

# Registrierungsformular

vom

**21. Juni 2024**

für

**Forderungspapiere (ohne Derivate) und für Derivate**

der

**Zürcher Kantonalbank**

sowie der

**Zürcher Kantonalbank Finance (Guernsey) Limited**

Dieses Dokument wurde zum Zweck der Offenlegung von Informationen in Bezug auf die Zürcher Kantonalbank (nachfolgend auch als "**ZKB**" bezeichnet) sowie die Zürcher Kantonalbank Finance (Guernsey) Limited (nachfolgend auch als "**ZKB Guernsey**" bezeichnet) (zusammen die "**Emittentinnen**" und jeweils eine "**Emittentin**") erstellt und stellt ein Registrierungsformular (in der jeweiligen Fassung, einschliesslich mit Nachträgen, das "**Registrierungsformular**") im Sinne von Art. 44 Abs. 2 lit. a des Bundesgesetzes über die Finanzdienstleistungen vom 15. Juni 2018 in der jeweils geltenden Fassung ("**FIDLEG**") in Verbindung mit Art. 55 Abs. 2 sowie Anhang 2 und 3 der Verordnung über die Finanzdienstleistungen vom 6. November 2019 in der jeweils geltenden Fassung ("**FIDLEV**") dar.

Das Registrierungsformular wurde am 21. Juni 2024 von der SIX Exchange Regulation AG als Prüfstelle im Sinne von Art. 52 FIDLEG genehmigt. Das Registrierungsformular dient als Grundlage für (a) den Basisprospekt der ZKB und der ZKB Guernsey für strukturierte Produkte, bestehend aus der betreffenden Zusammenfassung und der betreffenden Effektenbeschreibung in welchen auf dieses Registrierungsformular Bezug genommen wird sowie diesem Registrierungsformular (der "**Basisprospekt für strukturierte Produkte**") und Prospekte, bestehend aus dem Basisprospekt für strukturierte Produkte und den betreffenden endgültigen Bedingungen i.S.d. Art. 45 Abs. 3 FIDLEG und Art. 56 FIDLEV, für Emissionen darunter, (b) den Basisprospekt der ZKB für Anleihen und Geldmarktpapiere, bestehend aus der betreffenden Zusammenfassung und der betreffenden Effektenbeschreibung in welchen auf dieses

Registrierungsformular Bezug genommen wird sowie diesem Registrierungsformular (der "**Basisprospekt für Anleihen und Geldmarktpapiere**"), und Prospekte, bestehend aus dem Basisprospekt für Anleihen und Geldmarktpapiere und den betreffenden endgültigen Bedingungen i.S.d. Art. 45 Abs. 3 FIDLEG und Art. 56 FIDLEV, für Emissionen darunter, sowie (c) weitere mehrteilige Prospekte i.S.d. Art. 44 FIDLEG (einschliesslich mehrteilige Basisprospekte) sowie andere Prospekte für die Ausgabe durch die Zürcher Kantonalbank oder die Zürcher Kantonalbank Finance (Guernsey) Limited von Forderungspapieren (ohne Derivate) oder von Derivaten in welchen auf dieses Registrierungsformular Bezug genommen wird.

Dieses Registrierungsformular kann von Zeit zu Zeit nachgetragen werden. In einem solchen Nachtrag enthaltene Erklärungen (einschliesslich der darin durch Verweis aufgenommenen Informationen) gelten, soweit anwendbar (ob ausdrücklich, stillschweigend oder anderweitig), als Änderung oder Ersatz von Erklärungen, die in diesem Registrierungsformular (einschliesslich der darin durch Verweis aufgenommenen Informationen) enthalten sind. Jede auf diese Weise geänderte oder ersetzte Erklärung stellt keinen Teil dieses Registrierungsformulars mehr dar, sondern es gilt die geänderte oder ersetzte Erklärung oder Information.

Dieses Registrierungsformular ist auf der frei zugänglichen Internetseite der Zürcher Kantonalbank (<https://zkb-finance.mdgms.com/products/stp/service/emission/index.html>) (oder eine Nachfolge- oder Ersatzwebsite) abrufbar.

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(gelten als integrierter Bestandteil dieses Registrierungsformulars)

**ANLAGE 1A (Jahresabschluss 2022 der Zürcher Kantonalbank Finance (Guernsey) Limited)**

**ANLAGE 1B (Jahresabschluss 2023 der Zürcher Kantonalbank Finance (Guernsey) Limited)**

## WESENTLICHE RISIKEN IN BEZUG AUF DIE EMITTENTINNEN

In den folgenden Abschnitten werden von den Emittentinnen jeweils als wesentlich erachtete Risiken beschrieben, die sich ungünstig auf das Geschäftsergebnis oder die finanzielle Lage der Emittentinnen auswirken und gegebenenfalls zur Folge haben könnten, dass die Emittentinnen ihre Verpflichtungen aus Forderungspapieren (ohne Derivate) oder Derivaten (jeweils **"Instrumente"**) nicht oder nur teilweise erfüllen können.

Manifestiert sich eines oder verschiedene der nachstehenden wesentlichen Risiken, können Anleger in Derivate oder andere Forderungspapiere ihr gesamtes in solche Instrumente angelegtes Kapital oder einen Teil davon sowie eine etwaige darauf erwartete Rendite verlieren.

Die nachstehend beschriebenen wesentlichen Risiken sind in jedem Fall zusammen mit den übrigen in den betreffenden Effektenbeschreibungen und endgültigen Bedingungen sowie anderen Prospekten beschriebenen wesentlichen Risiken und weiteren Angaben sowie dem übrigen Inhalt des vorliegenden Registrierungsformulars zu lesen.

### A. Zürcher Kantonalbank

#### I. Liquiditätsrisiko

Die Liquidität, sowie der zeitgerechte Zugang zu finanziellen Mitteln, ist für die Zürcher Kantonalbank von entscheidender Bedeutung. Die Liquidität der Zürcher Kantonalbank könnte beeinträchtigt werden, falls diese nachhaltig nicht in der Lage ist, Zugang zu den Kapitalmärkten zu erhalten oder ihre Vermögenswerte zu verkaufen, wenn ihre Liquiditätskosten sehr stark steigen oder wenn Kunden innert kurzer Zeit in wesentlichem Umfang ihre Einlagen zurückziehen, ohne dass im gleichen Umfang Forderungen der Zürcher Kantonalbank, zum Beispiel aus Hypothekar- oder anderen Krediten, befriedigt werden (bank run). Als Folge eines Liquiditätsproblems könnte die Zürcher Kantonalbank Probleme haben, den Zahlungsverpflichtungen unter den betreffenden Instrumenten nachzukommen und könnte die Eidgenössische Finanzmarktaufsicht FINMA (**"FINMA"**) Massnahmen anordnen. Dadurch könnten die Anleger in Instrumenten Verluste erleiden.

#### II. Konkursrisiko

Die Zürcher Kantonalbank ist insbesondere dem Risiko einer ungünstigen, wirtschaftlichen Entwicklung in der Schweiz und der Region Zürich ausgesetzt.

Diese Entwicklungen könnten sich auf die Kreditfähigkeit der Kunden und damit das Kreditrisiko der Zürcher Kantonalbank auswirken. Das Kreditrisiko ist ein integraler Bestandteil vieler Geschäftstätigkeiten der Zürcher Kantonalbank, unter anderem im Kredit- und Derivatgeschäft. Der Ausfall von Gegenparteien bzw. Schuldern der Zürcher Kantonalbank in grösserem Ausmass, unter Umständen verbunden mit Rückgängen bei den Werten von Sicherheiten wie z.B. Wertpapieren oder Schuldbriefen, könnte zu erheblichen Verlusten führen.

Die Zürcher Kantonalbank ist zudem erheblichen rechtlichen Risiken ausgesetzt. Sie kann nachteiligen Gerichts- und Behördenentscheidungen ausgesetzt sein, die sich in einem erheblichen Masse negativ auf die öffentliche Wahrnehmung und ihren Ruf auswirken, zu aufsichtsrechtlichen Massnahmen seitens der Aufsichtsbehörden oder zu Anordnungen von Gerichten führen könnten, die zu einer Überschuldung oder ernsthaften Liquiditätsproblemen führen.

Als Folge substantieller Verluste der Zürcher Kantonalbank könnte die FINMA Massnahmen anordnen, einschliesslich solcher im Rahmen eines von ihr eröffneten Sanierungsverfahrens, oder die Konkursliquidation anordnen, und könnten die Anleger in Instrumenten in deren Folge Verluste erleiden.

### B. Zürcher Kantonalbank Finance (Guernsey) Limited

Die Zürcher Kantonalbank Finance (Guernsey) Limited ist eine Sonderzweckgesellschaft der Zürcher Kantonalbank. Sie weist nur ein beschränktes eigenes Kapital auf. Die Zürcher Kantonalbank Finance (Guernsey) Limited ist daher von der Zürcher Kantonalbank weitgehend abhängig und die für die Zürcher Kantonalbank

Finance (Guernsey) Limited relevanten Risiken entsprechen aufgrund des zwischen der Zürcher Kantonalbank Finance (Guernsey) Limited und der Zürcher Kantonalbank abgeschlossenen Keep-Well Agreements im Wesentlichen denjenigen der Zürcher Kantonalbank.

## **ZUKUNFTSGERICHTETE AUSSAGEN**

Dieses Registrierungsformular sowie die mittels Verweis in dieses einbezogene Dokumente (vgl. den Abschnitt "Einbezug mittels Verweis" nachstehend) enthalten zukunftsgerichtete Aussagen bzw. es sind zukunftsgerichtete Aussagen durch Verweis einbezogen. Begriffe wie "glauben", "erwarten", "planen", "schätzen", "vorhersehen", "beabsichtigen", "anstreben", "annehmen", "kann", "könnte", "wird" und ähnliche Begriffe sollen solche zukunftsbezogenen Aussagen kennzeichnen, sind aber nicht das einzige Mittel zur Kennzeichnung derselben. Die in diesem Registrierungsformular enthaltenen oder per Verweis einbezogenen zukunftsbezogenen Aussagen basieren auf den Annahmen und Erwartungen, welche die Zürcher Kantonalbank zum heutigen Zeitpunkt für realistisch hält, die aber unsicher sind und sich als falsch herausstellen können. Für eine Beschreibung der für Anleger in Forderungspapiere (ohne Derivate) oder Derivate wesentlichen Risiken im Zusammenhang mit den Emittentinnen wird auf den vorstehenden Abschnitt "Wesentliche Risiken in Bezug auf die Emittentinnen" verwiesen.

Sollte eines oder mehrere dieser wesentlichen Risiken eintreten oder sollten sich die der Beschreibung der wesentlichen Risiken zugrundeliegenden Annahmen als falsch erweisen, können die effektiven Folgen und Resultate erheblich von der heutigen Einschätzung abweichen. Potenzielle Anleger sollten sich daher in keiner Weise auf zukunftsbezogene Aussagen verlassen. Sofern nicht durch das FIDLEG oder andere anwendbare wertpapierrechtliche Gesetze und Vorschriften vorgeschrieben, übernehmen die Emittentinnen keine Verpflichtung, zukunftsbezogene Aussagen oder die Beschreibung der wesentlichen Risiken zu aktualisieren oder zu ergänzen, selbst wenn diese aufgrund neuer Informationen, zukünftiger Ereignisse oder anderen Umstände unrichtig oder irreführend werden.

## **ALLGEMEINE ANGABEN ÜBER DIE ZÜRCHER KANTONALBANK UND DIE ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED**

### **A. Zürcher Kantonalbank**

#### **I. Firma, Sitz und Ort der Hauptverwaltung**

Die Zürcher Kantonalbank hat ihren Sitz und ihre Hauptverwaltung an der Bahnhofstrasse 9, 8001 Zürich.

#### **II. Gründung, Dauer**

Die Gründung der Zürcher Kantonalbank im Jahr 1870 beruht auf dem Bankgesetz von 1869. Die Dauer der Zürcher Kantonalbank ist nicht beschränkt.

#### **III. Rechtsordnung, Rechtsform**

Die Zürcher Kantonalbank ist eine selbständige öffentlich-rechtliche Anstalt des Kantons Zürich und unterliegt der Oberaufsicht des Zürcher Kantonsrates. Das Bestehen der Zürcher Kantonalbank basiert auf dem Gesetz über die Zürcher Kantonalbank vom 28. September 1997 ("**Kantonalbankgesetz**"), in Kraft getreten am 1. Januar 1998.

Als Bank untersteht die Zürcher Kantonalbank dem Bundesgesetz über die Banken und Sparkassen vom 8. November 1934, und damit der bankengesetzlichen Aufsicht der FINMA.

Der Kanton Zürich haftet für alle Verbindlichkeiten der Zürcher Kantonalbank, soweit ihre eigenen Mittel nicht ausreichen, mit Ausnahme von nachrangigen Verbindlichkeiten (§ 6 Abs. 1 und 2 Kantonalbankgesetz).

#### IV. Zweck

Gemäss gesetzlichem Zweckartikel trägt die Zürcher Kantonalbank zur Lösung volkswirtschaftlicher und sozialer Aufgaben im Kanton Zürich bei und unterstützt eine umweltverträgliche Entwicklung. Sie verfolgt eine auf Kontinuität ausgerichtete Geschäftspolitik und befriedigt Anlage- und Finanzierungsbedürfnisse. Dabei berücksichtigt sie insbesondere die Anliegen der kleinen und mittleren Unternehmen, der Arbeitnehmerinnen und Arbeitnehmer, der Landwirtschaft und der öffentlich-rechtlichen Körperschaften. Darüber hinaus fördert die Zürcher Kantonalbank das Wohneigentum sowie den preisgünstigen Wohnungsbau (§ 2 Kantonalbankgesetz).

#### V. Register

Die Zürcher Kantonalbank ist seit dem 24. April 1883 als öffentlich-rechtliche Anstalt im Handelsregister des Kantons Zürich eingetragen. Die Registernummer der Zürcher Kantonalbank lautet CHE-108.954.607.

#### VI. Rating

Per Datum dieses Registrierungsformulars lauten die von den Ratingagenturen erteilten Ratings der Zürcher Kantonalbank wie folgt:

Ratingagentur	Datum	langfristig
Standard&Poor's	1. Dezember 2023	AAA
Moody's	27. November 2023	Aaa
FitchRatings	19. Juli 2023	AAA

### B. Zürcher Kantonalbank Finance (Guernsey) Limited

#### I. Firma, Sitz und Ort der Hauptverwaltung

Die Zürcher Kantonalbank Finance (Guernsey) Limited hat ihren Sitz und ihre Hauptverwaltung in Bordage House, Le Bordage, St. Peter Port, Guernsey GY1 1BU, Channel Islands.

#### II. Gründung, Dauer

Die Zürcher Kantonalbank Finance (Guernsey) Limited wurde am 17. November 2000 gegründet. Die Dauer der Zürcher Kantonalbank Finance (Guernsey) Limited ist nicht beschränkt.

#### III. Rechtsordnung, Rechtsform

Die Zürcher Kantonalbank Finance (Guernsey) Limited ist eine als "limited liability company" (Gesellschaft mit beschränkter Haftung) ausgestaltete sogenannte "Non-Cellular Company Limited by Shares" nach dem Recht von Guernsey. Das vollständig einbezahlte Aktienkapital beträgt eine Million Schweizer Franken (CHF 1'000'000). Die aktualisierte Gründungsurkunde (Memorandum of Incorporation) und die aktualisierten Statuten (Articles of Incorporation) ("**Statuten**") sind gültig seit 14. März 2012 resp. 19. Oktober 2016. Die ursprünglichen Gründungsdokumente datieren vom 17. November 2000.

Die Zürcher Kantonalbank ist aufgrund eines Keep-Well Agreements verpflichtet, die Zürcher Kantonalbank Finance (Guernsey) Limited finanziell stets so auszustatten, dass diese jederzeit die Ansprüche der Gläubiger termingerecht zu befriedigen vermag.

#### IV. Zweck

Gemäss dem Memorandum of Incorporation der Zürcher Kantonalbank Finance (Guernsey) Limited ist der Zweck der Gesellschaft unlimitiert (Art. 3 des Memorandum of Incorporation).

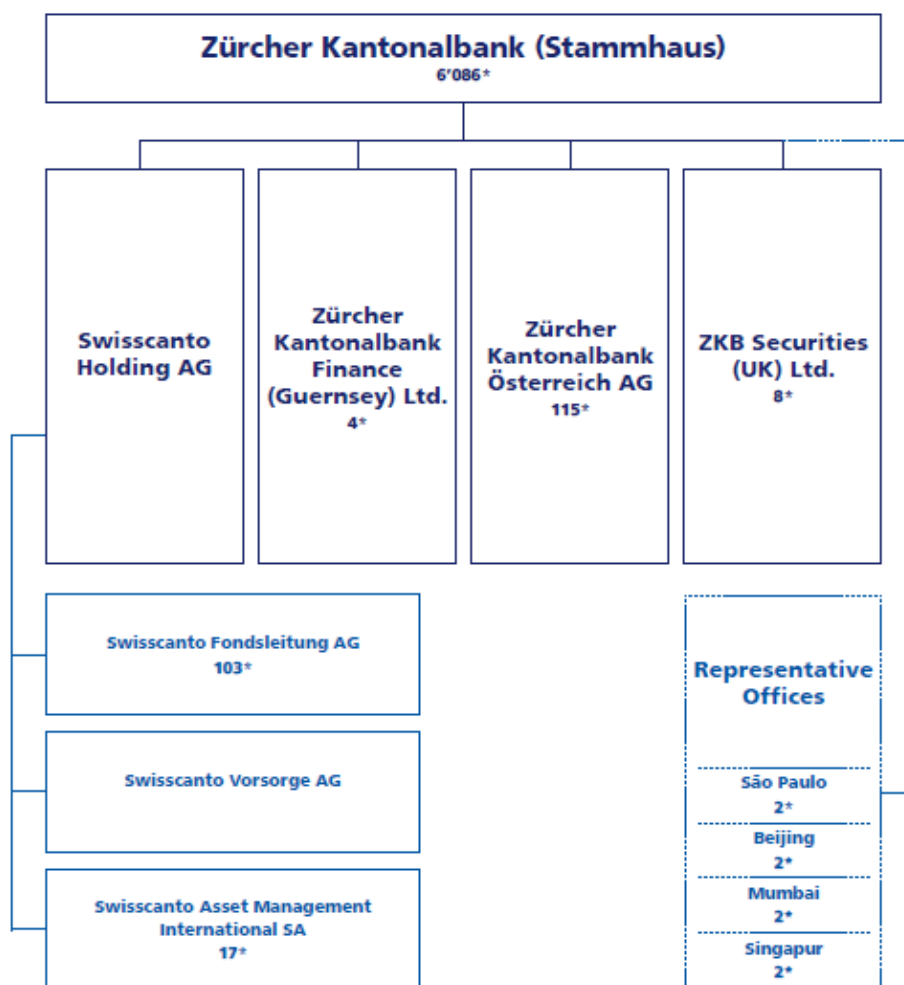


## V. Register

Die Zürcher Kantonalbank Finance (Guernsey) Limited ist seit dem 17. November 2000 als Non Cellular Company im Guernsey Registry eingetragen. Die Registernummer der Zürcher Kantonalbank Finance (Guernsey) Limited lautet 37610.

## C. Konzernstruktur

Die Zürcher Kantonalbank ist die Obergesellschaft verschiedener national und international ausgerichteter Tochtergesellschaften. Die Konzernstruktur gestaltet sich per Datum dieses Registrierungsformulars gemäss der nachfolgenden Darstellung.



\* Anzahl Beschäftigte per 31.12.2023

Die Swisscanto Holding AG und ihre Tochtergesellschaften Swisscanto Fondsleitung AG, Swisscanto Vorsorge AG und Swisscanto Asset Management International SA, Luxemburg (zusammen "Swisscanto"), gehören zu 100 Prozent direkt bzw. im Fall der Tochtergesellschaften indirekt der Zürcher Kantonalbank. Als ausgewiesene Spezialistin entwickelt Swisscanto qualitativ hochstehende Anlage- und Vorsorgelösungen für private Anleger, Firmen und Institutionen.

Die Zürcher Kantonalbank Österreich AG gehört seit 1. Februar 2010 zu 100 Prozent der Zürcher Kantonalbank und erbringt Anlage- und Vermögensverwaltungsdienstleistungen für private und institutionelle Anleger. Neben dem Hauptsitz in Salzburg unterhält sie eine Niederlassung in Wien und beschäftigt rund 115 Mitarbeitende.

Die ZKB Guernsey ist eine 100-prozentige Tochtergesellschaft der Zürcher Kantonalbank. Sie emittiert Strukturierte Anlageprodukte.

Die ZKB Securities (UK) Ltd gehört zu 100 Prozent der Zürcher Kantonalbank und agiert als Broker für professionelle Kunden in Grossbritannien und ermöglicht ihnen damit Investitionen in Schweizer Aktien (Equity Brokerage) einschliesslich Investitionen in aktienähnliche Fonds zu tätigen. Zudem wird der Zugang zu Aktienresearch-Publikationen (Sell-Side Research) angeboten.

Schliesslich ist auch das Representative Office in São Paulo, die Zürcher Kantonalbank Representações Ltda., eine 100-prozentige Tochtergesellschaft der Zürcher Kantonalbank.

## **ANGABEN ÜBER VERWALTUNGSRAT, GESCHÄFTSLEITUNG, REVISIONSSTELLE UND WEITERE ORGANE DER ZÜRCHER KANTONALBANK UND DER ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED**

### **A. Zürcher Kantonalbank**

Die Organe der Zürcher Kantonalbank sind der Bankrat, das Bankpräsidium und die Generaldirektion sowie die Revisionsstelle (§ 14 des Kantonalbankgesetzes). Die Kompetenzen zwischen Bankrat, Bankpräsidium, Generaldirektion und Revisionsstelle sind im Kantonalbankgesetz (§ 15 – § 18) und im Reglement über die Organisation des Konzerns der Zürcher Kantonalbank vom vom 15. Dezember 2022 (§ 34f., § 65f., § 77f. und § 92)) geregelt. Die kantonale Oberaufsicht über die Zürcher Kantonalbank hat der Kantonsrat des Kantons Zürich. Zur Wahrnehmung dieser Oberaufsicht bestellt der Kantonsrat gemäss § 12 des Kantonalbankgesetzes die Kommission für die Aufsicht über die wirtschaftlichen Unternehmen (AWU).

Die Aufsicht gemäss Bankengesetz dagegen obliegt wie bei jeder anderen Bank ausschliesslich und uneingeschränkt der FINMA.

Die wichtigsten Kompetenzen der einzelnen Organe der Zürcher Kantonalbank sowie der kantonsrätlichen Kommission können dem Corporate Governance-Bericht der Zürcher Kantonalbank für das Geschäftsjahr 2023, der mittels Verweis in dieses Registrierungsformular einbezogen wurde (vgl. den Abschnitt "Einbezug mittels Verweis" nachstehend), entnommen werden.

#### **I. Bankrat**

Der Bankrat der Zürcher Kantonalbank setzt sich per Datum dieses Registrierungsformulars wie folgt zusammen:

<b>Name</b>	<b>Funktion</b>	<b>Dauer</b>
Dr. Jörg Müller-Ganz	Präsident Mitglied des Bankrats	seit 1. Juli 2011 seit 1. Juli 2007
Roger Liebi	Vize-Präsident Mitglied des Bankrats	seit 1. Juli 2019 seit 1. Juli 2018
Mark Roth	Vize-Präsident Mitglied des Bankrats	seit 1. Februar 2022 seit 1. September 2013

Amr Abdelaziz	Mitglied des Bankrats	seit 1. Juli 2015
Sandra Berberat Kecerski	Mitglied des Bankrats	seit 28. Februar 2022
Prof. Dr. Adrian Bruhin	Mitglied des Bankrats	seit 1. November 2020
Prof. Dr. Bettina Furrer	Mitglied des Bankrats	seit 1. Juli 2019
René Huber	Mitglied des Bankrats	seit 1. November 2014
Henrich Kisker	Mitglied des Bankrats	seit 1. Juli 2015
Gregor Kreuzer	Mitglied des Bankrats	seit 1. Januar 2024
Walter Schoch	Mitglied des Bankrats	seit 1. Juli 2015
Prof. Dr. Hans-Ueli Vogt	Mitglied des Bankrats	seit 1. Januar 2024
Claudia Zimmermann	Mitglied des Bankrats	seit 1. Januar 2024

Die Geschäftsadresse aller Mitglieder des Bankrats ist an der Bahnhofstrasse 9 in 8001 Zürich.

## II. Bankpräsidium

Das Bankpräsidium der Zürcher Kantonalbank setzt sich per Datum dieses Registrierungsformulars wie folgt zusammen:

Name	Funktion	Dauer
Dr. Jörg Müller-Ganz	Präsident	seit 1. Juli 2011
Roger Liebi	Vize-Präsident	seit 1. Juli 2019
Mark Roth	Vize-Präsident	seit 1. Februar 2022

Die Geschäftsadresse aller Mitglieder des Bankpräsidiums ist an der Bahnhofstrasse 9 in 8001 Zürich.

## III. Generaldirektion

Die Generaldirektion der Zürcher Kantonalbank setzt sich per Datum dieses Registrierungsformulars wie folgt zusammen:

Name	Funktion	Dauer
Urs Baumann	Vorsitzender der Generaldirektion (CEO) Mitglied der Generaldirektion	seit 1. September 2022 seit 1. Juni 2022
Dr. Stephanino Isele	Stellvertretender CEO Leiter Institutionals & Multinationals, Mitglied der Generaldirektion	seit 1. Mai 2021 seit 1. April 2014
Dr. Jürg Bühlmann	Leiter Firmenkunden Mitglied der Generaldirektion	seit 1. Juli 2012

Florence Schnydrig Moser	Leiterin Private Banking Mitglied der Generaldirektion	seit 1. Januar 2021
Hjalmar Schröder	Leiter Risk Mitglied der Generaldirektion	seit 1. April 2024
Daniel Previdoli	Leiter Products, Services & Directbanking Mitglied der Generaldirektion	seit 1. Dezember 2007
Remo Schmidli	Leiter IT, Operations & Real Estate Mitglied der Generaldirektion	seit 1. Juli 2019
Dr. Martin Bardenhewer	Leiter Finanz Mitglied der Generaldirektion	seit 1. Mai 2023

Die Geschäftsadresse von Urs Baumann, Florence Schnydrig Moser und Dr. Jürg Bühlmann ist an der Bahnhofstrasse 9 in 8001 Zürich. Die Geschäftsadresse von Daniel Previdoli und Remo Schmidli ist an der Neue Hard 11 und 9 in 8005 Zürich. Die Geschäftsadresse von Dr. Stephanino Isele, Hjalmar Schröder und Dr. Martin Bardenhewer ist an der Josefstr. 222 in 8005 Zürich.

#### IV. Kantonsrätliche Kommission

Die Kommission für die Aufsicht über die wirtschaftlichen Unternehmen (AWU) setzt sich per Datum dieses Registrierungsformulars wie folgt zusammen:

Name	Funktion
Stefanie Huber, GLP, Uster	Präsidium
Thomas Anwander, Die Mitte, Winterthur	Mitglied
André Bender, SVP, Dietikon	Mitglied
Beat Bloch, CSP, Zürich	Mitglied
Astrid Furrer, FDP, Horgen	Mitglied
Hanspeter Göldi, SP, Meilen	Mitglied
Andrea Grossen-Aerni, EVP, Hinwil	Mitglied
Roland Kappeler, SP, Winterthur	Mitglied
Monika Keller, FDP, Uster	Mitglied
Thomas Lamprecht, EDU, Bülach	Mitglied
René Truninger, SVP, Pfäffikon	Mitglied

#### V. Revisionsstelle / Konzernprüfer

Als (externe) aktienrechtliche und bankengesetzliche Revisionsstelle und Konzernprüfer amtiert per Datum dieses Registrierungsformulars die Ernst & Young AG, Maagplatz 1, 8005 Zürich (seit 1989).

Das Revisionsorgan wird gemäss § 11 und § 18 des Kantonalbankgesetzes vom Kantonsrat jeweils für eine zweijährige Amtsdauer gewählt, muss von der FINMA anerkannt sein und ist im Register der für das Revisionsorgan zuständigen Eidgenössischen Revisionsaufsichtsbehörde (RAB) eingetragen. Am 30. Mai 2022 bestätigte der Kantonsrat die Wahl der Ernst & Young AG als Revisionsorgan für die Jahre 2023 und 2024.

## B. Zürcher Kantonalbank Finance (Guernsey) Limited

Das für die Leitung und Kontrolle der Zürcher Kantonalbank Finance (Guernsey) Limited zuständige Organ ist der Verwaltungsrat (Board of Directors).

Der Verwaltungsrat trägt die Verantwortung für alle Angelegenheiten, die nicht durch Gesetz, Statuten oder Reglement einem anderen Organ der Gesellschaft übertragen sind. Als oberstes Leitungsorgan trifft er die grundlegenden Entscheidungen für die ZKB Guernsey und ist berechtigt, die erforderlichen Weisungen zu erteilen. Der Verwaltungsrat bestimmt die Organisationsstruktur der ZKB Guernsey, die Struktur der Buchhaltungsabteilung, die Finanzkontrollen und die Finanzplanung, die für die Leitung der ZKB Guernsey erforderlich sind. Er ernennt auch die für die Leitung und Vertretung der Gesellschaft verantwortlichen Personen. Darüber hinaus beaufsichtigt der Verwaltungsrat die mit der Leitung der Gesellschaft betrauten Personen, insbesondere im Hinblick auf die Einhaltung der Gesetze und Vorschriften. Er kann auch die mit der Geschäftsführung betrauten Personen abberufen.

Der Verwaltungsrat erstellt den Jahresbericht (Jahresbericht und Jahresrechnung) und bereitet die Generalversammlung vor, an welcher er dieser seine Vorschläge für die langfristigen Ziele der ZKB Guernsey und die zu deren Erreichung erforderlichen Massnahmen zur Genehmigung unterbreitet.

### I. Verwaltungsrat

Der Verwaltungsrat der Zürcher Kantonalbank Finance (Guernsey) Limited setzt sich per Datum dieses Registrierungsformulars wie folgt zusammen:

Name	Funktion	Hintergrund
Felix Oegerli	Präsident	Delegierter der Zürcher Kantonalbank, Zürich
Samuel Stadelmann	Vizepräsident	Delegierter der Zürcher Kantonalbank, Zürich
John William Renouf	Mitglied	Unabhängiger Berater, Guernsey Non-Executive Director der Zürcher Kantonalbank Finance (Guernsey) Limited
Richard Duchemin	Mitglied	Executive Director der Zürcher Kantonalbank Finance (Guernsey) Limited

Die Geschäftsadresse von Felix Oegerli und Samuel Stadelmann ist an der Josefstr. 222 in 8005 Zürich. Die Geschäftsadresse von John William Renouf ist Deo Juvante, Castel, Guernsey GY5 7TJ. Die Geschäftsadresse von Richard Duchemin ist Bordage House, Le Bordage, St. Peter Port, Guernsey GY1 1BU.

### II. Geschäftsführer / Chief Executive Officer

Der Verwaltungsrat hat die Geschäftsführung und Vertretung der ZKB Guernsey an einen Direktor, der das Amt des Geschäftsführers ausübt, delegiert.

Der Geschäftsführer trägt die Gesamtverantwortung für die Leitung und Überwachung der Geschäfte der ZKB Guernsey. Er führt das Tagesgeschäft und vertritt das Unternehmen nach aussen. Er nimmt seine Aufgaben vor Ort in Guernsey wahr. Er kann einzelne Aufgaben an externe Dienstleister und/oder an die Muttergesellschaft delegieren, behält aber die Verantwortung dafür. Eine solche Delegation, die in einem Vertrag festgelegt werden muss, bedarf der Zustimmung des Verwaltungsrates. Der Geschäftsführer wird vom Verwaltungsrat ernannt und kann von diesem abberufen werden.

Der Geschäftsführer der Zürcher Kantonalbank Finance (Guernsey) Limited per Datum dieses Registrierungsformulars ist:

<b>Name</b>	<b>Funktion</b>
Richard Duchemin	Chief Executive Officer

### **III. Leiter Finanzen / Chief Financial Officer**

Die ZKB Guernsey hat einen CFO eingestellt, der den Geschäftsführer als Spezialist in den Themen Finanzbuchhaltung und Berichterstattung unterstützt. Der CFO untersteht direkt dem Geschäftsführer und im Rahmen der Konzernführung und Berichterstattung der Abteilung Finanzbuchhaltung der Zürcher Kantonalbank.

Der CFO kann einzelne Aufgaben delegieren, behält aber die Verantwortung für die Erfüllung dieser Aufgaben.

Der CFO der Zürcher Kantonalbank Finance (Guernsey) Limited per Datum dieses Registrierungsformulars ist:

<b>Name</b>	<b>Funktion</b>
Alex Margison	Chief Financial Officer

Die Geschäftsadresse von Alex Margison ist Bordage House, Le Bordage, St. Peter Port, Guernsey GY1 1BU.

### **IV. Revisionsgesellschaft**

Als Revisionsgesellschaft amtiert per Datum dieses Registrierungsformulars die Ernst & Young LLP, Royal Chambers, St Julian's Avenue, St. Peter Port, Guernsey GY1 4AF, Channel Islands (seit dem 17. November 2000).

Ernst & Young LLP ist vom Institute of Chartered Accountants in England und Wales autorisiert und reguliert, und ist als vorgeschriebenes Unternehmen bei der Guernsey Financial Services Commission registriert.

## **GESCHÄFTSTÄTIGKEIT DER ZÜRCHER KANTONALBANK UND DER ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED**

### **A. Zürcher Kantonalbank (Konzernobergesellschaft)**

Die Zürcher Kantonalbank ist eine Konzernobergesellschaft, weshalb die nachfolgenden Angaben über die Geschäftstätigkeit konzernweit auf konsolidierter Basis erfolgen.

## **I. Haupttätigkeit**

Die Zürcher Kantonalbank tätigt die Geschäfte einer Universalbank. Sie schliesst keine Eigengeschäfte ab, bei denen unverhältnismässige Risiken eingegangen werden. Sie betreibt eine Pfandleihkasse.

Der Geschäftsbereich umfasst in geografischer Hinsicht in erster Linie den Wirtschaftsraum Zürich. Geschäfte in der übrigen Schweiz und im Ausland sind zulässig, sofern der Zürcher Kantonalbank und ihren Tochtergesellschaften daraus keine unverhältnismässigen Risiken erwachsen und dadurch die Befriedigung der Geld- und Kreditbedürfnisse im Kanton Zürich nicht beeinträchtigt wird.

Die Einzelheiten der Geschäftstätigkeit werden durch das Organisationsreglement geregelt. Zudem können weitere Einzelheiten zur Geschäftstätigkeit der Zürcher Kantonalbank und ihrer Tochtergesellschaften dem Lagebericht der Zürcher Kantonalbank, der mittels Verweis in dieses Registrierungsformular einbezogen wurde (vgl. den Abschnitt "Einbezug mittels Verweis" nachstehend), entnommen werden.

## **II. Spezieller Leistungsauftrag**

Der im Kantonalbankgesetz geregelte Leistungsauftrag des Kantons Zürich an die Zürcher Kantonalbank besteht aus dem Versorgungsauftrag, dem Unterstützungsauftrag und dem Nachhaltigkeitsauftrag.

## **III. Versorgungsauftrag**

Die ZKB versorgt die Bevölkerung und Wirtschaft mit den Dienstleistungen einer Universalbank. Diese umfassen Zahlungsverkehr, Sparen, Anlegen, Finanzieren, Vorsorge, Finanzplanung, Steuern und Nachfolge. Dabei berücksichtigt die ZKB insbesondere die Anliegen der kleinen und mittleren Unternehmen, der Arbeitnehmerinnen und Arbeitnehmer, der Landwirtschaft und der öffentlich-rechtlichen Körperschaften. Zudem fördert die ZKB das Wohneigentum und den preisgünstigen Wohnungsbau sowie die Erreichung der Treibhausgasneutralität.

Den Kundinnen und Kunden wird auf allen Kanälen, ob physisch oder digital, Zugang zu den Finanzdienstleistungen geboten. Die ZKB verfügt über das dichteste Filianetz im Kanton Zürich und deckt kostengünstig die Grundbedürfnisse ihrer Kundinnen und Kunden ab. Sie zeichnet sich durch eine hohe Qualität ihrer Finanzdienstleistungen aus. Stabilität und Sicherheit sind zentrale Grundpfeiler der Zürcher Kantonalbank.

## **IV. Unterstützungsauftrag**

Mit dem Leistungsauftrag unterstützt die ZKB den Kanton bei der Lösung von volkswirtschaftlichen und sozialen Aufgaben.

Die ZKB ist eine der grössten Ausbildungsstätten und eine bedeutende Arbeitgeberin im Kanton. Sie ist eine der grössten Start-up Förderinnen der Schweiz, die die Innovations- und Bildungsinstitute im Kanton Zürich unterstützt. Ihr Beitrag zur Stärkung der Wettbewerbskraft des Kantons ist ein wichtiger Pfeiler ihres Leistungsauftrags. Mit ihren Sponsoring-Engagements und Vergabungen leistet sie einen Beitrag zur Lebensqualität im Kanton Zürich, um die natürlichen Lebensgrundlagen zu schützen und den gesellschaftlichen Zusammenhalt zu wahren. Deshalb setzt sie sich für die Natur und Umwelt wie auch für die nachhaltige Mobilität, kulturelle Vielfalt und Chancengleichheit, Zugang zu Finanzwissen, für Bildung und Innovation sowie die Förderung von Unternehmertum ein.

## **V. Nachhaltigkeitsauftrag**

Die ZKB orientiert sich an den Zielen für nachhaltige Entwicklung der Vereinten Nationen und der Treibhausgasneutralität. Sie verfolgt eine auf Nachhaltigkeit und Kontinuität ausgerichtete Geschäftspolitik. Nachhaltigkeit ist integraler Bestandteil ihres Geschäftsmodells. Bei der Erfüllung des Leistungsauftrags beachtet die Zürcher Kantonalbank als Universalbank die Grundsätze der Nachhaltigkeit und der anerkannten Regeln des Risikomanagements. Gemäss ihrer Konzernstrategie versteht sie unter Nachhaltigkeit, erfolgreiches wirtschaftliches Handeln und die Verantwortung für Umwelt und Gesellschaft dauerhaft in Einklang zu bringen.

Sie setzt sich die Ambition, Nachhaltigkeitsthemen aktiv zu gestalten, bei nachhaltigen Angeboten führend zu sein und ihren Kundinnen und Kunden auf dem Weg in eine nachhaltigere Zukunft zu begleiten.

Mit ihrem Nachhaltigkeitsauftrag fokussiert sie sich auf die betriebliche Nachhaltigkeit, dem nachhaltigen Bankgeschäft sowie auf die Förderung der Netto-Null Transition mit der Umsetzung der Ziele der Net-Zero Banking Alliance (NZBA) und der Net-Zero Asset Manager Initiative (NZAM). Bei der Umsetzung im eigenen Betrieb ist sie ein Vorbild in den Bereichen Netto-Null und der Mitarbeiterzufriedenheit.

#### **VI. Gerichts-, Schieds- und Administrativverfahren**

Per Datum dieses Registrierungsformulars sind nach Kenntnis der Organe der Zürcher Kantonalbank keine Gerichts-, Schieds- oder Administrativverfahren angedroht oder hängig, die von wesentlicher Bedeutung für die Vermögens- oder Ertragslage der Zürcher Kantonalbank sind.

### **B. Zürcher Kantonalbank Finance (Guernsey) Limited**

#### **I. Haupttätigkeit**

Die Zürcher Kantonalbank Finance (Guernsey) Limited begibt strukturierte Anlageprodukte und verkauft diese an die Zürcher Kantonalbank, welche sie im Markt platziert.

#### **II. Gerichts-, Schieds- und Administrativverfahren**

Per Datum dieses Registrierungsformulars sind nach Kenntnis der Organe der Zürcher Kantonalbank bzw. der Zürcher Kantonalbank Finance (Guernsey) Limited keine Gerichts-, Schieds- oder Administrativverfahren angedroht oder hängig, die von wesentlicher Bedeutung für die Vermögens- oder Ertragslage der Zürcher Kantonalbank Finance (Guernsey) Limited sind.

### **C. Angaben über die wesentlichen Geschäftsaussichten der Zürcher Kantonalbank und ihrer Tochtergesellschaften**

Für Angaben über die wesentlichen Geschäftsaussichten der Zürcher Kantonalbank und ihrer Tochtergesellschaften wird auf den Teil "Lagebericht" (S. 21–98) des mittels Verweis in dieses Registrierungsformular aufgenommenen Geschäftsberichts 2023 der Zürcher Kantonalbank (vgl. den Abschnitt "Einbezug mittels Verweis" nachstehend) verwiesen. Es wird darauf hingewiesen, dass die Angaben im Lagebericht zu den wesentlichen Geschäftsaussichten der Zürcher Kantonalbank und ihrer Tochtergesellschaften mit Unsicherheit behaftet sind.

## **KAPITAL UND STIMMRECHTE DER EMITTENTINNEN UND ALLFÄLLIGER GARANTIE- ODER SICHERHEITENGEBER**

### **A. Zürcher Kantonalbank**

#### **I. Kapitalstruktur**

Das Gesellschaftskapital der Zürcher Kantonalbank besteht ausschliesslich aus dem Dotationskapital (§ 4 Kantonalbankgesetz) und beträgt derzeit 2'425 Mio. CHF. Das Dotationskapital wird der Zürcher Kantonalbank vom Kanton Zürich unbefristet zur Verfügung gestellt. Der Kantonsrat entschied per 2. November 2020, den zeitlich unbefristeten Dotationskapitalrahmen um 425 Mio. CHF auf 3'425 Mio. CHF zu erhöhen. Das durch den Kantonsrat bewilligte und noch nicht abgerufene Dotationskapital (Dotationskapitalreserve) in der Höhe von CHF 1'000 Millionen wurde durch Beschluss des Bankrats vollumfänglich für die Notfallplanung der Bank reserviert und wird an die Gone-concern-Kapitalkomponente angerechnet. Die Dotationskapitalreserve kann demzufolge nur noch auf Anordnung der FINMA oder eines von dieser eingesetzten Sanierungsbeauftragten abgerufen



werden. Weitere eigene Mittel beschafft sich die Zürcher Kantonalbank durch die Äufnung von Reserven sowie durch Aufnahme von nachrangigen Verbindlichkeiten (§ 5 Kantonalbankgesetz).

## **II. Ausstehende Wandel- und Optionsrechte und Anleihen**

Per Stichtag des Jahresabschlusses für das Geschäftsjahr 2023 hatte die Zürcher Kantonalbank keine Wandel- oder Optionsrechte ausstehend.

Per Stichtag des Jahresabschlusses für das Geschäftsjahr 2023 hatte die Zürcher Kantonalbank Kassenobligationen mit einem Gesamtnennwert von CHF 288 Mio. (2022: CHF 196 Mio.), Obligationsanleihen mit einem Gesamtnennwert von CHF 10'547 Mio. (2022: CHF 9'400 Mio.), Geldmarktpapiere mit einem Gesamtnennwert von CHF 632 Mio. (2022: CHF 104 Mio.) sowie Pfandbriefdarlehen mit einem Gesamtnennwert von CHF 11'558 Mio. (2022: CHF 11'924 Mio.) ausstehend.

## **III. Eigene Beteiligungspapiere**

Per Stichtag des Jahresabschlusses für das Geschäftsjahr 2023 und per Datum dieses Registrierungsformulars hielt weder die Zürcher Kantonalbank noch eine ihrer Tochtergesellschaften eigene Beteiligungspapiere.

## **B. Zürcher Kantonalbank Finance (Guernsey) Limited**

Die Zürcher Kantonalbank Finance (Guernsey) Limited ist eine juristische Person, deren Zweck unlimitiert ist, insbesondere aber die Ausgabe von Finanzinstrumenten bezweckt. Bei der Zürcher Kantonalbank Finance (Guernsey) Limited handelt es sich damit um eine sog. Sonderzweckgesellschaft (Special Purpose Vehicle) nach Art. 96 Abs. 2 FIDLEV, dessen Garantie- oder Sicherheitengeber (die Zürcher Kantonalbank) ein Institut nach Art. 70 Abs. 1 FIDLEG ist. Es wird daher an dieser Stelle auf die Angaben zur Zürcher Kantonalbank verwiesen.

## **ABSCHLÜSSE DER ZÜRCHER KANTONALBANK UND DER ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED**

### **A. Zürcher Kantonalbank**

#### **I. Jahresabschlüsse und damit im Zusammenhang stehende Dokumente**

Der mittels Verweis in dieses Registrierungsformular einbezogene Teil "Finanzbericht" für die Geschäftsjahre 2022 und 2023 der Zürcher Kantonalbank (vgl. den Abschnitt "Einbezug mittels Verweis" nachstehend) enthält unter anderem die vom zuständigen Revisionsorgan geprüfte konsolidierte Jahresrechnung inkl. Revisionsstellenbericht der Zürcher Kantonalbank. Zusätzlich enthält der Finanzbericht den Einzelabschluss der Zürcher Kantonalbank (Stammhaus) inkl. dem dazugehörigen Revisionsstellenbericht.

Die konsolidierte Jahresrechnung der Zürcher Kantonalbank umfasst die Abschlüsse des Stammhauses der Zürcher Kantonalbank und der direkt und indirekt gehaltenen wesentlichen Tochtergesellschaften, an denen die Bank Beteiligungen von mehr als 50 Prozent am stimmberechtigten Kapital hält oder die auf eine andere Weise beherrscht werden. Die Darstellung der Konzernrechnung richtet sich nach der wirtschaftlichen Betrachtungsweise. Die Einzelabschlüsse der Konzerngesellschaften basieren auf einheitlichen, konzernweit gültigen Rechnungslegungsstandards.

#### **II. Wesentliche Veränderungen seit dem letzten Jahresabschluss**

Seit dem Jahresabschluss für das Geschäftsjahr 2023 haben sich keine wesentlichen Veränderungen in der Vermögens-, Finanz- und Ertragslage der Zürcher Kantonalbank ergeben.

## B. Zürcher Kantonalbank Finance (Guernsey) Limited

### I. Jahresabschlüsse und damit im Zusammenhang stehende Dokumente

In Anlage 1 befinden sich die Jahresabschlüsse der Zürcher Kantonalbank Finance (Guernsey) Limited für die Geschäftsjahre 2022 (Anlage 1A) und 2023 (Anlage 1B), welche jeweils auch den Revisionsstellenbericht enthalten.

### II. Wesentliche Veränderung seit dem letzten Jahresabschluss

Seit dem Jahresabschluss für das Geschäftsjahr 2023 haben sich keine wesentlichen Veränderungen in der Vermögens-, Finanz- und Ertragslage der Zürcher Kantonalbank Finance (Guernsey) Limited ergeben.

### EINBEZUG DURCH VERWEIS

Die folgenden Dokumente werden mittels Verweis in dieses Registrierungsformular aufgenommen und bilden einen Teil davon (die "Verweisdokumente"). Nur die Teile der Verweisdokumente, die in der nachstehenden Tabelle aufgeführt sind, werden in das Registrierungsformular aufgenommen und bilden Bestandteil dieses Registrierungsformulars. Die anderen Teile der Verweisdokumente, die nicht in der nachstehenden Tabelle aufgeführt sind, gelten ausdrücklich als nicht in das Registrierungsformular aufgenommen und bilden nicht Bestandteil des Registrierungsformulars.

Dokument	Per Verweis einbezogene Information	Ort der Veröffentlichung
Geschäftsbericht 2022 der Zürcher Kantonalbank	Teile "Lagebericht" (S. 30-113). "Corporate Governance" (S. 114-135), "Finanzbericht" (S. 175-292) und "Glossar" (S. 294-297)	<a href="https://www.zkb.ch">Berichterstattung der Zürcher Kantonalbank (zkb.ch)</a>
Geschäftsbericht 2023 der Zürcher Kantonalbank	Teile "Lagebericht" (S. 21-98). "Corporate Governance" (S. 99-121), "Finanzbericht" (S. 135-250) und "Glossar" (S. 252-256)	<a href="https://www.zkb.ch">Berichterstattung der Zürcher Kantonalbank (zkb.ch)</a>

## **VERANTWORTUNG FÜR DAS REGISTRIERUNGSFORMULAR**

### **A. Zürcher Kantonalbank**

Die Zürcher Kantonalbank übernimmt die Verantwortung für die in diesem Registrierungsformular enthaltenen Angaben. Die Zürcher Kantonalbank erklärt, dass ihres Wissens die Angaben in diesem Dokument richtig sind und keine Auslassungen vorgenommen wurden, die die Aussage dieses Dokuments verändern können.

### **B. Zürcher Kantonalbank Finance (Guernsey) Limited**

Die Zürcher Kantonalbank Finance (Guernsey) Limited übernimmt die Verantwortung für die in diesem Registrierungsformular in Bezug auf die Zürcher Kantonalbank Finance (Guernsey) Limited enthaltenen Angaben. Die Zürcher Kantonalbank Finance (Guernsey) Limited erklärt, dass ihres Wissens die Angaben in diesem Dokument richtig sind und keine Auslassungen vorgenommen wurden, die die Aussage dieses Dokuments verändern können.

**ANLAGE 1A**

**Jahresabschluss 2022 der Zürcher Kantonalbank Finance (Guernsey) Limited**

**ZÜRCHER KANTONALBANK FINANCE  
(GUERNSEY) LIMITED**

ANNUAL REPORT & AUDITED FINANCIAL STATEMENTS

For the year ended 31 December 2022

# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

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# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

## COMPANY INFORMATION

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**Directors**

F O Oegerli, Chairman (i)  
S Stadelmann, Vice Chairman (i)  
R S Duchemin  
J W Renouf (ii)

(i) Member of Audit Committee  
(ii) Chairman of Audit Committee

**Secretary** Alter Domus (Guernsey) Limited

**Registered office** Bordage House  
Le Bordage  
St Peter Port  
Guernsey GY1 1BU

**Auditor** Ernst & Young LLP  
Royal Chambers  
St Julian's Avenue  
St Peter Port  
Guernsey GY1 4AF

**Bankers** Zürcher Kantonalbank  
Bahnhofstrasse 9  
PO Box 8010  
Zürich  
Switzerland

NatWest International  
PO Box 62  
Royal Bank Place  
1 Gategny Esplanade  
St Peter Port  
Guernsey GY1 4BQ

**Custodian** Zürcher Kantonalbank  
Bahnhofstrasse 9  
PO Box 8010  
Zürich  
Switzerland

# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

## DIRECTORS' REPORT

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The Directors submit their report and the audited financial statements for the year ended 31 December 2022.

### Activities

The principal activity of Zürcher Kantonalbank Finance (Guernsey) Limited ("the Company") is to carry on business as a finance company and to borrow or raise money by the issue of financial instruments of whatsoever nature.

### Results

The results of the Company are shown in the Statement of Comprehensive Income on page 6.

### Dividend

The Directors do not recommend the payment of a dividend.

### Directors

The Directors of the Company are those listed in the Company Information.

### Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the financial statements in accordance with applicable Guernsey law and generally accepted accounting principles.

Guernsey company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing those financial statements, the Directors should:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as each of the Directors is aware, there is no relevant audit information of which the Company's auditor is unaware, and each has taken all the steps he ought to have taken as a Director to make himself aware of any relevant audit information, and to establish that the Company's auditor is aware of that information.

### Going concern

As detailed in note 2) (b) to these financial statements, the Directors have assessed the impact of the Covid-19 global pandemic on the Company and consider that the Company has adequate financial resources and believe that the Company has adopted appropriate measures to ensure that it can continue in operational existence for the foreseeable future in line with the going concern period detailed in note 2 (b). As such the Directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

### Auditor

A resolution to reappoint Ernst & Young LLP as auditor will be put to the members at the Annual General Meeting.

For and on behalf of the Board

Director:



Director:



19 April 2023



# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

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## **Opinion**

We have audited the financial statements of Zürcher Kantonalbank Finance (Guernsey) Limited (the “company”) for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cashflows and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union.

## **In our opinion, the financial statements:**

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its results for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

## **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those 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 ethical requirements that are relevant to our audit of the financial statements, including the UK FRC's Ethical Standard, 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.

## **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern up until 30 June 2024 from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

## **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

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## **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters in relation to which the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the company; or
- the financial statements are not in agreement with the company's accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

## **Responsibilities of directors**

As explained more fully in the Statement of Directors' responsibilities in respect of the financial set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine 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 directors are 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 directors either intend to liquidate the company or to cease operations, or have 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 ISAs (UK) 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.

## **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (International Financial Reporting Standards as adopted by the European Union and The Companies (Guernsey) Law, 2008);
- We understood how the company is complying with those frameworks by making enquiries of the directors and those responsible for compliance matters and corroborated this by reviewing quarterly compliance reports and reviewing minutes of meetings of the Board of Directors. We gained an understanding of the Board's approach to governance, demonstrated by its review of the monthly financial management reports, oversight by the Audit Committee and internal control processes;
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and by identifying the manipulation of bond interest income as a fraud risk. We considered the controls the company has established to address risks identified by the directors or that otherwise seek to prevent, detect or deter fraud and how management and those charged with governance monitor those controls. We also considered the existence of any stakeholder influences which may cause management to seek to manipulate the financial performance and did not note any;
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved the review of minutes of meetings of the Board of Directors and compliance reports; making inquiries of those charged with governance; and performance of journal entry testing based on our risk assessment and understanding of the business, with a focus on non-standard journals and those relating to areas with an identified associated fraud risk, as described above. We performed a controls based audit and reviewed the controls in place regarding the calculation and recording of bond interest income.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

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## **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)**

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Section 262 of The Companies (Guernsey) Law 2008. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Ernst & Young LLP  
Guernsey, Channel Islands

Date: 21 April 2023

ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED  
 STATEMENT OF COMPREHENSIVE INCOME  
 For the year ended 31 December 2022

	Notes	Year ended 31 December 2022		Year ended 31 December 2021	
		CHF	CHF	CHF	CHF
Net trading income	6		14,226,201		17,018,899
Operating expenses	7		(11,232,989)		(9,647,138)
<b>Operating profit</b>			<u>2,993,212</u>		<u>7,371,761</u>
Finance costs		(3,659)		(4,836)	
			<u>(3,659)</u>		<u>(4,836)</u>
<b>Net comprehensive income for the financial year</b>			<u><u>2,989,553</u></u>		<u><u>7,366,925</u></u>

All of the items in the above are derived from continuing operations.

There were no other comprehensive income items in the period.

The notes on pages 10 to 29 form part of these financial statements.

ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED  
 STATEMENT OF FINANCIAL POSITION  
 As at 31 December 2022

	Notes	31 December 2022 CHF	31 December 2021 CHF
<b>Assets</b>			
<b>Non-current assets</b>			
Right-of-use assets	13	188,752	197,810
<b>Total non-current assets</b>		<u>188,752</u>	<u>197,810</u>
<b>Current assets</b>			
Cash, amounts due from banks, money at call	14	82,092,742	81,084,940
Financial assets at amortised cost			
Term deposits	8	29,660,705	-
Financial assets at fair value through profit or loss			
Securities held for trading	9	1,664,214,150	1,371,195,443
Derivative financial instruments	9, 10	45,641,326	18,039,178
Accrued interest receivable and prepayments		7,621,661	6,741,738
<b>Total current assets</b>		<u>1,829,230,584</u>	<u>1,477,061,299</u>
<b>Total assets</b>		<u><u>1,829,419,336</u></u>	<u><u>1,477,259,109</u></u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liabilities	15	110,541	155,226
<b>Total Non-current liabilities</b>		<u>110,541</u>	<u>155,226</u>
<b>Current liabilities</b>			
Amounts due to banks	14	47,094,224	68,222,816
Lease liabilities	15	68,051	57,986
Financial liabilities at fair value through profit or loss			
Structured products	9	1,500,566,858	1,225,473,991
Derivative financial instruments	9, 10	161,315,631	66,639,230
Accrued interest payable and accrued expenses		1,956,547	1,391,929
<b>Total Current liabilities</b>		<u>1,711,001,311</u>	<u>1,361,785,952</u>
<b>Equity</b>			
Share capital	17	1,000,000	1,000,000
Retained earnings		117,307,484	114,317,931
<b>Total equity</b>		<u>118,307,484</u>	<u>115,317,931</u>
<b>Total liabilities and equity</b>		<u><u>1,829,419,336</u></u>	<u><u>1,477,259,109</u></u>

The financial statements on pages 6 to 29 were approved by the Board of Directors on 19 April 2023 and are signed on its behalf by:

Director:



Director:



The notes on pages 10 to 29 form part of these financial statements.

ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED  
 STATEMENT OF CHANGES IN EQUITY  
 For the year ended 31 December 2022

	Share capital CHF	Retained earnings CHF	Total equity CHF
At 1 January 2021	1,000,000	106,951,006	107,951,006
Net comprehensive income for the financial year	-	7,366,925	7,366,925
<b>Balance at 31 December 2021</b>	<u>1,000,000</u>	<u>114,317,931</u>	<u>115,317,931</u>
At 1 January 2022	1,000,000	114,317,931	115,317,931
Net comprehensive income for the financial year	-	2,989,553	2,989,553
<b>Balance at 31 December 2022</b>	<u>1,000,000</u>	<u>117,307,484</u>	<u>118,307,484</u>

The notes on pages 10 to 29 form part of these financial statements.

**ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED**  
**STATEMENT OF CASH FLOWS**  
For the year ended 31 December 2022

	Note	Year ended 31 December 2022 CHF	Year ended 31 December 2021 CHF
<b>Operating activities</b>			
Net comprehensive income for the financial year		2,989,553	7,366,925
Adjustments for:			
Depreciation of right-of-use assets	13	53,816	55,285
Revaluation of lease liabilities	13	(19,320)	6,567
Finance costs		3,659	4,836
Adjustment for changes in working capital:			
Increase in financial assets at amortised cost		(29,660,705)	-
(Decrease)/increase in accrued interest receivable and prepayments		(879,923)	376,652
Increase in securities held for trading, designated at fair value through profit or loss		(293,018,707)	(99,457,322)
Increase in structured product financial liabilities held at fair value through profit or loss		275,092,867	99,941,601
Decrease/(increase) in derivative financial instruments held at fair value through profit or loss		67,074,253	(12,539,968)
Increase in accrued interest payable and accrued expenses		564,618	24,291
Net cash inflows/(outflows) from operating activities		<u>22,200,111</u>	<u>(4,221,133)</u>
<b>Financing activities</b>			
Payment of principal portion of lease liabilities	13	(63,717)	(62,688)
Net cash outflows from financing activities		<u>(63,717)</u>	<u>(62,688)</u>
Net increase/(decrease) in cash and cash equivalents		22,136,394	(4,283,821)
<b>Net cash and cash equivalents at 1 January</b>		12,862,124	17,145,945
<b>Net cash and cash equivalents at 31 December</b>	14	<u><u>34,998,518</u></u>	<u><u>12,862,124</u></u>

The notes on pages 10 to 29 form part of these financial statements.

# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

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### 1 Corporate information

Zürcher Kantonalbank Finance (Guernsey) Limited is a finance company and borrows or raises money by the issue of financial instruments of whatsoever nature. The Company was incorporated and is registered in Guernsey with the registered office being at Bordage House, Le Bordage, St Peter Port, Guernsey, GY1 1BU.

### 2 Significant accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements of the Company.

#### 2 a) Basis of preparation

The financial statements have been prepared under the historical cost convention as modified by the revaluation to fair value through profit or loss of derivative financial instruments, over-the-counter ("OTC") options, securities, term deposits with banks and financial liabilities and in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

#### 2 b) Going concern

The Company's financial position, its cash flows and liquidity position are set out in the financial statements. In addition, note 12 to the financial statements includes the Company's risk management and policies, details of its financial instruments, its exposures to credit risk and liquidity risk and its objectives, policies and processes for managing its capital.

The Covid-19 pandemic, Russian invasion of Ukraine, inflationary pressures and the constrained recruitment market in Guernsey continue to have affect on the results of the Company in the following known ways:

- Increased volatility in financial markets has seen increased volatility in the value of the Company's financial assets and liabilities;
- Increased supplier prices and a rent review linked to the Guernsey Retail Price Index has resulted in increased operating expenses; and
- Guernsey labour market shortages has seen an increase in recruitment costs and employee expenses.

Management have therefore used a range of scenarios that may occur up until 30 June 2024 based upon events occurring during 2022 and to date, including a reasonable worst-case scenario, to assess whether the entity can continue as a going concern. These include, but are not limited to, the following:

- Continued volatility and/or reduced liquidity in financial markets;
- The Company's existing reserves and future liquidity requirements;
- The inability to retain and/or replace key staff;
- The appropriateness of the carrying value of the Company's assets;
- The appropriateness of the expected credit loss rate on trade receivables;

Based on the results of the scenario analysis described above, the designation of the parent entity by the Swiss National Bank as a domestic systemically important bank, and the keepwell agreement in place between the parent entity and the Company, the Directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

As at 31 December 2022 the company held CHF 566,660 (2021: CHF 1,626,145) of securities issued directly by or through subsidiaries of Russian companies. These securities are held as hedging instruments for structured product liabilities whose fair value is linked to the performance of these securities, therefore the overall net financial effect on the company to date has been minimal.

#### 2 c) Financial instruments

##### 2 c) (i) Classification

In accordance with IFRS 9, the Company classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below. In applying that classification, a financial asset or financial liability is considered to be held for

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or
- On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a designated and effective hedging instrument).

##### 2 c) (i) (1) Financial assets

The Company classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of both:

- The Company's business model for managing the financial assets; and
- The contractual cash flow characteristics of the financial asset.

##### *Financial assets measured at amortised cost*

A financial instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company includes in this category term deposits in banks with original maturities of more than three months or less, short-term non-financing receivables including accrued interest receivable and prepayments.



# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

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### 2 Significant accounting policies (continued)

#### 2 c) (i) (1) Financial assets (continued)

*Financial assets measured at fair value through profit or loss ("FVTPL")*

A financial asset is measured at FVTPL if:

- Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest ("SPPI") on the principal amount outstanding; or
- It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
- At initial recognition, it is irrevocably designated as measured at FVTPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Company includes in this category:

- Debt instruments: these include investments that are held under a business model to manage them on a fair value basis for investment income and fair value gains; and
- Equity instruments: these include investments in listed equities;
- Exchange traded funds: these include investments that are held as direct hedging instruments; and
- Instruments held for trading: this includes equity instruments and debt instruments which are acquired principally for the purpose of generating a profit from short-term fluctuations in price. This category also includes derivative contracts in an asset position.

#### 2 c) (i) (2) Financial liabilities

*Financial liabilities measured at FVTPL*

A financial liability is measured at FVTPL if it meets the definition of held for trading.

The Company includes in this category derivative contracts in a liability position and equity and debt instruments sold short since they are classified as held for trading.

*Financial liabilities measured at amortised cost*

This category includes all financial liabilities, other than those measured at fair value through profit or loss. The Company includes in this category bank overdrafts and other short-term payables.

#### 2 c) (ii) Recognition

The Company recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

#### 2 c) (iii) Initial measurement

Financial assets and financial liabilities at FVTPL are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in profit or loss.

Financial assets and liabilities (other than those classified as at FVTPL) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

#### 2 c) (iv) Subsequent measurement

After initial measurement, the Company measures financial instruments which are classified as at FVTPL at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net gain or loss on financial assets and liabilities at FVTPL in the statement of comprehensive income as part of net trading income (see note 6). Interest and dividends earned or paid on these instruments are recorded in the statement of comprehensive income as part of net trading income (see note 6).

Debt instruments, other than those classified as at FVTPL, are measured at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the debt instruments are derecognised or impaired, as well as through the amortisation process.

Financial liabilities, other than those classified as at FVTPL, are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process.

The effective interest method (EIR) is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating and recognising the interest income or interest expense in profit or loss over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset or to the amortised cost of the financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instruments, but does not consider expected credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

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### 2 Significant accounting policies (continued)

#### 2 c) (v) Derecognition

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired, or the Company has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and the Company has:

- Transferred substantially all of the risks and rewards of the asset; or
- Neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

The Company derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

#### 2 d) Impairment of financial assets

The Company holds only trade receivables with no financing component and which are due in less than 12 months at amortised cost and, as such, has chosen to apply an approach similar to the simplified approach for expected credit losses (ECL) under IFRS 9 to all its trade receivables. Therefore, the Company does not track changes in credit risk, but instead, recognises a loss allowance based on lifetime ECLs at each reporting date.

The Company's approach to ECLs reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Company uses the provision matrix as a practical expedient to measuring ECLs on trade receivables, based on days past due for groupings of receivables with similar loss patterns. Receivables are grouped based on their nature. The provision matrix is based on historical observed loss rates over the expected life of the receivables and is adjusted for forward-looking estimates.

#### 2 e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is generally not the case with master netting agreements unless one party to the agreement defaults and the related assets and liabilities are presented gross in the statement of financial position.

#### 2 f) Fair value measurement

The Company measures its investments in financial instruments, such as equity instruments, debt instruments, other interest bearing investments and derivatives, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions, adjusted as necessary, and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

For assets and liabilities that are measured at fair value on a recurring basis, the Company identifies transfers between levels in the hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole), and deems transfers to have occurred at the beginning of each reporting period.

#### 2 g) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

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### 2 Significant accounting policies (continued)

#### 2 g) Leases (continued)

##### *Company as a lessee*

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### 2 g) (i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-to-use assets includes the amount of the lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Office premises 6 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflect the exercise of a purchase option, depreciation is calculated using the estimates useful life of the asset.

The right-of-use assets are also subject to impairment (see note 2 h)).

#### 2 g) (ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on a index or rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchased option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company's lease liabilities are included in interest-bearing loans and borrowings (see note 15).

#### 2 h) Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of the asset's or cash generating unit's ("CGU") fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from others assets or groups of assets. When the carrying amount of any asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to other comprehensive income. For such properties, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

#### 2 i) Functional and presentation currency

The functional currency is the currency of the primary economic environment in which the Company operates. The majority of the Company's transactions are in Swiss francs, the performance is evaluated and its liquidity is managed in Swiss francs, and the functional currency of its parent entity is Swiss francs. Therefore, the Company concludes that the Swiss franc is its functional currency.

The Company's presentation currency is also the Swiss franc.

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## NOTES TO THE FINANCIAL STATEMENTS

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### 2 Significant accounting policies (continued)

#### 2 j) Foreign currency translations

Transactions during the period, including purchases and sales of financial instruments, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Foreign currency transaction gains and losses on financial instruments classified as at FVTPL are included in profit or loss in the statement of comprehensive income as part of net trading income (see note 6).

#### 2 k) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and short-term deposits in banks that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturities of three months or less. Short-term investments that are not held for the purpose of meeting short-term cash commitments and restricted margin accounts are not considered as 'cash and cash equivalents'.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts when applicable.

#### 2 l) Investment income

Investment income comprises of interest receivable on the maturity of the Company's term deposits with banks. Interest income is recognised as it accrues and is included in the statement of comprehensive income.

#### 2 m) Net trading income

Net trading income is comprised of gains and losses arising on the purchase, sale and revaluation of financial assets and liabilities at FVTPL, along with gains and losses arising on the revaluation and impairment of financial assets and liabilities held at amortised cost.

#### 2 n) Operating expenses

Fees are recognised on an accrual basis. Refer to note 7 for details of administration fees, audit fees, Directors' fees and parent company service costs.

### 3 Changes in accounting policies and disclosures

The Company applied for the first time certain standards and amendments which are effective for annual periods beginning on or after 1 January 2022. The nature and the impact of each new standard and amendment is described below:

#### 3 a) Annual Improvements to IFRS Standards 2018–2020

These include amendments to the following standards:

- **IFRS 1** – The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs;
- **IFRS 9** – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf; and
- **IFRS 16** – The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

These amendments had no impact on the financial statements of the Company.

#### 3 b) Property, Plant and Equipment - Proceeds Before Intended Use (Amendments to IAS 16)

The amendments prohibited deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity should recognise the proceeds from selling such items, and the cost of producing those items, in profit or loss.

These amendments had no impact on the financial statements of the Company.

### 4 Accounting standards, interpretations and amendments issued by not yet effective

At the date of authorisation of these financial statements, the following relevant standards and interpretations, which have not been applied, were in issue but not yet effective:

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**4 Accounting standards, interpretations and amendments issued by not yet effective (continued)**

**4 a) Classification of Liabilities as Current or Non-current (Amendments to IAS 1)**

The amendments affect only the presentation of liabilities in the statement of position, not the amount or timing of recognition of any asset, liability, income or expense, or the information that entities disclose about those items. They clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability. Furthermore, they also clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and are to be applied retrospectively. They are not expected to have any impact on the financial statements of the Company.

**4 b) Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)**

The amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements. They amend IAS 1 by requiring an entity to disclose its material accounting policies instead of its significant accounting policies, add clarifications and explanations regarding the definition of a material accounting policy, and deal with the disclosure of immaterial accounting policies. In addition, IFRS Practice Statement 2 is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information in order to support the amendments to IAS 1.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and are to be applied retrospectively. They are not expected to have any impact on the financial statements of the Company.

**4 c) Definition of Accounting Estimates (Amendments to IAS 8)**

The changes to IAS 8 focussed on accounting estimates and introduced a new definition of accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty", and clarified that a change in accounting estimate that results from new information or developments is not the correction of an error, whilst the effects of a change in an input or measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. It further clarified that a change in accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods, and when the effect of the change should be recognised in the current period and in the future periods.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and are to be applied retrospectively. They are not expected to have any impact on the financial statements of the Company.

**5 Taxation**

The Company is taxed at the Company standard rate (0%) in Guernsey.

**6 Net trading income**

	Year ended 31 December 2022 CHF	Year ended 31 December 2021 CHF
<b>Gains less losses on instruments held for trading</b>		
Foreign currency	4,211,819	7,622,749
Trading securities	(25,900,807)	(5,528,866)
Other income	55,442	-
<b>Gains less losses on fair value hedging</b>		
Gains less losses from fair value direct hedged items	453,258	159,528
Gains less losses from fair value direct hedging instruments	(3,908,458)	(8,082,664)
<b>Gains less losses on instruments designated at fair value</b>		
Financial liabilities designated at fair value through profit or loss	18,703,805	(93,394,386)
Derivatives managed with financial instruments designated at fair value through profit or loss	20,611,142	116,242,538
<b>Net trading income</b>	<u>14,226,201</u>	<u>17,018,899</u>

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<b>7 Operating expenses</b>	Year ended 31 December 2022 CHF	Year ended 31 December 2021 CHF
<b>Administrative expenses</b>		
Audit fees	84,224	71,461
Directors' fees	8,426	8,774
Secretarial fees	13,985	13,803
Other expenses	97,437	77,138
Depreciation	53,497	57,371
<b>Zürcher Kantonalbank service costs</b>		
Development costs	500,000	500,000
Product issuing costs	500,000	500,000
Distribution costs	6,458,646	5,002,163
Risk management fee	2,000,000	2,000,000
Keep-well agreement charges	910,929	824,694
<b>Employee expenses</b>		
Salaries	519,277	513,011
Social security	33,209	32,457
Health insurance	38,145	37,061
Other staff expenses	15,214	9,205
	<u>11,232,989</u>	<u>9,647,138</u>

<b>8 Financial assets at amortised cost</b>	2022 CHF	2021 CHF
<b>At amortised cost</b>		
Term deposit due from bank, United Kingdom	<u>29,660,705</u>	<u>-</u>
<b>By maturity</b>		
Up to one year	<u>29,660,705</u>	<u>-</u>

The term deposit due from a bank in the United Kingdom accrues interest at a fixed market rate.

<b>9 Financial assets and financial liabilities at fair value through profit or loss</b>	2022 CHF	2021 CHF
Financial assets at fair value through profit or loss		
<b>Securities held for trading</b>		
Debt securities	1,658,553,585	1,366,562,751
Exchange traded funds	5,086,175	4,632,692
Listed equity instruments	574,390	-
	<u>1,664,214,150</u>	<u>1,371,195,443</u>
<b>Derivative financial instruments</b>		
Currency forwards	688,742	39,350
Interest rate swaps	36,473,491	4,193,399
Options	5,941,196	10,547,098
Total return swaps	2,537,897	3,259,331
	<u>45,641,326</u>	<u>18,039,178</u>
Total financial assets at fair value through profit or loss	<u>1,709,855,476</u>	<u>1,389,234,621</u>

The Company classifies its equity instruments and debt instruments as financial assets held for trading and its derivative financial instruments as designated at FVTPL.

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### 9 Financial assets and financial liabilities at fair value through profit or loss (continued)

Financial liabilities at fair value through profit or loss	2022	2021
	CHF	CHF
<b>Structured product financial instruments</b>		
Linked to credit derivatives	10,949,613	12,294,680
Linked to equities / equity indices	1,433,609,512	1,158,563,730
Linked to interest instruments	51,746,197	46,872,302
Linked to mixed derivatives	4,261,536	7,743,279
	<u>1,500,566,858</u>	<u>1,225,473,991</u>
<b>Derivative financial instruments</b>		
Currency forwards	2,447,689	495
Interest rate swaps	21,320,152	3,744,365
Options	71,724,988	42,891,485
Total return swaps	65,822,802	20,002,885
	<u>161,315,631</u>	<u>66,639,230</u>
<b>Total financial liabilities at fair value through profit or loss</b>	<u><u>1,661,882,489</u></u>	<u><u>1,292,113,221</u></u>

### 10 Derivative contracts

Derivative contracts serve as components of the structured product financial liabilities of the Company. The derivative contracts that the Company may hold or issue include: futures; options; forward currency contracts; currency swaps; interest rate caps and floors; interest rate swaps; total return swaps; and credit default swaps.

The Company uses derivative financial instruments to economically hedge its risks associated with fluctuations in the value of structured product financial liabilities and interest rate risk associated with the Guernsey Risk Manager portfolio (the Company does not designate any derivative as a hedging instrument for hedge accounting purposes).

Derivatives often reflect, at their inception, only a mutual exchange of promises with little or no transfer of tangible consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the underlying of a derivative contract may have a significant impact on the value of the contract.

OTC derivatives may expose the Company to the risks associated with absence of an exchange market on which to close out an open position. The counterparty for all derivative contracts in force at the year-end was the Company's parent entity, Zürcher Kantonalbank, and as such no credit valuation adjustments or debit valuation adjustments have been made to the OTC derivatives in the current or previous year. As at the date of signing these financial statements, Standard & Poor's had assigned Zürcher Kantonalbank a credit rating of AAA.

The following table shows the fair value of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of the derivative are measured. The notional amounts indicate the volume of transactions outstanding at the reporting dates and are not indicative of either market risk or credit risk.

	2022			2021		
	Assets	Liabilities	Notional Amount	Assets	Liabilities	Notional Amount
	CHF	CHF	CHF	CHF	CHF	CHF
<b>Derivatives primarily held for trading purposes</b>						
Credit default swaps	-	-	-	-	-	3,300,000
Options	5,941,196	71,724,988	3,408,644	10,547,098	42,891,485	2,661,649
Total return swaps	2,537,897	65,822,802	725,944,418	3,259,331	20,002,885	677,092,447
	<u>8,479,093</u>	<u>137,547,790</u>	<u>729,353,062</u>	<u>13,806,429</u>	<u>62,894,370</u>	<u>683,054,096</u>
<b>Derivatives primarily held for risk management purposes</b>						
Interest rate swaps	36,473,491	21,320,152	2,603,382,427	4,193,399	3,744,365	1,370,515,795
Currency forwards	688,742	2,447,689	237,213,538	39,350	495	2,460,669
	<u>37,162,233</u>	<u>23,767,841</u>	<u>2,840,595,965</u>	<u>4,232,749</u>	<u>3,744,860</u>	<u>1,372,976,464</u>
<b>Total derivatives</b>	<u><u>45,641,326</u></u>	<u><u>161,315,631</u></u>	<u><u>3,569,949,027</u></u>	<u><u>18,039,178</u></u>	<u><u>66,639,230</u></u>	<u><u>2,056,030,560</u></u>

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## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 December 2022

#### 11 Fair value of financial instruments

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following table shows financial instruments recognised at fair value:

Recurring fair value measurement of assets and liabilities

	2022				2021			
	Level 1 CHF	Level 2 CHF	Level 3 CHF	Total CHF	Level 1 CHF	Level 2 CHF	Level 3 CHF	Total CHF
<b>Financial assets</b>								
Securities held for trading (note 9)								
Debt instruments	1,640,477,377	18,076,208	-	1,658,553,585	1,337,733,097	28,829,654	-	1,366,562,751
Exchange traded funds	5,086,175	-	-	5,086,175	4,632,692	-	-	4,632,692
Listed equity instruments	574,390	-	-	574,390	-	-	-	-
Derivative financial instruments (note 10)								
Currency forwards	-	688,742	-	688,742	-	39,350	-	39,350
Interest rate swaps	-	36,473,491	-	36,473,491	-	4,193,399	-	4,193,399
Options	-	5,941,196	-	5,941,196	-	10,547,098	-	10,547,098
Total return swaps	-	2,537,897	-	2,537,897	-	3,259,331	-	3,259,331
<b>Total financial assets</b>	<b>1,646,137,942</b>	<b>63,717,534</b>	<b>-</b>	<b>1,709,855,476</b>	<b>1,342,365,789</b>	<b>46,868,832</b>	<b>-</b>	<b>1,389,234,621</b>
<b>Financial liabilities</b>								
Structured product financial instruments (note 9)								
Linked to credit derivatives	-	10,949,613	-	10,949,613	-	12,294,680	-	12,294,680
Linked to equities / equity indices	-	1,433,609,512	-	1,433,609,512	-	1,158,563,730	-	1,158,563,730
Linked to interest instruments	-	51,746,197	-	51,746,197	-	46,872,302	-	46,872,302
Linked to mixed derivatives	-	4,261,536	-	4,261,536	-	7,743,279	-	7,743,279
Derivative financial instruments (note 10)								
Currency forwards	-	2,447,689	-	2,447,689	-	495	-	495
Interest rate swaps	-	21,320,152	-	21,320,152	-	3,744,365	-	3,744,365
Options	-	71,724,988	-	71,724,988	-	42,891,485	-	42,891,485
Total return swaps	-	65,822,802	-	65,822,802	-	20,002,885	-	20,002,885
<b>Total financial liabilities</b>	<b>-</b>	<b>1,661,882,489</b>	<b>-</b>	<b>1,661,882,489</b>	<b>-</b>	<b>1,292,113,221</b>	<b>-</b>	<b>1,292,113,221</b>

For all other financial assets and liabilities, the carrying value is an approximation of fair value, including: trade and other receivables; cash and cash equivalents; and trade and other payables.

There were no changes to valuation techniques or transfers between Levels 1, 2 and 3 during the year.

Where there are quoted prices in an active market for identical assets or liabilities, a security is included in Level 1. Where values are based on inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities in active markets, or quoted prices for identical assets or liabilities in markets that are not active, they are included in Level 2.

The fair values of options are calculated using an option pricing model based on direct market data, e.g., bond or share prices, and indirect market data, e.g., interest, implied volatility and dividend estimates. The fair value of such options is included within Level 2.

The fair values of other derivatives are calculated based on quotes from counterparties to the agreements which are corroborated by market data. The fair value of such interest rate swaps is included within Level 2.

The fair values of structured product financial instruments, which are set up as combinations of the components of the respective structured product, are calculated based on the sum of the valuations of its components. As the fair values of the components of the structured products are either Level 1 (securities held for trading) or Level 2 (term deposits with banks and derivative financial instruments), the fair value of such structured products is included within Level 2.



# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 December 2022

## 12 Financial risk and management objectives and policies

### 12 a) Introduction

The main risks that the Company is exposed to are credit risk, liquidity risk and market risk (which includes interest rate risk, currency risk and price risk). The Directors regularly review and agree policies for managing each of these risks as summarised below, which includes the use of derivatives and other financial instruments. The risk management guidelines for the Company set out guidelines for identifying, managing and monitoring the risks to which the Company is exposed and in particular:

- define the rules and procedures for managing credit, liquidity and market risks;
- set out the applicable long-term risk policies of the Company and Zürcher Kantonalbank;
- define the entity to which duties and responsibilities in relation to risk monitoring are assigned; and
- provide an overview of relevant powers and responsibilities.

The general guidelines are:

- credit, liquidity and market risks shall be managed in accordance with the rules and policies laid down in the guidelines on risk management for Zürcher Kantonalbank, and its subsidiaries (collectively, the "group") risk policies;
- subject to the constraints of the applicable group risk policies, the Company shall define appropriate limits with a view to mitigating default and market risks;
- Zürcher Kantonalbank shall be responsible for managing risks subject to approved limits;
- Zürcher Kantonalbank shall be responsible for quantifying risk, preparing reports on risk monitoring conducted, and reporting on risks; and
- the Directors of the Company shall be entitled to limit the level of risk exposure and the list of approved products at any time.

There were no changes to the Company's risk management guidelines during the reporting period.

### 12 b) Risk management structure

The Chief Executive Officer of the Company is responsible for monitoring both the liquidity and solvency of the Company and compliance with the Company's risk limits. Furthermore, the Chief Executive Officer is also responsible for documenting risks limits, defining actions to be taken in the event of a breach of any of those limits, informing the Directors of any limit breaches and subsequent actions taken.

The Directors supervise management and are ultimately responsible for the overall risk management of the Company.

### 12 c) Risk measurement and reporting system

Risk measurement, preparation of risk monitoring reports and risk reporting have been delegated to Zürcher Kantonalbank. To ensure a constant monitoring of risk by the Company's management, a risk report is prepared by Zürcher Kantonalbank on a daily basis and is sent to the management of the Company.

The Directors of the Company have defined the following sensitivity limits for credit risk, interest rate risk and currency risk, as well as counterparty exposure limits, which are calculated on a daily or weekly basis by Zürcher Kantonalbank.

#### 12 c) (i) Credit spread risk sensitivity limits

Credit spread risk refers to debt instruments and is related to daily changes in the spread of an instrument's yield curve over the zero-coupon Treasury yield curve (the z-spread). The sensitivity limit defines the maximum profit and loss daily change limit permitted on the theoretical hedging costs on the Company's treasury management portfolio. The Directors have defined a maximum credit spread sensitivity ("DV01") per issuer with a view to mitigating the credit risk associated with debt instruments.

DV01 is calculated as the sensitivity of a contract to a 1 basis point fluctuation in the credit spread curve and is set at a level that the Directors believe allows for sufficient returns to be generated on the Company's securities held for trading without exposing it to excessive credit risk.

	2022		2021	
	Current	Maximum credit spread	Current	Maximum credit spread
	CHF	CHF	CHF	CHF
DV01 per issuer	13,111	< 35,000	5,054	< 35,000

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12 Financial risk and management objectives and policies (continued)

12 c) (ii) Counterparty exposure limits

Counterparty exposure refers to the debt instruments within securities held for trading and relates to the risk of issuer default. The Directors have defined minimum credit ratings and maximum permitted nominal holdings per issuer for each credit rating category with a view to mitigating the default risk associated with securities.

Counterparty exposure is calculated on an aggregate basis for all securities held for trading within the treasury management portfolio, and is based on the lower of the two ratings provided by Standard & Poor's and Moody's ratings agencies.

	2022				2021			
	Nominal limit per issuer	Maximum exposure to any one issuer	Maximum residual term	Maximum residual term of any one issuer	Nominal limit per issuer	Maximum exposure to any one issuer	Maximum residual term	Maximum residual term of any one issuer
	CHF	CHF			CHF	CHF		
Long term rating AAA	100,000,000	24,960,000	no limit	60 months	100,000,000	17,920,000	no limit	40 months
Long term rating between AA+ and AA-	50,000,000	34,195,000	no limit	91 months	50,000,000	19,695,000	no limit	48 months
Long term rating between A+ and A	30,000,000	28,550,000	no limit	84 months	30,000,000	21,725,000	no limit	54 months
Long term rating A-	30,000,000	17,800,000	15 months	17 months	30,000,000	12,500,000	15 months	11 months
Long term rating BBB+	15,000,000	9,470,000	15 months	13 months	15,000,000	8,500,000	15 months	15 months
Long term rating BBB	15,000,000	9,000,000	15 months	12 months	15,000,000	5,000,000	15 months	15 months
Long term rating BBB-	15,000,000	5,500,000	15 months	10 months	15,000,000	7,450,000	15 months	12 months
Long term rating BB+ and lower	0	-	n/a	-	0	-	n/a	-

The Directors have approved temporary exceptions to the counterparty limit policy in respect of the below holdings. It is the opinion of the Directors that these securities can continue to be held until their maturity or until market conditions allow for their disposal.

Issuer A	Long term rating	Nominal holding	Residual term
		CHF	
	A-	13,325,000	17 months

12 c) (iii) Interest rate sensitivity limits

Interest rate sensitivity is measured by reference to Rho, which is the rate at which the price of a derivative changes relative to a change in the risk free rate of interest. It is expressed as the amount of money, per share of the underlying, that the value of the option will gain or lose as the risk free interest rate rises or falls by one basis point.

	2022		2021	
	Limit	Sensitivity	Limit	Sensitivity
	CHF	CHF	CHF	CHF
Effect of 1 basis point movement in risk free interest rate	+/- 100,000	+/- 4,297	+/- 100,000	+/- 9,237

12 c) (iv) Foreign currency limits

The foreign exchange sensitivity limit is the maximum permitted movement in profit or loss caused by a 1% movement in the value of the Swiss franc.

	2022		2021	
	Limit	Sensitivity	Limit	Sensitivity
	CHF	CHF	CHF	CHF
Effect of 1% movement in the value of the Swiss franc	+/- 1,000,000	+/- 2,502	+/- 1,000,000	+/- 2,330

12 d) Risk mitigation

The Company uses derivatives and other financial instruments for trading purposes to manage exposures resulting from changes in credit risks, interest and foreign currency rates.

12 e) Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Company by failing to discharge an obligation. The Company is exposed to the risk of credit-related loss that can occur as a result of a counterparty or issuer being unable or unwilling to honour its contractual obligations. These credit exposures exist within debt instruments, derivative assets, short term receivables and cash and cash equivalents.

Credit risk disclosures are segmented into two sections based on whether the underlying financial instrument is subject to IFRS 9's impairment disclosures or not.

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12 Financial risk and management objectives and policies (continued)

12 e) (i) Financial assets subject to IFRS 9's impairment requirements

The Company's only financial assets subject to the ECL model within IFRS 9 are short term trade and other receivables. At 31 December 2022, the total of short-term trade and receivables was CHF nil, on which no loss allowance has been provided (31 December 2021: total of CHF nil, on which no loss had been incurred). There is not considered to be any concentration of credit risk within these assets. No assets are considered impaired and no amounts have been written off in the period.

As all trade and other receivables are impacted by IFRS 9 ECL model the Company has adopted the simplified approach. The loss allowance shown is therefore based on lifetime ECLs.

In calculating the loss allowance, a provision matrix has been used based on historical observed loss rates over the expected life of the receivables adjusted for forward-looking estimates. Items have been grouped by their nature into the following categories: accrued income; amounts due from counterparties; and other receivables.

12 e) (ii) Financial assets not subject to IFRS 9's impairment requirements

The Company is exposed to credit risk on debt instruments and derivative assets. These classes of financial assets are not subject to IFRS 9's impairment requirements as they are measured at FVTPL. The carrying value of these assets represent the Company's maximum exposure to credit risk on financial instruments not subject to the IFRS 9 impairment requirements on the respective reporting dates. Hence, no separate maximum exposure to credit risk disclosure is provided for these instruments.

The following table analyses the sensitivity of the Company's treasury management portfolio to changes in credit spreads:

Securities held for trading - Guernsey treasury management portfolio	2022 CHF	2021 CHF
<b>Market scenario:</b>		
1 basis point change in the difference in yields between treasury and non-treasury securities	241,756	179,091

The following tables analyse the Company's securities held for trading by rating agency category:

Securities held for trading - Guernsey treasury management portfolio	Fair value CHF	Rating	Allocation
<b>As at 31 December 2022:</b>			
Bonds receivable	231,187,408	AAA	14%
Bonds receivable	587,485,345	AA	37%
Bonds receivable	666,792,407	A	41%
Bonds receivable	128,713,335	BBB	8%
	<u>1,614,178,495</u>		<u>100%</u>

<b>As at 31 December 2021:</b>			
Bonds receivable	154,429,107	AAA	12%
Bonds receivable	533,384,365	AA	40%
Bonds receivable	582,101,977	A	44%
Bonds receivable	54,744,359	BBB	4%
	<u>1,324,659,808</u>		<u>100%</u>

Securities held for trading - as direct hedging instruments	Fair value CHF	Rating	Allocation
<b>As at 31 December 2022:</b>			
Bonds receivable	10,034,173	AAA	20%
Bonds receivable	3,070,764	AA	6%
Bonds receivable	6,005,645	A	12%
Bonds receivable	11,161,841	BBB	22%
Bonds receivable	7,024,784	BB	14%
Bonds receivable	3,941,154	B	8%
Bonds receivable	880,116	CCC	2%
Bonds receivable	128,226	C	1%
Bonds receivable	2,128,387	No rating	4%
Exchange tradeable funds held	5,086,175		10%
Stocks held	574,390		1%
	<u>50,035,655</u>		<u>100%</u>

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**12 Financial risk and management objectives and policies (continued)**

**12 e) (ii) Financial assets not subject to IFRS 9's impairment requirements (continued)**

**As at 31 December 2021:**

Bonds receivable	8,868,588	AAA	19%
Bonds receivable	3,488,664	AA	7%
Bonds receivable	5,718,075	A	12%
Bonds receivable	7,347,209	BBB	16%
Bonds receivable	9,165,893	BB	20%
Bonds receivable	4,139,078	B	9%
Bonds receivable	1,392,811	CCC	3%
Bonds receivable	1,782,625	No rating	4%
Exchange tradeable funds held	4,632,692		10%
	46,535,635		100%

The securities listed above are held as direct hedging instruments for risk management purposes and are not subject to the counterparty limits shown in note 12 c) (ii).

Concentration of credit risk within securities held for trading is managed by counterparty, geographical region and industry sector. The Company has no major exposure to any one counterparty in the treasury management portfolio (see note 12 c) (ii)).

The following table analyses the concentration of credit risk by geographical distribution (based on counterparties' country of domicile):

	2022		2021	
	% of debt instruments	% of derivatives	% of debt instruments	% of derivatives
Australia	6%	0%	9%	0%
Canada	8%	0%	6%	0%
China	1%	0%	4%	0%
European Union	37%	0%	39%	0%
New Zealand	5%	0%	3%	0%
South Korea	10%	0%	10%	0%
Switzerland	2%	100%	1%	100%
United States of America	12%	0%	12%	0%
Others	19%	0%	16%	0%
	100%	100%	100%	100%

The following table analyses the concentration of credit risk in the Company's treasury management portfolio by industrial distribution:

	2022		2021	
	% of debt instruments	% of derivatives	% of debt instruments	% of derivatives
Cyclicals	6%	0%	6%	0%
Defensives	11%	0%	19%	0%
Financial	68%	100%	53%	100%
Sovereign and/or agency	15%	0%	22%	0%
	100%	100%	100%	100%

**12 f) Liquidity risk**

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Exposure to liquidity arises because of the possibility that the Company could be required to pay its liabilities earlier than expected. The Company is exposed to cash repayments of its structured product financial liabilities on a regular basis.

There is no direct matching of the maturity profiles of the structured products with the securities held, however the Company's liquidity profile is constantly monitored as an important part of the treasury management process. Liquidity risk management consists of short term (3 months) and long term (3 years) monitoring of cash flows.

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12 Financial risk and management objectives and policies (continued)

12 f) Liquidity risk (continued)

The following tables show a net liquidity surplus for the next year, when the treasury management portfolio is classified according to final maturity dates. The securities held in the treasury management portfolio are primarily debt instruments which, under normal market conditions are readily convertible to cash. As such their final maturity dates are not intended to closely match the final maturity profile of financial liabilities held at FVTPL:

	2022	2022	2022	2022	2022	2022	31 December
	Up to	From one to	From two to	From three to	From four to	Five years	2022
	one year	two years	three years	four years	five years	and over	Total
	CHF	CHF	CHF	CHF	CHF	CHF	CHF
<b>Assets</b>							
Cash, amounts due from banks, money at call	82,092,742	-	-	-	-	-	82,092,742
Term deposits	29,660,705	-	-	-	-	-	29,660,705
Accrued interest receivable and prepayments	7,621,661	-	-	-	-	-	7,621,661
Securities held for trading, designated at FVTPL	890,759,562	282,159,500	246,031,524	97,401,876	81,056,053	66,805,635	1,664,214,150
Derivative financial instruments held at FVTPL	11,794,150	11,486,330	7,029,135	2,009,337	4,048,304	9,274,070	45,641,326
<b>Liabilities</b>							
Lease liabilities	(178,592)	-	-	-	-	-	(178,592)
Amounts due to banks	(47,094,224)	-	-	-	-	-	(47,094,224)
Accrued interest payable and accrued expenses	(1,956,547)	-	-	-	-	-	(1,956,547)
Derivative financial instruments held at FVTPL	(114,919,862)	(24,917,975)	(3,232,876)	(1,886,953)	(1,386,226)	(14,971,739)	(161,315,631)
Financial liabilities held at FVTPL	(1,085,489,783)	(264,518,243)	(34,297,577)	(23,254,874)	(26,927,739)	(66,078,642)	(1,500,566,858)
<b>Net Liquidity</b>	<b>(227,710,188)</b>	<b>4,209,612</b>	<b>215,530,206</b>	<b>74,269,386</b>	<b>56,790,392</b>	<b>(4,970,676)</b>	<b>118,118,732</b>

The undiscounted contractual liabilities of the Company excluding accrued interest at 31 December 2022 are as follows:

<b>Financial liabilities held at fair value through profit or loss</b>	1,161,625,304	281,581,852	36,883,314	25,114,924	27,733,135	74,974,436	1,607,912,965
	2021	2021	2021	2021	2021	2021	31 December
	Up to	From one to	From two to	From three to	From four to	Five years	2021
	one year	two years	three years	four years	five years	and over	Total
	CHF	CHF	CHF	CHF	CHF	CHF	CHF
<b>Assets</b>							
Cash, amounts due from banks, money at call	81,084,940	-	-	-	-	-	81,084,940
Accrued interest receivable and prepayments	6,741,738	-	-	-	-	-	6,741,738
Securities held for trading, designated at FVTPL	551,099,098	539,562,415	172,602,617	84,166,625	11,377,897	12,386,791	1,371,195,443
Derivative financial instruments held at FVTPL	5,851,715	3,853,520	5,861,566	431,771	47,058	1,993,548	18,039,178
<b>Liabilities</b>							
Lease liabilities	(213,212)	-	-	-	-	-	(213,212)
Amounts due to banks	(68,222,816)	-	-	-	-	-	(68,222,816)
Accrued interest payable and accrued expenses	(1,391,929)	-	-	-	-	-	(1,391,929)
Derivative financial instruments held at FVTPL	(47,721,808)	(10,853,598)	(4,662,562)	(361,313)	(162,338)	(2,877,611)	(66,639,230)
Financial liabilities held at FVTPL	(750,057,479)	(309,080,374)	(93,182,348)	(3,615,365)	(4,308,283)	(65,230,142)	(1,225,473,991)
<b>Net Liquidity</b>	<b>(222,829,753)</b>	<b>223,481,963</b>	<b>80,619,273</b>	<b>80,621,718</b>	<b>6,954,334</b>	<b>(53,727,414)</b>	<b>115,120,121</b>

The undiscounted contractual liabilities of the Company excluding accrued interest at 31 December 2021 are as follows:

<b>Financial liabilities held at fair value through profit or loss</b>	765,877,345	310,574,640	90,016,450	3,744,110	5,430,830	63,240,107	1,238,883,482
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12 g) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The maximum risk resulting from financial instruments, except for written equity-linked derivatives, equals their fair value. With written equity-linked derivatives, the Company bears the market risk of an unfavourable change in the price of the security underlying the option.

12 g) (i) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. The Company writes interest rate derivatives, mainly being interest rate swaps in which the Company agrees to exchange, at specified intervals. The difference between fixed and variable interest amounts is calculated by reference to an agreed-upon notional principal amount in an effort to manage these risks. The majority of interest rate exposure arises on investment in debt securities and the interest rate profile is shown below.

# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 December 2022

#### 12 Financial risk and management objectives and policies (continued)

##### 12 g) (i) Interest rate risk (continued)

The following table analyses the Company's interest rate exposure. The Company's assets and liabilities are included at their carrying amount and are categorised by their maturity dates:

The interest rate profile of the Company at 31 December 2022:	Total	Variable rate	Fixed rate	No net interest
	CHF	CHF	CHF	rate risk CHF
<b>Assets</b>				
Right-of-use assets	188,752	-	-	188,752
Cash, amounts due from banks, money at call	82,092,742	-	-	82,092,742
Term deposits	29,660,705	-	29,660,705	-
Accrued interest receivable and prepayments	7,621,661	-	-	7,621,661
Securities held for trading, designated at FVTPL	1,664,214,150	4,991,070	1,639,144,405	20,078,675
Derivative financial instruments held at FVTPL	45,641,326	36,473,491	-	9,167,835
<b>Total Assets</b>	<b>1,829,419,336</b>	<b>41,464,561</b>	<b>1,668,805,110</b>	<b>119,149,665</b>
<b>Liabilities and Shareholder's funds</b>				
Lease liabilities	178,592	-	-	178,592
Amounts due to banks	47,094,224	-	-	47,094,224
Accrued interest payable and accrued expenses	1,956,547	-	-	1,956,547
Derivative financial instruments held at FVTPL	161,315,631	21,320,152	-	139,995,479
Structured product financial liabilities held at FVTPL	1,500,566,858	-	-	1,500,566,858
Share capital	1,000,000	-	-	1,000,000
Retained earnings	117,307,484	-	-	117,307,484
<b>Total Liabilities and Shareholder's Funds</b>	<b>1,829,419,336</b>	<b>21,320,152</b>	<b>-</b>	<b>1,808,099,184</b>

The interest rate profile of the Company at 31 December 2021:	Total	Variable rate	Fixed rate	No net interest
	CHF	CHF	CHF	rate risk CHF
<b>Assets</b>				
Right-of-use assets	197,810	-	-	197,810
Cash, amounts due from banks, money at call	81,084,940	-	-	81,084,940
Accrued interest receivable and prepayments	6,741,738	-	-	6,741,738
Securities held for trading, designated at FVTPL	1,371,195,443	27,251,126	1,322,279,607	21,664,710
Derivative financial instruments held at FVTPL	18,039,178	4,193,399	-	13,845,779
<b>Total Assets</b>	<b>1,477,259,109</b>	<b>31,444,525</b>	<b>1,322,279,607</b>	<b>123,534,977</b>
<b>Liabilities and Shareholder's funds</b>				
Lease liabilities	213,212	-	-	213,212
Amounts due to banks	68,222,816	-	-	68,222,816
Accrued interest payable and accrued expenses	1,391,929	-	-	1,391,929
Derivative financial instruments held at FVTPL	66,639,230	3,744,365	-	62,894,865
Structured product financial liabilities held at FVTPL	1,225,473,991	-	-	1,225,473,991
Share capital	1,000,000	-	-	1,000,000
<b>Retained earnings</b>	<b>114,317,931</b>	<b>-</b>	<b>-</b>	<b>114,317,931</b>
<b>Total Liabilities and Shareholder's Funds</b>	<b>1,477,259,109</b>	<b>3,744,365</b>	<b>-</b>	<b>1,473,514,744</b>

##### 12 g) (ii) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company invests in securities and issues structured products that are denominated in currencies other than the Swiss franc. Accordingly, the value of the Company's assets and liabilities may be affected favourably or unfavourably by fluctuations in currency rates.

The Company writes derivatives, such as currency forwards, to hedge foreign currency denominated financial instruments and increases or decreases in the fair value of the Company's foreign currency denominated financial assets and liabilities are partially offset by gains and losses on the economic hedging instruments.

The following table indicates the currencies to which the Company had significant exposure as at 31 December on its monetary assets and liabilities.

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12 Financial risk and management objectives and policies (continued)

12 g) (ii) Currency risk (continued)

Currency profile of the Company as at 31 December 2022:

	Total CHF	Swiss Franc CHF	Euro CHF	US Dollar CHF	British Pound CHF	Other CHF
<b>Assets</b>						
Right of use assets	188,752	-	-	-	188,752	-
Cash, amounts due from banks, money at call	82,092,742	65,816,761	0	15,907,344	367,186	1,451
Term deposits	29,660,705	-	29,660,705	-	-	-
Accrued interest receivable and prepayments	7,621,661	5,603,141	665,432	818,044	49,431	485,613
Securities held for trading, designated at FVTPL	1,664,214,150	1,421,917,545	107,505,399	103,710,478	-	31,080,728
Derivative financial instruments held at FVTPL	45,641,326	36,417,525	2,962,472	5,572,587	-	688,742
<b>Total Assets</b>	<b>1,829,419,336</b>	<b>1,529,754,972</b>	<b>140,794,008</b>	<b>126,008,453</b>	<b>605,369</b>	<b>32,256,534</b>
	100.00%	83.62%	7.70%	6.89%	0.03%	1.76%
<b>Liabilities</b>						
Lease liabilities	178,592	-	-	-	178,592	-
Amounts due to banks	47,094,224	27,085,108	15,099,916	-	507,646	4,401,554
Accrued interest payable and accrued expenses	1,956,547	1,838,374	-	-	118,173	-
Derivative financial instruments held at FVTPL	161,315,631	109,523,731	16,966,455	31,847,972	-	2,977,473
Structured product financial liabilities held at FVTPL	1,500,566,858	1,049,882,142	223,403,667	220,942,647	-	6,338,402
<b>Total Liabilities</b>	<b>1,711,111,852</b>	<b>1,188,329,355</b>	<b>255,470,038</b>	<b>252,790,619</b>	<b>804,411</b>	<b>13,717,429</b>
	100.00%	69.45%	14.93%	14.77%	0.05%	0.80%

Currency profile of the Company as at 31 December 2021:

	Total CHF	Swiss Franc CHF	Euro CHF	US Dollar CHF	British Pound CHF	Other CHF
<b>Assets</b>						
Right of use assets	197,810	-	-	-	197,810	-
Cash, amounts due from banks, money at call	81,084,940	73,884,434	-	-	7,199,944	562
Accrued interest receivable and prepayments	6,741,738	4,757,997	690,106	835,598	43,978	414,059
Securities held for trading, designated at FVTPL	1,371,195,443	1,020,728,582	165,833,349	153,940,545	-	30,692,967
Derivative financial instruments held at FVTPL	18,039,178	14,441,526	972,909	2,587,198	-	37,545
<b>Total Assets</b>	<b>1,477,259,109</b>	<b>1,113,812,539</b>	<b>167,496,364</b>	<b>157,363,341</b>	<b>7,441,732</b>	<b>31,145,133</b>
	100.00%	75.40%	11.34%	10.65%	0.50%	2.11%
<b>Liabilities</b>						
Lease liabilities	213,212	-	-	-	213,212	-
Amounts due to banks	68,222,816	7,808,241	44,513,383	5,404,004	513,593	9,983,595
Accrued interest payable and accrued expenses	1,391,929	1,282,566	-	-	109,363	-
Derivative financial instruments held at FVTPL	66,639,230	50,338,756	4,404,496	10,793,448	-	1,102,530
Structured product financial liabilities held at FVTPL	1,225,473,991	941,127,468	118,215,135	160,260,368	-	5,871,020
<b>Total Liabilities</b>	<b>1,361,941,178</b>	<b>1,000,557,031</b>	<b>167,133,014</b>	<b>176,457,820</b>	<b>836,168</b>	<b>16,957,145</b>
	100.00%	73.47%	12.27%	12.96%	0.06%	1.25%

12 g) (iii) Price risk

Equity price risk is the risk of unfavourable changes in the fair value of equity instruments or equity-linked derivatives as a result of changes in the levels of equity indices and the value of individual shares. The Company manages equity risk on its exposure to equity-linked structured products by writing equity-linked derivatives as a hedge against the movement in their price. The Company is therefore only exposed to equity price risk on the revaluation of equities purchased to meet obligations under equity-settled structured product liabilities which are valued based on the equity purchase price and are therefore subsequently settled at nil gain/loss.

Management's best estimate of the effect on profit or loss for a year due to a reasonably possible change in equity indices, with all other variables held constant, is indicated in the table below. There is no effect on other comprehensive income as the Company has no assets classified as fair value through other comprehensive income or designated hedging instruments. In practice the actual trading results may differ from the sensitivity analysis below and the difference could be material. An equivalent decrease in equity indices as shown below would have resulted in an equivalent, but opposite, impact.

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**12 Financial risk and management objectives and policies (continued)**

**12 g) (iii) Price risk (continued)**

	Change in	Effect on net income for the year	
	equity index	2022	2021
	%	CHF	CHF
Stoxx Europe 600 Index	+/- 10	+/- 53,608	-
S&P 500 Index	+/- 10	+/- 3,476	-
Swiss All-Share Index	+/- 10	+/- 4,480	-

The effect of changes in bond prices resulting from variations in interest rates are quantified in notes 12 c) (iii) and 12 g) (i).

**13 Leases**

The Company has a 6-year lease contract in respect of office premises used in its operations. The Company is restricted under the terms of this lease from assigning and subleasing the premises with the prior consent of the lessor. Set out below of the carrying amount of right-to-use assets recognised and the movements during the year:

	Office Premises	Total
	CHF	CHF
As at 1 January 2021	253,420	253,420
Fair value adjustment	(325)	(325)
Depreciation expense	(55,285)	(55,285)
<b>As at 31 December 2021</b>	<b>197,810</b>	<b>197,810</b>
Fair value adjustment	44,758	44,758
Depreciation expense	(53,816)	(53,816)
<b>As at 31 December 2022</b>	<b>188,752</b>	<b>188,752</b>

Set out below are the carrying amount of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the year:

	2022	2021
	CHF	CHF
As at 1 January	213,212	264,822
Fair value adjustment	44,758	(325)
Accretion of interest	3,659	4,836
Payments	(63,717)	(62,688)
Foreign exchange differences	(19,320)	6,567
<b>As at 31 December</b>	<b>178,592</b>	<b>213,212</b>
Current (see note 15)	68,051	57,986
Non-current (see note 15)	110,541	155,226

The maturity analysis of lease liabilities are disclosed in note 16.

The following are the amounts recognised in the statement of income:

	2022	2021
	CHF	CHF
Depreciation expense of right-of-use assets	53,816	55,285
Interest expense on lease liabilities	3,659	4,836
(Gain)/loss on revaluation of lease liabilities	(19,320)	6,567
<b>Total amount recognised in statement of income</b>	<b>38,155</b>	<b>66,688</b>

The Company had total cash outflows for leases of CHF 63,717 in 2022 (CHF 62,688 in 2021).



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**14 Cash, amounts due from / to banks, money at call**

	2022	2021
	CHF	CHF
Due from banks, Guernsey	82,269	100,102
Due from banks, Zürcher Kantonalbank	82,010,473	80,984,838
	<u>82,092,742</u>	<u>81,084,940</u>
Due to banks, Zürcher Kantonalbank	(47,094,224)	(68,222,816)
	<u>(47,094,224)</u>	<u>(68,222,816)</u>
<b>Total net cash, amounts due from / to banks, money at call</b>	<u>34,998,518</u>	<u>12,862,124</u>

The amounts due from banks in Guernsey accrue interest income at variable market rates. The amounts due to and from Zürcher Kantonalbank do not accrue interest.

**15 Lease liabilities**

	Interest rate	Maturity	2022	2021
	%		CHF	CHF
Current interest-bearing loans and borrowings				
Lease liabilities (see note 13)	2.0	2023	68,051	57,986
<b>Total current interest-bearing loans and borrowings</b>			<u>68,051</u>	<u>57,986</u>
Non-current interest-bearing loans and borrowings				
Lease liabilities (see note 13)	2.0	2024 - 2025	110,541	155,226
<b>Total non-current interest-bearing loans and borrowings</b>			<u>110,541</u>	<u>155,226</u>
<b>Total interest-bearing loans and borrowings</b>			<u>178,592</u>	<u>213,212</u>

**16 Changes in liabilities arising from financing activities**

	1 January	New	Cash	Foreign exchange	31 December	
	2022	leases	flows	Other	2022	
	CHF	CHF	CHF	CHF	CHF	
<b>Liabilities</b>						
Current lease liabilities (see note 13)	57,986	-	(63,717)	79,036	(5,254)	68,051
Non-current lease liabilities (see note 13)	155,226	-	-	(30,619)	(14,066)	110,541
<b>Total Liabilities</b>	<u>213,212</u>	<u>-</u>	<u>(63,717)</u>	<u>48,417</u>	<u>(19,320)</u>	<u>178,592</u>
	1 January	New	Cash	Foreign exchange	31 December	
	2021	leases	flows	Other	2021	
	CHF	CHF	CHF	CHF	CHF	
<b>Liabilities</b>						
Current lease liabilities (see note 13)	55,747	-	(62,688)	63,544	1,383	57,986
Non-current lease liabilities (see note 13)	209,075	-	-	(59,033)	5,184	155,226
<b>Total Liabilities</b>	<u>264,822</u>	<u>-</u>	<u>(62,688)</u>	<u>4,511</u>	<u>6,567</u>	<u>213,212</u>

The 'other' column includes the effect of reclassification of non-current portion of interest-bearing lease liabilities due to the passage of time, the effect of accrued but not yet paid interest on lease liabilities and any fair value adjustments resulting from changes in contractual lease payments. The Company classifies interest paid as cashflows from operating activities.

**ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2022

**17 Share capital**

	2022	2021
	CHF	CHF
Authorised		
1,000 Ordinary shares of CHF1,000 each	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, called up and fully paid		
1,000 Ordinary shares of CHF1,000 each	<u>1,000,000</u>	<u>1,000,000</u>

Each holder of a fully paid ordinary share is entitled to one vote for each share owned. When and as dividends are declared upon the ordinary share capital of the Company, the holders of ordinary shares are entitled to share equally, share for share, in such dividends. In the event of liquidation of the Company, the holders of ordinary shares shall be entitled to receive any of the remaining assets of the Company after the distribution of all preferred amounts. The amount distributed will be in proportion to the number of equity shares held by the shareholders.

**18 Capital management**

The Company considers its capital to comprise its share capital and retained earnings which amounted CHF 118,307,484 as at 31 December 2022 (2021: CHF 115,317,931). The Company's capital management objectives are to achieve consistent returns while safeguarding capital and to maintain sufficient liquidity to meet the expenses of the Company and to meet its liabilities as they arise.

To achieve the above objectives, the Company invests in term deposits with group approved banks and bonds with an appropriate credit rating (see note 12).

The Company is not subject to externally imposed capital requirements and has no restrictions on the issue or repurchase of ordinary shares.

**19 Related party disclosures**

**Parent and ultimate controlling party**

The immediate and ultimate parent undertaking is Zürcher Kantonalbank, a Company incorporated in Switzerland.

**Transactions with related parties**

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

		Income	Expenses	Due to	Due from
		Year ended	Year ended	related party	related party
		31 December	31 December	31 December	31 December
		CHF	CHF	CHF	CHF
<b>Parent:</b>					
Zürcher Kantonalbank	2022	35,406,489	10,369,575	1,405,966	-
	2021	14,765,488	8,826,857	1,282,561	-
Bank accounts held with parent Company	2022	-	-	47,094,224	82,010,473
	2021	-	-	68,222,816	80,984,838
Derivative contracts with parent Company	2022	-	-	161,315,631	45,641,326
	2021	-	-	66,639,230	18,039,178
Structured products held by parent Company	2022	-	-	58,476,002	-
	2021	-	-	61,427,566	-

**Terms and conditions of transactions with related parties**

Outstanding balances at the year end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

**Transactions with key management personnel**

Key management personnel, defined as the Board of Directors and Chief Executive Officer, received the following compensation during the year:

	Year ended	Year ended
	31 December	31 December
	2022	2021
	CHF	CHF
Short-term employee benefits	<u>213,945</u>	<u>214,293</u>

# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

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### **20 Events after the statement of financial position date**

Following financial contagion in the global banking sector after several bank failures in the United States during March 2023, there was a loss of market confidence in Credit Suisse Group AG ("Credit Suisse") that resulted in UBS Group AG acquiring Credit Suisse on 19 March 2023.

As part of the acquisition, Credit Suisse's Additional Tier 1 ("AT1") bonds were written down to zero. As at 31 December 2022, the company held CHF 303,199 of AT1 bonds issued by Credit Suisse. These bonds were held as direct hedging instruments for structured product liabilities in which the fair value is linked to the performance of these securities, therefore the net overall financial effect on the company to date has been minimal.

The subsequent changes in the market values and fair value hierarchy of the securities held for trading as direct hedging instruments, and changes in fair value of the related structure product liabilities, are not reflected in the financial statements as at 31 December 2022.

**ANLAGE 1B**

**Jahresabschluss 2023 der Zürcher Kantonalbank Finance (Guernsey) Limited**

# **ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED**

ANNUAL REPORT & AUDITED FINANCIAL STATEMENTS

For the year ended 31 December 2023

# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

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# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

## COMPANY INFORMATION

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**Directors** F O Oegerli, Chairman (i)  
S Stadelmann, Vice Chairman (i)  
R S Duchemin  
J W Renouf (ii)

(i) Member of Audit Committee  
(ii) Chairman of Audit Committee

**Secretary** Alter Domus (Guernsey) Limited

**Registered office** Bordage House  
Le Bordage  
St Peter Port  
Guernsey GY1 1BU

**Auditor** Ernst & Young LLP  
Royal Chambers  
St Julian's Avenue  
St Peter Port  
Guernsey GY1 4AF

**Bankers** Zürcher Kantonalbank  
Bahnhofstrasse 9  
PO Box 8010  
Zürich  
Switzerland

NatWest International  
PO Box 62  
Royal Bank Place  
1 Gategny Esplanade  
St Peter Port  
Guernsey GY1 4BQ

**Custodian** Zürcher Kantonalbank  
Bahnhofstrasse 9  
PO Box 8010  
Zürich  
Switzerland

# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

## DIRECTORS' REPORT

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The Directors submit their report and the audited financial statements for the year ended 31 December 2023.

### Activities

The principal activity of Zürcher Kantonalbank Finance (Guernsey) Limited ("the Company") is to carry on business as a finance company and to borrow or raise money by the issue of financial instruments of whatsoever nature.

### Results

The results of the Company are shown in the Statement of Comprehensive Income on page 6.

### Dividend

The Directors do not recommend the payment of a dividend.

### Directors

The Directors of the Company are those listed in the Company Information.

### Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the financial statements in accordance with applicable Guernsey law and generally accepted accounting principles.

Guernsey company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing those financial statements, the Directors should:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as each of the Directors is aware, there is no relevant audit information of which the Company's auditor is unaware, and each has taken all the steps he ought to have taken as a Director to make himself aware of any relevant audit information, and to establish that the Company's auditor is aware of that information.

### Going concern

As detailed in note 2) (b) to these financial statements, the Directors have considered the external factors affecting the results of the Company and used a range of scenarios based thereon to assess the adequacy of the Company's financial resources to continue in operational existence up until 30 June 2025. Based on this assessment the Directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

### Auditor

A resolution to reappoint Ernst & Young LLP as auditor will be put to the members at the Annual General Meeting.

For and on behalf of the Board



Director:



Director:



# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

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## **Opinion**

We have audited the financial statements of Zurcher Kantonalbank Finance (Guernsey) Limited (the "company") for the year ended 31 December 2023 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 20, including a summary of material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union.

### **In our opinion, the financial statements:**

- give a true and fair view of the state of the company's affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those 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 ethical requirements that are relevant to our audit of the financial statements, including the UK FRC's Ethical Standard, 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.

### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period to 30 June 2025.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

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## **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters in relation to which The Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the company; or
- the financial statements are not in agreement with the company's accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

## **Responsibilities of directors**

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine 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 directors are 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 directors either intend to liquidate the company or to cease operations, or have 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 ISAs (UK) 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.

## **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (International Financial Reporting Standards as adopted by the European Union and The Companies (Guernsey) Law, 2008);
- We understood how the company is complying with those frameworks by making enquiries of the directors and those responsible for compliance matters and corroborated this by examining quarterly compliance reports and minutes of meetings of the Board of Directors. We gained an understanding of the Board's approach to governance, demonstrated by its review of the monthly financial management reports, oversight by the Audit Committee and internal control processes;
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and by identifying the manipulation of bond interest income as a fraud risk. We considered the controls the company has established to address risks identified by the directors or that otherwise seek to prevent, detect or deter fraud and how management and those charged with governance monitor those controls. We also considered the existence of any stakeholder influences which may cause management to seek to manipulate the financial performance and did not note any;
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved reading the minutes of meetings of the Board of Directors and compliance reports; making inquiries of those charged with governance; and performance of journal entry testing based on our risk assessment and understanding of the business, with a focus on non-standard journals and those relating to areas with an identified associated fraud risk, as described above. We performed a controls based audit and tested the controls in place regarding the calculation and recording of bond interest income.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED


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## **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)**

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Section 262 of The Companies (Guernsey) Law 2008. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:  
  
8C38E6A2E00C451...

Ernst & Young LLP  
Guernsey, Channel Islands

Date: 03 April 2024

ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED  
 STATEMENT OF COMPREHENSIVE INCOME  
 For the year ended 31 December 2023

	Notes	Year ended 31 December 2023		Year ended 31 December 2022	
		CHF'000	CHF'000	CHF'000	CHF'000
Net trading income	6		29,160		14,226
Operating expenses	7		(19,505)		(11,232)
<b>Operating profit</b>			<u>9,655</u>		<u>2,994</u>
Finance costs		(14)		(4)	
			<u>(14)</u>		<u>(4)</u>
<b>Net comprehensive income for the financial year</b>			<u><u>9,641</u></u>		<u><u>2,990</u></u>

All of the items in the above are derived from continuing operations.

There were no other comprehensive income items in the period.

The notes on pages 10 to 34 form part of these financial statements.

ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED  
 STATEMENT OF FINANCIAL POSITION  
 As at 31 December 2023

	Notes	31 December 2023 CHF'000	31 December 2022 CHF'000
<b>Assets</b>			
<b>Non-current assets</b>			
Right-of-use assets	13	121	189
<b>Total non-current assets</b>		<u>121</u>	<u>189</u>
<b>Current assets</b>			
Cash, amounts due from banks, money at call	14	74,679	82,093
Financial assets at amortised cost			
Term deposits	8	-	29,661
Financial assets at fair value through profit or loss			
Securities held for trading	9	1,987,480	1,664,214
Derivative financial instruments	9, 10	33,784	45,641
Accrued interest receivable and prepayments		11,725	7,621
<b>Total current assets</b>		<u>2,107,668</u>	<u>1,829,230</u>
<b>Total assets</b>		<u><u>2,107,789</u></u>	<u><u>1,829,419</u></u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liabilities	15	37	111
<b>Total Non-current liabilities</b>		<u>37</u>	<u>111</u>
<b>Current liabilities</b>			
Amounts due to banks	14	23,494	47,094
Lease liabilities	15	63	68
Financial liabilities at fair value through profit or loss			
Structured products	9	1,826,075	1,500,567
Derivative financial instruments	9, 10	126,219	161,315
Accrued interest payable and accrued expenses		3,952	1,956
<b>Total Current liabilities</b>		<u>1,979,803</u>	<u>1,711,000</u>
<b>Equity</b>			
Share capital	17	1,000	1,000
Retained earnings		126,949	117,308
<b>Total equity</b>		<u>127,949</u>	<u>118,308</u>
<b>Total liabilities and equity</b>		<u><u>2,107,789</u></u>	<u><u>1,829,419</u></u>

The financial statements on pages 6 to 34 were approved by the Board of Directors on **2** April 2024 and are signed on its behalf by:



Director:



Director:

The notes on pages 10 to 34 form part of these financial statements.

ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED  
 STATEMENT OF CHANGES IN EQUITY  
 For the year ended 31 December 2023

	Share capital CHF	Retained earnings CHF	Total equity CHF
At 1 January 2022	1,000	114,318	115,318
Net comprehensive income for the financial year	-	2,990	2,990
<b>Balance at 31 December 2022</b>	<u>1,000</u>	<u>117,308</u>	<u>118,308</u>
At 1 January 2023	1,000	117,308	118,308
Net comprehensive income for the financial year	-	9,641	9,641
<b>Balance at 31 December 2023</b>	<u>1,000</u>	<u>126,949</u>	<u>127,949</u>

The notes on pages 10 to 34 form part of these financial statements.

**ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED**  
**STATEMENT OF CASH FLOWS**  
For the year ended 31 December 2023

	Note	Year ended 31 December 2023 CHF'000	Year ended 31 December 2022 CHF'000
<b>Operating activities</b>			
Net comprehensive income for the financial year		9,641	2,990
Adjustments for:			
Depreciation of right-of-use assets	13	53	54
Revaluation of lease liabilities	13	2	(19)
Net foreign exchange differences		(7,826)	1,388
Finance costs		14	4
		<u>1,884</u>	<u>4,417</u>
Interest paid		(11)	-
Adjustment for changes in working capital:			
Decrease/(increase) in financial assets at amortised cost		29,661	(29,661)
Increase in accrued interest receivable and prepayments		(4,104)	(880)
Increase in securities held for trading, designated at fair value through profit or loss		(323,266)	(293,019)
Increase in structured product financial liabilities held at fair value through profit or loss		325,508	275,093
(Increase)/decrease in derivative financial instruments held at fair value through profit or loss		(23,239)	67,074
Increase in accrued interest payable and accrued expenses		1,996	565
Net cash inflows from operating activities		<u>8,429</u>	<u>23,589</u>
<b>Financing activities</b>			
Payment of principal portion of lease liabilities	13	(69)	(64)
Net cash outflows from financing activities		<u>(69)</u>	<u>(64)</u>
Net increase in cash and cash equivalents		8,360	23,525
Net foreign exchange difference		7,826	(1,388)
<b>Net cash and cash equivalents at 1 January</b>		<u>34,999</u>	<u>12,862</u>
<b>Net cash and cash equivalents at 31 December</b>	14	<u><u>51,185</u></u>	<u><u>34,999</u></u>

The notes on pages 10 to 34 form part of these financial statements.

# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

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### 1 Corporate information

Zürcher Kantonalbank Finance (Guernsey) Limited is a finance company and borrows or raises money by the issue of financial instruments of whatsoever nature. The Company was incorporated and is registered in Guernsey with the registered office being at Bordage House, Le Bordage, St Peter Port, Guernsey, GY1 1BU.

### 2 Material accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements of the Company.

#### 2 a) Basis of preparation

The financial statements have been prepared under the historical cost convention as modified by the revaluation to fair value through profit or loss of derivative financial instruments, over-the-counter ("OTC") options, securities, term deposits with banks and financial liabilities and in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

#### 2 b) Going concern

The Company's financial position, its cash flows and liquidity position are set out in the financial statements. In addition, note 12 to the financial statements includes the Company's risk management and policies, details of its financial instruments, its exposures to credit risk and liquidity risk and its objectives, policies and processes for managing its capital.

The Russian invasion of Ukraine, inflationary pressures and the constrained recruitment market in Guernsey continue to have affect on the results of the Company in the following known ways:

- Increased volatility in financial markets has seen increased volatility in the value of the Company's financial assets and liabilities;
- Increased supplier prices and a rent review linked to the Guernsey Retail Price Index has resulted in increased operating expenses; and
- Guernsey labour market shortages has seen an increase in recruitment costs and employee expenses.

Management have therefore used a range of scenarios that may occur up until 30 June 2025 based upon events occurring during 2023 and to date, including a reasonable worst-case scenario, to assess whether the entity can continue as a going concern. These include, but are not limited to, the following:

- Continued volatility and/or reduced liquidity in financial markets;
- The Company's existing reserves and future liquidity requirements;
- The inability to retain and/or replace key staff;
- The appropriateness of the carrying value of the Company's assets;
- The appropriateness of the expected credit loss rate on trade receivables;

Based on the results of the scenario analysis described above, the designation of the parent entity by the Swiss National Bank as a domestic systemically important bank, and the keepwell agreement in place between the parent entity and the Company, the Directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

As at 31 December 2023 the company held CHF 544,225 (2022: CHF 566,660) of securities issued directly by or through subsidiaries of Russian companies. These securities are held as hedging instruments for structured product liabilities whose fair value is linked to the performance of these securities, therefore the overall net financial effect on the company to date has been minimal.



ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2023

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**2 Material accounting policies (continued)**

**2 c) Financial instruments**

**2 c) (i) Classification**

In accordance with IFRS 9, the Company classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below. In applying that classification, a financial asset or financial liability is considered to be held for trading if:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or
- On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a designated and effective hedging instrument).

**2 c) (i) (1) Financial assets**

The Company classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of both:

- The Company's business model for managing the financial assets; and
- The contractual cash flow characteristics of the financial asset.

*Financial assets measured at amortised cost*

A financial instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company includes in this category term deposits in banks with original maturities of more than three months or less, short-term non-financing receivables including accrued interest receivable and prepayments.

*Financial assets measured at fair value through profit or loss ("FVTPL")*

A financial asset is measured at FVTPL if:

- Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest ("SPPI") on the principal amount outstanding; or
- It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
- At initial recognition, it is irrevocably designated as measured at FVTPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Company includes in this category:

- Debt instruments: these include investments that are held under a business model to manage them on a fair value basis for investment income and fair value gains; and
- Equity instruments: these include investments in listed equities;
- Exchange traded funds: these include investments that are held as direct hedging instruments; and
- Instruments held for trading: this includes equity instruments and debt instruments which are acquired principally for the purpose of generating a profit from short-term fluctuations in price. This category also includes derivative contracts in an asset position.

**2 c) (i) (2) Financial liabilities**

*Financial liabilities measured at FVTPL*

A financial liability is measured at FVTPL if it meets the definition of held for trading.

The Company includes in this category derivative contracts in a liability position and equity and debt instruments sold short since they are classified as held for trading.

*Financial liabilities measured at amortised cost*

This category includes all financial liabilities, other than those measured at fair value through profit or loss. The Company includes in this category bank overdrafts and other short-term payables.

## 2 Material accounting policies (continued)

### 2 c) (ii) Measurement

After initial measurement, the Company measures financial instruments which are classified as at FVTPL at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net gain or loss on financial assets and liabilities at FVTPL in the statement of comprehensive income as part of net trading income (see note 6). Interest and dividends earned or paid on these instruments are recorded in the statement of comprehensive income as part of net trading income (see note 6).

Debt instruments, other than those classified as at FVTPL, are measured at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the debt instruments are derecognised or impaired, as well as through the amortisation process.

Financial liabilities, other than those classified as at FVTPL, are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process.

### 2 d) Fair value measurement

The Company measures its investments in financial instruments, such as equity instruments, debt instruments, other interest bearing investments and derivatives, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions, adjusted as necessary, and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

For assets and liabilities that are measured at fair value on a recurring basis, the Company identifies transfers between levels in the hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole), and deems transfers to have occurred at the beginning of each reporting period.

## 3 Changes in accounting policies and disclosures

The Company applied for the first time certain standards and amendments which are effective for annual periods beginning on or after 1 January 2023. The nature and the impact of each new standard and amendment is described below:

### 3 Changes in accounting policies and disclosures (continued)

#### 3 a) Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

The amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements. They amend IAS 1 by requiring an entity to disclose its material accounting policies instead of its significant accounting policies, add clarifications and explanations regarding the definition of a material accounting policy, and deal with the disclosure of immaterial accounting policies. In addition, IFRS Practice Statement 2 is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information in order to support the amendments to IAS 1.

These amendments reduced the number of accounting policies disclosed in note 2) to these financial statements.

#### 3 b) Definition of Accounting Estimates (Amendments to IAS 8)

The changes to IAS 8 focussed on accounting estimates and introduced a new definition of accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty", and clarified that a change in accounting estimate that results from new information or developments is not the correction of an error, whilst the effects of a change in an input or measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. It further clarified that a change in accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods, and when the effect of the change should be recognised in the current period and in the future periods.

These amendments had no impact on the financial statements of the Company.

#### 3 c) Property, Plant and Equipment - Proceeds Before Intended Use (Amendments to IAS 16)

The amendments prohibited deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity should recognise the proceeds from selling such items, and the cost of producing those items, in profit or loss.

These amendments had no impact on the financial statements of the Company.

### 4 Accounting standards, interpretations and amendments issued by not yet effective

At the date of authorisation of these financial statements, the following relevant standards and interpretations, which have not been applied, were in issue but not yet effective:

#### 4 a) Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants (Amendments to IAS 1)

The amendments affect only the presentation of liabilities in the statement of position, not the amount or timing of recognition of any asset, liability, income or expense, or the information that entities disclose about those items. They clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability. Furthermore, they also clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and are to be applied retrospectively. They are not expected to have any impact on the financial statements of the Company.

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**4 Accounting standards, interpretations and amendments issued by not yet effective (continued)**

**4 b) IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures**

The objectives of IFRS S1 and IFRS S1 are to require an entity to disclose information about its sustainability and climate-related risks and opportunities that is useful to users of general purpose financial reports in making decisions relating to providing resources to the entity. They require an entity to disclose information about all related matters that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term.

IFRS S1 and IFRS S2 are effective for annual reporting periods beginning on or after 1 January 2024 with earlier application permitted as long as both standards are applied. The Company has opted not to early apply IFRS S1 or IFRS S2.

**5 Taxation**

The Company is taxed at the Company standard rate (0%) in Guernsey.

**6 Net trading income**

	Year ended 31 December 2023 CHF'000	Year ended 31 December 2022 CHF'000
<b>Gains less losses on instruments held for trading</b>		
Foreign currency	27,522	4,212
Trading securities	57,650	(25,901)
Other income	856	55
<b>Gains less losses on fair value hedging</b>		
Gains less losses from fair value direct hedged items	419	453
Gains less losses from fair value direct hedging instruments	(19,635)	(3,908)
<b>Gains less losses on instruments designated at fair value</b>		
Financial liabilities designated at fair value through profit or loss	(172,746)	18,704
Derivatives managed with financial instruments designated at fair value through profit or loss	135,094	20,611
<b>Net trading income</b>	<u>29,160</u>	<u>14,226</u>

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**7 Operating expenses**

	Year ended 31 December 2023 CHF'000	Year ended 31 December 2022 CHF'000
<b>Administrative expenses</b>		
Audit fees	84	84
Directors' fees	8	8
Secretarial fees	15	14
Other expenses	91	98
Depreciation	53	53
<b>Zürcher Kantonalbank service costs</b>		
Development costs	500	500
Product issuing costs	500	500
Distribution costs	14,248	6,459
Risk management fee	2,000	2,000
Keep-well agreement charges	1,433	911
Loan facility fees	25	-
<b>Employee expenses</b>		
Salaries	477	519
Social security	33	33
Health insurance	33	38
Other staff expenses	5	15
	<u>19,505</u>	<u>11,232</u>

**8 Financial assets at amortised cost**

	31 December 2023 CHF'000	31 December 2022 CHF'000
<b>At amortised cost</b>		
Term deposit due from bank, United Kingdom	<u>-</u>	<u>29,661</u>
<b>By maturity</b>		
Up to one year	<u>-</u>	<u>29,661</u>

The term deposit due from a bank in the United Kingdom accrued interest at a fixed market rate.

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**9 Financial assets and financial liabilities at fair value through profit or loss**

	31 December 2023 CHF'000	31 December 2022 CHF'000
<b>Securities held for trading</b>		
Debt securities	1,982,432	1,658,554
Exchange traded funds	4,264	5,086
Listed equity instruments	784	574
	<u>1,987,480</u>	<u>1,664,214</u>
<b>Derivative financial instruments</b>		
Currency forwards	779	689
Interest rate swaps	22,097	36,473
Options	7,219	5,941
Total return swaps	3,689	2,538
	<u>33,784</u>	<u>45,641</u>
<b>Total financial assets at fair value through profit or loss</b>	<u><u>2,021,264</u></u>	<u><u>1,709,855</u></u>

The Company classifies its equity instruments and debt instruments as financial assets held for trading and its derivative financial instruments as designated at FVTPL.

	31 December 2023 CHF'000	31 December 2022 CHF'000
<b>Structured product financial instruments</b>		
Linked to credit derivatives	3,503	10,950
Linked to equities / equity indices	1,764,246	1,433,609
Linked to foreign exchange instruments	4	-
Linked to interest instruments	58,322	51,746
Linked to mixed derivatives	-	4,262
	<u>1,826,075</u>	<u>1,500,567</u>
<b>Derivative financial instruments</b>		
Currency forwards	10,318	2,447
Interest rate swaps	33,281	21,320
Options	44,221	71,725
Total return swaps	38,399	65,823
	<u>126,219</u>	<u>161,315</u>
<b>Total financial liabilities at fair value through profit or loss</b>	<u><u>1,952,294</u></u>	<u><u>1,661,882</u></u>

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**10 Derivative contracts**

Derivative contracts serve as components of the structured product financial liabilities of the Company. The derivative contracts that the Company may hold or issue include: futures; options; forward currency contracts; currency swaps; interest rate caps and floors; interest rate swaps; total return swaps; and credit default swaps.

The Company uses derivative financial instruments to economically hedge its risks associated with fluctuations in the value of structured product financial liabilities and interest rate risk associated with the Guernsey Risk Manager portfolio (the Company does not designate any derivative as a hedging instrument for hedge accounting purposes).

Derivatives often reflect, at their inception, only a mutual exchange of promises with little or no transfer of tangible consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the underlying of a derivative contract may have a significant impact on the value of the contract.

OTC derivatives may expose the Company to the risks associated with absence of an exchange market on which to close out an open position. The counterparty for all derivative contracts in force at the year-end was the Company's parent entity, Zürcher Kantonalbank, and as such no credit valuation adjustments or debit valuation adjustments have been made to the OTC derivatives in the current or previous year. As at the date of signing these financial statements, Standard & Poor's had assigned Zürcher Kantonalbank a credit rating of AAA.

The following table shows the fair value of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of the derivative are measured. The notional amounts indicate the volume of transactions outstanding at the reporting dates and are not indicative of either market risk or credit risk.

	31 December 2023			31 December 2022		
	Assets	Liabilities	Notional Amount	Assets	Liabilities	Notional Amount
	CHF'000	CHF'000	CHF'000	CHF'000	CHF'000	CHF'000
<b>Derivatives primarily held for trading purposes</b>						
Options	7,219	44,221	15,259	5,941	71,725	3,409
Total return swaps	3,689	38,399	839,378	2,538	65,823	725,944
	<u>10,908</u>	<u>82,620</u>	<u>854,637</u>	<u>8,479</u>	<u>137,548</u>	<u>729,353</u>
<b>Derivatives primarily held for risk management purposes</b>						
Interest rate swaps	22,097	33,281	4,232,856	36,473	21,320	2,603,382
Currency forwards	779	10,318	427,237	689	2,447	237,214
	<u>22,876</u>	<u>43,599</u>	<u>4,660,093</u>	<u>37,162</u>	<u>23,767</u>	<u>2,840,596</u>
<b>Total derivatives</b>	<u><u>33,784</u></u>	<u><u>126,219</u></u>	<u><u>5,514,730</u></u>	<u><u>45,641</u></u>	<u><u>161,315</u></u>	<u><u>3,569,949</u></u>

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**11 Fair value of financial instruments**

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following tables show the recurring hierarchy for financial assets and liabilities recognised at fair value:

	31 December 2023			Total CHF'000
	Level 1 CHF'000	Level 2 CHF'000	Level 3 CHF'000	
<b>Financial assets</b>				
<i>Securities held for trading (note 9)</i>				
Debt instruments	1,948,261	34,170	-	1,982,431
Exchange traded funds	3,830	435	-	4,265
Listed equity instruments	784	-	-	784
<i>Derivative financial instruments (note 10)</i>				
Currency forwards	-	779	-	779
Interest rate swaps	-	22,097	-	22,097
Options	-	7,219	-	7,219
Total return swaps	-	3,689	-	3,689
<b>Total financial assets</b>	<u>1,952,875</u>	<u>68,389</u>	<u>-</u>	<u>2,021,264</u>
<b>Financial liabilities</b>				
<i>Structured product financial instruments (note 9)</i>				
Linked to credit derivatives	-	3,503	-	3,503
Linked to equities / equity indices	-	1,764,246	-	1,764,246
Linked to foreign exchange instruments	-	4	-	4
Linked to interest instruments	-	58,322	-	58,322
<i>Derivative financial instruments (note 10)</i>				
Currency forwards	-	10,318	-	10,318
Interest rate swaps	-	33,281	-	33,281
Options	-	44,221	-	44,221
Total return swaps	-	38,399	-	38,399
<b>Total financial liabilities</b>	<u>-</u>	<u>1,952,294</u>	<u>-</u>	<u>1,952,294</u>



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**11 Fair value of financial instruments (continued)**

	31 December 2022			Total CHF'000
	Level 1 CHF'000	Level 2 CHF'000	Level 3 CHF'000	
<b>Financial assets</b>				
<i>Securities held for trading (note 9)</i>				
Debt instruments	1,640,478	18,076	-	1,658,554
Exchange traded funds	5,086	-	-	5,086
Listed equity instruments	574	-	-	574
<i>Derivative financial instruments (note 10)</i>				
Currency forwards	-	689	-	689
Interest rate swaps	-	36,473	-	36,473
Options	-	5,941	-	5,941
Total return swaps	-	2,538	-	2,538
<b>Total financial assets</b>	<b>1,646,138</b>	<b>63,717</b>	<b>-</b>	<b>1,709,855</b>
<b>Financial liabilities</b>				
<i>Structured product financial instruments (note 9)</i>				
Linked to credit derivatives	-	10,950	-	10,950
Linked to equities / equity indices	-	1,433,610	-	1,433,610
Linked to interest instruments	-	51,746	-	51,746
Linked to mixed derivatives	-	4,261	-	4,261
<i>Derivative financial instruments (note 10)</i>				
Currency forwards	-	2,447	-	2,447
Interest rate swaps	-	21,320	-	21,320
Options	-	71,725	-	71,725
Total return swaps	-	65,823	-	65,823
<b>Total financial liabilities</b>	<b>-</b>	<b>1,661,882</b>	<b>-</b>	<b>1,661,882</b>

For all other financial assets and liabilities, the carrying value is an approximation of fair value, including: trade and other receivables; cash and cash equivalents; and trade and other payables.

There were no changes to valuation techniques or transfers between Levels 1, 2 and 3 during the year.

Where there are quoted prices in an active market for identical assets or liabilities, a security is included in Level 1. Where values are based on inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities in active markets, or quoted prices for identical assets or liabilities in markets that are not active, they are included in Level 2.

The fair values of options are calculated using an option pricing model based on direct market data, e.g., bond or share prices, and indirect market data, e.g., interest, implied volatility and dividend estimates. The fair value of such options is included within Level 2.

The fair values of other derivatives are calculated based on quotes from counterparties to the agreements which are corroborated by market data. The fair value of such interest rate swaps is included within Level 2.

The fair values of structured product financial instruments, which are set up as combinations of the components of the respective structured product, are calculated based on the sum of the valuations of its components. As the fair values of the components of the structured products are either Level 1 (securities held for trading) or Level 2 (term deposits with banks and derivative financial instruments), the fair value of such structured products is included within Level 2.

## 12 Financial risk and management objectives and policies

### 12 a) Introduction

The main risks that the Company is exposed to are credit risk, liquidity risk and market risk (which includes interest rate risk, currency risk and price risk). The Directors regularly review and agree policies for managing each of these risks as summarised below, which includes the use of derivatives and other financial instruments. The risk management guidelines for the Company set out guidelines for identifying, managing and monitoring the risks to which the Company is exposed and in particular:

- define the rules and procedures for managing credit, liquidity and market risks;
- set out the applicable long-term risk policies of the Company and Zürcher Kantonalbank;
- define the entity to which duties and responsibilities in relation to risk monitoring are assigned; and
- provide an overview of relevant powers and responsibilities.

The general guidelines are:

- credit, liquidity and market risks shall be managed in accordance with the rules and policies laid down in the guidelines on risk management for Zürcher Kantonalbank, and its subsidiaries (collectively, the "group") risk policies;
- subject to the constraints of the applicable group risk policies, the Company shall define appropriate limits with a view to mitigating default and market risks;
- Zürcher Kantonalbank shall be responsible for managing risks subject to approved limits;
- Zürcher Kantonalbank shall be responsible for quantifying risk, preparing reports on risk monitoring conducted, and reporting on risks; and
- the Directors of the Company shall be entitled to limit the level of risk exposure and the list of approved products at any time.

There were no changes to the Company's risk management guidelines during the reporting period.

### 12 b) Risk management structure

The Chief Executive Officer of the Company is responsible for monitoring both the liquidity and solvency of the Company and compliance with the Company's risk limits. Furthermore, the Chief Executive Officer is also responsible for documenting risks limits, defining actions to be taken in the event of a breach of any of those limits, informing the Directors of any limit breaches and subsequent actions taken.

The Directors supervise management and are ultimately responsible for the overall risk management of the Company.

### 12 c) Risk measurement and reporting system

Risk measurement, preparation of risk monitoring reports and risk reporting have been delegated to Zürcher Kantonalbank. To ensure a constant monitoring of risk by the Company's management, a risk report is prepared by Zürcher Kantonalbank on a daily basis and is sent to the management of the Company.

The Directors of the Company have defined the following sensitivity limits for credit risk, interest rate risk and currency risk, as well as counterparty exposure limits, which are calculated on a daily or weekly basis by Zürcher Kantonalbank.

#### 12 c) (i) Credit spread risk sensitivity limits

Credit spread risk refers to debt instruments and is related to daily changes in the spread of an instrument's yield curve over the zero-coupon Treasury yield curve (the z-spread). The sensitivity limit defines the maximum profit and loss daily change limit permitted on the theoretical hedging costs on the Company's treasury management portfolio. The Directors have defined a maximum credit spread sensitivity ("DV01") per issuer with a view to mitigating the credit risk associated with debt instruments.

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**12 Financial risk and management objectives and policies (continued)**

**12 c) (i) Credit spread risk sensitivity limits (continued)**

DV01 is calculated as the sensitivity of a contract to a 1 basis point fluctuation in the credit spread curve and is set at a level that the Directors believe allows for sufficient returns to be generated on the Company's securities held for trading without exposing it to excessive credit risk.

	31 December 2023		31 December 2022	
	Current	Maximum credit spread	Current	Maximum credit spread
	CHF'000	CHF'000	CHF'000	CHF'000
DV01 per issuer	14	< 35	13	< 35

**12 c) (ii) Counterparty exposure limits**

Counterparty exposure refers to the debt instruments within securities held for trading and relates to the risk of issuer default. The Directors have defined minimum credit ratings and maximum permitted nominal holdings per issuer for each credit rating category with a view to mitigating the default risk associated with securities.

Counterparty exposure is calculated on an aggregate basis for all securities held for trading within the treasury management portfolio, and is based on the lower of the two ratings provided by Standard & Poor's and Moody's ratings agencies.

	31 December 2023			
	Nominal limit per issuer	Maximum exposure to any one issuer	Maximum residual term	Maximum residual term of any one issuer
	CHF'000	CHF'000		
Long term rating AAA	100,000	39,565	no limit	58 months
Long term rating between AA+ and AA-	50,000	31,430	no limit	79 months
Long term rating between A+ and A	30,000	29,400	no limit	72 months
Long term rating A-	30,000	15,325	15 months	19 months
Long term rating BBB+	15,000	9,820	15 months	10 months
Long term rating BBB	15,000	7,442	15 months	12 months
Long term rating BBB-	15,000	3,270	15 months	7 months
Long term rating BB+ and lower	-	-	n/a	-

	31 December 2022			
	Nominal limit per issuer	Maximum exposure to any one issuer	Maximum residual term	Maximum residual term of any one issuer
	CHF'000	CHF'000		
Long term rating AAA	100,000	24,960	no limit	60 months
Long term rating between AA+ and AA-	50,000	34,195	no limit	91 months
Long term rating between A+ and A	30,000	28,550	no limit	84 months
Long term rating A-	30,000	17,800	15 months	17 months
Long term rating BBB+	15,000	9,470	15 months	13 months
Long term rating BBB	15,000	9,000	15 months	12 months
Long term rating BBB-	15,000	5,500	15 months	10 months
Long term rating BB+ and lower	-	-	n/a	-

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**12 Financial risk and management objectives and policies (continued)**

**12 c) (iii) Interest rate sensitivity limits**

Interest rate sensitivity is measured by reference to Rho, which is the rate at which the price of a derivative changes relative to a change in the risk free rate of interest. It is expressed as the amount of money, per share of the underlying, that the value of the option will gain or lose as the risk free interest rate rises or falls by one basis point.

	31 December 2023		31 December 2022	
	Limit	Sensitivity	Limit	Sensitivity
	CHF'000	CHF'000	CHF'000	CHF'000
Effect of 1 basis point movement in risk free interest rate	+/- 100	+/- 4	+/- 100	+/- 4

**12 c) (iv) Foreign currency limits**

The foreign exchange sensitivity limit is the maximum permitted movement in profit or loss caused by a 1% movement in the value of the Swiss franc.

	31 December 2023		31 December 2022	
	Limit	Sensitivity	Limit	Sensitivity
	CHF'000	CHF'000	CHF'000	CHF'000
Effect of 1% movement in the value of the Swiss franc	+/- 1,000	+/- 0	+/- 1,000	+/- 3

**12 d) Risk mitigation**

The Company uses derivatives and other financial instruments for trading purposes to manage exposures resulting from changes in credit risks, interest and foreign currency rates.

**12 e) Credit Risk**

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Company by failing to discharge an obligation. The Company is exposed to the risk of credit-related loss that can occur as a result of a counterparty or issuer being unable or unwilling to honour its contractual obligations. These credit exposures exist within debt instruments, derivative assets, short term receivables and cash and cash equivalents.

Credit risk disclosures are segmented into two sections based on whether the underlying financial instrument is subject to IFRS 9's impairment disclosures or not.

**12 e) (i) Financial assets subject to IFRS 9's impairment requirements**

The Company's only financial assets subject to the Expected Credit Loss ("ECL") model within IFRS 9 are short term trade and other receivables. At 31 December 2023, the total of short-term trade and receivables was CHF nil, on which no loss allowance has been provided (31 December 2022: total of CHF nil, on which no loss had been incurred). There is not considered to be any concentration of credit risk within these assets. No assets are considered impaired and no amounts have been written off in the period.

As all trade and other receivables are impacted by IFRS 9 ECL model the Company has adopted the simplified approach. The loss allowance shown is therefore based on lifetime ECLs.

In calculating the loss allowance, a provision matrix has been used based on historical observed loss rates over the expected life of the receivables adjusted for forward-looking estimates. Items have been grouped by their nature into the following categories: accrued income; amounts due from counterparties; and other receivables.

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**12 Financial risk and management objectives and policies (continued)**

**12 e) (ii) Financial assets not subject to IFRS 9's impairment requirements**

The Company is exposed to credit risk on debt instruments and derivative assets. These classes of financial assets are not subject to IFRS 9's impairment requirements as they are measured at FVTPL. The carrying value of these assets represent the Company's maximum exposure to credit risk on financial instruments not subject to the IFRS 9 impairment requirements on the respective reporting dates. Hence, no separate maximum exposure to credit risk disclosure is provided for these instruments.

The following table analyses the sensitivity of the Company's treasury management portfolio to changes in credit spreads:

	31 December 2023	31 December 2022
	CHF'000	CHF'000
<b>Guernsey treasury management portfolio</b>		
1 basis point change in the difference in yields between treasury and non-treasury securities	<u>407,901</u>	<u>241,756</u>

The following tables analyse the Company's securities held for trading by rating agency category:

	Rating	31 December 2023		31 December 2022	
		Fair value CHF'000	Allocation	Fair value CHF'000	Allocation
<b>Guernsey treasury management portfolio</b>					
Bonds receivable	AAA	567,429	29%	231,188	14%
Bonds receivable	AA	614,504	32%	587,485	37%
Bonds receivable	A	637,736	33%	666,792	41%
Bonds receivable	BBB	112,841	6%	128,713	8%
		<u>1,932,510</u>	<u>100%</u>	<u>1,614,178</u>	<u>100%</u>
<b>Direct hedging instruments</b>					
Bonds receivable	AAA	6,641	12%	10,034	21%
Bonds receivable	AA	3,242	6%	3,071	6%
Bonds receivable	A	11,700	21%	6,006	12%
Bonds receivable	BBB	16,415	30%	11,162	22%
Bonds receivable	BB	6,786	12%	7,025	14%
Bonds receivable	B	1,516	3%	3,941	8%
Bonds receivable	CCC	883	2%	880	2%
Bonds receivable	CC	507	1%	128	1%
Bonds receivable	No rating	2,232	4%	2,128	4%
Exchange tradeable funds held		4,264	8%	3,384	7%
Stocks held		784	1%	712	1%
		<u>54,970</u>	<u>100%</u>	<u>48,471</u>	<u>100%</u>

The securities listed above are held as direct hedging instruments for risk management purposes and are not subject to the counterparty limits shown in note 12 c) (ii).

Concentration of credit risk within securities held for trading is managed by counterparty, geographical region and industry sector. The Company has no major exposure to any one counterparty in the treasury management portfolio (see note 12 c) (ii)).

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**12 Financial risk and management objectives and policies (continued)**

**12 e) (ii) Financial assets not subject to IFRS 9's impairment requirements (continued)**

The following table analyses the concentration of credit risk by geographical distribution (based on counterparties' country of domicile):

	31 December 2023		31 December 2022	
	% of debt instruments	% of derivatives	% of debt instruments	% of derivatives
Asia Developed	9%	0%	11%	0%
Asia Emerging	9%	0%	11%	0%
Eastern Europe	0%	0%	1%	0%
Europe Developed (ex-Switzerland)	49%	0%	46%	0%
Latin America	3%	0%	1%	0%
North America	20%	0%	19%	0%
Middle East	2%	0%	3%	0%
Supra Region	5%	0%	2%	0%
Switzerland	3%	100%	4%	100%
	100%	100%	100%	100%

The following table analyses the concentration of credit risk in the Company's treasury management portfolio by industrial distribution:

	31 December 2023		31 December 2022	
	% of debt instruments	% of derivatives	% of debt instruments	% of derivatives
Cyclicals	6%	0%	6%	0%
Defensives	6%	0%	11%	0%
Financial	74%	100%	68%	100%
Sovereign and/or agency	14%	0%	15%	0%
	100%	100%	100%	100%

**12 f) Liquidity risk**

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Exposure to liquidity arises because of the possibility that the Company could be required to pay its liabilities earlier than expected. The Company is exposed to cash repayments of its structured product financial liabilities on a regular basis.

As detailed in note 19, the Company has entered into a keep-well agreement with Zürcher Kantonalbank (the "Parent") whereby should the Company be unable to meet any payment obligation relating to structured product financial liabilities then the Parent will make available sufficient funds to allow the Company to fulfil any payment obligations as they fall due.

There is no direct matching of the maturity profiles of the structured products with the securities held, however the Company's liquidity profile is constantly monitored as an important part of the treasury management process. Liquidity risk management consists of short term (3 months) and long term (3 years) monitoring of cash flows.

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**12 Financial risk and management objectives and policies (continued)**

**12 f) Liquidity risk (continued)**

The following tables show a net liquidity surplus for the next year, when the treasury management portfolio is classified according to final maturity dates. The securities held in the treasury management portfolio are primarily debt instruments which, under normal market conditions are readily convertible to cash. As such their final maturity dates are not intended to closely match the final maturity profile of financial liabilities held at FVTPL:

	2023 Up to one year CHF'000	2023 From one to two years CHF'000	2023 From two to three years CHF'000	2023 From three to four years CHF'000	2023 From four to five years CHF'000	2023 Five years and over CHF'000	31 December 2023 Total CHF'000
<b>Assets</b>							
Cash, amounts due from banks, money at call	74,679	-	-	-	-	-	74,679
Accrued interest receivable and prepayments	11,724	-	-	-	-	-	11,724
Securities held for trading, designated at FVTPL	551,187	470,614	470,598	205,216	236,510	53,356	1,987,481
Derivative financial instruments held at FVTPL	12,850	6,558	2,041	2,793	1,062	8,480	33,784
<b>Liabilities</b>							
Lease liabilities	(100)	-	-	-	-	-	(100)
Amounts due to banks	(23,494)	-	-	-	-	-	(23,494)
Accrued interest payable and accrued expenses	(3,951)	-	-	-	-	-	(3,951)
Derivative financial instruments held at FVTPL	(82,770)	(13,624)	(5,918)	(4,702)	(6,335)	(12,870)	(126,219)
Financial liabilities held at FVTPL	(1,381,095)	(243,612)	(50,570)	(36,535)	(3,384)	(110,879)	(1,826,075)
<b>Net Liquidity</b>	<u>(840,970)</u>	<u>219,936</u>	<u>416,151</u>	<u>166,772</u>	<u>227,853</u>	<u>(61,913)</u>	<u>127,829</u>

The undiscounted contractual liabilities of the Company excluding accrued interest at 31 December 2023 are as

<b>Financial liabilities held at fair value through profit or loss</b>	<u>1,416,627</u>	<u>248,500</u>	<u>50,315</u>	<u>37,279</u>	<u>3,409</u>	<u>112,477</u>	<u>1,868,607</u>
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**12 Financial risk and management objectives and policies (continued)**

**12 f) Liquidity risk (continued)**

	2022 Up to one year CHF'000	2022 From one to two years CHF'000	2022 From two to three years CHF'000	2022 From three to four years CHF'000	2022 From four to five years CHF'000	2022 Five years and over CHF'000	31 December 2022 Total CHF'000
<b>Assets</b>							
Cash, amounts due from banks, money at call	82,093	-	-	-	-	-	82,093
Term deposits	29,661	-	-	-	-	-	29,661
Accrued interest receivable and prepayments	7,621	-	-	-	-	-	7,621
Securities held for trading, designated at FVTPL	890,760	282,158	246,032	97,402	81,056	66,806	1,664,214
Derivative financial instruments held at FVTPL	11,794	11,487	7,029	2,009	4,048	9,274	45,641
<b>Liabilities</b>							
Lease liabilities	(179)	-	-	-	-	-	(179)
Amounts due to banks	(47,094)	-	-	-	-	-	(47,094)
Accrued interest payable and accrued expenses	(1,956)	-	-	-	-	-	(1,956)
Derivative financial instruments held at FVTPL	(114,920)	(24,918)	(3,233)	(1,886)	(1,386)	(14,972)	(161,315)
Financial liabilities held at FVTPL	(1,085,490)	(264,517)	(34,298)	(23,255)	(26,928)	(66,079)	(1,500,567)
<b>Net Liquidity</b>	<u>(227,710)</u>	<u>4,210</u>	<u>215,530</u>	<u>74,270</u>	<u>56,790</u>	<u>(4,971)</u>	<u>118,119</u>

The undiscounted contractual liabilities of the Company excluding accrued interest at 31 December 2022 are as follow

<b>Financial liabilities held at fair value through profit or loss</b>	1,161,625	281,582	36,883	25,115	27,733	74,974	1,607,913
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**12 g) Market risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The maximum risk resulting from financial instruments, except for written equity-linked derivatives, equals their fair value. With written equity-linked derivatives, the Company bears the market risk of an unfavourable change in the price of the security underlying the option.

**12 g) (i) Interest rate risk**

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. The Company writes interest rate derivatives, mainly being interest rate swaps in which the Company agrees to exchange, at specified intervals. The difference between fixed and variable interest amounts is calculated by reference to an agreed-upon notional principal amount in an effort to manage these risks. The majority of interest rate exposure arises on investment in debt securities and the interest rate profile is shown below.



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**12 Financial risk and management objectives and policies (continued)**

**12 g) (i) Interest rate risk (continued)**

The following table analyses the Company's interest rate exposure. The Company's assets and liabilities are included at their carrying amount and are categorised by their maturity dates:

	Total CHF'000	Variable rate CHF'000	Fixed rate CHF'000	No net interest rate risk CHF'000
<b>The interest rate profile of the Company at 31 December 2023:</b>				
<b>Assets</b>				
Right-of-use assets	121	-	-	121
Cash, amounts due from banks, money at call	74,679	-	-	74,679
Accrued interest receivable and prepayments	11,725	-	-	11,725
Securities held for trading, designated at FVTPL	1,987,480	6,109	1,968,933	12,438
Derivative financial instruments held at FVTPL	33,784	22,097	-	11,687
<b>Total Assets</b>	<b>2,107,789</b>	<b>28,206</b>	<b>1,968,933</b>	<b>110,650</b>
<b>Liabilities and Shareholder's funds</b>				
Lease liabilities	100	-	-	100
Amounts due to banks	23,494	22,443	-	1,051
Accrued interest payable and accrued expenses	3,952	-	-	3,952
Derivative financial instruments held at FVTPL	126,219	33,281	-	92,938
Structured product financial liabilities held at FVTPL	1,826,075	-	-	1,826,075
Share capital	1,000	-	-	1,000
Retained earnings	126,949	-	-	126,949
<b>Total Liabilities and Shareholder's Funds</b>	<b>2,107,789</b>	<b>55,724</b>	<b>-</b>	<b>2,052,065</b>
<b>The interest rate profile of the Company at 31 December 2022:</b>				
<b>Assets</b>				
Right-of-use assets	189	-	-	189
Cash, amounts due from banks, money at call	82,093	-	-	82,093
Term deposits	29,661	-	29,661	-
Accrued interest receivable and prepayments	7,621	-	-	7,621
Securities held for trading, designated at FVTPL	1,664,214	4,991	1,639,144	20,079
Derivative financial instruments held at FVTPL	45,641	36,473	-	9,168
<b>Total Assets</b>	<b>1,829,419</b>	<b>41,464</b>	<b>1,668,805</b>	<b>119,150</b>
<b>Liabilities and Shareholder's funds</b>				
Lease liabilities	179	-	-	179
Amounts due to banks	47,094	-	-	47,094
Accrued interest payable and accrued expenses	1,956	-	-	1,956
Derivative financial instruments held at FVTPL	161,315	21,320	-	139,995
Structured product financial liabilities held at FVTPL	1,500,567	-	-	1,500,567
Share capital	1,000	-	-	1,000
Retained earnings	117,308	-	-	117,308
<b>Total Liabilities and Shareholder's Funds</b>	<b>1,829,419</b>	<b>21,320</b>	<b>-</b>	<b>1,808,099</b>

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**12 Financial risk and management objectives and policies (continued)**

**12 g) (ii) Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company invests in securities and issues structured products that are denominated in currencies other than the Swiss franc. Accordingly, the value of the Company's assets and liabilities may be affected favourably or unfavourably by fluctuations in currency rates.

The Company writes derivatives, such as currency forwards, to hedge foreign currency denominated financial instruments and increases or decreases in the fair value of the Company's foreign currency denominated financial assets and liabilities are partially offset by gains and losses on the economic hedging instruments.

The following table indicates the currencies to which the Company had significant exposure as at 31 December on its monetary assets and liabilities.

	Total CHF'000	Swiss Franc CHF'000	Euro CHF'000	US Dollar CHF'000	British Pound CHF'000	Other CHF'000
<b>Currency profile of the Company as at 31 December 2023:</b>						
<b>Assets</b>						
Right of use assets	121	-	-	-	121	-
Cash, amounts due from banks, money at call	74,679	61,007	6,632	-	6,969	71
Term deposits	-	-	-	-	-	-
Accrued interest receivable and prepayments	11,725	10,104	586	521	231	283
Securities held for trading, designated at FVTPL	1,987,480	1,842,851	51,506	69,326	-	23,797
Derivative financial instruments held at FVTPL	33,784	29,358	1,980	1,814	47	585
<b>Total Assets</b>	<b>2,107,789</b>	<b>1,943,320</b>	<b>60,704</b>	<b>71,661</b>	<b>7,368</b>	<b>24,736</b>
	100.00%	92.20%	2.88%	3.40%	0.35%	1.17%
<b>Liabilities</b>						
Lease liabilities	100	-	-	-	100	-
Amounts due to banks	23,494	20,379	-	2,063	-	1,051
Accrued interest payable and accrued expenses	3,952	3,922	-	-	30	-
Derivative financial instruments held at FVTPL	126,219	99,832	11,451	14,758	179	-
Structured product financial liabilities held at FVTPL	1,826,075	1,298,393	282,278	238,487	6,917	-
<b>Total Liabilities</b>	<b>1,979,840</b>	<b>1,422,526</b>	<b>293,729</b>	<b>255,308</b>	<b>7,226</b>	<b>1,051</b>
	100.00%	71.85%	14.84%	12.90%	0.36%	0.05%

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**12 Financial risk and management objectives and policies (continued)**

**12 g) (ii) Currency risk (continued)**

	Total CHF'000	Swiss Franc CHF'000	Euro CHF'000	US Dollar CHF'000	British Pound CHF'000	Other CHF'000
<b>Currency profile of the Company as at 31 December 2022:</b>						
<b>Assets</b>						
Right of use assets	189	-	-	-	189	-
Cash, amounts due from banks, money at call	82,093	65,817	-	15,908	367	1
Term deposits	29,661	-	29,661	-	-	-
Accrued interest receivable and prepayments	7,621	5,603	665	818	49	486
Securities held for trading, designated at FVTPL	1,664,214	1,421,918	107,505	103,710	-	31,081
Derivative financial instruments held at FVTPL	45,641	36,417	2,962	5,573	-	689
<b>Total Assets</b>	<b>1,829,419</b>	<b>1,529,755</b>	<b>140,793</b>	<b>126,009</b>	<b>605</b>	<b>32,257</b>
	100.00%	83.62%	7.70%	6.89%	0.03%	1.76%
<b>Liabilities</b>						
Lease liabilities	179	-	-	-	179	-
Amounts due to banks	47,094	27,085	15,100	-	507	4,402
Accrued interest payable and accrued expenses	1,956	1,838	-	-	118	-
Derivative financial instruments held at FVTPL	161,315	109,524	16,966	31,848	-	2,977
Structured product financial liabilities held at FVTPL	1,500,567	1,049,882	223,404	220,943	-	6,338
<b>Total Liabilities</b>	<b>1,711,111</b>	<b>1,188,329</b>	<b>255,470</b>	<b>252,791</b>	<b>804</b>	<b>13,717</b>
	100.00%	69.45%	14.93%	14.77%	0.05%	0.80%

**12 g) (iii) Price risk**

Equity price risk is the risk of unfavourable changes in the fair value of equity instruments or equity-linked derivatives as a result of changes in the levels of equity indices and the value of individual shares. The Company manages equity risk on its exposure to equity-linked structured products by writing equity-linked derivatives as a hedge against the movement in their price. The Company is therefore only exposed to equity price risk on the revaluation of equities purchased to meet obligations under equity-settled structured product liabilities which are valued based on the equity purchase price and are therefore subsequently settled at nil gain/loss.

Management's best estimate of the effect on profit or loss for a year due to a reasonably possible change in equity indices, with all other variables held constant, is indicated in the table below. There is no effect on other comprehensive income as the Company has no assets classified as fair value through other comprehensive income or designated hedging instruments. In practice the actual trading results may differ from the sensitivity analysis below and the difference could be material. An equivalent decrease in equity indices as shown below would have resulted in an equivalent, but opposite, impact.

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**12 Financial risk and management objectives and policies (continued)**

**12 g) (iii) Price risk (continued)**

	Change in equity index %	Effect on net income for the year ended 31 December	
		2023	2022
		CHF'000	CHF'000
Stoxx Europe 600 Index	+/- 10	+/- 77	+/- 54
S&P 500 Index	+/- 10	+/- 1	+/- 3
Swiss All-Share Index	+/- 10	-	+/- 4

The effect of changes in bond prices resulting from variations in interest rates are quantified in notes 12 c) (iii) and 12 g) (i).

**13 Leases**

The Company has a 6-year lease contract in respect of office premises used in its operations. The Company is restricted under the terms of this lease from assigning and subleasing the premises with the prior consent of the lessor. Set out below of the carrying amount of right-to-use assets recognised and the movements during the year:

	Office Premises CHF'000	Total CHF'000
As at 1 January 2022	198	198
Fair value adjustment	45	45
Depreciation expense	(54)	(54)
<b>As at 31 December 2022</b>	<b>189</b>	<b>189</b>
Fair value adjustment	(15)	(15)
Depreciation expense	(53)	(53)
<b>As at 31 December 2023</b>	<b>121</b>	<b>121</b>

Set out below are the carrying amount of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the year:

	Year ended 31 December 2023 CHF'000	Year ended 31 December 2022 CHF'000
As at 1 January	179	213
Fair value adjustment	(15)	45
Accretion of interest	3	4
Payments	(69)	(64)
Foreign exchange differences	2	(19)
<b>As at 31 December</b>	<b>100</b>	<b>179</b>
Current (see note 15)	63	68
Non-current (see note 15)	37	111

The maturity analysis of lease liabilities are disclosed in note 16.

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**13 Leases (continued)**

The following are the amounts recognised in the statement of income:

	Year ended 31 December 2023 CHF'000	Year ended 31 December 2022 CHF'000
Depreciation expense of right-of-use assets	53	54
Interest expense on lease liabilities	3	4
Loss/(gain) on revaluation of lease liabilities	2	(19)
<b>Total amount recognised in statement of income</b>	<u>58</u>	<u>39</u>

The Company had total cash outflows for leases of CHF 68,874 in 2023 (CHF 63,717 in 2022).

**14 Cash, amounts due from / to banks, money at call**

	31 December 2023 CHF'000	31 December 2022 CHF'000
Due from banks, Guernsey	98	82
Due from banks, Zürcher Kantonalbank	74,581	82,011
	<u>74,679</u>	<u>82,093</u>
Due to banks, Zürcher Kantonalbank	(23,494)	(47,094)
	<u>(23,494)</u>	<u>(47,094)</u>
<b>Total net cash, amounts due from / to banks, money at call</b>	<u>51,185</u>	<u>34,999</u>

The amounts due from banks in Guernsey accrue interest income at variable market rates. The amounts due from Zürcher Kantonalbank do not accrue interest.

With effect from 1 November 2023, the Company entered into a loan agreement with respect to the amounts due to Zürcher Kantonalbank. From this date the amounts due accrue interest at the below interest rates and are repayable within 3 months of termination of the loan agreement. Prior to this date all amounts due to Zürcher Kantonalbank did not accrue interest and were repayable on demand.

	CHF	USD	EUR	GBP	Other
Amounts due up to CHF 50,000,000 (or currency equivalent) per account, subject to a maximum aggregate balance of CHF 75,000,000 (or currency equivalent)	Swiss National Bank Policy Council Rate	Federal Funds Target Rate Up	European Central Bank Main Refinancing Operation Rate	Bank of England Official Bank Rate	No interest applied

Amounts due in excess of CHF 50,000,000 (or currency equivalent) per account or in excess of an aggregate balance of CHF 75,000,000 (or currency equivalent) accrue interest at the rates shown above plus 2% and are repayable immediately.

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**15 Lease liabilities**

	Interest rate %	Maturity	31 December 2023 CHF'000	31 December 2022 CHF'000
Current interest-bearing loans and borrowings				
Lease liabilities (see note 13)	2.0	2024	63	68
<b>Total current interest-bearing loans and borrowings</b>			<u>63</u>	<u>68</u>
Non-current interest-bearing loans and borrowings				
Lease liabilities (see note 13)	2.0	2025	37	111
<b>Total non-current interest-bearing loans and borrowings</b>			<u>37</u>	<u>111</u>
<b>Total interest-bearing loans and borrowings</b>			<u>100</u>	<u>179</u>

**16 Changes in liabilities arising from financing activities**

	1 January 2023 CHF'000	New leases CHF'000	Cash flows CHF'000	Foreign exchange Other CHF'000	differences CHF'000	31 December 2023 CHF'000
<b>Liabilities</b>						
Current lease liabilities (see note 13)	68	-	(69)	63	1	63
Non-current lease liabilities (see note 13)	111	-	-	(75)	1	37
<b>Total Liabilities</b>	<u>179</u>	<u>-</u>	<u>(69)</u>	<u>(12)</u>	<u>2</u>	<u>100</u>

	1 January 2022 CHF'000	New leases CHF'000	Cash flows CHF'000	Foreign exchange Other CHF'000	differences CHF'000	31 December 2022 CHF'000
<b>Liabilities</b>						
Current lease liabilities (see note 13)	58	-	(64)	79	(5)	68
Non-current lease liabilities (see note 13)	155	-	-	(30)	(14)	111
<b>Total Liabilities</b>	<u>213</u>	<u>-</u>	<u>(64)</u>	<u>49</u>	<u>(19)</u>	<u>179</u>

The 'other' column includes the effect of reclassification of non-current portion of interest-bearing lease liabilities due to the passage of time, the effect of accrued but not yet paid interest on lease liabilities and any fair value adjustments resulting from changes in contractual lease payments. The Company classifies interest paid as cashflows from operating activities.

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**17 Share capital**

	31 December 2023 CHF'000	31 December 2022 CHF'000
<b>Authorised</b>		
1,000 Ordinary shares of CHF1,000 each	<u>1,000</u>	<u>1,000</u>
<b>Allotted, called up and fully paid</b>		
1,000 Ordinary shares of CHF1,000 each	<u>1,000</u>	<u>1,000</u>

Each holder of a fully paid ordinary share is entitled to one vote for each share owned. When and as dividends are declared upon the ordinary share capital of the Company, the holders of ordinary shares are entitled to share equally, share for share, in such dividends. In the event of liquidation of the Company, the holders of ordinary shares shall be entitled to receive any of the remaining assets of the Company after the distribution of all preferred amounts. The amount distributed will be in proportion to the number of equity shares held by the shareholders.

**18 Capital management**

The Company considers its capital to comprise its share capital and retained earnings which amounted CHF 127,948,145 as at 31 December 2023 (2022: CHF 118,307,484). The Company's capital management objectives are to achieve consistent returns while safeguarding capital and to maintain sufficient liquidity to meet the expenses of the Company and to meet its liabilities as they arise.

To achieve the above objectives, the Company invests in term deposits with group approved banks and bonds with an appropriate credit rating (see note 12).

The Company is not subject to externally imposed capital requirements and has no restrictions on the issue or repurchase of ordinary shares.

**19 Related party disclosures**

**Parent and ultimate controlling party**

The immediate and ultimate parent undertaking is Zürcher Kantonalbank, a company incorporated in Switzerland.

**Transactions with related parties**

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

		Income Year ended 31 December CHF'000	Expenses Year ended 31 December CHF'000	Due to related party 31 December CHF'000	Due from related party 31 December CHF'000
<b>Parent:</b>					
Zürcher Kantonalbank	2023	(57,287)	18,706	3,545	-
	2022	35,406	10,370	1,406	-
Derivative contracts with the Parent	2023	-	-	126,219	33,784
	2022	-	-	161,316	45,641
Structured products held by the Parent	2023	-	-	114,392	-
	2022	-	-	58,476	-

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**19 Related party disclosures (continued)**

		Interest paid Year ended 31 December CHF'000	Due to related party 31 December CHF'000	Due from related party 31 December CHF'000
<b>Bank positions held with the Parent:</b>				
Zürcher Kantonalbank	2023	11	23,494	74,581
	2022	-	47,094	82,010

**Terms and conditions of transactions with related parties**

Details of the terms and conditions of cash at bank due to the Parent are shown in note 14. All other balances at the year end are unsecured, interest free and settlement occurs in cash. The Company has entered into a keep-well agreement with the Parent whereby should the Company be unable to meet any payment obligation to third parties relating to structured products and other liabilities issued under any law other than German law then the Parent will make available to the Company sufficient funds to fulfil any payment obligation relating to those liabilities as they fall due. There are no guarantees provided or received for any related party receivables or payables.

**Transactions with key management personnel**

Key management personnel, defined as the Board of Directors and Chief Executive Officer, received the following compensation during the year:

	Year ended 31 December 2023 CHF'000	Year ended 31 December 2022 CHF'000
Short-term employee benefits	<u>209</u>	<u>214</u>

**20 Events after the statement of financial position date**

There were no events after the reporting period that affect the amounts reported or require disclosure.