Annual Report
Financial year
2022

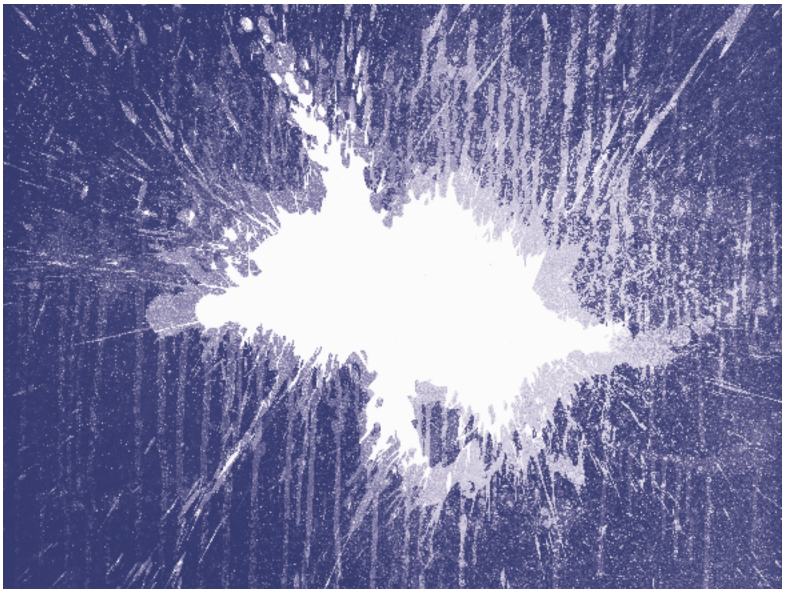
Zürcher
Kantonalbank

The cover of this year's German hard copy annual report is a work of art created for us by Christine Streuli. Printed on solid rock using a machine over 100 years old, five delicate layers of colour were applied to the paper. The layers are so fine that every step is visible, and the overlaps create many more colours than were actually used for the printing. It all adds up to a dense, powerful image – and because the copies are hand-made, each one is unique.

The purpose of the work is to show how Zürcher Kantonalbank has changed. We have always developed our business and our way of working in evolutionary steps. The result is a rock-solid, powerful bank that the people of Zurich can rely on and that – like this work of art – radiates energy and movement. And embodies evolution, solidity and craftsmanship.

Last but not least, we are expressing our substantial commitment to art, which led us to realise this project. Promoting contemporary art in the Canton of Zurich is an important part of our public service mandate. We have numerous works on display in our visitor rooms and offices.

Roger Liebi, Deputy Chairman
Chairman of the Art Commission



Christine Streuli

Born in Switzerland in 1975, Christine Streuli now lives and works in Berlin. She studied at Zurich University of the Arts (ZHdK), and also at Berlin University of the Arts (UdK), where she has held a professorship since 2015.

Key figures (group)

	2022	2021	Change in %
Key figures in %			
Return on Equity (RoE)	**8.4**	7.8	
Cost Income Ratio (CIR)[1]	**57.5**	58.7	
Common equity Tier 1 ratio (CET1) (going-concern)[2]	**16.8**	17.0	
Risk-based capital ratio (going-concern)[2]	**18.2**	18.5	
Risk-based capital ratio (gone-concern)[2]	**4.3**	4.0	
Leverage Ratio (going-concern)[2]	**6.2**	6.2	
Leverage Ratio (gone-concern)[2]	**1.5**	1.3	
Liquidity Coverage Ratio (LCR)[3]	**146**	160	
Net Stable Funding ratio (NSFR)	**124**	118	
Income statement in CHF million			
Net result from interest operations	**1,403**	1,248	12.4
Result from commission business and services	**926**	926	0.0
Result from trading activities and the fair value option	**409**	347	17.9
Other result from ordinary activities	**15**	24	–37.2
Operating income	**2,752**	**2,544**	**8.2**
Operating expenses	**–1,594**	–1,517	5.1
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	**–101**	–104	–3.0
Changes to provisions and other value adjustments and losses	**2**	28	–93.4
Operating result	**1,059**	**951**	**11.3**
Extraordinary result	**8**	0	n.a.
Changes in reserves for general banking risks	**–**	0	n.a.
Taxes	**–8**	–9	–6.8
Consolidated profit	**1,059**	**942**	**12.3**
Balance sheet in CHF million			
Total assets	**199,791**	192,105	4.0
High-quality liquid assets (HQLA)[3]	**58,545**	51,682	13.3
Mortgage loans	**96,838**	91,847	5.4
Amounts due in respect of customer deposits	**103,351**	96,777	6.8
Provisions	**214**	237	–9.9
Equity	**13,299**	12,674	4.9
Customers' assets in CHF million			
Total customers' assets	**399,965**	409,190	–2.3[4]
Net new money inflow/outflow (NNM)	**33,928**	**25,853**	**31.2**
Headcount/branches Number			
Headcount after adjustment for part-time employees, as at the reporting date	**5,249**	5,145	2.0
Branches[5]	**53**	57	–7.0
Profit distribution in CHF million			
Share paid to canton to cover actual costs	**11**	11	5
Dividend for the canton	**320**	280	14
Dividend for municipalities	**160**	140	14
Total	**491**	**431**	**14**
Additional compensation for state guarantee	**28**	27	4.3
Additional payments from public service mandate	**140**	141	–0.3

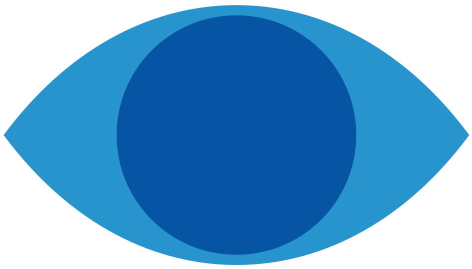
1 Calculation: Cost/income ratio (excl. changes in default-related value adjustments and losses from interest operations).
2 In accordance with the provisions for systemically important banks.
3 Simple average of the closing values on the business days during the quarter under review.
4 In addition to NNM, the change in customers' assets contains the change arising from price gains/losses, interest rates, dividends and currency gains/losses of CHF –42,020 million (previous year: CHF 21,262 million) and other effects of CHF –1,133 million (previous year: CHF 416 million).
5 Including branches of Zürcher Kantonalbank Österreich AG in Salzburg and Vienna.

Group structure

- **Zürcher Kantonalbank (parent company)** 5,790*
  - **Swisscanto Holding AG**
    - Swisscanto Fund Management Company Ltd. 93*
    - Swisscanto Pensions Ltd.
    - Swisscanto Asset Management International SA 12*
  - **Zürcher Kantonalbank Finance (Guernsey) Ltd.** 5*
  - **Zürcher Kantonalbank Österreich AG** 102*
  - **ZKB Securities (UK) Ltd.** 7*
  - **Representative Offices**
    - São Paulo 2*
    - Beijing 2*
    - Mumbai 2*
    - Singapore 2*

* Number of employees

Group mission statement

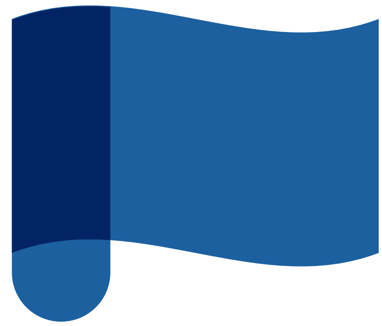


Our vision

Close to you

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

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



Our goals

Powerful Swiss universal bank

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

Our values

Inspiring

Motivate, think ahead, show courage

Responsible

Be reliable, create value, be present

Passionate

Be involved, enthuse, persevere

Our roots

The bank of the people of Zurich

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

About this report

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

The section on sustainability explores in greater detail the material issues identified in the context of sustainability reporting. The comprehensive sustainability report is available at zkb.ch/sustainability-reporting.

Detailed information related to the capital and liquidity situation of Zürcher Kantonalbank can be found in the disclosure report at zkb.ch/disclosure.

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

Contents

Dear residents of Zurich,

We have come to the end of yet another challenging financial year shaped by unforeseeable geopolitical and economic events. At the beginning of the year, we felt the aftermath of the pandemic; then the Ukraine war broke out in February, resulting in the risk of an energy shortage. Inflation rose worldwide, including in Switzerland where it hit 3.5 percent, prompting the SNB to raise key rates in three steps and end the long-standing negative interest rate regime. The cost of living rose, assets declined and fears of recession fanned uncertainty. The situation remained challenging for private individuals and companies in the Canton of Zurich. Burdened not only by energy shortages and prices, they also felt the strain of supply chain problems and labour shortages.

Despite all of that, I remain optimistic: up until now, one proven strength of the companies of Zurich has been their ability to adapt quickly to changing conditions. That was something they proved during the pandemic, and I am convinced that they will succeed in doing just that again in the current situation. Zürcher Kantonalbank continues to stand by their side as a committed and proven partner in times of crisis. One thing is clear: companies with solid prospects but experiencing temporary difficulties can count on our support. Private and institutional clients may also continue to rely on us and benefit from the broad range of services provided by a universal bank.

All business areas at our bank are operating at a high level; that means the bank as a whole continues to develop at a steady pace and its operations remain profitable. In 2022, we generated consolidated profit of CHF 1.059 billion, making it the most profitable year in the bank's history. This kind of result was only possible thanks to the systematic implementation of our group strategy, the cultivation of our corporate culture and Zurich roots, the commitment of our employees and the provision of competitive services. We will distribute 46 percent of the profit, or CHF 491 million, to the canton and municipalities. In addition to that, our service mandate enabled us to generate added value in the amount of CHF 140 million for the population and businesses of the Canton of Zurich. The generational change in the Board of Directors, carefully planned and gradually implemented by the Executive Board, stands for the continuity that characterises Zürcher Kantonalbank. Martin Scholl, who had successfully led the bank for the past 15 years, was succeeded by Urs Baumann, who took over as Chief Executive Officer in September 2022. The bank's strategy, structure and culture will be preserved under his leadership and the bank will continue to develop in line with the needs of its clients.

Zürcher Kantonalbank's corporate governance has stood the test. The Board of Directors, as the bank's governing body elected by the Cantonal Parliament, defines the principles of the bank's corporate policy and strategy, and supervises the Executive Board in their implementation. The Board of Directors communicates on an ongoing basis with the holders of political office at the federal, cantonal and municipal levels; in particular, it engages in intensive dialogue with the cantonal councillors representing the owner to explain the bank's business activities and address their concerns. The normative framework established by the Cantonal Parliament in the Law on Zürcher Kantonalbank takes social and economic developments into account and is occasionally adapted to reflect such developments. In January 2023, following an intense exchange between the Cantonal Parliament and the Board of Directors, discussions of the past few years regarding sustainable development and climate protection culminated in a revision of the purpose clause and the specifications governing the business activities of Zürcher Kantonalbank. This takes account of the bank's long-standing efforts in this area, including at the level of the Law on Zürcher Kantonalbank.

I am convinced that we are well positioned in every relevant dimension to continue to fulfil our mandate responsibly as prescribed by law: "The bank's purpose is to help the canton perform its economic, social and environmental duties, thereby supporting its sustainable development."

Dr Jörg Müller-Ganz, Chairman

"Zürcher Kantonal-bank's corporate governance has stood the test."

Dear clients, Dear staff,

I have been CEO of Zürcher Kantonalbank since 1 September 2022.

There is something very special about this bank, and the welcome I've received has been warm and sincere throughout. The bank's culture is undeniably one of its big strengths. Our clients feel that too.

It goes without saying that we boast a high level of expertise in each and every one of the divisions and specialist areas within the bank. Our employees know their trade. But to experience our employees' passion and dedication for the work they do and for our clients – there's something even more special about that. Just like the way we treat one another. We have a culture of trust. For me, that trust lays the foundation for every collaboration. Trust is a type of appreciation, a gift we can give each other.

Our commitment to the Canton of Zurich is also unique. We're the bank of the people and have a clear service mandate. Reconciling economic activity with the environment and society is a desire that is deeply rooted in our DNA as a bank.

Zürcher Kantonalbank is extremely well positioned. We are one of the safest universal banks in the world. Client and employee satisfaction are at record levels. Our financial success allows us to distribute a substantial amount to the canton and municipalities in Zurich each year.

In this kind of situation, continuity is vital: for our clients, our employees, our owner, our business partners, as well as for the many organisations we support as part of our service mandate in the Canton of Zurich. But continuity doesn't mean that we're standing still. If we intend to remain successful going forward, we need and want to continue to develop to our strengths.

Swiss financial institutions currently manage around 25 percent of cross-border client assets. This means that the Swiss financial centre has an enormous responsibility to invest these assets as sustainably as possible and in accordance with the Paris Agreement and the net-zero target. As the fourth-largest bank and third-largest fund manager in Switzerland, we have not only an enormous social responsibility, but also a huge opportunity to offer new innovative solutions. Joining the Net-Zero Banking Alliance underscores our commitment.

In addition, we intend to systematically expand our successful diversification strategy. It will make the bank even more secure. That could also be seen in the past financial year. Of our consolidated profit of CHF 1.059 billion, 34 percent was attributable to the result from commission business and 15 percent to the result from trading activities. 20 years ago, those accounted for a cumulative share of just 24 percent.

We also want to leverage digitalisation as a way of achieving further improvements to client benefits and proximity as well as to offer our clients innovative, high-quality products at fair prices.

Our goal is clear: we want to be perceived as the most highly appreciated bank across Switzerland, both in the physical and digital worlds. That is something we plan to achieve by ensuring continuity and building on existing strengths while further diversifying our income through sustainable growth. Our focus is on evolution.

It is both a great pleasure and an honour for me to join together with our dedicated employees and our clients to write the next chapter of Zürcher Kantonalbank's success story.

Urs Baumann, Chief Executive Officer

"We want to be perceived as the most highly appreciated bank across Switzerland, both in the physical and digital worlds."

Close to you.

Zürcher Kantonalbank has successfully positioned itself as a systemically important universal bank with a regional base as well as a national and international network. We are the most important cantonal bank in Switzerland and one of the largest Swiss banks. With a market penetration rate of around 50 percent, we are the top-ranked bank in the Greater Zurich Area in both retail and corporate banking. We are also the third-largest fund provider in the country. Zürcher Kantonalbank is an autonomous public-law institution of the Canton of Zurich and benefits from a state guarantee. Our public service mandate is to provide financial services to the public and business, to contribute towards efforts to resolve economic and social issues and to ensure that our actions are environmentally and socially responsible. We uphold our values: responsible, inspiring and passionate. We are the bank that's "Close to you" and are part of life in the Canton of Zurich.

History

1830–1869
A peaceful revolution

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

1870–1914
Storm and stress

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

1914–1945
Solid as a rock

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

1945–1990
Impressive growth

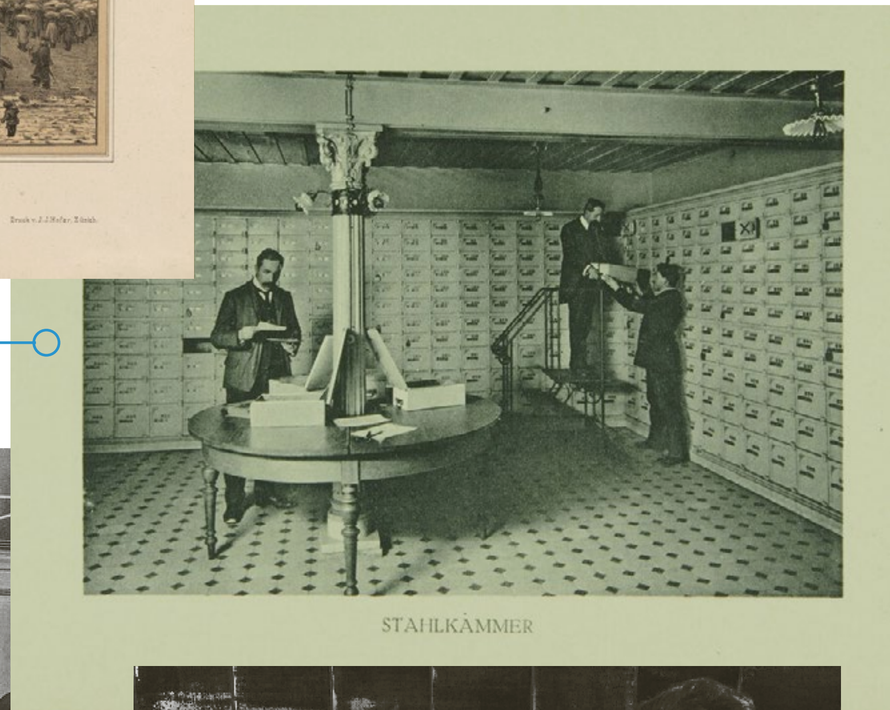
The longest and most powerful economic upswing in the history of Western Europe began soon after the end of World War II. This marked the start of the golden age for Zurich's financial centre and Zürcher Kantonalbank developed accordingly. While it employed 689 people in 1945, this number rose to over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

1990–today
Stability through diversification

The 1990s real estate crisis prompted the bank to initiate the first major reorganisation in its history; this also involved a strategic realignment. Eager to reduce its dependence on real estate financing, the bank continuously strengthened its commission and fee income business as well as its trading business, for example by acquiring the investment fund company Swisscanto in 2014. The environment remained volatile during this period: the dotcom bubble burst shortly after the turn of the millennium and the global financial crisis erupted in the summer of 2007. The US tax dispute caused further turbulence for the Swiss banking centre. During these crises, the diversification strategy proved to be a stabilising factor and pillar for both the bank and the canton.

In 1867, popular assemblies in Winterthur, Uster and Bülach demanded a political voice and socio-political reforms.
Image: Zurich Central Library

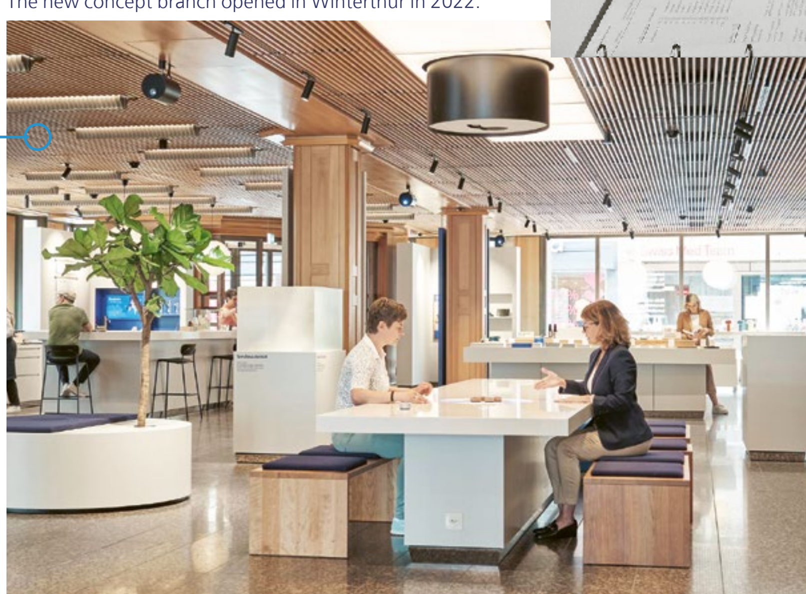
The “Steel Chamber” in an image brochure from 1908.



Workplaces at the Rüti branch, around 1915.

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

The new concept branch opened in Winterthur in 2022.



Leader in the Greater Zurich Area

Nearly half of the people of Zurich and of the companies domiciled in the Canton of Zurich are clients of Zürcher Kantonalbank. While we also operate the canton's densest network of branches and ATMs, our clients are increasingly conducting their banking transactions via our direct bank, ZKB eBanking and ZKB Mobile Banking.

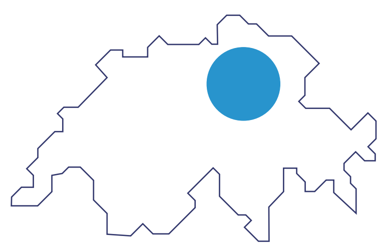
CHF 97 billion

mortgages

92 bn
2021

97 bn
2022

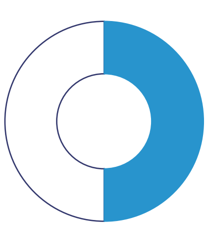
Densest network of branches and ATMs



51 branches

50 %

market penetration



Overall market

CHF 400 billion

Client assets

409 bn
2021

400 bn
2022

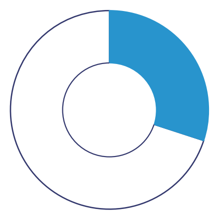
Net new money inflow in 2022: CHF 33.9 billion

Sustainability

CHF 33 billion
credit exposure

2021	2022
31 bn	33 bn

CHF 118 billion
in sustainable investments



30 percent of client assets

CHF 144 billion
fund volume

2021	2022
151 bn	144 bn

Swisscanto is the third-largest fund provider in Switzerland.

Net new assets in 2022: CHF 13 billion

Environmentally friendly banking operations

We have been able to cut our CO_2 emissions from banking operations by over 60 percent since 2010.

260 start-ups supported with CHF 220 million since 2005

One of the largest promoters of start-ups in Switzerland

2021	2022
200 mn	220 mn

Gold and silver

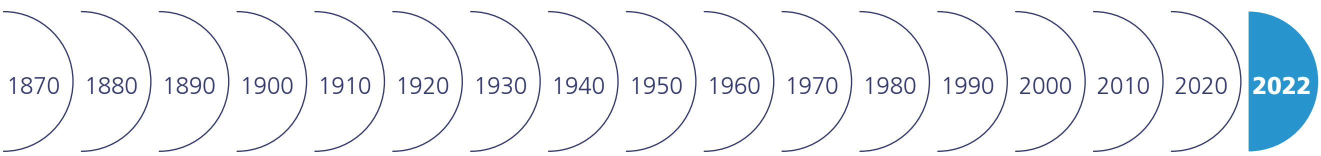
We offer fair trade gold in amounts from 1 g to 20 g and traceable gold in amounts of 1 oz or more.
In 2022, the supply of forensically traceable precious metal was expanded from gold to include silver.

Rooted in the canton

For more than 150 years

Public service mandate

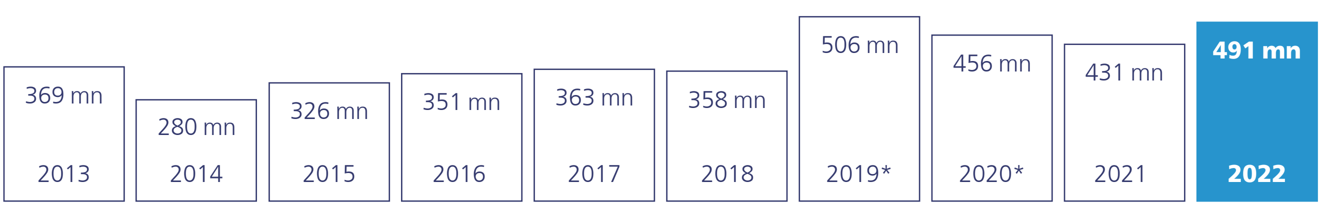
We have been providing financial services to both individuals and companies and fulfilling our statutory mandate since 1870.



CHF 3 billion

Distribution

Over the past ten years, we have distributed considerably more than CHF 3 billion to the Canton of Zurich and its municipalities.



*2019 incl. anniversary dividend, 2020 incl. special coronavirus dividend

CHF 140 million

for support

Over the course of 2022, we committed more than CHF 140 million in financial support in the Canton of Zurich in the economic, social and environmental arenas. Through more than 400 sponsorships, we are also actively helping to make the Canton of Zurich liveable.

400 sponsorships

Society	
	Economy
Environment	

Attractive employer

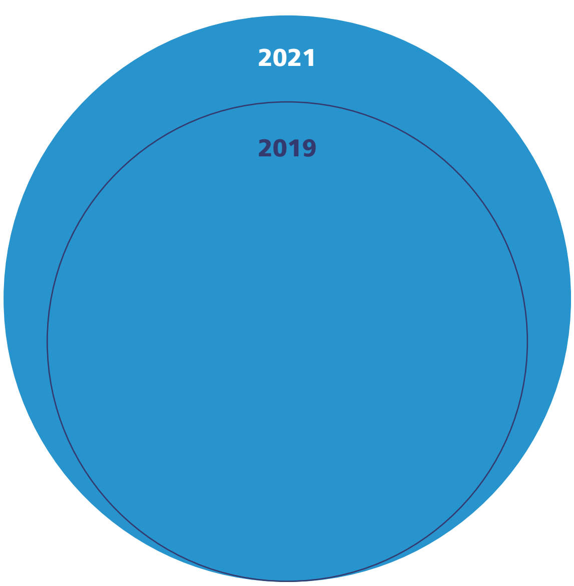
6,017 employees

6,017 people work at Zürcher Kantonalbank in more than 5,200 full-time positions. With 409 apprenticeships, we are one of the largest providers of vocational training in the Canton of Zurich.

409 apprenticeships

Employee satisfaction

In order to find out what moves our employees and to continue providing the right framework for a productive, appreciative environment going forward, a comprehensive employee satisfaction study is conducted every two years. The results of the survey conducted in mid-2021, with a response rate of over 80 percent, paint a very positive picture. This year's commitment score surpassed the previous survey's high score and is now at an all-time high. All business units exceeded our ambitious targets.

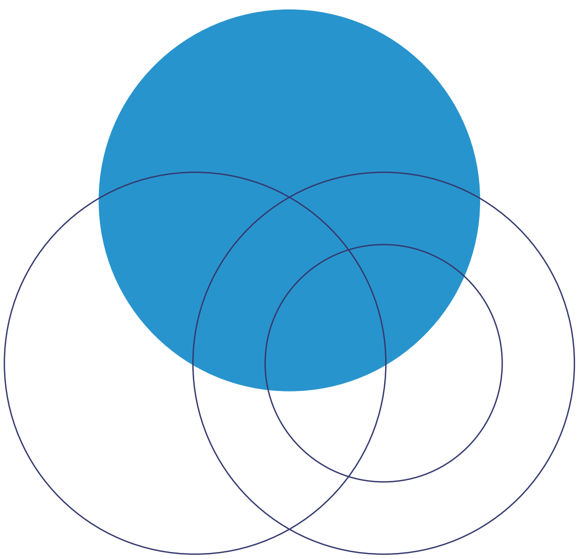


Commitment index up from 86 to 89 index points (vs 2019)

Overview of 2022

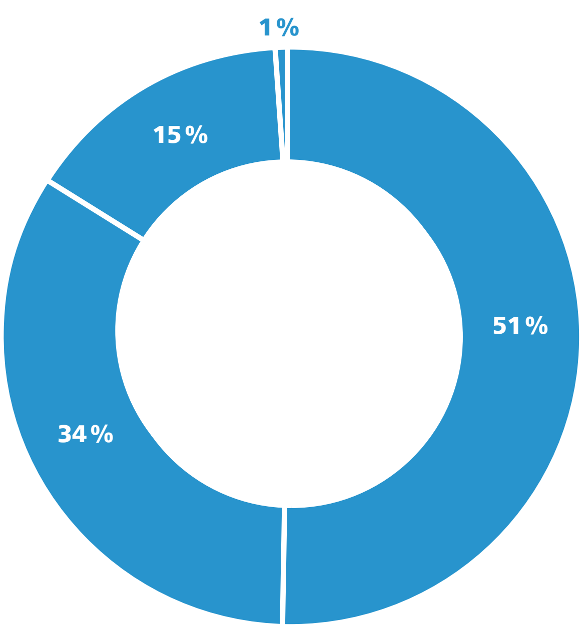
Sustainably successful

Our economic strength is based on a broadly diversified business model, which also affects the income structure. We therefore aim for qualitative growth, particularly in the investment and wealth management business.



Diversified business model

Diversified income



CHF 1,403 million
Result from interest operations (51 %)

CHF 926 million
Result from commission business (34 %)

CHF 409 million
Result from trading activities (15 %)

CHF 15 million
Other result (1 %)

Consolidated profit

CHF 1.059 billion

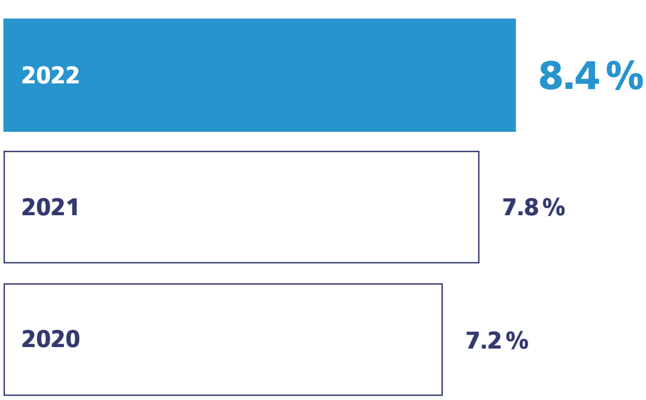
With consolidated profit coming in at CHF 1.059 billion, we achieved strong annual results again in 2022.

Profit distribution

CHF 491 million

The appropriation of profit includes a dividend of CHF 491 million. Of this, CHF 331 million will go to the canton and around CHF 11 million will be used to cover the cost of capital for providing the endowment capital.
Around CHF 160 million will go to the municipalities.

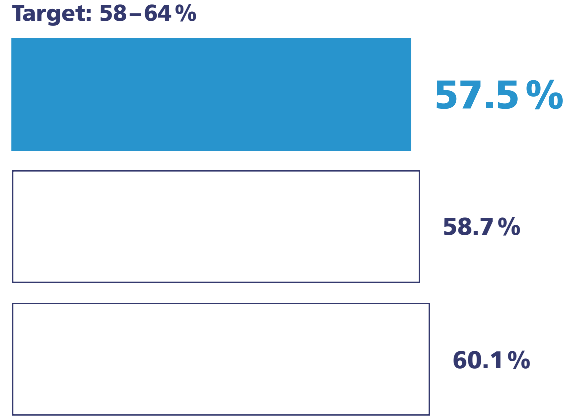
Return on equity (ROE)



The return on equity (ROE) amounted to 8.4 percent.

Cost/income ratio (CIR)

Target: 58–64 %



The cost/income ratio (CIR) stood at 57.5 percent.

Secure universal bank

The rating agencies Standard & Poor's, Moody's and Fitch continue to award Zürcher Kantonalbank their highest ratings of AAA or Aaa. In the view of rating agency Standard & Poor's, Zürcher Kantonalbank is among the safest banks in the world. That makes us the only Swiss bank to be given top marks yet again by all three rating agencies. Given its "stand-alone credit profile" of aa-, the bank's creditworthiness is higher than any other universal bank in the world, even without taking the state guarantee into account. Our high ratings are due primarily to our sustained operational stability as a result of our diversified business model as well as the extremely good capitalisation. Other factors include Zürcher Kantonalbank's solid income base and the profitability this affords the bank, which is particularly attributable to its stable, lasting client relationships.

Group rating

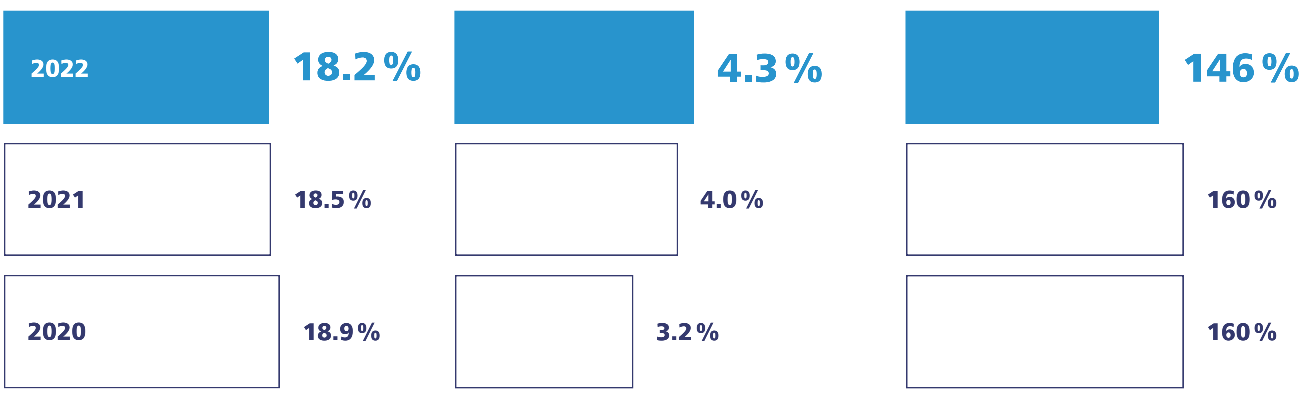
AAA
Aaa

Awarded top grade

Risk-based capital ratio (going-concern)

Risk-based capital ratio (gone-concern)

Liquidity coverage ratio (LCR)



We have a strong equity base that complies with steadily rising regulatory requirements. The bank reported eligible capital of CHF 13.9 billion as at the end of 2022. The risk-based capital ratio (going-concern) came to 18.2 percent and therefore far exceeded the regulatory requirement of 13.77 percent. We are one of the best-capitalised universal banks in the world. The current risk-based gone-concern requirement amounts to 3.9 percent. With a reported risk-based capital ratio (gone-concern) of 4.3 percent, this requirement was also exceeded at the end of 2022.

As a systemically important bank, Zürcher Kantonalbank is additionally subject to significantly higher liquidity coverage ratio (LCR) requirements. At 146 percent, we significantly exceed the regulatory requirements as well.

Strong equity base

Milestones and material events

Corporate Governance

Committee of the Board, Board of Directors and Audit

Mark Roth took over as Deputy Chairman of the Bank's Committee of the Board in February following the resignation of János Blum. Sandra Berberat Kecerski was elected to the Board of Directors to fill the vacant seat. The Head of Audit, Walter Seif, also announced his resignation effective 30 June 2023. He will be succeeded by Dr Jörg Steinger, who will join the bank on 1 April 2023.

⟶ Members of the Committee of the Board, Board of Directors and Audit: p. 109

New CEO

Executive Board

After 15 years as CEO, Martin Scholl stepped down from the post on 31 August 2022. He had been working for Zürcher Kantonalbank for over 40 years. His successor, Urs Baumann, joined Zürcher Kantonalbank as of 1 June 2022 and took over as Chief Executive Officer as of 1 September 2022. Furthermore, CFO Rudolf Sigg announced that he will resign next year.

⟶ Members of the Executive Board: p. 114

The bank as an employer

Diversity

Equal opportunities

The year under review saw around 110 women take part in the "Driver Seat" programme, during which they spent one month in a management position in order to gain first-hand experience in a position of leadership. The programme is a measure designed to increase the proportion of women in management. We also founded the bank's internal network "Mensch*". This network is intended to serve as a knowledge platform and opportunity to discuss how people with disabilities experience everyday life and work, as well as to break down existing barriers within those realms.

⟶ Equal opportunities – diversity & inclusion: p. 81

Young professionals

74 commercial apprentices and 11 IT apprentices graduated in the year under review. 91 percent continued their careers with us. In addition, we offered a first ever summer internship programme, which gave 15 students an insight into the bank for a ten-week period.

⟶ Young professionals: p. 80

Public service mandate

Commitments

Originally held in 1984, a revival of the Phänomena science platform is being planned. Zürcher Kantonalbank supports the project as its main partner. Additionally, our sponsorship partners – some of which were still suffering from the consequences of the pandemic in 2022 – could count on our full support with no change to the contributions agreed regardless of the services provided, just like they could in the two previous years.

⟶ Developments from the support mandate: p. 32

Net-zero

Sustainability

2022 saw us introduce financing products for non-profit housing developers as well as soil carbon sequestration projects. Asset Management won a major sustainability award and also launched new products. In addition, our sell-side research launched an ESG rating and we expanded our range of precious metals with forensic proof of origin. By joining the Net-Zero Banking Alliance, Zürcher Kantonalbank has reaffirmed sustainability's importance as an integral part of its business. We also continued to embrace sustainable construction methods for our commercial buildings.

⟶ Developments from the sustainability mandate: p. 32

Banking business

Personal client contact

Since personal advice continues to be a high priority for clients when faced with complex life events, we will continue to invest in our branch network going forward. We began trials at the new concept branch in Winterthur during the year under review to see how branches could look in the future. Our digital appointment scheduling service gave our clients a simpler way of arranging a personal meeting with us.

⟶ Winterthur branch: p. 62; simplified scheduling: p. 63

Mobile banking

Digital client contact

In 2022, we continued to develop our open banking platform to make account or transaction data available to third-party software solutions upon client request. We also launched the new version of our ZKB Mobile Banking app and set the stage for the use of cloud services.

⟶ Open banking: p. 63; ZKB Mobile Banking: p. 64

frankly

Pension advice expanded

To accommodate strong demand for our various pension advisory services, we are continuously expanding the range of services and the accompanying measures offered as well as the self-service options for our clients. Our personal estate planning service was also expanded and digitalised in the year under review. frankly, the digital pension solution, has around 72,000 clients with over CHF 1.5 billion in assets.

⟶ Pension advice: p. 66

Advice for corporate clients and start-ups

To help prospective entrepreneurs found their companies, we expanded our range of services to include advice during the preparatory phases leading up to that stage. We also adapted the popular advisory services already in successful use by our private clients so that these could be offered to existing corporate clients as well. We are also a partner in the cantonal business-location development programme "SMEs and Innovation", which helps SMEs seize innovation opportunities and implement ideas.

⟶ Advisory experience: p. 64, services for business start-ups: p. 69; innovation promotion: p. 41

Outlook

The environment for the banking industry will remain challenging in 2023. As a universal bank, however, we still expect to be able to present pleasing results thanks to our strategy and diversified business model. When conducting our business activities, we aim for economically, socially and environmentally sustainable development. We aspire to further expand our market position in the Greater Zurich Area as the number one for private individuals and SMEs.

Net immigration supports Swiss economy

The Swiss economy lost momentum in 2022. In addition, the outlook is gloomy, in part due to the tense energy situation and higher inflation rates. A high level of net immigration is likely to shore up the economy, however, with gross immigration per month having picked up significantly since autumn 2021 and emigration remaining at a constant level. There are no signs of a reversal of this trend in 2023. This props up consumption. Unemployment can also be expected to increase slightly, although the shortage of skilled workers will remain a problem for many companies. Some indicators also point to rising consumer prices. Inflation will remain with us in all likelihood, which is why the Swiss National Bank will probably increase interest rates slightly once again.

Challenging environment

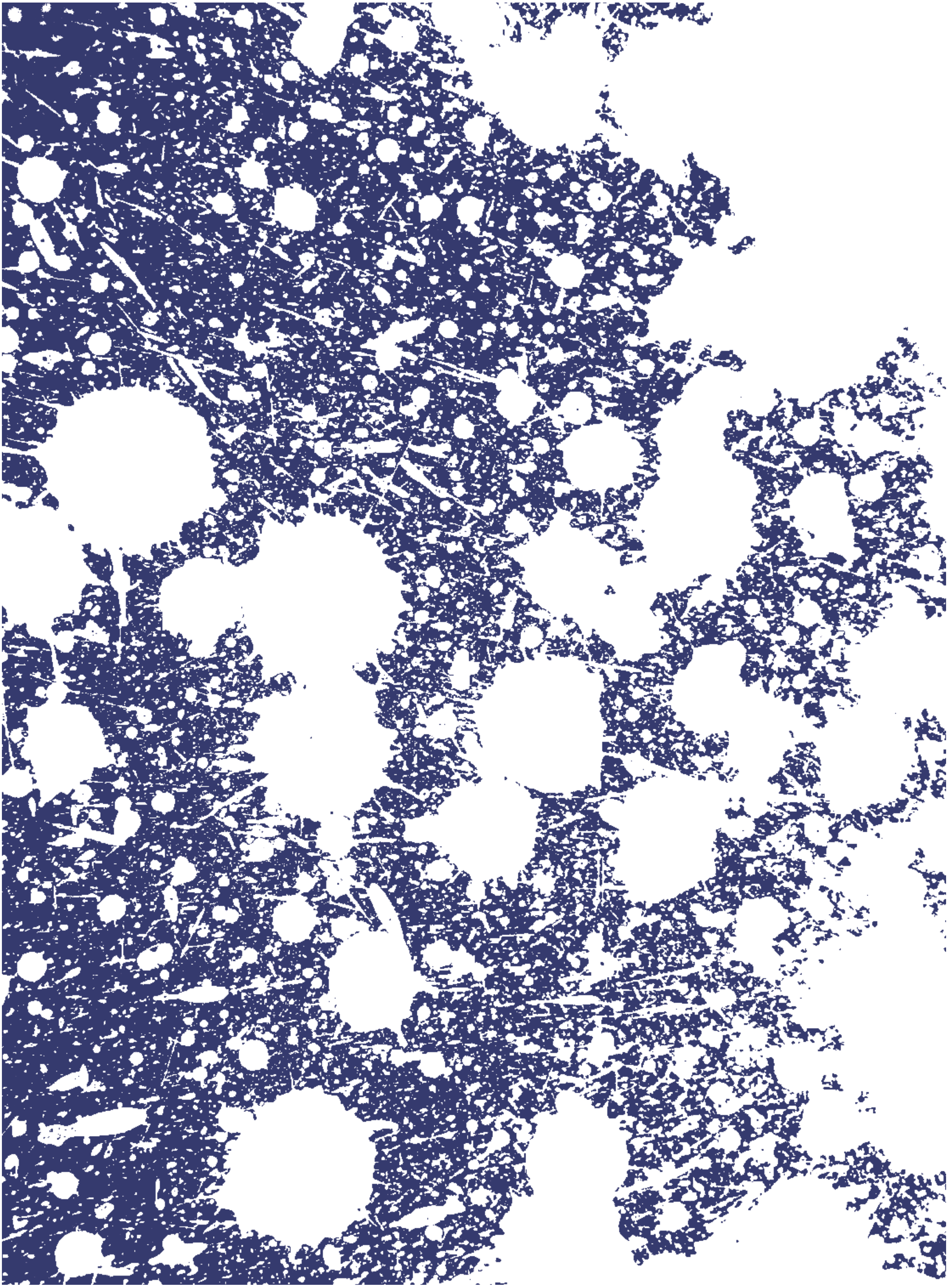
We expect competition in the banking centre to intensify even further. Together with the political community, the aim must be to improve the framework for Switzerland as a financial centre. Equally important is that people's trust in the financial centre be strengthened while also highlighting the important role played by banks, particularly that of domestic banks, with respect to society and the economy.

Continuing the strategy

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

Sustainable business model

We incorporate the criteria of ecological, social and economic sustainability into everything we do and are guided by the United Nations' 17 sustainable development goals and the Paris Agreement. Additionally, we want to use our banking services for business and society to make an active and impact-oriented contribution to the transition to net-zero by 2050. To that end, we have committed to interim targets for 2030 and every five years thereafter until 2050.

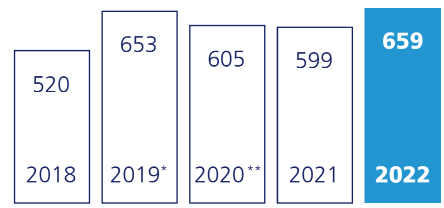


The bank of the people of Zurich

Management Report

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

Participation of the canton and municipalities in the business activities of Zürcher Kantonalbank (in CHF million)



Amount includes distribution to the canton and municipalities, share to cover actual costs to the canton, compensation for the state guarantee, payments from public service mandate
* incl. anniversary dividend for the canton (CHF 100 million) and municipalities (CHF 50 million)
** incl. special coronavirus dividend for the canton (CHF 66 million) and municipalities (CHF 33 million)

Public service mandate

Zürcher Kantonalbank was founded in 1870 as the bank of the people of Zurich. It is an independent public-law institution under the cantonal law of Zurich. We have a public service mandate from the Canton of Zurich. The scope of this mandate is formulated in the Cantonal Bank Act and in the Guidelines for the Fulfilment of the Public Service Mandate of the Board of Directors (zkb.ch/corporate-governance). Our business activities and public service mandate therefore benefit the canton, the municipalities, companies and the population. Non-profit commitments under the public service mandate amounted to over CHF 140 million in 2022 (2021: CHF 141 million).

Endowment capital and state guarantee

The endowment capital of CHF 2.425 billion forms the corporate capital of Zürcher Kantonalbank and is provided by the Canton of Zurich. The canton also provides the bank with a state guarantee. In doing so, it is liable for all the bank's (non-subordinate) liabilities should the bank's resources prove inadequate. This is a security measure that has never had to be drawn upon. In exchange for the provision of the state guarantee, we pay annual compensation to the canton, the amount of which is calculated in accordance with an actuarial model. This amounted to CHF 28.4 million in 2022.

400

sponsorship commitments for a canton worth living in

140

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

Profit distribution to the canton and municipalities

Zürcher Kantonalbank fulfils its public service mandate on the basis of a business strategy aimed at long-term continuity. It is based on market-oriented principles and intended to achieve an adequate level of profitability. Zürcher Kantonalbank will distribute a dividend of CHF 491 million for 2022 (2021: CHF 431 million). The canton uses this to first cover the actual costs incurred for its endowment capital (2022: CHF 11 million, 2021: CHF 11 million). Of the rest, two-thirds go to the canton and one-third to the municipalities.

Developments from the support mandate

Main sponsor of Phänomena

In 1984, Phänomena was an exhibition platform for scientific and technical experiments and saw itself as a bridge between science, business and society. It recorded over 1.2 million visitors. Zürcher Kantonalbank, its main sponsor, is also supporting the relaunch of Phänomena. On its campus, worlds of experience are to be created on current topics such as sustainability, innovation, digitalisation, mobility and energy. Promoting research and education has always been a key focus for the bank, as knowledge, education and qualified specialists are more than just an important competitive factor: they are also the basis for continued economic growth in Switzerland.

Pandemic-related support for sponsorship partners continued

The coronavirus pandemic and its aftermath continued to have an impact at the beginning of this reporting year. These effects prolonged the difficulties facing our sponsorship partners. As in the two previous years, the Committee of the Board therefore continued to express its support by authorising full sponsorship contributions for 2022, irrespective of the services provided.

At Zürcher Kantonalbank, we believe that supporting our sponsorship partners is an important part of our public service mandate, even amid a pandemic. Throughout the pandemic years, our support has not been tied to the performance of our partners.

Developments from the sustainability mandate

Joining the Net-Zero Banking Alliance and other new memberships and partnerships

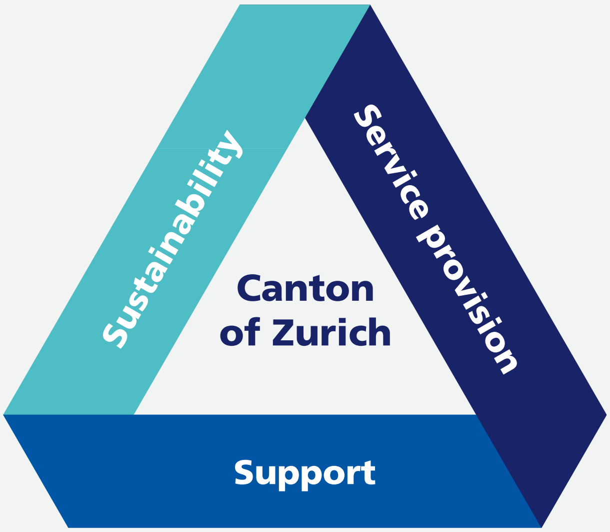
Zürcher Kantonalbank joined the Net-Zero Banking Alliance in the year under review. The bank thus aims to achieve net-zero greenhouse gas emissions by 2050 and undertakes in its business activity to pursue science-based targets aligned with the 1.5-degree climate goal. By joining the alliance, which was initiated by the UN and is led by the financial industry, the bank is strengthening its leading position in the field of sustainability. Among other things, it will constantly enlarge its range of products and services to guide clients towards a sustainable future, continue to support innovations needed to decarbonise the global economy, and foster active dialogue at the national level as an important cornerstone of its aim to achieve net zero by 2050.

In the year under review, Zürcher Kantonalbank also expanded its involvement with swisscleantech, the Swiss business association of climate-conscious entrepreneurs. The bank decided to become a special supporting member. This involves closely cooperating with the association, in particular in the areas of knowledge exchange and advancement towards a climate-friendly economy.

As a further step for greater climate transparency, Zürcher Kantonalbank joined the Partnership for Carbon Accounting Financials (PCAF) in 2022. We are collaborating with over 250 other financial institutions to help develop a uniform and transparent standard for the valuation and disclosure of financed and invested emissions. This is an important starting point for identifying climate risks and opportunities.

The Financial Stability Board created the Task Force on Climate-related Financial Disclosures (TCFD) to improve and expand the reporting of climate-related financial information. With the disclosure of our climate-related financial risks in financial year 2021, we have been a TCFD supporter since spring 2022. This public support for the TCFD and its recommendations demonstrates that we are taking action to create a more resilient financial system through climate-related disclosure.

Public service mandate in the Canton of Zurich



Excerpt from the Law on Zürcher Kantonalbank of 28 September 1997

§ 2 Purpose

[1] The bank's purpose is to contribute to efforts to address economic and social issues within the canton. It supports environmentally sustainable development in the canton.

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

Service obligation

We provide people and businesses in the canton with comprehensive banking services.

We provide the people and the economy with the financial services of a universal bank. These include payment transactions, saving, investing, financing, retirement planning, financial planning, taxes and estate planning. When doing so, we pay particular attention to the concerns of small and medium-sized enterprises, employees, agriculture and public authorities. We also promote home ownership and affordable housing. Our product portfolio is extremely broad and includes services outside the scope of those provided by traditional universal banks. We provide our clients with an excellent client experience across all channels, regardless of whether it is in the physical or digital world.

Support mandate

We assist the Canton of Zurich in the economic, social and environmental arenas.

The support mandate obligates us to help the canton resolve economic and social issues. We enter into sponsorship commitments and make donations in order to protect our natural resources, preserve social cohesion and strengthen the competitiveness of the Greater Zurich Area. It only goes to follow that we advocate for nature and the environment as well as sustainable mobility, cultural diversity, equal opportunity, innovation and entrepreneurship. For detailed information about our activities in this area, please go to zkb.ch/sponsoring (only available in German). We also have one of the largest apprenticeship programmes and are a major employer in the canton.

Sustainability mandate

Our operations in all areas follow a sustainable business model.

We pursue a business policy aimed at long-term continuity that meets the needs of the economy, the environment and society. Sustainability is an integral aspect of our business model. That means we factor environmental, social and economic criteria into our activities and align our operations with the United Nations' 17 sustainable development goals (SDGs). Our products and services offer us the most effective source of leverage so that we can promote sustainable financing and investments. This commitment is reflected in our memberships, participations and sponsorships, as well as in the way we run our bank.

Preferential financing conditions for programme to store CO_2 in agricultural soil

Soil compaction, erosion and over-intensive farming threaten the top, valuable layer of soil – the humus. As humus stores CO_2 efficiently, it offers potential for achieving the climate targets. A programme for humus development in the Canton of Zurich was therefore launched using funding from a ZKB environmental loan. The initiative provides financial incentives and encourages farms to implement soil-friendly plans. For this purpose, half of the investment costs can be financed with a low-interest loan.

Promotion of social sustainability with an offering for non-profit housing developers

Zürcher Kantonalbank has a tradition of promoting not only home ownership, but also affordable housing.

In 2022 we launched the ZKB WohnPlus mortgage, a new offering for non-profit housing developers that provide additional social services.

Non-profit housing developers can thus receive an interest rate reduction on the mortgage for their housing developments. Preferential rates are granted for renewals of existing mortgages as well as for new mortgages.

The basic prerequisite for a ZKB WohnPlus mortgage is that the rental costs are on average at least 15 percent below market rental costs and that Zürcher Kantonalbank provides the overall financing of the housing development. In addition, 28 other criteria apply, such as social mix (including age, nationality, social status, gender) and neighbourhood integration (availability of day-care centres, kindergartens, community centres, shops for the needs of residents).

Another green bond issued

With its issue of another green bond, Zürcher Kantonalbank has raised a total of CHF 1.025 billion over the past five years to refinance ZKB environmental loans and enable energy-efficient renovations of office buildings owned and used by the bank. Demand for the 2022 bond issue, which has a seven-year term and a volume of CHF 200 million, was again strong. ISS ESG, the responsible investment arm of Institutional Shareholder Services Inc. and one of the world's leading sustainable investment rating agencies, has awarded Prime status to Zürcher Kantonalbank. In its second party opinion, it confirms that Zürcher Kantonalbank's Green Bond Programme complies with the International Capital Market Association's (ICMA) Green Bond Principles.

Asset Management launches decarbonisation fund

Zürcher Kantonalbank achieved another milestone in climate protection in the year under review by launching a private equity decarbonisation fund – this time in the segment for private market investments (primary market). Qualified investors can invest specifically in companies that are advancing new business ideas, growing their businesses and reducing greenhouse gases at the same time. The decarbonisation fund has a long-term focus and enables portfolio companies to benefit from the broad operational and financial expertise of the capital providers.

Asset Management receives award at Swiss Sustainable Fund Awards

In 2022, Zürcher Kantonalbank's Asset Management received the "Best Asset Management Company" award at the Swiss Sustainable Fund Awards (SSFA) for the second consecutive year. The SSFA honoured the most successful asset managers as well as the funds most committed to socially responsible investing (SRI).

Launch of ESG rating in sell-side research

Since November 2022 we have assessed the sustainability of more than 140 companies listed in Switzerland and given them an ESG (environmental, social and governance) rating. Our assessments draw on comprehensive data evaluations from reliable sources and the broad-based expert appraisals of our research analysts. In this way we create added value for institutional investors and expand our position as a pioneer in the field of sustainability even further.

Further milestone the commitment to supply chain transparency in precious metals

Zürcher Kantonalbank expanded its offering of forensically traceable precious metals in the year under review to include silver, as well as gold. When gold and silver bars are traceable, the exact origin of the precious metal in question is known for each individual bar. This increases transparency for producers, traders and clients across the entire supply chain. More information can be found at: zkb.ch/edelmetalle (only available in German)

Sustainable construction of bank's own office buildings

The bank promoted biodiversity and renewable energies with two projects at office buildings in Zurich West.

At the Hard office building, about 400m² of asphalt was unsealed and covered with a special gravel-sand mixture (sponge city substrate). This stores rainwater particularly well. On hot days, the water evaporates and reduces heat. This improves the office climate. The area, previously used as an access road and car park, is now home to over 150 different species of local plants.

A measure to promote biodiversity and store water, which is additionally used for cooling, was also implemented on the flat roof of the Steinfels office building. In addition, we installed a photovoltaic system to enable independent power generation.

In the past three years, 19 nature-based landscaping projects have been implemented in 16 municipalities, encompassing a total surface area of 5,900m².

Commitment to biodiversity expanded

Intact biodiversity is extremely important for our society and economy. We therefore also make a direct contribution in the Canton of Zurich and comply with the "Strategy Biodiversity Switzerland" initiative.

In addition to redesigning our branch environment, we are committed to a variety of measures in the canton, such as the renaturation and preservation of valuable natural areas.

To preserve natural open spaces and ensure that the canton's residents can experience intact nature, we have been the main sponsor of the Wildnis Park Zurich foundation since its establishment in 2009. We have also increased our financial commitment to preserving native biodiversity and launched the "Young Trees for Langenberg" campaign.

Grüningen Botanical Garden has been a Zürcher Kantonalbank foundation since 1988. The managers of our botanical garden network actively with botanical gardens around the world. Every year about 25 gardens order around 200 seed portions from our garden, while we receive about 120 portions from about 15 gardens. We plant the seeds in our propagation house so that the young trees can be placed in the garden in three to four years' time. In the year under review, a separate exhibition was dedicated to the biodiversity of pine trees.

Insects are invaluable for the world. They are very important for the food chain, especially for birds. The Musikkollegium Winterthur and Zürcher Kantonalbank drew attention to them in the summer of 2022 with the small concert series "Das grosse Zirpen" (Lots of Chirping). Gregor A. Mayrhofer's "Insect Concerto" was performed in the middle of Zurich Zoo, overlooking the Lewa savannah, with the composer himself conducting.

Other similar commitments in recent years include the restoration of the water meadows in Hundig near Glattfelden, the renaturation of the Limmat floodplain between Werdinsel and the city border, and a settlement project for tree frogs by the Pfäffikersee.

You can find further information at zkb.ch/biodiversitaet (only available in German).

118

billion Swiss francs in sustainable investments

This corresponds to 30 % of our client assets.

220

million Swiss francs for innovative start-ups since 2005

This created around 3,600 new jobs.

409

apprenticeships

We have one of the largest apprenticeship programmes in the Canton of Zurich.

Sustainability

Requirements of Zürcher Kantonalbank

The Law on Zürcher Kantonalbank and the Guidelines on the Public Service Mandate sets out the foundations and the primary requirements of Zürcher Kantonalbank's business activity (zkb.ch/corporate-governance). Our sustainability ambition is an integral part of the group's strategy.

Sustainability policy and ambition

We are aware of the important role played by the financial sector in efforts to achieve sustainable development worldwide. The principles of sustainability are set out in Zürcher Kantonalbank's sustainability policy (zkb.ch/sustainability). Within our sphere of influence, we strive to reconcile our activities with sustainable development and to report them transparently. We focus on areas where the potential for impact is large. Our sustainability policy is reviewed annually and approved by the Executive Board.

Zürcher Kantonalbank is guided by the United Nations' 17 sustainable development goals (SDGs) and the Paris Climate Agreement. In December 2022, Zürcher Kantonalbank joined the Net-Zero Banking Alliance and thus aims to achieve net zero in its business activity by 2050. Our actions are based on scientific principles. We develop products and services that have a positive impact on sustainability and guide our clients on their journey towards a more sustainable future.

We integrate environmental, social and governance (ESG) risks and opportunities into our business activities (ESG integration). We also define exclusion criteria.

Where relevant, the contribution made by products and services to sustainable development and the achievement of greenhouse gas neutrality by 2050 is examined and transparently reported during the approval and review processes. Processes and responsible committees are defined for dealing with specific transactions.

Climate

Our climate goals are based on the goals of the Paris Agreement and on achieving greenhouse gas neutrality by 2050. We help mitigate climate change by promoting energy efficiency and the substitution of fossil fuels and non-renewable energy with renewable energy.

We joined the Net-Zero Banking Alliance in December 2022. In doing so, we undertake to pursue science-based climate targets for net zero by 2050, with interim targets for 2030, and take into account double materiality.

Since 2021, we have reported on our progress on climate-related financial risks in our disclosure based on the recommendations of the Task Force on Climate Related Financial Disclosure (TCFD). For further information, please refer to the risk report on page 207 and to zkb.ch/disclosure.

Memberships and partnerships

We are involved in several different organisations that help promote sustainable development. We put a special focus on knowledge building, networking between different players, innovations, the general conditions for a sustainable economy and the development of industry standards. In addition to partnerships, we also provide human resources who make a specific contribution by sitting on boards or working groups, for example.

Memberships

- Carbon Disclosure Project (CDP)
- Zurich Energy Model
- EUROSIF
- Sustainable Investment Forum (SIF)
- Montreal Carbon Pledge
- Net-Zero Banking Alliance
- Partnership for Carbon Accounting Financials (PCAF)
- Principles for Responsible Banking (PRI)
- Swiss Sustainable Finance (SSF)
- swisscleantech
- UNEP Finance Initiative (UNEP FI)
- UN Principles for Responsible Banking (PRB)
- Task Force on Climate-related Financial Disclosure (TCFD Supporter)

Partnerships

- Fairtrade Max Havelaar
- Mobility Business Car Sharing
- naturemade star!
- Minergie Association

Ratings and comparisons

MSCI ESG – 2021: AA

On a seven-level scale from CCC to AAA, Zürcher Kantonalbank has achieved the second-highest rating of AA for more than five years.

Compared with the industry average, the bank has been rated better than average in the criteria governance, product responsibility and transparency, human resources development, and provision of access to financial services.

ISS ESG – 2022: Status Prime, Rating C+

The absolute scale of the ISS ESG rating contains 12 levels, ranging from D- to A+. The best rating achieved in 2022 was B-. With a rating of C+, Zürcher Kantonalbank ranks in the best decile in a relative industry comparison.

"Prime" status is awarded to industry leaders that meet demanding absolute performance expectations and are thus well positioned not only to manage critical ESG risks, but also to exploit opportunities arising from the shift towards sustainable development.

PACTA

Zürcher Kantonalbank participated in the Paris Agreement Capital Transition Assessment (PACTA) conducted by the federal government in 2022. Further information can be found in our PACTA information at zkb.ch/sustainability-reporting.

Operational ecology

Our environmental management system has been certified according to ISO 14001 since 2002. In this way we aim to achieve a continuous improvement in our use of resources and ensure sustainability in banking operations. In an effort to reduce CO_2 emissions continuously and improve the bank's environmental performance, Zürcher Kantonalbank sets itself environmental goals as part of its operational environmental programme.

We were able to complete the 2018–2022 environmental programme successfully. Our goal was to reduce CO_2 emissions to 3,000 metric tons of CO_2 (30 percent reduction compared with the reference year 2016). We exceeded this target. Since 2010, we have reduced CO_2 emissions from over 7,000 to less than 3,000 metric tons. The goal of our new operational environmental programme is to reach net zero by 2030. We offset 100 percent of unavoidable CO_2 emissions with projects in Switzerland and abroad.

Regulatory developments

It is especially important from a sustainability perspective – also in view of the net-zero target – that all climate-related policy initiatives lead to overarching regulations that are free of contradictions. Zürcher Kantonalbank monitors the development of regulations and helps to shape them within the framework of banking and business associations thanks to its many years of expertise.

Switzerland

After its consultation on how to incorporate the rules in the Code of Obligations (CO) on reporting by large corporations about non-financial matters in an ordinance, the Federal Council finalised the ordinance provisions towards the end of 2022 so that they can enter into force at the beginning of 2024. The proposal requires compliance with the international TCFD standard and additional reporting on quantitative criteria. It therefore already follows the FINMA rules applicable to systemically important financial institutions. In addition to financial service providers, the requirements also apply to other companies. Zürcher Kantonalbank welcomes this proposal.

Following the Federal Council's report of November 2021 on a climate-neutral financial centre, the Swiss Bankers Association (SBA) published two guidelines in the form of self-regulations at the end of June 2022. One covers dealing with ESG criteria at the point of sale when providing investment advice and wealth management services (Module 1); the other governs the consideration of ESG criteria to improve energy efficiency as an essential means to maintain or even increase the value of properties (Module 2), when mortgages are granted. At the end of September 2022, the Asset Management Association Switzerland (AMAS) also issued a third self-regulation document on ESG criteria for asset management services and for the content of financial instruments with a focus on collective investments (Module 3). In parallel, the Federal Department of Finance (FDF) created a climate label (Climate Score) based on a proposal from a mixed working group, which included representatives from both NGOs and the financial sector. This label provides uniform foundations for a transparent assessment of the ESG impact of financial instruments. Representatives of Zürcher Kantonalbank were intensively involved in all of this work.

The Federal Council commented at the beginning of June 2022 on the indirect counterproposal to the Glacier Initiative. The bill adopts the key points of the initiative, first and foremost the goal of net-zero greenhouse gas emissions by 2050. Interim targets are set so that the regulatory goal can be achieved. The specific measures are to be regulated in future revisions of the CO_2 Act. The financial industry supports this indirect counterproposal. The Federal Council also welcomes the bill.

International

The EU is also beginning to launch further initiatives to bolster sustainability. These are expanding the scope beyond the previous initiatives on environmental issues to now include social and governance topics. At the end of March 2022, for example, the EU Commission adopted the proposal for a directive on sustainable corporate governance. The proposal aims to promote sustainable and responsible corporate behaviour in all global value chains. Under this proposal, companies must identify and, where necessary, prevent, eliminate or mitigate any negative impacts of their operations on human rights, such as child labour and exploitation of workers, and on the environment – for example, pollution and the loss of biodiversity. The new obligations will initially apply to companies with at least 500 employees and net sales totalling EUR 150 million, and after two years also to companies with lower thresholds. The proposal also covers companies from third countries operating in the EU, which includes Zürcher Kantonalbank. These rules are similar, but not quite equivalent, to those already in force in Switzerland under the indirect counterproposal to the corporate responsibility initiative.

At the end of June 2022, the European Parliament and Council of Ministers reached an agreement on the European Commission's proposal for a directive on corporate sustainability reporting (CSRD). The core of the directive is the introduction of binding EU standards, which are currently being developed by the European Financial Reporting Advisory Group (EFRAG). The CSRD will amend the existing requirements of the Non-Financial Reporting Directive (NFRD). The new rules ensure that investors and other stakeholders have access to the information they need to assess investment risks due to climate change and other sustainability issues. The reporting requirements will be phased in for different types of companies. The first companies must apply the new rules for the first time in financial year 2024, i.e. for reports published in 2025.

In a plenary sitting in July, the European Parliament decided to classify natural gas and nuclear energy as sustainable under the EU taxonomy.

In the year under review, the European Parliament's Committee on Economic and Monetary Affairs (ECON) adopted a negotiating position for the EU Parliament on the proposed EU regulation on green bonds. According to the ECON Committee, all issuers from countries on the EU's grey list or blacklist of tax havens are to be excluded from issuing EU green bonds. Negotiations are set to follow between the European Parliament and the Council of Ministers to reconcile differences and agree on a final text. International standard-setting bodies are taking action too. In mid-March 2022, the International Organisation of Securities Commissions (IOSCO) published its 2022 Work Plan for Sustainable Financial Markets, focusing on increasing transparency and tightening rules to prevent greenwashing. Regulators are to be motivated to work towards a positive ESG contribution from the financial markets without compromising the integrity of the financial markets and the protection of investors. The drafts propose climate and general sustainability disclosure requirements, as well as standards that must still be developed. The IOSCO also plans to conduct a timely and thorough review of the International Sustainability Standards Board's (ISSB) forthcoming drafts of International Financial Reporting Standards (IFRS).

Key sustainability issues

Zürcher Kantonalbank oversees and supports sustainable development through its products and advisory services. Through dialogue with our stakeholders (see p. 49) we regularly identify key sustainability-related issues. These issues are evaluated in terms of their relevance for our stakeholders and the materiality of their impact on sustainable development. We thus prioritise our activities, which are outlined below. Detailed information can be found in our GRI report at zkb.ch/sustainability-reporting.

① Sustainability in lending

For our financing business, we are guided in particular by the objectives of both the federal government and the Canton of Zurich with a view to the 2030 Agenda and achieving greenhouse gas neutrality by 2050.

To ensure the sustainable development of our financing business, we pursue a risk policy geared towards continuity and consider the assessment of environmental and social risks to be an important part of the credit assessment process. Our sustainability policy sets out requirements for responsible lending.

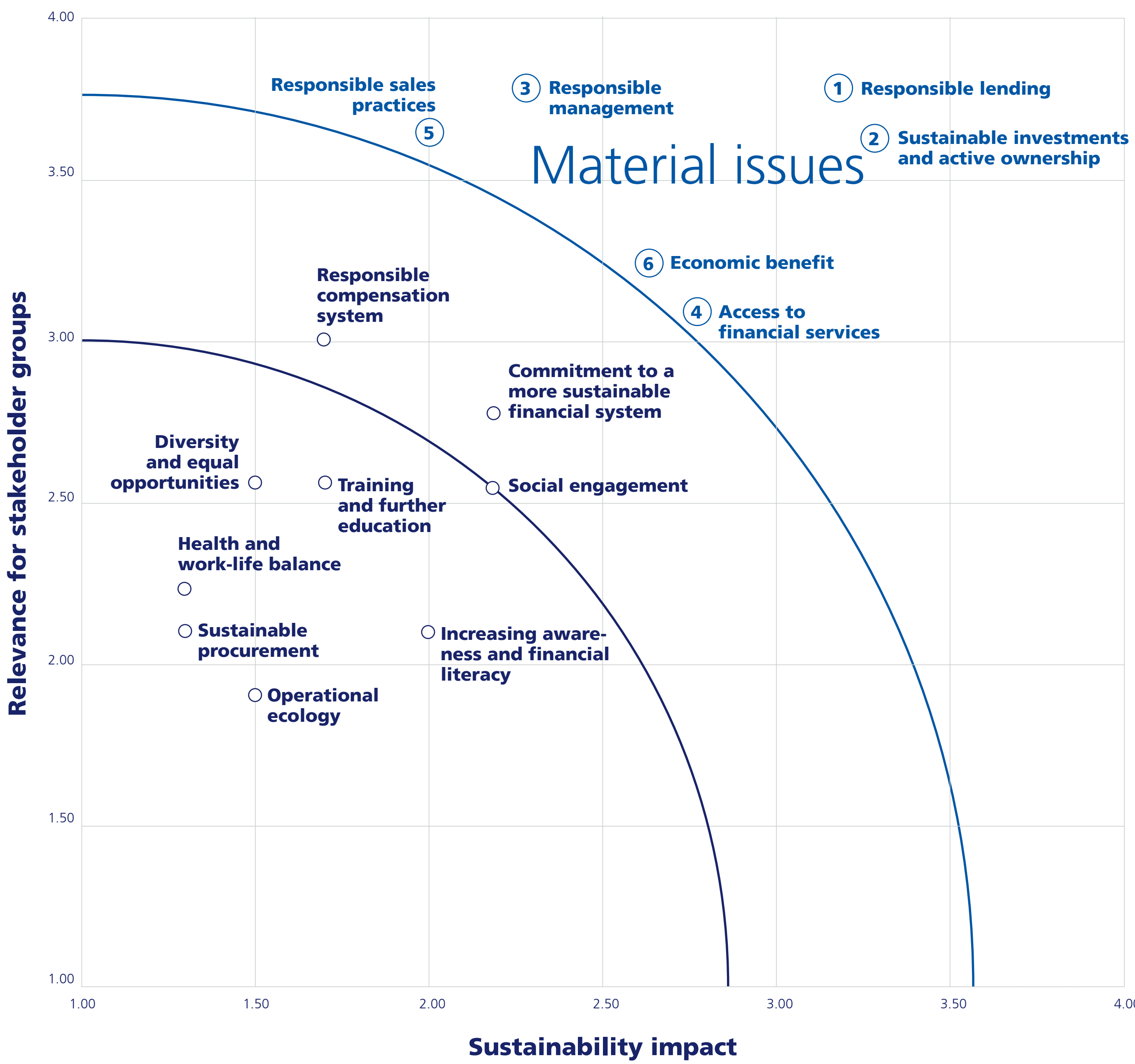
We actively support sustainable development through our financing business and minimise sustainability risks. We incorporate ESG criteria into the credit assessment and monitoring process to leverage positive and avoid negative effects. We meet with our clients to discuss our assessment and promote sustainable and forward-looking business models. Since our credit policy is geared towards continuity, we are a reliable financial partner for companies with intact future prospects, even in difficult times. We support small and medium-sized enterprises and entrepreneurs with start-up, development, expansion and acquisition loans, and finance projects involving sustainable technologies. Furthermore, we also participate in companies with innovative products, services or distribution models at the early stages of their life cycle.

30 years of promoting sustainable building and renovation

There are many older buildings that still need to be renovated. Renovation represents an opportunity to significantly reduce the property's energy consumption and CO_2 emissions. Thanks to our ZKB environmental loans, we have played a pioneering role in the promotion of energy-efficient construction and renovation for the past 30 years. Clients with such loans benefit from an interest rate reduction of up to 0.8 percentage points on their selected ZKB fixed-rate mortgage for up to five years.

In 2022, the total volume of ZKB environmental loans taken out stood at approximately CHF 1.3 billion. Our ZKB environmental loans are used to construct new buildings and carry out renovations with proven energy-efficient characteristics. ZKB environmental loans are refinanced by issuing green bonds.

Since 2020, we have offered free, independent heating replacement consultations for clients with a



property in the Canton of Zurich. We do this in partnership with the Canton of Zurich's electricity provider (EKZ), the City of Zurich Office for Environmental and Health Protection (Umwelt- und Gesundheitsschutz Stadt Zurich) and the Energy Office of the City of Winterthur (Energiefachstelle der Stadt Winterthur). We thus further help the canton to achieve its climate targets. The bank expanded its range of advisory services in the year under review so that not only clients with a single-family house can benefit, but also those with a multi-family house. Since the start, around 1,800 heating replacement consultations have been carried out.

Promotion of owner-occupied and non-profit housing developers

In line with our public service mandate, we have supported first-time home buyers for over 30 years by providing them with ZKB starter mortgages. To get them off to a good start, we grant them a reduced interest rate in comparison with the normal ZKB fixed-rate mortgage. In 2022, the ZKB starter mortgage portfolio amounted to CHF 7.3 billion. This corresponds to the previous year's level.

Zürcher Kantonalbank has been supporting non-profit housing developers and social housing construction since the early 20th century by offering interest rate reductions. In the year under review, we launched the ZKB WohnPlus mortgage to promote social sustainability even further.

Interest rate reduction for loans to large corporations

We support our clients' sustainability strategy by incorporating sustainability criteria into their financing (bilateral financing or syndicated loans). These criteria can be an ESG rating from an independent provider or individual sustainability targets that are reviewed by an independent third party. Depending on the achievement of the sustainability targets, this may have an impact on the ongoing lending terms.

Start-up financing to promote innovation

Zürcher Kantonalbank is one of the largest financiers of start-ups in Switzerland. It offers a solution with equity capital for innovative young companies from their start-up phase to their scaling and growth phases. We take this approach because traditional forms of credit financing are suitable only to a limited extent for the needs of start-ups in view of their increased risks and often strained liquidity.

To meet these financing needs, Zürcher Kantonalbank launched the sustainable "Pioneer" start-up financing initiative in 2005, which provides innovative start-ups with risk capital on a targeted basis at an early stage of their company's life cycle. An innovative company is one that offers a product, a service or a distribution model that does not yet exist on the market. In 2021, the bank added to its start-up financing offering by including a scale-up financing offering so that young companies can lay the foundation for future growth with a successful market entry. Finally, in the growth phase, the Swisscanto Growth Fund comes into play.

As part of the Pioneer programme, Zürcher Kantonalbank has supported more than 260 innovative young companies with around CHF 220 million since 2005. As a result, the companies have exhibited an above-average growth rate and created more than 3,600 new jobs. About 80 percent of the financing was arranged in the Canton of Zurich, primarily in the form of equity. During the year under review, a total of CHF 15.5 million in risk capital financing was approved for 43 promising start-ups and scale-ups.

Since its launch, the Growth Fund has made 15 initial and 15 follow-on investments totalling around CHF 90 million in promising growth companies in the ICT, health and industrial technologies sectors. A follow-up programme for qualified investors is planned for the first quarter of 2023.

The past reporting year was exceptionally strong, with five successful exits, including the ETH spin-offs Versantis AG and BiognoSYS AG. Zürcher Kantonalbank had been invested in Versantis for seven years and in BiognoSYS for eleven years.

2 Sustainability in the investment business

In our investment business, we are guided by the United Nations' six Principles for Responsible Investment (UN PRI) and report on them annually. We systematically consider ESG risks and opportunities in all investment solutions and, in direct investments, focus on dialogue with the invested companies with a view to achieving the sustainability targets and greenhouse gas neutrality by 2050.

We are convinced that actively influencing sustainability issues is more than just our social responsibility: we firmly believe that sustainability issues, and climate risks in particular, are material across all asset classes, and that incorporating our sustainability principles into our wealth management fosters performance.

Client assets held in sustainable investments

The volume of sustainable investments was maintained in 2022 despite the general valuation corrections. Sustainable investments held in client assets (CHF 400 billion) amounted to CHF 117.9 billion and thus accounted for around 30 percent of our client assets.

Implementation in wealth management for retail clients

In its wealth management and advisory mandates, Zürcher Kantonalbank applies recognised, measurable ESG criteria that allow companies and countries to be assessed in terms of their sustainability in an objective and understandable manner. When selecting investment instruments for the portfolio, we are guided by MSCI ESG Ratings, which are issued by an independent global leader. We report this rating transparently and use it to determine the sustainability rating of all client portfolios. In the case of wealth management mandates with the "sustainable (ESG)" designation, we aim for a rating of AA at portfolio level. Not just ESG ratings are taken into consideration: companies are additionally screened for controversial business activities such as the extraction of and trade in thermal coal. We also prioritise fund companies that seek to reduce CO_2 emissions and influence companies' sustainability and climate strategy directly by actively exercising voting rights and engaging in ongoing dialogue.

As one of the 100 most influential fund buyers in Europe in 2022 (according to "Citywire", a renowned fund comparison platform), we exert a direct influence on their sustainability efforts thanks to our dialogue with the asset managers we select. The enhancement of the sustainability approach in wealth management and investment advice in 2021 seems to have been well received by our clients. The proportion of mandates with the "sustainable (ESG)" designation in wealth management mandates grew from around 28 percent in 2021 to 35 percent by the end of 2022.

Implementation in Asset Management for institutional clients

Sustainable investments have been Asset Management's focus for decades – we have been offering sustainable investment solutions since 1998 and have been consistently enhancing our expertise ever since.

We pursue five sustainability approaches in our Asset Management investment process:

Through our investment stewardship, we aim to promote sustainable business practices and compliance with recognised international principles and ESG best-practice standards. We accomplish this through proxy voting and active engagement with issuers. Our Swisscanto fund holdings make us one of the ten most influential shareholders in Swiss companies via the Swisscanto fund management company.

We apply a blacklist that excludes manufacturers of banned weapons, among others, from all actively managed and index-based portfolios. Depending on the product line, there are further exclusions of securities with activities that conflict with sustainable development in certain countries and companies.

The inclusion of ESG criteria in our investment decisions is an integral component of our investment process and complements our financial analysis. This improves our assessment of ESG-related risks and opportunities, which in turn leads to more informed investment decisions and risk-adjusted returns.

Since 2020 we have been guided by the Paris Climate Agreement. We are the first asset manager in Switzerland to integrate the 2°C climate target into our investment processes for most actively managed investment funds in the "Responsible" category. In addition, most of our "Sustainable" funds pursue a climate target of 1.5°C.

The focus is on companies and debtors that provide solutions which contribute positively to the 17 United Nations Development Goals.

Further information on sustainability in Asset Management can be found at zkb.ch/am-sustainability and on our "Sustainable" funds at zkb.ch/sustainable-funds.

In order to provide the necessary transparency about our efforts in the field of sustainability, we supply our clients with a quarterly sustainability report for all actively managed investment vehicles, as well as for the index-based investment vehicles in the "Responsible" category. In this more detailed report, fund assets or client assets are presented with regard to various sustainability indicators and dimensions.

One noteworthy event in the area of active management was the launch of the SWC (LU) EF Sustainable Europe fund, with assets under management of CHF 12 million as at 31 December 2022. We likewise promote investments in a greener future with structured products (e.g. ZKB EV Battery Basket). Asset Management also launched a new private equity investment product focused on decarbonising the economy (CHF 89 million as at year-end).

A further seven "Responsible" products were likewise launched in the area of passive management, which have meanwhile generated CHF 924 million. Overall, we therefore attained CHF 15.4 billion in our Swisscanto "Responsible" index funds as at the end of the year.

ESG framework in sell-side research

Financial market participants who evaluate the performance of companies or institutions based on ESG factors when making investments need not only reliable data sources, but also in-depth, first-hand ESG knowledge and expertise.

In order to offer our institutional clients investment recommendations with ESG research on an even sounder basis, a new ESG framework has been developed in Zürcher Kantonalbank's sell-side research. This new approach is based on comprehensive data evaluations and the expert opinions of our research analysts. We use the framework to assess the sustainability and ESG compliance of over 140 companies listed in Switzerland.

For more transparency and sustainability in precious metals

In addition to Fairtrade gold bars, we also offer our clients gold and silver bars with assured traceability. The proof of origin of traceable gold and silver using DNA-based technology provides a forensic result and is virtually forgery-proof. The origin of these precious metals can be clearly proven at any time. Production standards can be clearly attributed. This increases transparency for producers, traders and clients across the entire supply chain. The products take into account several environmental, social and governance (ESG) criteria.

3 Responsible management

Our corporate governance regulations, directives and processes help prevent unethical behaviour and promote sustainable ways of dealing with conflicts of interest, transparency regarding payments to authorities or other parties, as well as channels for and the protection of whistleblowing. You can find out more about this in the section on Corporate Governance (p. 97).

4 Access to financial services

One central aspect of our cantonal service mandate is ensuring access to financial services for the population and the economy in general, as well as for specific client groups in particular.

We provide the people and companies with the financial services of a universal bank. These include payment transactions, saving, investing, financing, retirement planning, financial planning, taxes and estate planning. In particular, we address the concerns of SMEs, employees, agriculture and public-sector entities and promote both home ownership and affordable housing (see service obligation p. 33).

A description of how Zürcher Kantonalbank provided access to financial services in the year under review can be found in the section "Banking services for individuals and companies" (p. 60).

5 Responsible sales practices

We understand responsible sales practices to mean all marketing activities and promotion of financial expertise aimed at addressing the needs of our clients over the long term. They form the basis for trust in Zürcher Kantonalbank and promote the positive perception of our bank.

Transparency in products and services

We gear our products and services towards the needs of our clients and offer high quality and value for money at fair, competitive prices. We communicate quickly, directly, regularly and transparently.

We ensure that our products and services are transparent so our clients can make informed decisions. Any environmental and social impacts are identified. Our advertising measures are tailored to our target groups. Our compensation policy is based on the bank's long-term goals and values. In line with that approach, it does not create incentives for taking inappropriate risks.

Prevention of youth indebtedness

We also promote education in specialist subjects related to banking. In order to teach children and youths how to handle money, we support Pro Juventute in its efforts to prevent young people from accumulating debt as well as the Association of Swiss Cantonal Banks (ASCB) in its Finance Mission project. Our common goal with Finance Mission is to teach young people how important it is to manage money responsibly and to promote their financial literacy.

Women and finance

Motivating female clients to take an in-depth look at their financial affairs was the aim of the "Women and Finance" event that Zürcher Kantonalbank held at the beginning of summer. The motto and the addressees were chosen quite deliberately. Women often have different expectations of their bank than men, but they often lack the right contact person or the appropriate setting to ask their questions.

This event – conceived by women for women – was all about the topics of financing, investments, retirement planning and succession and the female perspective on them. Experts from the bank from various fields motivated the visitors to look into financial topics. The hostess of the event, Head of Private Banking and member of the Executive Board Florence Schnydrig Moser, aims to focus more on the transfer of financial knowledge in the future. As traditional role models and family structures are evolving and social change prompts us to obtain a sound grasp of our personal financial affairs, the bank will now be devoting more attention to this demand from its female clients by pursuing several financial literacy measures.

6 Economic benefit

Zürcher Kantonalbank generates economic benefits by contributing towards efforts to promote the development of the local economy. We help promote Zurich as a business location and are committed to driving environmental and societal progress in the Canton of Zurich. In fulfilling our public service mandate, we pursue a business policy aimed at long-term continuity, an adequate level of profitability and a steady distribution of profit to the Canton of Zurich and its municipalities.

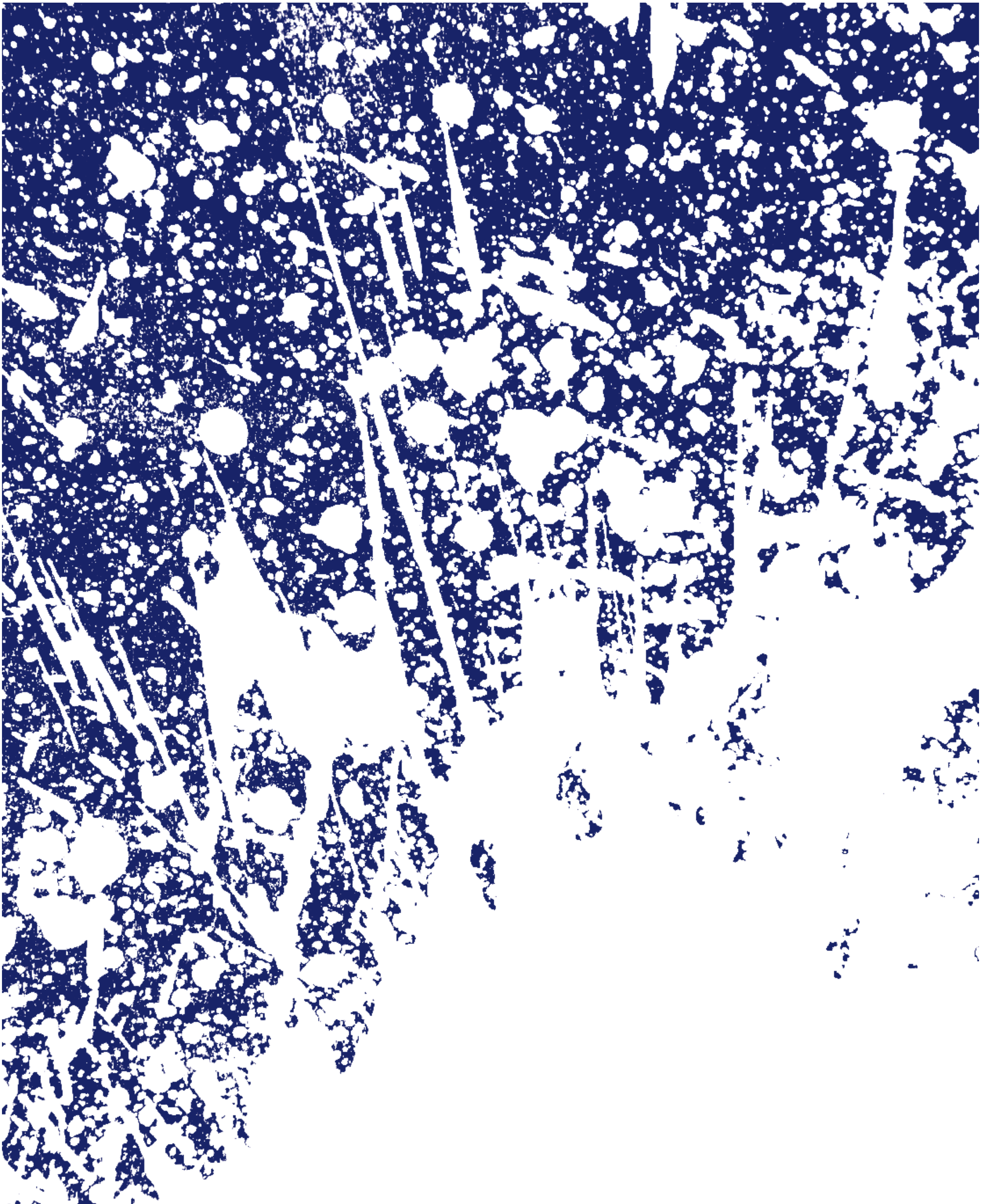
With 409 apprentices, we have one of the largest apprenticeship programmes in the Canton of Zurich and we are also a major employer in the canton with over 5,000 full-time positions (see the "Employees" section on p. 78).

We ensure that our clients have access to financial services (see p. 43).

We are also involved in a wide range of activities in the areas of nature, youth, culture, sport, social affairs and entrepreneurship through more than 400 partnerships, memberships and sponsorships.

By means of this commitment, which is anchored in our public service mandate (see p. 33), we support the Canton of Zurich in resolving economic and social issues.

We also distribute a substantial portion of the group profit – over CHF 3 billion in total for the past ten years – to the canton and its municipalities in the form of dividends (p. 32).

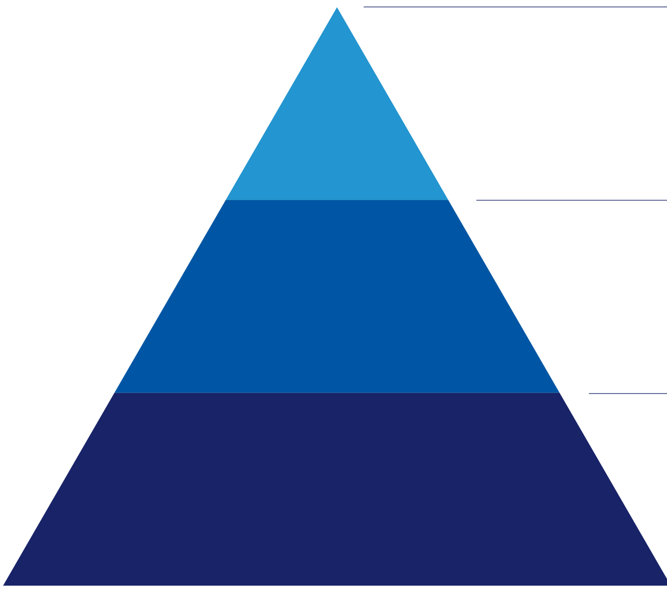


Group mission statement and strategy

Our vision

Close to you

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



Internationally successful

Nationally strong

No. 1 in the Greater Zurich Area

Our vision is "Close to you". Our mission statement describes our identity and serves as a compass for our conduct: we support, advise and offer solutions. Always, everywhere. Throughout your life. Our strategy shows us which path we need to follow in order to fulfil our public service mandate, both now and in the future: we are a universal bank and a leader in our home market. For certain client segments, we also provide services throughout Switzerland and in selected other countries.

Group mission statement

⟵ Chart: p. 7

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

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

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

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

Our strategy house

Group mission statement

Group strategy

Client segments

Core segments – individual clients	Core SME segments	Specialised segments
– Retail clients – High-net-worth individuals – Private banking	– Commercial clients – Business clients – Corporate clients	– Large corporations, pension funds – Financial institutions – Key clients – External asset managers – International private clients

Producers

Asset management	Trading, capital markets & research	Custody

Functions

– Product management, multichannel management, transformation & market management	– Investment solutions – Fund management – Financing centre – IT – Operations – Real estate	– Marketing – Communications – HR – Finance – Risk – Legal & compliance

Reports on:

→ Client segments: p. 50
→ Core segments – individual clients: p. 65
→ Core segments – SMEs: p. 68
→ Specialised segments: p. 70
→ Producers: p. 74

Stakeholder groups

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

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

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

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

We communicate with our clients, employees and the public quickly, transparently and regularly.

Our values

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

We conduct ourselves responsibly in every situation and with respect to all stakeholder groups. We are a reliable partner, make a positive impact and are at hand when needed. Responsible decisions always also focus on creating sustainable added value – for both society and the environment.

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

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

Group strategy

Strategic principles

We are a universal bank and a leader in our home market, the Greater Zurich Area. For certain client segments, we also provide services throughout Switzerland and in selected other countries.

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

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

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

We pursue a diversification strategy: we generate our income in several different business areas to spread risks, which strengthens the bank's stability. We already pursue a policy of broad income diversification and intend to expand on this even further, in part by aiming for qualitative growth in the investment and wealth management business.

Our group strategy differentiates between three categories: client segments, producers and functions. We define divisional strategies for all areas that fall within these categories.

Client segments

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

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

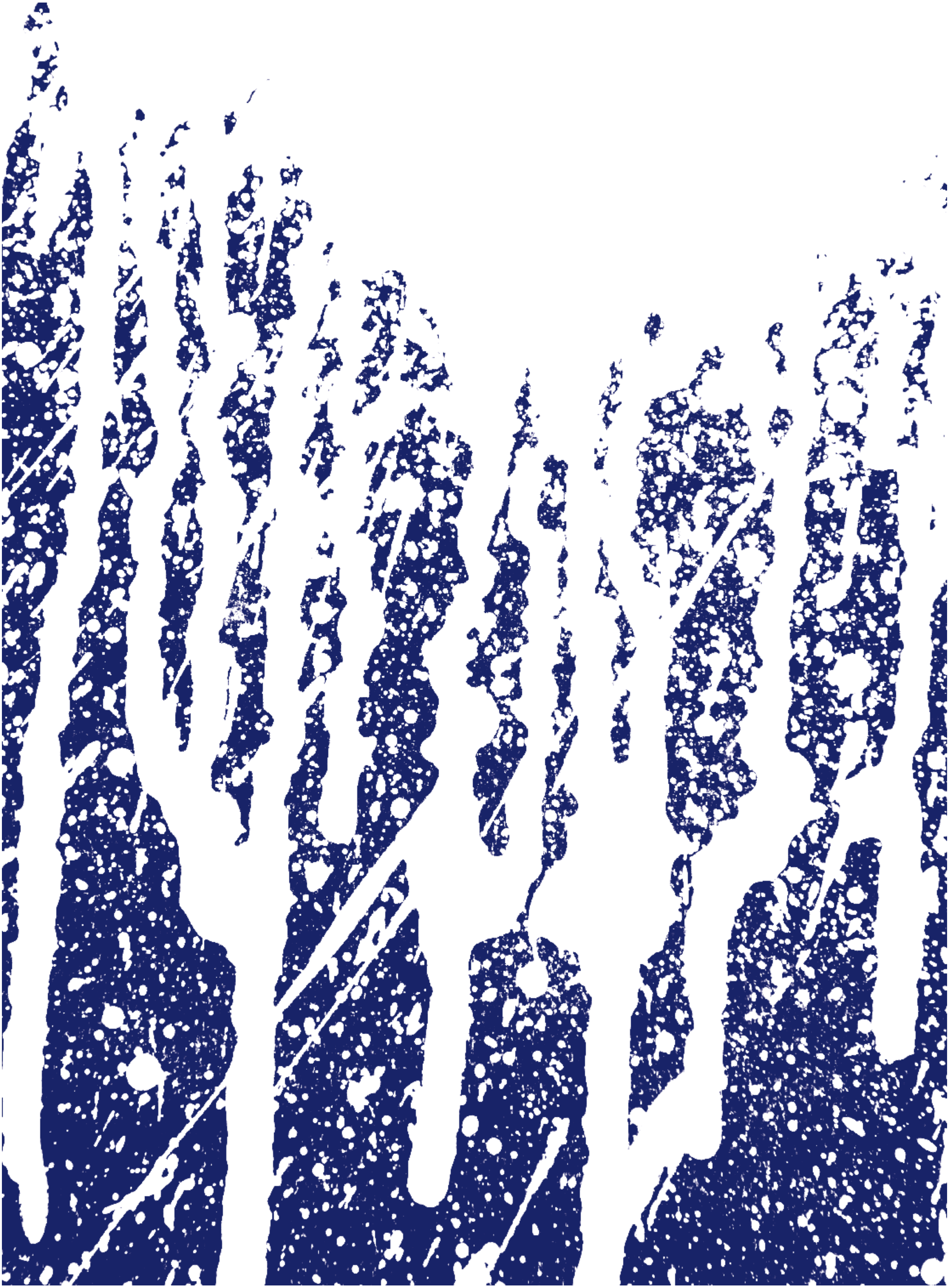
The specialised segments include large corporations, pension funds, financial institutions, key clients, external asset managers and international private clients. We make targeted investments in these specialised segments in order to achieve qualitative growth.

Producers

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

Functions

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



Business environment and risk assessment

The year under review was characterised by geopolitical uncertainties and rising inflation, which led to a subsequent rise in interest rates. While the financial centre remains a pillar of the Swiss economy, the framework conditions are still challenging. Numerous regulatory requirements have been implemented and new ones are in the works. There were no material changes to Zürcher Kantonalbank's risk profile in 2022.

Overall economy

The coronavirus pandemic entered the endemic phase early last year. Gradually, the restrictive measures imposed by governments around the world were rescinded.

The outbreak of the Ukraine war triggered great human suffering, however, and halted the economic momentum that had just started to pick up. Economic sanctions negatively impacted growth and inflation, while surging energy prices drove inflation even higher. Equity markets suffered significant losses against this backdrop, with the resulting loss of purchasing power also causing a downturn in consumer sentiment.

Key interest rates raised due to high inflation

The central banks took decisive action to combat historically high inflation, especially in the US and Europe, by raising key interest rates and additionally phasing out their monthly securities purchases. The Swiss National Bank also ended the negative interest rate policy it introduced in 2014. At times, the euro-franc exchange rate fell to a new low of 0.95. The euro also weakened against the US dollar and fell below parity.

The financial markets eased towards the end of the year, with share and bond prices rising again. The decline in energy prices and the well-stocked natural gas inventories likewise gave grounds for confidence that inflation in Europe was likely to peak soon.

Switzerland as a banking centre

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

Strong competition on Switzerland's domestic market

Margins have come under pressure in many business areas, especially as the Swiss market is highly competitive. The major Swiss banks have been cultivating their home market with new-found intensity.

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

After an extended period of positive equity market performance, assets under management declined again from March of the year under review due to market turbulence triggered by geopolitical conflicts as well as high inflation rates and interest rate hikes. As management fees are calculated on the basis of average assets under management, this effect resulted in a decline in commission income, particularly in the second half of the year. Accordingly, the commission result at many financial institutions for the year under review was lower than in the previous year, which had been characterised by booming financial markets. Market turmoil in the first half of the year also led to below-average client activity, which then resulted in lower net new money and outflows.

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

Swiss banks optimistic despite uncertainties

The SNB raised the key CHF interest rate in three steps, from – 0.75 to 1.00 percent, during the year under review.

Swiss banks have shown considerable resilience during the nearly two-year coronavirus pandemic. So far, there have not been any major defaults in the Swiss lending business. While banks reported slightly lower income in the commission business due to a market-turmoil-related decline in assets under management, the trading result often helped to somewhat offset the decrease in income. The higher interest rates should lead to an expansion of the interest rate margin in the medium and longer term, which should provide some tailwind for most Swiss banks.

Many growth initiatives

Some areas of activity in the advisory business hold obvious potential for banks. The level of complexity in the areas of investing, pension and taxes has risen, and concerns about inflation and uncertainties are prompting a greater focus on sustainable asset protection. Against that backdrop, there is a growing need for comprehensive financial advice; banks can and want to meet that need by positioning themselves to offer both advisory services and corresponding products.

Digitalisation solutions

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

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

Regulation

→ Sustainability regulations: Page 38

The regulatory environment in recent years has been characterised by a number of major legislative projects, including the Financial Services Act (FinSA), the Financial Institutions Act (FinIA), the revised Banking Act and the revised Data Protection Act. These bills are now at the finish line, with transition periods still in effect for the revised Banking Act and the Data Protection Act. The environment going forward is characterised by two general topics – data management and digitalisation – as well as sustainability and sustainable finance (see p. 38). The developments in these areas are not limited to just individual major legislative revisions: they are also reflected in numerous initiatives. They are closely monitored by Zürcher Kantonalbank and steered through memberships in banking and business associations as well as with direct statements where necessary.

Continued development of supervisory law

The Federal Department of Finance (FDF) tasked a diverse working group with the job of drafting the necessary administrative provisions as early as during the parliamentary process to revise the Swiss Banking Act on the topics of restructuring law, deposit protection and segregation. This work was shaped by representatives of Zürcher Kantonalbank. The results of the work were subject to public consultation in the summer of 2022. The entire package of revisions (Banking Act together with its ordinances) entered into force on 1 January 2023 and includes transitional periods for measures such as the implementation of the modernised deposit protection scheme, for example. The revised banking law factors in the special circumstances relating to cantonal banks better than before. Specifically, cantonal banks will also be able to issue debt instruments to carry losses in the event of insolvency measures (referred to as bail-in bonds). This is particularly necessary for Zürcher Kantonalbank as a systemically important bank. It also strengthens individual banks' resilience to crises and thereby bolsters the crisis resilience of the financial market as a whole.

The FDF submitted the implementation of the Basel Committee's requirements (Basel III) for consultation in summer 2022. At the same time, FINMA has also opened a consultation process in which it intends to revise numerous circulars that are also affected by Basel III and, for the most part, to transfer them into five new ordinances. The debate centres on how strictly the Basel Committee's open-ended principles should be implemented and how distortions of competition can be prevented among market players.

Intensification of efforts to combat money laundering

In spring, Parliament approved the revision of the Anti-Money Laundering Act (AMLA), which is based on the recommendations of the Financial Action Task Force on Money Laundering (FATF) and will lead to stricter audit and documentation requirements; it was implemented by the Federal Council on 1 January 2023 together with the ordinances that had been drawn up. FINMA's Anti-Money Laundering Ordinance (AMLO-FINMA), which was amended accordingly and supplements the overall package, and the rulebook of the self-regulatory organisation of the Swiss Insurance Association (SRO-SIA), which was revised for the same reason, also entered into force on 1 January 2023.

Tax regime

In order to boost the attractiveness of both the Swiss capital market and Switzerland's appeal as a business location, as well as to safeguard jobs, the Federal Council made various proposals for the partial abolition of stamp duties and withholding taxes. In each case, a referendum was initiated and the proposals were rejected by the electorate.

The Federal Council wants to impose a supplementary tax in order to implement the OECD / G20 proposal to tax large corporations with international operations at a minimum rate of 15 percent. This also impacts Zürcher Kantonalbank. The Federal Council is implementing the tax by means of an ordinance in order to ensure that it is introduced by the deadline. This also requires that an amendment be made to the constitution, which will serve as the basis for the ordinance. The model rules developed by the OECD / G20 will be adopted by means of a reference in order to ensure that the Swiss regulations are compatible internationally. Work to draft the procedural regulation is still ongoing and this will only be submitted for consultation at a later date. The vote on the constitutional amendment will take place on 18 June 2023.

Data and digitalisation becoming increasingly important

In the age of ongoing globalisation and digitalisation, the importance of data is rising steadily. This trend is accompanied by the development of associated regulations that typically aim to strengthen data protection, requirements for effective cybersecurity and support for digital business models (fintech).

After finalising the revised Data Protection Act (rDPA), the Federal Office of Justice (FOJ) opened the consultation process for the associated ordinances. Once it evaluated the results, the Federal Council scheduled the entry into force of the entire package of revisions (rDPA including the ordinances) for 1 September 2023. This is intended to give the business community sufficient time for implementation. The EU authorities can now decide whether they deem the content of the rDPA equivalent to that of the European Data Protection Regulation (EU GDPR); this is the view held by Switzerland.

A legally recognised electronic identity (Federal Act on Electronic Identification Services, e-ID Act) is crucial for creating legally secure digital business models. Following the failure of the first proposal in the March 2021 referendum, the Federal Council submitted a second proposal for consultation in the summer of 2022. The dispatch on the new e-ID Act will probably be available at the end of 2023.

The consultation process initiated by the Federal Council on the introduction of a duty to report serious cyberattacks on critical infrastructures was concluded in April 2022. The debate revolves around the mandatory content of these reports, the companies affected, the institutions to which the report should be submitted and the specific modalities. Including some of the concerns voiced by the business community, the Federal Council adopted the dispatch for the attention of Parliament in December 2022.

FINMA opened the consultation process on the revision of its Circular 2008/21 Operational risks – banks in May 2022 and already published the new version in December 2022. In it, FINMA addressed numerous points of criticism from the business community. Among other things, it narrowed the very important definitions of operational risks, crisis situations and critical situations, critical processes and critical data. This significantly reduces the operational effort. The new circular will take effect on 1 January 2024.

During the reporting period, the Federal Council launched various initiatives to make the use of property data more efficient for banks. These will also improve the availability of data for documenting energy efficiency, for example, as well as access to data.

The Federal Council also wants to promote efforts to digitalise the debt collection system. Among other things, it intends to introduce digital debt collection information, enable the electronic delivery of debt collection files, promote the use of electronic loss certificates and introduce legislation that explicitly regulates the auctioning off of movable assets via online platforms. To that end, the Federal Council submitted a corresponding amendment to the Debt Enforcement and Bankruptcy Act (DEBA) for consultation in mid-May 2022.

In mid-2022, the EU institutions agreed on wording for the two regulations: one on digital operational resilience (Digital Resilience Act, DORA) and the other on markets for crypto assets (Regulation on Markets in Crypto Assets, MICA). At the same time, the Basel Committee has published reports and consultations aimed at creating standards for crypto assets, stable coins and crypto currencies in line with the correct principle of "same business, same rule", which is also applied by FINMA. In addition, the OECD has proposed a global tax transparency framework for crypto assets. The international interconnectedness of the financial markets means that these initiatives will also directly or indirectly shape the legal situation in Switzerland with respect to digital assets and payment methods.

Developments at cantonal level

In the year under review, Zurich's parliament handled various motions regarding Zürcher Kantonalbank. Two new parliamentary initiatives (PI) were submitted regarding our bank alongside other inquiries. Zürcher Kantonalbank pays close attention to the deliberations that take place in the Cantonal Parliament of Zurich and the committees responsible.

The parliamentary initiative "Climate Protection: Zürcher Kantonalbank's Fossil Fuel Divestment" from the summer of 2018 had originally sought to have a ban on fossil fuel investments introduced into the Law on Zürcher Kantonalbank. The responsible Economic Affairs and Taxation Committee (EATC) amended the original proposal. Now, the concepts of sustainability and the goal of greenhouse gas neutrality are to be enshrined in the law, in line with the bank's current efforts. The Cantonal Parliament's final decision is still pending.

The new PI "Improved Corporate Governance in the Distribution of ZKB Profits" also requires an amendment to the Law on Zürcher Kantonalbank. It states that the Board of Directors must request each year that the Cantonal Parliament approve the distribution of profits by means of a separate vote. There is tentative support for the PI and it will be discussed in the Oversight Committee on Economic Enterprises.

The new PI "Limit on Maximum Remuneration at ZKB" is intended to introduce a salary cap for the Chief Executive Officer to the level of the remuneration of the Chairman of the Governing Board of the Swiss National Bank (SNB). The Cantonal Parliament offered tentative support for the PI and it will be addressed by the Management Board of the Cantonal Parliament.

Other relevant regulatory topics

After a first proposal in 2021 had already failed in the consultation process, the Federal Council launched a second proposal in December 2021 to introduce class action suits based on the US model. In the debate on the introduction of the bill, however, the Legal Affairs Committee of the National Council (LAC-NC), which has primary jurisdiction, decided not to accept the bill.

EU rules on market access for third-country companies are becoming stricter. Originally intended primarily as a consequence of the United Kingdom's (UK) exit from the EU, more and more representatives of the EU are calling for the coordination and standardisation of EU rules, also to the detriment of third-country providers. The Swiss Bankers Association, in coordination with the FDF and FINMA, is trying to counteract this trend. At the same time, Switzerland is also negotiating a trade agreement with the United Kingdom that grants mutual access to markets.

Risk assessment

The Board of Directors' risk management tasks

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

Ongoing risk monitoring

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

Credit, market and liquidity risks

The risk profile of Zürcher Kantonalbank was robust at the end of the 2022 financial year and is essentially unchanged compared to the previous years. That was not a given considering the outbreak of war in Ukraine that brought upheavals on the financial, commodity and energy markets, record-high inflation rates, the interest rate turnaround and recession concerns.

Zürcher Kantonalbank's corporate loan portfolio is proving resilient. Once volatility on the commodity markets subsided, the risk situation in exposed sub-portfolios largely normalised over the course of the second quarter. The enormous spike in energy prices caused a substantial increase in energy companies' liquidity requirements due to the hedging transactions customary in the industry. Various private and public sector measures were taken to hedge this financing on a broader base, and contingency processes were defined. For the vast majority of companies in the commercial credit portfolio, the energy shock does not pose an existential threat. Economic uncertainties still remain high, however, due in part to the persistently tense geopolitical situation as well as the possibility of an energy shortage, which cannot be completely ruled out even though the situation has relaxed recently.

Despite a reduction in risk appetite over the course of the year, market risks in the trading book exceeded the very low levels of the previous year due to higher market and interest rate volatilities, in particular. The corresponding risk limits were adhered to at all times.

The key figures for liquidity risk reflect a very solid liquidity situation at Zürcher Kantonalbank.

Zurich real estate market

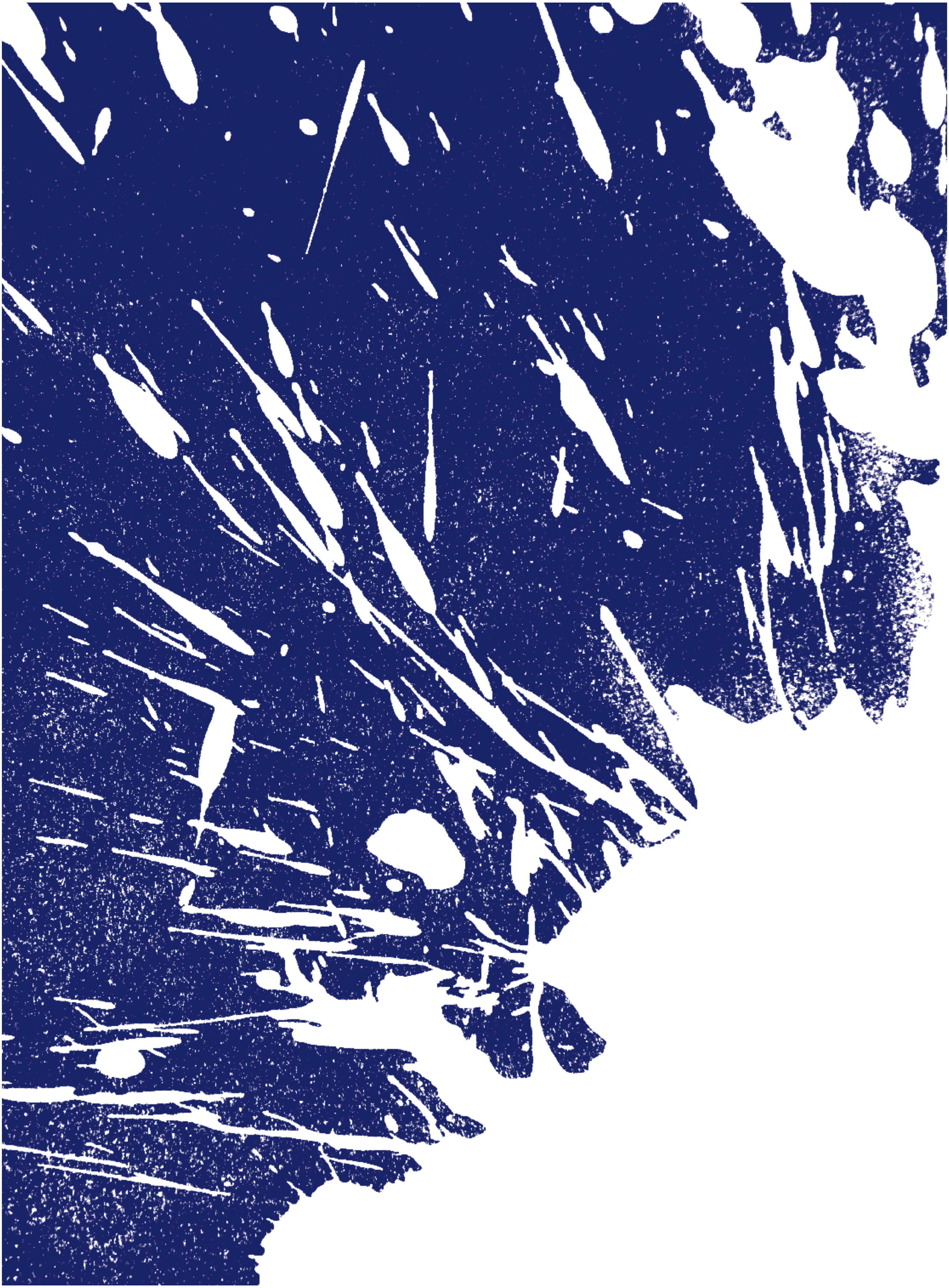
Residential property prices in the Canton of Zurich continued to make strong gains, even despite mortgage rate hikes. Compared with the previous year, however, when residential property prices rose by 9.3 percent, price growth has cooled down noticeably to 5.7 percent. While the number of transactions for single-family houses and condominiums declined slightly year on year, the residential property market remained liquid. There was still demand for residential property despite higher financing costs. From a financial perspective, it is unlikely that purchasing a home will be worthwhile when compared to a similar rental property. The discontinuation of negative interest rates is likely to leave its mark on the supply side as well. Nevertheless, the residential property market continues to show signs of excess demand that supports the price trend. The reasons for this are complex. First, home ownership is not motivated by financial factors alone. Security, creative freedom and even prestige are important considerations too. Second, finding the right rental apartment is also becoming increasingly difficult. The drop in construction activity in recent years coupled with a high level of net immigration has resulted in a sharp decline in the number of vacant apartments available for rent. Scarcity in the rental market is also pushing rents up. That means the residential property market remains in a stable condition. Higher mortgage rates are leaving their mark and will slow down the future price trend. In light of the excess demand that exists, it remains very unlikely that home prices will decline.

Operational and compliance risks

The bank's risk profile for operational risks did not change materially. The bank decides on and implements measures to manage operational risk on an ongoing basis. Given that cyber and litigation risks represent the two most crucial issues, managing these risks remains a high priority. Overall, the bank coped well with the operational challenges it faced as a result of the pandemic. Remote access has been enshrined in the bank's business continuity plans as an official response option. The BCM unit is also addressing how a potential energy shortage should be dealt with.

Compliance risks remain stable overall. The implementation of the evolving regulatory framework, particularly regarding investor protection, data protection and the fight against money laundering, continues to require the deployment of substantial resources. In the year under review, for example, special efforts were necessary to update anti-money laundering systems and manage legal and compliance risks connected to sanctions imposed in response to the war in Ukraine.

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



Banking services for individuals and companies

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

Client proximity

We ensure physical proximity to our clients every single day, whether it be during personal advisory consultations or during interactions at our locations. To that end we maintained 51 branches in the Canton of Zurich as at the end of 2022. With our branches, ATMs and other locations, we operate a dense network. We create additional proximity with a variety of cutting-edge digital self-service options. We are constantly developing services that are provided via mobile channels in particular, as they are becoming increasingly important. As a result, clients can carry out their banking activities regardless of the time or location via the ZKB eBanking and ZKB Mobile Banking services. We are of the opinion that security, user-friendliness and service quality are of the utmost importance, which is why we continuously review and optimise our processes. In view of changing client needs in terms of being able to conduct everyday banking transactions anywhere and at any time as well as the simultaneous upgrading of digital channels, we invest substantially in our eBanking, Mobile Banking and cashless payment solutions. We are constantly adapting the digital services and functionalities we offer for banking transactions to better meet clients' needs and adding new, cutting-edge functions.

Our client loyalty remains consistently high

Our clients give us feedback on the performance of Zürcher Kantonalbank as part of the client satisfaction survey

High level of client loyalty

New location in Winterthur

5

million logins per month in ZKB Mobile Banking

conducted every two years. Conducted by an external organisation, the survey focuses on client loyalty and satisfaction with respect to various aspects of the client relationship. More than 6,500 clients shared their opinions with us in 2022.

The results show that client loyalty remains consistently high in all three business units – Private Banking, Corporate Clients and Direct Banking – compared with the 2020 survey. The client loyalty index revealed that Private Banking received 78 index points out of a possible 100, Corporate Clients earned 80 index points and Direct Banking received 74 index points.

The service quality of personal support, which had already been very high in 2020, remained steady at the same level.

New location concept – pilot project in Stettbach and "branch of the future" in Winterthur

Despite ongoing digitalisation and an increase in the use of self-service channels, personal client contact remains important. Personal advice continues to be a high priority for clients, especially when it comes to complex life events such as retirement or buying residential property.

Against this backdrop, Zürcher Kantonalbank will continue to invest substantially in its branch network going forward and is testing new approaches in pilot projects to enhance its service offering in line with clients' changing needs.

We had already opened a pilot location with a new concept in Stettbach in mid-March 2021. This was followed by the reopening of the Winterthur branch in June 2022. After an intensive construction phase and a planning phase that had been challenging due to laws governing the protection of historic buildings, the bank was able to roll out an integral new concept for the client lobby of the future at the Untertor location.

The site offers five different, thematically linked areas (forum, lounge, boutique, bar, foyer). Not only will clients be able to handle their everyday banking transactions there with ease, but they can also look forward to new opportunities to interact. The new concept focuses on providing inspiration, advice and planning support for topics related to clients' lives and finances.

The branch serves as a model for other locations, regardless of size, because the modular concept offers a great deal of creative freedom. Zürcher Kantonalbank will test this new format for two years and closely monitor how clients respond to the new experience. These findings will then be incorporated into the design of further branches in the network.

More cashless transactions

2022 saw a continuation of the trend towards cashless payments that was in line with previous years.

Cash services in the client lobbies declined by 5 percent in the year under review. Cash withdrawals at our ATMs increased by 4 percent. Due to the increase in travel and the development of the euro exchange rate, significantly more EUR withdrawals were made at our ATMs compared with previous years. Cash withdrawals in CHF, on the other hand, followed the long-term downward trend. By contrast, cashless transactions (using a Maestro card or the ZKB Visa debit card launched in June of the year under review, a credit card or TWINT) increased by 24 percent. In payment transactions, there was a further shift from physical payment orders (Quickpay/QR bill) to electronic payments (eBanking, eBanking Mobile, eBill, LSV).

Digitalisation and innovation

Digitalisation influences the way in which we work and the demands of our clients. We adapt to changes in clients' behaviour by constantly developing our banking services. Every business unit within Zürcher Kantonalbank is working on promising new solutions.

We foster a corporate culture that supports innovation at every level. All of our divisions are constantly looking to develop innovations that are both useful and profitable. We develop solutions for every client segment in the bank based on our strategy. New service approaches are tested in temporary pilot projects at our in-house innovation lab. Promising ideas are broken down into concrete steps, and various offers are tested with clients directly. To this end, trends are analysed systematically and across all industries, innovation is promoted, and meaningful partnerships and collaborations are examined. As a result, several innovations contributed to the bank's success in the past financial year.

Zürcher Kantonalbank passionately develops and operates its own applications and systems, exclusively in the centre of Zurich. We have "IT made in District 5" and are proud of that. Because it keeps us close to our users, which lets us run our IT both efficiently and effectively. Building on stable, simple and secure services, we are focusing on important forward-looking investments for the next few years, including the modernisation of our technology platforms and our cyber security roadmap. We use automation and standardisation as ways to increase our impact on behalf of the bank, and we use systematic performance management to steer our developments based on facts. Here, our employees are our greatest asset. Which is why we make long-term investments in our IT engineering culture as well as in the skills and competencies of our employees.

Progress made in efforts to develop business models based on the open banking principle

Financial centres around the world have been working on open banking and open finance business models for some time now. Zürcher Kantonalbank also sees many advantages in business models like this, which is why it makes an ongoing effort to refine its offerings.

The year under review marked the first year in which corporate clients and fiduciaries were able to use corresponding accounting and financial planning software to reconcile their accounts payable and accounts receivable by linking their corporate accounts directly into the eBanking system via a standardised interface (API). This allows clients to digitalise digitise their business processes in order to speed up and optimise their decision-making.

In another use case, the bank linked wealth management software solutions via API for external asset managers and custody clients. This setup enabled the clients to use the corresponding portfolio management software to reconcile position and transaction data directly with the securities account at the bank and, in doing so, optimise the management and advisory services they provide based on up-to-date data. The API implementation projects arose through Zürcher Kantonalbank's membership in the "OpenWealth Association". This association's goal is to harmonise and standardise interfaces used by wealth management firms as well as to modernise IT infrastructures for their custody clients and external asset managers.

Simplified scheduling of advisory discussions

Our digital appointment scheduling service helps us bring our clients – whether private individuals or companies – together with the right advisors. Because we are seeing a strong increase in demand for personal consultations – whether physically at the branch, online on a screen, or by phone with our direct bank.

We have done more than just simplify the process of arranging an advisory discussion by deploying digital appointment scheduling. We have also continuously expanded the range of topics available through these digital bookings.

Our clients can call the direct bank by phone or go to the website (24/7), where they can find and schedule an appointment on the right date for their topic of choice. The scheduling system has direct access to the availability information of the various client advisors – without any need for further clarifications or queries. The client then receives an e-mail confirming the appointment, including the option of having it entered into their calendar and a reminder sent via text the day before.

Our goal is to incorporate digital scheduling into processes wherever we want to create a simple, intuitive client experience. This solution was already used to book some 12,000 appointments in 2022.

Identify clients' needs more quickly with automatic voice recognition

In the past, if clients had a concern and wanted to discuss it with us by phone, they first had to answer a series of questions before the reason for the call could be identified. To speed this up, automatic voice recognition was introduced during the year under review to verify clients' identity when providing phone-based customer services. Clients can decide for themselves whether they want to leave a recording of their voice. A biometric process is then used to compare that recording to their voice on future calls. Security questions are perceived as annoying so voice recognition helps companies avoid them and instead devote more time to addressing the client's concern.

Open and use an eBanking account – easily and electronically

Digital, efficient and client-friendly: After the contract has been signed, eBanking access is now activated in the branch – this is completely paperless, secure and fast.

The "Auto-Ident" function, which has been available in the ZKB Access app since April 2022, gives clients secure and easy access to digital banking services: They use the ZKB Access app to scan their ID at the branch and take a short video selfie. The app then uses artificial intelligence to perform a wide range of quality and security checks, such as comparing their passport or ID photo with the video selfie they recorded. Once all security checks have been successfully completed, eBanking access is activated immediately and in a paper-free manner.

Any data read when scanning the ID is automatically transferred to the system. Client advisors merely check that all the information has been transmitted correctly. The image file of the scanned ID is saved directly in the client's electronic file.

By the end of 2022, over 2,000 clients could benefit from the paperless instant eBanking process and use their eBanking account right after visiting the branch.

The digitalise process for registering new clients in the branch will become another milestone in our efforts to digitalise the acquisition of new clients. In the next step, our new clients will also be able to identify themselves digitally from home, which will enable them to open their banking relationship without even having to visit a branch.

Proven advisory experience now also available to our corporate clients

For some time now, private clients have already been able to access our extensive toolbox and a digital tool integrated into other banking systems. This valued advisory service was adapted and launched for our corporate clients in the year under review.

Our understanding of corporate clients' business models lays the basis for strategic, targeted dialogue and for our ability to identify which financial action areas are relevant for our entrepreneurs. Visualising the company's current situation from different perspectives creates a holistic view that is then explored together with the clients. The consultation also includes individual forward-looking topics faced by the companies, such as sustainability, expansion and personnel planning.

This approach ensures that the right strategic decisions are made from the company's point of view and that the bank is able to provide the support the company needs to help it achieve its stated goals. In particular, the ability to communicate complex facts and contexts in a simple, comprehensible way helps us work together with our corporate clients to develop customised solutions.

The new ZKB Mobile Banking

With almost 5 million logins per month, ZKB Mobile Banking is Zürcher Kantonalbank's most popular distribution channel. The numerous advantages of digital banking are obvious: clients decide where, how and when they conduct their banking business.

May 2022 marked the launch of the new ZKB Mobile Banking system, which boasted both visual and technological enhancements. Improvements requested by clients were integrated into the new ZKB Mobile Banking within a month.

In particular, the new underlying technology makes it possible to enhance the app in shorter cycles and in a modular fashion, thus allowing new functions to be made available on smartphones and existing functions to be made even more client-friendly. This approach transforms the app into a digital companion for our clients.

Conditions in place for cloud use

Zürcher Kantonalbank amended its general terms and conditions in the past year. They have been accepted by almost all clients. The amendment was necessary to enable the use of cloud services in the future, something that also goes hand in hand with the need to store client data on the systems of external companies. More and more IT applications and services are running on the cloud these days, with companies using IT infrastructures – such as virtual servers, databases and applications – of IT service providers with large data centres. Security and confidentiality take top priority.

Individual clients

As a financial partner in touch with the realities of life, we support and advise our clients during major life events. When it comes to important financial events and decisions, such as starting a family, buying residential property, retirement and inheritances, our client advisors are personal primary contacts who are near at hand and have the right networked solution at the right time for our clients. Regardless of whether they have questions about investments, financing, taxes, pensions or succession planning. Additional specialists may also be consulted, depending on the complexity of the matter. We provide comprehensive solutions to meet individual requirements and are at our clients' side at every stage of their lives to ensure they can make the right financial decisions for the long term.

Our direct bank provides advice and support for our clients' day-to-day banking transactions while simultaneously serving as the central processing centre for Zürcher Kantonalbank. Our wide range of services includes the execution of our daily business activities, business openings and closings, maintenance of master data, availability and deputisation management as well as services related to complex needs in connection with estates and guardianships. They also include phone-based customer services (2022: around 780,000 incoming calls) and eBanking support by phone (2022: over 390,000 incoming calls), which was introduced during the year under review.

At the end of 2022, we had active relationships with over 710,000 individual clients in our core individual client segments.

Wealth management and investment advice in an era of turbulent markets

⟶ Sustainable investments in wealth management: Page 42

The declared goal for our wealth management and investment advice service is to create added value for clients. The importance of using long-term investment solutions to build up assets is becoming increasingly important, particularly with respect to private pensions. This is always based on individual consultations that are geared towards the client's needs and investment goals. They benefit from the expertise of the Chief Investment Officer (CIO), economic experts and asset class experts – in other words,

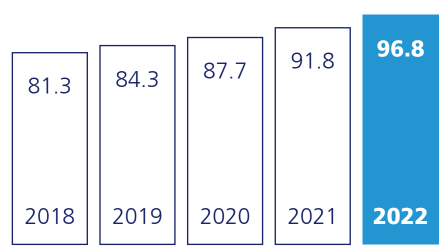
50 %

market penetration

710,000 active private clients

Mortgage loans (in CHF billion)

CHF 97 billion in mortgage loans



72,000

frankly users with CHF 1.5 billion in pension assets

from the bank's comprehensive know-how. In wealth management, we implement the investment strategy defined with our clients for each individual mandate.

In the case of investment advice, our clients make the investment decision themselves, while we provide suitable investment proposals and monitor the portfolio. We consistently use forward-looking technologies and regularly compare client portfolios with the CIO reference portfolio to check for deviations from the optimal risk/return ratio. A tablet is used as an aid throughout the entire advisory process to help illustrate even complex ideas in a clear and easy-to-understand manner.

Clients with an advisory mandate can also have investment proposals created in eBanking at any time and take advantage of other advisory functionalities. We posted strong growth in both wealth management mandates and advisory mandates. The extraordinary investment year of 2022 saw interest rates rise quickly and sharply, triggering a valuation correction across all asset classes worldwide. All investment strategies showed a negative performance at the end of the year under review. Despite a difficult environment, we are still clearly outperforming our competitors in terms of our peer comparison (ARC), which we have been tracking since the beginning of 2018.

Pension advice for private individuals expanded

Zürcher Kantonalbank's pension advice addresses topics ranging from retirement planning, estate planning and estate distribution to risk management and taxes. Retirement planning has been in the spotlight for some time already due to demographic change and the corresponding impact it has on the pension system. Demand for advisory services and retirement-related support in particular is growing due to the complex nature of the issues involved; Zürcher Kantonalbank has been steadily expanding its range of services to meet that demand (zkb.ch/vorsorge, only available in German).

At the heart of these services is a personal assessment performed at no cost to the client; demand for this assessment has been high ever since its introduction in January 2020 and clients have taken advantage of this offer more than 12,000 times (3,000 times in the year under review). Client advisors work together with clients to forecast both their pensions and asset growth to paint a clear picture about where they stand in terms of retirement planning. The advisors also identify optimisation potential as well as specific solutions. The most important results of this one-hour consultation as well as appropriate measures are documented in a consultation summary and made available digitally in the pension-related area of eBanking.

If the client needs the sound advice of an expert, they can schedule more in-depth consultations. These consultations are subject to charge and offered by pension specialists at Zürcher Kantonalbank for a fee.

Our personal estate planning services were simultaneously expanded and digitalised in the year under review. The fact that assets in excess of CHF 95 billion are bequeathed each year clearly shows just how relevant estate planning is. To underscore its importance and show which options are available, Zürcher Kantonalbank offers a wide range of services to assist its clients. "ZKB Inheritance Check" is a new advisory service that offers clients a free assessment by a client advisor; this is joined by another new service – "ZKB Inheritance Planner Family" – that meets clients' need for a self-service option and relies on independent, tool-supported estate planning in eBanking. There is no other offer of its kind in the Swiss banking environment. In addition, inheritance experts also draft detailed estate solutions and provide support on individual matters. The new "ZKB Testament Check" service was also designed to take changes to legislation or clients' personal situations into account. For a fee, experts at Zürcher Kantonalbank review previously prepared wills to check that they are correct in form and content, thereby ensuring that the client's last will and testament complies with their wishes at all times. When implementing their personal estate planning, clients receive long-term support both in person and digitally in the pension area of eBanking.

Growth at frankly

In the third year following its launch, the digital pension solution of Zürcher Kantonalbank's pension foundation continues to grow. Despite negative stock market developments, frankly assets saw yet another sharp rise. frankly had more than 72,000 clients and over CHF 1.5 billion in assets by the end of the year under review.

Since its launch in March 2020, frankly has consistently met client demand for a simple and understandable pillar 3a pension plan.

More rollover mortgages concluded

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

Our mortgage loans increased by CHF 5 billion to CHF 96.8 billion in the year under review. This corresponds to an increase of 5.4 percent, whereas the market as a whole (only banks, excluding mortgage investment companies and insurers) grew by 3.5 percent. The share of SARON-based ZKB rollover mortgages rose to 18 percent of the mortgage portfolio in the year under review. The share of fixed-rate mortgages (including ZKB starter mortgages and ZKB environmental loans) in the total mortgage portfolio was 82 percent at the end of the year.

⟶ Sustainability in real estate financing: Page 39

Home ownership guaranteed in the third phase of life

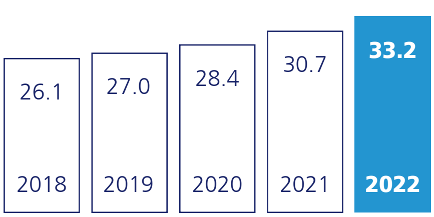
Many people approaching retirement worry about their mortgage solution because their post-retirement income usually declines. Since Zürcher Kantonalbank stands by its clients for life, conveying a sense of security and appreciation is a priority of the customer services provided at Zürcher Kantonalbank.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

50 %

market penetration
70,000 active clients

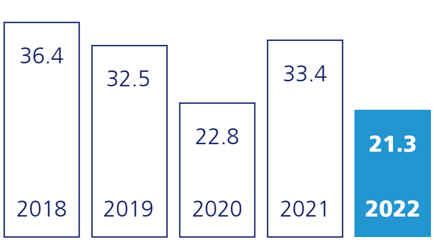
Credit exposure to companies (in CHF billion)

CHF 33 billion in credit exposure



New companies in traditional sectors (in CHF million)

CHF 21.3 million for SME start-ups



SMEs

Our employees assist companies through every phase of the business life cycle and provide them the support they need to overcome the financial challenges they face – from the company's foundation to succession planning. Our direct bank advises commercial clients on all aspects of day-to-day business and meets this client segment's need for support on matters related to payment transactions, financing, investments and pension provision. As a universal bank, we offer companies the full range of services – even in around 100 countries through our correspondent banks if needed. Our specialised corporate client advisors act as personal contacts for our business and corporate clients for all financial matters, dealing with their specific and complex needs. As set out in the bank's statutory public service mandate, we place a great deal of emphasis on our commitment to small and medium-sized enterprises (SMEs). Thanks to our consistent lending policy, we make a significant contribution to the functioning of the economy by supplying credit to SMEs in the Canton of Zurich as well as to medium-sized and large companies throughout Switzerland.

Bank for SMEs in the Greater Zurich Area

At the end of 2022, we counted about 70,000 companies as active clients in our core SME segments, putting our market penetration rate at around 50 percent in the Canton of Zurich. Our credit exposure to companies increased to CHF 33.2 billion in the year under review, which represents positive growth of 8.1 percent. We see growth opportunities in expanding our business with existing clients or through new client acquisition. Occupational pensions also play a very important role, both from a company perspective and for the individual entrepreneur. We have successfully established ourselves in this field as an independent broker of pension solutions.

Coronavirus loans are being repaid

Covid-19 emergency credit in the year under review amounted to CHF 512 million. Of this amount, CHF 394 million were Covid-19 loans and CHF 79 million were Covid-19 plus loans from the federal programme. After peaking at CHF 1 billion in 2020, 43 percent (or CHF 430 million) of the loans had been repaid by the end of 2022.

Loans from the cantonal programme came to a total of CHF 30 million. CHF 4 million of this amount related to loans that Zürcher Kantonalbank granted at its own risk. Loans granted to start-ups amounted to CHF 6 million. SMEs seeking capital continue to receive prudent support from Zürcher Kantonalbank through its ordinary range of financing offers.

Continuation of ZH SME initiative

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

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

SMEs' attractiveness as employers has been defined as a focus for the current year. Zürcher Kantonalbank shares the findings on this topic with SMEs in different forms and through various communication channels.

Services for business start-ups extended

New companies in traditional sectors, such as a painting business or a medical practice, are part of the regular financing business of Zürcher Kantonalbank. In 2022, Zürcher Kantonalbank provided CHF 21.3 million in funding for traditional company start-ups. This does not include financing for innovative start-ups.

⟶ Financing start-ups: Page 41

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

In order to help people start up their own companies, we also made some improvements during the year under review to the services and support we offer. Instead of beginning when the client deposits capital and opens an account, we offer our assistance during the preparatory phases leading up to that stage. Because a number of important and complex decisions have to be made during that time – including decisions related to financing or even which legal form to choose. Zürcher Kantonalbank's offering comprises advisory services and ongoing client support. We collaborate with renowned start-up services that handle the formalities that come with company start-ups.

Promoting innovation among SMEs

Some challenges that prevent innovations at SMEs include scarce resources, unclear or lack of access to information and mental hurdles that stand in the way of cooperation with universities. Within the scope of the "SMEs and Innovation" programme established to promote the canton as a business location, SMEs are encouraged to explore and implement their innovation opportunities and ideas under the guidance of experts. The majority of these experts come from the private sector and are proven specialists in the field of innovation. They guide participating companies in the early stages of innovation projects, help them apply for government funding, and offer in-depth project support as needed. In addition, SMEs gain access to a broad partner network as well as informational and networking events. Zürcher Kantonalbank supports the offering as a programme partner.

Support for generational changes

Thousands of Zurich-based SMEs need to work out their succession plans and require both specialist and financial support during this phase. Our priority is to ensure that the generational change at SMEs is a success, as it is also important to the economy. In the year under review, we provided personal support to companies through over 130 advisory mandates and roughly 50 acquisition loans (a total of around CHF 189 million) to help ensure that the generational change proceeds smoothly. The first steps in this direction can also be taken digitally. The succession planning check at zkb.ch/nachfolgecheck (only available in German) allows for a simple assessment of the current situation as regards succession planning and is an ideal basis for discussion for an advisory consultation.

Demand for microloans remains high

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

Leasing as a liquidity-preserving form of financing

Capital goods leasing is becoming increasingly important. For SMEs and the agriculture sector in particular, this represents a liquidity-preserving alternative to a traditional investment loan. Zürcher Kantonalbank is a major provider of capital goods leases throughout Switzerland. Our leasing calculator (zkb.ch/leasingrechner, only available in German) makes the initial contact even easier. The joint distribution network with other cantonal banks concluded around 3,200 lease agreements with a volume of around CHF 350 million. The portfolio at the end of 2022 contained more than 12,700 contracts with a volume of around CHF 720 million.

Specialised segments

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

Meeting complex requirements of large corporations and insurance companies

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

Regardless of the economic situation and market trends, we stand for continuity and consistency, which we confirmed again in 2022. After the coronavirus pandemic in

1,200

Relationships with foreign banks

for internationally oriented companies in the Greater Zurich Area

8.85

billion Swiss francs in syndicated loans

with Zürcher Kantonalbank as lead bank. Top-ranked bank in the Swiss market

Partner for financial services providers in Switzerland

particular shaped economic events in previous years, general conditions in 2022 were influenced by a multitude of new factors of uncertainty that arose in the wake of the war in Europe. With a predictable lending policy, we remain a reliable and solution-oriented partner.

Leading role in syndicated loans

If large-volume financing is needed, we take the lead and work together with our excellent network of banks to offer syndicated loans to satisfy that need. As one of three providers of this type of structured financing, Zürcher Kantonalbank continues to enjoy a strong market position in Switzerland. In dialogue with our clients, we are increasingly incorporating sustainability components into these syndicated loans; some of those components could include an ESG rating from an independent provider or individual sustainability targets that are peer-reviewed by an independent, recognised third party.

⟶ Sustainability in syndicated loans: p. 41

Expertise in pension fund business

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

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

Internationally networked for local clients

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

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

Here, some of the factors our clients appreciate include short decision-making paths and quick decisions. The replacement of the trade and export financing platform in the year under review marked an expansion of the services we offer to clients and partners in the financial industry that are involved in foreign trade; we also strengthened our ties to those clients through the addition of direct interfaces. Continuous process optimisation contributed to an increase in efficiency in the processing of foreign trade transactions that did not go unnoticed by clients.

We maintain a strong network of cash correspondents and custodians geared to the needs of our clients; this network serves as a basis for the flawless, efficient processing of clients' international payment transactions as well as for the trading business and asset management. We have implemented extensive selection and monitoring processes in the network to comply with high regulatory requirements in Switzerland and abroad. Zürcher Kantonalbank provides its clients with access to 55 investment markets and 30 currencies through its global network.

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

That means our clients can rely on our continuously and systematically monitored banking network when conducting their international business activities.

Solutions for financial services providers in Switzerland

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

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

Structural change in the financial sector and technological advancements continue unabated. They pose complex challenges for small and medium-sized banks in particular. There is a growing need for strategic collaboration through the targeted procurement of products and services from provider banks like Zürcher Kantonalbank, particularly in the areas of asset management, investment advice, custody and trading. The partner banks benefit from our bank's expertise and innovativeness. For example, Zürcher Kantonalbank has already developed the technical principles for the trading and custody of digital assets. Our investment solutions once again succeeded in impressing more financial services providers in 2022, and our many years of expertise in the area of sustainability enabled us to expand existing collaborative arrangements in a targeted manner. Our research offerings have also been expanded to offer our clients new, innovative ESG-related insights that are unique in the Swiss market. Our services are based on proven processes that are also used successfully by our own clients every day. This expertise enables us to respond to the individual needs of our partners in a targeted manner.

Profiting from ideal positioning among key clients

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

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

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

In order to better address the complex needs of this target group, the bank standardised its investment, financing, inheritance and tax offerings in the year under review.

Expansion of support for foundations and non-profit organisations

When it comes to implementing not-for-profit ideas and projects, non-profit organisations (NPO) play an important role in Switzerland. The foundation and NPO client segment has become an important business area in recent years. This sector has become more professional over time and is increasingly dependent on external support. Here, Zürcher Kantonalbank positions itself as an excellent banking partner, including in the area of tailored sustainable investment solutions and for a wide range of financing needs. The offer is aimed at NPOs of all kinds – from extremely large, complex foundations to charitable organisations. The year under review already saw the bank advise more than 1,500 organisations.

The bank also launched its first ZKB Foundation Dialogue series of events in the year under review. These events aim to provide a platform where representatives of large foundations and NPOs can exchange ideas in an exclusive setting, with well-known personalities from the foundation sector offering insights into their activities as well as ideas for the future of the industry.

Zürcher Kantonalbank is also involved in the expansion of StiftungSchweiz (stiftungschweiz.ch), the leading digital philanthropy platform, as its main shareholder. Through this commitment, the bank makes a major contribution towards digitalising and increasing the efficiency of the entire philanthropic sector in Switzerland.

Reliability for external asset managers – now and in the future

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

External asset managers had to comply with new regulatory requirements (FinIA/FinSA) in the year under review. All newly audited asset managers that became subject to FINMA supervision during the year under review meet the very high audit criteria.

This transformation strengthens the industry's positioning for the future. Some of the market shifts expected have already occurred and more will follow. Custodian banks' positioning as stable, reliable institutions with personal, customised service will continue to be of pivotal importance to asset managers. Advances in digitalisation became visible in the year under review with the new API interface (see p. 63). A new eBanking service for external asset managers will be the other core element of this development.

Private Banking International – a leader for Swiss citizens living abroad

The Private Banking International division served nearly 4,000 Swiss citizens living in countries around the world during the year under review. We have a dedicated team of around 75 experts available to support our international and Swiss clients.

Currently, around 30,000 Swiss citizens move abroad every year, with that trend rising. The bank has a comprehensive offering that meets their need for a long-term, reliable partner capable of handling their financial affairs. The year under review also saw the bank take the pioneering decision to offer its services to all Swiss citizens abroad, regardless of wealth. That means all Swiss citizens who move abroad can remain or become clients of the bank. With this move, Zürcher Kantonalbank is setting an example as the leading financial institution for Swiss citizens abroad.

Leading provider of sell-side research

22

equity market transactions

as Lead Manager and 108 bond issues worth over CHF 17 billion

208

billion Swiss francs in assets under management at ZKB Asset Management

Producers

Growth in custody

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

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

Efforts to develop new, innovative solutions – often in close cooperation with our clients – as well as our broad range of services enabled us to once again achieve very good growth in new assets as well as in custody and custodian bank clients in a saturated market. In addition, we successfully established a collaborative arrangement with two new fund management companies with our bank as a custodian bank for Swiss investment funds.

Most important national research team

Zürcher Kantonalbank's equity, bond and real estate fund research covers around 180 public companies, real estate funds and investment foundations, as well as over 180 bond issuers nationwide – more than any other institution in Switzerland. That means our analysts make up the most important research team in the country. Thanks to its broad coverage and close contact with companies, it has in-depth knowledge of the Swiss market and publishes research with insights that create added value. What's more, our ratings are essential for a large proportion of the issuers in the Swiss Bond Index (SBI).

Our share recommendations outperformed their respective benchmarks again this year. We also launched an ESG rating and added an ESG offering to our existing sustainability research, which meets an increasingly important need of our clients.

⟶ ESG framework in sell-side research: Page 43

In addition to day-to-day business, seven extensive research reports were prepared for equities in connection with new cover and capital market projects. On the bond side, research coverage was expanded by seven issuers as part of capital market transactions. We currently provide coverage of more than 70 percent of the borrowers in the Swiss market and nearly 100 percent of the volume of the CHF capital market. The new "Rating Guide" with a special focus on the topic of "Exploding electricity prices – blessing or curse?" was presented to a record number of participants at the Bondholder Event 2022, which was attended by several prominent representatives from the Swiss power supply sector.

With far more than 100 roadshows per year, production tours and investor meetings, Zürcher Kantonalbank promotes dialogue between both investors and companies. The Swiss Equity Conference and the Swiss Real Estate Conference, attended by more than 70 Swiss companies and real estate funds as well as over 450 investors, are a highlight every year.

Trading and Capital Markets division achieves top results

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

The year under review was characterised by sharply rising interest rates as well as equity and foreign exchange markets that were highly volatile at times. Thanks to the broad-based business model in the Trading and Capital Markets business as well as prudent risk management, the division achieved a top result in the financial year. It should be noted that certain significant revenue components are booked under commission or interest income rather than trading income. The bank achieved very respectable results in its equity capital markets (ECM) and equity brokerage businesses. In the ECM business, we acted as lead manager for 22 transactions of issuers listed on the SIX Swiss Exchange and in other functions and/or on other stock exchanges for another seven transactions, making us the market leader in Switzerland.

On debt capital markets, Zürcher Kantonalbank managed the issue of 70 bonds worth CHF 6.9 billion. This also includes eight issues of sustainable bonds (green, social, sustainable, sustainability-linked) amounting to CHF 713 million. This makes us the clear market leader in the CHF domestic segment yet again. Additionally, 38 transactions were carried out for the Central Mortgage Bond Institution of the Swiss Cantonal Banks, worth CHF 10.4 billion.

Given the challenging nature of the investment year, the structured products business closed the period with satisfactory results. Trading in interest rate instruments, foreign exchange and precious metals also achieved very good results in a multi-year comparison.

In the securities lending, repo and money market business, revenues were increased even further compared with the previous year, which had been challenging in this regard.

The result from trading activities (excluding commission and interest income) amounted to CHF 409 million in the year under review, 18 percent above the previous year's level.

On average, market risks in the trading book (value at risk) amounted to CHF 12 million in 2022.

Asset Management expands offering

⟶ Sustainable investments in Asset Management: Page 42

Zürcher Kantonalbank's Asset Management is the competence centre in charge of the development and management of investment solutions, such as investment funds and individual, institutional mandates. As such, Asset

Management provides professional and innovative investment solutions to meet client needs in Zürcher Kantonalbank's various business units. It also provides clients with support in connection with technical issues and sales.

Thanks to strong net new asset growth of CHF 19.7 billion, assets under management were kept relatively stable over the course of 2022, even despite strong fluctuations on the capital markets. They amounted to CHF 208 billion at the end of the year. Business with funds and institutional asset management mandates in the "Responsible" and "Sustainable" segments performed well once again. Overall, Zürcher Kantonalbank's Asset Management division was one of the top fund providers on the continent in terms of sales according to financial market data provider Refinitiv.

Innovations and awards

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

Achieving the net-zero target calls for innovative business ideas and technologies. One milestone in 2022 was the launch of the Decarbonisation thematic private equity fund. This fund allows investors to make targeted investments in companies promoting business ideas that reduce greenhouse gases, thereby promoting the economy's climate transformation at the same time. The initial closing date was set for the end of October 2022 with an investment amount of CHF 90 million.

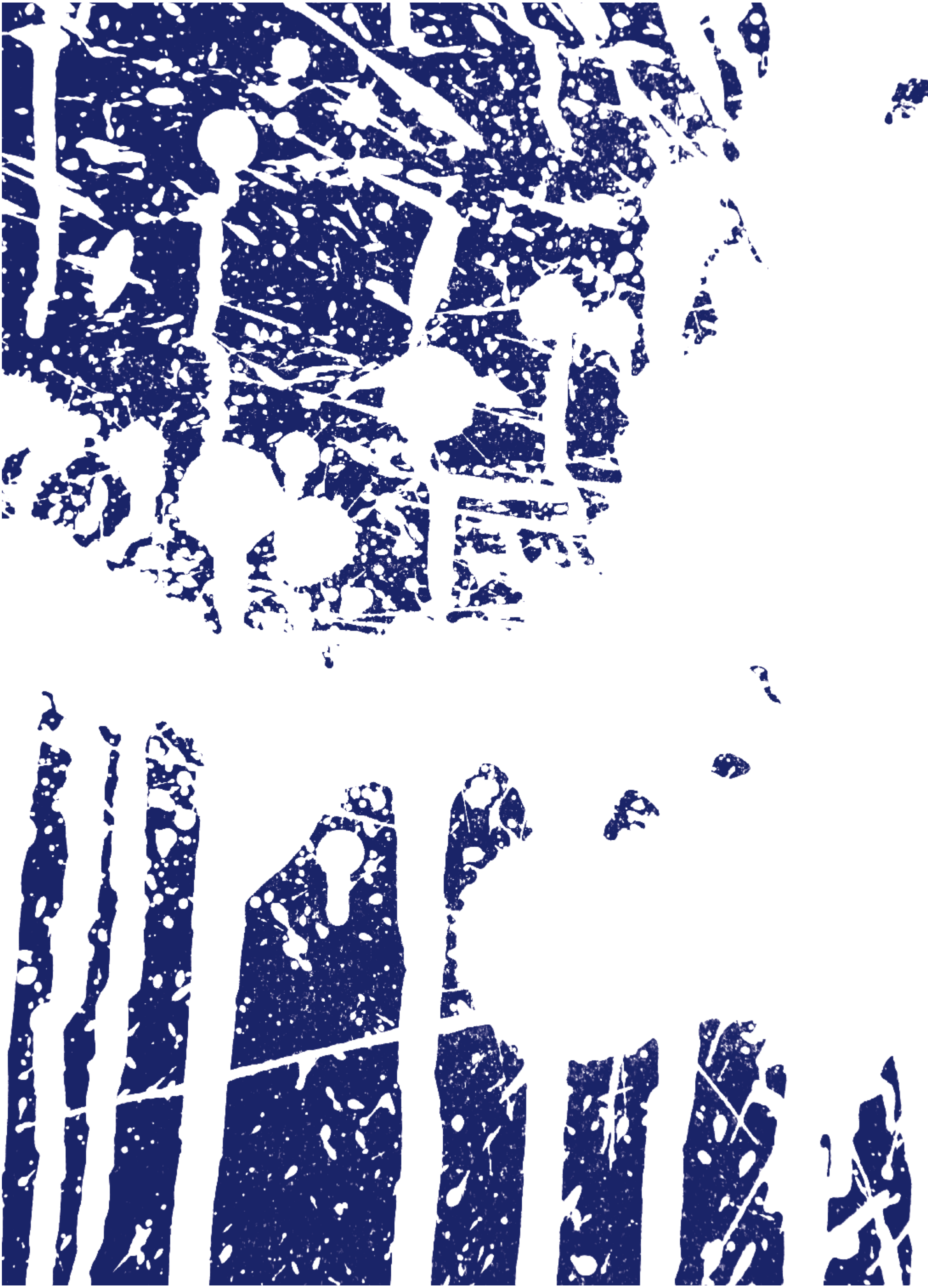
Also significant was the certification of four of our sustainable funds by Forum Nachhaltige Geldanlagen (FNG), the independent German label for investments that take ethical and environmental factors into consideration. This prestigious award is regarded as a seal of quality and is held in particularly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

Asset Management once again received a Swiss Sustainable Funds Award as "Best Asset Management Company". The award also offers independent validation of its efforts in the area of sustainability.

Responsible voting and engagement

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

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



Employees

We offer our employees a productive, appreciative environment. As one of the canton's largest training centres, we also make it possible for numerous young adults to enter a wide range of professions in the worlds of banking and IT.

Zürcher Kantonalbank is a popular and attractive employer. Our culture is characterised by our focus on performance, fairness and respect. We take our corporate responsibility seriously and encourage our employees to take responsibility for their own actions and shape their own work. Unless indicated otherwise, the figures and information below relate to the parent company (excluding subsidiaries and their subsidiaries).

Headcount

The group's headcount rose by 104 in 2022, from 5,145 to 5,249 full-time positions (FTE). 16 full-time positions were filled by temporary employees. The group employs a total of 6,017 people. 325 employees were at the parent company on a banking or IT apprenticeship or high-school internship.

Identification with the company

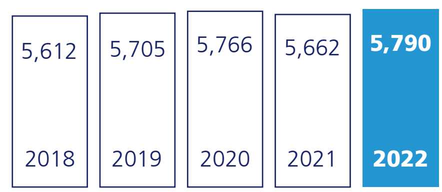
Our employees also actively act as brand ambassadors by carrying over into their personal lives our corporate culture and our corporate values as well as their enthusiasm for working in the bank.

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

It is important for us to be able to establish trusting relationships with candidates during the recruitment process by conducting ourselves in a way that prioritises authenticity, credibility, seriousness as well as knowledge, experience and personality. We have been conducting most first-round interviews virtually in video calls since the coronavirus pandemic.

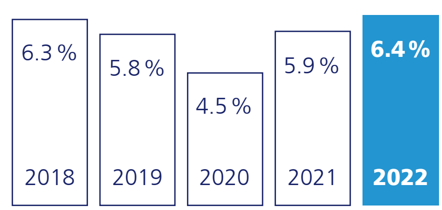
Number of employees at the parent company as at 31 December

Large regional employer



Turnover rate

Loyal employees



One of the largest training centres in the canton

409

apprenticeships

Performance & Development

The environment of Zürcher Kantonalbank has been changing; the Performance & Development (P & D) programme has been in place for five years to help us keep pace with those changes and tackle the challenges they bring.

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

Learning and development are enormously important for our performance. We continued to promote interdisciplinary dialogue in 2022 with the Give.Take.Learn. initiative launched in 2020. Some 30 different learning modules on the topics of learning, self-leadership and employees were offered to employees on learning promotion days.

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

A new P & D management tool was introduced in the form of the "Feedback Driver", which employees can use to obtain feedback as they see fit. The results are compiled into a report containing the complete findings, things to consider and interpretation aids. This report then serves as a basis for the employee's own development planning.

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

The support provided for external development courses has been redesigned. Employees are now expected to take more personal responsibility and the new concept offers more opportunities for individualisation. The new approach offers employees greater flexibility when completing training courses and can accommodate rapid changes with respect to both job requirements and the courses being offered.

In the year under review, we invested CHF 10.9 million in basic training and professional education. 849 employees are currently taking part in a training course. We are continuously expanding our proven learning portal to ensure that it continues to provide a needs-based range of courses to promote our employees' development and make them fit for the future.

Talent management – the Talent Community is alive

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

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

At the same time, we see the internal Talent Community as complementary to our talent acquisition and recruitment activities. Employees with above-average potential, excellent performance levels and exemplary conduct are offered special opportunities. Due to the pandemic-related interruption in 2020, no project work was presented on internal bank topics during the year under review. 18 high-performing employees with great potential were given the opportunity in the year under review to proceed with their personal and professional development in tailored support programmes.

Offer for career starters expanded

With 409 apprenticeships, we are one of the largest providers of vocational training in the Canton of Zurich. The majority of the vocational training we offer is in the areas of banking and IT. In 2022, 93 apprentices, including the very first two media technology apprentices, started their apprenticeships with us.

The commercial curriculum was introduced at the bank almost three years ago. In light of the changes taking place in the banking profession, doing so has enabled us to make commercial apprenticeships fit for the future and prepare them for the upcoming reform in commercial training, which will apply to apprenticeships starting in 2023. The big challenge is to prepare the 400 or so hands-on instructors for the changes coming in spring 2023.

Nearly 100 young men and women experienced the highlight of the first year of their apprenticeships at Zürcher Kantonalbank during their one-week stay at the traditional apprentice camp in Sumiswald. At the camp, they gained an awareness of and prepared for different life situations. The then-CEO, Martin Scholl, also made his final appearance at the camp, welcoming participants and giving them numerous tips for their personal careers. In addition to apprentice camp, apprentices can look forward to one special day every year of their apprenticeship. The first year of their apprenticeships features a sustainability day, there is an art and creativity day in the second year, and the third year includes an innovation day.

74 commercial bank apprentices and eleven IT apprentices graduated, with 44 of them also earning their vocational baccalaureate.

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

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

In the summer of 2022, we offered our first-ever summer internship programme for students, which proved very popular. The ten-week programme gave 15 students an insight into the bank, enabling them to gain some initial professional experience and build up a network. We are happy that we were able to convince a few participants to join us.

In 2022, there were 49 interns and about 84 trainees working at the bank. All high school graduates as well as the first graduates of the computer science high school internship in application development successfully completed their internships in 2022.

The bank arouses enthusiasm for IT among young people through its "IT made in District 5" approach and its Information Technology Days, which were attended by around 120 young people, including 40 girls.

Modern working environment

We value short, quick decision-making channels and personal communication among staff. We implement flexible working methods to promote entrepreneurial thinking and action, customer proximity, creativity, motivation, satisfaction and productivity.

Zürcher Kantonalbank used the experience it gained during the pandemic to formally establish flexible working arrangements as of June 2022 in the employees' conditions of employment. As long as it is compatible with operational needs and those of our clients, working from home on a regular basis is voluntary and permitted for up to 40 percent of an employment level of 100 percent.

Employer commitment

Equal opportunities – diversity & inclusion

Zürcher Kantonalbank aims to achieve equal opportunity for all employees and is committed to a shared understanding of diversity and inclusion (D & I). We believe that the diversity of our employees offers the bank substantial added value. Furthermore, it reflects our equally diverse client structure. We are firmly committed to fairness and respect and promote equal opportunities – regardless of age, gender, sexual orientation, nationality, religion and physical ability.

The bank participated in the "Relabeling" process for the LGBTI Quality Seal this year and received another award from Swiss LGBTI. We have the following D & I networks: Women's Network, Queers & Peers, and Co-Lead (job sharing in management).

The "Mensch*" network was also founded during the "Disability Rights Action Days", which had been organised by the Disability Conference of the Canton of Zurich. This network is intended to serve as a knowledge platform where employees with and without disabilities can talk about and draw attention to the topic. The member of the Executive Board responsible for this is Remo Schmidli, Head of IT, Operations & Real Estate.

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

2022 was dedicated to gender diversity. We expressed our commitment to increasing the proportion of women in management by signing the Advance Diversity Charter in the previous year. The "Driver Seat" initiative gave 110 women a chance to spend one month in a management position and gain first-hand experience in a position of leadership. Management has decided to pay special attention to "unconscious bias." Awareness of the issue is being promoted not only among the recruitment team, but among managers as well.

To address the IT skills shortage, having a higher proportion of women in IT is more important than ever. IT is a professional field with a future and it is being shaped by young people. With over 950 employees, Zürcher Kantonalbank is one of the largest IT employers in Switzerland. Our 2022 Information Technology Days were very successful again this year. Held in the middle of Zurich's District 5, they make the multifaceted world of information technology tangible for students, school classes and teachers in secondary schools, in high schools and on A-level courses.

National Future Day is held every November and offers girls and boys from grades 5 to 7 an opportunity to accompany their parents to work. Half-day programmes were offered at the main sites. We offered a special project called "Mädchen Informatik-los!" for girls with an affinity for IT.

Work-life balance

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

Demand for co-lead roles remains strong. This means that two managers share one management function. 24 employees currently work in a co-lead function.

In total, 29.5 percent of our employees work on a part-time basis. We have also seen a slight increase in the number of part-time employees working in middle and senior management. The percentage of women working in senior management positions has likewise increased again.

We find it extremely important that our female employees return to us after their maternity leave. Our maternity concept strengthens this intention. In addition, we provide financial support for female employees working 60 percent or more and part-time male employees who have one or more children in daycare while they are working. Around 123 fathers took the complete two-week paternity leave.

Political engagement

Zürcher Kantonalbank supports employees if they choose to hold a political office. More than 120 employees are involved in politics, thus making a valuable contribution towards embedding our bank in both the political and social realms. The bank supports these non-profit activities by offering up to one month's worth of paid days off without any reduction in annual leave, for example. As an expression of the appreciation we have for the commitment shown by these employees, the Committee of the Board organises the "Politics and Commitment" event every year. In 2022, Chairman Jörg Müller-Ganz welcomed the keynote speaker, Professor Reto Steiner, Director of the ZHAW School of Management and Law, who presented his analysis on the topic "Do municipalities have a future?" As in previous years, the Cantonal Parliament was represented by the respective chair, this time by President of the Cantonal Parliament Esther Guyer.

Health

Our systematic approach to health management makes an important contribution to the work-life balance and well-being of our employees. An important aspect of our commitment as an employer is preventive healthcare and health promotion. Our bank has been designated as a "Friendly Work Space" since 2014. "Friendly Work Space" is a label that recognises companies for their exemplary occupational health management programmes. Our health-related offers include financial support for health checks, free flu vaccinations in collaboration with the Swiss Association of Pharmacists, and support for sporting activities such as the health-promoting Swiss-wide "Bike to Work" campaign. The trainHARD health room in the Hard

GRI key figures[1] – employees

		2022	2021	2020	2019	2018
Employment (parent company)						
Number of employees (full-time equivalent)	Number	**5,037**	4,938[2]	4,977	4,918	4,859
Turnover rate	%	**6.4**	5.9	4.5	5.8	6.3
Change in the number of jobs	%	**2.0**	–0.8	2.3	1.1	–0.2
Health and occupational safety (parent company)						
Lost days per employee as a result of sickness or occupational and non-occupational accidents	Days/employee	**8.1**	6.1	5.6	6.8	6.9
Basic training and further education (parent company)						
Internal basic training and further education per employee	Hours/employee	**16.1**	15.5	11.5	18.4	14.3
Percentage of employees on external courses	%	**16.9**	16.6	14.7	12.8	12.9
Equal opportunities (parent company)						
Percentage of women in total workforce	%	**37.0**	37.3	37.4	37.3	37.2
Percentage of women in middle management	%	**37.5**	37.6	36.6	36.5	35.1
Percentage of women in senior management	%	**16.6**	15.7	13.9	13.3	13.1

1 The Annual Report of Zürcher Kantonalbank has been prepared in line with the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI). The bank publishes a separate sustainability report on its website at www.zkb.ch/sustainability.
2 Correction from Annual Report 2021

office building offers a varied programme of different sports and relaxation courses during the week. We also provide our employees with ergonomically designed workplaces, as well as rest and massage rooms.

If they find themselves in stressful situations, our employees can take advantage of a free and anonymous external counselling service. We are constantly optimising our measures with the aim of helping our employees to stay fit and healthy.

Integration

We were able to successfully conclude the MIT (Mothers in Training) project in 2022 with two employees. Both individuals have found follow-up solutions with permanent positions.

We also pay special attention to employees with health problems. We provide close, personal and professional support to affected employees and take steps that enable them to maintain or restore their ability to work. In 2022, we were able to offer temporary jobs to several people from outside the bank under tailored integration programmes for people with disabilities. In total, nearly 1 percent of our employees received support that enabled them to re-enter the workforce during the year under review.

Annual report of the employee representation committee (ERC) for 2022

The employee representation committee (formerly the staff association) has been representing the interests and rights of employees vis-à-vis their employer Zürcher Kantonalbank for 106 years. Four years ago, this body's legal form was changed, elections were held for the first time and new rules were defined for its cooperation.

The ERC focused in 2022 on finalising its work on the "Age-appropriate personnel development 45+" thematic focal point. A final report with recommendations for action is available. The committee began work on a new area of focus, "Working in the future", which addresses changes in the work environment. Some of the key issues include how employees think work should be done and why. The committee will examine working models, places of work and the skills needed for the future, and develop concrete proposals and measures intended to promote and safeguard employees' interests.

A constructive dialogue with the Executive Board culminated in an agreement to raise salaries by 0.8 percent. The sabbatical rule was also revised and adopted on 1 January 2022. Working from home and the corresponding bank-wide policy was another thematic focus.

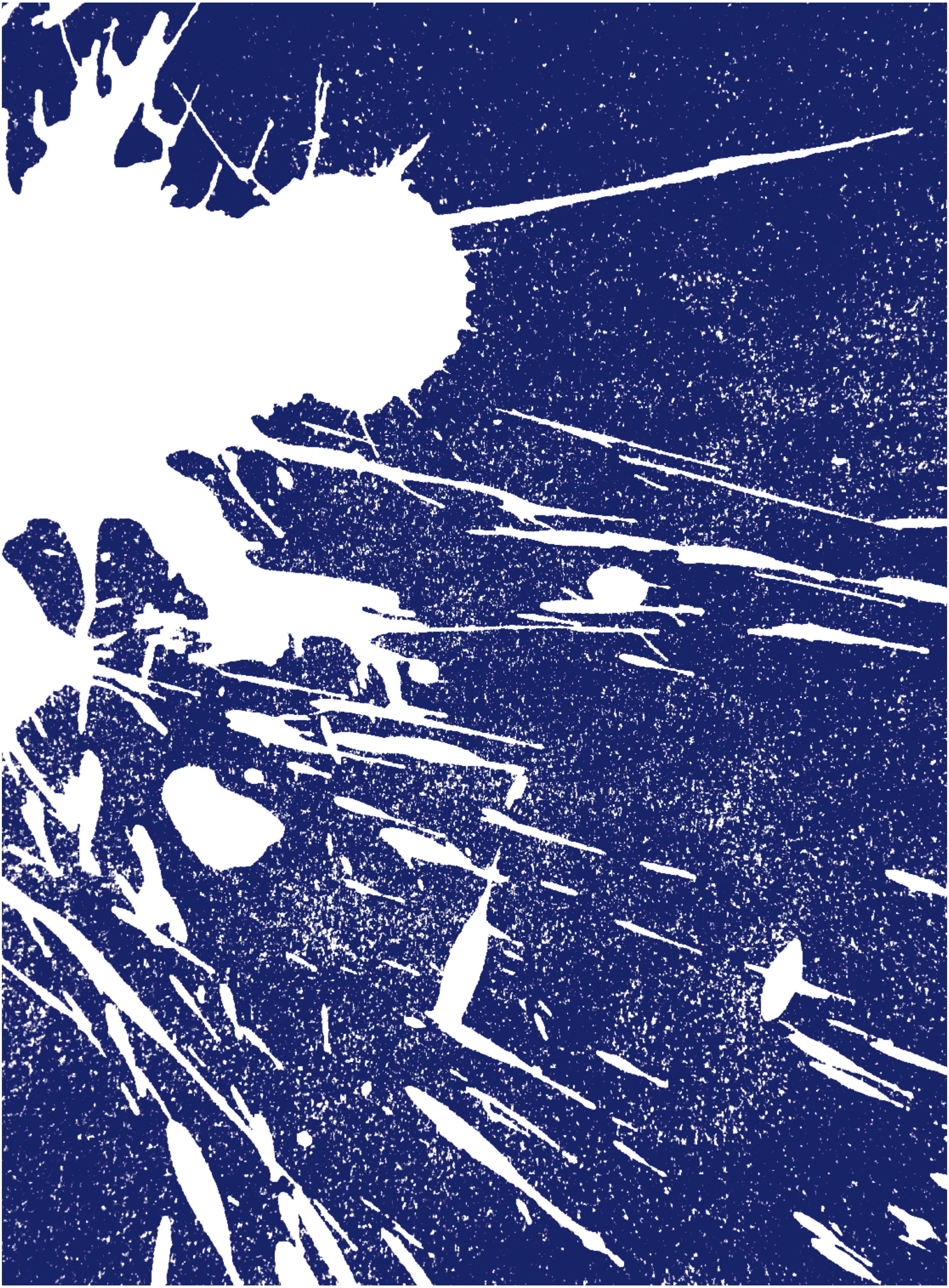
The ERC furthered its efforts to advocate for continuing professional education and lifelong learning. The ERC also played an active role in matters related to working hours, long-term illnesses, directives and the social plan extension, and cultivated an internal exchange with employees and managers as well as an external exchange with other banks, insurance companies and social partners.

Some highlights worth mentioning of the years in office from 2018 to 2022 include the creation and establishment of the new employee representation committee at the social partnership level, the creation of the employee committee, internal and external networking, the first social plan to be developed and negotiated in the history of Zürcher Kantonalbank, as well as meaningful improvements to additional benefits.

New elections were held late in the summer of 2022 and the committee's members were selected for the next term of office. The members of the ERC are: Roberto Campaner (Chair; IT Security Specialist, IT business unit, Operations & Real Estate), Patrick Basler (Vice-Chair; Corporate Services employee, Legal & Compliance organisational unit), Nicola Telle (Vice-Chair; Team Leader Client Support, Private Banking business unit), Maximilian Jost (IT Systems Engineer, IT business unit, Operations & Real Estate), Eveline Schanz (Head of Staff for Market area Zurich-West, Private Banking business unit).

Employee benefits

Our employees are compensated according to the total compensation approach. Their compensation consists of a base salary, variable compensation based on the performance of the group, as well as statutory allowances and additional voluntary benefits. Please see the Compensation Report from page 118 onwards. In the year under review, the Pension Fund of Zürcher Kantonalbank covered 5,524 active insured persons and 2,262 retirees. As at 31 December 2022, it managed assets of approximately CHF 4.8 billion and had a coverage ratio of 103.9 percent (unaudited). For further information on occupational pensions and employee benefits, please see Note 13.



Business development

2022 – group result breaks the billion mark for the first time after the end of the era of negative interest rates

Following up on the excellent results of the previous year, Zürcher Kantonalbank was able to improve the result again with consolidated profit of CHF 1,059 million in the 2022 financial year (previous year: CHF 942 million), up 12.3 percent year-on-year.

Positive development was seen in the net result from interest operations, thanks in particular to the interest rate turnaround and opportunities seized in the money market. This rose by CHF 134 million to CHF 1,421 million.

With a net allocation of CHF 18 million to value adjustments, the line item Changes in value adjustments for default risk and losses from interest operations was significantly lower than in the previous year (CHF 39 million). Here, higher individual value adjustments were more than offset by lower value adjustments for expected losses.

In commission business and services, the bank generated a strong result of CHF 926 million, which was on a par with the previous year.

The trading result was excellent at CHF 409 million. In particular, high revenue in foreign exchange, interest rate and bond trading contributed to the outstanding results.

Operating expenses amounted to CHF 1,594 million, i.e. 5.1 percent or CHF 77 million higher than the previous year.

This culminated in a total operating result of CHF 1,059 million, which exceeded the previous year by 11.3 percent or CHF 108 million.

Analysis of earnings

Strong development in interest operations and the era of negative interest rates is over

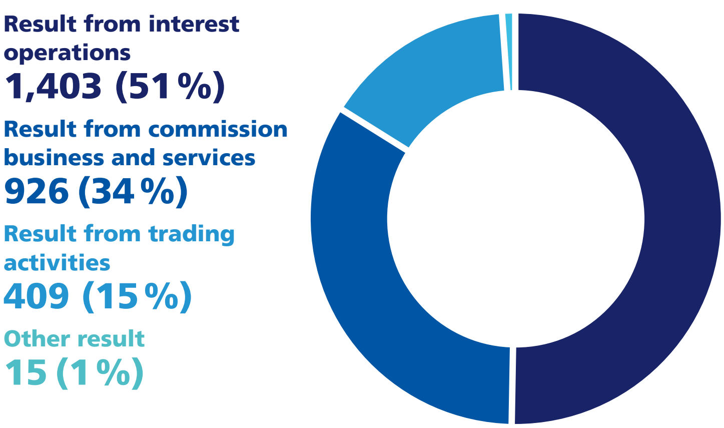
The 2022 financial year was dominated by the interest rate turnaround, which was heralded in June by the Swiss National Bank's decision to increase the key rate. A further increase took place in September, resulting in a positive reference rate for the first time in years.

This development also had an impact on gross interest income, which came in at CHF 1,421 million and exceeded the previous year's figure by CHF 134 million or 10.4 percent. The negative margins on the liabilities side improved along with the rise in interest rates in CHF as well as the important currencies EUR and USD. Clients can again benefit from positive interest rates. On the assets side, the years of negative interest payments due for liquid assets at the Swiss National Bank came to an end.

With a net allocation of CHF 18 million to value adjustments, the line item Changes in value adjustments for default risk and losses from interest operations was significantly lower than in the previous year (CHF 39 million). The higher individual value adjustments of around CHF 23 million (previous year: CHF 7 million) were more than offset by lower value adjustments for expected losses, which showed a net release of CHF 6 million (previous year: net new allocation of CHF 30 million). The latter was due in particular to a change in client behaviour as a result of interest rates. After the interest rate turnaround, clients hardly took out any long-term fixed-rate mortgages, instead switching mainly to Saron mortgages with short terms.

Overall, this led to an encouraging net result from interest operations totalling CHF 1,403 million, which significantly exceeded the previous year's figure by 12.4 percent.

Breakdown of operating income in CHF million/percent



Stable result in commission business and services

While the result from commission business and services was kept on a par with the previous year at CHF 926 million, there was a change in its components. At CHF 1,018 million, commission income from securities trading and investment activities was slightly lower year-on-year (CHF 1,025 million). While income from the fund business increased, transaction-related income, management fees, and commissions from the issuing business declined due to the market environment.

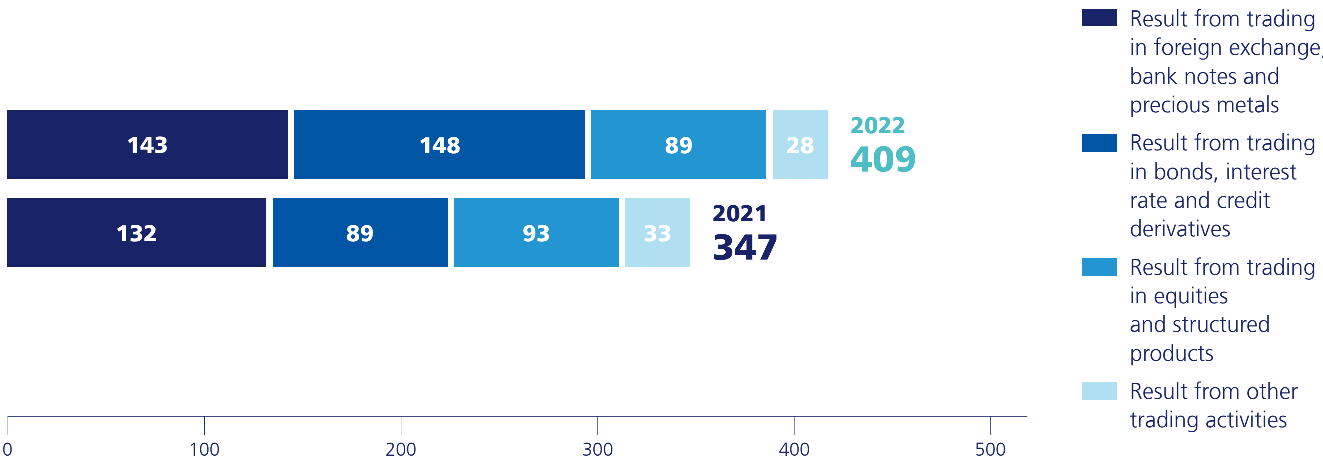
At CHF 72 million, commission income from lending activities was on a par with the previous year (CHF 69 million).

Income from other services rose from CHF 131 million in the previous year to CHF 151 million, which corresponds to an increase of 15.1 percent. This growth was attributable to brisk client activity in the card business and slightly higher income from services in the real estate business. At CHF 315 million, commission expense rose by 5.2 percent compared with the previous year, due in particular to higher brokerage commissions.

Excellent trading result

Despite the challenging market environment, we succeeded in remaining flexible and capable of taking action, systematically managing risks and seizing opportunities as they arose. This led to an excellent result from trading activities totalling CHF 409 million, which exceeded the previous year's level of CHF 347 million by 17.9 percent. The largest contribution to this was attributable to the result from trading activities in bonds, interest rate derivatives and credit derivatives; at CHF 148 million, this was 66.6 percent or CHF 59 million higher year-on-year. The result from trading activities in foreign exchange, bank notes and precious metals also developed positively at CHF 143 million (previous year: CHF 132 million).

Breakdown of result from trading activities in CHF million



At CHF 89 million, the result from trading in equities and structured products nearly achieved the previous year's figure of CHF 93 million. Other trading income reported a similar trend, with CHF 28 million compared to CHF 33 million in the previous year. For further information, please see Note 32 to the Financial Report.

Other result from ordinary activities down slightly

The other result from ordinary activities amounted to CHF 15 million, down by CHF 9 million or 37.2 percent on the previous year.

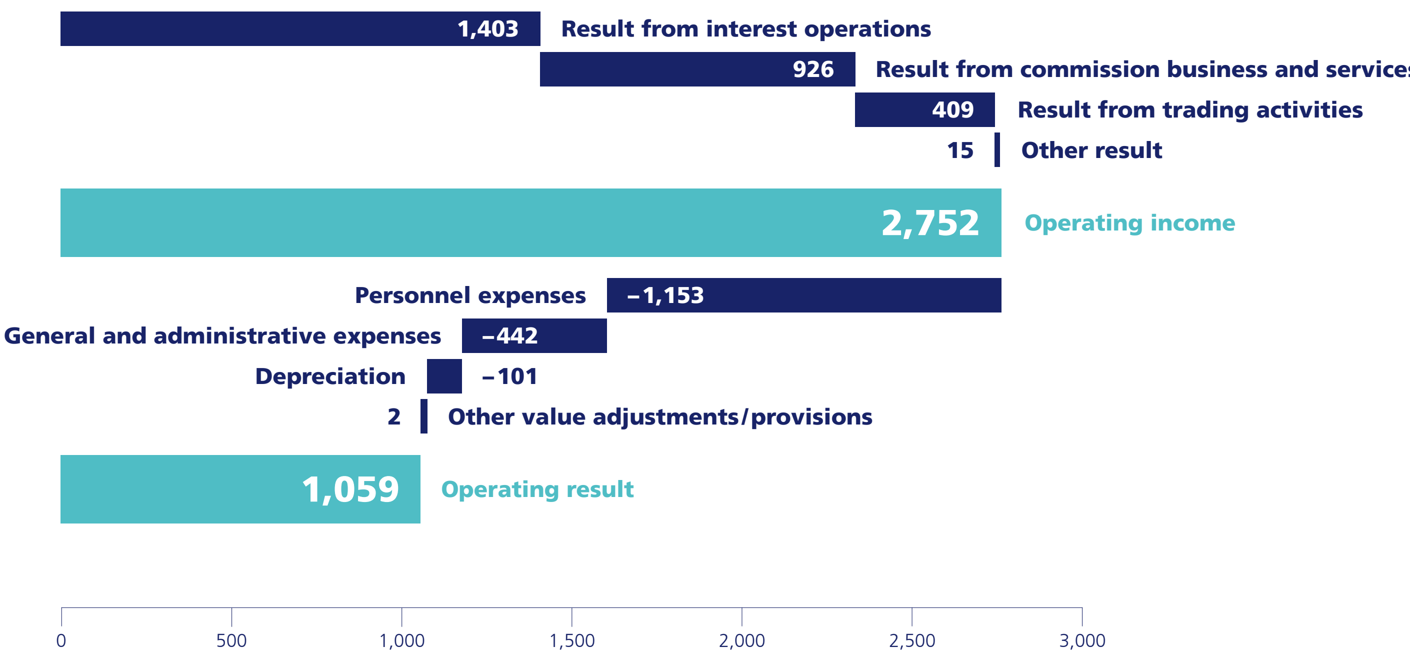
This decline was mainly driven by non-recurring effects from the previous year amounting to CHF 5 million and value adjustments on financial investments (start-up investments).

Operating expenses increased moderately

Operating expenses rose by 5.1 percent or CHF 77 million over the previous year to CHF 1,594 million. This was mainly driven by personnel expenses, which at CHF 1,153 million were 5.5 percent or CHF 60 million higher than in the previous year. The increase was attributable to the headcount, which grew by around 100 employees, coupled with the very good group result and thus a higher variable salary component.

At CHF 442 million, general and administrative expenses rose by around 4.0 percent year-on-year (previous year: CHF 425 million) as well. The normalisation of business activities after the pandemic-related restrictions of the past two years resulted in higher representation and travel expenses. In addition, there were also slight increases in IT costs, marketing costs and the costs for the state guarantee. The latter amounted to CHF 28 million (previous year: CHF 27 million).

Breakdown of operating result in CHF million



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

Decrease in depreciation and amortisation

Expenses in connection with value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets in the year under review amounted to CHF 101 million, compared to CHF 104 million in the previous year. Once again, the largest share of this, at CHF 43 million (previous year: CHF 46 million), was attributable to depreciation on bank premises and other real estate, followed by ordinary goodwill amortisation of CHF 33 million. Depreciation of tangible fixed assets (CHF 12 million) and amortisation of intangible assets (CHF 3 million) were slightly lower than in the previous year. By contrast, writedowns on participations of CHF 9 million exceeded the previous year's figure by CHF 2 million or 21 percent.

Net release of provisions

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

For 2022, changes to provisions and other value adjustments and losses showed a net release of CHF 2 million (previous year: net release of CHF 28 million). In the previous year, there had been a larger release of provisions no longer required in connection with the conclusion of the deferred prosecution agreement (DPA) with the United States and the release of further provisions for other business risks.

Provisions for default risks showed a net release of around CHF 10 million, compared with CHF 7 million in the previous year. This was due in particular to provisions for expected losses, which showed a net release of CHF 8 million. For the changes in value adjustments for default risks and losses from interest operations, please see the section on interest operations. Additionally, around CHF 11 million in provisions for other business risks were recognised and other provisions of CHF 6 million were released.

Analysis of the asset and financial position

Total assets increased by 4.0 percent to CHF 199.8 billion in the 2022 financial year. On the assets side, this was due in particular to growth in the mortgage business (up 5.4 percent or CHF 5.0 billion). Furthermore, the line item financial investments recorded an increase of CHF 2.7 billion, which was mainly attributable to investments in SNB bills and money market book claims of the Swiss Confederation.

At CHF 40.3 billion, liquid assets remained stable year-on-year at a high level. Accordingly, the bank continued to comfortably comply with regulatory liquidity requirements. The quarterly average of total high-quality liquid assets (HQLA) rose by 13.3 percent to CHF 58.5 billion (previous year: CHF 51.7 billion). Nevertheless, the liquidity coverage ratio (LCR) of 146 percent at the end of the year was lower than in the comparable period (160 percent) due to higher net cash outflows.

On the liabilities side, amounts due in respect of customer deposits totalled CHF 103.4 billion at year-end, up 6.8 percent year-on-year due to a rich inflow of client funds.

The changed interest rate environment also had an impact on the bank's liquidity management. Positive interest rates led to the elimination of money market securities denominated in foreign currencies, which reduced the portfolio from CHF 13.1 billion to CHF 0.1 billion. The discontinuation of this business line was offset, a fact reflected in higher amounts due to banks (up CHF 4.2 billion to CHF 39.1 billion). Seized opportunities also led to an increase in liabilities from securities financing transactions (up CHF 6.2 billion to CHF 10.6 billion).

Development of the interbank and securities financing business

As described in the previous section, amounts due to banks as well as liabilities from securities transactions showed a strong increase. On the assets side, the securities financing business amounted to CHF 27.8 billion as at the reporting date, meaning it was also up year-on-year, but at 5.8 percent the increase was not as sharp as on the liabilities side.

Amounts due from banks, on the other hand, declined slightly by 7.4 percent, or by CHF 236 million, ending the year with a balance at CHF 2.9 billion.

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

Steady growth in loans

Mortgage loans outstanding amounted to CHF 96.8 billion at the end of 2022 (previous year: CHF 91.8 billion). This corresponded to a net increase of 5.4 percent or CHF 5.0 billion, taking into account the value adjustment for impaired loans and expected losses. The value adjustments are offset directly against the portfolio. At year-end, the value adjustment for expected losses on mortgage loans amounted to CHF 368 million (previous year: CHF 376 million) and CHF 42 million for impaired mortgage loans (previous year: CHF 47 million).

Amounts due from customers stood at CHF 10.6 billion and also recorded net growth of 6.8 percent or CHF 676 million. Value adjustments for expected losses for this item were at the previous year's level of CHF 50 million. The individual value adjustments were slightly higher at CHF 152 million (previous year: CHF 143 million).

More movement on the markets

On the assets side, the trading portfolio declined by 11.0 percent to CHF 11.1 billion, while the positive replacement values of derivative financial instruments fell by 6.5 percent to CHF 1.2 billion.

On the liabilities side, there was a year-on-year increase of more than 85 percent in the negative replacement values of derivative financial instruments (portfolio at year-end: CHF 2.1 billion). For the most part, this was directly connected to the increase in interest rates and the associated impact on the replacement values of the interest rate derivatives.

Trading portfolio liabilities (portfolio at year-end: CHF 3.6 billion) rose by CHF 1.7 billion year-on-year.

Liabilities from other financial instruments at fair value, on the other hand, decreased by 9.9 percent to CHF 4.0 billion.

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

Substantial increase in financial investments

The portfolio of financial investments amounted to CHF 7.5 billion, around 57.4 percent higher than the previous year. At CHF 7.2 billion (previous year: CHF 4.5 billion) and thus 95.9 percent (previous year: 94.1 percent), debt securities accounted for the largest share of financial investments. These are generally held to maturity. Fixed-interest securities that qualify as high-quality liquid assets (HQLA) under the Liquidity Ordinance may be counted towards liquidity. At the end of 2022, the portfolio of securities eligible to be regarded as HQLA amounted to CHF 7.1 billion.

The remaining portfolio was mainly divided into equity securities (CHF 108 million) and precious metals (CHF 196 million).

Participations, tangible fixed assets and intangible assets

Non-consolidated participations remained stable at CHF 155 million. For further information, please see Notes 6 and 7 to the Financial Report.

The tangible fixed assets of CHF 565 million (previous year: CHF 597 million) mainly consisted of bank premises and other properties (CHF 540 million). Investments totalling CHF 27 million were made in 2022. The divestments amounted to CHF 4 million and also originated mainly from the line item bank premises.

At CHF 55 million, ordinary depreciation was slightly lower than in the previous year (CHF 59 million). Further details on tangible fixed assets can be found in Note 8.

Intangible assets amounted to CHF 14 million (previous year: CHF 50 million). The position continues to be dominated by the remaining CHF 8 million in goodwill for the Swisscanto Group, which will be fully amortised by mid-2023.

Growth in customer deposits

Various factors led to a rich inflow of client funds. Accordingly, amounts due in respect of customer deposits increased by 6.8 percent to CHF 103.4 billion. This item includes savings accounts as well as other customer accounts at sight and on time.

Decrease in money market securities and bond issues as well as an increase in central mortgage institution loans

The changed interest rate environment resulted in the discontinuation of money market securities in foreign currencies; maturities in the amount of CHF 13.1 billion were not offset as a result. The portfolio amounted to CHF 0.1 billion at the end of the year. Bond issues in the amount of CHF 1.3 billion were due during the 2022 financial year. These could largely be offset. Accordingly, bond issues outstanding at the end of the financial year amounted to CHF 9.4 billion, only 2.4 percent below the previous year's figure (CHF 9.6 billion). Central mortgage institution loans recorded maturities of CHF 616 million in 2022; these were more than offset. At year-end, central mortgage institution loans in the amount of CHF 11.9 billion were recognised (previous year: CHF 11.3 billion).

Along with client funds, bond issues and central mortgage institution loans represent important funding instruments. For further information, please see Note 15 to the Financial Report.

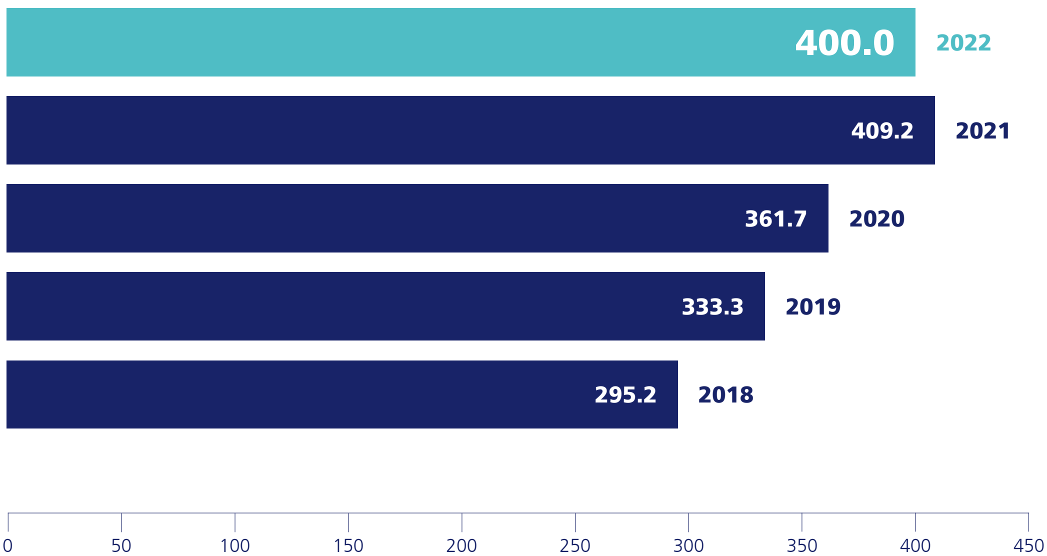
Further strengthening of equity

Shareholders' equity reported in the balance sheet before appropriation of profit amounts to CHF 13.3 billion, an increase of CHF 625 million or 4.9 percent over the previous year. This was comprised of the bank's capital (CHF 2.4 billion), retained earnings reserves and foreign currency translation reserves (CHF 9.7 billion), reserves for general banking risks (CHF 154 million) and consolidated profit (CHF 1,059 million). The bank's corporate capital continued to consist exclusively of the endowment capital provided by the Canton of Zurich to the bank as equity, which has an indefinite time limit.

Client assets

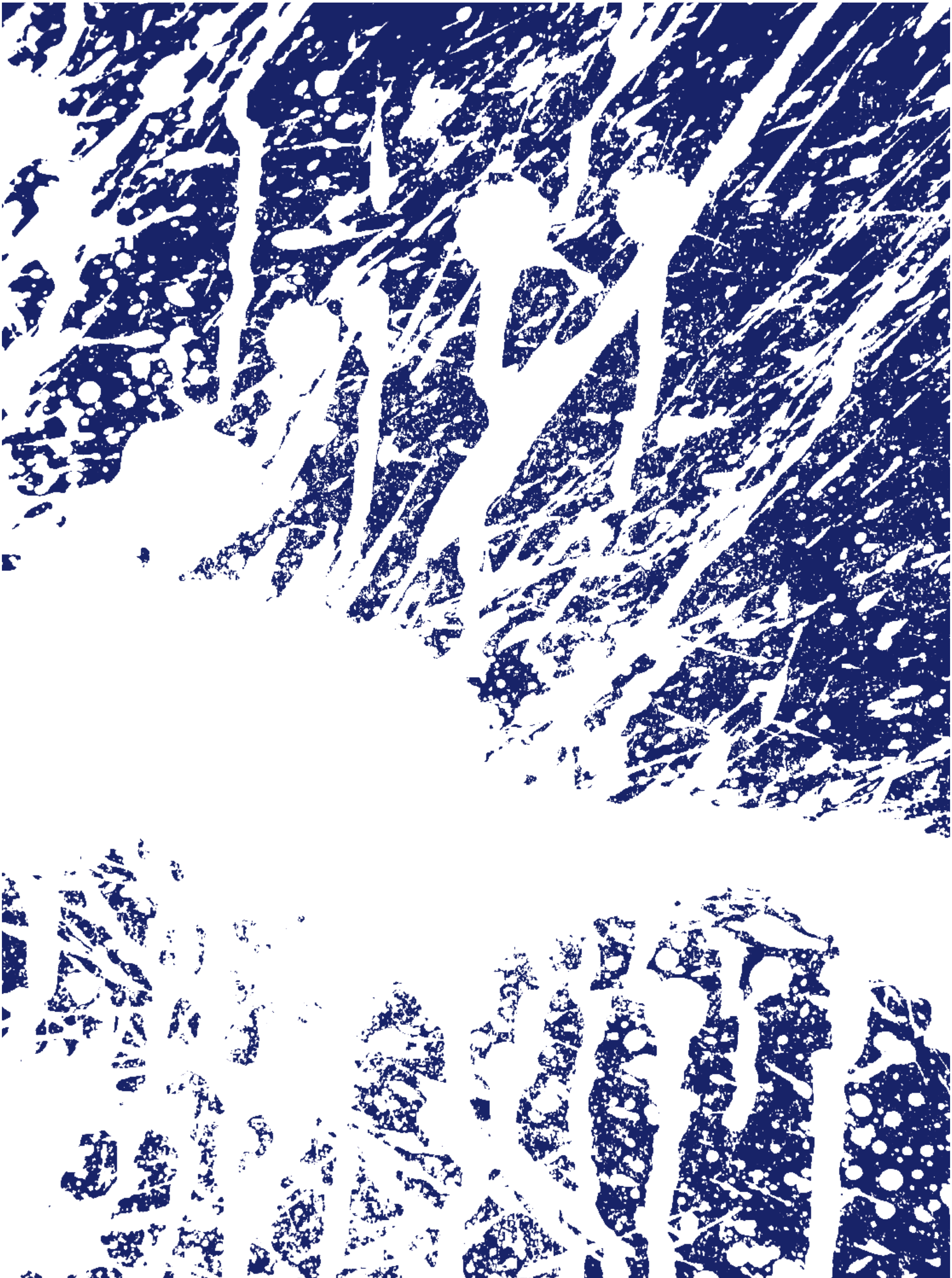
The volume of client assets under management amounted to around CHF 400 billion at the end of the financial year, a year-on-year decrease of CHF 9.2 billion or 2.3 percent. The decline was due in particular to the market situation and related performance (down CHF 42 billion or 10.3 percent). The net new money inflow was encouraging and, at CHF 33.9 billion, significantly exceeded the previous year's figure of CHF 25.9 billion. For further information, please see Notes 31a and 31b to the Financial Report.

Total client assets in CHF billion



Ongoing challenges

A slowdown in global economic growth and persistent inflation mean that the economic environment will remain challenging. However, we are convinced that we are also well positioned for these times and can continue to rely on our universal banking strategy, diversified business model and, in particular, our high level of client loyalty. Accordingly, we expect to be able to generate and present an attractive result for the current year as well. It goes without saying that we will continue to gear our business activities towards sustainable performance. Please see the Outlook on page 28 for more details.



Corporate Governance

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

Basic principles

Zürcher Kantonalbank is a responsible bank which engages in a constant, open and transparent dialogue with its stakeholder groups. As an institution under public law, the bank is accountable in particular to the Canton of Zurich, its residents and the Cantonal Parliament, which is ultimately responsible for the supervision of the bank via a standing commission. As a bank, it is subject to the Swiss Financial Market Supervisory Authority FINMA as an independent supervisory authority with sovereign powers. In addition to the provisions of federal supervisory law, the requirements of FINMA Circular 2017/1 "Corporate Governance – Banks" in particular are also applicable to Zürcher Kantonalbank. Insofar as this is possible for a public-law institution, it also bases its operations on the SIX Swiss Exchange Directive on Information relating to Corporate Governance of 18 June 2021 and the economiesuisse "Swiss Code of Best Practice for Corporate Governance" of 29 February 2016. Unless otherwise specified, all stated information is valid as at 31 December 2022.

Structure and ownership

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

Board of Directors and Committee of the Board

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

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

The Committee of the Board is an independent body. The duties and compensation of the Board of Directors and Committee of the Board are set out in sections 15 and 16 of the Law on Zürcher Kantonalbank, sections 29, 30 and 33 of the bank's organisational regulations of 23 June 2011, in the regulations governing the compensation of members of the Board of Directors of Zürcher Kantonalbank, as approved by the Cantonal Parliament of Zurich on 25 November 2004, and in other specific regulations. As laid down in section 14, paragraph 3, of the Law on Zürcher Kantonalbank, members of the Board of Directors may not work for any other bank, be a member of the Government Council, Cantonal Parliament or highest cantonal courts, or work for the tax authorities.

The Cantonal Parliament of Zurich elects the members of the Board of Directors and the Committee of the Board for a four-year term of office. In doing so, it considers their personal characteristics such as assertiveness, credibility and integrity, and their suitability with regard to banking exper-

Members of the Board of Directors and its committees as at 31.12.2022 (2019–2023 legislative period)

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

Legend: Chair

tise, as well as regulatory requirements and proportional political representation. The professional qualifications for each individual member of the Board of Directors are regularly assessed by external specialists. Members are eligible for re-election. There are no restrictions on periods of office for members of the Committee of the Board. For the other members of the Board of Directors, the total period of office may not exceed 12 years. The term of office for members of the Board of Directors ends at the latest on their 70th birthday. If members of the Committee of the Board reach their 65th birthday during their term of office, their time in office ends when their term of office expires.

The table above lists the members of the Board of Directors for the current legislative period, which on an exceptional basis will last four and a half years instead of the usual four years, i.e. from July 2019 until December 2023 (due to the revision of the regulations on the preparation of elections for members of the Board of Directors and the Committee of the Board of 25 November 2013).

Cantonal Parliamentary Committee

Responsibility for the ultimate political supervision of Zürcher Kantonalbank lies with the Cantonal Parliament. Its duties are set out in section 11 of the Law on Zürcher Kantonalbank. In addition to the election of the members of the Board of Directors and Committee of the Board, they include approving the guidelines on the fulfilment of the public service mandate, the regulations governing the compensation paid to members of the Board of Directors, and the annual financial statements and annual report of the bank, as well as discharging the governing bodies.
The Cantonal Parliament of Zurich has charged the Parliamentary Committee for the Supervision of Commercial Undertakings (AWU) with ultimate supervision in accordance with section 12 of the Law on Zürcher Kantonalbank. This standing, supervisory Cantonal Parliamentary Committee inspects the minutes of the Board of Directors and, depending on the matter concerned, obtains information from the Chairperson, the Committee of the Board, members of the Board of Directors, the Chief Executive Officer, other members of the Executive Board or representatives of the external auditors with regard to the activities, course and results of the bank's business and any important events.
As at 31 December 2022, this Cantonal Parliamentary Committee comprised the following members:

AWU members as at 31.12.2022

André Bender, SVP	Chairman
Michael Bänninger, EVP	Member of the Committee
Carola Etter-Gick, FDP	Member of the Committee
Thomas Forrer, Greens	Member of the Committee
Astrid Furrer, FDP	Member of the Committee
Hanspeter Göldi, SP	Member of the Committee
Daniel Heierli, Greens	Member of the Committee
Stefanie Huber, GLP	Member of the Committee
Roland Kappeler, SP	Member of the Committee
Thomas Lamprecht, EDU	Member of the Committee
Orlando Wyss, SVP	Member of the Committee

Information and control instruments

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

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

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

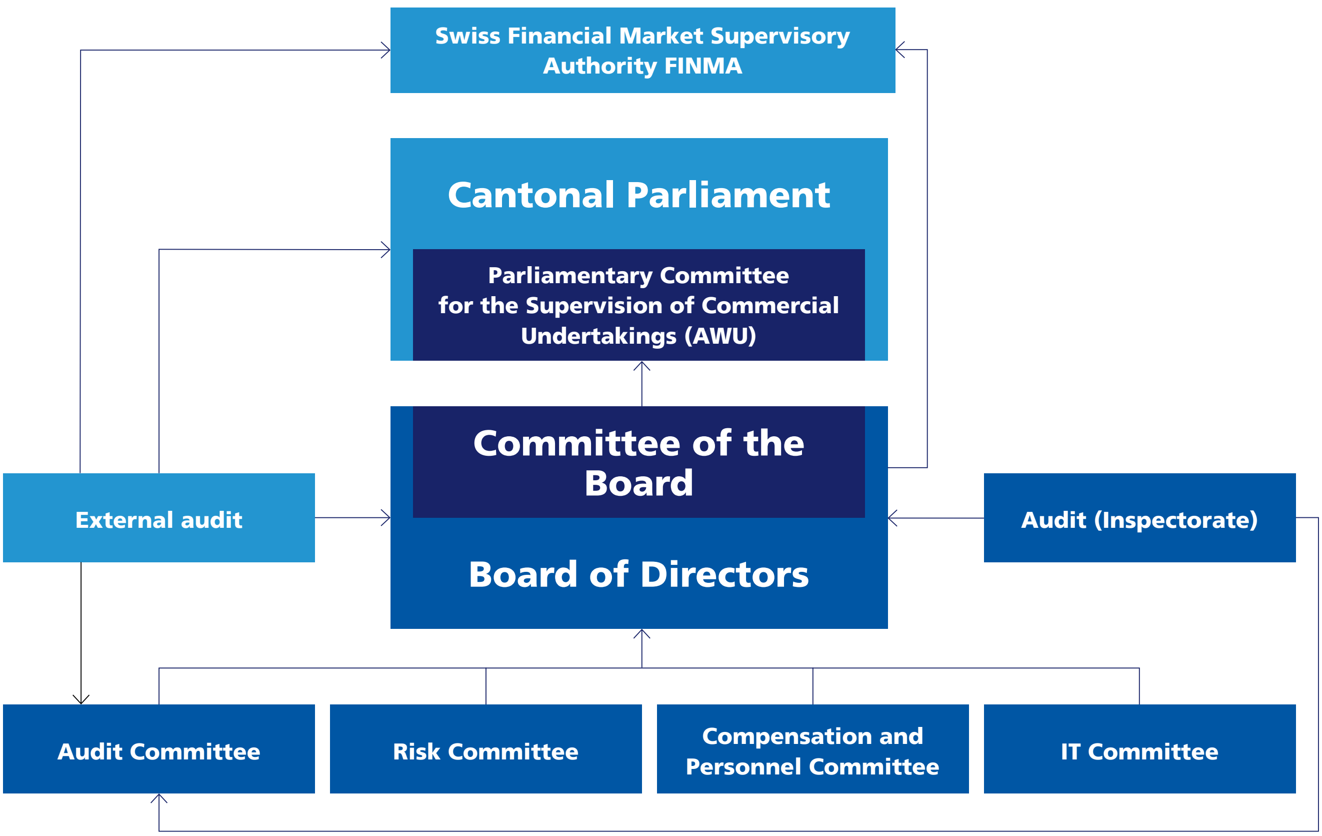
The AWU of the Cantonal Parliament of Zurich monitors the fulfilment of the public service mandate in accordance with section 12 of the Law on Zürcher Kantonalbank. This is primarily based on an annual focus report, the theme of which changes annually depending on the AWU's requests. This focus report is integrated into the annual report (pp. 36–44), which also accounts for the bank's fulfilment of the public service mandate.

Internal organisation

Areas of responsibility

The responsibilities of the Committee of the Board, Board of Directors, Executive Board and external auditors are governed by the Law on Zürcher Kantonalbank of 28 September 1997 (sections 15 to 18), the organisational regulations of the Zürcher Kantonalbank group of 23 June 2011 (sections 29 to 37 and section 39) and other regulations.

Corporate Governance at Board of Directors level



Committee of the Board

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

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

Board of Directors

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

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

Areas of responsibility

Committee of the Board

Main responsibilities of the Committee of the Board: It
- prepares topics relating to strategy and corporate culture for submission to the Board of Directors
- scrutinises the decisions of the Executive Board and assures its direct supervision
- monitors the execution of resolutions passed by the Board of Directors
- approves unsecured loans in accordance with the delineation of powers laid down by the Board of Directors
- decides on the purchase and sale of real estate in addition to renovations and new building projects in accordance with the delineation of powers laid down by the Board of Directors
- approves the payment of invoices for building projects authorised by the Board of Directors
- takes decisions on providing assistance to economic, social and cultural institutions
- decides on the bank's membership of, and representation in, organisations
- is informed of new lending transactions that fall within the remit of the Executive Board
- is informed of the course of business at participations
- hires, dismisses and promotes members of senior management
- reviews the Legal & Compliance reports on a half-yearly basis
- is regularly informed of major risk positions
- deals with pressing matters that fall under the responsibilities of the Board of Directors and subsequently obtains the Board's approval
- in the event of escalation decides on transactions with particular business policy risks, conflicts of interest and particular effects on reputation
- regularly checks the quality and efficiency of the fulfilment of the public service mandate

Board of Directors

Main responsibilities of the Board of Directors: It
- defines the principles of the corporate strategy, the mission statement, the business strategy and the organisational structure
- approves the risk policy, the equity strategy, group-wide risk and global limits, the equity investments and the general framework for group-wide risk management
- establishes and closes branches and establishes subsidiaries
- sets up an internal control system (ICS)
- determines the group and financial planning
- issues guidelines on human resources policy as part of the group strategy
- is informed quarterly of risk concentration in accordance with article 95, paragraph 1, of the Ordinance on Capital Adequacy and Risk Diversification for Banks and Securities Dealers
- approves contingency planning
- is informed of the reporting on country limits
- consults the detailed quarterly reports of the Executive Board
- is regularly informed by the Executive Board of all relevant aspects of risk management
- approves unsecured loans in excess of CHF 1 billion
- is regularly informed of lending transactions that fall within the remit of the Committee of the Board
- approves the annual planning, annual and semi-annual financial statements and the annual report including the compensation report
- hires and dismisses the members of the Executive Board and their deputies, branch managers at senior level, and the Head of Audit and his/her deputy
- decides on the annual distribution of profit to the canton and municipalities

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

Audit

Audit is responsible for the group's internal audit. It is headed by Walter Seif and as at the end of 2022 had 49.5 full-time employees (FTE).

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

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

Board of Directors Committees

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

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

Audit Committee

The Audit Committee supports the Board of Directors in its supervisory and control functions in accordance with section 15a of the Law on Zürcher Kantonalbank, section 32 of the organisational regulations of Zürcher Kantonalbank and FINMA Circular 2017/1 "Corporate Governance – Banks". Within its area of responsibility, it prepares specialist resolutions of the full Board of Directors and, in this regard, is responsible in particular for critically analysing the published annual and interim financial statements of the parent company and group. In addition, the Audit Committee assesses the functionality of the internal control system and appraises the audit plan and reports issued by Audit and the external auditors.

As at 31 December 2022, this Committee comprised Henrich Kisker (Chairman), Amr Abdelaziz, Sandra Berberat Kecerski, Bettina Furrer and René Huber. The Head of Audit, Walter Seif, attends all meetings of the Audit Committee as a permanent guest. The CFO, Rudolf Sigg, participates in portions of each meeting of the Audit Committee.

Risk Committee

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

As at 31 December 2022, this Committee consisted of Adrian Bruhin (Chairman), Sandra Berberat Kecerski, René Huber, Roger Liebi and Anita Sigg. The Chief Risk Officer, Roger Müller, the Head of Audit, Walter Seif, and the Head of Risk Control, Peter Meier, participate in every meeting of the Risk Committee.

Compensation and Personnel Committee

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

As at 31 December 2022, the Compensation and Personnel Committee comprised Peter Ruff (Chairman), Amr Abdelaziz, Jörg Müller-Ganz, Anita Sigg and Stefan Wirth. The Head of Human Resources, Marco Beutler, participates in each meeting of the Compensation and Personnel Committee.

IT Committee

The IT Committee assists and advises the Board of Directors in the handling of all IT issues of strategic importance for the entire bank and provides relevant recommendations. For this purpose, it works to obtain a picture of the contribution of IT to the bank's performance. Furthermore, it assesses the cost (run) and investment framework (change) for IT by considering the potential effects on current and future courses of action as well as on business risks. Finally, it assesses the functionality of the management of IT risks with an impact on IT-related investment opportunities and risks.

As at 31 December 2022, the IT Committee comprised Walter Schoch (Chairman), Bettina Furrer, Mark Roth and Stefan Wirth. The Head of the IT, Operations & Real Estate business unit, Remo Schmidli, and the Head of IT Audit, Tobias Ryser, participate in each meeting of the IT Committee.

Auditor

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

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

In the year under review, EY charged CHF 3.7 million for regulatory audits (basic and additional audits), the audit of the annual financial statements of the bank and group companies as well as the consolidated financial statements (2021: CHF 3.8 million). EY charged CHF 0.02 million (2021: CHF 0.01 million) for additional consulting services, and CHF 0.1 million for audit-related services (2021: CHF 0.3 million). Furthermore, EY charged CHF 3.1 million (2021: CHF 3.4 million) via group companies for auditing collective capital investments.

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

Executive Board

The Executive Board of Zürcher Kantonalbank has eight members. It is headed by Urs Baumann (Chief Executive Officer, CEO). Under section 17 of the Law on Zürcher Kantonalbank, the Executive Board is responsible for managing the bank's operations. The members of the Executive Board occupy an advisory role on the Board of Directors and the Committee of the Board. The Executive Board is responsible for business as well as human resources matters where they concern the management of the bank. With the exception of Audit, it is responsible for the appointment and dismissal of members of senior management. The duties of the Executive Board are governed by the law and regulations. Its organisational structure is set out in the regulations governing the Executive Board (group and parent company) of 23 June 2011. Sections 8 to 10 of the above-mentioned regulations govern its joint area of responsibility.

Under section 11 of the regulations, the Chief Executive Officer is responsible for managing the Executive Board, implementing the group mission statement and group strategy, the organisation and management guidelines, representing the Executive Board outside the bank, coordinating the business activities of the Executive Board, and ensuring that the duties assigned by the Board of Directors and the Committee of the Board are carried out.

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

Members of the Executive Board

All members of the Executive Board are Swiss nationals. For information on compensation, profit-sharing and loans, please refer to the Compensation Report. As at 31 December 2022, the Executive Board comprised the following members:

Members of the Executive Board as at 31.12.2022

Urs Baumann	Chief Executive Officer Member of the Executive Board	since 01.09.2022 since 01.06.2022
Dr Stephanino Isele	Deputy CEO Member of the Executive Board	since 01.05.2021 since 01.04.2014
Dr Jürg Bühlmann	Member of the Executive Board	since 01.07.2012
Roger Müller	Member of the Executive Board	since 01.01.2014
Daniel Previdoli	Member of the Executive Board	since 01.12.2007
Remo Schmidli	Member of the Executive Board	since 01.07.2019
Florence Schnydrig Moser	Member of the Executive Board	since 01.01.2021
Rudolf Sigg	Member of the Executive Board	since 27.11.2008

For further information about the individual members of the Executive Board, please see p. 114.

Public service mandate

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

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

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

Focus of the risk strategy and risk profile

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

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

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

Management contracts

No management contracts as defined in the annex to the SIX Swiss Exchange Directive on Corporate Governance have been concluded by the group or its subsidiaries with any third parties.

Communication policy

Zürcher Kantonalbank pursues a transparent communication policy towards its stakeholder groups. The most important communication tools are the comprehensive annual and sustainability report, the half-yearly report and press conferences. The 2022 annual results were announced on 10 February 2023, and the Annual Report is set to be approved by the Cantonal Parliament on 24 April 2023. The bank's half-yearly results are expected to be published at the end of August 2023.

Activity reports

Committee of the Board

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

In the year under review, the Committee of the Board focused intensively on the handover from the outgoing CEO to the new CEO, as well as the succession process for the role of Head of Audit from 1 July 2023 and for the role of Head of the Finance business unit (CFO) from 30 April 2023. In addition to the changes at the helm of Audit and on the Executive Board, the Committee of the Board addressed succession planning for all of the bank's key management personnel. It initiated and intensively supported the fundamental revision of the bank's organisational regulations and the regulations directly related to them for the bank's senior management, which are expected to enter into force on 1 July 2023. It was also involved in developing the new concept for monitoring international activities, which has been applicable since the beginning of 2023. It kept abreast of regulatory changes and the bank's response to them (e.g. the establishment of bail-in bonds) in the year under review and monitored the development of important bank projects. The Committee of the Board also met several times to discuss and prepare strategic topics for the attention of the Board of Directors. In addition, it initiated and prepared the strategy seminar of the Board of Directors and the Executive Board. It cooperated with the Board of Directors Committees in preparing the substantive resolutions and personnel decisions as well as the basic principles for the strategic adjustment requirement on behalf of the Board of Directors and ensured their swift implementation. In addition, it continuously dealt with current geopolitical and national events and measures, particularly regarding the impact that the war in Ukraine and a potential power shortage could have on the markets and the bank. Additionally, the Committee of the Board addressed the rise in inflation and key interest rate hikes. It also decided on sponsorship commitments and donations under the public service mandate.

The Committee of the Board also provided information to the Cantonal Parliament's Committee for Economic Affairs and Taxation with respect to the "Climate Protection" parliamentary initiative. In order to better promote the interests of Zürcher Kantonalbank among important decision-makers in politics and business, the Committee of the Board maintained regular contact with FINMA and strengthened its collaboration with the Public Affairs specialist unit. The Committee of the Board maintained a personal dialogue with the Cantonal Parliament of Zurich – particularly with the AWU and executive board – as well as the Government Council of Zurich, the executive authorities of towns and municipalities in the Canton of Zurich, and Zurich's representatives in the National Council and Council of States. The Committee of the Board represented Zürcher Kantonalbank in regular discussions between bank chairpersons in the context of the Association of Swiss Cantonal Banks, as well as at various representative cultural, political, environmental and business events. In accordance with a timetable, the members of the Committee of the Board visited market areas and specialist units.

Board of Directors

Ten ordinary meetings were held in the presence of the Executive Board and the Head of Audit, some of which were conducted via digital communication channels in view of the Covid-19 protective measures. Representatives of EY attended three meetings. In addition, a two-day Board of Directors seminar took place, and members of the Board of Directors visited ten branches and five specialist units in pairs during the year under review.

As it does every year, the Board of Directors sought guidance on the effects on the bank of national and geopolitical events and conditions on the financial markets. The focus in the year under review was on the impact of the Covid-19 pandemic, particularly on the lending business, and the effects of the SNB's negative interest rate policy on the mortgage business. The Board of Directors decided to pay a special Covid-related dividend of CHF 100 million because of the economic impact of the pandemic. Due to the bank's systemic importance, the Board of Directors also dealt in detail with contingency planning and the stabilisation plan.

An important event in the reporting year was the election of the new Chief Executive Officer (CEO) in October, effective 1 September 2022. The Board of Directors also elected a new Deputy CEO and three new branch managers. Furthermore, the Board of Directors approved a new concept for the oversight of foreign activities as well as the job profiles for János Blum's successor on the Committee of the Board and the Board of Directors following his retirement on 31 January 2022. Mark Roth was selected as his successor by the Cantonal Parliament, also on 31 January 2022. The Board of Directors also resolved to amend the articles of association of the bank's pension fund, to increase the capital of the Central Mortgage Bond Institution and to amend the guideline related to the Board of Directors concerning rules on the personal trading of securities, the handling of insider information, conflicts of interest, etc. It additionally approved the establishment of a subsidiary in the private equity sector with the purpose of contributing to decarbonisation and the amendments to the specific regulations on the bank's investment and derivatives business. It also obtained information about cloud computing and made fundamental decisions in this regard. It additionally took note of start-up and venture financing activities, capital markets transactions, innovation efforts, the 2021 employee satisfaction survey, the launch of SARON, the bank's diversity and inclusion efforts, the results of the PACTA Climate Impact Test, and the status of the FCC 3.0 programme roll-out. The Board of Directors also held a two-day seminar to discuss strategic issues, specifically on the topic of growth.

Audit Committee

The Audit Committee held a total of eleven meetings in 2022 with the Head of Audit in attendance. The CFO was always present when agenda items relating to financial planning, controlling and reporting were discussed. The lead auditors at the firm of external auditors regularly attended the meetings to discuss their reports, Audit's reports and other agenda items, such as FINMA's audit strategy. Various agenda items were discussed in the presence of the Committee of the Board. The CEO, the CRO and the Head of Legal & Compliance periodically participated in the meetings. The relevant management decision-makers were also involved in the discussions on a regular basis where needed. The Chairman of the Audit Committee regularly conferred with the partners at the external auditors responsible for the regulatory and financial audits, as well as with the Head of Audit and the CFO.

At each meeting, attention focused on financial reporting (monthly, quarterly, half-yearly and annual reports including disclosures) as well as the external and internal audit reports. A total of 64 internal and 20 external audit reports were discussed. This also involved the assessment of the appropriateness of measures taken by the entities audited and reporting on the current implementation status of the measures decided. At several meetings and at the annual workshop organised by Audit, key changes in the risk profile as well as the consequent setting of audit objectives for internal and external auditing were discussed. FINMA also presented its view to the Audit Committee as part of the supervisory risk analysis. It focused in particular on the risk-oriented overall coverage of the supervisory audit universe in a multi-year cycle by internal and external auditors.

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

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

– assessment of the performance and compensation of the external auditors

With regard to financial management, the Audit Committee also examined the bank's financial strategic parameters in the year under review. Furthermore, the bank's financial value added was assessed and compared with other banks on the basis of the CFO's annual benchmarking study. Other important topics for the Audit Committee in the year under review included the business performance, the annual and multi-year financial planning, and the update of the stabilisation and contingency plan. The Audit Committee then paid particular attention to the further development of reports on the effects of climate change on the bank and the impact of the bank's business activities (products and services) on the climate. It also obtained information about regulatory developments related to sustainability. Moreover, the Audit Committee was informed about current topics in the financial industry, such as fraud risks and the management of interest rate risk (asset and liability management). At an additional training event, it gained an in-depth insight into the implementation of the key aspects of investor protection and initial impressions following the introduction of the Financial Services Act.

Risk Committee

The Risk Committee held nine regular meetings in the year under review. It regularly consulted standard reports, stress scenarios and risk reports. The quarterly report by the Chief Risk Officer giving an account of credit, market, liquidity, operating, compliance and reputation risks was an important tool for the Committee in terms of performing its role. It also took note of changes relevant to risk, especially in connection with the mortgage business, international risks, a deterioration in the economic situation and other business areas. The Risk Committee kept itself informed of credit exposures and limits, and periodically sought information about lending and limit transactions that fall within the remit of the Board of Directors in particular. It provided preliminary advice on strategic credit and limit applications, the proposal concerning country categories and other matters within the remit of the Board of Directors from a risk perspective; it evaluated the appropriateness of our bank's risk management processes at a workshop, the completeness of the risk inventory and the risk profiles for both operational and compliance risk. It also submitted to the Board of Directors recommendations concerning the group-wide risk framework and the requirements in the bank's risk policy. The Risk Committee also examined the findings in the risk-relevant audit reports and noted the minutes of the Risk Committee of the Executive Board.

In the year under review, the Committee also addressed real estate market risks, credit risks resulting from the war in Ukraine, commodity trading risks and syndicated loan risks. It discussed and reviewed the current CaR framework for credit risk and was briefed on the implementation of the new country framework concept as well as on current regulatory developments (in particular Basel III). In addition, it received reports on the largest risk positions and individual value adjustments, assessment of climate risks, liquidity risk management, cluster risks, exposures to central counterparties, the 20 largest exposures and exception-to-policy transactions.

Compensation and Personnel Committee

The Compensation and Personnel Committee met for ten ordinary meetings and one extraordinary meeting in the year under review. Depending on the topic, the Chief Executive Officer (CEO), the Head of the Finance business unit (CFO), the Head of Institutionals & Multinationals and other representatives of the specialist units participated in the meetings.

As is standard, the Compensation and Personnel Committee attended to succession planning, the implementation of the human resources strategy and, in particular, matters related to compensation (including equal pay), promotions, disciplinary cases and dismissals, and staff training and development. For the Annual Report, it reviewed the Compensation Report and dealt with the compensation of the Executive Board, trading-related bonuses, the implementation of the group-wide salary and bonus system, the avoidance of false incentives and the parameters for the 2022–2024 long-term deferred compensation.

In the year under review, the Compensation and Personnel Committee completed the preparatory work in a multi-stage recruiting process for the attention of the Board of Directors in order to replace the Head of Audit on 1 July 2023. Together with the members of the Committee of the Board and the Chairman of the Audit Committee, it submitted the corresponding proposal to the Board of Directors for a new appointment. In the second half of the year, the Compensation and Personnel Committee also initiated the recruitment process for a successor to the current CFO, who will step down on 30 April 2023. The Board of Directors will appoint the new CFO at the beginning of 2023. In these succession processes for appointments to the Executive Board and the Head of Audit, the committee members (as well as the members of the Committee of the Board and the Chairman of the Audit Committee) participated in full or in part in assessments, interviews and individual discussions with the applicants. In joint meetings they made the decisions essential for recruitment, including submitting an appointment recommendation to the Board of Directors.

Furthermore, the Committee discussed topics such as the avoidance of false incentives in compensation systems, diversity and inclusion, the Support Programme 3, organisational agility and compensation, the development of long-term deferred compensation, the role of branch management in changing times, and the consideration of project collaboration in variable compensation. In the year under review, the Committee also considered three proposals for the appointment of new branch managers. Additionally, it carried out periodic reviews of the job profiles of the members of the Executive Board and the Head of Audit as a form of preliminary advice for the Board of Directors.

IT Committee

The IT Committee held five regular meetings and one training event in the year under review. The IT Committee examined strategic IT reports in detail on a quarterly basis. The Chairman of the IT Committee provided the Board of Directors with a report in each case. These reports included the key indicators for IT as well as the status of the most important IT programmes. The committee obtained guidance on the strategic focal points in the portfolio from the individuals directly responsible for them. These strategic focal points include the "Key" and "Cloud" programmes. The Committee gained an in-depth insight into the topic of "cloud assurance" at a separate training event. It also receives semi-annual updates on the status of the "Cloud" programme.

The IT Committee dealt with matters related to IT security and IT compliance on a regular basis. It was informed about the topics "IT security in the Group," "cybersecurity," "initiation of branch security measures," "compliance with recovery targets," as well as the "overall bank security awareness" concept and the security roadmap. In total, the IT Committee dealt with 26 audit reports relevant to IT and was regularly updated about the rectification status of the findings of the audit firm and FINMA.

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

Committee of the Board

Jörg Müller-Ganz

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

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

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

Roger Liebi

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

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

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

Mark Roth

Deputy Chairman
Swiss Certified Accountant
Swiss national; born in 1974

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

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

Board of Directors

Amr Abdelaziz

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

Key mandates:
None

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

Sandra Berberat Kecerski

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

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

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

Adrian Bruhin

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

Key mandates:
None

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

Bettina Furrer

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

Key mandates:
None

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

René Huber

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

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

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

Henrich Kisker

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

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

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

Peter Ruff

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

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

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

Walter Schoch

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

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

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

Anita Sigg

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

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

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

Stefan Wirth

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

Key mandates:
None

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

Audit

Walter Seif

Head of Audit
Swiss Certified Accountant;
graduate in business management
Swiss/UK national; born in 1962

Key mandates:
- Chairman of the Internal Audit Association of the Swiss Cantonal Banks
- Head of the Audit Committee at the electricity provider (Elektrizitätswerk) for the Canton of Schaffhausen

Walter Seif has held the position of Head of Audit since 1 January 2015. He joined Zürcher Kantonalbank in April 2014. He previously worked in various internal audit roles at a major bank over a period of 23 years.

Executive Board

Urs Baumann

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

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

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

Stephanino Isele

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

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

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

Jürg Bühlmann

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

Key mandates:
– Member of the Board of Directors of SIX Group
– Member of the Board of Directors of Venture Incubator AG

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

Roger Müller

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

Key mandates:
None

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

Daniel Previdoli

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

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

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

Remo Schmidli

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

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

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

Florence Schnydrig Moser

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

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

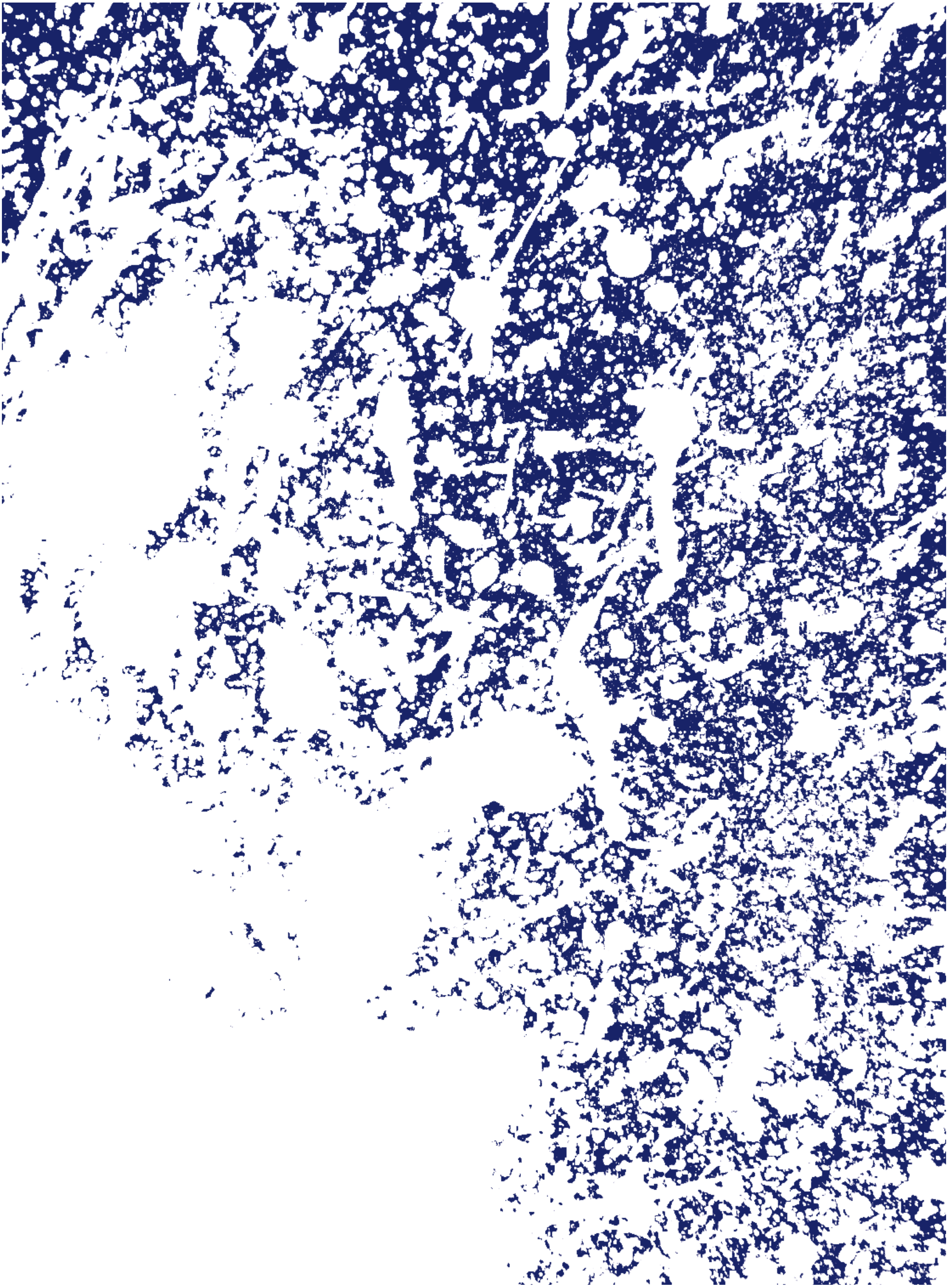
Florence Schnydrig Moser was appointed as a member of the Executive Board as of 1 January 2021, and has been Head of the Private Banking business unit since 1 May 2021. Previously she was CEO of Swisscard AECS GmbH in Horgen. Florence Schnydrig Moser worked for Credit Suisse from 2000 to 2018 in various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

Rudolf Sigg

Chief Financial Officer (CFO)
Swiss certified banking expert; Swiss Certified Accountant and Controller
Swiss national; born in 1961

Key mandates:
- Chairman of the Board of Directors of Swisscanto Holding Ltd., Zurich
- Member of the Board of Directors of the Central Mortgage Bond Institution of the Swiss Cantonal Banks, Zurich
- Member of the Management Committee and employer representative of the Pension Fund of Zürcher Kantonalbank, Zurich
- Chairman of the Board of Trustees of the Freizügigkeitsstiftung and Vorsorgestiftung Sparen 3 foundations of Zürcher Kantonalbank, Zurich
- Member of the Board of Trustees and employer representative of the Marienburg Foundation of Zürcher Kantonalbank
- Member of the Board of Directors of the Swiss Banks' and Securities Dealers' Deposit Guarantee Association, Basel

Rudolf Sigg has been a member of the Executive Board since 2008. He currently heads the Finance business unit after having been Head of Controlling & Accounting. For 12 years, he had overall responsibility for Controlling, which also included Central Risk Controlling, from 2000 to 2008. Rudolf Sigg joined Zürcher Kantonalbank in 1977.



Compensation Report

Our compensation model is in line with the market and based on performance. It is geared towards the long-term financial interests of Zürcher Kantonalbank.

Basic principles

As a public-law institution, Zürcher Kantonalbank aligns its compensation policy to Art. 663b^{bis} of the Swiss Code of Obligations, the SIX Swiss Exchange directives on corporate governance and the Swiss Code of Best Practice for Corporate Governance.

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

Competencies

Under the Law on Zürcher Kantonalbank, responsibility for the ultimate supervision of Zürcher Kantonalbank lies with the Cantonal Parliament of Zurich, which is also responsible for approving the regulations governing the compensation of members of the Board of Directors. The Board of Directors issues regulations governing the compensation of the members of the Board of Directors, subject to approval by the Cantonal Parliament.

Competencies and responsibilities

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

The Board of Directors also issues the Personnel and Compensation Regulations for Zürcher Kantonalbank in accordance with the requirements set out in FINMA Circular 2010/1 "Remuneration Schemes". The Compensation and Personnel Committee assists the Board of Directors in matters concerning the compensation policy. It prepares the corresponding transactions for the Board of Directors, gives its view on compensation issues that fall within the remit of the Committee of the Board and Board of Directors, and reviews the market conformity of compensation for the bank as a whole. The Compensation and Personnel Committee has the following duties and powers for determining compensation policy:

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

Sign-on and severance payments agreed in 2022

in CHF 1,000	No. of employees	Total	Paid in 2022	Amounts due in 2023 or later
Total sign-on payments	4	651	–	651
– of which to Key Risk Takers	2	440	–	440
Total severance payments	–	–	–	–
of which to Key Risk Takers	–	–	–	–
Total compensation	**4**	**651**	**–**	**651**

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

Compensation policy

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

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

Benchmarks

Zürcher Kantonalbank attaches great importance to offering compensation that is competitive within the industry in terms of structure and level. To this end, it conducts annual market comparisons in collaboration with Willis Towers Watson, SwissICT, Kienbaum and other specialist consultancy firms, comparing itself with other Swiss financial institutions. For senior managers, additional compensation parameters are taken into account, such as the size of the organisation, number of employees, hierarchy, depth of the organisation, geographical reach and internationality. Additional parameters may be used if necessary.

Sign-on and severance payments

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

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

The sign-on and severance payments agreed in the year under review are shown in the table on page 120.

Compensation groups

Board of Directors

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

Committee of the Board

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

Audit

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

Executive Board

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

Senior management

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

Other management and employees

In principle, all the bank's employees are entitled to a variable element of compensation for good performance. Selected employees in the Trading, Sales & Capital Markets organisational unit (OU) are subject to a different compensation model, under which part of their variable compensation is deferred and exposed to future risk development.

Key Risk Takers

In accordance with FINMA guidance, one of the compensation groups is defined as Key Risk Takers, which is subject to the rules for deferred variable compensation. Key Risk Takers are:

- the Executive Board
- members of senior management with a substantial influence on the resources of the business and/or risk profile
- selected employees in the Trading, Sales & Capital Markets OU who exceed a defined threshold in relation to variable compensation

A total of 100 employees are currently defined as Key Risk Takers, of whom nine were members of the Executive Board in the year under review.

Components of compensation

In terms of its compensation policy, Zürcher Kantonalbank applies the total compensation approach, which comprises the following compensation components in accordance with the table on page 122. The base salary, variable compensation and deferred compensation are explained in greater detail below.

Base salary

Zürcher Kantonalbank tends to align its base salaries with median values for the industry. The findings of salary comparisons serve, among other things, to determine individual salaries. Base-salary levels are usually reviewed annually. The amount of the base salary is determined by the employee's position, experience and skills, and takes account of their individual sustainable performance. Adjustments are made to reflect market conditions, affordability, individual performance and the overall financial position of Zürcher Kantonalbank.

Variable compensation

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

Long-term deferred compensation

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

Components of compensation

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

Deferred compensation exposed to risk

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

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

Consideration of risks

Risk-adjusted variable compensation pool

Two different methods are used for the risk adjustment of the variable compensation pools. The variable compensation pool of the parent bank is based on the consolidated result after adjusting for risk costs. Risk costs take into account standard risk costs as well as the cost of risk capital or cost of equity.

The model for standard risk costs is based on the default rates for an entire economic cycle. This evens out the

Overview of variable compensation

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

1 Taking capital and risk costs into account

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

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

Determining the compensation for control functions

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

Determining the compensation of Key Risk Takers

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

As stated in the section "Competencies" (p. 119), the Board of Directors determines the compensation of the members of the Executive Board at the request of the Committee of the Board. The Executive Board determines the compensation of Key Risk Takers in senior management at the request of the relevant member of the Executive Board. The Head of Institutionals & Multinationals determines the compensation of Key Risk Takers in Trading, Sales & Capital Markets at the request of the head of the relevant organisational unit.

Risk overview

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

Personnel expenses in 2022 (parent company)

in CHF million	2022	2021
Base salary[1]	**547.3**	551.2
Total amount of variable compensation	**349.0**	295.3
Social security contributions	**188.2**	178.9
Other personnel expenses[2]	**30.8**	29.5
Total personnel expenses	**1,115.3**	1,054.9

1 Fixed compensation for permanent employees, temporary staff and governing bodies as well as compensation for loss of income and payroll-related costs
2 In particular, costs for training, staff support, recruitment and premiums

Risk adjustment in relation to deferred compensation

Deferred components of compensation are subject to further risk adjustment. They may lapse in full or in part if negative business developments or other predefined conditions occur (see “Long-term deferred compensation” (p. 122), “Deferred compensation exposed to risk” (p. 122) and “Penalty clause” (p. 124) for further details on possible reductions).

Penalty clause

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

Compensation in 2022

Personnel expenses for all 5,037 (2021: 4,983) employees (full-time equivalents) amounted to CHF 1,115 million (parent company). Social security expenses also include payments to the bank’s pension fund. All variable components of compensation are charged to the financial year in which they are actually incurred.

In its annual review of base salaries for employees subject to the bank’s Agreement on Conditions of Employment, Zürcher Kantonalbank decided to raise the total sum of the base salaries for 2022 by CHF 2.85 million (+0.8 percent) compared with the previous year, mainly for the purpose of bringing its employees closer in line with standard market rates as well as to better reward employees who assumed more responsibility or put in an outstanding performance. Total variable compensation

Details of variable compensation (parent company)

	2022		2021	
	No. of employees[1]	in CHF million	No. of employees[1]	in CHF million
Total amount of variable compensation	**5,037**	**349.0**	4,938[2]	295.3
– of which deferred compensation	**100**	**19.7**	85	12.5
– of which sign-on and severance payments	**4**	**0.7**	1	0.8

1 Full-time equivalents
2 Correction from Annual Report 2021

rose by CHF 53.7 million. The total amount of deferred compensation was CHF 19.7 million.

Compensation for members of the Board of Directors

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

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

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

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

Compensation for members of the Executive Board

The total compensation of the individual members of the Executive Board takes account of their performance in their areas of responsibility. Total compensation for the nine members of the Executive Board in 2022 amounted to CHF 17,737,319 (2021: CHF 14,998,362). The highest sum paid to a member of the Executive Board during the year under review was CHF 1,685,165 in salary and variable compensation plus CHF 957,361 in pension payments and other compensation, and was paid to Martin Scholl (2021: CHF 2,488,889).

In addition, deferred compensation amounting to CHF 3,015,536 (2021: CHF 2,642,500) was set aside for the members of the Executive Board, of which CHF 337,500 was allocated to the highest paid member (2021: CHF 462,500); provided specific conditions are met, these will be paid out in three years' time.

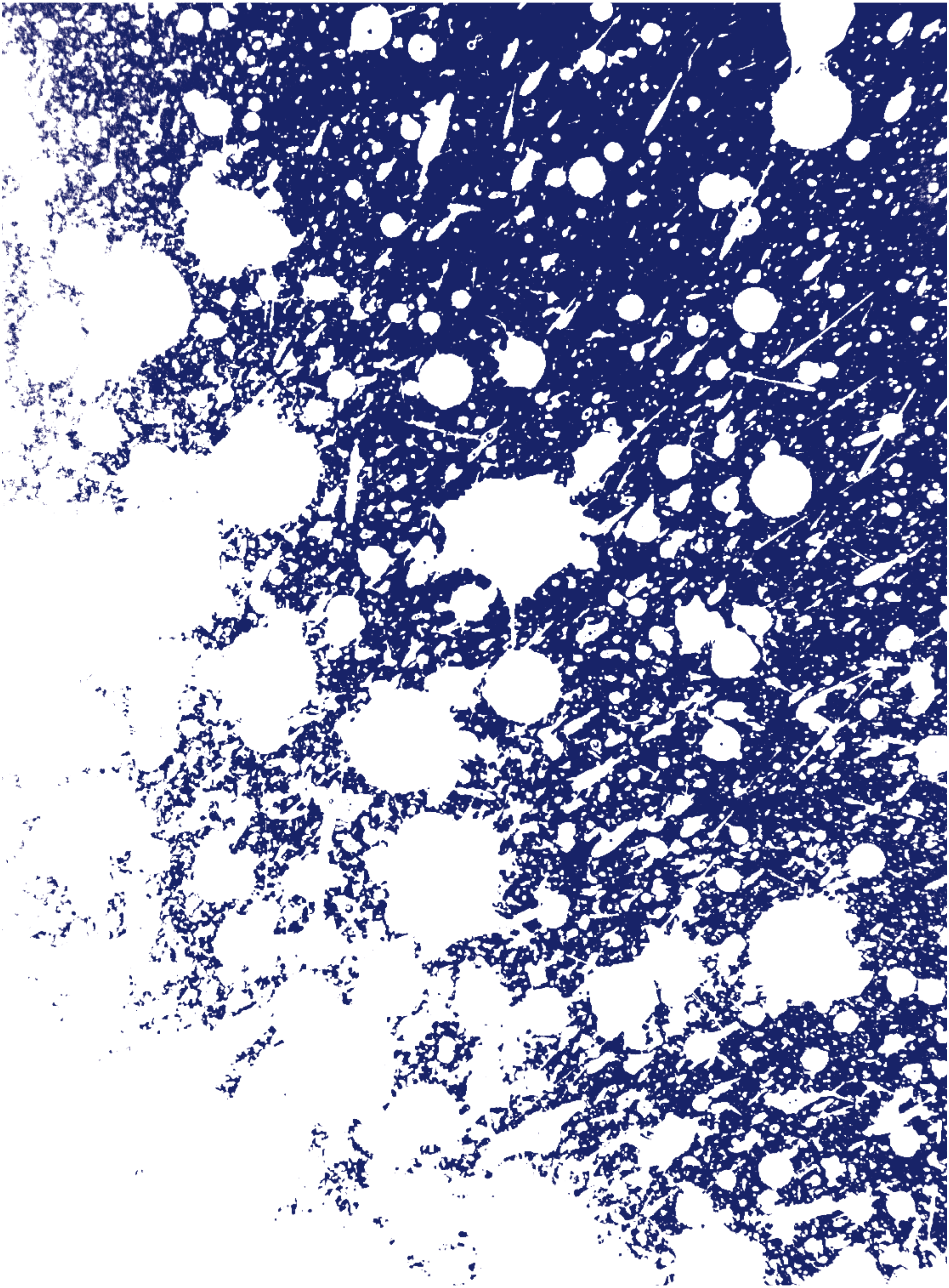
The members of the Executive Board and related parties received no other fees or payments for additional services rendered to the Zürcher Kantonalbank group or any of its subsidiaries during the year under review.

Total loans and mortgage lending to the Executive Board members amounted to CHF 6,569,000 (of which CHF 6,569,000 on employee terms). No loans on unusual terms were granted to related parties of the Executive Board.

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

	Year	Annual compensation	Attendance fee	Expense allowance[1]	Benefits in kind[2]	Employer contributions to pillar 2	Total	Loans as at 31.12 in CHF
Committee of the Board								
Jörg Müller-Ganz	**2022**	**342,650**	**–**	**14,040**	**2,400**	**88,569**	**447,659**	**1,300,000**
	2021	342,650	–	14,040	3,400	90,863	450,954	1,300,000
János Blum	**2022** (until 31.1.2022)	**25,958**	**–**	**1,170**	**–**	**6,849**	**33,977**	**–**
	2021	311,500	–	14,040	13,879	84,477	423,896	1,000,000
Roger Liebi	**2022**	**311,500**	**–**	**14,040**	**–**	**78,591**	**404,131**	**–**
	2021	311,500	–	14,040	–	80,885	406,426	–
Mark Roth	**2022** (since 1.2.2022)	**285,542**	**–**	**12,870**	**–**	**74,205**	**372,617**	**–**
Other members of the Board of Directors								
Amr Abdelaziz	**2022**	**30,000**	**21,000**	**6,000**	**–**	**5,178**	**62,178**	**–**
	2021	30,000	23,800	6,000	–	3,410	63,210	–
Sandra Berberat Kecerski[3]	**2022** (since 1.3.2022)	**25,090**	**20,650**	**5,018**	**–**	**4,315**	**55,073**	**–**
Adrian Bruhin	**2022**	**24,500**	**24,850**	**6,000**	**–**	**2,640**	**57,990**	**–**
	2021	30,000	27,300	6,000	–	3,410	66,710	–
Bettina Furrer[4]	**2022**	**30,000**	**20,650**	**6,000**	**–**	**5,178**	**61,828**	**388,000**
	2021	30,000	20,650	6,000	–	5,040	61,690	388,000
René Huber	**2022**	**30,000**	**23,800**	**6,000**	**–**	**1,925**	**61,725**	**4,446,000**
	2021	30,000	23,450	6,000	–	3,800	63,250	4,463,000
Henrich Kisker	**2022**	**24,000**	**27,300**	**6,000**	**–**	**1,440**	**58,740**	**–**
	2021	24,000	21,000	6,000	–	1,440	52,440	–
Mark Roth	**2022** (until 31.1.2022)	**2,000**	**4,900**	**500**	**–**	**–**	**7,400**	**–**
	2021	24,000	31,150	6,000	–	–	61,150	–
Peter Ruff	**2022**	**24,000**	**22,400**	**6,000**	**–**	**1,440**	**53,840**	**–**
	2021	24,000	23,100	6,000	–	1,440	54,540	–
Walter Schoch	**2022**	**24,000**	**27,650**	**6,000**	**–**	**1,440**	**59,090**	**–**
	2021	24,000	29,050	6,000	–	1,440	60,490	–
Anita Sigg	**2022**	**30,000**	**23,800**	**6,000**	**–**	**4,921**	**64,721**	**3,654,944**
	2021	30,000	21,700	6,000	–	–	57,700	1,673,444
Stefan Wirth	**2022**	**30,000**	**20,650**	**6,000**	**–**	**4,921**	**61,571**	**–**
	2021	30,000	22,050	6,000	–	4,800	62,850	–
Total	**2022**	**1,239,240**	**237,650**	**101,638**	**2,400**	**281,612**	**1,862,540**	**9,788,944**
	2021	1,241,651	243,250	102,120	17,279	281,005	1,885,305	8,824,444

1 For the members of the Committee of the Board, CHF 40 is attributable to rounding differences due to monthly payments.
2 Benefits in kind: child, education and family allowances (Agreement on Conditions of Employment for Bank Staff), loyalty bonuses, medical check-ups, contribution to ZVV/SBB season tickets.
3 Loans: Sandra Berberat Kecerski: CHF 800,000, not Zürcher Kantonalbank.
4 Loans: Heirs of Dr Dieter Furrer: CHF 388,000; Bettina Furrer alone: CHF 0.



Financial Report

Group
Parent company

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

The following rules apply to the tables:
0 (0 or 0.0) Figure that is smaller than half the unit of account used
– Figure not available or not meaningful

Consolidated income statement

in CHF million	Notes	2022	2021	Change	Change in %
Result from interest operations					
Interest and discount income		1,873	1,190	682	57.3
Interest and dividend income from financial investments		28	27	1	3.2
Interest expense		–479	70	–549	–783.3
Gross result from interest operations	33	**1,421**	**1,287**	**134**	**10.4**
Changes in value adjustments for default risk and losses from interest operations		–18	–39	21	–53.6
Subtotal net result from interest operations		**1,403**	**1,248**	**155**	**12.4**
Result from commission business and services					
Commission income from securities trading and investment activities		1,018	1,025	–7	–0.7
Commission income from lending activities		72	69	3	4.6
Commission income from other services		151	131	20	15.1
Commission expense		–315	–299	–16	5.2
Subtotal result from commission business and services		**926**	**926**	**0**	**0.0**
Result from trading activities					
Result from trading activities and the fair value option	32	**409**	**347**	**62**	**17.9**
Other result from ordinary activities					
Result from the disposal of financial investments		6	4	3	76.4
Income from participations		11	12	–1	–6.1
– of which, participations valued using the equity method		2	2	–0	–23.1
– of which, from other non-consolidated participations		9	10	–0	–2.5
Result from real estate		5	5	–1	–9.5
Other ordinary income		9	14	–5	–34.0
Other ordinary expenses		–17	–11	–6	49.2
Subtotal other result from ordinary activities		**15**	**24**	**–9**	**–37.2**
Operating income		**2,752**	**2,544**	**208**	**8.2**
Operating expenses					
Personnel expenses	34	–1,153	–1,092	–60	5.5
General and administrative expenses	35	–442	–425	–17	4.0
Subtotal operating expenses		**–1,594**	**–1,517**	**–77**	**5.1**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets		–101	–104	3	–3.0
Changes to provisions and other value adjustments and losses		2	28	–26	–93.4
Operating result		**1,059**	**951**	**108**	**11.3**
Extraordinary income	36	8	2	6	355.7
Extraordinary expenses	36	–0	–2	2	–99.2
Changes in reserves for general banking risks	36	–	–	–	–
Taxes	39	–8	–9	1	–6.8
Consolidated profit		**1,059**	**942**	**116**	**12.3**

Consolidated balance sheet
as at 31 December

in CHF million	Notes	2022	2021	Change	Change in %
Assets					
Liquid assets		40,302	40,883	−581	−1.4
Amounts due from banks		2,937	3,173	−236	−7.4
Amounts due from securities financing transactions	1	27,804	26,289	1,515	5.8
Amounts due from clients	2	10,567	9,891	676	6.8
Mortgage loans	2	96,838	91,847	4,991	5.4
Trading portfolio assets	3	11,071	12,442	−1,371	−11.0
Positive replacement values of derivative financial instruments	4	1,190	1,272	−82	−6.5
Other financial instruments at fair value	3	–	–	–	–
Financial investments	5	7,490	4,759	2,731	57.4
Accrued income and prepaid expenses		457	280	177	63.4
Non-consolidated participations	6,7	155	155	−1	−0.3
Tangible fixed assets	8	565	597	−32	−5.4
Intangible assets	9	14	50	−36	−72.7
Other assets	10	400	467	−67	−14.3
Total assets		**199,791**	**192,105**	**7,685**	**4.0**
Total subordinated claims		132	284	−152	−53.6
– of which, subject to conversion and/or debt waiver		17	48	−31	−64.7
Liabilities					
Amounts due to banks		39,051	34,897	4,154	11.9
Liabilities from securities financing transactions	1	10,636	4,403	6,233	141.6
Amounts due in respect of customer deposits		103,351	96,777	6,574	6.8
Trading portfolio liabilities	3	3,636	1,943	1,693	87.1
Negative replacement values of derivative financial instruments	4	2,066	1,116	950	85.1
Liabilities from other financial instruments at fair value	3,14	3,953	4,387	−435	−9.9
Cash bonds	15	196	135	60	44.6
Certificate of deposits	15	104	13,148	−13,044	−99.2
Bond issues	15	9,400	9,630	−230	−2.4
Central mortgage institution loans	15	11,924	11,307	617	5.5
Accrued expenses and deferred income		1,063	787	275	35.0
Other liabilities	10	897	661	236	35.7
Provisions	16	214	237	−23	−9.9
Reserves for general banking risks	16	154	154	–	–
Bank's capital	21	2,425	2,425	–	–
Retained earnings reserve	21	9,674	9,163	512	5.6
Foreign currency translation reserve	21	−13	−9	−4	38.6
Consolidated profit	21	1,059	942	116	12.3
Shareholders' equity	**21**	**13,299**	**12,674**	**625**	**4.9**
Total liabilities		**199,791**	**192,105**	**7,685**	**4.0**
Total subordinated liabilities		1,569	1,585	−16	−1.0
– of which, subject to conversion and/or debt waiver		1,569	1,585	−16	−1.0
Off-balance-sheet transactions					
Contingent liabilities	2,28	4,119	4,374	−254	−5.8
Irrevocable commitments	2	12,929	10,192	2,737	26.9
Obligations to pay up shares and make further contributions	2	367	332	36	10.8
Credit commitments	2,29	–	–	–	–

Consolidated cash flow statement

in CHF million	Cash inflow 2022	Cash outflow 2022	Cash inflow 2021	Cash outflow 2021
Cash flow from operating activities (internal financing):				
Result of the period	1,059	–	942	–
Change in reserves for general banking risks	–	–	–	–
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	101	–	104	–
Provisions and other value adjustments	144	168	141	179
Changes in value adjustments for default risks and losses	280	268	291	260
Accrued income and prepaid expenses	–	177	23	–
Accrued expenses and deferred income	275	–	–	11
Other items	0	2	–	2
Previous year's dividend	–	431	–	456
Balance	815	–	**593**	**–**
Cash flow from equity transactions:				
Share capital/participation capital/cantonal banks' endowment capital etc.	–	–	–	–
Recognised in reserves	0	4	0	2
Balance	–	4	**–**	**2**
Cash flow from transactions in respect of non-consolidated participations, tangible fixed assets and intangible assets:				
Non-consolidated participations	–	7	2	28
Real estate	4	12	1	21
Other tangible fixed assets	0	15	0	8
Intangible assets	0	0	0	0
Mortgages on own real estate	–	–	–	–
Balance	–	30	**–**	**54**

Consolidated cash flow statement
(continued)

in CHF million	Cash inflow 2022	Cash outflow 2022	Cash inflow 2021	Cash outflow 2021
Cash flow from banking operations:				
Medium and long-term business (> 1 year):				
Amounts due to banks	–	32	23	–
Amounts due in respect of customer deposits	–	209	65	–
Liabilities from other financial instruments at fair value	–	569	753	–
Cash bonds	98	39	10	33
Bond issues	1,684	1,821	1,458	1,100
Central mortgage institution loans	1,233	616	1,358	794
Loans from central issuing institutions	–	–	–	–
Other obligations (other liabilities)	236	–	113	–
Amounts due from banks	–	32	30	–
Amounts due from customers	501	–	105	–
Mortgage loans	–	4,978	–	4,545
Other financial instruments at fair value	–	–	–	–
Financial investments	89	–	92	–
Other accounts receivable (other assets)	67	–	–	14
Short-term business:				
Amounts due to banks	4,187	–	141	–
Liabilities from securities financing transactions	6,233	–	–	420
Amounts due in respect of customer deposits	6,784	–	4,130	–
Trading portfolio liabilities	1,693	–	624	–
Negative replacement values of derivative financial instruments	950	–	174	–
Liabilities from other financial instruments at fair value	134	–	175	–
Certificate of deposits	11,875	24,519	24,371	27,297
Amounts due from banks	252	–	28	–
Amounts due from securities financing transactions	–	1,515	–	9,346
Amounts due from customers	–	1,186	–	852
Trading portfolio assets	879	–	–	1,561
Positive replacement values of derivative financial instruments	82	–	322	–
Other financial instruments at fair value	–	–	–	–
Financial investments	–	2,820	184	–
Liquidity:				
Liquid assets	581	–	11,271	–
Balance	**–**	**781**	**–**	**538**

Consolidated statement of changes in equity

in CHF million	Bank's capital	Retained earnings reserve	Reserves for general banking risks	Consolidated profit	Foreign currency translation reserve	Total equity
2021						
Opening amount	2,425	10,079	154	–	–8	12,650
Effect of any restatement	–	–	–	–	–	–
Capital increase	–	–	–	–	–	–
Capital decrease	–	–	–	–	–	–
Increase in scope of capital consolidation	–	–	–	–	–	–
Decrease in scope of capital consolidation	–	–	–	–	–	–
Other contributions/other capital paid in	–	–	–	–	–	–
Reclassifications	–	–	–	–	–	–
Currency translation differences	–	–	–	–	–2	–2
Dividends and other distributions	–	–456	–	–	–	–456
Valuation adjustments not affecting net income	–	0	–	–	–	0
Other allocations to (transfers from) the reserves for general banking risks	–	–	–	–	–	–
Other allocations to (transfers from) the other reserves	–	–460 [1]	–	–	–	–460
Consolidated profit	–	–	–	942	–	942
Total equity as at 31.12.2021	**2,425**	**9,163**	**154**	**942**	**–9**	**12,674**
2022						
Opening amount	**2,425**	**10,105**	**154**	**–**	**–9**	**12,674**
Effect of any restatement	–	–	–	–	–	–
Capital increase	–	–	–	–	–	–
Capital decrease	–	–	–	–	–	–
Increase in scope of capital consolidation	–	–	–	–	–	–
Decrease in scope of capital consolidation	–	–	–	–	–	–
Other contributions/other capital paid in	–	–	–	–	–	–
Reclassifications	–	–	–	–	–	–
Currency translation differences	–	–	–	–	**–4**	**–4**
Dividends and other distributions	–	**–431**	–	–	–	**–431**
Valuation adjustments not affecting net income	–	**0**	–	–	–	**0**
Other allocations to (transfers from) the reserves for general banking risks	–	–	–	–	–	–
Other allocations to (transfers from) the other reserves	–	–	–	–	–	–
Consolidated profit	–	–	–	**1,059**	–	**1,059**
Total equity as at 31.12.2022	**2,425**	**9,674**	**154**	**1,059**	**–13**	**13,299**

1 Initial recognition of valuation allowances/provisions for expected losses

Notes to the consolidated financial statements

a) Portrait

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

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

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

Broad diversification

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

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

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

b) Accounting and valuation principles

Changes in accounting and valuation principles

Money market securities

Since 30 June 2022, money market securities are reported for the first time as a single balance sheet item under liabilities. In the past, money market securities were summarised under bond issues. The adjustment requires a restatement of the balance sheet as at 31 December 2021. The financial impact is shown in the following table:

Item	Before restatement	Change	After restatement
Balance sheet as at 31.12.2021 in CHF million			
Bond issues	22,778	–13,148	9,630
Money market securities	–	+13,148	13,148

In the section "Offsetting assets and liabilities", a distinction is now made between transactions that must be offset and transactions for which an offsetting right exists. In addition, the section has been supplemented by the offsetting of expenses and income.

There are no other changes that have a material impact on the financial statements.

General principles

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

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

Scope of consolidation

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

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

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

Method of consolidation

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

Period of consolidation

The period of consolidation corresponds to the calendar year.

Recognition of transactions

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

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

Foreign exchange translation

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

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

	2022		2021	
	Rates on the balance sheet date	Average annual rates	Rates on the balance sheet date	Average annual rates
EUR	**0.9874**	**1.0020**	1.0362	1.0793
GBP	**1.1129**	**1.1728**	1.2341	1.2578
USD	**0.9252**	**0.9539**	0.9112	0.9148

Offsetting of assets and liabilities as well as expenses and income

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

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

Assets and liabilities are also offset in the following cases:

- Holdings of own bonds, money market securities and cash bonds are offset against the corresponding liability items.
- Value adjustments with the corresponding asset item.
- Sub-participations given as lead bank in a loan with the principle.

There is generally no offsetting of expenses and income. Expenses and income may be offset in the following cases:

- Newly recognised value adjustments for default risk and losses from interest operations as well as newly recognised provisions and other value adjustments and losses with the corresponding recoveries and released value adjustments and provisions.
- Gains on trading in securities and transactions valued using the fair value option with losses from these transactions.
- Positive value adjustments of financial investments valued at the lower of cost or market with the corresponding negative value adjustments.
- Expenses and income from real estate are reported under the item Result from real estate.
- Results from hedging transactions with the corresponding result from the hedged transaction.

Liquid assets

Liquid assets include cash holdings in Swiss francs and foreign bank notes, as well as sight deposits with the Swiss National Bank. These items are recognised at nominal value.

Amounts due from and to banks

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

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

Claims and liabilities from securities financing transactions

The amounts due from securities financing transactions include reverse repo transactions, which are treated as advances against collateral in the form of securities.

This underscores the financing nature of the transactions. The securities are transferred in the same way as if they had been pledged as collateral for a loan. Reimbursement claims in the context of securities borrowing which arise from cash collateral for the borrowed, non-monetary values are also included.

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

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

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

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

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

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

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

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

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

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

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

Value adjustments and provisions for expected losses

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

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

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

IRB residual maturities with a one-year floor and five-year cap are used for this purpose. The regulatory IRB parameters from the capital adequacy calculation are also used to calculate the LGD. The EAD from the IRB approach is adopted for off-balance-sheet items too. An EAD excluding accrued interest is used for balance sheet items. EAD and LGD are constant in the (residual) term calculation. The EL is determined on the non-impaired loans/receivables of the following balance sheet and off-balance-sheet items:
– Amounts due from banks
– Amounts due from customers
– Mortgage loans
– Debt securities held to maturity in financial investments
– Contingent liabilities
– Irrevocable commitments

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

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

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

Trading portfolio assets and liabilities

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

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

Positive and negative replacement values of derivative financial instruments

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

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

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

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

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

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

Financial investments

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

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

Non-consolidated participations

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

Tangible fixed assets

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

Larger investments are capitalised and depreciated/amortised in full over their estimated useful life according to business criteria, or, in the case of acquired IT programmes, generally over 12 months.

Estimated useful life for depreciation purposes (in years):

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

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

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

Intangible assets

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

Licences. These include purchased software licences. Smaller acquisitions are charged in full to General and administrative expenses in the year of acquisition. Larger investments are capitalised and normally fully amortised over 12 months.

Other intangible assets. This item includes acquired non-monetary assets with no physical existence which will provide the bank with measurable benefits over several years. Amortisation is over the estimated useful life on a straight-line basis. The amortisation period is generally five years from the date of acceptance, with a maximum of ten years in justified instances.

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

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

Provisions

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

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

Reserves for general banking risks

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

Retained earnings reserve

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

Pension schemes

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

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

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

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

Taxes

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

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

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

c) Explanations on risk management

For explanations on risk management in general and the treatment of the interest rate risk, other market risks and credit risks specifically, please refer to the statements in section l) Risk report (p. 222 ff).

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

The methods used to identify default risks and determine the need for value adjustments are set out in the section "Value adjustments for default risks in respect of impaired loans/receivables" and "Value adjustments and provisions for expected losses" in the accounting and valuation principles. Further information can also be found in section l) Risk report, under the sub-section "Credit risks" (p. 235 ff).

e) Explanation of the valuation of collateral

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

Mortgage claims

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

The key valuation factors for a property assessment are:

- Land (macro and micro position, area)
- Building (construction standard, condition, room concept, sustainability)
- Type of use (private, commercial, non-profit)
- Legal regulations
- Situation under property law and contractual agreements (rights, encumbrances)
- Result from rented properties

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

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

Other collateral

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

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

Use of derivative financial instruments

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

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

Explanations regarding the application of hedge accounting

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

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

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

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

No significant events affecting the assets, liabilities, financial position and the results of operations of the group occurred between the balance sheet date and the date on which the consolidated financial statements were prepared.

i) Information on the balance sheet

1 Breakdown of securities financing transactions

in CHF million	2022	2021
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions	27,804	26,289
Book value of obligations from cash collateral received in connection with securities lending and repurchase transactions	10,636	4,403
Book value of securities lent in connection with securities lending or delivered as collateral in connection with securities borrowing as well as securities in own portfolio transferred in connection with repurchase agreements	3,410	4,345
– of which, with unrestricted right to resell or pledge	3,410	4,345
Fair value of securities received and serving as collateral in connection with securities lending or securities borrowed in connection with securities borrowing as well as securities received in connection with reverse repurchase agreements with an unrestricted right to resell or repledge	66,103	52,550
– of which, repledged securities	963	1,564
– of which, resold securities	45,734	25,980

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

Overview by collateral

	Type of collateral			
in CHF million	Mortgage collateral	Other collateral	Unsecured	Total
Loans (before netting with value adjustments)				
Amounts due from customers	30	2,117	8,623	10,769
Mortgage loans				
– Residential property	80,313	7	10	80,330
– Office and business premises	11,359	–	11	11,370
– Commercial and industrial premises	2,338	1	19	2,358
– Other	3,187	–	3	3,190
Total mortgage loans	97,197	8	43	97,248
Total loans (before netting with value adjustments) 2022	**97,227**	**2,125**	**8,666**	**108,018**
Total loans (before netting with value adjustments) 2021	**92,234**	**2,190**	**7,930**	**102,354**
Total loans (after netting with value adjustments) 2022	**96,859**	**2,120**	**8,428**	**107,406**
Total loans (after netting with value adjustments) 2021	**91,858**	**2,184**	**7,697**	**101,738**
Off-balance-sheet				
Contingent liabilities	35	334	3,751	4,119
Irrevocable commitments	2,908	343	9,679	12,929
Obligations to pay up shares and make further contributions	–	–	367	367
Credit commitments	–	–	–	–
Total off-balance-sheet transactions 2022	**2,943**	**677**	**13,797**	**17,416**
Total off-balance-sheet transactions 2021	**2,254**	**635**	**12,008**	**14,898**

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

Information on impaired loans

Impaired loans	in CHF million	Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Individual value adjustments[1]
2022		**425**	**202**	**224**	**209**
2021		418	211	207	190

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

3 Trading portfolios and other financial instruments at fair value

Assets	in CHF million	2022	2021
Debt securities, money market securities/transactions		**6,776**	5,215
– of which, listed[1]		**5,678**	4,962
Equity securities		**2,212**	3,855
Precious metals and commodities		**2,083**	3,372
Other trading portfolio assets		**0**	1
Total trading transactions		**11,071**	**12,442**
Debt securities		**–**	–
Structured products		**–**	–
Other		**–**	–
Total other financial instruments at fair value		**–**	**–**
Total assets		**11,071**	**12,442**
– of which, determined using a valuation model		**1,098**	254
– of which, securities eligible for repo transactions in accordance with liquidity requirements		**2,636**	1,558

Liabilities	in CHF million	2022	2021
Debt securities, money market securities/transactions		**3,607**	1,938
– of which, listed[1]		**3,550**	1,910
Equity securities		**22**	2
Precious metals and commodities		**4**	–
Other trading portfolio liabilities		**3**	3
Total trading portfolio liabilities		**3,636**	**1,943**
Debt securities		**–**	–
Structured products		**3,953**	4,387
Other		**–**	–
Total liabilities from other financial instruments at fair value		**3,953**	**4,387**
Total liabilities		**7,589**	**6,331**
– of which, determined using a valuation model		**4,011**	4,416

1 Listed = traded on a recognised exchange.

4 Derivative financial instruments (assets and liabilities)

in CHF million	Trading instruments: Positive replace-ment values	Trading instruments: Negative replace-ment values	Trading instruments: Contract volume[1]	Hedging instruments: Positive replace-ment values	Hedging instruments: Negative replace-ment values	Hedging instruments: Contract volume[1]
Interest rate instruments						
Forward contracts including FRAs	–	–	–	–	–	–
Swaps	23,861	23,540	680,411	1,040	266	19,078
Futures	–	–	21,645	–	–	–
Options (OTC)	215	136	8,569	–	–	–
Options (exchange-traded)	–	–	–	–	–	–
Total	**24,076**	**23,676**	**710,624**	**1,040**	**266**	**19,078**
Foreign exchange/precious metals						
Forward contracts	4,253	4,483	412,701	–	–	–
Combined interest rate/currency swaps	354	375	2,246	–	190	1,466
Futures	–	–	353	–	–	–
Options (OTC)	51	62	8,007	–	–	–
Options (exchange-traded)	–	–	–	–	–	–
Total	**4,658**	**4,920**	**423,307**	**–**	**190**	**1,466**
Equity securities/indices						
Forward contracts	–	–	–	–	–	–
Swaps	8	40	419	–	–	–
Futures	–	–	2,283	–	–	–
Options (OTC)	26	98	4,850	–	–	–
Options (exchange-traded)	133	165	7,212	–	–	–
Total	**166**	**302**	**14,764**	**–**	**–**	**–**
Credit derivatives						
Credit default swaps	0	1	138	–	–	–
Total return swaps	0	0	10	–	–	–
First-to-default swaps	–	–	–	–	–	–
Other credit derivatives	–	–	–	–	–	–
Total	**1**	**1**	**148**	**–**	**–**	**–**
Other[3]						
Forward contracts	–	–	–	–	–	–
Swaps	–	0	5	–	–	–
Futures	–	–	446	–	–	–
Options (OTC)	–	–	–	–	–	–
Options (exchange-traded)	0	0	3	–	–	–
Total	**0**	**0**	**454**	–	**–**	**–**
Total before netting agreements						
2022	**28,900**	**28,900**	**1,149,297**	**1,040**	**455**	**20,544**
– of which, determined using a valuation model	**28,900**	**28,900**	**–**	**1,040**	**455**	**–**
2021	9,787	9,994	1,518,115 [2]	367	175	16,949
– of which, determined using a valuation model	9,787	9,994	–	367	175	–

1 The contract volume shows the amount of underlying on which a derivative is based or the notional amount underlying the derivative in accordance with the requirements of FINMA Circular 2020/1, irrespective of whether the derivative is traded long or short. The contract volume is determined differently depending on the type of contract and does not permit any direct conclusions to be drawn about the risk exposure.
2 The contract volume of interest rate swaps includes additional transactions with short terms to maturity in connection with the conversion from Libor to Saron rates.
3 Includes commodities and hybrid derivatives.

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

Total after netting agreements[4]

in CHF million	Positive replacement values (cumulative)	Negative replacement values (cumulative)
2022	**1,190**	**2,066**
2021	1,272	1,116

Breakdown by counterparty

Positive replacement values (after netting agreements)	Central clearing houses	Banks and securities firms	Other customers
2022	**135**	**602**	**452**

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

5 Financial investments

	Book value		Fair value	
in CHF million	**2022**	**2021**	**2022**	**2021**
Debt securities	**7,182**	4,477	**6,916**	4,560
– of which, intended to be held to maturity	**7,182**	4,477	**6,916**	4,560
– of which, not intended to be held to maturity (available for sale)	**–**	–	**–**	–
Equity securities	**108**	107	**245**	219
– of which, qualified participations[1]	**15**	16	**32**	32
Precious metals	**196**	175	**196**	175
Real estate	**3**	–	**3**	–
Cryptocurrencies	**–**	–	**–**	–
Total financial investments	**7,490**	**4,759**	**7,360**	**4,954**
– of which, securities eligible for repo transactions in accordance with liquidity requirements	**7,117**	4,431	**6,858**	4,514

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

Counterparties by rating in CHF million

Moody's	Aaa – Aa3	A1 – A3	Baa1 – Baa3	Ba1 – Ba3	Lower than Ba	Unrated
Standard & Poor's, Fitch	AAA – AA-	A+ – A-	BBB+ – BBB-	BB+ – B-	Below B–	Unrated
Debt securities: book values 2022	**6,745**	**25**	**–**	**–**	**–**	**412**

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

6 Presentation of non-consolidated participations

in CHF million	Cost value	Accumulated value adjustments/ changes in book value (equity valuation)	Book value end of 2021	Reclassi-fications	Addi-tions	Disposals (incl. any FC diffe-rences)	Value adjust-ments	Changes in book value for participations using the equity method/ depreciation reversals	Book value end of 2022	Market value end of 2022
Participations valued using the equity method										
– with market value	–	–	–	–	–	–	–	–	–	–
– without market value	35	–13	22	–	7	–	–8	1	22	–
Other participations	–	–	–	–	–	–	–	–	–	–
– with market value	–	–	–	–	–	–	–	–	–	–
– without market value	144	–11	133	–	–	–	–1	1	133	–
Total participations [1]	**179**	**–24**	**155**	**–**	**7**	**–**	**–9**	**2**	**155**	**–**

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

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

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

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

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

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

5 Total assets in CHF thousand: (2021: 975; 2020: 784), loss for the period in CHF thousand: (2021: 2,073; 2020: 1,119).
6 Total assets in CHF thousand (2021: 286; 2020: 233), result for the period in CHF thousand (2021: 26; 2020: 23).

8 Presentation of tangible fixed assets

in CHF million	Cost value	Accumu-lated depre-ciation	Book value at end 2021	Change to scope of consoli-dation	Additions	Disposals	Deprecia-tion	Reversals	Book value at end 2022
Bank buildings	1,350	−777	574	–	12	−3	−43	–	539
Other real estate	8	−7	2	–	0	−1	−0	–	1
Proprietary or separately acquired software	0	−0	–	–	–	–	–	–	–
Other tangible fixed assets	206	−184	22	–	15	−0	−12	–	25
Tangible assets acquired under finance leases	–	–	–	–	–	–	–	–	–
– of which, bank buildings	–	–	–	–	–	–	–	–	–
– of which, other real estate	–	–	–	–	–	–	–	–	–
– of which, other tangible fixed assets	–	–	–	–	–	–	–	–	–
Total tangible fixed assets	**1,565**	**−967**	**597**	**–**	**27**	**−4**	**−55**	**–**	**565**

The insurance value of the real estate within tangible fixed assets amounted to CHF 1,135 million.
The insurance value of the other tangible fixed assets amounted to CHF 394 million.

Operating leases

Leasing obligations not recognised in the balance sheet	in CHF million	2022	2021
Due within 12 months		0	0
Due between 12 months and 5 years		0	0
Due after more than 5 years		–	–
Total of leasing obligations not recognised in the balance sheet		**0**	**0**
– of which, cancellable within 1 year		–	–

9 Presentation of intangible assets

in CHF million	Cost value	Accumulated amortisation	Book value end of 2021	Changes to scope of consolidation	Reclassifications	Additions	Disposals	Amortisation	Reversals	Book value end of 2022
Goodwill	315	−273	42	–	–	–	–	−33	–	8
Patents	–	–	–	–	–	–	–	–	–	–
Licences	48	−48	0	–	–	0	−0	−0	–	0
Other intangible assets [1]	15	−7	8	–	–	–	–	−3	–	5
Total intangible assets	**378**	**−328**	**50**	**–**	**–**	**0**	**−0**	**−36**	**–**	**14**

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

10 Other assets and liabilities

	Other assets		Other liabilities	
in CHF million	**2022**	**2021**	**2022**	**2021**
Compensation account	–	0	472	162
Deferred income taxes recognised as assets	6	7	–	–
Amount recognised as assets in respect of employer contribution reserves	–	–	–	–
Amount recognised as assets relating to other assets from pension schemes	–	–	–	–
Negative goodwill	–	–	–	–
Settlement accounts	339	408	371	435
Indirect taxes	50	46	43	51
Other	5	5	12	14
Total	**400**	**467**	**897**	**661**

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

	2022		2021	
in CHF million	**Book value**	**Effective commitment**	**Book value**	**Effective commitment**
Pledged/assigned assets				
Amounts due from banks	2,915	2,898	1,045	1,033
Amounts due from customers	2,304	2,289	2,119	2,086
Mortgage loans	14,765	11,924	13,937	11,307
Trading portfolio assets	883	883	360	314
Financial investments	–	–	–	–
Total pledged/assigned assets	**20,867**	**17,994**	**17,462**	**14,739**

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

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

Liabilities to own pension schemes from balance-sheet transactions (in CHF million)	2022	2021	Change
Amounts due in respect of customer deposits	98	105	–7
Cash bonds	0	0	0
Negative replacement values of derivative financial instruments[1]	12	18	–6
Accrued expenses and deferred income	0	0	0
Other liabilities	0	0	0
Total	**110**	**123**	**–13**

Own pension schemes do not hold any of the bank's equity instruments.

1 After taking netting agreement into account

13 Information on pension schemes

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

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

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

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

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

in %	Coverage ratio as at 31.12.2022 (not yet audited)	Coverage ratio as at 31.12.2021 (audited)
Zürcher Kantonalbank pension fund	104	118
Marienburg Foundation of Zürcher Kantonalbank (solution for senior management)	99	110

Coverage ratio pursuant to Article 44 BVV2

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

Swisscanto Asset Management International S.A. in Luxembourg has set up a pension plan for all employees. The plan, including the investment of employee assets, is managed by an insurance company. The savings contributions are fully financed by the employer. The risks are comprehensively covered by the insurance company. The office in Germany is a member of the pension fund for the banking industry. The employees can save tax-free contributions for retirement, with the employer paying part of the contributions.

The pension plan for the employees of ZKB Securities (UK) Limited is a defined contribution scheme and is administered by an independent retirement benefit institution.

There is no possibility of a shortfall or surplus for pension solutions in other countries as the investment risk is fully borne by the employee.

13 Information on pension schemes (continued)

a) Employer contribution reserves (ECR)

Neither Zürcher Kantonalbank nor its subsidiaries have employer contribution reserves.

b) Economic benefit/obligations and the pension expenses

	Over-/underfunding	Economic interest of the bank		Change in economic interest versus previous year	Contributions paid	Pension expenses in personnel expenses	
in CHF million	**End 2022**	**2022**	**2021**	**2022**	**2022**	**2022**	**2021**
Employer-sponsored funds/employer-sponsored pension schemes	–	–	–	–	–	–	–
Pension plans without overfunding/underfunding	–	–	–	–	114	114	1
Pension plans with overfunding	–	–	–	–	–	–	116
Pension plans with underfunding	–0	–	–	–	1	1	–
Pension schemes without own assets	–	–	–	–	–	–	–
Total	**–0**	**–**	**–**	**–**	**115**	**115**	**117**

14 Issued structured products

Underlying risk of the embedded derivative		Book value: Valued as a whole		Book value: Valued separately		Total
in CHF million		**Booked in trading portfolio**	**Booked in other financial instruments at fair value**	**Value of the host instrument**	**Value of the derivative**	
Interest rate instruments	With own debenture component	–	82	–	–	82
	Without oDC	–	–	–	–	–
Equity securities	With own debenture component	–	3,584	–	–	3,584
	Without oDC	–	–	–	–	–
Foreign currencies	With own debenture component	–	261	–	–	261
	Without oDC	–	–	–	–	–
Commodities/precious metals	With own debenture component	–	11	–	–	11
	Without oDC	–	–	–	–	–
Loans	With own debenture component	–	10	–	–	10
	Without oDC	–	–	–	–	–
Real estate	With own debenture component	–	–	–	–	–
	Without oDC	–	–	–	–	–
Hybrid instruments	With own debenture component	–	4	–	–	4
	Without oDC	–	–	–	–	–
Total 2022		**–**	**3,953**	**–**	**–**	**3,953**
Total 2021		**–**	**4,387**	**–**	**–**	**4,387**

15 Presentation of bonds outstanding and mandatory convertible bonds (incl. cash bonds, certificate of deposits and central mortgage institution loans)

Cash bonds

	Outstanding amount in CHF million	Weighted average interest rate	Maturities
31.12.2022	**196**	**0.48**	**2023–2032**
31.12.2021	135	0.37	2022–2032

Maturity structure	in CHF million	2023	2024	2025	2026	2027	after 2027	Total
Cash bonds		3	78	33	16	13	53	196

Certificate of deposits

	Outstanding amount in CHF million	Weighted average interest rate	Maturities
31.12.2022	**104**	**0.00**	**2023**
31.12.2021	13,148	0.00	2022

Maturity structure	in CHF million	2023	2024	2025	2026	2027	after 2027	Total
Certificate of deposits		104						104

Bonds and mandatory convertible bonds

	Outstanding amount in CHF million	Weighted average interest rate	Maturities
31.12.2022 (Issuer: Zürcher Kantonalbank)	**9,400**		
– of which, non-subordinated	**7,832**	**0.63**	**2023–2044**
– of which, subordinated without PONV clause [1]	**–**	**–**	**–**
– of which, subordinated with PONV clause	**1,569**	**2.01**	**2028–perpetual**
31.12.2021(Issuer: Zürcher Kantonalbank)	9,630		
– of which, non-subordinated	8,045	0.68	2022–2044
– of which, subordinated without PONV clause [1]	–	–	–
– of which, subordinated with PONV clause	1,585	2.21	2027–perpetual

Maturity structure	in CHF million	2023	2024	2025	2026	2027	after 2027	Total
Bond issues		247	299	1,044	1,512	846	5,453	9,400

Central mortgage institution loans

	Outstanding amount in CHF million	Weighted average interest rate	Maturities
31.12.2022	**11,924**	**0.53**	**2023–2039**
31.12.2021	11,307	0.50	2022–2039

Maturity structure	in CHF million	2023	2024	2025	2026	2027	after 2027	Total
Central mortgage institution loans [2]		1,253	1,923	1,304	780	1,143	5,521	11,924

1 Point of non-viability (PONV).
2 Pfandbriefzentrale der schweizerischen Kantonalbanken AG loans.

16 Presentation of value adjustments and provisions, reserves for general banking risks, and changes therein during the current year

in CHF million	Balance at end of 2021	Changes to scope of consolida-tion	Use in conformity with designated purpose and reversals	Reclassifi-cations	Currency differences	Past due interest, recoveries	New creations charged to income	Releases to income statement	Balance at end of 2022
Provisions for deferred taxes	–	–	–	–	–	–	0	–	**0**
Provisions for pension benefit obligations	–	–	–	–	–	–	–	–	**–**
Provisions for default risks	183	–	–	–	–0	–	131	–140	**173**
– of which, provisions for expected loss	65	–	–	–	–0	–	93	–101	**57**
Provisions for other business risks [1]	29	–	–14	–	–	–	13	–1	**27**
Provisions for restructuring	–	–	–	–	–	–	–	–	**–**
Other provisions [2]	25	–	–5	–	–0	–	1	–7	**14**
Total provisions	**237**	**–**	**–19**	**–**	**–0**	**–**	**144**	**–149**	**214**
Reserves for general banking risks	**154**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**154**
Value adjustments for default and country risks	627	–	–4	–	–0	2	279	–264	**640**
– of which, value adjustments for default risks in respect of impaired loans/receivables [3]	190	–	–4	–	–0	2	77	–56	**209**
– of which, value adjustments for expected loss	437	–	–	–	–0	–	202	–208	**431**

1 Provisions for other business risks relate to provisions for settlement risks, for example, which cover identifiable risks as at the balance sheet date.
2 The other provisions include, among other things, provisions for litigation and provisions for employees' holiday credits.
3 Default risks consist primarily of counterparty risks, for which value adjustments of 100 percent of the net debt are generally set aside. Individual value adjustments rates may apply in the case of major positions.

Recoveries from amounts due derecognised in previous periods are reported directly in Changes in value adjustments for default risk and losses from interest operations (2022: CHF 1 million/2021: CHF 1 million).
For more details on the management of credit risks, operational risks and legal and compliance risks, please refer to section I) Risk report.

17 Presentation of the bank's capital

The disclosure pursuant to the accounting rules for banks is made only by the parent company (page 232).

18 Number and value of equity securities or options on equity securities held by all executives and directors and by employees, and disclosures on any employee participation schemes

Neither Zürcher Kantonalbank nor its subsidiaries have employee participation schemes.

19 Amounts due from/to related parties

in CHF million	Due from 2022	Due from 2021	Due to 2022	Due to 2021
Holders of qualified participations	40	3	839	379
Group companies	–	2	4	2
Linked companies	479	549	1,267	1,049
Transactions with members of governing bodies	15	15	24	19
Other related parties	–	–	–	–

Affiliated companies are public-law institutions of the respective canton or public-private enterprises in which the canton holds qualified participations.
On- and off-balance-sheet transactions with related parties are conducted at usual market conditions, with the exception of loans to members of governing bodies. Loans to governing bodies are granted on employee terms in some cases.
This primarily involved the usual balance sheet banking business, i.e. it was mainly amounts due from and due to customers.
The totals above also include securities items and claims and liabilities from transactions in derivatives (positive and negative replacement values).
The off-balance-sheet transactions with related parties in the amount of CHF 1,450 million (2021: CHF 394 million) primarily include irrevocable loan commitments and other contingent liabilities.

20 Disclosure of holders of significant participations

The disclosure pursuant to the accounting rules for banks is only made by the parent company (page 233).

21 Disclosure of own shares and composition of equity capital

in CHF million	2022	2021
Reserves for general banking risks	154	154
Bank’s capital	2,425	2,425
Retained earnings reserve	9,674	9,163
Foreign currency translation reserve	–13	–9
Consolidated profit	1,059	942
Total shareholders’ equity	**13,299**	**12,674**

The bank does not hold any of its own shares.

22 Disclosures in accordance with the Ordinance against Excessive Compensation with respect to Listed Stock Corporations and Article 663c para. 3 CO for banks whose equity securities are listed

The disclosure pursuant to the accounting rules for banks is only made by the parent company (page 234).

23 Maturity structure of financial instruments

in CHF million	At sight	Cancel-lable	Due within 3 months	Due within 3 to 12 months	Due after 1 to 5 years	Due after 5 years	No maturity	Total
Assets/financial instruments								
Liquid assets	40,302	–	–	–	–	–	–	40,302
Amounts due from banks	610	0	868	1,288	10	161	–	2,937
Amounts due from securities financing transactions	195	9,563	18,026	20	–	–	–	27,804
Amounts due from customers	168	2,233	3,256	1,942	2,387	581	–	10,567
Mortgage loans	123	17,023	6,635	7,211	39,849	25,998	–	96,838
Trading portfolio assets	11,071	–	–	–	–	–	–	11,071
Positive replacement values of derivative financial instruments	1,190	–	–	–	–	–	–	1,190
Other financial instruments at fair value	–	–	–	–	–	–	–	–
Financial investments	305	–	1,662	1,410	2,201	1,908	3	7,490
Total assets/financial instruments 2022	**53,964**	**28,819**	**30,447**	**11,871**	**44,448**	**28,648**	**3**	**198,200**
Total assets/financial instruments 2021	**55,770**	**19,882**	**28,723**	**13,122**	**42,526**	**30,533**	**–**	**190,556**
Debt capital/ financial instruments								
Amounts due to banks	5,245	425	31,461	1,222	699	–	–	39,051
Liabilities from securities financing transactions	–	6,215	4,421	–	–	–	–	10,636
Amounts due in respect of customer deposits	54,834	37,384	7,138	2,612	384	999	–	103,351
Trading portfolio liabilities	3,636	–	–	–	–	–	–	3,636
Negative replacement values of derivative financial instruments	2,066	–	–	–	–	–	–	2,066
Liabilities from other financial instruments at fair value	3,953	–	–	–	–	–	–	3,953
Cash bonds	–	–	1	2	140	53	–	196
Certificate of deposits	–	–	104	–	–	–	–	104
Bond issues	–	1,569	247	–	3,701	3,884	–	9,400
Central mortgage institution loans	–	–	182	1,071	5,150	5,521	–	11,924
Total debt capital/financial instruments 2022	**69,734**	**45,593**	**43,555**	**4,907**	**10,073**	**10,457**	**–**	**184,318**
Total debt capital/financial instruments 2021	**64,619**	**40,102**	**38,067**	**15,096**	**9,377**	**10,483**	**–**	**177,745**

24 Assets, liabilities and off-balance-sheet positions by domestic and foreign origin in accordance with the domicile principle

	2022		2021	
in CHF million	**Domestic**	**Foreign**	**Domestic**	**Foreign**
Assets				
Liquid assets	40,213	89	40,841	42
Amounts due from banks	315	2,622	631	2,542
Amounts due from securities financing transactions	20,301	7,503	15,059	11,230
Amounts due from clients	8,463	2,104	8,160	1,731
Mortgage loans	96,838	0	91,847	0
Trading portfolio assets	6,154	4,917	7,170	5,273
Positive replacement values of derivative financial instruments	819	371	968	304
Other financial instruments at fair value	–	–	–	–
Financial investments	6,510	979	3,774	985
Accrued income and prepaid expenses	436	21	258	22
Participations	154	1	154	1
Tangible fixed assets	563	3	595	3
Intangible assets	14	0	50	0
Other assets	271	129	229	237
Total assets	**181,051**	**18,739**	**169,735**	**22,370**
Liabilities				
Amounts due to banks	4,260	34,791	3,931	30,966
Liabilities from securities financing transactions	1	10,635	46	4,357
Amounts due in respect of customer deposits	95,113	8,237	88,518	8,259
Trading portfolio liabilities	1,941	1,695	959	984
Negative replacement values of derivative financial instruments	1,730	336	815	301
Liabilities from other financial instruments at fair value	2,511	1,442	3,223	1,164
Cash bonds	196	–	135	–
Certificate of deposits	104	–	13,148	–
Bond issues	9,400	–	9,630	–
Central mortgage institution loans	11,924	–	11,307	–
Accrued expenses and deferred income	1,041	22	766	22
Other liabilities	776	121	410	251
Provisions	212	2	235	2
Reserves for general banking risks	154	–	154	–
Bank's capital	2,425	–	2,425	–
Retained earnings reserve	9,531	143	9,044	118
Foreign currency translation reserve	–13	–	–9	–
Consolidated profit	1,049	10	925	17
Total liabilities	**142,355**	**57,436**	**145,664**	**46,441**
Off-balance-sheet transactions				
Contingent liabilities	2,196	1,923	2,073	2,300
Irrevocable commitments	11,950	980	9,517	675
Obligations to pay up shares and make further contributions	367	–	332	–
Credit commitments	–	–	–	–

25A Assets by country or group of countries

	2022		2021	
	in CHF million	Share as %	in CHF million	Share as %
Switzerland	181,051	90.6	169,735	88.4
Rest of Europe	10,683	5.3	15,546	8.1
– of which, Germany	1,282	0.6	4,230	2.2
– of which, France	635	0.3	1,049	0.5
– of which, United Kingdom	5,347	2.7	6,877	3.6
– of which, Guernsey	29	0.0	8	0.0
Americas	6,122	3.1	4,666	2.4
– of which, USA	4,655	2.3	3,442	1.8
Asia and Oceania	1,861	0.9	2,134	1.1
Africa	74	0.0	24	0.0
Total assets	**199,791**	**100.0**	**192,105**	**100.0**

25B Liabilities by country or group of countries

	2022		2021	
	in CHF million	Share as %	in CHF million	Share as %
Switzerland	142,355	71.3	145,664	75.8
Rest of Europe	28,685	14.4	21,288	11.1
– of which, Germany	3,200	1.6	4,414	2.3
– of which, France	6,628	3.3	3,376	1.8
– of which, United Kingdom	5,268	2.6	2,522	1.3
– of which, Guernsey	1,917	1.0	1,682	0.9
Americas	17,517	8.8	15,917	8.3
– of which, USA	8,456	4.2	7,797	4.1
Asia and Oceania	9,478	4.7	7,922	4.1
Africa	1,756	0.9	1,314	0.7
Total liabilities	**199,791**	**100.0**	**192,105**	**100.0**

25C Contingent liabilities, irrevocable commitments, obligations to pay up shares and make further contributions by country or group of countries

	2022		2021	
	in CHF million	Share as %	in CHF million	Share as %
Switzerland	14,513	83.3	11,922	80.0
Rest of Europe	1,737	10.0	1,553	10.4
– of which, Germany	129	0.7	131	0.9
– of which, France	182	1.0	144	1.0
– of which, United Kingdom	97	0.6	155	1.0
– of which, Guernsey	117	0.7	160	1.1
Americas	321	1.8	237	1.6
– of which, USA	134	0.8	55	0.4
Asia and Oceania	780	4.5	1,140	7.7
Africa	65	0.4	46	0.3
Total	**17,416**	**100.0**	**14,898**	**100.0**

26 Breakdown of total assets by credit rating of country groups (risk domicile view)

		2022 Net foreign exposure		2021 Net foreign exposure	
Rating system ZKB's own country rating	**Moody's**	**in CHF million**	**Share as %**	**in CHF million**	**Share as %**
A	Aaa/Aa1/Aa2/Aa3	**22,491**	**85.9**	25,619	85.8
B	A1/A2/A3	**1,138**	**4.3**	1,254	4.2
C	Baa1/Baa2/Baa3	**870**	**3.3**	1,012	3.4
D	Ba1/Ba2	**677**	**2.6**	675	2.3
E	Ba3	**3**	**0.0**	97	0.3
F	B1/B2/B3	**408**	**1.6**	372	1.2
G	Caa1/Caa2/Caa3/Ca/C	**601**	**2.3**	820	2.7
Total		**26,188**	**100.0**	**29,848**	**100.0**

27 Balance sheet by currencies

	Currencies translated in CHF million				
	CHF	USD	EUR	Other	Total
Assets					
Liquid assets	40,177	2	119	3	40,302
Amounts due from banks	251	2,190	427	69	2,937
Amounts due from securities financing transactions	18,522	7,418	1,864	–	27,804
Amounts due from clients	7,016	1,127	1,527	898	10,567
Mortgage loans	96,713	39	82	4	96,838
Trading portfolio assets	8,541	1,589	570	371	11,071
Positive replacement values of derivative financial instruments	878	101	185	25	1,190
Other financial instruments at fair value	–	–	–	–	–
Financial investments	6,952	0	538	0	7,490
Accrued income and prepaid expenses	394	42	17	4	457
Non-consolidated participations	154	–	0	0	155
Tangible fixed assets	563	–	2	0	565
Intangible assets	14	–	0	–	14
Other assets	254	92	44	11	400
Total assets shown in balance sheet	**180,427**	**12,600**	**5,376**	**1,386**	**199,791**
Delivery entitlements from spot exchange, forward forex, forex options and precious metal transactions	133,961	153,099	98,151	34,074	419,285
Total assets	**314,389**	**165,699**	**103,528**	**35,460**	**619,076**
Liabilities					
Amounts due to banks	10,109	17,864	7,802	3,277	39,051
Liabilities from securities financing transactions	113	5,709	4,814	–	10,636
Amounts due in respect of customer deposits	90,893	4,696	6,641	1,121	103,351
Trading portfolio liabilities	2,668	796	82	89	3,636
Negative replacement values of derivative financial instruments	1,563	182	310	12	2,066
Liabilities from other financial instruments at fair value	2,496	863	528	66	3,953
Cash bonds	196	–	–	–	196
Certificate of deposits	55	–	49	–	104
Bond issues	8,416	–	984	–	9,400
Central mortgage institution loans	11,924	–	–	–	11,924
Accrued expenses and deferred income	913	116	27	7	1,063
Other liabilities	783	75	22	18	897
Provisions	212	–	2	–	214
Reserves for general banking risks	154	–	–	–	154
Bank’s capital	2,425	–	–	–	2,425
Retained earnings reserve	9,686	–	–9	–3	9,674
Foreign currency translation reserve	–	–	–12	–1	–13
Consolidated profit	1,062	–	–2	–1	1,059
Total liabilities shown in the balance sheet	**143,667**	**30,301**	**21,239**	**4,583**	**199,791**
Delivery obligations from spot exchange, forward forex, forex options and precious metal transactions	171,137	135,370	82,139	30,667	419,313
Total liabilities	**314,803**	**165,671**	**103,378**	**35,250**	**619,103**
Net position per currency in 2022	**–415**	**28**	**149**	**210**	**–27**
Net position per currency in 2021	**–1,147**	**222**	**52**	**237**	**–636**

j) Information on off-balance-sheet transactions

The following gives more detailed information on off-balance-sheet positions as well as managed assets and other liabilities not included in the balance sheet.

28 Contingent liabilities and contingent assets

in CHF million	2022	2021
Guarantees to secure credits and similar	431	404
Performance guarantees and similar	2,593	2,476
Irrevocable commitments arising from documentary letters of credit	1,096	1,493
Other contingent liabilities	–	0
Total contingent liabilities	**4,119**	**4,374**
Contingent assets arising from tax losses carried forward	–	–
Other contingent assets	–	–
Total contingent assets	**–**	**–**

29 Breakdown of credit commitments

There are no credit commitments as of 31 December 2022 and 31 December 2021.

30 Breakdown of fiduciary transactions

in CHF million	2022	2021
Fiduciary investments with third-party companies	446	120
Fiduciary investments with linked companies	–	–
Fiduciary loans	–	–
Fiduciary transactions arising from securities lending and borrowing (in the bank's own name for the account of customers)	–	–
Fiduciary crypto currencies held for customer's accounts	–	–
Other fiduciary transactions	–	–
Total	**446**	**120**

31 Breakdown of managed assets and presentation of their development

a) Breakdown of managed assets

Type of managed assets in CHF million	2022	2021
Assets in collective investment schemes managed by the bank	124,575	131,543
Assets under discretionary asset management agreements	75,497	80,724
Other managed assets	199,893	196,923
Total managed assets (including double counting) [1]	**399,965**	**409,190**
– of which, double counting	65,206	70,140

1 The client assets shown include all client assets of an investment nature held with Zürcher Kantonalbank, as well as client assets held with third-party banks that are managed by Zürcher Kantonalbank. Zürcher Kantonalbank also includes client deposits that are not of an investment nature in its reported client assets. Non-inclusion of accounts that do not have an investment element would lead to greater volatility in managed client assets and thus distort the meaningfulness of trends in client assets. Assets held with Zürcher Kantonalbank but managed by third parties (custody-only) are not included. Banks and significant investment fund companies (including collective pension fund foundations, investment trusts, pension foundations and pension funds) for which Zürcher Kantonalbank acts exclusively as custodian bank are treated as custody-only.

b) Presentation of the development of managed assets

in CHF million	2022	2021
Total managed assets (including double counting) at beginning	409,190	361,658
+/– net new money inflow or net new money outflow [1]	33,928	25,853
+/– price gains/losses, interest, dividends and currency gains/losses	–42,020	21,262
+/– other effects	–1,133	416
Total managed assets (including double counting) at end	**399,965**	**409,190**

1 The net new money inflow/outflow corresponds to the development of managed client assets adjusted for fluctuations in prices and exchange rates, interest and dividend payments, fees and expenses charged to clients, and reclassification of assets. Changes due to acquisitions/disposals of subsidiaries are not included. The interest billed to loan clients is included in the change in net new money inflow/outflow.

k) Information on the income statement

In this section, individual income statement items are broken down in greater detail and the components of the return on equity explained.

32 Breakdown of the result from trading activities and the fair value option

a) Breakdown by business area (in accordance with the organisation of the bank/financial group)

in CHF million	2022	2021
Result from trading in foreign exchange, bank notes and precious metals	143	132
Result from trading in bonds, interest rate and credit derivatives	148	89
Result from trading in equities and structured products	89	93
Result from other trading activities [1]	28	33
Total	**409**	**347**

1 The result from other trading activities includes results from securities lending and borrowing as well as positions for which the Executive Board or Asset Management is responsible.

b) Breakdown by underlying risk and based on the use of the fair value option

		Result from trading activities from:						
in CHF million	2022	Foreign exchange and bank notes	Precious metals	Securities lending and borrowing	Bonds, interest rate and credit derivatives	Equities and equity derivatives	Commodities and commodity derivatives	Other products [2]
Result from trading in foreign exchange, bank notes and precious metals	143	151	7	–	–16	–	–	–
Result from trading in bonds, interest rate and credit derivatives	148	0	–	–	150	–2	–	–
Result from trading in equities and structured products	89	–5	2	–	–2	98	0	–3
Result from other trading activities	28	0	–0	43	–10	–4	–2	0
Total	**409**	**147**	**9**	**43**	**122**	**93**	**–2**	**–3**
– of which, from fair value option on assets	1	–	–	–	1	–	–	–
– of which, from fair value option on liabilities	672	–1	0	–	3	671	–0	–1

2 The trading result from other products includes hybrid products and real estate derivatives.

33 Disclosure of material refinancing income in the item interest and discount income as well as material negative interest

During financial year 2022, refinancing income from trading activities of CHF –73.4 million (previous year: CHF –15.5 million) was included in the item Interest and discount income.

The item Interest and discount income also includes the result of currency swaps in the amount of CHF 471.3 million (previous year: CHF 230.8 million), which were entered into solely for the purpose of engaging in interest arbitrage. Negative interest on lending business is shown as a reduction in the interest and discount income. Negative interest on deposit-taking business is shown as a reduction in interest expenses.

in CHF million	2022	2021
Negative interest on lending business (reduction in interest and discount income)	94	212
Negative interest on deposit-taking business (reduction in interest expenses)	135	209

34 Breakdown of personnel expenses

in CHF million	2022	2021
Salaries for members of the bank's governing bodies and personnel	926	876
– of which, alternative forms of variable compensation	–	–
AHV, IV, ALV and other social security contributions	195	186
Changes in book value for economic benefits and obligations arising from pension schemes	–	–
Other personnel expenses	32	30
Total	**1,153**	**1,092**

35 Breakdown of general and administrative expenses

in CHF million	2022	2021
Office space expenses	29	29
Expenses for information and communications technology	166	159
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	2	2
Fees of audit firms	6	7
– of which, for financial and regulatory audits	6	7
– of which, for other services	0	0
Other operating expenses	238	228
– of which, compensation for state guarantee	28	27
Total	**442**	**425**

36 Explanations regarding material losses, extraordinary income and expenses, reserves for general banking risks and value adjustments and provisions no longer required

in CHF million	2022	2021
Extraordinary income		
Reversal of impairment on other participations	1	1
Income from sale of other real estate/bank premises	7	1
Income from sale of participations	–	0
Other	1	0
Total	**8**	**2**
Extraordinary expenses		
Losses from sale of other real estate/bank premises	–	–
Losses from disposal of participations	–	2
Other	0	0
Total	**0**	**2**
Changes in reserves for general banking risks		
Creation of reserves for general banking risks	–	–
Release of reserves for general banking risks	–	–
Total	**–**	**–**

37 Disclosure of and reasons for revaluations of participations and tangible fixed assets up to acquisition cost at maximum

in CHF million		2022	2021
Participations	**Registered office**		
CLS Group Holdings AG	Lucerne	0	–
Venture Incubator AG	Altendorf	0	–
Total		**1**	**–**

Appreciation is applied to non-listed participations in accordance with the mean value method and, for listed participations, in accordance with the market value method

38 Income statement broken down according to domestic and foreign origin, according to the principle of permanent establishment

in CHF million	2022 Domestic	2022 Foreign	2021 Domestic	2021 Foreign
Result from interest operations				
Interest and discount income	1,871	1	1,190	0
Interest and dividend income from financial investments	28	0	27	0
Interest expense	−479	−0	70	0
Gross result from interest operations	**1,420**	**1**	**1,287**	**1**
Changes in value adjustments for default risk and losses from interest operations	−20	1	−40	0
Subtotal net result from interest operations	**1,400**	**3**	**1,247**	**1**
Result from commission business and services				
Commission income from securities trading and investment activities	871	147	882	143
Commission income from lending activities	72	0	69	0
Commission income from other services	150	1	130	1
Commission expense	−261	−53	−251	−49
Subtotal result from commission business and services	**832**	**94**	**830**	**95**
Result from trading activities				
Result from trading activities and the fair value option	**394**	**15**	**329**	**17**
Other result from ordinary activities				
Result from the disposal of financial investments	6	–	4	–
Income from participations	11	0	12	0
– of which, participations valued using the equity method	1	0	2	0
– of which, from other non-consolidated participations	9	–	10	–
Result from real estate	5	0	5	0
Other ordinary income	9	0	14	0
Other ordinary expenses	−17	–	−11	−0
Subtotal other result from ordinary activities	**14**	**1**	**23**	**0**
Operating expenses				
Personnel expenses	−1,134	−18	−1,074	−19
General and administrative expenses	−430	−12	−411	−13
Subtotal operating expenses	**−1,564**	**−30**	**−1,485**	**−32**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	−100	−1	−103	−1
Changes to provisions and other value adjustments and losses	2	−0	29	−1
Operating result	**978**	**81**	**871**	**80**
Extraordinary income	8	0	2	0
Extraordinary expenses	−0	–	−2	−0
Changes in reserves for general banking risks	–	–	–	–
Taxes	−5	−3	−6	−3
Consolidated profit	**981**	**78**	**866**	**77**

39 Presentation of current taxes, deferred taxes, and disclosure of tax rate

in CHF million	2022	2021
Creation of provisions for deferred taxes	–0	–
Reversal of provisions for deferred taxes	–	–
Recognition of deferred taxes on losses carried forward	–1	–1
Recognition of other deferred taxes	0	0
Reversal of other deferred taxes	–0	–0
Expenses for current income and capital taxes	–7	–8
Expenses for property gains taxes	–	0
Total	**–8**	**–9**
Unrecognised tax reductions on losses carried forward, and tax credits not recognised under the principle of prudence	–	–
Hypothetical deferred income taxes calculated at theoretical tax rates on revaluations of investments not relevant for tax purposes	–	–

Figures in table: minus = expense; plus = income

As Zürcher Kantonalbank is exempt from direct income and capital taxes, no weighted average interest rate is disclosed.

40 Disclosures and explanations of the earnings per equity security in the case of listed banks

Zürcher Kantonalbank has no listed equity securities.

41 Components of return on equity

in %	2022	2021
Return on equity (RoE)	8.4%	7.8%

in CHF million	2022	2021
Relevant net annual result for calculating ROE		
Consolidated profit	1,059	942
Total	**1,059**	**942**
Relevant average equity[1] for calculating ROE		
Average bank’s capital	2,425	2,425
Average other equity components	10,111	9,603
Total	**12,536**	**12,028**

1 The average bank’s capital and other equity components are calculated on a monthly basis.

l) Risk report

1.1.1 Risk profile

The risk profile of Zürcher Kantonalbank was robust at the end of the 2022 financial year and is essentially unchanged compared to the previous years. That was not a given considering the outbreak of war in Ukraine that brought upheavals on the financial, commodity and energy markets, record-high inflation rates, the interest rate turnaround and recession concerns. Events in the first half affected the risk profile mainly in the areas of credit and compliance risks. The bank coped well with the resulting stress tests in the risk areas affected, drawing on proven structures and processes that had been tested in a crisis. The remaining receivables relating to Russia have been impaired, the impact of this on the income statement is very low. No extraordinary loss events occurred in the second half.

Zürcher Kantonalbank's portfolio of corporate loans is proving resilient. Once volatility on the commodity markets subsided, the risk situation in exposed sub-portfolios largely normalised over the course of the second quarter. The enormous spike in energy prices caused a substantial increase in energy companies' liquidity requirements due to the hedging transactions customary in the industry. Various private and public sector measures were taken to hedge this financing on a broader base and contingency processes were defined. For the vast majority of companies in the commercial credit portfolio, the energy shock does not pose an existential threat. Economic uncertainties still remain high, however, due in part to the persistently tense geopolitical situation as well as the possibility of an energy shortage, which cannot be completely ruled out even though the situation has relaxed recently.

Real estate markets have so far reacted in different ways to the rise in interest rates and higher inflation. Indirect real estate markets, real estate funds and real estate shares saw some significant price corrections, whereas the direct residential real estate market remained robust, although price growth slowed somewhat in the final quarter. The excess demand has reduced with higher financing, construction and ancillary costs, but remains in place. New construction cannot keep up with high immigration and higher use of space. The increasing scarcity is also reflected in the vacancy rate, which fell again. Together with quoted rents, which are also rising, prices in the residential property segment appear well supported. In this challenging environment, the mortgage portfolio of Zürcher Kantonalbank grew by 5.4 percent overall, with owner-occupied housing up 2.8 percent. Risk management has coordinated measures in mortgage lending on an ongoing basis to ensure that the portfolio growth has a balanced risk profile.

Despite a reduction in risk appetite over the course of the year, market risks in the trading book exceeded the very low levels of the previous year due to higher market and interest rate volatilities, in particular. At the end of the year, the value at risk (VaR) of CHF 12.6 million was at a comparable level to the end of 2021 (CHF 12.3 million). The utilisation of the risk capital limit allocated internally for trading (capital at risk) was 48 percent at the end of the year. The low risk profile also reflects the strategy of focusing on client business.

The overall conditions for managing balance sheet structure risks changed as a result of the rise in interest rates and the end of negative rates. The shift in client preference from fixed-rate to money market mortgages became increasingly accentuated over the course of the year, resulting in a significant reduction in interest rate exposure. The interest rate sensitivity of the banking book at year-end was 13 percent below the previous year.

The very solid liquidity situation of Zürcher Kantonalbank is reflected in the liquidity risk ratios. As a systemically important institution, higher liquidity coverage ratio (LCR) requirements have applied to Zürcher Kantonalbank since 2021, which were comfortably met at all times in 2022. The requirements for the structural funding ratio (NSFR) have also been met for some time with a comfortable reserve.

The bank's risk profile for operational risks (OpRisk) did not change materially. The potential loss ratings in the residual risk from the six OpRisk topic areas were confirmed. Cyber and process risks remain the two OpRisk areas with the most significant residual risk. The bank therefore continues to focus a great deal of its attention on managing these risks, and the internal planning ensures that the necessary resources are allocated to them. The pandemic scenario is assigned to the OpRisk topic area "environmental and accident risks" and is managed as part of business continuity management (BCM). Overall, the bank coped well with the operational challenges it faced as a result of the pandemic. Remote access has been enshrined in the bank's business continuity plans as an official response option. The BCM unit is addressing how a potential energy shortage should be dealt with.

Compliance risks remained stable overall. The implementation of the evolving regulatory framework, particularly regarding investor protection, data protection and the fight against money laundering, continues to require the deployment of substantial resources. In the year under review, for example, the implementation of the EU investor protection rules (MiFID II) for clients resident in the EEA required special efforts, as did the update of anti-money laundering systems and the management of legal and compliance risks in connection with sanctions arising from the war in Ukraine.

Zürcher Kantonalbank is disclosing its climate-related financial risks for the second time in a row for the 2022 financial year, thereby taking into account the enhanced requirements of FINMA's Disclosure Circular for systemically important banks. Climate protection has long been a very important issue for Zürcher Kantonalbank. The bank underlined this commitment by joining the Net-Zero Banking Alliance in December 2022. In terms of risk and given its business activities and strong focus on the Zurich economic region it should be noted that climate-related financial risks do not represent a top risk for the bank. A summary of the corresponding risk analysis can be found in section 1.10. In risk management, climate-related financial risks are treated as risk drivers in the existing risk categories.

1.1.2 Risk management and internal control system (ICS)
Zürcher Kantonalbank defines "risk management" and "internal control system (ICS)" as follows:

Risk management: As part of risk management, the bank sets its risk tolerance within its risk capacity. Risk management encompasses organisational structures, methods and processes. Zürcher Kantonalbank's risk management process consists of six steps: risk identification, assessment, control, management, monitoring and reporting. The decisions in risk management are implemented in the internal control system (ICS).

Internal control system (ICS): The ICS ensures that processes are carried out properly. To this end, management issues appropriate guidelines and ensures that compliance is monitored. An effective ICS includes control activities that are integrated into workflows, suitable risk management and compliance processes, and appropriate supervisory bodies for the size, complexity and risk profile of the institution, in particular an independent risk control and compliance function.

1.1.3 Principles of risk management
The objective of risk management is to support the bank in generating added value while maintaining a first-class credit rating and reputation. Zürcher Kantonalbank's approach to risk management is based on the following principles:
- Risk culture: The bank fosters a risk culture that is geared towards responsible behaviour. Risk managers bear responsibility for profits and losses generated from the risks entered into. In addition, they have primary responsibility for identifying transactions and structures that entail particular business policy risks, conflicts of interest or particular effects on the bank's reputation.
- Separation of functions: For significant risks and to avoid conflicts of interest, the bank has established control processes that are independent of management.
- Risk identification and monitoring: The bank enters into transactions only if the risks are in accordance with its business strategy and can be appropriately identified, restricted, managed and monitored.
- Risk and return: The bank seeks to achieve a balanced relationship between risk and return for all transactions. Assessment of the risk/return profile takes account of quantifiable as well as non-quantifiable risks.
- Transparency: Risk reporting and disclosure are guided by high industry standards in terms of objectivity, scope, transparency and timeliness. These principles constitute the basis for determining the organisational structure and processes of group-wide risk management.

1.1.4 Principles of compliance

The objective of compliance is to ensure that Zürcher Kantonalbank conducts its business operations in accordance with legal and ethical norms. The principles of the compliance policy are as follows: relevant legal and ethical norms; ethical and performance-related basic values in a code of conduct; duty of all employees and members of governing bodies to comply with laws, regulations, internal rules, industry standards; special reporting procedure available for identified violations of the rules (whistleblowing). Primary responsibility for compliance lies with the Executive Board. The Compliance function prepares an annual assessment of compliance risk and a corresponding action plan based on a risk inventory. The Compliance function is organisationally independent of the income-driven business units. The most important principle of all is that Zürcher Kantonalbank conducts its banking operations in accordance with the statutory and regulatory provisions as well as recognised professional and ethical principles within the banking industry.

1.1.5 Risk and compliance organisation

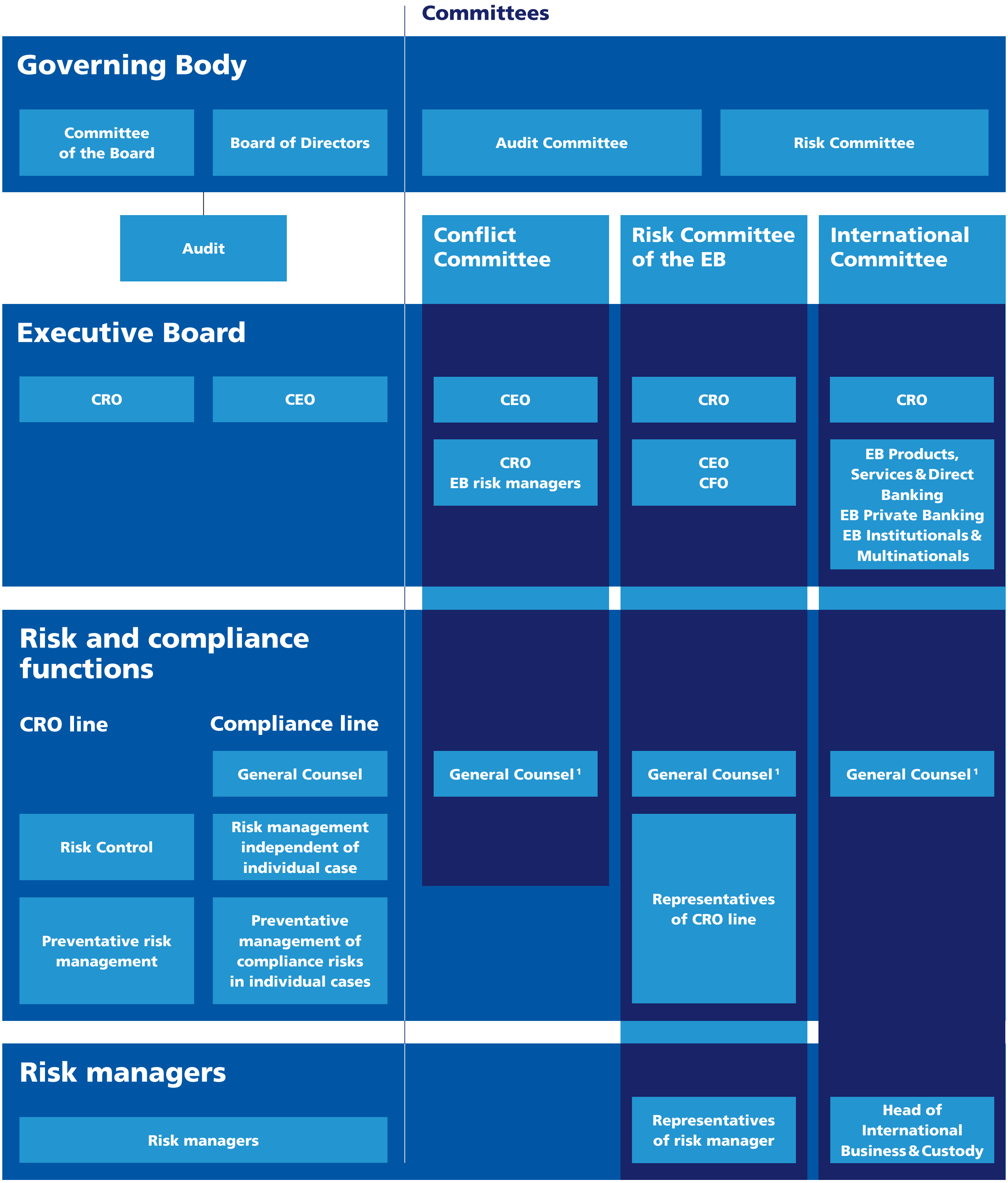
The risk management organisation is based on the Three Lines model. The profit-driven business units form the first line. They actively manage risks and are responsible for constant compliance with internal and external risk tolerance and compliance requirements. The independent risk management and control units represent the second line. Under the stewardship of the Chief Risk Officer (CRO) or the General Counsel, they identify, evaluate and monitor risks and submit regular reports to the Executive Board and the Board of Directors. The third line is the Audit unit, which is responsible for the internal auditing of Zürcher Kantonalbank under the applicable laws and regulations. Each line is supported by the appropriate committees (see Figure 1).

Board of Directors and Committee of the Board. The Board of Directors approves the principles for risk management and compliance, the Code of Conduct, the framework for group-wide risk management and the risk tolerance regulations at group level. It is responsible for the regulation, organisation and monitoring of an effective risk management system as well as the management of overall risks. The Board of Directors is responsible for ensuring that there is a suitable risk and control environment within the group and arranges for an effective internal control system (ICS). It also approves transactions involving major financial exposure. The Risk Committee and Audit Committee of the Board of Directors support the Board in its tasks and duties in the areas of risk management and the internal control system.

The Committee of the Board approves limits and deals with transactions involving particular business policy risks, conflicts of interest or particular effects on the group's reputation where these exceed the remit of the Executive Board and do not fall within the remit of the Board of Directors.

Audit. Audit supports the Board of Directors in fulfilling its statutory supervisory and control tasks and discharges the monitoring tasks assigned to it by the Board of Directors. In particular, Audit independently and objectively evaluates the appropriateness and effectiveness of the internal control and risk management processes and contributes towards their improvement. Audit also checks the bank's compliance with regulatory provisions,

Fig. 1: Risk and compliance organisation



1 General Counsel has the right of escalation to the Committee of the Board at any time.

internal directives and guidelines. Audit has unlimited rights of inspection, information and access within the entire group. Audit provides line managers with support in the form of consulting services that help to increase the efficiency of organisational structures and processes.

Executive Board. The Executive Board issues provisions for the identification, evaluation, control, management, monitoring and reporting of risks in the form of directives. The Executive Board also approves transactions that entail particular business policy risks, conflicts of interest or particular effects on the reputation of Zürcher Kantonalbank, unless they are assigned to another governing body under the applicable regulations.

Conflicts Committee. Based on the responsibilities delegated to them, the members of the Executive Board who sit on the Conflicts Committee take decisions regarding transactions that entail particular business policy risks, conflicts of interest and particular effects on the group's reputation. The Conflicts Committee is chaired by the CEO; its escalation body is the Committee of the Board.

Risk Committee of the Executive Board. The Risk Committee assists the Executive Board in defining risk management processes. The Committee is chaired by the CRO and approves the methods of risk measurement on the basis of the responsibilities delegated to it. The risk managers on the four separate subcommittees (credit, trading, treasury and operational risk) and members of the risk and compliance organisation discuss the Risk Committee's business and formulate proposals for its attention. In a crisis situation, individual crisis management teams reporting to the Risk Committee ensure that necessary and appropriate measures are defined and implemented.

International Committee. The International Committee is chaired by the CRO. It defines the specific business policy requirements for transactions with an international dimension, monitors and reports on such transactions, approves the business framework for foreign activities for the Executive Board and approved individual transactions and types of transactions outside the approved business framework.

Risk unit. The Chief Risk Officer (CRO) is a member of the Executive Board and heads the Risk unit. He has a right of intervention that permits measures to be assigned to the risk managers if required by the risk situation or to protect the bank. The CRO also enjoys direct access to the Committee of the Board at all times.

The risk control function, which monitors portfolio-level risks and the Board of Directors' risk tolerance requirements, reports to the Executive Board and the Board of Directors. The risk control function is responsible for defining methods of risk measurement, model validation, as well as execution and quality assurance in relation to the risk measurement implemented.

Preventative risk management examines transactions before they are finalised and systems prior to their deployment in line with existing delineations of power and consultation duties, and defines the requirements at individual transaction or system level. It also continuously monitors local risks and supports the training of risk managers.

Preventative management of operational risk is carried out outside the Risk business unit by the process managers and in the Cyber Security department of the IT, Operations & Real Estate business unit.

Compliance line. The General Counsel reports directly to the CEO and manages the Compliance unit. As a member of the Risk, Conflicts and International Committees of the Executive Board, he has a right of escalation to the Committee of the Board. He also enjoys direct access to the Committee of the Board at all times.

The Compliance function has the following duties, among others: examining the compliance risk inventory on an annual basis and preparing the action plan with focal points relating to the management of compliance risks, formulating proposals and carrying out defined monitoring and control duties (e.g. as pre-deal or post-deal control), as well as defining risk management tools. The function also defines risk management measures for compliance risk independently of the individual case, such as the editing of directives when implementing new ordinances as well as conducting training courses. The Compliance function is further responsible for providing forward-looking legal advice with the objective of avoiding or minimising individual identified risks and threats arising from legal requirements. Legal advice is provided in the context of existing mandatory consultations, as a pre-deal consultation or on request.

Risk managers. The risk managers bear responsibility for profits and losses generated on the risks entered into. They are responsible for the continuous, active management of risks and for compliance with internal risk tolerance regulations, relevant laws, ordinances, circulars and standards. The sales units are responsible for credit risks as risk managers and the Trading and Capital Markets organisational unit for market risks in the trading book. Interest rate risks in the banking book and liquidity risks are the responsibility of Treasury in the Finance unit. All units of the bank are responsible for managing operational and compliance risks.

Risk reporting. The Risk Control and Compliance functions report on a quarterly basis as part of integrated risk reporting to the Executive Board and Board of Directors on the development of the risk profile, on material internal and external events, and on findings from monitoring activities. Quarterly reports are supplemented by special analyses on relevant topics. Besides quarterly reporting, various reports are produced for the individual types of risk. In terms of the frequency with which they are published and the group of recipients, they are tailored to individual risks, and they provide comprehensive, objective and transparent information for decision-makers and supervisory bodies.

1.2 Regulatory capital adequacy and liquidity requirements

This section includes the regulatory key figures (Table KM1) to be published in the Annual Report in accordance with FINMA Circular 2016/1. The other tables on qualitative and quantitative disclosure as at 31 December 2022 will be available online from the end of April 2023 at www.zkb.ch/disclosure.

Under Basel III, a selection of different approaches is available to banks for the calculation of capital adequacy requirements for credit, market and operational risks. The capital required for credit risks has been calculated using the IRB approach (FIRB) since the end of 2017. For market risks, the model-based approach is used in combination with the international standard approach (SA-BIS) for specific interest rate risks. The capital base needed for operational risks is calculated using the basic indicator approach.

A FINMA directive from 2012 permits Zürcher Kantonalbank to solo-consolidate the subsidiary Zürcher Kantonalbank Finance (Guernsey) Ltd. in line with the individual institution provisions. Accordingly, the required capital is calculated on a solo-consolidated basis by the parent company.

As at 31 December 2022, the group had minimum required capital of CHF 6,091 million, compared with eligible capital of CHF 14,624 million. Both the total capital ratio of 19.2 percent of risk-weighted assets and the leverage ratio of 6.2 percent reflect Zürcher Kantonalbank’s solid equity base.

The liquidity coverage ratio (LCR) of 146 percent and the net stable funding ratio (NSFR) of 124 percent point to a comfortable liquidity situation.

Fig. 2a: Table KM1: Key regulatory figures group

in CHF million (unless indicated otherwise)		a 31.12.2022	b 30.09.2022	c 30.06.2022	d 31.03.2022	e 31.12.2021
Eligible capital						
1	Common equity Tier 1 (CET1)	**12,789**	12,211	12,204	12,196	12,188
2	Tier 1 capital (T1)	**13,854**	13,276	13,269	13,256	13,253
3	Total capital	**14,624**	14,036	14,061	14,067	14,063
Risk-weighted assets (RWA)						
4	RWA	**76,144**	77,343	75,282	72,776	71,553
Minimum required capital						
4a	Minimum required capital	**6,091**	6,187	6,023	5,822	5,724
Risk-based capital ratios (as a % of RWA) [1]						
5	CET1 ratio	**16.8 %**	15.8 %	16.2 %	16.8 %	17.0 %
6	Tier 1 capital ratio	**18.2 %**	17.2 %	17.6 %	18.2 %	18.5 %
7	Total capital ratio	**19.2 %**	18.1 %	18.7 %	19.3 %	19.7 %
CET1 buffer requirements (in % of RWA)						
8	Capital conservation buffer as per the Basel minimum standards (2.5 % from 2019)	**2.5 %**	2.5 %	2.5 %	2.5 %	2.5 %
9	Countercyclical capital buffer (Art. 44a CAO) in accordance with Basel minimum standards	**0.0 %**	0.0 %	0.0 %	0.0 %	0.0 %
10	Additional capital buffer due to international or national system relevance	**–**	–	–	–	–
11	Total of bank CET1 specific buffer requirements	**2.5 %**	2.5 %	2.5 %	2.5 %	2.5 %
12	CET1 available after meeting the bank's minimum requirements	**11.2 %**	10.1 %	10.7 %	11.3 %	11.7 %
Capital target ratios as per Annex 8 to the CAO (as a % of RWA) [2]						
12a	Capital conservation buffer in accordance with Annex 8 to the CAO	**–**	–	–	–	–
12b	Countercyclical capital buffers (Art. 44 and 44a CAO)	**–**	–	–	–	–
	Countercyclical capital buffer (Art. 44 CAO)	**0.9 %**	0.9 %	–	–	–
12c	CET1 target ratio in accordance with Annex 8 to the CAO plus countercyclical capital buffers in accordance with Art. 44 and 44a CAO	**–**	–	–	–	–
12d	T1 target ratio in accordance with Annex 8 to the CAO plus countercyclical capital buffers in accordance with Art. 44 and 44a CAO	**–**	–	–	–	–
12e	Total capital target ratio (in %) in accordance with Annex 8 to the CAO plus countercyclical capital buffers in accordance with Art. 44 and 44a CAO	**–**	–	–	–	–
Basel III leverage ratio						
13	Total exposure	**223,071**	222,442	220,173	220,449	212,425
14	Basel III leverage ratio (Tier 1 capital in % of leverage exposure measure)	**6.2 %**	6.0 %	6.0 %	6.0 %	6.2 %
Liquidity coverage ratio (LCR) [3]						
15	LCR numerator: total high-quality liquid assets (HQLA)	**58,545**	54,484	52,383	53,165	51,682
16	LCR denominator: total net outflows of funds	**40,035**	36,874	35,159	34,371	32,242
17	Liquidity coverage ratio (LCR)	**146 %**	148 %	149 %	155 %	160 %
Financing ratio (NSFR)						
18	Available stable refinancing	**114,570**	112,525	110,553	110,214	108,217
19	Required stable refinancing	**92,609**	92,636	92,955	91,440	91,486
20	Financing ratio (NSFR)	**124 %**	121 %	119 %	121 %	118 %

1 The figures are calculated in accordance with the provisions of the CAO for non-systemically-important banks.
2 Systemically important banks can forego the information in rows 12a to 12e, as Annex 8 to the CAO does not apply to them. In this instance, they must nevertheless provide information on the countercyclical capital buffer in accordance with Art. 44 CAO.
3 Simple average of the closing values on the business days during the quarter under review.

The following key regulatory figures essentially present the same picture of the capital and liquidity situation for the group as for the parent company.

Fig. 2b: Table KM1: Key regulatory figures parent company

in CHF million (unless indicated otherwise)		a 31.12.2022	b 30.09.2022	c 30.06.2022	d 31.03.2022	e 31.12.2021
Eligible capital						
1	Common equity Tier 1 (CET1)	**12,940**	12,383	12,382	12,381	12,380
2	Tier 1 capital (T1)	**14,005**	13,448	13,447	13,441	13,445
3	Total capital	**14,774**	14,205	14,237	14,250	14,253
Risk-weighted assets (RWA)						
4	RWA	**76,710**	77,920	75,891	73,439	72,280
Minimum required capital						
4a	Minimum required capital	**6,137**	6,234	6,071	5,875	5,782
Risk-based capital ratios (as a % of RWA) [1]						
5	CET1 ratio	**16.9 %**	15.9 %	16.3 %	16.9 %	17.1 %
6	Tier 1 capital ratio	**18.3 %**	17.3 %	17.7 %	18.3 %	18.6 %
7	Total capital ratio	**19.3 %**	18.2 %	18.8 %	19.4 %	19.7 %
CET1 buffer requirements (in % of RWA)						
8	Capital conservation buffer as per the Basel minimum standards (2.5 % from 2019)	**2.5 %**	2.5 %	2.5 %	2.5 %	2.5 %
9	Countercyclical capital buffer (Art. 44a CAO) in accordance with Basel minimum standards	**0.0 %**	0.0 %	0.0 %	0.0 %	0.0 %
10	Additional capital buffer due to international or national system relevance	**–**	–	–	–	–
11	Total of bank CET1 specific buffer requirements	**2.5 %**	2.5 %	2.5 %	2.5 %	2.5 %
12	CET1 available after meeting the bank's minimum requirements	**11.3 %**	10.2 %	10.8 %	11.4 %	11.7 %
Capital target ratios as per Annex 8 to the CAO (as a % of RWA) [2]						
12a	Capital conservation buffer in accordance with Annex 8 to the CAO	**–**	–	–	–	–
12b	Countercyclical capital buffers (Art. 44 and 44a CAO)	**–**	–	–	–	–
	Countercyclical capital buffer (Art. 44 CAO)	**0.9 %**	0.9 %	–	–	–
12c	CET1 target ratio in accordance with Annex 8 to the CAO plus countercyclical capital buffers in accordance with Art. 44 and 44a CAO	**–**	–	–	–	–
12d	T1 target ratio in accordance with Annex 8 to the CAO plus countercyclical capital buffers in accordance with Art. 44 and 44a CAO	**–**	–	–	–	–
12e	Total capital target ratio (in %) in accordance with Annex 8 to the CAO plus countercyclical capital buffers in accordance with Art. 44 and 44a CAO	**–**	–	–	–	–
Basel III leverage ratio						
13	Total exposure	**223,181**	222,585	220,305	220,653	212,654
14	Basel III leverage ratio (Tier 1 capital in % of leverage exposure measure)	**6.3 %**	6.0 %	6.1 %	6.1 %	6.3 %
Liquidity coverage ratio (LCR) [3]						
15	LCR numerator: total high-quality liquid assets (HQLA)	**58,539**	54,467	52,374	53,157	51,671
16	LCR denominator: total net outflows of funds	**40,200**	36,983	35,294	34,532	32,385
17	Liquidity coverage ratio (LCR)	**146 %**	147 %	148 %	154 %	160 %
Financing ratio (NSFR)						
18	Available stable refinancing	**113,712**	112,045	110,048	109,747	107,726
19	Required stable refinancing	**92,508**	92,646	93,041	91,496	91,520
20	Financing ratio (NSFR)	**123 %**	121 %	118 %	120 %	118 %

1 The figures are calculated in accordance with the provisions of the CAO for non-systemically-important banks.
2 Systemically important banks can forego the information in rows 12a to 12e, as Annex 8 to the CAO does not apply to them. In this instance, they must nevertheless provide information on the countercyclical capital buffer in accordance with Art. 44 CAO.
3 Simple average of the closing values on the business days during the quarter under review.

The breakdown of the regulatory minimum required capital within the group of CHF 6,091 million shows the importance of the lending business to Zürcher Kantonalbank (Figure 3).

1.3 Capital allocation within internal risk management

Zürcher Kantonalbank employs a capital at risk approach to internal risk management. The Board of Directors defines the risk tolerance with the maximum risk capital. The Board of Directors determines the quantitative risk tolerance requirements by means of the allocation of risk capital to the risk categories credit risks, market risks and operational risks.[1] The models are based on a time horizon of one year and a maximum default probability of 0.1 percent per year.

The risk capital for market and credit risks is allocated to the individual organisational units, and the cost of capital is charged to the units. In the case of operational risks, there is no internal allocation of the cost of capital.

Of the CHF 14,063 million in eligible capital (total capital) at the end of 2021, a total of CHF 5,740 million was allocated to the risk business in 2022. The percentage breakdown by risk category of the allocated capital is shown in Figure 4.

1 The risk capital for operational risks also covers compliance risks.

Fig. 3: Breakdown of the regulatory risk-weighted minimum required capital as at 31.12.2022, by risk category

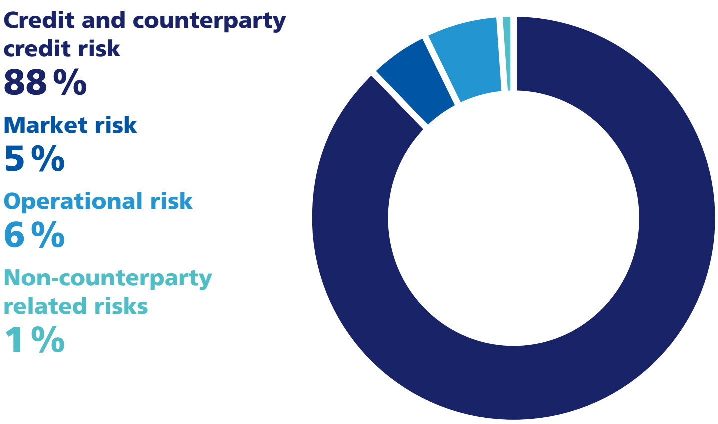
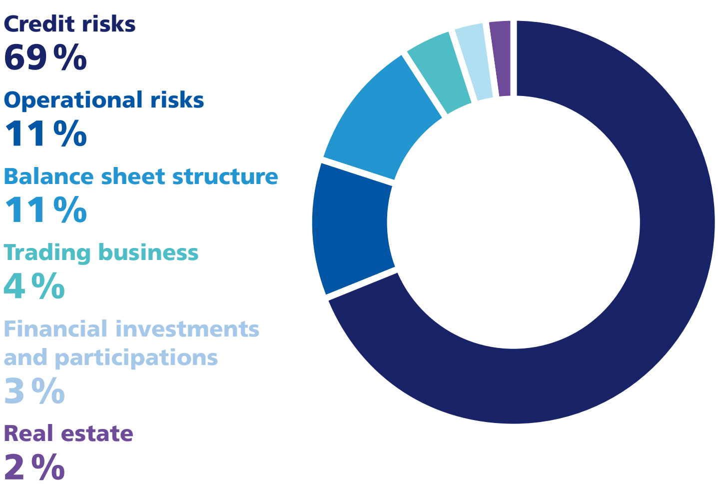


Fig. 4: Risk capital assigned by the Board of Directors, by risk category



1.4 Risk categories

Zürcher Kantonalbank divides risks into the following categories.

Fig. 5: Risk categories

Credit risk

Credit risk constitutes the risk of financial losses that can arise if clients or counterparties do not fulfil contractual obligations that are falling due or do not fulfil them on time. Loans, promises of payment and trading transactions all involve credit risks. Credit risks also include:

Counterparty risks refer to credit risks in trading transactions (e.g. OTC derivatives and SLB transactions). Trading transactions usually include mutual claims, which also depend on market parameters. Counterparty risks are also referred to as counterparty default risks.

Settlement risks describe the risk of losses in connection with transactions involving mutual payment and delivery obligations, where the bank must meet its delivery obligation without first being able to ensure that counter-payment will be made.

Country risks: The risk of losses as the result of country-specific events, such as transfer risks (payment of a liability is restricted or prevented by a country) and risks arising from political and/or macroeconomic events.

Market risk

Market risks comprise the risk of financial losses on securities and derivatives in the bank's own portfolio as a result of changes in market factors, such as share prices, interest rates, volatilities or exchange rates (general market risks), as well as for issuer-specific reasons (specific market risks). Market risks also include:

Balance sheet interest rate risk is the risk that changes in market interest rates will impact negatively on the financial situation of the banking book. As well as affecting current interest income, changes in interest rates have implications for future results. The interest rate risk is managed based on the market interest method.

Market liquidity risk is the risk that a product can no longer be easily sold (or purchased) on a market. The higher the market liquidity, the greater the chance of purchasing or selling a product for an appropriate price at the desired time.

Issuer (default) risk is the risk of a loss arising from a change in fair value resulting from a credit event affecting an issuer to which the bank is exposed through marketable securities or derivatives from this issuer.

Liquidity risk

Liquidity refers to the bank's capacity to settle its liabilities promptly and without restrictions. Liquidity risk is the risk that this capacity to pay will be impaired under institution or market-related stress conditions. Liquidity risks also include (re)financing risk. Refinancing refers to the procurement of funds for the financing of assets. Refinancing risk is the risk that the bank is not in a position to procure sufficient funds at appropriate conditions for the ongoing financing of its lending business.

Short-term liquidity ensures that the bank is able to make payments over a short period of time in the event of a systemic or institution-specific liquidity crisis by holding a sufficiently large inventory of high-quality liquid and unencumbered assets as a financial precaution against a temporary liquidity gap. Often, 30 calendar days are used as the definition period. The regulatory indicator for short-term liquidity is the liquidity coverage ratio (LCR).

Structural liquidity has a medium-term horizon and ensures that refinancing as per the liquidity profile of the assets takes place with stable liabilities. Structural liquidity requirements specify that illiquid assets such as loans to private individuals and companies, as well as parts of the trading portfolio, are to be refinanced through long-term liabilities. The regulatory indicator for structural liquidity is the net stable funding ratio (NSFR).

Operational risk

Operational risks refer to potential damage caused by the inappropriateness or failure of persons, systems or processes or due to external events. Operational risks also include:

IT risks refer to the potential damage caused by the loss of confidentiality, integrity and availability of data and functions in IT systems.

Cyber risks comprise the risk of attacks from the Internet or similar networks (referred to as hacker attacks) on the confidentiality, integrity and availability of data and functions in IT systems.

Compliance risk

Compliance risks are behavioural risks. These are risks that are caused by breaches of the law, regulations or contracts and can result in legal and regulatory sanctions, financial losses and reputational damage.

Compliance is the observance of legal, regulatory and internal regulations as well as the adherence to industry standards and codes of conduct. Compliance involves ensuring that the behaviour and actions of Zürcher Kantonalbank and its employees meet applicable legal and ethical standards, and also comprises all organisational measures designed to prevent violations of the law and breaches of rules and ethical norms by Zürcher Kantonalbank, its governing bodies and its employees.

Strategic risk

Strategic risks are all possible factors of influence, events and decisions that have the potential to endanger the long-term success of the company.

Business risk

Business risk is the risk that lower business volumes and margins will reduce the group's operating result if the decline in operating income is not offset by a simultaneous drop in operating expenses. Business risks also include unplanned additional costs in the absence of correspondingly higher income. Business risks materialise when actual income falls short of the budgeted income. This can occur on a one-off and a recurring basis. Typical examples of business risks are unexpectedly decreasing margins and a lack of client demand following an economic downturn.

Reputation risk

Reputation risk involves the risk of damage to the bank's good reputation or, in extreme cases, the risk of losing the bank's good reputation altogether. Aligning business activities to the central core values of the company is the best way in which to guarantee that the company's excellent reputation is maintained and to prevent instances in which activities have a negative impact on the bank's reputation.

Reputation denotes the image that a company enjoys among its stakeholders, i.e. the bank's standing in terms of its integrity, competency, performance and reliability from the perspective of stakeholders. Reputational damage occurs when the perception of a stakeholder group differs from its expectations. The trustworthiness and credibility of the bank as aspects of its reputation are negatively influenced by this difference. Reputation is determined by constantly comparing perceptions and expectations over a period of time and is reflected in the company's values and identity.

Reputation risks are treated as a separate category by Zürcher Kantonalbank. Nevertheless it also sees them as a derived risk: they are considered a reputation-affecting component of strategic risks, market and credit risks, liquidity risks, compliance risks, operational risks and business risks. Strategic risks and business risks are managed as part of the bank's strategy and controlling process. Risk management and the risk profile in the other risk categories are described in the following sections.

Sustainability risks are events or conditions related to the environment, society or governance (ESG), the occurrence of which may have actual or potential negative effects on the bank's assets, finances and earnings, as well as on its reputation. Sustainability risks are a component of the risk categories listed above. The management of sustainability risks is an integral part of the bank's risk management processes. For example, aspects of sustainability, such as environmental or social risks, are an important part of risk assessment when reviewing financing for companies that operate globally. Zürcher Kantonalbank's lending rules also explicitly exclude the financing of certain commodities, such as crude and heavy oil, coal for electricity production (thermal coal), precious woods, live goods, etc., as well as coal mining, oil and gas extraction, and fossil-fuel power plants. The sustainability, service and support mandates together form Zürcher Kantonalbank's public service mandate, which is anchored in the Law on Zürcher Kantonalbank and implemented in the "Guidelines for the Fulfilment of the Public Service Mandate" adopted by the Cantonal Parliament. Internal guidelines for implementation in the business areas are formulated in the sustainability policy. Zürcher Kantonalbank publishes an annual sustainability report, which contains detailed information on the fulfilment of its public service mandate. Climate-related financial risks, which must be disclosed in accordance with FINMA regulatory requirements, are part of sustainability risks. The disclosure report will be published by the end of April 2023 under www.zkb.ch/disclosure. Section 1.10 of this report provides a summary of climate-related financial risks.

1.5 Credit risks

1.5.1 Strategy, organisation and processes

The strategy applied in the management of credit risks is set out in the internal lending policy. The strategy is revised and updated by the risk organisation as part of an annual, structured process and is approved by the Executive Board. The principles defined in the lending policy include the measurement and management of risks based on uniform, binding objectives and instruments, and the acceptance of risks based on objective, business-related criteria, in proportion to the bank's risk capacity, together with sustainable management of the quality of the credit portfolio.

The bank adopts a risk and cost-based pricing policy, with transparent credit decisions and a selective, quality-oriented strategy for the acquisition of financing business. Particular attention is paid to environmental and social risks in the credit assessment process. In recognition of the total commitment of owners, higher risks may deliberately be accepted on occasion for SMEs from the Greater Zurich Area.

The preventative risk management and risk control functions are separated from risk management at Executive Board level. Preventative risk management issues lending guidelines, analyses and reviews transactions in line with existing delineations of power, monitors business-related risks on an ongoing basis and assists in the training of risk managers. Risk control monitors and reports at portfolio level and is responsible for defining risk measurement methods.

Credit risks are managed and limited by means of detailed parameters and areas of responsibility within the credit process at individual exposure level and by means of limiting the risk capital in accordance with the capital at risk approach at portfolio level. Another key control element in credit risk management is risk-adjusted pricing, which includes expected losses (standard risk costs) as well as the cost of the risk capital to be retained in order to cover unexpected losses.

Expected losses are determined on the basis of the statistical probability of default (PD), assumptions regarding the level of exposure at default (EAD) and the estimated loss given default (LGD). Rating models specific to individual segments are used to determine default probabilities. The rating system for retail and corporate clients as well as banks combines statistical procedures with many years of practical experience in the lending business and incorporates both qualitative and quantitative elements. Country ratings are in principle based on the ratings of external agencies (country ceiling ratings and sovereign default ratings).

A credit portfolio model is used as the basis for the modelling of unexpected losses. Besides default probabilities, exposures in the event of default and loss rates, correlations between debtors are particularly significant for the modelling of unexpected losses. The model covers balance-sheet and off-balance-sheet items. The valuation of collateral for loans, and in particular the calculation of market and collateral values, is governed by an extensive set of internal rules setting out the relevant methods, procedures and responsibilities. These rules are continually reviewed and aligned with regulatory requirements and market changes. For the valuation of mortgage collateral, the bank uses recognised estimation methods that are tailored to the type of property, including hedonic models, income capitalisation approaches and expert appraisals, among others.

The models used as well as the individual valuations are reviewed on a regular basis. The maximum loan-to-value ratio for mortgages depends on how realisable the collateral is and is influenced by factors such as location and type of property (family home or commercial property, for example). Readily marketable collateral (securities, precious metals, account balances, for example) is generally valued at current market prices. The lending of readily marketable collateral is subject to the deduction of specified margins. These margins differ primarily in terms of the collateral's susceptibility to fluctuations in value.

Credit exposures are restricted by limits. In addition to the limits at counterparty and counterparty group level, limits are placed on sub-portfolios, for instance for foreign exposures. All credit and contingent exposures are monitored on a daily basis, and exposures from trading transactions are monitored on a real-time basis. In the case of trading transactions, pre-deal checks can be undertaken to examine and ensure adherence to counterparty limits. Any breaches of limits are reported promptly to the competent management level. An early-warning system identifies negative developments, which are communicated to the officers responsible. The rating of corporate clients is generally reviewed once a year on the basis of the annual financial statements. A supplementary review of ratings, limits and exposures in the retail and corporate client business is undertaken using risk-oriented criteria. Ratings, limits and exposures in the banking sector are reviewed periodically and on an extraordinary basis in the event of a deterioration in the credit rating of a particular institution.

Value adjustments. As part of their risk management role, the bank's relationship managers constantly monitor all positions in the credit portfolio to identify any signs of impairment of value. Should any signs be found, a standardised impairment test is used to determine whether a loan should be classed as impaired. Impaired loans are those where the borrower is unlikely to be able to meet his future obligations.

Where it appears that the bank will be unable to collect all amounts due on a claim, the bank makes an allowance for the unsecured part of the loan, taking into account the borrower's creditworthiness. In determining the required value adjustment, mortgage collateral (including valuation discounts, settlement and holding costs) and readily marketable collateral (freely tradeable securities as well as other easily realised assets such as deposits, precious metals, fiduciary investments, etc.) are considered at their current liquidation value. The recoverability of other collateral (e.g. leased assets, guarantees) has to be demonstrated in particular. The authority to approve the creation of new individual value adjustments rests with the risk managers. Above a certain amount, the approval of the risk organisation is also required.

Interest and associated commission payments that have not been received in full 90 days after becoming due are classified as past due. They are deemed to be impaired and are usually fully adjusted if they are not covered by collateral. Individual value adjustment rates may apply to the principal in the case of major positions. Collective individual value adjustments are recognised for overdrafts of up to CHF 30,000 and for interest and associated commission payments outstanding for more than 90 days; in all other cases, individual value adjustments are generally set aside.

In principle, a central, specialised unit fundamentally manages impaired positions across all client segments. This unit steers the positions through the stabilisation and resolution process and ensures that existing value adjustments are regularly reviewed and adjusted where necessary.

The calculation of value adjustments and provisions for expected losses on exposures not at risk of default is explained in the section "Accounting and valuation principles" on page 136.

Country risks. The country risk of individual exposures is determined on the basis of the risk domicile, where this is not identical to the domicile of the borrower, in accordance with the Swiss Bankers Association's guidelines on the management of country risk. In the case of secured exposures, the domicile of the collateral is taken into account when determining the risk domicile. The risks for each country, total country risks and total country risks outside the bank's best internal rating category are subject to limits, adherence to which is monitored on a constant basis.

Settlement risks. A settlement risk arises in the case of transactions with mutual payment and delivery obligations where Zürcher Kantonalbank must meet its obligations without being able to ensure that counter-payment is also being made. Settlement risk can occur in relation to foreign exchange transactions, securities lending and borrowing (SLB) and OTC repo transactions as well as transactions involving different payment systems and time zones in the interbank sector. Zürcher Kantonalbank is a member of the CLS Bank International Ltd. joint venture, a clearing centre for the settlement of foreign exchange transactions on a "payment versus payment" basis, which helps ensure that a substantial element of the settlement risk arising as a result of foreign exchange trading is eliminated.

Concentration risks. Zürcher Kantonalbank uses a systems-based method for monitoring concentration risks. Besides measurement for the purpose of preparing regulatory reports, concentration risks are limited at product and client level using benchmarks that are reflected in the corresponding powers of authorisation. Internal concentration risk reporting includes information on product, sector and individual position concentrations. Due to the bank's roots within the Greater Zurich Area, a large concentration risk in the credit portfolio takes the form of geographical concentration risk in the mortgage portfolio.

1.5.2 Risk profile

At the end of the year, the credit portfolio presents a robust picture in the face of the ongoing consequences of the Ukraine war, high inflation and the interest rate turnaround, as well as concerns about a possible energy shortage, as detailed in the overview in section 1.1.1. The remaining receivables relating to Russia have been impaired, the impact of this on the income statement is very low. No extraordinary loss events occurred in the second half.

Covid-19 emergency loans: Companies in Switzerland affected by the Covid-19 crisis were able to apply for bridging loans guaranteed by the federal government in order to ensure their liquidity. Under this programme, the participating commercial banks granted affected companies loans of up to 10 percent of their annual sales or a maximum of CHF 20 million. Such "Covid-19 loans" involved the disbursement of up to CHF 500,000 with a 100 percent federal guarantee. The larger amounts, known as "Covid-19 plus loans", are 85 percent covered by the federal government. These loans were granted after the bank performed a proper lending appraisal. To supplement the federal loan programmes, the Canton of Zurich has underwritten loan default guarantees for hardship cases. This financing is also 85 percent covered by the canton. This cantonal loan loss guarantee programme was extended in November 2020 to the end of the first quarter of 2021. In addition, promising start-up companies were supported with a special financing programme. The outstanding limits in the above-mentioned financing programmes amounted to CHF 508 million as at the end of 2022 (previous year-end: CHF 692 million); limits totalling CHF 506 million had already been reduced (Figure 6). Due to the extensive guarantee coverage, Zürcher Kantonalbank's unfunded exposure from Covid-19 emergency loans is only marginally impacted.

Fig. 6: Covid-19 emergency loans from Zürcher Kantonalbank in CHF million as at 31 December 2022

in CHF million	Outstanding loans	Unutilised limits	Reduced limits	Total
Covid-19 loans (100 %)	369	25	388	**782**
Covid-19 Plus (85 %)	33	44	105	**183**
Covid-19 canton ZH (85 %)	17	13	13	**43**
Covid-19 start-up (100 %)	6	0	1	**6**
Total	425	82	506	**1,013**

(values in brackets = surety/warranty cover)

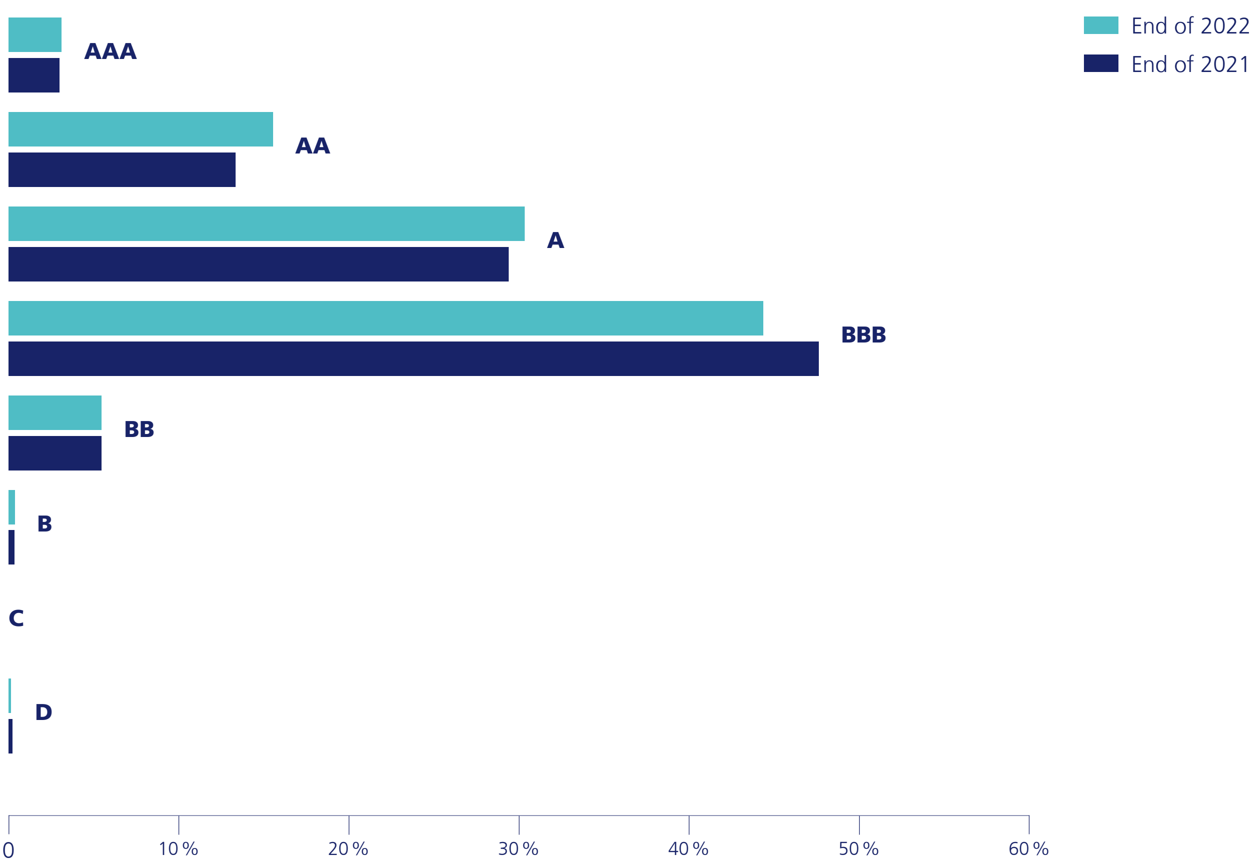
Credit exposure in the main sub-portfolios

The following sections provide information about the most important sub-portfolios of the credit exposures in Zürcher Kantonalbank's balance sheet.

Credit exposures by rating category. Default probability ratings are assigned internally on the basis of a scale from 1 to 19. Figure 7 shows the credit exposures broken down by counterparty credit rating, mapped to Standard & Poor's rating scale. At the overall portfolio level, only marginal changes occurred compared with the previous year. Credit exposures in the non-investment categories (BB and below) account for 6.3 percent of the volume (2021: 6.3 percent).

Credit exposures by client portfolio. Figure 8 shows credit exposures classified in accordance with the bank's internally defined client portfolios. The volume of credit exposures increased by around CHF 7 billion (5.3 percent) compared with the previous year. Credit exposures in relation to "private individuals" consisted almost entirely of receivables secured by mortgages and represented 50 percent (2021: 51 percent) of total credit exposures. The Corporates portfolio consists of credit exposures in relation to clients of a commercial nature (incl. real estate companies and cooperative building associations). The share of this client group in total credit exposures was 24 percent (2021: 23 percent), 83 percent (2021: 83 percent) of which was secured by mortgages or cash. In the "Banks and securities dealers" portfolio, the largest share of credit exposures in volume terms, at 15 percent (2021: 15 percent), was in the form of collateralised transactions such as reverse repo transactions. Other credit exposures in relation to banks arise as a result of trading operations and from the international trade financing business. Insurance companies, pension funds, financial holding companies, investment fund companies and similar companies together constitute the "Financial sector excluding banks" portfolio, which accounted for a 6 percent share (2021: 8 percent). "Governments and public entities" – the smallest portfolio, with a share of 5 percent of the volume of credit exposures – consists of positions with central banks, central governments and public authorities and institutions.

Fig. 7: Credit exposures by rating category
Share as %



Mortgage loans to private individuals. Real estate financing for private individuals is part of Zürcher Kantonalbank's core business. Almost two-thirds of these mortgage loans relate to owner-occupied residential property. The remaining loans are secured with rented residential properties or properties that are used for commercial purposes. Mortgage loans to private individuals increased by 3 percent in 2022. The median gross loan-to-value ratio for all properties in the private client portfolio was 46.8 percent (2021: 49.3 percent).

Unsecured loans. Of the unsecured loans in the "Corporates" portfolio (Figure 9), 79 percent (2021: 77 percent) are attributable to clients in the AAA to BBB (investment grade) rating categories, with a higher year-on-year overall volume at just under CHF 5.8 billion (+ 11.5 percent). Figure 10 shows the unsecured loans in the Corporates portfolio broken down by industry. The increase in volume compared with the previous year was mainly attributable to the three largest sector aggregates (manufacturing, retail, information & communications), which together accounted for around 63 % of exposure.

Fig. 8: Credit exposures by client portfolio in CHF million

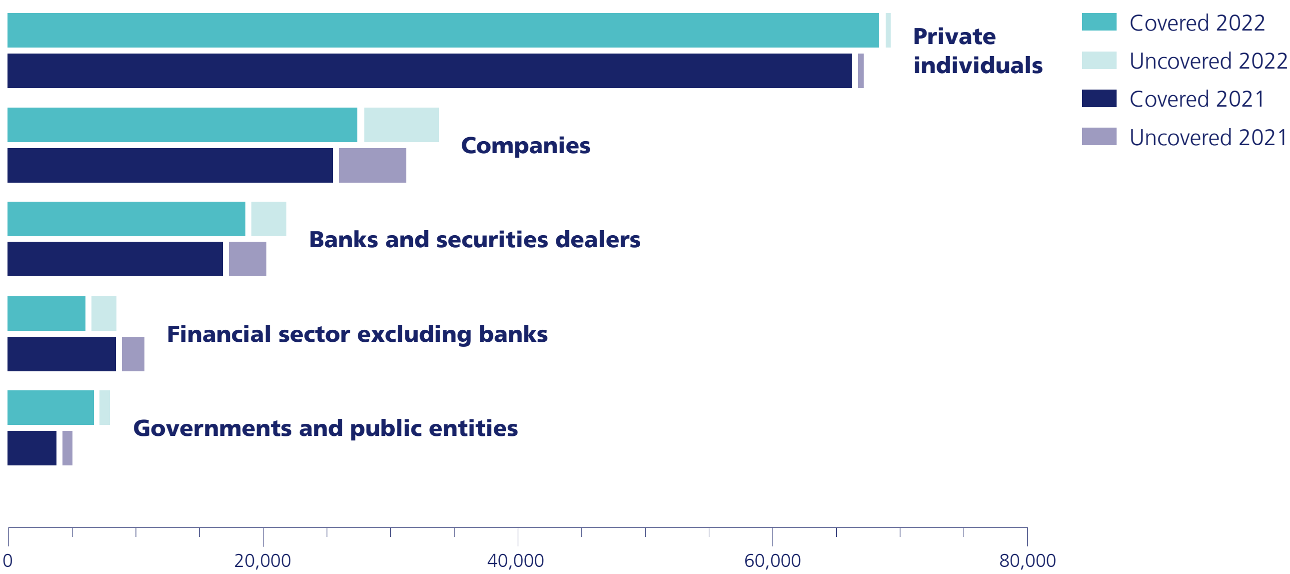


Fig. 9: Unsecured credit exposures to corporate clients by rating category in CHF million

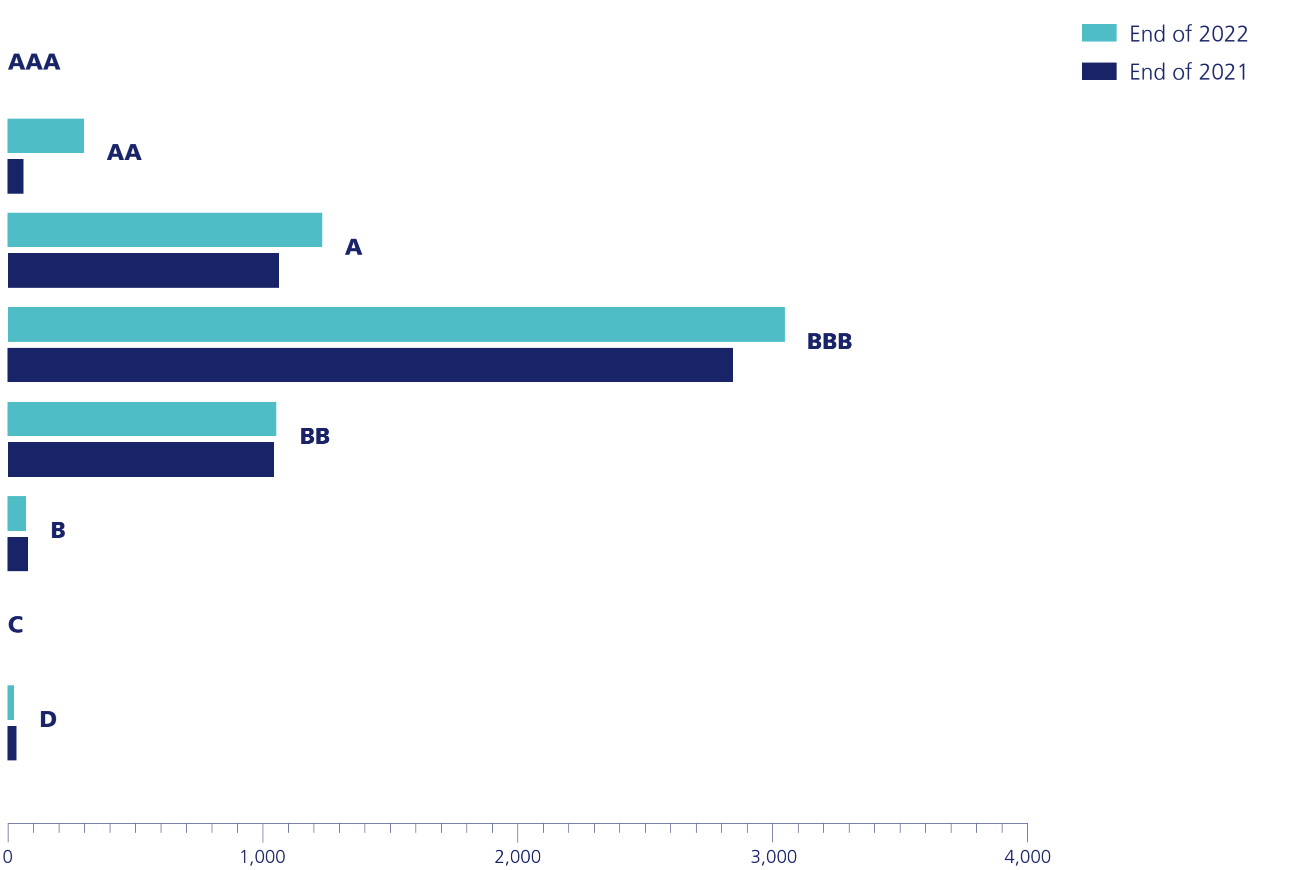
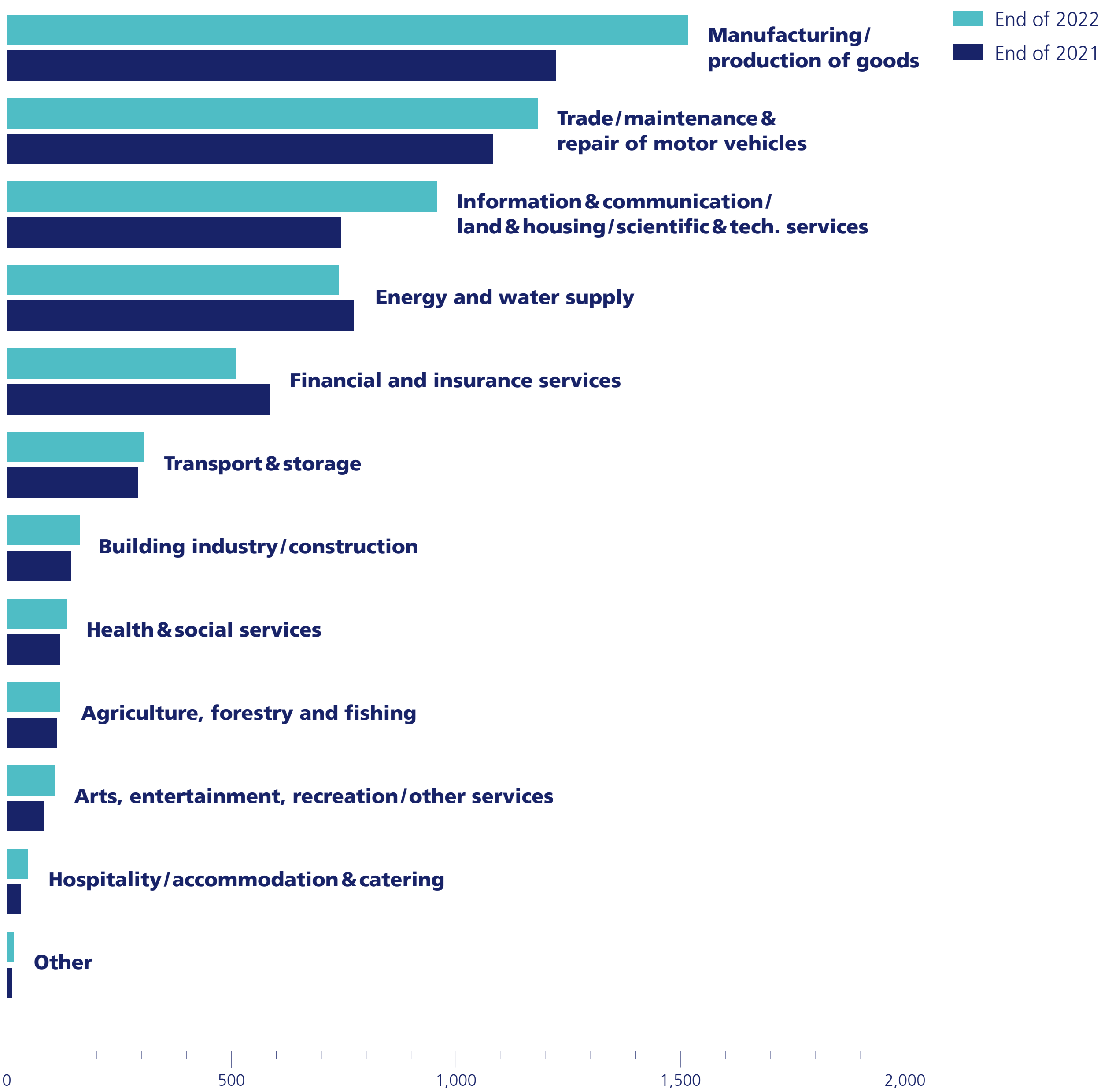
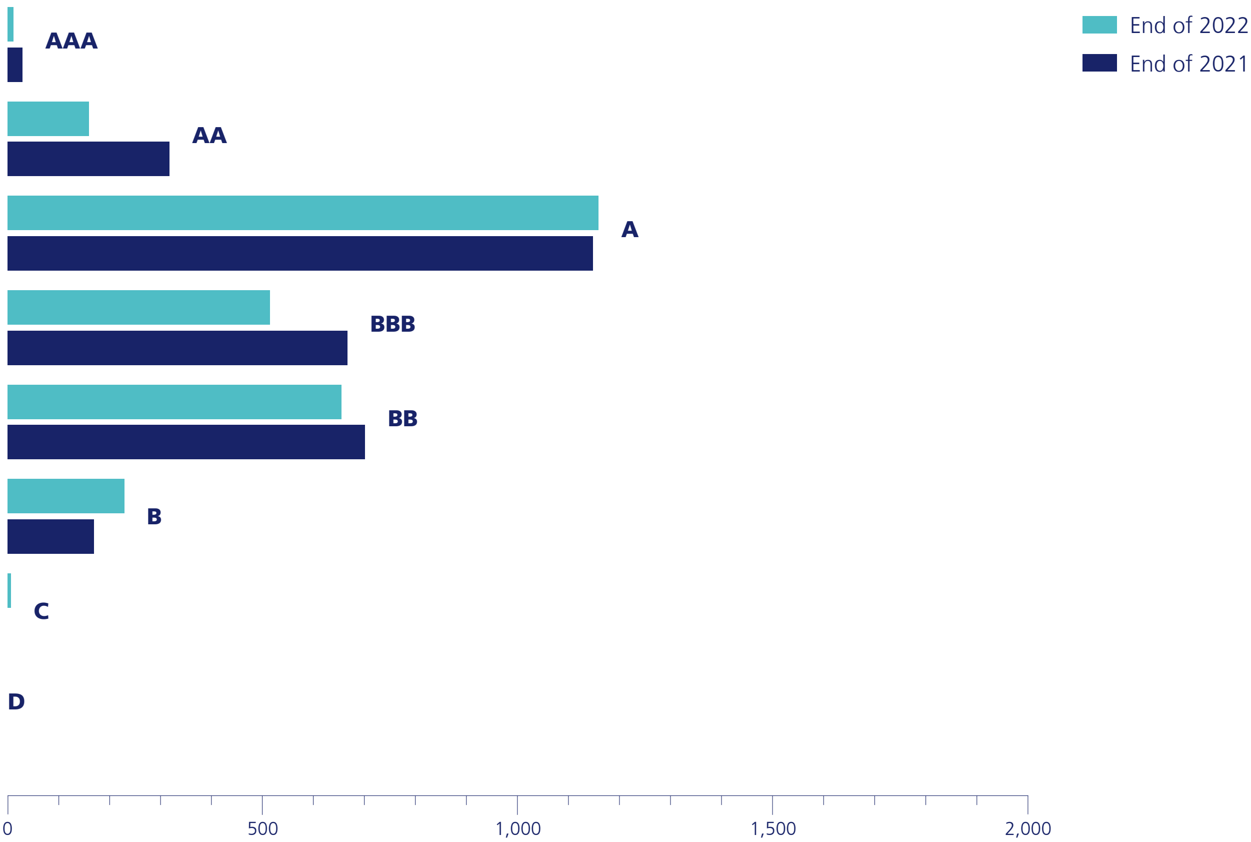


Fig. 10: Unsecured credit exposures to corporate clients by industry in CHF million



In the "Banks and securities traders" portfolio (Figure 11), the volume of unsecured loans at about CHF 2.75 billion was lower (–9.7 percent) percent) than at the end of 2021. The level of this exposure can change significantly every day, unlike other forms of lending, due to the influence of the bank's trading transactions. The AAA to BBB (investment grade) rating categories accounted for 67 percent (2021: 71 percent) of the unsecured exposures.

Fig. 11: Unsecured credit exposures to banks and securities traders by rating category in CHF million



Impaired loans/receivables. Impaired loans amounted to CHF 425 million (2021: CHF 418 million). After deducting the estimated liquidation value of collateral, this equals net debt of CHF 224 million (2021: CHF 207 million, see also Note 2 to the balance sheet).

Non-performing loans/receivables. The nominal value of non-performing loans amounted to CHF 89 million at the end of the reporting period (2021: CHF 89 million). Loans are classified as non-performing when interest, commission or amortisation payments or the repayment of the principal have not been received in full 90 days after becoming due. This also includes claims against borrowers in liquidation, and loans with special conditions arising from a borrower's financial standing. Non-performing loans are also often a component of impaired loans.

Value adjustments and provisions. The volume of individual value adjustments and provisions for default risks from impaired loans and receivables increased by CHF 17 million to CHF 325 million in 2022 (see also Note 16 to the balance sheet). Forecast uncertainty in the medium and longer term remains elevated, partly due to the continuing tense geopolitical situation.

Accounting regulations have required Swiss banks to set up allowances and reserves for expected losses on non-impaired positions since 1 January 2021. Due to the favourable trend in various risk parameters, the position fell by CHF 14 million year on year to CHF 488 million at the end of 2022.

1.6 Market risk

1.6.1 Strategy, organisation and processes for the management of market risks in the trading book

In the trading business, Zürcher Kantonalbank pursues a strategy focused on client transactions. The individual desks hold trading mandates approved by the Risk Committee of the Executive Board, which set out the basic conditions in terms of the objectives pursued, instruments used for underlying and hedging transactions, the form of risk management, and the holding period. The preventative risk management and risk control functions are separated from risk management at Executive Board level. The responsibilities of the preventative risk management function, which is independent of Trading, and the risk control function downstream of it, include the monitoring of compliance with risk limits and trading mandates, the calculation and analysis of the result from trading activities (P&L) and risk figures, as well as the preventative analysis of potentially high-risk transactions. The risk organisation is also responsible for defining and implementing methods of risk measurement, their independent validation, and internal and external risk reporting.

Market risks are measured, managed and controlled on the one hand by assigning risk capital in accordance with the capital at risk approach and on the other by using value at risk limits. This is supplemented by the periodic performance of stress tests and by the monitoring of market liquidity risks. The value of trading positions is determined using the fair value method, whereby marking to market or marking to model, which is subject to stricter rules, is applied on a daily basis. The “trading market risks” capital at risk corresponds to the assigned risk capital for the market risks of trading transactions on a one-year horizon and at a confidence level of 99.9 percent.

The modelling is based on a stressed value at risk (stressed VaR). Besides general market risks, the model also takes into account issuer default risks. Zürcher Kantonalbank calculates value at risk for a 10-day period and at a confidence level of 99 percent using a Monte Carlo simulation. The loss distribution is arrived at from the valuation of the portfolio using a large number of scenarios (full valuation). The necessary parameters for determining the scenarios are estimated on the basis of historical market data, with more recent observations being accorded a higher weighting for the forecasting of volatility than less recent ones. As a result, value at risk responds rapidly to any changes in volatility on the markets. Value at risk is calculated on a daily basis for the entire trading book. The four groups of risk factors – commodities, currencies, interest rates and equities – are calculated and shown both separately and on a combined basis (Figure 12).

The bank uses different types of scenarios for stress-testing. A distinction is made between scenarios relevant to benchmarks and pure analysis scenarios. Scenarios relevant to benchmarks are historical and hypothetical scenarios that are used to estimate the loss that could result from extreme but plausible macroeconomic stress events. Each one is based on the expected development of market indicators for the corresponding scenario.

In this way the bank can identify potential vulnerabilities and risk concentrations, analyse them better and then take action.

The additional analysis scenarios used in market risk monitoring do not have a limiting function, in contrast to the scenarios relevant for benchmarks. These scenarios are used solely for risk analysis in that their focus is on individual risk factors (e.g. interest rates), which helps to illuminate the risk profile from different perspectives.

The bank additionally monitors the market liquidity risk of individual portfolios. In the equity derivatives sector, the potential trading volume resulting from the hedging strategy in the event of a change in the key risk factors is compared with the total market volume. Hypothetical offsetting expenses are calculated for bonds and bond-type products, based on observed bid-ask spreads and taking into account additional price premiums/discounts. Large positions are examined regularly to ensure there is sufficient liquidity; if necessary, valuation reserves are recognised, causing a reduction in core capital in the context of capital adequacy.

The bank performs daily back-testing for the purpose of examining the forecast accuracy of the value at risk. Regulatory back-testing is based on a comparison of the value at risk for a holding period of one day with the back-testing result. Breaches of limits are notified immediately to the competent authorities if the number of breaches exceeds expectations. The market risk model is validated annually on the basis of a defined process. Validation comprises both standardised quantitative analyses, such as back-testing, and in-depth investigations in selected focus areas. In addition to the annual review of the model, risks not modelled in the value at risk are periodically analysed in a separate process and monitored with regard to materiality.

Risk profile. At CHF 12 million, the annual average value at risk was above the prior year (CHF 8 million) (Figure 12). This increase reflected the sharp rise in volatility and the strong momentum on financial markets, driven by high inflation figures and the decisive reactions of central banks. Interest rate risks continue to dominate in the composition of value at risk (Figure 13).

Back-testing results. The quality of the value at risk approach used is assessed by comparing the value at risk for a holding period of one day with the daily back-testing result (Figure 14). In the case of a one-day holding period and 99-percent quantile, the value at risk is expected to be exceeded two to three times each year. This occurs when a daily loss in trading is higher than the model predicts. The number of negative back-testing exceptions over roughly 250 business days rose from zero to one in November against the backdrop of increased interest rate volatility in the financial markets; it remained at one at the end of the year.

1.6.2 Strategy, organisation and processes for the management of market risks in the banking book

1.6.2.1 Interest rate risks in the balance sheet

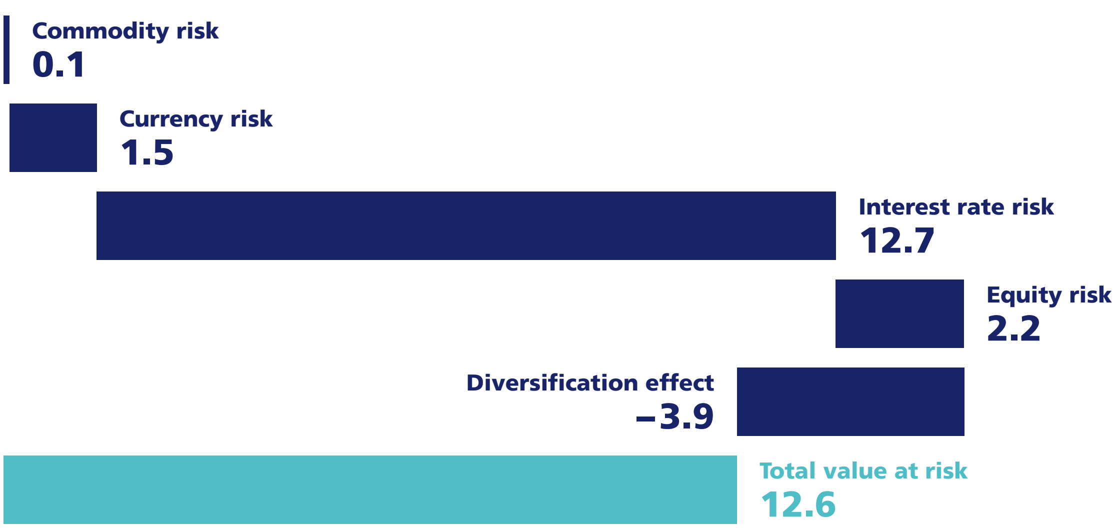
Strategy, organisation and processes. In managing the banking book, Zürcher Kantonalbank pursues a strategy focused on medium-term optimisation of net interest income. The interest rate risk is managed based on the market interest method. For client depos-

Fig. 12: Market risks in the group trading book

Risks including volatility risks in CHF million	Commodities[1]	Currencies	Interest rates	Equities	Diversification	Modelled total risk	Total risk[2]
Risks based on the model approach (value at risk with 10-day holding period)							
As at 31.12.2022	**0**	**2**	**13**	**2**	**−4**	**13**	**14**
Average in year 2022	0	1	10	4	−5	11	12
Maximum	2	3	18	10	−9	18	20
Minimum	0	0	7	2	−3	7	8
As at 31.12.2021	0	0	12	3	−3	12	13

1 Incl. precious metals.
2 Sum of modelled total risk and risk premium for trading products not fully modelled.

Fig. 13: Components of value at risk as at 31.12.2022 in CHF million



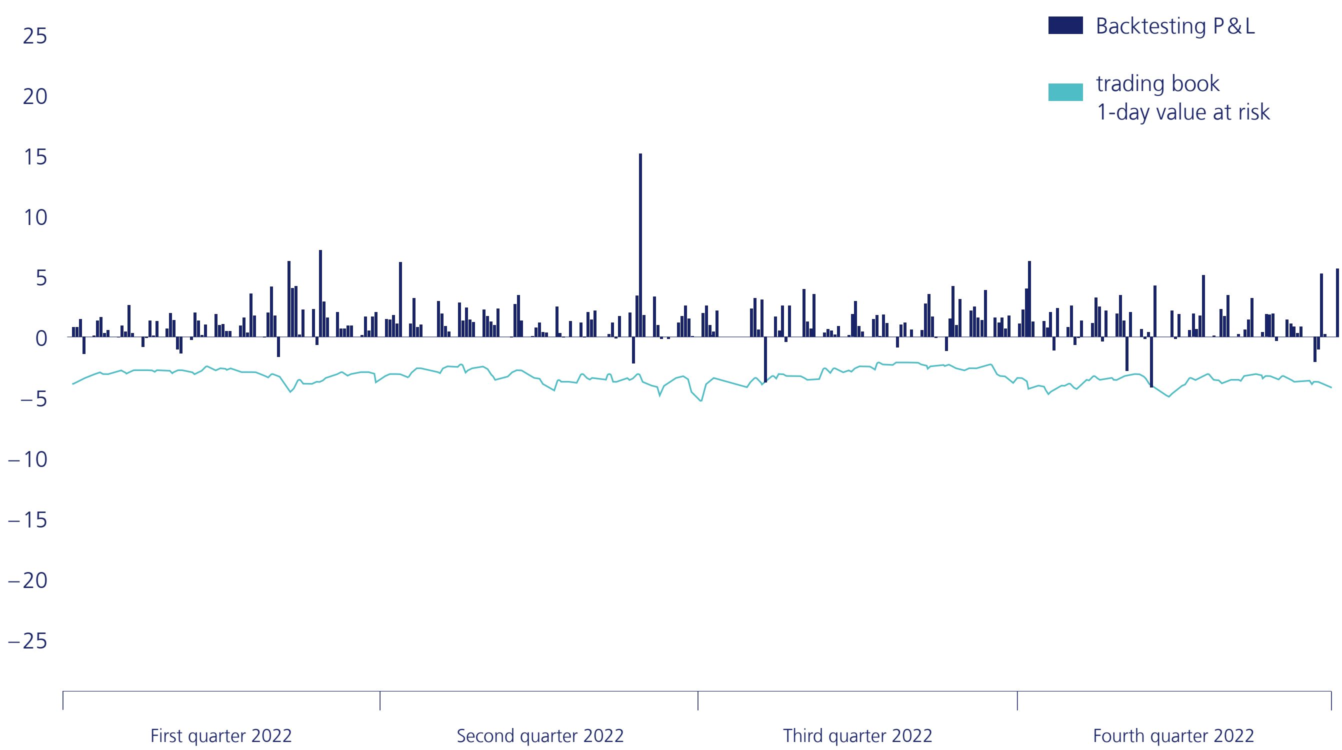
its and loans with a variable interest rate, the interest rate risk is determined by taking into account the bank's anticipated future rate-setting behaviour and client behaviour, and is reviewed at least once a year.

The interest rate risk in the banking book is managed in strategic terms by the Board of Directors and in tactical terms by the CFO and Treasury. The strategic interest rate risk position is set by the Board of Directors on a periodic basis in the form of an investment strategy for equity (equity benchmark). The CFO and Treasury manage the deviation of the interest rate risk position in the banking book from the equity benchmark within the risk limits set by the Board of Directors. The Risk unit is responsible for the measurement and monitoring of risk as well as independent reporting on interest rate risk. Variable products play a central role in the management of interest rate risks. Banking book products without defined interest rates and capital commitment are variable products. These include primarily savings and transaction accounts. These products are modelled by replicating these variable products through synthetic products with defined fixed interest rates on the basis of econometric analyses and expert-based estimates. A key component of this modelling approach is the definition of a "floor", which can be considered a non-interest-rate-sensitive partial volume in terms of capital commitment. The duration of the replication of the floor is determined by the assumed setting of conditions in the event of interest rate changes. The model is updated and validated every year and is approved by the Risk Committee of the Executive Board on an annual basis. Interest rate risk management takes account of the present value as well as earnings prospects. From the present value perspective, interest rate risks are managed by allocating risk capital in accordance with the capital at risk approach (risk horizon of one year, confidence level of 99.9 percent) and by applying value at risk limits (holding period of 20 trading days, confidence level of 99 percent). In addition, stress scenarios are simulated in the present value perspective in order to analyse and limit the impact of extraordinary changes in the interest rate environment.

From the prospective earnings perspective, stress tests provide an indication of the structural contribution in the event of extraordinary changes in market interest rates with unchanged positioning over a one-year period. Besides the structural contribution, margin effects are particularly significant for client deposits with variable interest rates. Additional monitoring tools allow such margin effects to be analysed for different interest rate scenarios over a period of several years.

Risk profile. The maturity-dependent sensitivity data shown in Figure 15 indicate the change in value in Swiss francs when interest rates for each maturity band fall by one basis point (0.01 percentage points). The client deposits contained in the hedged item are represented via replicating portfolios with average maturities of between 20 months (private and current accounts) and 28 months (savings accounts). The interest rate sensitivity of the CHF banking book stood at CHF 7.2 million per basis point as at 31 December 2022, 13 percent down on the previous year. With growth remaining high in the mortgage business, a shift in client demand from fixed-rate to money market mortgages and the rise in interest rates led to lower interest rate exposure.

Fig. 14: Comparison of back-testing results[1] and value at risk in CHF million



1 The back-testing result corresponds to the trading income used and adjusted for the purpose of methodological reviewing of the quality of the risk model.

The interest rate exposure serves as a strategic hedge against persistently low Swiss franc interest rates as well as the stabilisation of interest gains. In the event of an interest rate rise, the positive margin effects successively compensate for the anticipated losses in terms of the structural contribution. The euro and US dollar interest rate exposures were almost fully hedged as at the end of 2022. The present value losses in the regulatory interest rate shock scenarios, as shown in Figure 16, illustrate the development of interest rate risk. In the worst-case scenario in Swiss francs, a parallel interest rate shock of 150 basis points upwards results in a present value loss of CHF 1,046 million, which is a stress loss CHF 21 million lower than last year.

1.6.2.2. Risks in the investment portfolio

The risks in the investment portfolio comprise issuer risks on debt and equity securities in financial investments, participations and real estate price risks. Interest rate risks are managed and limited as part of asset and liability management.

Strategy, organisation and processes. The basis of the investment portfolio is mainly operational. Debt securities in financial investments form part of the bank's liquidity buffer, and participations mainly related to companies within the financial market infrastructure.

Fig. 15: Interest rate sensitivity of the banking book CHF

Base point sensitivity[1] in CHF 1,000	up to 12 months	1 to 5 years	over 5 years	Total
Hedged item	–412	2,586	7,506	9,680
Hedge	–22	–685	–1,738	–2,445
Total as at 31.12.2022	**–434**	**1,901**	**5,768**	**7,235**
Total as at 31.12.2021	**–282**	**1,505**	**7,135**	**8,357**

1 Basis point sensitivity is measured as a cash value gain/loss when the interest rate in the maturity band concerned falls by one basis point (bp). One basis point equals 0.01 percentage points.

Fig. 16: Present value stress results of the standardised interest rate shock scenarios

in CHF million		31.12.2022	31.12.2021	Change
(i) Upward parallel shift		**–1,046**	–1,067	21
(ii) Downward parallel shift		**1,175**	1,219	–44
(iii) Steepener shock		**–424**	–606	182
iv) Flattener shock		**220**	398	–178
(v) Shock of short-term interest rates upward		**–182**	–40	–141
(vi) Shock of short-term interest rates downward		**183**	41	142
Tier 1 capital (T1)		**14,005**	**13,445**	**560**
Ratio of largest present value loss to Tier 1 capital (T1)	**in %**	**7.47**	**7.94**	**–0.47**

In addition, Zürcher Kantonalbank provides start-up financing to promote young companies. The real estate position consists almost entirely of property in use by the bank. The purchase of financial investments and real estate as well as the acquisition of participations are subject to detailed regulations and responsibilities. The investment strategy for the financial investments managed by Treasury is laid down in the risk tolerance requirements approved by the Risk Committee of the Executive Board. Only debt securities with a first-class credit rating that are considered high-quality liquid assets (HQLA) may be purchased. There are investment guidelines with rules on climate-related financial risks in Zürcher Kantonalbank's sustainability policy. Financial investments by Treasury must now meet not only exclusion criteria for issuers from critical industries, but also requirements regarding their carbon footprint (CO_2 emissions relative to sales). The Risk unit is responsible for the measurement and monitoring of risk as well as independent reporting on investment portfolio risks.

Risks relating to the investment portfolio are managed internally by assigning risk capital. For the determination of this risk capital for financial investments and participations, Zürcher Kantonalbank uses an internal default model that takes diversification effects into account.

For real estate owned by the bank, risk capital is allocated based on regulatory minimum capital adequacy requirements.

Risk profile. The carrying amount of debt securities in financial investments was CHF 7.2 billion as at 31 December 2022 (2021: CHF 4.5 billion). The portfolio consisted of mortgage bonds and first-class bonds, which are diversified in terms of counterparty groups and countries. The presentation of Financial investments and Participations can be found in Notes 5 and 6 to the balance sheet.

1.7 Operational risks

1.7.1 Strategy, organisation and processes

The objective of Zürcher Kantonalbank's management of operational risk is the risk-oriented protection of people, information, services and assets, and the maintenance and restoration of critical business functions in an operational emergency. The management of operational risk is therefore an essential part, ensuring that the canton, clients, partners, public and regulator have confidence in the bank. The assessment of operational risks takes account of both direct financial losses and the consequences of a loss of client confidence and reputation.

The corresponding risk inventory constitutes the basis for the management of operational risks. Besides periodic and systematic assessments, operational risks are assessed, managed and monitored on an event-driven basis as well. Operational risks are divided into six topics: cyber risks, other external tort risks, internal tort risks, expert and model risks, process risks, and environmental and accident risks.

The risk organisation reviews the management of operational risks in an annual structured process. The principles governing the management of operational risks require, among other things, that operational risks are measured and managed based on uniform, binding objectives, and that they are accepted and controlled sustainably in a reasonable relationship to the bank's risk capacity. The Risk unit specifies the processes and methods, and provides tools for monitoring the internal control system.

The measurement of operational risks is based on an estimate of potential claims and the probability of occurrence. To calculate the operational residual risks, inherent risks are set against existing risk-mitigating measures. If the residual risks exceed the risk tolerance, additional risk-mitigating measures are defined and implemented. The adequacy and effectiveness of the risk-mitigating measures are monitored as part of the bank-wide internal control system (ICS). An appropriate and effective ICS ensures that losses from operational risks remain low.

1.7.2 Risk profile

The bank's risk profile for operational risks did not change materially compared with the previous year. The potential loss ratings in the residual risk from the six OpRisk topic areas were confirmed. The taken and planned measures to manage the operational risk profile are appropriate.

As society and the economy continue to become digitally connected, external and internal process and cyber risks remain high. Cyber and process risks remain the two OpRisk topics with the greatest residual risk for the bank. The management of these risks therefore continues to receive a high degree of attention.

The bank is addressing the challenging environment and dynamics related to cyber risks by taking various risk mitigation measures. The need to implement additional measures is evaluated on an ongoing basis. Their implementation is based on structured planning. This ensures that the bank's security posture takes into account the requirements of increasing interconnectedness and that the relevant dimensions (identification, protection, detection, response and recovery) are managed. Employees are continuously trained to make them aware of cyber risks and thus to establish and promote a cyber risk culture in the bank.

Risk management of process risks is primarily performed by the process owners. In addition, preventative risk management and the Risk unit prepare risk assessments of the process chains in an end-to-end process context. When doing so, special attention is paid to the interfaces in the process flows and operational resilience is taken into account. Where possible and reasonable, execution errors are avoided by using control activities focused on anomaly detection. The plans for resuming normal operations of critical business processes in the event of an operational crisis (business continuity plans) are regularly reviewed and tested during emergency exercises. The critical business processes according to the business impact analysis as well as the business continuity plans are part of Zürcher Kantonalbank's business continuity management (BCM) as implemented in accordance with regulatory requirements.

The pandemic scenario comes under the OpRisk topic area "Environmental and accident risks". Overall, the bank coped well with the operational challenges it faced as a result of the pandemic. Remote access has been enshrined in the bank's business continuity plans as an official response option. The BCM unit is addressing how a potential electricity shortage should be dealt with.

1.8 Liquidity and refinancing risks

1.8.1 Strategy, organisation and processes

The Treasury organisational unit, which reports to the CFO, is responsible for managing the liquidity risks and refinancing of Zürcher Kantonalbank. Treasury delegates operational liquidity management to the Money Trading unit, which ensures the efficient use of liquidity based on internal and regulatory rules. In line with the requirements of the bank's risk policy, the Board of Directors defines the liquidity risk tolerance. The risk organisation oversees compliance with the rules and reports to the Board of Directors in this regard on a regular basis.

The measurement, management and control of short-term liquidity risks are based on both an internal model and on the liquidity coverage ratio (LCR), a regulatory liquidity indicator. The internal model is based on a bank-specific stress scenario for balance-sheet and off-balance-sheet transactions. In this scenario, substantial outflows of varying intensity in the client and interbank business are assumed, among other things. The result of the liquidity risk measurement is an automatically produced daily report on the availability of liquid assets and unencumbered high-quality liquid assets (HQLA) in financial investments and trading positions, liquidity inflows and outflows under the stress scenario, and the liquidity position left after the stress scenario. The emergency plan also constitutes a significant element of liquidity risk management. This supports the situationally appropriate conduct of the relevant functions in a crisis. When calculating the regulatory LCR, the bank uses an internal model to divide wholesale deposits into operational and non-operational categories. Net outflows of funds from the collateralisation of derivatives due to changes in market values are calculated using the look-back method. Besides Swiss francs, which make up by far the largest part of the balance sheet of Zürcher Kantonalbank, the LCR is also monitored and periodically reported in other major currencies. Zürcher Kantonalbank pursues a long-term refinancing policy that includes both cost and risk aspects. Refinancing risks are managed via diversification in terms of maturities, refinancing instruments used and related markets. This diversification limits dependence on funding sources. For this purpose, Treasury uses both short- and long-term instruments, which are placed on the domestic and international markets. The diversified refinancing base is reflected in a broad product portfolio, comprising client deposits, bank deposits and money and capital market refinancing. In addition, the regulatory net stable funding ratio (NSFR) is used to measure, manage and control structural liquidity.

1.8.2 Risk profile

The average LCR for 2022, which is calculated as a simple average of the end-of-day values of the business days during the quarter under review, lies between 146 percent and 155 percent. High-quality liquid assets (HQLA) average between CHF 52.4 billion and CHF 58.5 billion. The HQLA consist of Level-1 assets (cash, central bank deposits, tradeable securities from countries and central banks with high credit ratings) and Level-2 assets (tradeable securities with less strict criteria). The majority of Level 1 assets are held in the form of central bank deposits. Zürcher Kantonalbank actively manages its liquidity risk profile, particularly through targeted management of time deposits, money-market instruments as well as SLB and repo transactions. The changes in the LCR and the internal statistical measures of liquidity risk are mainly driven by portfolio changes in non-operational sight deposits, time deposits, money-market instruments, as well as SLB and repo transactions with banks and major clients.

The quarter-end NSFR values ranged from 119 percent to 124 percent in 2022. The required stable funding ranges between CHF 91.4 billion and CHF 93 billion. The available stable funding is between CHF 110.2 billion and CHF 114.6 billion.

Figure 17 shows a year-on-year comparison of the coverage ratio for asset-side client transactions. Loans to clients amounted to CHF 107.4 billion and client assets to CHF 103.5 billion as at 31 December 2022. This results in a coverage ratio of 96.4 percent, which is practically unchanged on the previous year.

1.9 Compliance and legal risks

1.9.1 Processes and methods

The risk management instruments used to manage compliance and legal risks include information on the relevant legal frameworks, internal legal advice, training and education of employees, the implementation of ordinances through internal bank directives, and the embedding of compliance and legal requirements into the bank's internal processes. They also include monitoring and controlling, investigations and clarifications in the event of violation of the rules, as well as the conducting and overseeing of civil, criminal and administrative proceedings. The Compliance function maintains a bank-wide compliance risk inventory, which is reviewed annually to ensure it is up to date. It defines the risk management tools for compliance risks and supports the preventative management of compliance risks on a case-by-case basis. To fulfil its role, the Compliance function has unlimited rights of information, access and inspection.

1.9.2 Risk profile

The regulatory framework for Zürcher Kantonalbank remained demanding in the reporting period and has evolved in several respects. Among other things, the new rules of the revised Data Protection Act and comprehensive economic sanctions related to the situation in Ukraine had to be implemented in 2022. At the same time, regulation is increasingly also addressing the issue of sustainability. Corresponding preparatory and implementation work was likewise a priority of the bank's work to manage compliance and legal risks. The tightening of the Anti-Money Laundering Act in force with effect from the beginning of 2023 also required ongoing efforts. In addition, the modernisation of various technical risk management tools in this area was successfully driven forward. Finally, the Covid-19 pandemic continued to have an impact on the compliance function and led to significant additional work in the fight against abuse and money laundering. When performing the aforementioned compliance risk inventory, Zürcher Kantonalbank still continuously assesses not only the issues mentioned above, but also all its legal and regulatory risks and, where necessary, takes the appropriate risk provisioning measures.

1.10 Climate-related financial risks

Zürcher Kantonalbank is disclosing its climate-related financial risks for the second time in a row for the 2022 financial year, thereby taking into account the enhanced requirements of FINMA's Disclosure Circular for systemically important banks. Climate protection has long been a very important issue for Zürcher Kantonalbank. The bank underscored this commitment by joining the Net-Zero Banking Alliance in December 2022. Zürcher Kantonalbank will publish the detailed information together with the other elements of its disclosures on capital and liquidity as of the end of April 2023 at www.zkb.ch/disclosure. The following sections summarise some key components of the disclosure information.

Climate-related financial risks are divided into physical risks and transition risks. Physical risks result both from extreme weather events and their consequences (for example, flood damage) and from chronic changes in climatic conditions (for example, rising temperatures). Transition risks, which arise from the shift to a low-carbon economy, include political/legal/regulatory risks, risks from technological change, risks from changing client and investor preferences, and reputation risks.

1.10.1 Strategy, organisation and processes

Risk management's integrated approach to addressing climate-related financial risks as part of sustainability risks contributes to the long-term protection of client assets and the bank's assets. Zürcher Kantonalbank's broad commitment to the various areas of sustainability, including climate protection, is supported by its statutory public service mandate. Zürcher Kantonalbank's group strategy calls for the bank to shape sustainability issues actively, to lead the way in sustainable offerings and to support clients on their journey to a more sustainable future. Zürcher Kantonalbank aims to minimise climate risks across its entire business operations and to establish transparency in this regard. The climate goals are based on the goals of the Paris Agreement and on achieving greenhouse gas neutrality by 2050.

The Board of Directors, in its capacity as the bank's governing body, defines the group mission statement and the group strategy. The Committee of the Board is assisted in fulfilling its responsibilities related to the public service mandate by a specialist unit and a specialist body, which is chaired by the CFO and is made up of representatives of all business units. This specialist body, which is coordinated by the officer responsible for the public service mandate, advises and supports the Committee of the Board and the Board of Directors in all matters relating to the public service mandate.

The Executive Board determines the sustainability policy, which specifies the bank's goals and is also disclosed externally in several ways, including on the bank's homepage (www.zkb.ch). The sustainability policy summarises the areas of impact, defines the role of Zürcher Kantonalbank and formulates the targets – specifically, goals and exclusions in line with the dimensions of environment, society, and governance (ESG) – for implementation in the various business areas.

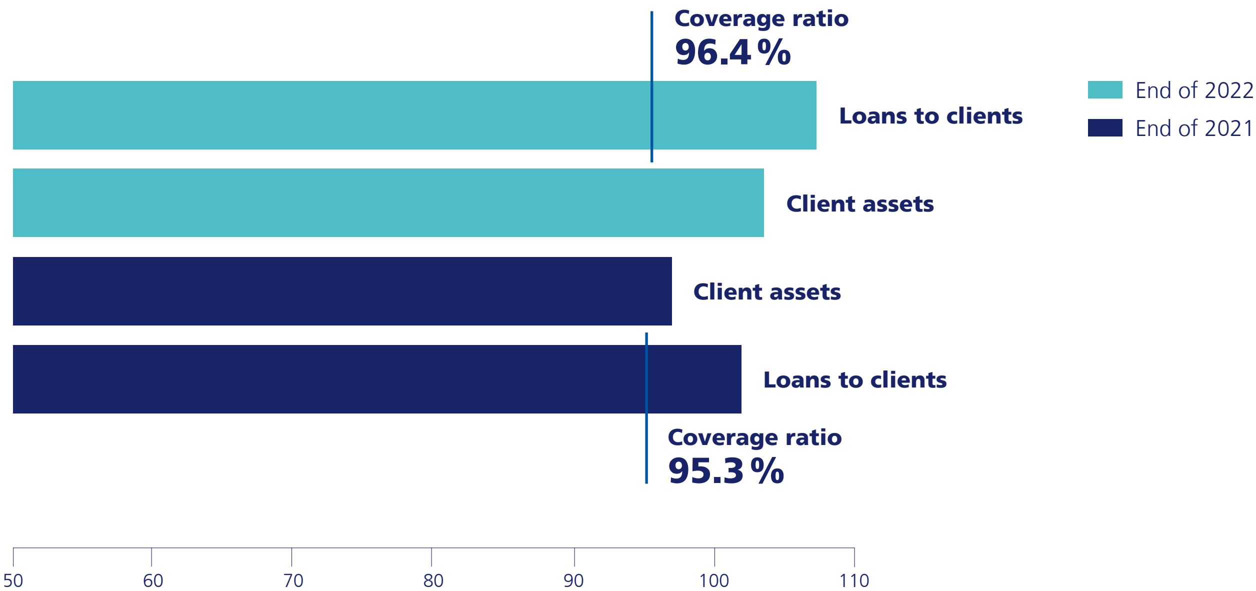
The management of climate-related financial risks is an integral part of Zürcher Kantonalbank's risk management processes. Sustainability aspects are taken into account in risk identification and assessment, and – if material – also in risk control, management, monitoring and reporting on the respective risk category. Elements that are particularly relevant to climate risk in the risk management processes are:

- OpRisk management in banking operations with the goals for achieving operational ecology as set out in the bank's environmental programme (reduction and compensation of CO_2 footprint), and business continuity management for action in the event of natural disasters.
- Credit risk management in the financing business, where ESG criteria are an integral part of the credit assessment process and specifications exist on excluded and undesirable businesses, as well as regarding transactions with special climate risks.
- The management of market risks with climate-specific specifications for investments in the portfolio of financial assets managed by Treasury.
- Risk management in the investment and asset management business.

In asset management and investment advisory mandates, the integration of ESG criteria into the investment process enables a view of the opportunities and risks of investment decisions that is broadened to include sustainability aspects. Part of risk management in this regard includes the analysis of climate-related financial risks using data on CO_2e intensity, key figures for identifying assets particularly affected by climate risks, and ESG ratings from the financial services provider MSCI. The latter are shown transparently in discussions with clients.

In the field of asset management, Zürcher Kantonalbank is one of the leading providers of sustainable investment products in Switzerland with its products under the "Swisscanto by Zürcher Kantonalbank" brand. The Paris climate goal is a binding requirement for all actively managed investment funds in traditional asset classes. In the products of the "Responsible" product line, investment activities include not only a systematic integration of ESG criteria, but also an orientation towards reducing greenhouse emissions by at least 4 percent per year. The "Sustainable" product line also meets additional sustainability criteria. The product approval process ensures that the contractually stipulated sustainability aspects of the products comply with legal requirements and can be subsequently monitored by the bank's investment controlling function, which is independent of the asset manager. Product approval and investment controlling are important elements

Fig. 17: Coverage ratio of client business in CHF billion



to ensure compliance with contractually agreed sustainability standards and thus reduce so-called greenwashing risks. The degree of achievement of the greenhouse gas reduction target and the Swisscanto Sustainability Rating are part of the publicly available sustainability reporting for investors. In addition, the Risk unit uses sustainability stress tests in its measurement, monitoring and reporting.

1.10.2 Risk profile

Climate protection is a central theme in Zürcher Kantonalbank's sustainability mandate. Climate-related financial risks influence the risk profile, but not materially, and they are not among the top risks. Nevertheless, the Risk Committee of the Executive Board again dealt in detail with climate-related financial risks in 2022. Figure 18 summarises the results of this qualitative assessment. The assessment is guided by a baseline scenario in which the Paris climate targets are met and the transition to a low-carbon economy occurs in an orderly fashion. The risk assessment in the time dimension is consistent. Moreover, due to the longer-term nature of climate change, no particular physical risks for banking business nor financing business are expected in the short term, which is why the assessment here starts in the medium term.

For transition risks, the key drivers are climate legislation, changing client preferences and public perception. Areas that are potentially more affected by this include:

- the investment and asset management business with the offering of climate-friendly products; and
- the lending business, where future changes in CO_2 legislation may impact the valuation of collateral (including properties in the mortgage portfolio) and financing of companies in climate-exposed sectors.

Physical climate risks are significantly less important for the risk profile than transition risks. Areas that are potentially affected by physical climate risks include:
- the mortgage portfolio – the value of individual properties in the mortgage portfolio could be reduced, for example, as a result of flooding or landslides; and
- banking operations – the accumulation of extreme weather events could impact bank operations in a very adverse flooding scenario.

In the financing business, Zürcher Kantonalbank is guided in particular by the objectives of both the federal government and the Canton of Zurich with a view to Agenda 2030 and achieving greenhouse gas neutrality by 2050. It therefore does not provide financing for coal mining, oil/natural gas production or fossil-fuel power plants. Commodities that are explicitly excluded in commodity trading (CTF) include: coal for electricity production (thermal coal), crude and heavy oil, bitumen/asphalt, asbestos, uranium, precious woods, live goods, diamonds, rare earth metals, perishable goods and non-certified palm oil. In the case of commodity trading clients, the bank systematically reviews sector-specific ESG risks and opportunities during onboarding as part of due diligence and on an annual basis. This review is based on reported data or data collected through the bank's own questionnaires.

Zürcher Kantonalbank is guided by the internationally established United Nations Environment Programme Finance Initiative (UNEP FI) and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) on the disclosure of transition risks from credit exposure to climate-sensitive and, as a subset thereof, carbon-related industries. TCFD defines carbon-related as industries associated with the energy and utilities sectors, according to the Global Industry Classification Standard, excluding water supply and renewable power generation. Zürcher Kantonalbank more comprehensively describes as climate-sensitive those industries that are exposed to higher transition risks due to their greenhouse gas emissions. Zürcher Kantonalbank bases its delimitation on emission statistics and uses the Swiss or European industry classification. The commodity trade finance (CTF) sub-portfolio is reported separately, irrespective of the industry, and is subject to the aforementioned restrictions under the bank's sustainability policy.

Figure 19 shows the unsecured loans and advances in the companies client portfolio in line with this classification. In terms of the total balance sheet exposure in this portfolio, at the end of the year climate-sensitive sectors accounted for around 7.4 percent (2021: 8.3 percent). This includes the entire energy sector, which, however, consists almost exclusively of financing for sustainable energy sources. In addition to components manufacturing and repair, the automotive sector also includes, in particular, selling and financing vehicles. The transport sector mainly includes passenger transport in the tourist sector and local transport as well as freight transport by road.

In accordance with the aforementioned exclusion criteria in the sustainability policy, Zürcher Kantonalbank does not provide financing in the "coking and petroleum refining" industry, which TCFD designates as carbon-related, and does not finance coal mining or fossil-fuel power plants.

Fig. 18: Overview from the qualitative assessment of climate-related financial risks

	Physical risks	Transition risks
Time frame	**Med. - long term**	**Short - long term**
Operational risks: Banking operations	●○○○○	●○○○○
Credit risks: Financing business	●○○○○	●○○○○
Market risks: Trading and Treasury	●○○○○	●○○○○
Business risks: Wealth & Asset Management business	●○○○○	●○○○○

○○○○○ = no risk, ●●●●● = high risk

Short term = time horizon up to 5 years, med. term to long term = 6 to 30 years

Fig. 19: Unsecured loans and advances in the companies client portfolio by "climate-sensitive" and other industries

	31.12.2022			31.12.2021
Industry designation	**Balance sheet exposure in CHF million**	**as % of unsecured exposure**	**as % of balance sheet exposure**	**as % of balance sheet exposure**
Metal production / processing	4	0.1	0.0	0.1
Mining / crushed rock and earth	7	0.1	0.0	0.0
Sewage and waste disposal and elimination of environmental pollution	76	1.3	0.2	0.2
Agriculture, hunting and related activities	93	1.6	0.3	0.3
Glass / ceramics / cement	131	2.3	0.4	0.4
Transport (incl. mountain railways, but excluding long-distance rail passenger transport and goods trains)	209	3.6	0.6	0.7
Chemical products	293	5.1	0.9	0.6
Automotive	412	7.1	1.2	1.6
CTF (commodity trade finance)	589	10.2	1.8	2.3
Energy supply	652	11.3	2.0	2.2
Total climate-sensitive sectors	**2,467**	**42.7**	**7.4**	**8.3**
Total other sectors	**3,310**	**57.3**	**9.9**	**8.3**
Total companies client portfolio loans and advances unsecured	5,777	100	17.3	16.5
Real estate financing	26,466		79.4	78.4
Other products	1,106		3.3	5.1
Total balance sheet exposure companies	**33,350**		**100**	**31,179**

m) Multi-year comparison

All figures in the multi-year comparison are based on the accounting rules for banks, securities firms, financial groups and conglomerates.

		2022	2021	2020	2019	2018
Income statement	in CHF million					
Net result from interest operations		1,403	1,248	1,218	1,216	1,213
Result from commission business and services		926	926	806	777	776
Result from trading activities and the fair value option		409	347	459	319	286
Other result from ordinary activities		15	24	29	102	46
Operating income		**2,752**	**2,544**	**2,513**	**2,414**	**2,320**
Operating expenses		–1,594	–1,517	–1,580	–1,443	–1,430
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets		–101	–104	–117	–113	–192
Changes to provisions and other value adjustments and losses		2	28	–14	–12	194
Operating result		**1,059**	**951**	**801**	**846**	**892**
Extraordinary result		8	0	25	4	103
Changes in reserves for general banking risks		–	–	46	–	–200
Taxes		–8	–9	–8	–5	–7
Consolidated profit		**1,059**	**942**	**865**	**845**	**788**
Balance sheet (before appropriation of profit)	in CHF million					
Total assets		199,791	192,105	188,364	167,054	169,408
Mortgage loans		96,838	91,847	87,679	84,311	81,256
Amounts due in respect of customer deposits		103,351	96,777	92,582	85,089	85,537
Provisions		214	237	222	242	255
Shareholders' equity		13,299	12,674	12,650	12,337	11,852
Key figures	in %					
Return on equity (RoE)		8.4	7.8	7.2	7.2	7.1
Cost/income ratio (CIR)[1]		57.5	58.7	60.1[2]	59.9	61.4
Common equity Tier 1 ratio (CET1)[3]		16.8	17.0	17.4	17.7	17.8
Risk-based capital ratio (going concern)[3]		18.2	18.5	18.9	20.0	20.2
Risk-based capital ratio (gone concern)[3/4]		4.3	4.0	3.2	1.4	n/a
Leverage ratio (going concern)[3]		6.2	6.2	6.2	7.0	6.8
Leverage ratio (gone concern)[3/4]		1.5	1.3	1.1	0.5	n/a
Liquidity coverage ratio (LCR)[5]		146	160	160	123	127
Net stable funding ratio (NSFR)[6]		124	118	n.a.	n.a.	n.a.
Customers' assets	in CHF million					
Total customers' assets		**399,965**	**409,190**	**361,658**	**333,341**	**295,194**

1 Calculation: Cost/income ratio (excl. changes in default-related value adjustments and losses from interest operations).
2 Excludes the CHF 46 million non-recurring personnel expense related to the anniversary payment made to employees.
3 In accordance with the provisions for systemically important banks.
4 Effective since 1 January 2019.
5 A simple average of the end-of-day values on business days during the quarter under review.
6 Effective since 1 July 2021.

Multi-year comparison (continued)

	2022	2021	2020	2019	2018
Headcount/branches — Number					
Headcount after adjustment for part-time employees, as at the reporting date	**5,249**	5,145	5,180	5,145	5,087
Branches[7]	**53**	57	60	66	75
Profit distribution — in CHF million					
Share paid to canton to cover actual costs	**11**	11	11	11	13
Distribution to canton	**320**	280	297[9]	330[8]	230
Distribution to municipalities	**160**	140	148[9]	165[8]	115
Total profit distribution	**491**	**431**	**456**	**506**	**358**
Additional compensation for state guarantee	**28**	27	23	22	22
Additional payments from public service mandate	**140**	141	126	125	140
Rating agencies — Rating					
Fitch	**AAA**	AAA	AAA	AAA	AAA
Moody's	**Aaa**	Aaa	Aaa	Aaa	Aaa
Standard & Poor's	**AAA**	AAA	AAA	AAA	AAA

7 Including branches of Zürcher Kantonalbank Österreich AG in Salzburg and Vienna.
8 Including anniversary dividend.
9 Including special coronavirus dividend.

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Report of the statutory auditor to the Cantonal Parliament of Zurich on our audit of the consolidated financial statements as of 31 December 2022 of

Zurich, 2 March 2023

Zürcher Kantonalbank, Zürich

Report of the statutory auditor

Report on the audit of the consolidated financial statements

Opinion
We have audited the consolidated financial statements of Zürcher Kantonalbank and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 130 to 211) give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the applicable financial reporting framework for banks and comply with Swiss law.

Basis for opinion
We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the “Auditor's responsibilities for the audit of the consolidated financial statements” section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the “Auditor's responsibilities for the audit of the consolidated financial statements” section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

Determination of value adjustments and provisions for default risks on loans to clients

Area of focus

Zürcher Kantonalbank discloses loans to clients, consisting of amounts due from customers and mortgage loans, at nominal value less any necessary value adjustments.

For default risks on impaired loans, individual value adjustments are made. For default risks on non-impaired loans value adjustments and provisions for expected losses are recognized.

For the measurement of value adjustments and provisions for default risks, valuation models are used. In addition, this requires making estimates and assumptions which, by definition, involve judgments and may vary depending on the valuation.

As of 31 December 2022, Zürcher Kantonalbank discloses client loans totaling CHF 107.4 billion. As of the balance sheet date, individual value adjustments and provisions for impaired loans amounted to CHF 324.9 million and value adjustments and provisions for expected losses amounted to CHF 488.2 million. With 53.8%, loans to clients represent a material part of the assets of Zürcher Kantonalbank, and we consider the determination of value adjustments and provisions for default risks on loans to clients as a key audit matter.

The significant accounting principles for determining value adjustments and provisions for default risks are described by Zürcher Kantonalbank on pages 139 to 141, 147, 148 as well as on pages 189 to 198 of the bank's annual report. Furthermore, we refer to notes 2 and 16 on pages 151, 152 and 162 in the notes to the consolidated financial statements.

Our audit response

We audited the processes and key controls in connection with granting and monitoring loans as well as with regard to the methods for identifying and determining individual value adjustments and provisions for default risks on loans to clients. Moreover, we evaluated the concept for the determination of value adjustments and provisions for expected losses.

Finally, we performed sample tests on the impairment of selected client loans, and evaluated the compliance of significant accounting principles as well as the appropriateness of the disclosures in the notes to the consolidated financial statements.

Our audit procedures did not lead to any reservations concerning the determination of value adjustments and provisions for default risks on loans to clients.

Fair value measurement of financial instruments

Area of focus	Fair value is defined as the amount for which an asset is exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. This amount corresponds to the price requested in a price-efficient and liquid market or, if this is missing, to the price determined on the basis of a valuation model. Valuation models are significantly affected by the assumptions that are used, including interest, forward and swap rates, spread curves and the volatility and estimates of future cash flows. There is a significant degree of judgment involved in making these assumptions. Zürcher Kantonalbank discloses financial instruments at fair value measurement in different balance sheet items. As of 31 December 2022, the fair value of positive replacement values of derivative financial instruments amounts to CHF 1.2 billion, while that of the negative replacement values amounts to CHF 2.1 billion. Furthermore, as of 31 December 2022, Zürcher Kantonalbank discloses liabilities from other financial instruments at fair value measurement totaling CHF 4.0 billion that were determined using a valuation model. As a result of the scope of judgment and the significance of the listed balance sheet items in the consolidated financial statements of Zürcher Kantonalbank, the valuation of these items represents a key audit matter. The corresponding accounting and valuation principles are described by Zürcher Kantonalbank on pages 142, 148, 149 as well as on pages 198 to 204 of its annual report. Furthermore, we refer to notes 3, 4 and 14 on pages 152 to 154 and 160 in the notes to the consolidated financial statements.
Our audit response	We audited the processes and key controls with regard to fair value measurement, validation and application of valuation models. Moreover, we assessed the assumptions made in connection with the valuation and their appropriateness on the basis of sample testing and evaluated the measurement of financial instruments by means of independent valuation models. On the basis of sample testing and a comparison with third-party sources, we assessed the fair values used and directly available from an active market. Moreover, we evaluated the appropriateness of the disclosures in the notes to the consolidated financial statements. Our audit procedures did not lead to any reservations concerning the fair value measurement of financial instruments.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements, which give a true and fair view in accordance with the applicable financial reporting framework for banks and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on EXPERTsuisse's website at: https://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

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Report on other legal and regulatory requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

Bruno Patusi	Bruno Taugner
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

Annual financial statements of the parent company

Income statement

in CHF million	Notes	2022	2021	Change	Change in %
Result from interest operations					
Interest and discount income		1,871	1,190	681	57.3
Interest and dividend income from financial investments		28	27	1	2.8
Interest expense		–479	70	–549	–783.3
Gross result from interest operations	**33**	**1,420**	**1,287**	**133**	**10.3**
Changes in value adjustments for default risk and losses from interest operations		–20	–40	20	–50.0
Subtotal net result from interest operations		**1,400**	**1,247**	**153**	**12.3**
Result from commission business and services					
Commission income from securities trading and investment activities		783	788	–5	–0.6
Commission income from lending activities		72	69	3	4.6
Commission income from other services		122	102	20	20.1
Commission expense		–150	–144	–6	4.3
Subtotal result from commission business and services		**827**	**814**	**12**	**1.5**
Result from trading activities					
Result from trading activities and the fair value option	**32**	**390**	**327**	**63**	**19.3**
Other result from ordinary activities					
Result from the disposal of financial investments		6	4	3	76.4
Income from participations		39	34	5	14.3
– of which, participations valued using the equity method		–	–	–	–
– of which, from other non-consolidated participations		–	–	–	–
Result from real estate		7	8	–1	–7.9
Other ordinary income		28	33	–4	–13.7
Other ordinary expenses		–17	–11	–6	49.2
Subtotal other result from ordinary activities		**64**	**67**	**–3**	**–4.3**
Operating income		**2,681**	**2,456**	**226**	**9.2**
Operating expenses					
Personnel expenses	34	–1,115	–1,055	–60	5.7
General and administrative expenses	35	–424	–406	–18	4.5
Subtotal operating expenses		**–1,539**	**–1,461**	**–79**	**5.4**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets		–110	–103	–7	6.6
Changes to provisions and other value adjustments and losses		3	29	–26	–90.6
Operating result		**1,035**	**921**	**114**	**12.4**
Extraordinary income	36	9	12	–4	–30.3
Extraordinary expenses	36	–0	–2	2	–99.2
Changes in reserves for general banking risks	36	–	–	–	–
Taxes	39	–	0	–0	–100.0
Result of the period		**1,044**	**932**	**112**	**12.0**

Appropriation of profit

in CHF million	2022	2021	Change	Change in %
Result of the period	1,044	932	112	12.0
Profit carried forward	3	2	0	10.5
Distributable profit	1,047	934	112	12.0

Appropriation of profit

Profit distribution				
Dividend	491	431	61	14.1
– of which, paid to cover actual costs	11	11	1	4.8
– of which, ordinary dividends for the benefit of the canton	320	280	40	14.3
– of which, ordinary dividends for the benefit of the municipalities	160	140	20	14.3
Profit retained				
Allocated to reserves	552	501	51	10.2
– of which, allocated to voluntary retained earnings reserve	552	501	51	10.2
Profit carried forward	**4**	**3**	**1**	**30.6**

The profit distribution takes place on the basis of the provisions in Section 26f of the Law on Zürcher Kantonalbank of 28 September 1997, as amended on 1 January 2015, and has no direct link to the endowment capital.
The appropriation of profit was approved by the Board of Directors on 26 January 2023.
Approval of the annual financial statements by the Cantonal Parliament is scheduled for 24 April 2023.

Balance sheet
as at 31 December

in CHF million	Notes	2022	2021	Change	Change in %
Assets					
Liquid assets		40,214	40,842	–628	–1.5
Amounts due from banks		2,920	3,160	–240	–7.6
Amounts due from securities financing transactions	1	27,804	26,289	1,515	5.8
Amounts due from clients	2	10,503	9,868	635	6.4
Mortgage loans	2	96,838	91,847	4,991	5.4
Trading portfolio assets	3	9,436	11,133	–1,697	–15.2
Positive replacement values of derivative financial instruments	4	1,305	1,321	–15	–1.1
Other financial instruments at fair value	3	–	–	–	–
Financial investments	5	7,462	4,729	2,733	57.8
Accrued income and prepaid expenses		499	325	174	53.4
Participations		469	516	–47	–9.2
Tangible fixed assets		563	595	–32	–5.4
Intangible assets		5	8	–3	–36.4
Other assets	10	391	459	–68	–14.8
Total assets		**198,410**	**191,092**	**7,319**	**3.8**
Total subordinated claims		132	284	–152	–53.6
– of which, subject to conversion and/or debt waiver		17	48	–31	–64.7
Liabilities					
Amounts due to banks		39,076	34,948	4,129	11.8
Liabilities from securities financing transactions	1	10,636	4,403	6,233	141.6
Amounts due in respect of customer deposits		103,396	96,876	6,519	6.7
Trading portfolio liabilities	3	3,636	1,943	1,693	87.1
Negative replacement values of derivative financial instruments	4	2,066	1,116	950	85.1
Liabilities from other financial instruments at fair value	3,14	2,511	3,223	–713	–22.1
Cash bonds		196	135	60	44.6
Certificate of deposits		104	13,148	–13,044	–99.2
Bond issues		9,400	9,630	–230	–2.4
Central mortgage institution loans		11,924	11,307	617	5.5
Accrued expenses and deferred income		1,043	765	278	36.4
Other liabilities	10	892	656	236	36.0
Provisions	16	213	237	–24	–10.1
Reserves for general banking risks	16	4,530	4,530	–	–
Bank's capital	17,21	2,425	2,425	–	–
Statutory retained earnings reserve	21	1,213	1,213	–	–
Voluntary retained earnings reserve	21	4,102	3,601	501	13.9
Profit carried forward	21	3	2	0	10.5
Result of the period	21	1,044	932	112	12.0
Shareholders' equity	**21**	**13,316**	**12,703**	**613**	**4.8**
Total liabilities		**198,410**	**191,092**	**7,319**	**3.8**
Total subordinated liabilities		1,569	1,585	–16	–1.0
– of which subject to conversion and/or debt waiver		1,569	1,585	–16	–1.0
Off-balance-sheet transactions					
Contingent liabilities	2	4,117	4,373	–256	–5.8
Irrevocable commitments	2	14,369	11,348	3,022	26.6
Obligations to pay up shares and make further contributions	2	367	332	36	10.8
Credit commitments	2	–	–	–	–

Statement of changes in equity

in CHF millions	Bank’s capital	Statutory retained earnings reserve	Reserves for general banking risks	Voluntary retained earnings reserve	Distributable profit	Total equity
2021						
Opening amount	2,425	1,213	4,990	3,199	860	12,687
Effect of any restatement	–	–	–	–	–	–
Capital increase	–	–	–	–	–	–
Capital decrease	–	–	–	–	–	–
Other contributions/other capital paid in	–	–	–	–	–	–
Reclassifications	–	–	–	–	–	–
Capital costs of endowment capital	–	–	–	–	–11	–11
Allocation to the canton from previous year’s profit	–	–	–	–	–297	–297
Allocation to municipalities from previous year’s profit	–	–	–	–	–148	–148
Valuation adjustments not affecting net income	–	–	–	–	–	–
Other allocations to (transfers from) the reserves for general banking risks	–	–	–	–	–	–
Other allocations to (transfers from) the other reserves	–	–	–460[1]	402	–402	–460
Result of the period	–	–	–	–	932	932
Total equity as at 31.12.2021	**2,425**	**1,213**	**4,530**	**3,601**	**934**	**12,703**
2022						
Opening amount	**2,425**	**1,213**	**4,530**	**3,601**	**934**	**12,703**
Effect of any restatement	**–**	**–**	**–**	**–**	**–**	**–**
Capital increase	**–**	**–**	**–**	**–**	**–**	**–**
Capital decrease	**–**	**–**	**–**	**–**	**–**	**–**
Other contributions/other capital paid in	**–**	**–**	**–**	**–**	**–**	**–**
Reclassifications	**–**	**–**	**–**	**–**	**–**	**–**
Capital costs of endowment capital	**–**	**–**	**–**	**–**	**–11**	**–11**
Allocation to the canton from previous year’s profit	**–**	**–**	**–**	**–**	**–280**	**–280**
Allocation to municipalities from previous year’s profit	**–**	**–**	**–**	**–**	**–140**	**–140**
Valuation adjustments not affecting net income	**–**	**–**	**–**	**–**	**–**	**–**
Other allocations to (transfers from) the reserves for general banking risks	**–**	**–**	**–**	**–**	**–**	**–**
Other allocations to (transfers from) the other reserves	**–**	**–**	**–**	**501**	**–501**	**–**
Result of the period	**–**	**–**	**–**	**–**	**1,044**	**1,044**
Total equity as at 31.12.2022	**2,425**	**1,213**	**4,530**	**4,102**	**1,047**	**13,316**

1 Initial recognition of valuation allowances/provisions for expected losses

Notes to the financial statements of the parent company

Under Art. 36 of the Swiss Ordinance on Banks and Savings Banks (BankO), institutions that draw up consolidated financial statements are exempt from disclosing certain information in the individual financial statements. For reasons of clarity, the same numbering has been used for the required tables as in the consolidated financial statements. The portrait details, explanations relating to risk management, identification of default risks and definition of the need for value adjustments, valuation of coverage and details of business policy on the use of derivative financial instruments as well as on the use of hedge accounting in the group also apply to the parent company. This is also the case for material events occurring after the balance sheet date.

Accounting and valuation principles

Accounting, valuation and reporting are based on the provisions of the Code of Obligations and Swiss banking law, the accounting rules for banks, securities firms, financial groups and conglomerates according to the Accounting Ordinance (RelV-FINMA) and FINMA Circular 2020/1 as well as the Law on Zürcher Kantonalbank (Cantonal Bank Act) of 28 September 1997 (version specified by the Cantonal Parliament Act dated 25 March 2019) and the regulations based on it. The statutory financial statements of the parent company are prepared in compliance with the provisions of Art. 25 para. 1 a) Banking Ordinance ("Reliable assessment statutory single-entity financial statements").

They are generally based on the accounting and valuation principles of the group and changes made to them during the financial year, with the following exceptions: All participations are recognised at the lower of cost or market in the statutory financial statements. Goodwill from acquisitions is included under participations. In the single-entity financial statement, the reserves for general banking risks are shown as an individual item in the balance sheet. At group level, retained earnings reserves include reserves for general banking risks created before 2018. Creation and release of such reserves is shown under Changes in reserves for general banking risks.

i) Information on the balance sheet

1 Breakdown of securities financing transactions

in CHF million	2022	2021
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions	27,804	26,289
Book value of obligations from cash collateral received in connection with securities lending and repurchase transactions	10,636	4,403
Book value of securities lent in connection with securities lending or delivered as collateral in connection with securities borrowing as well as securities in own portfolio transferred in connection with repurchase agreements	3,410	4,345
– of which, with unrestricted right to resell or pledge	3,410	4,345
Fair value of securities received and serving as collateral in connection with securities lending or securities borrowed in connection with securities borrowing as well as securities received in connection with reverse repurchase agreements with an unrestricted right to resell or repledge	66,103	52,550
– of which, repledged securities	963	1,564
– of which, resold securities	45,734	25,980

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

Overview by collateral

in CHF million	Type of collateral: Mortgage collateral	Type of collateral: Other collateral	Unsecured	Total
Loans (before netting with value adjustments)				
Amounts due from customers	30	2,006	8,669	10,705
Mortgage loans				
– Residential property	80,313	7	10	80,330
– Office and business premises	11,359	–	11	11,370
– Commercial and industrial premises	2,338	1	19	2,358
– Other	3,187	–	3	3,190
Total mortgage loans	97,197	8	43	97,248
Total loans (before netting with value adjustments) 2022	**97,227**	**2,014**	**8,712**	**107,953**
Total loans (before netting with value adjustments) 2021	**92,234**	**2,097**	**7,998**	**102,329**
Total loans (after netting with value adjustments) 2022	**96,859**	**2,009**	**8,474**	**107,342**
Total loans (after netting with value adjustments) 2021	**91,858**	**2,093**	**7,765**	**101,715**
Off-balance-sheet				
Contingent liabilities	35	332	3,751	4,117
Irrevocable commitments	2,908	321	11,140	14,369
Obligations to pay up shares and make further contributions	–	–	367	367
Credit commitments	–	–	–	–
Total off-balance-sheet transactions 2022	**2,943**	**653**	**15,258**	**18,854**
Total off-balance-sheet transactions 2021	**2,254**	**607**	**13,192**	**16,052**

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

Information on impaired loans

Impaired loans in CHF million	Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Individual value adjustments [1]
2022	**425**	**202**	**223**	**208**
2021	418	211	207	190

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

3 Trading portfolios and other financial instruments at fair value

Assets in CHF million	2022	2021
Debt securities, money market securities/transactions	**5,088**	3,849
– of which, listed [1]	**4,051**	3,624
Equity securities	**2,207**	3,850
Precious metals and commodities	**2,083**	3,372
Other trading portfolio assets	**58**	62
Total trading transactions	**9,436**	**11,133**
Debt securities	**–**	–
Structured products	**–**	–
Other	**–**	–
Total other financial instruments at fair value	**–**	**–**
Total assets	**9,436**	**11,133**
– of which, determined using a valuation model	**1,095**	286
– of which, securities eligible for repo transactions in accordance with liquidity requirements	**2,206**	1,238

Liabilities in CHF million	2022	2021
Debt securities, money market securities/transactions	**3,607**	1,938
– of which, listed [1]	**3,550**	1,910
Equity securities	**22**	2
Precious metals and commodities	**4**	–
Other trading portfolio liabilities	**3**	3
Total trading portfolio liabilities	**3,636**	**1,943**
Debt securities	**–**	–
Structured products	**2,511**	3,223
Other	**–**	–
Total liabilities from other financial instruments at fair value	**2,511**	**3,223**
Total liabilities	**6,147**	**5,167**
– of which, determined using a valuation model	**2,569**	3,252

1 Listed = traded on a recognised exchange.

4 Derivative financial instruments (assets and liabilities)

in CHF million	Trading instruments: Positive replacement values	Trading instruments: Negative replacement values	Trading instruments: Contract volume [1]	Hedging instruments: Positive replacement values	Hedging instruments: Negative replacement values	Hedging instruments: Contract volume [1]
Interest rate instruments						
Forward contracts including FRAs	–	–	–	–	–	–
Swaps	23,883	23,576	683,014	1,040	266	19,078
Futures	–	–	21,645	–	–	–
Options (OTC)	215	136	8,569	–	–	–
Options (exchange-traded)	–	–	–	–	–	–
Total	**24,097**	**23,712**	**713,228**	**1,040**	**266**	**19,078**
Foreign exchange/precious metals						
Forward contracts	4,255	4,483	412,938	–	–	–
Combined interest rate/currency swaps	354	375	2,246	–	190	1,466
Futures	–	–	353	–	–	–
Options (OTC)	51	62	8,007	–	–	–
Options (exchange-traded)	–	–	–	–	–	–
Total	**4,660**	**4,921**	**423,544**	**–**	**190**	**1,466**
Equity securities/indices						
Forward contracts	–	–	–	–	–	–
Swaps	73	42	1,129	–	–	–
Futures	–	–	2,283	–	–	–
Options (OTC)	97	104	6,923	–	–	–
Options (exchange-traded)	133	165	7,212	–	–	–
Total	**303**	**311**	**17,548**	**–**	**–**	**–**
Credit derivatives						
Credit default swaps	0	1	138	–	–	–
Total return swaps	0	0	21	–	–	–
First-to-default swaps	–	–	–	–	–	–
Other credit derivatives	–	–	–	–	–	–
Total	**1**	**1**	**158**	**–**	**–**	**–**
Other [3]						
Forward contracts	–	–	–	–	–	–
Swaps	0	0	10	–	–	–
Futures	–	–	446	–	–	–
Options (OTC)	–	–	–	–	–	–
Options (exchange-traded)	0	0	3	–	–	–
Total	**0**	**0**	**459**	–	**–**	**–**
Total before netting agreements						
2022	**29,061**	**28,945**	**1,154,937**	**1,040**	**455**	**20,544**
– of which, determined using a valuation model	**29,061**	**28,945**	**–**	**1,040**	**455**	**–**
2021	9,854	10,012	1,520,975 [2]	367	175	16,949
– of which, determined using a valuation model	9,854	10,012	–	367	175	–

1 The contract volume shows the amount of underlying on which a derivative is based or the notional amount underlying the derivative in accordance with the requirements of FINMA Circular 2020/1, irrespective of whether the derivative is traded long or short. The contract volume is determined differently depending on the type of contract and does not permit any direct conclusions to be drawn about the risk exposure.
2 The contract volume of interest rate swaps includes additional transactions with short terms to maturity in connection with the conversion from Libor to Saron rates.
3 Includes commodities and hybrid derivatives.

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

Total after netting agreements[4]	in CHF million	Positive replacement values (cumulative)	Negative replacement values (cumulative)
2022		**1,305**	**2,066**
2021		1,321	1,116

Breakdown by counterparty

Positive replacement values (after netting agreements)	Central clearing houses	Banks and securities firms	Other customers
2022	**135**	**602**	**568**

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

5 Financial investments

	Book value		Fair value	
in CHF million	**2022**	**2021**	**2022**	**2021**
Debt securities	**7,154**	4,447	**6,889**	4,529
– of which, intended to be held to maturity	**7,154**	4,447	**6,889**	4,529
– of which, not intended to be held to maturity (available for sale)	**–**	–	**–**	–
Equity securities	**108**	107	**245**	219
– of which, qualified participations[1]	**15**	16	**32**	32
Precious metals	**196**	175	**196**	175
Real estate	**3**	–	**3**	–
Cryptocurrencies	**–**	–	**–**	–
Total financial investments	**7,462**	**4,729**	**7,333**	**4,923**
– of which, securities eligible for repo transactions in accordance with liquidity requirements	**7,090**	4,401	**6,831**	4,484

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

Counterparties by rating in CHF million

Moody's	Aaa – Aa3	A1 – A3	Baa1 – Baa3	Ba1 – Ba3	Lower than Ba3	Unrated
Standard & Poor's, Fitch	AAA – AA-	A+ – A-	BBB+ – BBB-	BB+ – B-	Below B–	Unrated
Debt securities: Book values 2022	**6,718**	**25**	**–**	**–**	**–**	**412**

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

10 Other assets and liabilities

in CHF million	Other assets 2022	Other assets 2021	Other liabilities 2022	Other liabilities 2021
Compensation account	–	0	472	162
Deferred income taxes recognised as assets	–	–	–	–
Amount recognised as assets in respect of employer contribution reserves	–	–	–	–
Amount recognised as assets relating to other assets from pension schemes	–	–	–	–
Negative goodwill	–	–	–	–
Settlement accounts	337	409	370	433
Indirect taxes	49	46	42	50
Other	5	5	9	12
Total	**391**	**459**	**892**	**656**

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

in CHF million	2022 Book value	2022 Effective commitment	2021 Book value	2021 Effective commitment
Pledged/assigned assets				
Amounts due from banks	2,915	2,898	1,045	1,033
Amounts due from customers	2,304	2,289	2,119	2,086
Mortgage loans	14,765	11,924	13,937	11,307
Trading portfolio assets	883	883	360	314
Financial investments	–	–	–	–
Total pledged/assigned assets	**20,867**	**17,994**	**17,462**	**14,739**

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

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

Liabilities to own pension schemes from balance-sheet transactions (in CHF million)	2022	2021	Change
Amounts due in respect of customer deposits	98	105	–7
Cash bonds	0	0	0
Negative replacement values of derivative financial instruments [1]	12	18	–6
Accrued expenses and deferred income	0	0	0
Other liabilities	0	0	0
Total	**110**	**123**	**–13**

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

13 Information on pension schemes

a) Employer contribution reserves (ECR)

Zürcher Kantonalbank does not have any employer contribution reserves.

b) Economic benefit/obligations and the pension expenses

	Over- / underfunding	Economic interest of the bank		Change in economic interest versus previous year	Contribu- tions paid	Pension expenses in personnel expenses	
in CHF million	**end 2022**	**2022**	**2021**	**2022**	**2022**	**2022**	**2021**
Employer-sponsored funds/ employer-sponsored pension schemes	–	–	–	–	–	–	–
Pension plans without overfunding/ underfunding	–	–	–	–	111	111	–
Pension plans with overfunding	–	–	–	–	–	–	114
Pension plans with underfunding	–0	–	–	–	1	1	–
Pension schemes without own assets	–	–	–	–	–	–	–
Total	**–0**	**–**	**–**	**–**	**113**	**113**	**114**

14 Issued structured products

Underlying risk of the embedded derivative		Book value: Valued as a whole		Book value: Valued separately		Total
in CHF million		**Booked in trading portfolio**	**Booked in other financial instruments at fair value**	**Value of the host instrument**	**Value of the derivative**	
Interest rate instruments	With own debenture component	–	35	–	–	35
	Without oDC	–	–	–	–	–
Equity securities	With own debenture component	–	2,204	–	–	2,204
	Without oDC	–	–	–	–	–
Foreign currencies	With own debenture component	–	261	–	–	261
	Without oDC	–	–	–	–	–
Commodities/ precious metals	With own debenture component	–	11	–	–	11
	Without oDC	–	–	–	–	–
Loans	With own debenture component	–	–	–	–	–
	Without oDC	–	–	–	–	–
Real estate	With own debenture component	–	–	–	–	–
	Without oDC	–	–	–	–	–
Hybrid instruments	With own debenture component	–	–	–	–	–
	Without oDC	–	–	–	–	–
Total 2022		**–**	**2,511**	**–**	**–**	**2,511**
Total 2021		**–**	**3,223**	**–**	**–**	**3,223**

16 Presentation of value adjustments and provisions, reserves for general banking risks, and changes therein during the current year

in CHF million	Balance at end of 2021	Changes to scope of consolida-tion	Use in conformity with designated purpose and reversals	Reclassifi-cations	Currency differences	Past due interest, recoveries	New creations charged to income	Releases to income statement	Balance at end of 2022
Provisions for deferred taxes	–	–	–	–	–	–	–	–	–
Provisions for pension benefit obligations	–	–	–	–	–	–	–	–	–
Provisions for default risks	184	–	–	–	–	–	132	–141	175
– of which, provisions for expected loss	66	–	–	–	–	–	94	–101	59
Provisions for other business risks [1]	29	–	–14	–	–	–	12	–1	26
Provisions for restructuring	–	–	–	–	–	–	–	–	–
Other provisions [2]	23	–	–5	–	–	–	1	–7	12
Total provisions	**237**	**–**	**–19**	**–**	**–**	**–**	**144**	**–149**	**213**
Reserves for general banking risks	**4,530**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4,530**
Value adjustments for default and country risks	625	–	–4	–	–	2	279	–262	639
– of which, value adjustments for default risks in respect of impaired loans/receivables [3]	190	–	–4	–	–	2	77	–56	208
– of which, value adjustments for expected loss	436	–	–	–	–	–	202	–207	431

1 Provisions for other business risks relate to provisions for settlement risks, for example, which cover identifiable risks as at the balance sheet date.
2 The other provisions include, among other things, provisions for litigation and provisions for employees' holiday credits.
3 Default risks consist primarily of counterparty risks, for which value adjustments of 100 percent of the net debt amount are generally made. Individual value adjustment rates may apply in the case of major positions.

Recoveries from amounts due derecognised in previous periods are reported directly in Changes in value adjustments for default risk and losses from interest operations (2022: CHF 0 million/2021: CHF 1 million).
For more details on the management of credit risks, operational risks and legal and compliance risks, please refer to section I) Risk report.

17 Presentation of the bank's capital

in CHF million	Total par value 2022	Total par value 2021
Endowment capital	2,425	2,425
Total bank's capital	**2,425**	**2,425**

Zürcher Kantonalbank's capital consists of endowment capital in the amount of CHF 2,425 million. On 2 November 2020, the Cantonal Parliament decided to increase the endowment capital ceiling, which has an indefinite time limit, by CHF 425 million to CHF 3,425 million. The endowment capital of CHF 1,000 million (endowment capital reserve), which has been approved by the Cantonal Parliament and has not yet been called on, has been reserved in full for the Bank's contingency plan by resolution of the Board of Directors and will be counted towards the gone concern capital component. As a result, the endowment capital reserve can now only be called on by order of FINMA or a FINMA-appointed restructuring official.

18 Number and value of equity securities or options on equity securities held by all executives and directors and by employees, and disclosures on any employee participation schemes

Zürcher Kantonalbank does not have an employee participation scheme.

19 Amounts due from/to related parties

	Due from		Due to	
in CHF million	**2022**	**2021**	**2022**	**2021**
Holders of qualified participations	**40**	2	**839**	379
Group companies	**372**	304	**363**	361
Linked companies	**479**	549	**1,267**	1,049
Transactions with members of governing bodies	**15**	15	**24**	19
Other related parties	**–**	–	**–**	–

Affiliated companies are public-law institutions of the respective canton or public-private enterprises in which the canton holds qualified participations. On- and off-balance-sheet transactions with related parties are conducted at usual market conditions, with the exception of loans to members of governing bodies. Loans to governing bodies are granted on employee terms in some cases.
This primarily involved the usual balance sheet banking business, i.e. it was mainly amounts due from and due to customers.
The totals above also include securities items and claims and liabilities from transactions in derivatives (positive and negative replacement values). The off-balance-sheet transactions with related parties in the amount of CHF 2,912 million (2021: CHF 1,579 million) primarily include irrevocable loan commitments, in particular the keepwell agreement with Zürcher Kantonalbank Finance (Guernsey) Ltd., and other contingent liabilities.

20 Disclosure of holders of significant participations

Zürcher Kantonalbank is an independent public-law institution of the Canton of Zurich.

21 Disclosure of own shares and composition of equity capital

in CHF million	**2022**	**2021**
Reserves for general banking risks	**4,530**	4,530
Bank's capital	**2,425**	2,425
Statutory retained earnings reserve	**1,213**	1,213
Voluntary retained earnings reserve	**4,102**	3,601
Profit carried forward	**3**	2
Result of the period	**1,044**	932
Total equity	**13,316**	**12,703**

The bank does not hold any of its own shares. The statutory retained earnings reserve cannot be distributed.

22 Disclosures in accordance with the Ordinance against Excessive Compensation with respect to Listed Stock Corporations and Article 663c para. 3 CO for banks whose equity securities are listed

The requirements are not applicable for Zürcher Kantonalbank.

26 Breakdown of total assets by credit rating of country groups (risk domicile view)

		2022 Net foreign exposure		2021 Net foreign exposure	
Rating system ZKB's own country rating	**Moody's**	**in CHF million**	**Share as %**	**in CHF million**	**Share as %**
A	Aaa / Aa1 / Aa2 / Aa3	**21,002**	**85.4**	24,618	86.2
B	A1 / A2 / A3	**1,089**	**4.4**	1,237	4.3
C	Baa1 / Baa2 / Baa3	**857**	**3.5**	980	3.4
D	Ba1 / Ba2	**674**	**2.7**	668	2.3
E	Ba3	**3**	**0.0**	97	0.3
F	B1 / B2 / B3	**383**	**1.6**	347	1.2
G	Caa1 / Caa2 / Caa3 / Ca / C	**572**	**2.3**	623	2.2
Total		**24,580**	**100.0**	**28,569**	**100.0**

j) Information on off-balance-sheet transactions

28 Contingent liabilities and contingent assets

in CHF million	**2022**	**2021**
Guarantees to secure credits and similar	**431**	404
Performance guarantees and similar	**2,591**	2,475
Irrevocable commitments arising from documentary letters of credit	**1,096**	1,493
Other contingent liabilities	**–**	–
Total contingent liabilities	**4,117**	**4,373**
Contingent assets arising from tax losses carried forward	**–**	–
Other contingent assets	**–**	–
Total contingent assets	**–**	**–**

Zürcher Kantonalbank is jointly and severally liable for all obligations in connection with the value added tax (VAT) of companies belonging to the VAT group of Zürcher Kantonalbank in Switzerland.

30 Breakdown of fiduciary transactions

in CHF million	2022	2021
Fiduciary investments with third-party companies	446	120
Fiduciary investments with group companies and linked companies	–	–
Fiduciary loans	–	–
Fiduciary transactions arising from securities lending and borrowing (in the bank's own name for the account of customers)	–	–
Fiduciary crypto currencies held for customer's accounts	–	–
Other fiduciary transactions	–	–
Total	**446**	**120**

31 Breakdown of managed assets and presentation of their development

a) Breakdown of managed assets

Type of managed assets in CHF million	2022	2021
Assets in collective investment schemes managed by the bank	122,746	129,220
Assets under discretionary asset management agreements	74,923	80,002
Other managed assets	198,408	195,296
Total managed assets (including double counting) [1]	**396,077**	**404,518**
– of which, double counting	63,957	68,621

1 The client assets shown include all client assets of an investment nature held with Zürcher Kantonalbank, as well as client assets held with third-party banks that are managed by Zürcher Kantonalbank. Zürcher Kantonalbank also includes client deposits that are not of an investment nature in its reported client assets. Non-inclusion of accounts that do not have an investment element would lead to greater volatility in managed client assets and thus distort the meaningfulness of trends in client assets. Assets held with Zürcher Kantonalbank but managed by third parties (custody-only) are not included. Banks and significant investment fund companies (including collective pension fund foundations, investment trusts, pension foundations and pension funds) for which Zürcher Kantonalbank acts exclusively as custodian bank are treated as custody-only.

b) Presentation of the development of managed assets

in CHF million	2022	2021
Total managed assets (including double counting) at beginning	404,518	357,684
+ / – net new money inflow or net new money outflow [1]	33,832	25,421
+ / – price gains / losses, interest, dividends and currency gains / losses	–41,119	21,025
+ / – other effects	–1,153	388
Total managed assets (including double counting) at end	**396,077**	**404,518**

1 The net new money inflow / outflow corresponds to the development of managed client assets adjusted for fluctuations in prices and exchange rates, interest and dividend payments, fees and expenses charged to clients, and reclassification of assets. Changes due to acquisitions / disposals of subsidiaries are not included. The interest billed to loan clients is included in the change in net new money inflow / outflow.

k) Information on the income statement

32 Breakdown of the result from trading activities and the fair value option

a) Breakdown by business area (in accordance with the organisation of the bank/financial group)

in CHF million	2022	2021
Result from trading in foreign exchange, bank notes and precious metals	139	130
Result from trading in bonds, interest rate and credit derivatives	148	89
Result from trading in equities and structured products	75	76
Result from other trading activities [1]	28	33
Total	**390**	**327**

1 The result from other trading activities includes results from securities lending and borrowing as well as positions for which the Executive Board or Asset Management is responsible.

b) Breakdown by underlying risk and based on the use of the fair value option

		Result from trading activities from:						
in CHF million	2022	Foreign exchange and bank notes	Precious metals	Securities lending and borrowing	Bonds, interest rate and credit derivatives	Equities and equity derivatives	Commodities and commodity derivatives	Other products [2]
Result from trading in foreign exchange, bank notes and precious metals	139	148	7	–	–16	–	–	–
Result from trading in bonds, interest rate and credit derivatives	148	0	–	–	150	–2	–	–
Result from trading in equities and structured products	75	–2	2	–	6	69	0	–0
Result from other trading activities	28	0	–0	43	–10	–4	–2	0
Total	**390**	**146**	**9**	**43**	**131**	**64**	**–2**	**–0**
– of which, from fair value option on assets	–	–	–	–	–	–	–	–
– of which, from fair value option on liabilities	555	–1	0	–	–3	559	–0	–0

2 The trading result from other products includes hybrid products and real estate derivatives.

33 Disclosure of material refinancing income in the item interest and discount income as well as material negative interest

During financial year 2022, refinancing income from trading activities of CHF –73.4 million (previous year: CHF –15.5 million) was included in the item Interest and discount income. The item Interest and discount income also includes the result of currency swaps in the amount of CHF 471.3 million (previous year: CHF 230.8 million), which were entered into solely for the purpose of engaging in interest arbitrage. Negative interest on lending business is shown as a reduction in the interest and discount income. Negative interest on deposit-taking business is shown as a reduction in interest expenses.

in CHF million	2022	2021
Negative interest on lending business (reduction in interest and discount income)	94	212
Negative interest on deposit-taking business (reduction in interest expenses)	135	209

34 Breakdown of personnel expenses

in CHF million	2022	2021
Salaries for members of the bank's governing bodies and personnel	896	846
– of which, alternative forms of variable compensation	–	–
AHV, IV, ALV and other social security contributions	188	179
Changes in book value for economic benefits and obligations arising from pension schemes	–	–
Other personnel expenses	31	29
Total	**1,115**	**1,055**

35 Breakdown of general and administrative expenses

in CHF million	2022	2021
Office space expenses	28	27
Expenses for information and communications technology	160	153
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	2	1
Fees of audit firms	3	4
– of which, for financial and regulatory audits	3	3
– of which, for other services	0	0
Other operating expenses	231	220
– of which, compensation for state guarantee	28	27
Total	**424**	**406**

36 Explanations regarding material losses, extraordinary income and expenses, reserves for general banking risks and value adjustments and provisions no longer required

in CHF million	2022	2021
Extraordinary income		
Reversal of impairment on other participations	2	12
Income from sale of other real estate / bank premises	7	1
Income from sale of participations	–	0
Other	0	0
Total	**9**	**12**
Extraordinary expenses		
Losses from sale of other real estate / bank premises	–	–
Losses from disposal of participations	–	2
Other	0	–
Total	**0**	**2**
Changes in reserves for general banking risks		
Creation of reserves for general banking risks	–	–
Release of reserves for general banking risks	–	–
Total	**–**	**–**

37 Disclosure of and reasons for revaluations of participations and tangible fixed assets up to acquisition cost at maximum

in CHF million		2022	2021
Participations	**Registered office**		
CLS Group Holdings AG	Lucerne	0	–
Venture Incubator AG	Altendorf	0	–
Zürcher Kantonalbank Österreich AG	Salzburg	–	11
Total		**1**	**11**

Appreciation is applied to non-listed participations in accordance with the mean value method and, for listed participations, in accordance with the market value method

39 Presentation of current taxes, deferred taxes, and disclosure of tax rate

in CHF million	2022	2021
Creation of provisions for deferred taxes	–	–
Reversal of provisions for deferred taxes	–	–
Recognition of deferred taxes on losses carried forward	–	–
Recognition of other deferred taxes	–	–
Reversal of other deferred taxes	–	–
Expenses for current income and capital taxes	–	–
Expenses for property gains taxes	–	0
Total	**–**	**0**
Unrecognised tax reductions on losses carried forward, and tax credits not recognised under the principle of prudence	–	–
Hypothetical deferred income taxes calculated at theoretical tax rates on revaluations of investments not relevant for tax purposes	–	–

Figures in table: minus = expense; plus = income

As Zürcher Kantonalbank is an independent public-law institution that is exempt from taxes on its income and capital under both cantonal tax law (Art. 61) and the federal law on direct taxation (Art. 56), no weighted average tax rate is disclosed.

Pawnbroking agency
of Zürcher Kantonalbank

Zürcher Kantonalbank is required to operate a pawnbroking agency (Art. 7 para. 3 of the Law on Zürcher Kantonalbank). Since 1872, the pawnbroking agency has been granting loans in return for the depositing of pledged items. It is managed as an independent business operation in Zurich, at Zurlindenstrasse 105. The following section shows the balance sheet, income statement and loan transactions of the pawnbroking agency.

Balance sheet (before appropriation of profit)

Assets in CHF 1,000	2022	2021
Liquid assets	349	423
Amounts due from banks	385	684
Accounts receivable	–	–
Loans	5,182	5,167
Inventory	–	–
Furniture, IT system	0	0
Transitory assets/accrued interest	197	197
Total assets	**6,113**	**6,471**

Liabilities in CHF 1,000	2022	2021
Amounts due to banks	4,800	5,000
Surplus from auctions	151	185
Accounts payable	1	11
Provisions	115	115
Reserve fund	1,248	1,247
Profit carried forward	0	1
Operating profit/-loss	–202	–89
Total assets	**6,113**	**6,471**

Income statement

Expenses in CHF 1,000	2022	2021
Operating expenses	919	917
Refinancing expenses	25	28
Losses	1	1
Depreciation and provisions	–	–
Operating profit	–	–
Total	**944**	**946**

Income in CHF 1,000	2022	2021
Interest on loans	671	711
Other income	71	146
Operating loss	202	89
Total	**944**	**946**

Loan transactions

	Items	in CHF 1,000	Items	in CHF 1,000
Total loans at 31.12.2021			3,815	5,167
New loans in 2022 (incl. renewals)			7,629	11,083
Repayments in 2022	7,771	11,040		
Proceeds from auctions incl. inventory receipts	50	27		
Total loans at 31.12.2022			**3,623**	**5,182**

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Report of the statutory auditor to the Cantonal Parliament of Zurich on our audit of the financial statements as of 31 December 2022 of

Zurich, 2 March 2023

Zürcher Kantonalbank, Zürich

Report of the statutory auditor

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Zürcher Kantonalbank (the Company), which comprise the statement of financial position as at 31 December 2022, the statement of income and the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 221 to 239) comply with Swiss law and the Law on Zürcher Kantonalbank.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the “Auditor's responsibilities for the audit of the financial statements” section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the “Auditor's responsibilities for the audit of the financial statements” section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Determination of value adjustments and provisions for default risks on loans to clients

Area of focus	Zürcher Kantonalbank discloses loans to clients, consisting of amounts due from customers and mortgage loans, at nominal value less any necessary value adjustments. For default risks on impaired loans, individual value adjustments are made. For default risks on non-impaired loans value adjustments and provisions for expected losses are recognized. For the measurement of value adjustments and provisions for default risks, valuation models are used. In addition, this requires making estimates and assumptions which, by definition, involve judgments and may vary depending on the valuation. As of 31 December 2022, Zürcher Kantonalbank discloses client loans totaling CHF 107.3 billion. As of the balance sheet date, individual value adjustments and provisions for impaired loans amounted to CHF 324.7 million and value adjustments and provisions for expected losses amounted to CHF 490.0 million. With 54.1%, loans to clients represent a material part of the assets of Zürcher Kantonalbank, and we consider the determination of value adjustments and provisions for default risks on loans to clients as a key audit matter. The significant accounting principles for determining value adjustments and provisions for default risks are described by Zürcher Kantonalbank on pages 139 to 141, 147, 148 as well as on pages 189 to 198 of the bank's annual report. Furthermore, we refer to notes 2 and 16 on pages 226, 227 and 232 in the notes to the financial statements.
Our audit response	We audited the processes and key controls in connection with granting and monitoring loans as well as with regard to the methods for identifying and determining individual value adjustments and provisions for default risks on loans to clients. Moreover, we evaluated the concept for the determination of value adjustments and provisions for expected losses. Finally, we performed sample tests on the impairment of selected client loans, and evaluated the compliance of significant accounting principles as well as the appropriateness of the disclosures in the notes to the financial statements. Our audit procedures did not lead to any reservations concerning the determination of value adjustments and provisions for default risks on loans to clients.

Fair value measurement of financial instruments

Area of focus	Fair value is defined as the amount for which an asset is exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. This amount corresponds to the price requested in a price-efficient and liquid market or, if this is missing, to the price determined on the basis of a valuation model. Valuation models are significantly affected by the assumptions that are used, including interest, forward and swap rates, spread curves and the volatility and estimates of future cash flows. There is a significant degree of judgment involved in making these assumptions. Zürcher Kantonalbank discloses financial instruments at fair value measurement in different balance sheet items. As of 31 December 2022, the fair value of positive replacement values of derivative financial instruments amounts to CHF 1.3 billion, while that of the negative replacement values amounts to CHF 2.1 billion. Furthermore, as of 31 December 2022, Zürcher Kantonalbank discloses liabilities from other financial instruments at fair value measurement totaling CHF 2.5 billion that were determined using a valuation model. As a result of the scope of judgment and the significance of the listed balance sheet items in the financial statements of Zürcher Kantonalbank, the valuation of these items represents a key audit matter. The corresponding accounting and valuation principles are described by Zürcher Kantonalbank on pages 142, 148, 149 as well as on pages 198 to 204 of its annual report. Furthermore, we refer to notes 3, 4 and 14 on pages 227 to 229 and 231 in the notes to the financial statements.
Our audit response	We audited the processes and key controls with regard to fair value measurement, the validation and application of valuation models. Moreover, we assessed the assumptions made in connection with the valuation and their appropriateness on the basis of sample testing and evaluated the measurement of financial instruments by means of independent valuation models. On the basis of sample testing and a comparison with third-party sources, we assessed the fair values used and directly available from an active market. Moreover, we evaluated the appropriateness of the disclosures in the notes to the financial statements. Our audit procedures did not lead to any reservations concerning the fair value measurement of financial instruments.

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Other information
The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the financial statements
The Board of Directors is responsible for the preparation of the financial statements in accordance with the applicable financial reporting framework for banks, the provisions of Swiss law and the Law on Zürcher Kantonalbank, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse's website at: https://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Report on other legal and regulatory requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the financial statements according to the instructions of the Board of Directors.

Furthermore, we confirm that the appropriation of available earnings complies with Swiss law and the Law on Zürcher Kantonalbank. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Bruno Patusi Licensed audit expert (Auditor in charge)	Bruno Taugner Licensed audit expert

Glossary

A

Assessment — Appraisal of a project, situation or participant.

Audit — The business unit Audit (the Inspectorate) is responsible for the group's internal auditing. In organisational terms, it reports directly to the Board of Directors and assists the latter in fulfilling its supervisory and control tasks.

B

Basel III — The reforms published by the Basel Committee for Banking Supervision in 2010, Basel III, include a further revision of the Basel Capital Accord. Besides stricter, risk-based capital requirements with a countercyclical effect, Basel III sets limits on leverage for the first time (leverage ratio). It also specifies a global minimum liquidity standard.

Basel Committee on Banking Supervision — The Basel Committee on Banking Supervision was established by the Bank for International Settlements (BIS) in 1974 and is made up of representatives of central banks and banking supervisory authorities from 27 countries. Switzerland is represented by the SNB and FINMA. The Basel Committee serves as a forum for cooperation on banking supervision issues and is the world's most important standard-setting body for banking regulation. Of particular importance is the Basel Capital Accord, also known as Basel I, Basel II and Basel III.

Bid-ask spread — Difference between the buying and selling price of a financial instrument or currency.

Blacklist — Within the framework of Zürcher Kantonalbank's sustainability policy, investments in and the financing of companies that produce weapons prohibited under international treaties and/or violate Swiss sanctions are prohibited; this applies to the issue of structured products, all active and passive investment solutions of Swisscanto Invest and the financing business. These include producers of cluster bombs / ammunition, anti-personnel and land mines, biological and chemical weapons, nuclear weapons, enriched uranium and blinding laser weapons.

Business continuity management — Business continuity management ensures a company's critical business functions are maintained or restored in the case of internal or external events.

C

Capital at risk — The maximum risk capital specified by the Board of Directors, divided between the various risk categories of credit, market and operational risks in order to limit the various business activities.

Capital budgeting — Planning process for determining the risk capital. The available funds (risk capital) are allocated to the various investment opportunities (risk categories, risk managers).

Clearing house — Financial sector institution that ensures the orderly settlement of financial transactions between two counterparties by acting as a central counterparty through which financial transactions between different parties are processed.

Commodity trade finance — Financing for commodities trading in the form of loans.

Compliance — Compliance involves ensuring that the conduct and actions of the bank and its employees meet applicable legal and ethical standards and also covers all organisational measures designed to prevent violations of the law and breaches of rules and ethical norms by the bank.

Confidence level — Also known as confidence interval or expectancy range. Indicates an interval for the accuracy of the estimated position of a parameter. The confidence interval is the range that contains the true position of the parameter with a specific frequency (confidence level) when random samples are drawn an infinite number of times.

Core capital — This term was introduced as part of the Basel Capital Accord (Basel III) and refers to the equity available to a company on a permanent basis in order to cover losses in its operations. It consists primarily of paid-up corporate capital or endowment capital, as well as capital and profit reserves (Common Equity Tier 1). Additional Tier 1 capital, such as perpetual hybrid capital, is also included.

Core capital ratio (Tier 1) — This term was introduced as part of the Basel Capital Accord (Basel III) and describes the level of required core capital as a percentage of risk-weighted assets.

Corporate governance — Corporate governance is the totality of principles aimed at safeguarding the owner's interests; it is intended to guarantee transparency and provide a proper system of checks and balances at the highest level of the company while preserving decision-making powers and efficiency.

Cost/income ratio (CIR) — The cost/income ratio is a key measure of the efficiency of a participant in the financial sector.

Countercyclical capital buffer — The countercyclical capital buffer is a preventative capital measure within the Basel III framework aimed at preventing excessive bank lending. The level and implementation timescale for the capital buffer are determined by the Federal Council at the Swiss National Bank's (SNB) request, with FINMA monitoring implementation of the measure at bank level. The SNB can confine the countercyclical capital buffer to just one sector of the credit market (e.g. residential mortgages).

Credit valuation adjustment (CVA) — An additional capital requirement to account for the risk of a change in a counterparty's creditworthiness where OTC derivatives are not settled via a central counterparty.

Creditworthiness — Ability and willingness of an individual, company or country to repay debts.

E

Endowment capital — Equity made available to Zürcher Kantonalbank, as a public-law institution, by the canton, as owner.

Exception to policy — Procedure or approach that deviates from internal guidelines on an exceptional basis.

F

Fair value — Fair value is the amount for which mutually independent, knowledgeable business partners would exchange an asset or repay a debt.

FATCA — The United States Foreign Account Tax Compliance Act aims to prevent US taxpayers from minimising their taxes, particularly through using financial institutions located abroad. The law came into effect for financial institutions worldwide on 1 July 2014.

FINMA — The Swiss Financial Market Supervisory Authority (FINMA) is responsible for supervising banks, insurance companies, exchanges, securities dealers, collective investment schemes, as well as distributors and insurance brokers. An independent authority, it works to protect creditors, investors and policyholders, as well as to ensure the effectiveness of the financial markets.

I

Impairment — Decrease in value where the book value of an asset (participation, tangible fixed asset or intangible asset) exceeds the recoverable amount (the greater of net market value or value-in-use).

IRB approach — The internal ratings-based (IRB) approach is an institution-specific modelling approach based on internal ratings, used to determine risk-based capital requirements for credit risk. IRB approaches are more risk-sensitive than the standard approach and have to be approved by FINMA.

Issuer — Issuer of securities such as equities or bonds.

K

Key rate sensitivity — The degree of sensitivity of an asset's net present value to minor changes in an interest rate, e.g. the effect on the net present value of a portfolio of financial investments of a reduction in the market interest rate by 0.01 percent.

Key risk takers — Key risk takers have a sustained influence on the bank's business operations (risks, image, etc.), on the group's result and therefore on the implementation of the strategy.

L

Letter of credit — The (documentary) letter of credit is an instrument guaranteeing the settlement of payment and credit transactions in connection with international trade. An importer's bank issues a written commitment in which it agrees to make payment to the exporter of a good upon receipt of the documents specified in the letter of credit.

Long-term deferred compensation — Unsecured deferred compensation in the form of a future allocation of a cash sum. It is is deferred for a period of three years and is also subject to additional conditions, in particular the sustainable success of the business.

Leverage ratio — The leverage ratio is an unweighted equity ratio and measures a bank's degree of indebtedness. It defines the relationship between equity and the sum of all assets and various off-balance-sheet items.

Liquidity — A company's ability to meet its commitments in full and on time. The Swiss Banking Act requires banks in Switzerland to have adequate liquidity. The money market is central to the liquidity management of banks. The SNB provides the money market with liquidity to implement its monetary policy.

M

Monte Carlo simulation — Stochastic process based on very frequently conducted random experiments. The aim is to use probability theory to analytically solve problems that are difficult or impossible to solve.

N

Negative replacement value — The replacement value corresponds to the market value of outstanding derivative financial instruments. Negative replacement values constitute a financial obligation and thus a liability.

Net stable funding ratio (NSFR) — The NSFR is a ratio established under Basel III. Compliance with this ratio is intended to ensure long-term liquidity. It is a supplement to the liquidity coverage ratio (LCR). The NSFR is calculated by dividing stable refinancing by long-term liabilities (over one year).

Netting — The term netting describes the offsetting of receivables and payables under a netting agreement between two counterparties. Netting agreements must be enforceable under bankruptcy law. As a result of netting, the level of gross receivables/payables is reduced to a net position.

O

Open banking — Open banking is the opening of banking data at the client's request so that, for example, account or transaction data can be made available for third-party software solutions. If the client has accounts with more than one bank, the bank can also consolidate the client's other banking relationships in its own e-banking system at the client's request. The bank fulfils this client need by introducing open and standardised interfaces (API – application programming interface).

OTC transaction — Transaction that takes place over the counter (OTC), i.e. not on an exchange but on a direct, individual basis between two counterparties.

P

Positive replacement value — The replacement value corresponds to the market value of outstanding derivative financial instruments. Positive replacement values constitute a receivable and thus an asset.

R

Repo (repurchase agreement) — Financial transaction where the borrower agrees to transfer securities to the lender in return for an agreed sum of money and redeem them for payment plus interest at the end of the term.

Return on equity (RoE) — The return on equity measures the profitability of equity and is calculated from the relationship between net profit and equity.

Risk-adjusted pricing — Pricing where the price level depends on the level of risk entered into.

Risk capital allocation — The allocation of capital at risk to the various risk categories (or risk managers) as part of the planning process.

Risk-weighted assets (RWA) — The term risk-weighted assets was introduced as part of the Basel Capital Accord (Basel II) and constitutes the main basis for measuring risk-based capital ratios such as the core capital ratio. Risk weighting assumes that not every position entails the same level of risk. For this reason, less risky positions require less equity to underpin them than riskier ones.

S

Securities lending and borrowing (SLB) transaction — SLB transactions involve a lender transferring a security to a borrower to use for a fixed or indefinite, but callable period; in return, they receive a fee from the borrower.

SME — Small and medium-sized enterprises with fewer than 250 employees. Microbusinesses and small enterprises are those with fewer than 20 employees. Companies with 20 to 249 employees are considered medium-sized enterprises.

Straight through processing — Straight through data processing in the sense that the information is processed without manual intervention.

Systemically important banks — A bank or group of banks is systemically important if it performs functions in the domestic lending and deposit business and in the payment transactions business that are indispensable to the Swiss economy and not substitutable at short notice. Other criteria such as size, risk profile and integration are also taken into account. Systemically important banks in Switzerland are subject to particularly strict requirements ("too big to fail").

U

Universal bank — A universal bank is a financial institution that fundamentally conducts all banking transactions and offers them to all client groups. All banking transactions means payment transactions, deposit business (accounts), financing as well as investment, trading and capital market business. All client groups are retail clients (Retail Banking), high-net-worth individuals (Private Banking), corporate clients (Corporate Banking) and large corporations (Investment Banking). A universal bank generates income from interest margin business, commission business and services (from securities and investments), as well as trading activities.

V

Value at risk (VaR) — The maximum loss on a specific risk position (e.g. a securities portfolio) with a given probability (e.g. 95 percent) over a given period of time (e.g. ten days).

Volatility — Fluctuation, e.g. in the price of a security.

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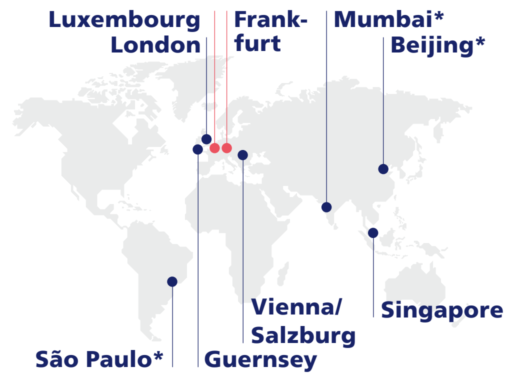
Locations

Canton of Zurich

We have a strong local base. With 51 branches and some 320 ATMs, we have the densest network of branches and ATMs in the Canton of Zurich.

International



- Branches / Locations Zürcher Kantonalbank
- Büro Züri
- Locations Swisscanto Holding Ltd.

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8494 Bauma

Bülach
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8810 Horgen

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