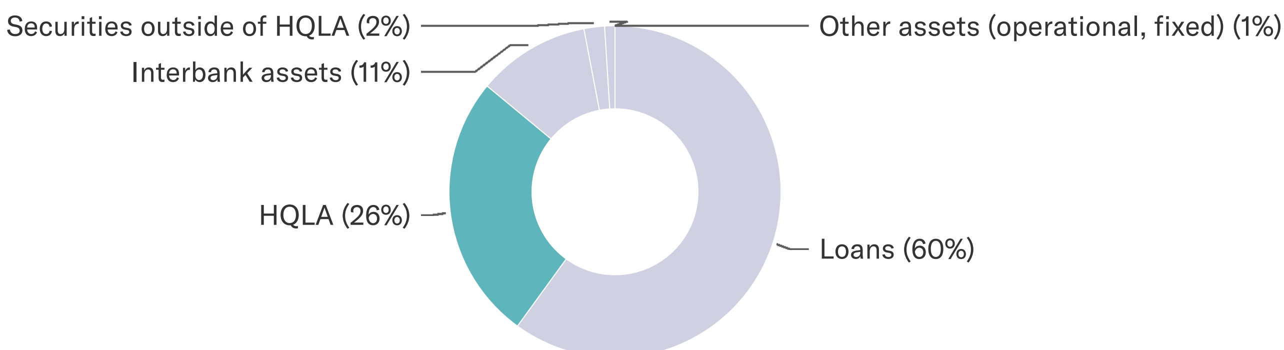
ZKB's liquid resources are sound, considering the limited outflow risks

We assign an a2 score for liquid resources score that reflects our Core Banking Liquidity to Tangible Banking Assets ratio of 26.2%, which we consider to be Strong and is providing a comfortable buffer compared with the limited refinancing and outflow risks.

As of year-end 2025, ZKB's CHF54.1 billion of high quality liquid assets primarily comprised of CHF36.3 billion of cash and cash equivalents with CHF6.9 billion of HQLA-eligible debt securities. With the SNB carry trade opportunity having vanished with higher rates and a change in the SNB's renumeration policy for banks' sight deposits, the incentives to hold high liquid reserves were reduced further. At the same time, stricter liquidity requirements for systemically important banks in Switzerland that came into effect on 1 January 2024 support ZKB's Liquidity Coverage Ratio (LCR), which stood at 136% on average at the end of 2025. Furthermore, ZKB's Net Stable Funding Ratio (NSFR) reached 118% as of year-end 2025.

In addition, the bank has leeway to source additional liquidity from the SNB via several progams such as the emergency /extended liquidity facility if required. ZKB, as a systemically important bank has to adhere to stricter LCR requirements that exceed the usual 30 day period, ensuring liquidity over a longer time horizon, though coverage goes beyond highly liquid assets and includes alternative instruments and measures, and we expect banks, particularly, systemically relevant entities, to have contingent liquidity reserves at hand.

Exhibit 6
ZKB's balance sheet remains highly liquid



Source: Moody's Ratings and company filings

Weighted Macro Profile of Strong (+)

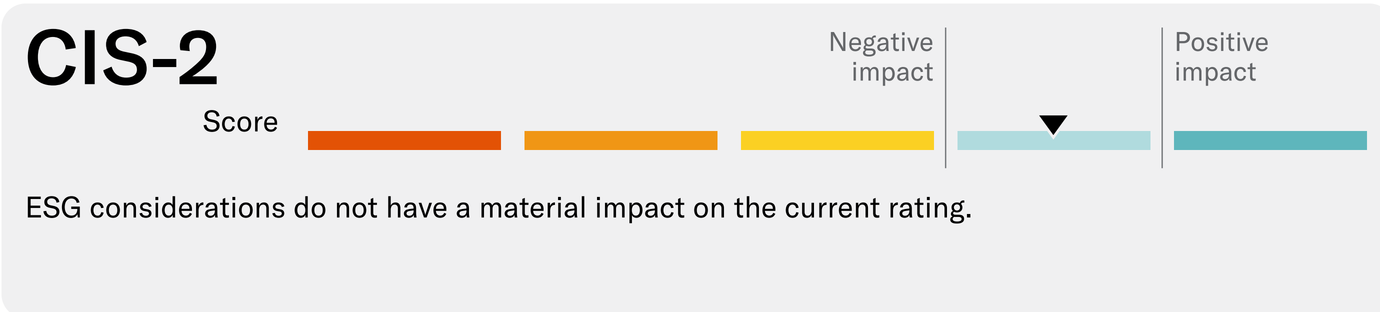
We assign a Strong (+) Weighted Macro profile to ZKB, reflecting its large exposure to the Switzerland. The bank also has limited operations in the EU and other countries.

ESG considerations

Zuercher Kantonalbank's ESG credit impact score is CIS-2

Exhibit 7

ESG credit impact score

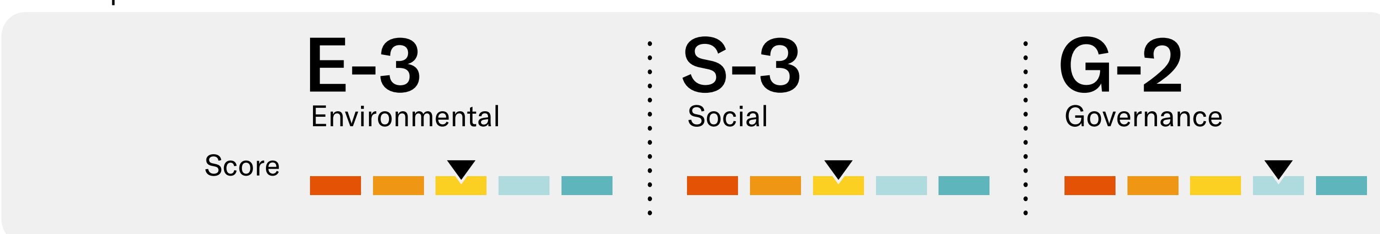


Source: Moody's Ratings

ZKB's **CIS-2** indicates that ESG considerations do not have a material impact on the current rating.

Exhibit 8

ESG issuer profile scores



Source: Moody's Ratings

Environmental

ZKB faces moderate exposure to environmental risks primarily because of its portfolio exposure to carbon transition risk as a mostly regional banking group. In line with its peers, ZKB is facing mounting business risks and stakeholder pressure to meet broader carbon transition goals. Carbon transition risks relate mostly to its corporate loan book, which represents about a quarter of the bank's lending portfolio, with the remainder comprising residential real estate.

Social

ZKB faces moderate social risks related to customer relations and associated regulatory risks, litigation exposure, and high compliance standards. These risk exposures emerge primarily from its retail as well as its wealth and asset management operations and they are mitigated by the bank's developed policies and procedures. Furthermore, the bank's long track record of handling sensitive customer data as well as technology solutions and organizational measures to prevent data breaches and business disruption help to manage high cyber and personal data risks.

Governance

ZKB faces low governance risks, and its risk management, policies and procedures are in line with industry practices, and commensurate with its universal banking model. Also, despite the fact that the bank is fully owned by the Canton of Zurich, all the members of its board of directors are considered independent.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Support and structural considerations

Affiliate support

We expect an “affiliate-backed” level of support from ZKB's Parent, Canton of Zurich, based on maintenance guarantee provided. The maintenance guarantee requires the canton to inject capital into ZKB, in case of need, until the canton defaults itself. Parental support materially reduces the probability of default, as it would be available to stabilise a distressed bank and not just compensate for losses in resolution. This leads to three notches of rating uplift from the a1 BCA, leading to a aa1 Adjusted BCA.

Loss Given Failure analysis

ZKB is domiciled in Switzerland, which we consider an operational resolution regime. We therefore apply our advanced Loss Given Failure (LGF) analysis. We assume the proportion of deposits considered junior at 26%, in line with our standard assumption, because of the bank’s largely retail-oriented depositor base. We also take into account full depositor preference, whereby junior deposits are preferred over senior debt creditors in accordance with the local legislation. All the other assumptions are in line with our standard ones.

Our LGF analysis indicates that ZKB's junior deposits an extremely low given-failure, leading to a ratings uplift of three notches, which is, however, capped at one notch to derive at Aaa. Senior unsecured debt is likely to face very low loss given-failure, which results in a one-notch uplift from the bank's aa1 Adjusted BCA. For junior senior unsecured and subordinated debt, our Advanced LGF analysis indicates a high loss given failure, resulting in Aa2 ratings.

Government support

We incorporate a Moderate probability of government support for ZKB’s senior obligations in a stress scenario because of the bank's high national market shares in key banking products and its relative importance to Switzerland's banking system. However, since the Canton of Zurich must provide support to ZKB prior to failure because of the maintenance guarantee and given the uplift provided by our Advanced LGF analysis for the bank’s senior obligations, ZKB’s senior ratings do not benefit from further sovereign government support.

Methodology and scorecard

Methodology

The principal methodology we used in rating ZKB was our Banks Methodology, published in November 2025.

About Moody's Bank Scorecard

Our Bank Scorecard is designed to capture, express and explain in summary form our Rating Committee's judgment. When read in conjunction with our research, a fulsome presentation of our judgment is expressed. As a result, the output of our scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating methodology and scorecard factors

Exhibit 9
Rating Factors

Macro Factors		
Weighted Macro Profile	**Strong +**	**100%**

Factor	Historic Ratio	Initial Score	Expected Trend	Assigned Score	Key driver #1	Key driver #2
Solvency						
Asset Risk						
Problem Loans / Gross Loans	0.5%	aa1	↔	a1	Geographical concentration	Sector concentration
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	21.7%	aa2	↔	aa3	Expected trend	Recognition of risk-weighted assets
Profitability						
Net Income / Tangible Assets	0.6%	baa2	↔	baa2	Earnings stability	Expected Trend
Combined Solvency Score		aa3		a2		
Liquidity						
Funding Structure						
Less-stable Funds / Tangible Banking Assets	25.0%	a3	↔	aa1	Market funding quality	
Liquid Resources						
Core Banking Liquidity / Tangible Banking Assets	26.2%	a2	↔	a2	Quality of liquid assets	Expected trend
Combined Liquidity Score		a3		aa3		
Financial Profile		a1		a1		
Qualitative Adjustments				Adjustment		
Business and Geographic Diversification				0		
Complexity and Opacity				0		
Strategy, Risk Appetite and Governance				0		
Total Qualitative Adjustments				0		
Sovereign or Affiliate constraint				-		
BCA Scorecard-indicated Outcome - Range				aa3 - a2		
Assigned BCA				a1		
Affiliate Support notching				-		
Adjusted BCA				aa1		

Balance Sheet is not applicable.

Debt Class	De Jure waterfall		De Facto waterfall		Notching		LGF Notching Guidance vs. Adjusted BCA	Assigned LGF notching	Additional Notching	Preliminary Rating Assessment
	Instrument volume + subordination	Sub-ordination	Instrument volume + subordination	Sub-ordination	De Jure	De Facto				
Counterparty Risk Rating	-	-	-	-	2	2	1	1	0	aaa
Counterparty Risk Assessment	-	-	-	-	3	3	1	1	0	aaa (cr)
Deposits	-	-	-	-	3	3	1	1	0	aaa
Senior unsecured bank debt	-	-	-	-	1	1	1	1	0	aaa
Junior senior unsecured bank debt	-	-	-	-	-1	-1	-1	-1	0	aa2
Dated subordinated bank debt	-	-	-	-	-1	-1	-1	-1	0	aa2
Non-cumulative bank preference shares	-	-	-	-	-1	-1	-1	-1	-2	a1

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	1	0	aaa	0	Aaa	Aaa
Counterparty Risk Assessment	1	0	aaa (cr)	0	Aaa(cr)	
Deposits	1	0	aaa	0	Aaa	Aaa
Senior unsecured bank debt	1	0	aaa	0	Aaa	Aaa
Junior senior unsecured bank debt	-1	0	aa2	0	Aa2	Aa2
Dated subordinated bank debt	-1	0	aa2	0		Aa2
Non-cumulative bank preference shares	-1	-2	a1	0	A1 (hyb)	

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.
Source: Moody's Ratings

Ratings

Exhibit 10

Category	Moody's Rating
ZUERCHER KANTONALBANK	
Outlook	Stable
Bkd Bank Deposits	Aaa/P-1
Baseline Credit Assessment	a1
Adjusted Baseline Credit Assessment	aa1
Bkd Issuer Rating	Aaa
Junior Senior Unsecured	Aa2
Subordinate	Aa2
Pref. Stock Non-cumulative -Dom Curr	A1 (hyb)

Source: Moody's Ratings

Endnotes

1 As of January 2019, new gone concern capital requirements, equal to 40% of the going concern capital requirements for domestic systemically important banks such as ZKB came into effect, phasing in until January 2026. Moreover, in September 2019, FINMA levied additional gone concern capital requirements on ZKB, which will also phase in and result in a total gone concern capital requirement of 7.9% of RWA in 2026

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EMEA	44-20-7772-5454