S&P Global
Ratings

RatingsDirect®

Zuercher Kantonalbank

Primary Credit Analyst:
Harm Semder, Frankfurt + 49 693 399 9158; harm.semder@spglobal.com

Secondary Contact:
Benjamin Heinrich, CFA, FRM, Frankfurt + 49 693 399 9167; benjamin.heinrich@spglobal.com

Research Assistant:
Vallari Mishra, Pune

Table Of Contents

Table Of Contents (cont.)

Zuercher Kantonalbank

Ratings Score Snapshot

Issuer Credit Rating
AAA/Stable/A-1+

SACP: aa- → **Support: +3** → **Additional factors: 0**

SACP: aa-		
Anchor	a-	
Business position	Strong	+1
Capital and earnings	Very strong	+2
Risk position	Adequate	0
Funding	Adequate	0
Liquidity	Strong	
CRA adjustment		0

Support: +3	
ALAC support	0
GRE support	+3
Group support	0
Sovereign support	0

Issuer credit rating
AAA/Stable/A-1+

ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

Overview	
Key strengths	**Key risks**
Extremely high likelihood of support from the financially strong Canton of Zurich.	Concentration risk in real estate lending in its home region.
A strong domestic franchise in the Zurich area, complemented by a sound countrywide presence in corporate lending, private banking, and asset management.	Weaker cost efficiency than many cantonal bank peers.
Very high capitalization and resilient earnings.	

We expect Zuercher Kantonalbank (ZKB) to remain among the highest-rated banks globally. ZKB materially benefits from its superior stand-alone creditworthiness in conjunction with the full ownership by and extremely high likelihood of timely and sufficient support from the Canton of Zurich (AAA/Stable/--), if ever needed. We anticipate that ZKB's integral link with, and very important role for, the canton, as well as the canton's guarantee on its unsubordinated obligations, will remain for the foreseeable future. These factors provide a three-notch uplift to ZKB's stand-alone credit profile (SACP) to arrive at our 'AAA' long-term issuer credit rating on the bank.

We expect ZKB's stand-alone creditworthiness and asset quality to remain robust against headwinds from an increasingly challenging operating environment. We expect the Swiss economy to continue to experience only a modest impact from the deteriorating European economic environment. We note ZKB's solid local franchise and Swiss business diversification, which mitigate some concentration risk due to its tilt toward real estate lending in its home region. We expect the Swiss housing market will hold up against stagnating housing prices as interest rates continue to rise. We also note ZKB's highly collateralized and sound underwriting policies. Moreover, we factor in ZKB's conservative risk profile and robust balance sheet, supported by its history of prudent risk management, cautious lending standards, and customer loyalty instilled by cantonal ownership and the guarantee. ZKB has no meaningful direct exposures to Russia or Ukraine, and indirect exposures (for example to potentially affected corporates) are also limited. Accordingly, we anticipate that ZKB's capitalization will remain a key rating strength; we forecast its risk-adjusted capital (RAC) ratio to hover between 18% and 19% in the next two years.

Outlook

Our stable outlook on ZKB mirrors that on its owner and guarantor, the Canton of Zurich, reflecting our expectation that ZKB will continue to benefit from its status as a government-related entity (GRE) with an extremely high likelihood of receiving cantonal support over the next two years, if needed. The stable outlook also reflects our view that Swiss domestic markets will remain resilient against risks.

Downside scenario

If the bank's stand-alone creditworthiness were to weaken significantly and unexpectedly due to higher-than-anticipated cyclical risk and capital depletion--reflected in our RAC ratio falling below 15%--we might consider a downgrade.

A downgrade could result from competitive pressure on ZKB's business position--such as a margin squeeze in its asset management activities and core lending business due to the entrance of new digital players--particularly if the trend toward platform banking accelerates.

Upside scenario

An improvement in ZKB's SACP that would support its subordinated debt remains a remote scenario at this stage given our already very high assessment of its SACP.

Key Metrics

Zuercher Kantonalbank--Key Ratios And Forecasts

	--Fiscal year ended Dec. 31--				
(%)	**2020a**	**2021a**	**2022f**	**2023f**	**2024f**
Growth in operating revenue	6.1	1.4	1.7-1.8	2.2-2.3	3.2-3.3
Growth in customer loans	4.0	5.0	1.9-2.0	1.9-2.0	1.9-2.0
Net interest income/average earning assets (NIM)	1.0	0.9	0.8-0.9	0.8-0.9	0.9-1.0
Cost to income ratio	62.0	58.9	58.4-59.6	58.8-60.0	58.7-59.9
Return on average common equity	6.9	7.4	7.1-7.5	6.9-7.3	6.9-7.2
New loan loss provisions/average customer loans	0.1	0.0	0.0-0.0	0.0-0.0	0.0-0.0

Zuercher Kantonalbank--Key Ratios And Forecasts (cont.)					
	--Fiscal year ended Dec. 31--				
(%)	2020a	2021a	2022f	2023f	2024f
Gross nonperforming assets/customer loans	0.1	0.1	0.1-0.1	0.1-0.1	0.1-0.1
Risk-adjusted capital ratio	18.5	17.7	17.0-17.8	17.3-18.2	17.6-18.5

All figures are S&P Global Ratings-adjusted. a--Actual. f--Forecast. NIM--Net interest margin.

Anchor: 'a-' For Commercial Banks Operating Only In Switzerland

Our anchor for banks operating mainly in Switzerland is 'a-'. We consider the trend for economic and industry risk in Switzerland to be stable.

Despite a weaker economic outlook and further risks to the economic trajectory from the unclear consequences of the Russia-Ukraine military conflict, we expect Swiss banks will demonstrate robust asset quality and lower credit losses than most peers, close to levels observed pre-pandemic. Strong resilience stems from the superior financial strength of both the household and corporate sectors as well as banks' prudent underwriting standards focusing on collateralized lending, mainly in residential mortgages. We also do not expect material constraints on customers' debt service capacity from higher rates, given the dominance of fixed-rate mortgage contracts with an average 10-year interest period. We also see the risk of a severe price correction in the housing market as low, because it would likely require a steep rise in unemployment. However, we think risks in the investment property subsegment remain slightly elevated because prices remain sensitive to immigration levels, construction activity, investment alternatives in a rising rates environment, and vacancy rates that recently reached a multiyear high.

Our view of industry risk in Switzerland encompasses the stability of the domestic banking sector. We view positively that, despite high competitive pressure between local players, domestic banks can still earn their cost of capital. We expect Swiss banks will continue to see a net revenue benefit from rises in policy rates. We also note banks' high capitalization and heavy reliance on stable customer deposits and equity for funding. In our view, the Swiss Financial Market Supervisory Authority (FINMA) remains on top of both regulatory oversight and innovations and overall we think Swiss banks face limited risks from technology disruption. We also expect the regulator to effectively limit Swiss banks' sensitivity to financial crime. Strong anti-money-laundering standards and business models and practices that do not rely on customers' undeclared wealth are crucial for the stability and strength of the Swiss banking sector, in our view.

Business Position: Solid Operational Stability Owing To A Diverse Business Profile And Strong Franchise

We expect ZKB's business profile will remain a strength based on its diverse business activities and our expectation of relatively sustainable revenue generation against the backdrop of difficult markets.

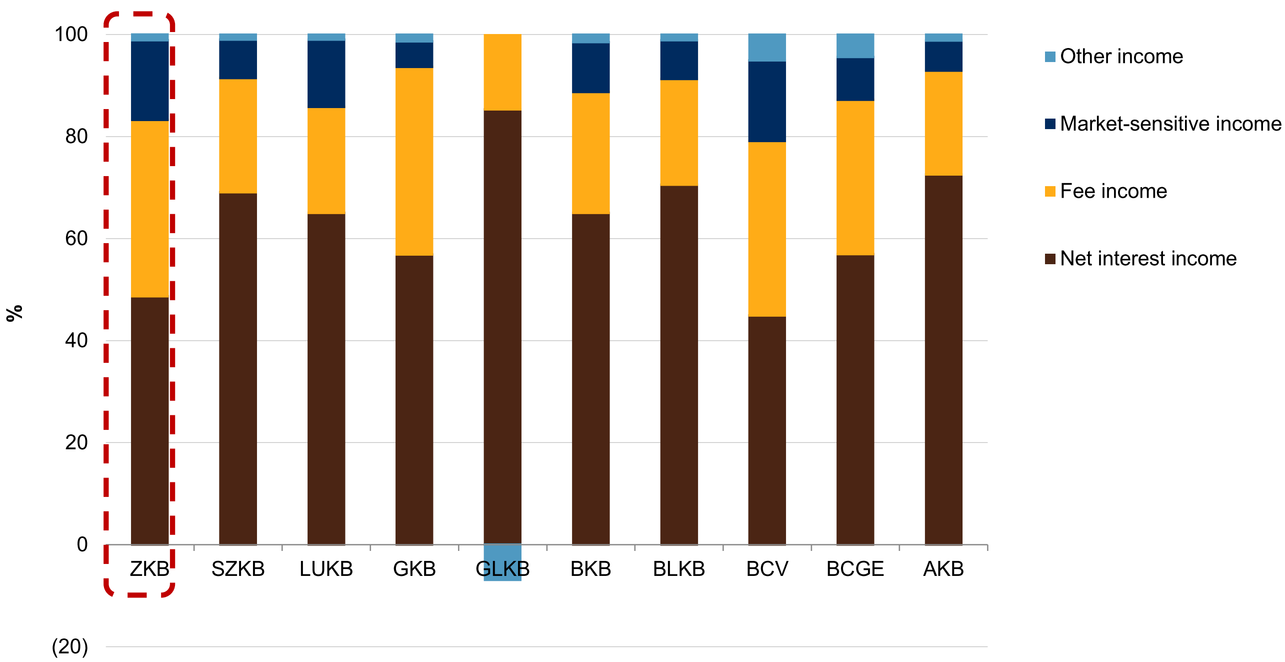
We expect ZKB will defend its market position as the largest cantonal bank and fourth-largest bank in Switzerland, with total assets of Swiss franc (CHF) 198 billion (about €176.4 billion) on June 30, 2022, and an estimated market share of about 7%-10% in customer deposits and customer lending. ZKB has a leading 50% retail banking market share in Zurich, one of Switzerland's strongest regions economically. Compared to other Swiss cantonal bank peers, this concentration risk is offset by ZKB's diversification of business activities conducted on a national scale, including corporate lending to small and midsize enterprises and large corporations, as well as private banking. Furthermore, ZKB provides services for other cantonal banks as an originator of syndicated loans and a participant in the market for traded structured investment products. ZKB also markedly benefits from being the country's third-largest investment fund manager, pushed by its 2015 acquisition of Swisscanto, which was previous collectively owned by Swiss cantonal banks.

We forecast a 7.1% return on equity (ROE) until 2024, which appears adequate by international standards considering that ZKB is better capitalized than many international banks, and due to diversified earnings from the bank's stable customer base--underpinned by the canton's public ownership and guarantee.

As interest rates steadily rise, we expect pressure from low interest rates to lessen but at a slower pace in Switzerland than in the eurozone. This will also benefit ZKB with a high share of net interest income relative to revenues and dominated by highly collateralized nationwide low-risk residential real estate business. Compared to peers, however, ZKB's share of net interest income is smaller at about 49% of total revenue (see chart 1). We see the risk that new fintech competitors could disrupt ZKB's business model in the future as manageable, given its loyal and conservative client base, which typically favors relationship-based banks over purely digital banks. This will give ZKB time to further adjust its product offering and digital customer interaction.

Chart 1

ZKB Benefits From A High Share Of Stable Fee Income Thanks To Its Asset Management Operations
Breakdown of operating revenues



Data relates to YTD June 2022. AKB--Aargauische Kantonalbank. BCGE--Banque Cantonale de Geneve. BCV--Banque Cantonale Vaudoise. BLKB--Basellandschaftliche Kantonalbank. BKB--Basler Kantonalbank. GLKB--Glarner Kantonalbank. GKB--Graubuendner Kantonalbank. LUKB--Luzerner Kantonalbank. SZKB--Schwyzer Kantonalbank. ZKB--Zuercher Kantonalbank. Source: S&P Global Ratings.

Copyright © 2022 by Standard & Poor's Financial Services LLC. All rights reserved.

Capital And Earnings: Still A Key Rating Strength, Cushioning Potential Macroeconomic Risks

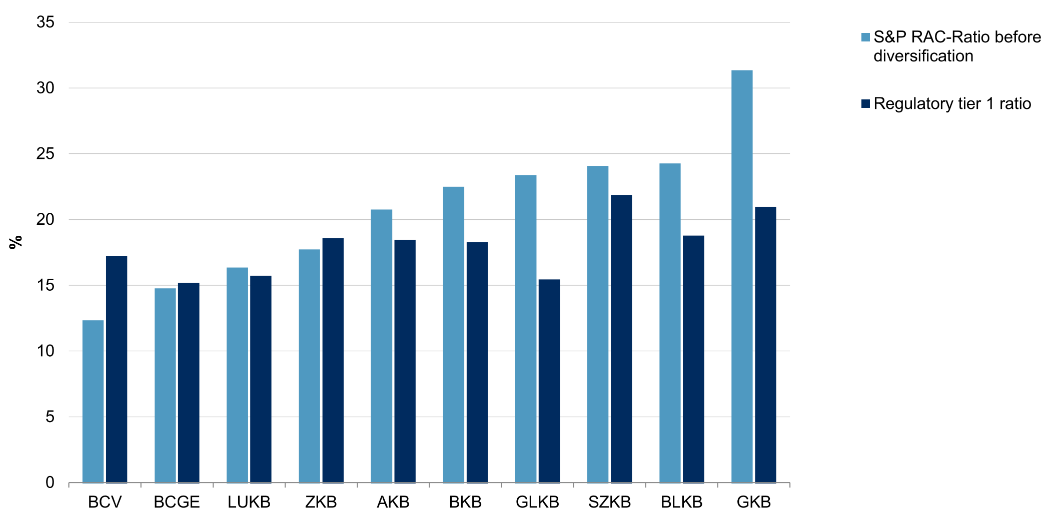
We forecast ZKB to preserve its very high capitalization, mainly indicated by our projected RAC ratio of 17.5%-18.0% until 2024, after 17.7% at year-end 2021. Such robust ratios place ZKB among the highest capitalized banks globally, and in the middle range of rated Swiss cantonal banks (see chart 2).

Our RAC projection is supported by the resilience of the Swiss economy amid uncertainties about the consequences of Russia's war in Ukraine and the deteriorating global macroeconomic environment. We anticipate relative earnings stability from about 2%-3% loan growth under rising interest rates, prudent underwriting standards, and Switzerland's resilient real estate markets. We also expect ZKB will maintain its dividend distributions to the canton at about 50% of core earnings and pay it compensation for the cantonal guarantee of CHF20 million-CHF25 million annually.

The good quality of ZKB's capital and earnings also supports our capital assessment. Notably, we forecast a relatively low 5%-7% share of hybrid capital instruments within total adjusted capital, and earnings stability. Moreover, we expect the cost-to-income ratio to remain about stable at 59% for ZKB by 2024 because of increased costs of inflation, digitalization, regulation, and the bank's nationwide footprint, balanced by cost savings and synergies from the Swisscanto integration. ZKB's efficiency is slightly weaker than that of most cantonal bank peers (see chart 3) and those in the Nordics, but in line with or better than many Western European banks'.

Chart 2

ZKB's Capitalization Is Very Strong In Global Comparison, But Only Average Among Cantonal Banks



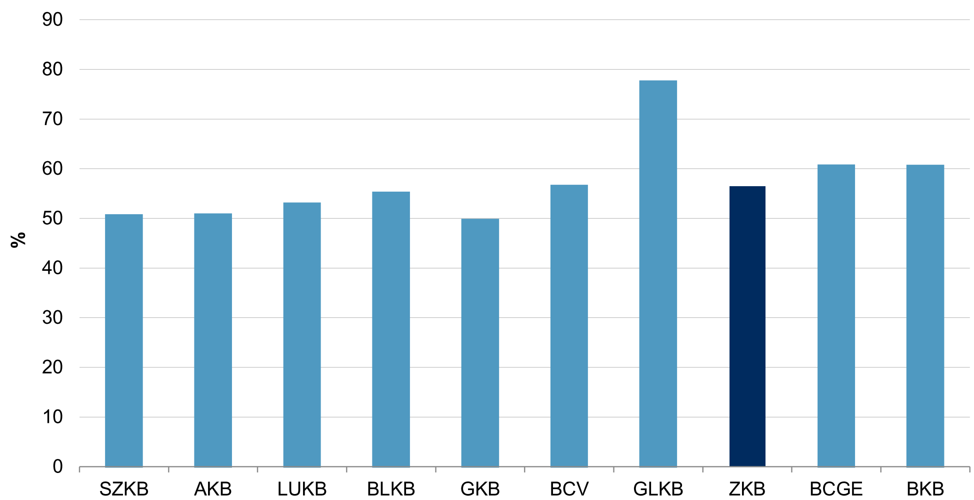
RAC--Risk-adjusted capital. Ratios as of Dec 2021. BCGE and SZKB RAC as of Dec 2019. AKB--Aargauische Kantonalbank. BCGE--Banque Cantonale de Geneve. BCV--Banque Cantonale Vaudoise. BLKB--Basellandschaftliche Kantonalbank. BKB--Basler Kantonalbank. GLKB--Glarner Kantonalbank. GKB--Graubuendner Kantonalbank. LUKB--Luzerner Kantonalbank. SZKB--Schwyzer Kantonalbank. ZKB--Zuercher Kantonalbank. Source: S&P Global Ratings.

Copyright © 2022 by Standard & Poor's Financial Services LLC. All rights reserved.

Chart 3

Cost-To-Income Ratio

ZKB's cost efficiency is weaker than cantonal bank peers'



Cost-to-income ratio is defined as noninterest expense as % of operating revenues. Data relates to FY-2020. AKB--Aargauische Kantonalbank. BCGE--Banque Cantonale de Geneve. BCV--Banque Cantonale Vaudoise. BLKB--Basellandschaftliche Kantonalbank. BKB--Basler Kantonalbank. GLKB--Glarner Kantonalbank. GKB--Graubuendner Kantonalbank. LUKB--Luzerner Kantonalbank. SZKB--Schwyzer Kantonalbank. ZKB--Zuercher Kantonalbank. Data relates to FY-2019. Cost-to-income ratio is defined as noninterest expense as % of operating revenues. Source: S&P Global Ratings.

Copyright © 2022 by Standard & Poor's Financial Services LLC. All rights reserved.

Risk Position: Resilient Customer Base And Prudent Management Mitigate Real Estate Concentration Risks

We expect that ZKB's prudent risk management and cautious lending standards will continue to contribute to the high asset quality of its loan portfolio. This, together with the strong financial health of Swiss customers, mitigates risks arising from ZKB's regional concentrations against the backdrop of a weakening operating environment.

About 75% of ZKB's loan book comprises low-risk, highly collateralized, and granular residential mortgage loans. This is somewhat lower than that of other cantonal banks due to ZKB's broader business range, including a higher share of trading securities (6.4% of total assets). ZKB's commercial lending (including a high share of loans collateralized by commercial real estate) is also higher than that of cantonal bank peers, accounting for about 15% of customer lending as of year-end 2021. We consider this segment riskier than residential real estate loans, particularly in a potential recessionary environment. However, in our view, ZKB's prudent underwriting standards, sound risk management, high granularity, and high levels of collateralization keep its risk costs relatively low.

In our view, the cumulative build-up in house prices in recent years and ZKB's significant exposure to residential real estate generally leave the bank vulnerable to a heightened risk of correction and increased credit losses in the longer term.

Most of the bank's trading revenue is client initiated and slightly more volatile than its interest and fee business. ZKB also engages in customer-related proprietary trading operations but mainly acts as a market maker in fixed income and foreign exchange products. Although these operations are limited, they can increase the volatility of the bank's earnings. However we believe that the bank will maintain a low risk appetite and that its risk management tools will allow it to closely monitor these activities.

Funding And Liquidity: A Favorable Funding Profile That Benefits From A Solid Franchise And The Cantonal Guarantee

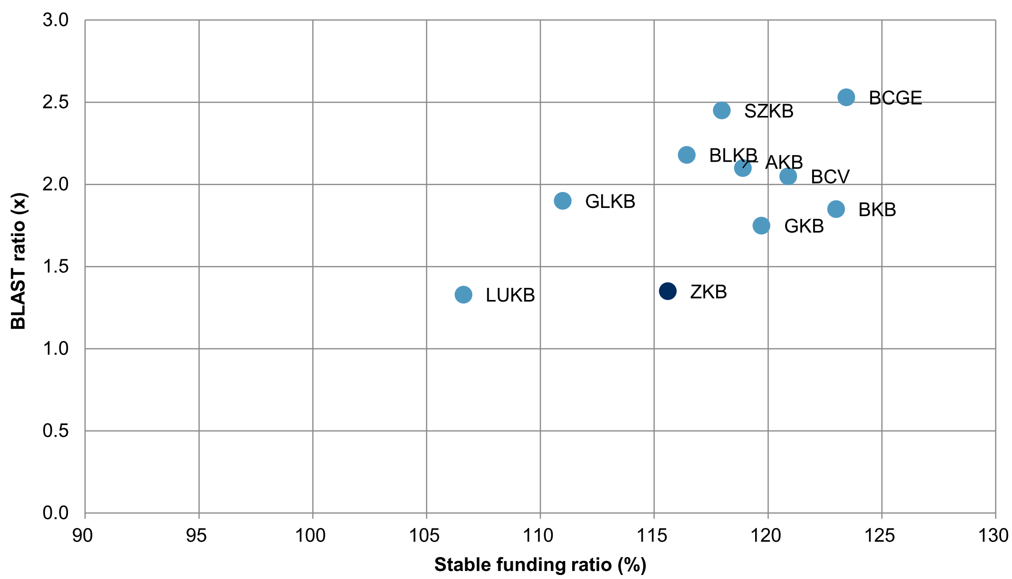
We expect ZKB's funding profile will remain comfortably in line with that of Swiss peers and other banking systems with the same favorable industry risks. At the same time, we expect ZKB's liquidity will remain a strength, reflecting the bank's ability to withstand extended market or idiosyncratic stress.

ZKB continues to benefit from the cantonal guarantee, which reinforces customer confidence and implicitly supports a widespread and loyal depositor base. The bank's loan-to-deposit ratio by our calculation was 109% at June 2022, up from 105% at year-end 2021, and is likely to stagnate, not taking into account the large equity position. This is also reflected in our stable funding ratio of 115% at year-end 2021, which is in line with that of many domestic peers. ZKB's exposure to confidence-sensitive wholesale funding is also larger than for other cantonal banks. Interbank and capital market funding via secured and unsecured instruments accounts for about 45% of the bank's total funding. However, we expect wholesale funding sources will remain stable or even benefit from a flight to quality in more challenging economic conditions thanks to the bank's cantonal guarantee and high stand-alone creditworthiness.

Similarly, we expect ZKB to maintain its prudent liquidity management and favorable liquidity position, which, in our view, would enable it to endure more than 12 months with no access to market funding. This is also represented by its 1.3x ratio of broad liquid assets to short-term wholesale funding. The ratio remains lower than peers who have a strong liquidity assessment (see chart 4). However, we expect ZKB to maintain elevated liquidity and, owing to its close ties with the Canton of Zurich and the loyalty of its customer base, to remain less sensitive than other commercial banks in a more challenging operating environment. As such, our ratio-based liquidity analyses are reinforced by the above qualitative factors.

Chart 4

ZKB Remains In A Comfortable Funding And Liquidity Position



BLAST ratio is calculated as broad liquid assets divided by short-term wholesale funding. Ratios as of YTD June 2022, except for ZKB and GKB, which is of Dec 2021. AKB--Aargauische Kantonalbank. BCGE--Banque Cantonale de Geneve. BCV--Banque Cantonale Vaudoise. BLKB--Basellandschaftliche Kantonalbank. BKB--Basler Kantonalbank. GLKB--Glarner Kantonalbank. GKB--Graubuendner Kantonalbank. LUKB--Luzerner Kantonalbank. SZKB--Schwyzer Kantonalbank. ZKB--Zuercher Kantonalbank. Source: S&P Global Ratings.

Copyright © 2022 by Standard & Poor's Financial Services LLC. All rights reserved.

Support: Three Notches Of Uplift Due To Extremely High Likelihood Of Extraordinary Support From The Canton Of Zurich

We expect ZKB will remain a GRE with an extremely high likelihood of receiving timely and sufficient extraordinary support from the Canton of Zurich in the event of financial distress. We base this on our view of the bank's integral link with, and very important role for, the canton. ZKB benefits from the existing cantonal guarantee on its unsubordinated obligations, which is stipulated by law, as well as its ownership structure and importance for Zurich's regional economy. We think that any default by ZKB would have a significant impact on the regional economy. Because of this, we add a three-notch uplift to ZKB's 'aa-' SACP to derive the long-term rating.

We expect the existing cantonal guarantees will remain in the medium term. Beyond our outlook horizon, we see a potential risk that future agreements between Switzerland and the EU regarding preferential Swiss market access might include the removal of the remaining guarantees for all cantonal banks.

Environmental, Social, And Governance (ESG)

ESG Credit Indicators

E-1	**E-2**	E-3	E-4	E-5	S-1	**S-2**	S-3	S-4	S-5	G-1	**G-2**	G-3	G-4	G-5

ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumerical 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary "ESG Credit Indicators: Definition And Applications," published Oct. 13, 2021.

ESG factors have a neutral impact on our assessment of ZKB's creditworthiness. Social and environmental credit factors are in line with those of peers in the banking industry, while the bank's governance standards are comparable with wider practice in its home country.

Key Statistics

Table 1

Zuercher Kantonalbank--Key Figures

	--YTD June 2022--				
(Mil. CHF)	**YTD June 2022**	**2021**	**2020**	**2019**	**2018**
Adjusted assets	197,937.0	192,055.0	188,278.0	166,931.0	169,266.0
Customer loans (gross)	106,347.0	102,111.0	97,257.0	93,502.0	90,039.0
Adjusted common equity	12,744.0	12,103.0	12,100.0	11,701.0	11,343.0
Operating revenues	1,369.0	2,594.0	2,558.0	2,410.0	2,334.0
Noninterest expenses	773.0	1,528.0	1,587.0	1,445.0	1,434.0
Core earnings	587.1	1,046.0	910.2	954.0	1,077.9

YTD--Year till date. CHF--Swiss franc.

Table 2

Zuercher Kantonalbank--Business Position

	--YTD June 2022--				
(Mil. CHF)	**YTD June 2022**	**2021**	**2020**	**2019**	**2018**
Total revenues from business line (currency in millions)	1,377	2,596	2,584	2,414	2,437
Return on average common equity	8.5	7.44	6.92	6.99	6.83

YTD--Year till date. CHF--Swiss franc.

Table 3

Zuercher Kantonalbank--Capital And Earnings

	--YTD June 2022--				
(Mil. CHF)	**YTD June 2022**	**2021**	**2020**	**2019**	**2018**
Tier 1 capital ratio	17.6	18.5	18.9	18.9	19.0
S&P Global Ratings' RAC ratio before diversification	N/A	17.7	18.5	18.4	18.0
S&P Global Ratings' RAC ratio after diversification	N/A	15.4	16.1	16.1	16.0

Table 3

Zuercher Kantonalbank--Capital And Earnings (cont.)					
	--YTD June 2022--				
(Mil. CHF)	YTD June 2022	2021	2020	2019	2018
Adjusted common equity/total adjusted capital	92.3	91.9	91.9	94.0	93.9
Net interest income/operating revenues	48.7	49.6	49.2	50.2	52.4
Fee income/operating revenues	34.6	35.7	31.5	32.2	33.2
Market-sensitive income/operating revenues	15.6	13.7	18.4	13.7	12.6
Cost to income ratio	56.5	58.9	62.0	60.0	61.4
Preprovision operating income/average assets	0.6	0.6	0.5	0.6	0.5
Core earnings/average managed assets	0.6	0.6	0.5	0.6	0.6

CHF--Swiss franc. N/A--Not applicable. RAC--Risk-adjusted capital. YTD--Year till date.

Table 4

Zuercher Kantonalbank--Risk-Adjusted Capital Framework Detailed Results					
	EAD(1)	Basel III RWA (2)	Average Basel III RW (%)	S&P Global Ratings RWA	Average S&P Global Ratings RW (%)
Government and central banks	44,550.8	1,494.9	3.4	215.1	0.5
Of which regional governments and local authorities	1,860.9	1,021.8	54.9	66.6	3.6
Institutions and CCPs	14,645.2	3,999.2	27.3	4,365.8	29.8
Corporate	54,403.5	31,261.4	57.5	35,281.3	64.9
Retail	74,408.8	20,967.6	28.2	18,610.0	25.0
Of which mortgage	69,975.6	17,691.0	25.3	16,222.1	23.2
Securitization (3)	0.0	0.0	0.0	0.0	0.0
Other assets(4)	597.4	597.4	100.0	591.0	98.9
Of which deferred tax assets	0.0	--	--	0.0	0.0
Of which amount of over (-) or under (+) capitalization of insurance subsidiaries	0.0	--	--	0.0	0.0
Total credit risk	188,605.7	58,320.5	30.9	59,063.3	31.3
Total credit valuation adjustment	--	2,859.1	--	0.0	--
Equity in the banking book	520.2	2,180.6	419.2	3,906.9	751.0
Trading book market risk	--	3,537.4	--	6,043.7	--
Total market risk	--	5,718.0	--	9,950.5	--
Total operational risk	--	4,659.9	--	5,564.5	--
RWA before diversification	--	71,557.4	--	74,578.3	100.0
Single name(On Corporate Portfolio) (5)	--	--	--	663.0	1.9
Sector(On Corporate Portfolio)	--	--	--	55.8	0.2
Geographic	--	--	--	7,256.4	11.4
Business and Risk Type	--	--	--	3,179.4	3.9
Total diversification/ Concentration adjustments	--	--	--	11,154.6	15.0
RWA after diversification	--	71,557.4	--	85,732.9	115.0

Table 4

Zuercher Kantonalbank--Risk-Adjusted Capital Framework Detailed Results (cont.)

	Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	Standard & Poor's Global Ratings RAC ratio (%)
Capital ratio before adjustments	13,252.6	18.5	13,168.0	17.7
Capital ratio after adjustments (6)	13,252.6	18.5	13,168.0	15.4

Footnotes: (1) EAD: Exposure At Default (2) RWA: Risk-Weighted Assets (3) Securitisation Exposure includes the securitisation tranches deducted from capital in the regulatory framework (4) Other assets inlcudes Deferred Tax Assets (DTAs) not deducted from ACE (5) For Public-Sector Funding Agencies, the single name adjustment is calculated on the regional government and local authorities portfolio (6) For Tier 1 ratio, adjustments are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons)

Table 5

Zuercher Kantonalbank--Risk Position

	--YTD June 2022--				
(Mil. CHF)	**YTD June 2022**	**2021**	**2020**	**2019**	**2018**
Growth in customer loans	8.3	5.0	4.0	3.8	3.2
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	15.0	15.2	14.0	12.4
Total managed assets/adjusted common equity (x)	15.5	15.9	15.6	14.3	14.9
New loan loss provisions/average customer loans	0.0	0.0	0.1	0.0	(0.2)
Gross nonperforming assets/customer loans + other real estate owned	0.1	0.1	0.1	0.1	0.1
Loan loss reserves/gross nonperforming assets	236.0	419.1	315.5	253.1	251.2

CHF--Swiss franc. N/A--Not applicable. RWA--Risk-weighted assets. YTD--Year till date.

Table 6

Zuercher Kantonalbank--Funding And Liquidity

	--YTD June 2022--				
(Mil. CHF)	**YTD June 2022**	**2021**	**2020**	**2019**	**2018**
Core deposits/funding base	54.7	55.1	53.8	56.1	55.2
Customer loans (net)/customer deposits	109.4	105.1	104.7	109.6	104.9
Long-term funding ratio	N/A	69.8	67.8	70.9	69.6
Stable funding ratio	N/A	115.6	115.9	112.1	115.8
Short-term wholesale funding/funding base	32.4	32.6	34.7	31.6	32.9
Broad liquid assets/short-term wholesale funding (x)	N/A	1.4	1.3	1.3	1.3
Net broad liquid assets/short-term customer deposits	N/A	21.1	20.6	17.0	20.4
Short-term wholesale funding/total wholesale funding	70.6	71.6	74.1	71.3	72.7
Narrow liquid assets/3-month wholesale funding (x)	1.6	1.7	1.6	1.4	1.4

CHF--Swiss franc. N/A--Not applicable

Zuercher Kantonalbank--Rating Component Scores

Issuer Credit Rating	**AAA/Stable/A-1+**
SACP	aa-
Anchor	a-
Economic risk	2
Industry risk	2
Business position	Strong

Zuercher Kantonalbank--Rating Component Scores (cont.)	
Issuer Credit Rating	**AAA/Stable/A-1+**
Capital and earnings	Very strong
Risk position	Adequate
Funding	Adequate
Liquidity	Strong
Comparable ratings analysis	0
Support	+3
ALAC support	0
GRE support	+3
Group support	0
Sovereign support	0
Additional factors	0

ALAC--Additional loss-absorbing capacity. GRE--Government-related entity. SACP--Stand-alone credit profile.

Related Criteria

- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- Methodology for Linking Long-Term and Short-Term Ratings -- April 7, 2017
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- Principles of Credit Ratings, Feb. 16, 2011

Related Research

- Banking Industry Country Risk Assessment: Switzerland, May 30, 2022
- ESG Credit Indicator Report Card: EMEA Banks, Jan. 19, 2022
- Zuercher Kantonalbank, Nov. 19, 2021
- Banking Industry Country Risk Assessment Update: September 2021, Sept. 30, 2021

Ratings Detail (As Of November 22, 2022)*	
Zuercher Kantonalbank	
Issuer Credit Rating	AAA/Stable/A-1+
Subordinated	A

Ratings Detail (As Of November 22, 2022)*(cont.)		
Issuer Credit Ratings History		
24-Aug-2018	*Foreign Currency*	AAA/Stable/A-1+
03-Jul-2012		AAA/Negative/A-1+
20-Jan-1998		AAA/Stable/A-1+
24-Aug-2018	*Local Currency*	AAA/Stable/A-1+
03-Jul-2012		AAA/Negative/A-1+
20-Jan-1998		AAA/Stable/A-1+
Sovereign Rating		
Switzerland		AAA/Stable/A-1+
Related Entities		
Zurich (Canton of)		
Issuer Credit Rating		AAA/Stable/--
Senior Unsecured		AAA

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

Copyright © 2022 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.