Zuercher Kantonalbank

Key Rating Drivers

Support Drives Ratings: Zuercher Kantonalbank's (ZKB) Issuer Default Ratings (IDRs) are driven by support from its guarantor and sole owner, the Canton of Zurich (AAA/Stable/F1+). The bank's Shareholder Support Rating (SSR) is equalised with the canton's Long-Term IDR. The Viability Rating (VR) reflects ZKB's stable and resilient business model, conservative risk appetite, strong asset quality, funding and capitalisation, and adequate profitability.

Cantonal Guarantee: The canton guarantees ZKB's non-subordinated liabilities according to a specific cantonal law (ZKB Law). The bank's size is large relative to the canton's budgetary resources, but its stable and resilient business model, funding and capital buffers mean that recapitalisation or liquidity support would be manageable in a realistic stress scenario.

ZKB has a recovery and resolution plan. Under this, the canton could be required to provide about CHF3 billion of capital to recapitalise ZKB. Fitch Ratings believes this would be manageable for the canton given its strong financial position, and would not on its own drive negative action on the canton's ratings or trigger a reassessment of our support assumptions.

Timely Support Expected: The canton's guarantee does not address the timeliness of support, but we believe support would be timely given ZKB's high importance for the canton and potential repercussions of a systemically important bank's failure for the Swiss financial sector. We also believe that a default of ZKB would constitute huge reputational risk to the canton. The canton's constitution requires it to have a cantonal bank, making support more likely.

Strong Regional Franchise: ZKB benefits from its leading franchise in deposit-taking and residential mortgage lending in the Canton of Zurich, where operations are concentrated. Geographical concentration is mitigated by Zurich's economic strength and ZKB's diversified business model, covering retail and commercial banking. The bank is also the second-largest fund provider and one of the largest asset managers in Switzerland. This benefits its revenue diversification, with fee and commission income contributing about a third of income.

Material Real Estate Exposure: ZKB's impaired loans ratio is low. Its main risk stems from its large real estate exposure in Zurich. We expect loan quality would be resilient to a significant decline in property values, due to the bank's strict underwriting standards and moderate loan-to-value ratios. ZKB's non-mortgage exposure (about 10% of gross loans) is more vulnerable to economic downturns. We expect the impaired loans ratio to remain below 1% in 2026 and 2027.

Stable Operating Profitability Expected: Our assessment of ZKB's profitability reflects its long record of adequate, stable and reasonably diversified earnings, with a material share of trading income. We expect operating profitability in 2025 to have benefitted from lower risk-weighted assets (RWAs) following the introduction of the Basel III final rules in Switzerland. We expect operating profitability to remain broadly stable in 2026 (and above 1.5% of RWAs), supported by higher asset margins, loan growth, controlled costs and broadly stable asset quality.

Strong Capitalisation: ZKB's common equity Tier 1 (CET1) ratio increased to 21.2% at end-2025, driven by a decline in RWAs following the introduction of the final Basel III rules and profit retention. The canton's guarantee covers half of ZKB's gone-concern capital requirement, which is fully phased in at 7.86% in 2026. The remaining half is mainly covered with bail-in debt (CHF2.3 billion at end-3Q25) and undrawn endowment capital (CHF1 billion).

Stable Funding: The large and mostly granular deposit base underpins funding, despite some more concentrated corporate and institutional deposits. Wholesale funding needs are moderate and benefit from the bank's cantonal guarantee and investors' perception of ZKB as a safe haven in times of market uncertainty. As a domestic systemically important bank (D-SIB), ZKB is subject to more stringent liquidity requirements, which it comfortably complies with.

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

A downgrade of the Canton of Zurich's IDRs would result in a downgrade of ZKB's IDRs and SSR. A material increase in the canton's contingent liabilities, which are dominated by ZKB, could put pressure on ZKB's IDRs and SSR. Contingent liabilities could increase, for instance, because of sustained growth in the bank's balance sheet in excess of the canton's GDP growth, or due to a material delay by the canton in promptly addressing a potential capital shortfall at ZKB.

ZKB's IDRs and SSR are also sensitive to changes to its relationship with the canton, especially if the ZKB Law was amended in a way that would weaken the guarantee's effectiveness or that casts doubt on the timeliness of support. However, we view this scenario as unlikely.

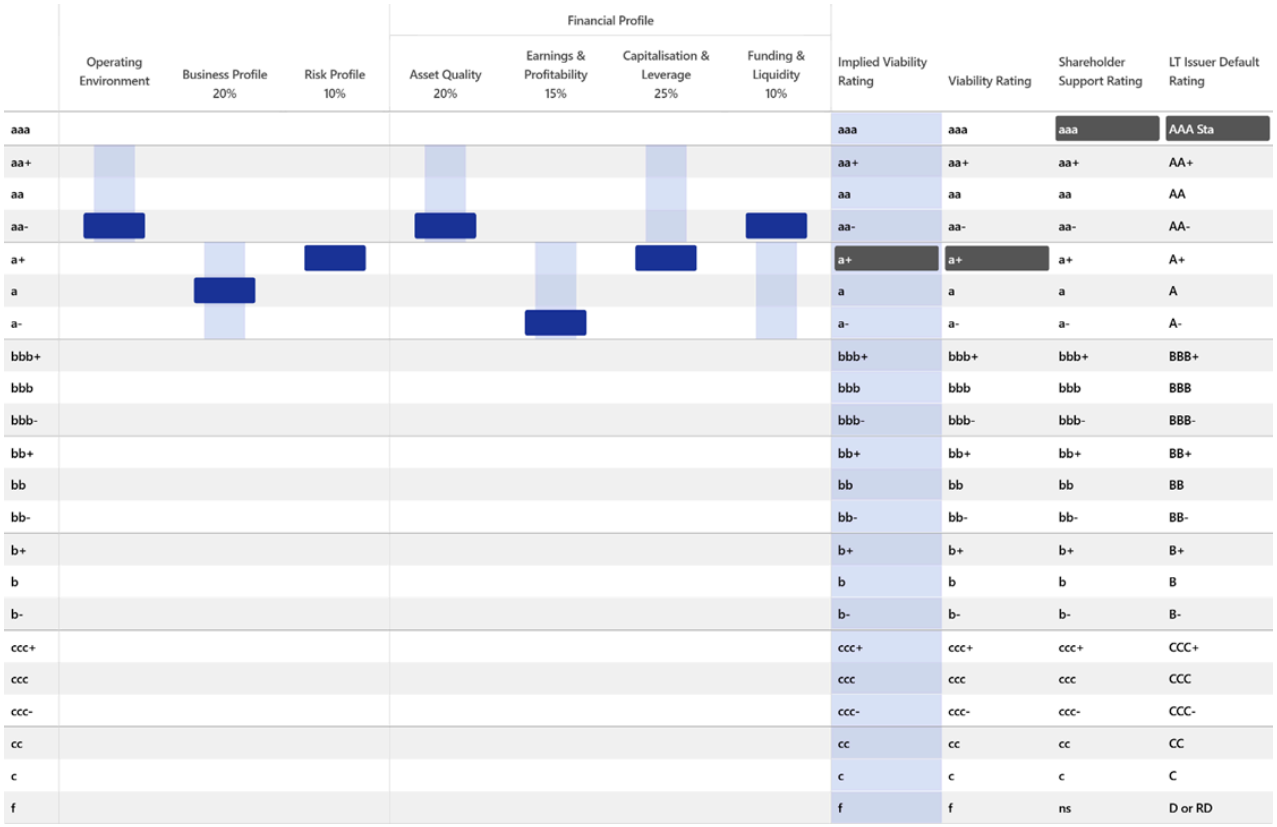
We would be likely to downgrade the VR if large real estate-related losses, driven by a sharp drop in residential property prices in Zurich, led to a CET1 ratio materially below 16%, or an impaired loans ratio durably above 2%. The rating would also come under pressure if profitability deteriorated durably, or if the bank increased its risk appetite, which could be indicated by higher loan growth or by greater exposure to interest-rate risk in the loan book.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

The Long-Term IDR is at the highest level on Fitch's scale and cannot be upgraded.

An upgrade of the VR is unlikely given the concentration of ZKB's business model on the Canton of Zurich, resulting in large exposure to the local property market. An upgrade would also require an improvement in the bank's profitability.

Ratings Navigator



The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upwards or downwards to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

Factor Outlook

Stable Evolving Positive Negative

VR - Adjustments to Key Rating Drivers

The capitalisation & leverage score of 'a+' is below the 'aa' category implied score due to the following adjustment reason(s): capital flexibility and ordinary support (negative).

The funding & liquidity score of 'aa-' is above the 'a' category implied score due to the following adjustment reason(s): liquidity access and ordinary support (positive).

Company Summary and Key Qualitative Factors

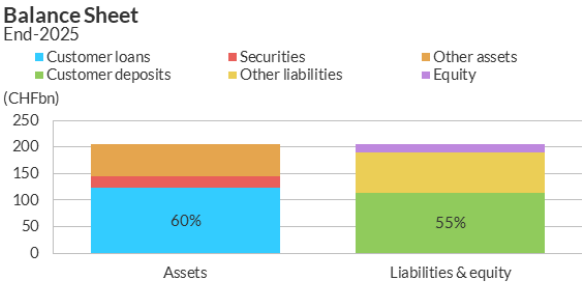
Business Profile

ZKB is the largest cantonal bank in Switzerland and the third-largest banking group by assets. It operates under a public mandate, set out in the ZKB Law, which governs its focus on the Zurich region. The law prescribes the bank's activities, which focus on providing full banking services to local households and SMEs, as well as helping the canton's economic and social development by supporting access to residential property. Accordingly, ZKB operates the densest branch network in the Canton of Zurich and has a leading regional franchise, with market shares of 30%–40% in retail deposits and mortgage lending across both owner-occupied and investment properties, including loans to private and professional landlords. The business model's concentration on Zurich real estate lending is mitigated by conservative underwriting standards and earnings diversification.

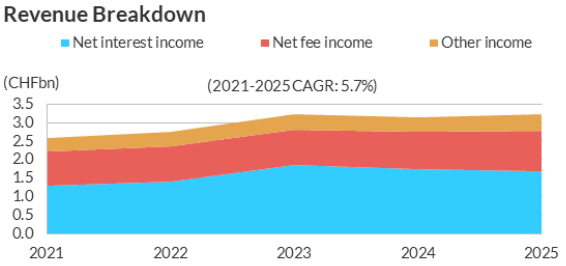
Beyond Zurich, ZKB mostly lends to Swiss SMEs and export-focused companies and offers a broad range of products, as well as to multinationals and financial institutions, but the bank's national-level market shares are modest (single-digit). ZKB is also the second-largest fund provider and one of the largest asset managers in Switzerland. The bank's domestic private banking franchise is niche. Its international private banking operations are also small, although the bank is expanding private banking and asset management activities in certain markets, including Germany.

Within its core SME franchise, ZKB aims to consolidate its leading position in the Greater Zurich area and become the bank of choice for Switzerland's 5,000 largest corporate groups. Strategic priorities include further diversification and growth, digitalisation (including further development of digital-only products), efficiency and strengthening its culture and brand.

The bank's cantonal owners maintain good oversight of ZKB's activities, including through board representation, and the bank is ultimately supervised by the canton's parliament. In combination with the ZKB Law, this helps to support the stability of ZKB's business model and strategy, also constraining the bank's ability to expand its business activities. This has delivered a stable performance record through the cycle. We believe that ZKB's management is independent and not subject to undue political influence.



Source: Fitch Ratings, Fitch Solutions, ZKB



CAGR: compound annual growth rate
Source: Fitch Ratings, Fitch Solutions, ZKB

Risk Profile

ZKB's public mandate drives the bank's conservative risk appetite. Fitch considers ZKB's underwriting standards to be low-risk and conservative, aiding its stable and sound loan quality. The bank proactively tightens its lending policies based on market changes. ZKB bases its loan-to-value calculations on indexed property values, which account for the depreciation of the buildings, providing an extra buffer in the event of a significant market price correction. The bank has limited risk appetite for non-recourse commercial real estate lending outside the residential sector. ZKB's growth rates have exceeded those of the Swiss market, particularly in corporate real estate financing, partly reflecting opportunities arising from the Credit Suisse fallout.

The bank is pursuing organic growth in its investment and asset management business to strengthen its income diversification and reduce the share of net interest income to below 50% of total operating income. ZKB has been improving its asset management market shares and has coped well with the targeted volume increases. In January 2026 it acquired Cosmofunding, a capital markets platform for private placements, public bonds and loans, to expand its range of services.

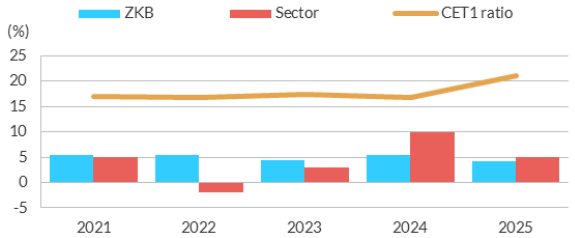
The ZKB Law allows ZKB to operate outside its home region, subject to not taking any excessive risks or negatively affecting the provision of local services. However, we do not expect ZKB to significantly grow its balance sheet outside the Canton of Zurich. Locally, it has been growing faster than the rest of the market, and this is likely to continue. The bank applies stricter underwriting criteria for mortgages outside the economic area of Zurich than in its home region.

ZKB's interest-rate risk in the banking book is broadly in line with that of Swiss peers. The bank's interest-rate exposure serves as a strategic hedge against declining interest rates. A higher structural hedge contribution partially compensates for the gradual decline of liability margins.

Trading is client-driven and covers various asset classes, such as foreign exchange (mainly francs to euros), interest-rate and credit derivatives, equities, commodities, structured products and other securities. ZKB controls market risk in its trading book by monitoring value at risk (99% confidence interval; 10-day holding period; 365-day observation period) daily with appropriate limits and by running stress tests. Value at risk peaked in 2024 at CHF15 million.

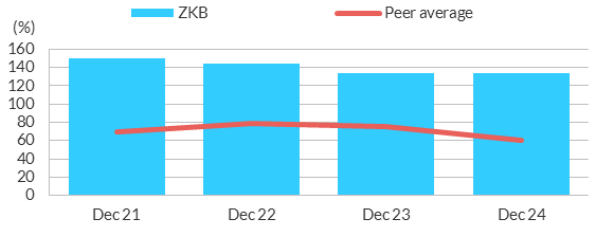
ZKB's risk appetite in its securities book is low. Highly rated instruments are intended to be held to maturity for liquidity purposes. There were no unrealised losses in its held-to-maturity debt portfolio at end-2024.

Loan Growth



Source: Fitch Ratings, Fitch Solutions, ZKB

Loan Loss Allowances/Impaired Loans



Source: Fitch Ratings, Fitch Solutions, banks

Financial Profile

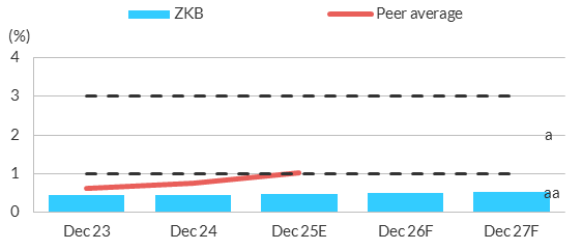
Asset Quality

ZKB's main risk stems from its large real estate exposure in Zurich. About three-quarters of end-2025 gross customer loans consist of residential mortgage loans, including a high share of rental properties. Fitch believes this concentration on real estate is adequately mitigated by the Canton of Zurich's strong economic fundamentals. Most mortgage loans are to private individuals, with a median loan-to-value ratio of below 50%, of which about two-thirds are for owner-occupied properties. Mortgage loans to companies and institutional investors have grown strongly in recent years, and we expect this to continue. These loans are also extended at conservative loan-to-value ratios. Loan quality would therefore be resilient to a significant decline in residential property values, but a severe price correction would put pressure on the bank's VR.

Specific loan loss allowances and impaired loans increased slightly in 2025. This was driven by idiosyncratic client events rather than an emerging trend of broader asset-quality deterioration. Loan impairment charges remained low and decreased from 2024, helped by net releases of expected credit losses on unimpaired loans on the back of shortening terms for new mortgage loans. Given the 0% policy rate, we expect only a slight increase in loan impairment charges in 2026 (as geopolitical uncertainties persist, coupled with the strong Swiss franc), and the impaired loans ratio to remain well below 1% in 2026–2027.

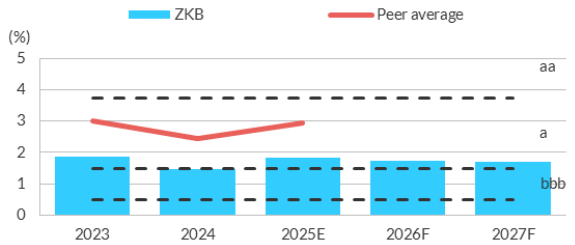
Securities at amortised cost and held to maturity decreased to CHF4.7 billion at end-2024. These mostly relate to held-to-maturity debt securities, which qualify as high-quality liquid assets. The remaining liquid assets are cash at the Swiss National Bank (SNB). The trading portfolio (2025: CHF13 billion) consists of listed bonds, equity and precious metals.

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions, banks

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions, banks

Earnings and Profitability

ZKB's universal banking model provides good earnings diversification, with net fees and commissions income (NCI) generally accounting for over a third of revenue. Trading activities also contribute a material proportion.

The bank's profitability has a stable record, although rapid interest-rate rises by the SNB and rapid declines (from 1.75% in March 2024 to 0% in June 2025) caused some variability through the latest economic cycle. In general, ZKB's focus on low-risk activities and good degree of earnings diversification support the stability of its earnings.

ZKB's operating profit rose to CHF1.4 billion in 2025, driven by higher operating income (+4%), counterbalancing the increase in operating expenses (+3.4%). Improvement in operating income was broad-based, supported by ZKB's revenue diversification. NII was stable despite a challenging interest-rate backdrop (notably a lower passive margin). NCI increased by 5.7%, driven by the securities and investment business (in line with the bank's focus on non-NII income and further growth of assets under management). Trading income rose by 21.2%, underpinned by client activity and market developments. One-off income totalled CHF68 million and mainly reflected the sale of ZKB Österreich AG.

We expect ZKB's operating profitability to be broadly stable in 2026. This will be supported by increased asset margins, loan portfolio growth and the existing strategic hedge. We expect NII to increase slightly. Continued expansion of the bank's investment product offering is likely to support NCI growth. Trading income should remain material, reflecting the bank's well-established franchises across several trading segments and structured products.

We forecast moderate increases in operating costs, mainly on continued IT investments. The bank continues to focus on cost control, but we believe ZKB's cost base will remain larger and less flexible than that of many peers given the cantonal mandate, which limits the bank's ability to close branches to reduce headcount. We do not expect significant asset-quality deterioration, given prudent underwriting standards, a high share of secured exposures and the expectation of robust labour markets.

Capitalisation and Leverage

As a D-SIB, ZKB is subject to Swiss going-concern capital requirements to support its ordinary activities (allowing the bank to withstand a stress scenario without state support, restructuring or a wind-down) and gone-concern requirements to provide additional loss-absorbing capacity for resolution and emergency planning, calculated on both a risk-based (RWA) and non-risk-based (leverage ratio) basis.

ZKB's going-concern capital ratio of 22% at end-3Q25 was well above the going-concern capital requirement of 13.8% (including the countercyclical capital buffer). The capital is of good quality and mainly consists of endowment capital, retained earnings and reserves for general banking risks, complemented with Basel III-compliant convertible capital. The introduction of Basel III final regulations in Switzerland had a significant impact on ZKB's RWAs, which decreased by CHF13 billion in 1Q25. We expect the CET1 ratio to remain strong in the next two years. We note that the supervisory board raised ZKB's target capital ratio to 20%–23% from 17%–20% following the introduction of final Basel III rules.

The gone-concern requirement for ZKB amounts to 40% of the bank's going-concern capital requirement (excluding countercyclical and extended countercyclical buffers), 5.14% of RWAs, plus a bank-specific add-on set by FINMA (2.72% for ZKB), totalling 7.86% (vs 9.5% gone-concern capital available at ZKB at end-3Q25). The total capital requirement is therefore 20.7% (13.8% plus 6.9%). ZKB's total capital ratio of 32.2% at end-2025 is well above this requirement.

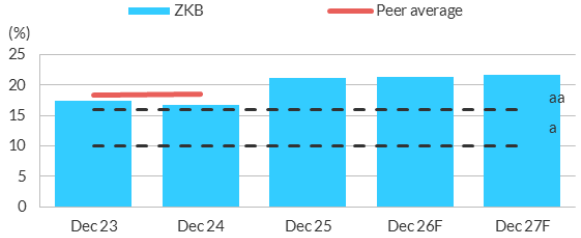
The canton's guarantee covers half of the gone-concern requirement. The guarantee was not deemed to fully cover the gone-concern requirement due to the uncertainty around timeliness of the provision of the funds (a 48-hour timeline is required). The cantonal parliament increased the undrawn endowment capital ceiling in 2020 by CHF425 million to CHF1 billion, which counts towards gone-concern capital in full. To cover the remaining gap, ZKB started issuing bail-in bonds in 2023 after the amendments to the legal framework permitted issuance.

The federal council also sets a minimum gone-concern leverage ratio of 40% of ZKB's going-concern requirement plus a 0.95% bank-specific add-on, resulting in a 2.75% requirement at end-2026. ZKB's gone-concern leverage ratio was 3% at end-3Q25. Its going-concern leverage requirement is 4.5%, with ZKB's ratio at 7%.

ZKB is not legally obliged to pay dividends, but the canton and its municipalities budget for stable payouts. In our view, this constrains ZKB's financial flexibility. Payouts include dividends to the canton (CHF184 million in 2024, on top of CHF156 million OECD tax, which is fully attributable to the canton) and municipalities (CHF170 million), as well as compensation for the endowment capital (CHF21 million). In addition to dividends, ZKB pays the canton financial compensation of about CHF30 million a year for its guarantee.

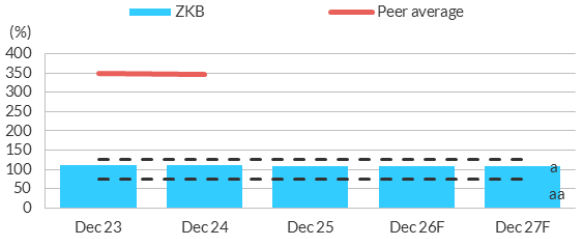
RWA density reflects the use of internal models and high collateralisation. It averaged 39% over 2022-2024, with a slight decline during the pandemic reflecting the increased proportion of liquid assets.

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions, banks

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions, banks

Funding and Liquidity

ZKB's large and mostly granular deposit base underpins its funding profile, despite some concentrated corporate and institutional deposits. The bank's loans/deposits ratio remained broadly stable in 2025 at 108%, as calculated by Fitch. We do not expect it to change significantly as we expect loan growth to be broadly matched by deposit growth. ZKB's wholesale funding needs are moderate and diversified, and benefit from ordinary support via the bank's cantonal guarantee and investor perception of ZKB as a safe haven. ZKB's net stable funding ratio of 117% at end-3Q25 was above the regulatory requirements.

ZKB's bank deposits are largely sourced from central and development banks and are mostly unsecured. A material share of these deposits have maturities beyond three months. Bank deposits declined to CHF32 billion in 2025 (2024: CHF40 billion), though this was offset by an increase in customer deposits.

Capital market funding is about evenly split between covered bonds issued via Pfandbriefzentrale der schweizerischen Kantonalbanken AG (CHF12 billion) and other instruments (CHF12 billion), which comprise senior unsecured debt, bail-in bonds and hybrids (two AT1 instruments and one Tier 2; CHF1.5 billion). Wholesale maturity volumes in 2026–2027 are manageable, especially in light of ZKB's good market access. However, these volumes are slightly higher than in 2025 due to the non-call of CHF750 million in AT1 debt last year. Refinancing needs for long-term instruments (excluding AT1 and bail-in bonds) are generally about CHF2 billion–CHF3 billion a year. A material portion of 2026 maturities has already been refinanced, including through a EUR500 million senior bond in January 2026. ZKB benefits from access to the euro market, with investor demand and favourable spreads. Its funding profile benefits from high-quality and granular retail mortgage loans backing its covered bonds, with significant potential for further issuance via Pfandbriefzentrale der schweizerischen Kantonalbanken AG.

As a D-SIB, ZKB has access to the SNB's emergency liquidity lines in case of need. Emergency liquidity assistance (ELA) loans from the SNB must be covered by sufficient collateral (either mortgages or securities), and the assignment of mortgages to the SNB must be contractually agreed with the respective customers. The bank is working on increasing the size of its ELA-eligible collateral pool. A new extended liquidity facility (ELF) is being established by the SNB. Following the likely rollout in 2027, this would allow eligible Swiss banks to draw liquidity against a broader range of collateral, without having to prove that the market funding has been exhausted and without the need to demonstrate solvency.

From January 2025, as a D-SIB, ZKB is subject to more stringent liquidity requirements, including holding liquidity reserves for a 90-day stress horizon instead of the previous 30-day period. The bank meets this requirement through mostly high-quality liquid assets, which amounted to CHF52 billion at end-3Q25 (unchanged from end-2024), the most significant portion of which was in the form of central bank deposits. ZKB's liquidity coverage ratio was 136% at end-2025.

Additional Notes on Charts

Black dashed lines represent boundaries for indicative quantitative ranges and implied scores for Fitch's core financial metrics for banks operating in the environments that Fitch scores in the 'aa' category. Peer average includes Basler Kantonalbank (VR: a), Raiffeisen Group (a+), Swedbank AB (aa-), UBS Switzerland AG (a), Nykredit Realkredit A/S (a+). Latest data available for Basler Kantonalbank, Raiffeisen Group, UBS Switzerland AG is for FY24. Unless otherwise stated, financial year (FY) end is 31 December for all banks in this report.

Financials

Financial Statements

	31 Dec 22	31 Dec 23	31 Dec 24	31 Dec 25	31 Dec 26F	31 Dec 27F
	12 months	12 months	12 months	12 months	12 months	12 months
	(CHFm)	(CHFm)	(CHFm)	(CHFm)	(CHFm)	(CHFm)
Summary income statement						
Net interest and dividend income	1,421	1,870	1,737	1,692	-	-
Net fees and commissions	926	940	1,024	1,081	-	-
Other operating income	423	434	385	453	-	-
Total operating income	2,770	3,244	3,146	3,226	3,256	3,340
Operating costs	1,693	1,726	1,812	1,859	1,898	1,943
Pre-impairment operating profit	1,077	1,518	1,334	1,367	1,357	1,397
Loan and other impairment charges	18	49	57	13	54	57
Operating profit	1,059	1,469	1,277	1,354	1,303	1,339
Other non-operating items (net)	8	-224	12	68	-	-
Tax	8	7	169	181	-	-
Net income	1,059	1,238	1,120	1,241	1,147	1,179
Other comprehensive income	-	-	-	-	-	-
Fitch comprehensive income	1,059	1,238	1,120	1,241	-	-
Summary balance sheet						
Assets						
Gross loans	108,017	112,776	118,913	123,836	130,104	135,959
– Of which impaired	425	487	516	-	-	-
Loan loss allowances	612	650	692	-	-	-
Net loans	107,405	112,126	118,221	123,836	-	-
Interbank	2,937	3,401	3,405	2,525	-	-
Derivatives	1,190	968	2,669	1,022	-	-
Other securities and earning assets	46,520	43,351	44,147	41,278	-	-
Total earning assets	158,052	159,846	168,442	168,661	-	-
Cash and due from banks	40,302	39,706	32,733	36,317	-	-
Other assets	1,437	1,707	1,419	1,199	-	-
Total assets	199,791	201,259	202,594	206,177	212,174	217,971
Liabilities						
Customer deposits	103,351	101,452	106,980	114,324	119,620	125,003
Interbank and other short-term funding	49,791	50,131	47,749	41,276	-	-
Other long-term funding	21,520	20,864	20,879	24,140	-	-
Trading liabilities and derivatives	5,702	5,682	3,867	3,563	-	-
Total funding and derivatives	180,364	178,129	179,475	183,303	-	-
Other liabilities	6,128	7,333	6,721	7,147	-	-
Preference shares and hybrid capital	-	1,529	1,537	-	-	-
Total equity	13,299	14,268	14,861	15,727	-	-

Total liabilities and equity	199,791	201,259	202,594	206,177	-	-
Exchange rate	USD1 = CHF0.9303	USD1 = CHF0.8547	USD1 = CHF0.8966	USD1 = CHF0.7925	-	-

Source: Fitch Ratings, Fitch Solutions, ZKB

Key Ratios

(%)	31 Dec 22	31 Dec 23	31 Dec 24	31 Dec 25	31 Dec 26F	31 Dec 27F
Profitability						
Operating profit/risk-weighted assets	1.4	1.9	1.5	-	1.7	1.7
Net interest income/average earning assets	0.9	1.2	1.1	1.0	1.0	1.0
Non-interest expense/gross revenue	61.4	53.4	57.9	57.9	58.3	58.2
Net income/average equity	8.2	9.0	7.7	8.1	-	-
Asset quality						
Impaired loans ratio	0.4	0.4	0.4	-	0.5	0.5
Growth in gross loans	5.5	4.4	5.4	4.1	5.1	4.5
Loan loss allowances/impaired loans	144.0	133.5	134.1	-	122.5	118.6
Loan impairment charges/average gross loans	0.0	0.0	0.0	0.0	0.0	0.0
Capitalisation						
Common equity Tier 1 ratio	16.8	17.4	16.8	21.2	21.4	21.7
Tangible common equity/tangible assets	6.7	7.1	7.3	7.6	-	-
Basel leverage ratio	6.2	6.6	6.8	7.1	-	-
Net impaired loans/common equity Tier 1	-1.5	-1.2	-1.2	-	-	-
Funding and liquidity						
Gross loans/customer deposits	104.5	111.2	111.2	108.3	108.8	108.8
Gross loans/customer deposits + covered bonds	93.7	99.8	100.7	98.0	-	-
Liquidity coverage ratio	146.0	147.0	142.0	136.0	-	-
Customer deposits/total non-equity funding	56.7	56.0	58.0	61.2	-	-
Net stable funding ratio	124.0	117.0	116.0	118.0	-	-

Source: Fitch Ratings, Fitch Solutions, ZKB

Support Assessment

Shareholder Support

Shareholder		Zurich, Canton of
Shareholder Long Term Issuer Default Rating	●	AAA/Stable
Shareholder Support Rating		aaa
Shareholder ability to support		
Shareholder regulation	●	Equalised
Relative size	●	1 notch
Country risks	●	Equalised
Shareholder propensity to support		
Role in group	●	Equalised
Reputational risk	●	Equalised
Integration	●	1 notch
Support record	●	Equalised
Subsidiary performance and prospects	●	Equalised
Legal commitments	●	Equalised

The colours below indicate the influence of each support factor in our assessment. Influence: Light blue = lower; Dark blue = moderate; Red = higher Source: Fitch Ratings

ZKB's SSR is based on support from the Canton of Zurich, the bank's guarantor and sole owner, and is equalised with the canton's IDRs. The canton guarantees all of ZKB's non-subordinated liabilities according to the ZKB Law. The canton's guarantee does not explicitly address the timeliness of support, but Fitch believes that support, if necessary, would be provided in a timely fashion, given ZKB's high importance for the canton and the potential repercussions of a failure for the Swiss financial sector.

ZKB's strategic importance is underpinned by the bank's mandate to provide financial services to individuals and companies in the canton. The bank's nationwide and international activities are limited. The Canton of Zurich's constitution also requires the canton to have a cantonal bank, making the institutional owner more likely to support the bank in financial distress.

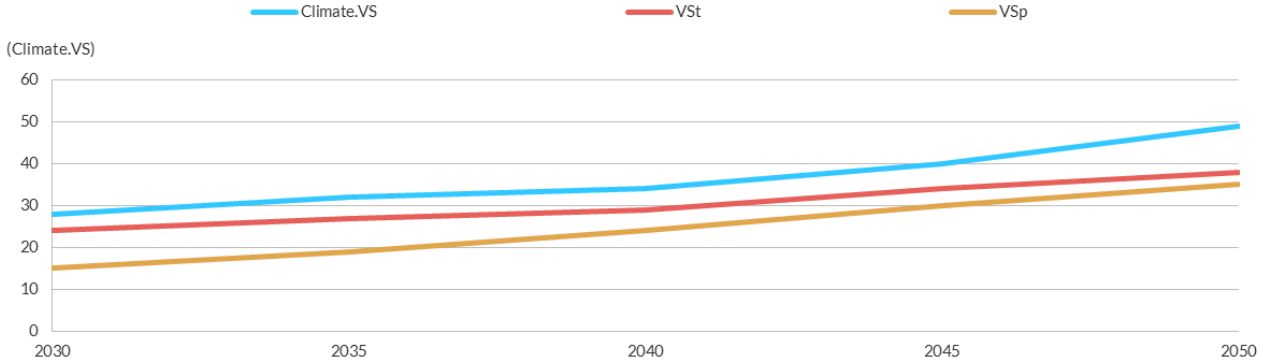
As a D-SIB, ZKB has a resolution plan approved by FINMA. The plan requires the canton to commit a large volume of contingent capital relative to its own resources. We believe that the provision of this contingent capital, if needed, would be manageable for the canton given its strong financial position, and would not on its own drive a negative action on the canton's ratings, or trigger a reassessment of our support assumptions underpinning ZKB's IDRs.

Climate Vulnerability Considerations

Fitch uses Climate Vulnerability Signals (Climate.VS) as a screening tool to identify issuers whose credit profiles have a higher potential exposure to climate-related risks, and to subject those ratings to additional analysis and consideration in rating reviews. Climate.VS range from 0 (lowest risk) to 100 (highest risk).

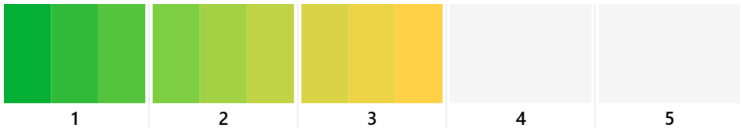
The Climate.VS for ZKB for 2035 is 32, which indicates that climate risk factors are not expected to materially affect the credit profile, but some adaptation may be needed. This reflects a transition risk (VSt) component signal of 27 and a physical risk (VSp) component signal of 19. Any potential effect on the rating may differ from the illustrative rating impact in the Climate.VS framework. For more information on Climate.VS, see Fitch's Financial Institutions Climate Vulnerability Rating Criteria.

Climate Vulnerability Signals for Zuercher Kantonalbank



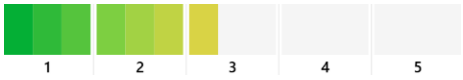
Source: Fitch Ratings

Environmental, Social and Governance Considerations



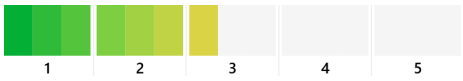
Environmental Relevance Scores

General issues	Score	Sector-specific issues	Reference
GHG Emissions & Air Quality	3	Regulatory risks, emissions fines or compliance costs related to owned, financed or managed assets, which could impact asset prices, profitability, etc.	Operating Environment; Business Profile; Risk Profile; Asset Quality
Energy Management	1	n.a.	n.a.
Water & Wastewater Management	1	n.a.	n.a.
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile; Risk Profile; Asset Quality



Social Relevance Scores

General issues	Score	Sector-specific issues	Reference
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Business Profile; Risk Profile
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile; Risk Profile
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile
Employee Wellbeing	1	n.a.	n.a.
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile; Financial Profile



Governance Relevance Scores

General issues	Score	Sector-specific issues	Reference
Management Strategy	3	Operational implementation of strategy	Business Profile
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Business Profile; Earnings & Profitability; Capitalisation & Leverage
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile

ESG Scoring	Credit-Relevant ESG Scale	
ESG relevance scores range from '1' to '5' based on a 15-level colour gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.	5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to 'Higher' relative importance within the Navigator.
The Environmental (E), Social (S) and Governance (G) tables break out the general and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signalling the credit relevance of the sector-specific issues to an issuer's overall credit rating. The Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.	4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to 'Moderate' relative importance within the Navigator.
The panels underneath the relevance scores tables are visualisations of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The Score columns summarise rating relevance and impact to credit from ESG issues. The column on the far left identifies any ESG relevance sub-factor issues that are drivers or potential drivers of an issuer's credit rating (corresponding with scores of '3', '4' or '5'). All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact.	3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to 'Lower' relative importance within the Navigator.
Classification of ESG issues has been developed from Fitch's sector ratings criteria. The general and sector-specific issues draw on the classification standards published by the UN Principles for Responsible Investing, the Sustainability Accounting Standards Board and the World Bank.	2	Irrelevant to the entity rating but relevant to the sector.
	1	Irrelevant to the entity rating and irrelevant to the sector.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

Ratings

Foreign Currency

Long-Term IDR	AAA
Short-Term IDR	F1+
Viability Rating	a+
Shareholder Support Rating	aaa
Sovereign Risk (Switzerland)	
Long-Term Foreign-Currency IDR	AAA
Long-Term Local-Currency IDR	AAA
Country Ceiling	AAA
Outlooks	
Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

ESG and Climate

Highest ESG Relevance Scores	
Environmental	3
Social	3
Governance	3

Climate Vulnerability

2035 Climate Vulnerability Signal: 32

Transition (VSt): 27

Physical (VSp): 19

Applicable Criteria

Financial Institutions Climate Vulnerability Rating Criteria (December 2025)
Bank Rating Criteria (March 2025)

Related Research

Fitch Affirms Zuercher Kantonalbank at 'AAA'; Outlook Stable (February 2026)
Fitch Affirms Switzerland at 'AAA'; Outlook Stable (April 2025)
Global Economic Outlook (December 2025)
Fitch Affirms Canton of Zurich at 'AAA'; Outlook Stable (October2025)

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