Registration Document

THIS IS A NON-BINDING ENGLISH TRANSLATION OF THE ISSUERS' "REGISTRIERUNGSFORMULAR VOM 21. JUNI 2024 FÜR FORDERUNGSPAPIERE (OHNE DERIVATE) UND FÜR DERIVATE", PUBLISHED IN GERMAN. THE GERMAN TEXT SHALL BE AUTHORITATIVE AND BINDING. THE ENGLISH LANGUAGE TRANSLATION IS PROVIDED FOR CONVENIENCE ONLY

dated
June 21, 2024
for
Securities (excluding Derivatives) and for Derivatives
of
Zürcher Kantonalbank
and
Zürcher Kantonalbank Finance (Guernsey) Limited

This document has been prepared for the purpose of disclosing information relating to Zürcher Kantonalbank (hereinafter also referred to as "**ZKB**") and Zürcher Kantonalbank Finance (Guernsey) Limited (hereinafter also referred to as "**ZKB Guernsey**") (together the "**Issuers**" and each an "**Issuer**") and constitutes a registration document (together with any amendments and/or supplements relating to it, the "**Registration Document**") within the meaning of article 44 para. 2 lit. a of the Swiss Federal Financial Services Act of June 15, 2018, as the same may be amended from time to time ("**FinSA**"; *Finanzdienstleistungsgesetz*) in conjunction with article 55 para. 2 and Annexes 2 and 3 of the Swiss Financial Services Ordinance of November 6, 2019, as the same may be amended from time to time ("**FinSO**"; *Finanzdienstleistungsverordnung*).

The Registration Document was approved by SIX Exchange Regulation Ltd. as review body pursuant to article 52 FINSA on June 21, 2024. The Registration Document serves as the basis for (a) the Base Prospectus of ZKB and ZKB Guernsey for the Issuance of Structured Products consisting of the relevant summary and the relevant securities description, which refer to this Registration Document, as well as this Registration Document (the "**Base Prospectus for Structured Products**") and prospectuses, consisting of the Base Prospectus for Structured Products and the relevant Final Terms within the meaning of article 45 para. 3 FINSA and article 56 FINSO, for issues thereunder, and (b) the Base Prospectus of ZKB for bonds and money market instruments, consisting of the relevant summary and the relevant securities description, which refer to this Registration Document, and this Registration Document (the "**Base Prospectus for Bonds and Money Market Instruments**"), and prospectuses consisting of the Base Prospectus for

Bonds and Money Market Instruments and the relevant Final Terms within the meaning of article 45 para. 3 FINSA and article 56 FINSO, for issues thereunder, as well as (c) other prospectuses consisting of several individual documents within the meaning of article 44 FINSA (including base prospectuses consisting of several documents) as well as other prospectuses for the issue by ZKB or ZKB Guernsey of Securities (excluding Derivatives) or Derivatives, which refer to this Registration Document.

This Registration Document may be supplemented from time to time. Any statement contained in a supplement to this Registration Document (including any information incorporated by reference into this Registration Document) shall be deemed, to the extent applicable (whether explicitly, implicitly or otherwise), to be a supplement, modification or replacement of any statement contained in this Registration Document (including any information incorporated by reference into this Registration Document). Any statement amended or replaced by way of such a supplement no longer constitutes a part of this Registration Document and the amended or replaced statement or information shall be binding.

This Registration Document is available on the freely accessible website of the Zürcher Kantonalbank (https://zkb-finance.mdgms.com/products/stp/service/emission/index.html) (or any succeeding internet website).

INHALTSVERZEICHNIS

ANNEXES:
(constitute an integral part of this Registration Document)

ANNEX 1A (financial statements 2022 of Zürcher Kantonalbank Finance (Guernsey) Limited)

ANNEX 1B (financial statements 2023 of Zürcher Kantonalbank Finance (Guernsey) Limited)

MATERIAL RISKS RELATING TO THE ISSUERS

*The following sections describe risks which the Issuers consider to be material and which could have an adverse effect on the financial results or financial situation of the Issuers and which could result in the Issuers being fully or partly unable to meet their obligations in connection with the Securities (excluding Derivatives) or the Derivatives (hereinafter referred to as the "**Instruments**").*

If one or more of the following risk(s) manifest(s), investors in Derivatives or other Securities may lose all or part of their capital invested in such Instruments and any expected return on such investments.

In any event, the material risks described below should be read in conjunction with the other material risks described and other information contained in the relevant securities description and final terms relating to the relevant Instruments as well as in other prospectuses and any other information contained in this Registration Document.

A. Zürcher Kantonalbank

I. Liquidity risk

Liquidity as well as quick access to financial resources is of crucial importance for Zürcher Kantonalbank. The liquidity of Zürcher Kantonalbank could be adversely affected if ZKB is permanently unable to gain access to the capital markets or to sell its assets, if its liquidity costs rise very sharply or if its customers withdraw a substantial amount of their deposits within a short period of time without Zürcher Kantonalbank's claims (e.g. from mortgages or bank loans) being satisfied to the same extent (bank run). As a result of a liquidity shortage, Zürcher Kantonabank may have difficulties to meet its payment obligations under the Instruments and the Swiss Financial Market Supervisory Authority FINMA ("**FINMA**") could order protective or other measures. This could result in losses for investors in the Instruments.

II. Insolvency risk

Zürcher Kantonalbak is particularly exposed to the risk of unfavourable economic developments in Switzerland and the Zurich area.

These developments could affect the creditworthiness of customers and thus the credit risk of Zürcher Kantonalbank. The credit risk is an integral part of many of Zürcher Kantonalbank's business activities, including its credit and derivative business. The default of a large number of counterparties or debtors of Zürcher Kantonalbank, possibly combined with a decline in the value of collateral such as securities or promissory notes provided by such persons, could result in substantial losses.

Zürcher Kantonalbank is also exposed to considerable legal risks. It may be exposed to adverse decisions of courts and other governmental authorities that could have a significant negative impact on public perception and reputation, lead to regulatory action by supervisors or to orders by competent courts which could have the effect that Zürcher Kantonalbank becomes over-indebted or faces serious liquidity problems.

As a result of substantial losses incurred by Zürcher Kantonalbank, FINMA could order measures, including those within the scope of reorganisation proceedings initiated by it, or resolve the liquidation of Zürcher Kantonalbank. As a result, investors in Instruments could suffer significant losses.

B. Zürcher Kantonalbank Finance (Guernsey) Limited

Zürcher Kantonalbank Finance (Guernsey) Limited is a special purpose vehicle of Zürcher Kantonalbank which has only a limited amount of capital. Zürcher Kantonalbank Finance (Guernsey) Limited is therefore largely dependent on Zürcher Kantonalbank and the risks relevant for Zürcher Kantonalbank Finance (Guernsey) Limited essentially correspond to those of Zürcher Kantonalbank due to the Keep-Well Agreement entered into between Zürcher Kantonalbank Finance (Guernsey) Limited and Zürcher Kantonalbank.

FORWARD-LOOKING STATEMENTS

This Registration Document and the documents incorporated by reference into to this Registration Document (see section "Incorporation by reference" below) contain or refer to forward-looking statements. Words such as "believe", "expect", "plan", "estimate", "anticipate", "intend", "seek", "assume", "may", "could", "will" and similar expressions are intended to identify such forward-looking statements but are not the only means of identifying them. Forward-looking statements contained in this Registration Document or incorporated by reference into this Registration Document are based on assumptions and expectations which Zürcher Kantonalbank considers realistic at the present time but which are uncertain and may prove to be incorrect. For a description of the material risks relating to the Issuers, please refer to section "Material risks relating to the Issuers" above.
Should one or more of these material risks materialize, or should the assumptions underlying the description of a material risk prove to be incorrect, the actual consequences and results may differ substantially from the current assessment. Potential investors should therefore not rely in any way on forward-looking statements. Unless required by the FinSA or other applicable securities laws and regulations, the Issuers assume no obligation to update or amend any forward-looking statements or the description of the material risks, even if they become incorrect or misleading as a result of new information, future events or other circumstances.

GENERAL INFORMATION ON ZÜRCHER KANTONALBANK AND ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

A. Zürcher Kantonalbank

I. Company name, registered office and place of head office

Zürcher Kantonalbank has its registered office and head office at Bahnhofstrasse 9, 8001 Zurich.

II. Formation, duration

Zürcher Kantonalbank was formed in 1870 on the basis of the Banking Act of 1869. The duration of Zürcher Kantonalbank is not limited.

III. Jurisdiction, legal form

Zürcher Kantonalbank is an independent public law institution of the Canton of Zurich (selbstständige öffentlich-rechtliche Anstalt des Kantons Zürich) and is subject to the supervision of the Cantonal Council of the Canton of Zurich ("**Cantonal Council**"; Kantonsrat des Kantons Zürich). The existence of Zürcher Kantonalbank is based on the Law on the Zürcher Kantonalbank of September 28, 1997 ("**Cantonal Bank Act**"; Gesetz über die Zürcher Kantonalbank), which entered into force on January 1, 1998.

As a bank, Zürcher Kantonalbank is subject to the Federal Law on Banks and Savings Banks of November 8, 1934, ("**Banking Act**"; Bundesgesetz über die Banken und Sparkassen) and therefore to the supervision of the FINMA.

The Canton of Zurich is liable for all liabilities of Zürcher Kantonalbank to the extent that Zürcher Kantonalbank's own funds are insufficient, with the exception of subordinated liabilities (§ 6 para. 1 and 2 of the Cantonal Bank Act).

IV. Purpose

In accordance with the statutory purpose article, Zürcher Kantonalbank contributes to solving economic and social challenges in the Canton of Zurich and supports an environmentally sustainable development. It pursues a business policy based on continuity and satisfies investment and financing needs. In doing so, it takes particular account of the interests of small and medium-sized enterprises, employees, agriculture and public bodies. In addition, Zürcher Kantonalbank promotes home ownership and low-cost housing construction (§ 2 of the Cantonal Bank Act).

V. Register

Zürcher Kantonalbank has been entered into the commercial register of the Canton of Zurich as a public law institution (*öffentlich-rechtliche Anstalt*) on April 24, 1883. The registration number of Zürcher Kantonalbank is CHE-108.954.607.

VI. Rating

As at the date of this Registration Document, the ratings of Zürcher Kantonalbank issued by rating agencies are as follows:

Ratingag agency	Date	Long-term
Standard & Poor's	December 1, 2023	AAA
Moody's	November 27, 2023	Aaa
FitchRatings	July 19, 2023	AAA

B. Zürcher Kantonalbank Finance (Guernsey) Limited

I. Company name, registered office and place of head office

Zürcher Kantonalbank Finance (Guernsey) Limited has its registered office and its head office at Bordage House, Le Bordage, St. Peter Port, Guernsey GY1 1BU, Channel Islands.

II. Formation, duration

Zürcher Kantonalbank Finance (Guernsey) Limited was formed on November 17, 2000. The duration of Zürcher Kantonalbank Finance (Guernsey) Limited is not limited.

III. Jurisdiction, legal form

Zürcher Kantonalbank Finance (Guernsey) Limited is a so-called "Non-Cellular Company Limited by Shares" under the laws of Guernsey, structured as a "limited liability company". The fully paid-in share capital of Zürcher Kantonalbank Finance (Guernsey) Limited amounts to one million Swiss francs (CHF 1,000,000).

The updated Memorandum of Incorporation and the updated Articles of Incorporation (**"Articles of Association"**) are valid since March 14, 2012 and October 19, 2016, respectively. The original Incorporation documents are dated November 17, November 2000.

On the basis of a Keep-Well Agreement, Zürcher Kantonalbank is obliged to provide Zürcher Kantonalbank Finance (Guernsey) Limited with financial resources at all times in such a way that it is always able to satisfy the claims of creditors in due time.

IV. Purpose

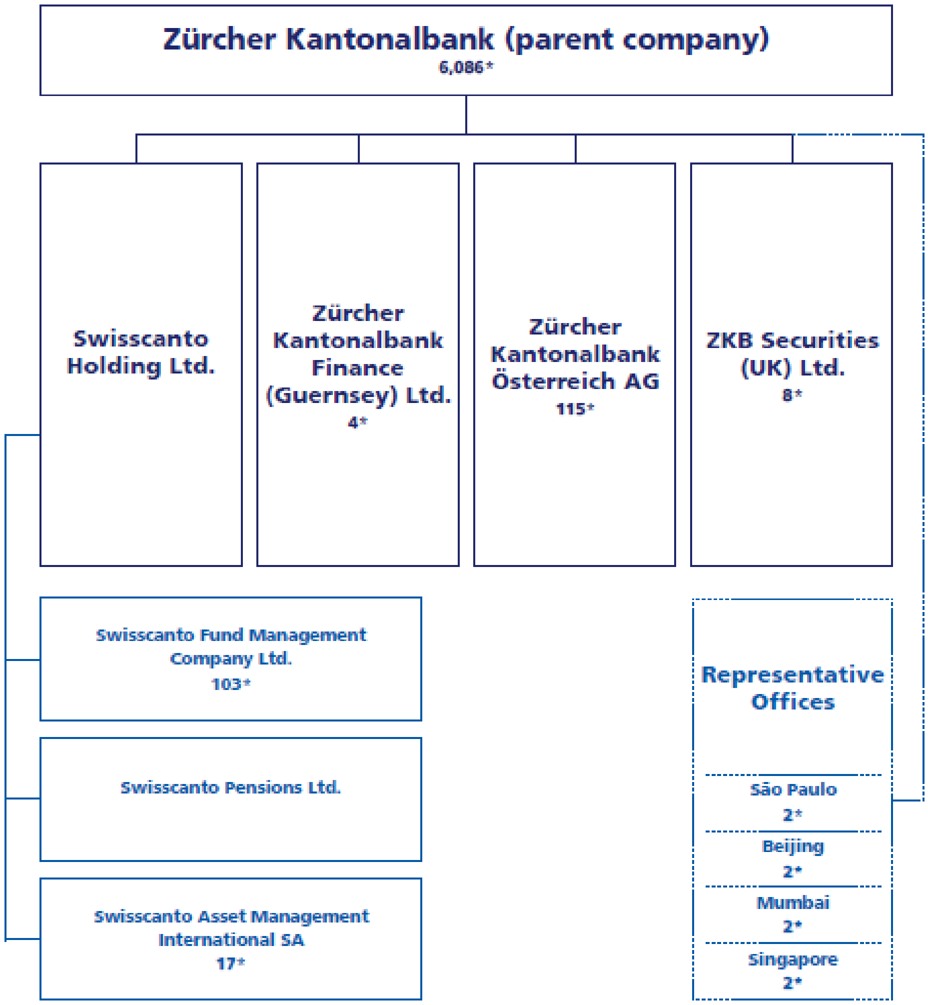
According to the Memorandum of Incorporation of Zürcher Kantonalbank Finance (Guernsey) Limited, the purpose of the company is not limited (article 3 of the Memorandum of Incorporation).

V. Register

Zürcher Kantonalbank Finance (Guernsey) Limited has been registered as a Non-Cellular Company Limited by Shares in the Guernsey Registry on November 17, 2000. The registration number of Zürcher Kantonalbank Finance (Guernsey) Limited is 37610.

C. Group structure

Zürcher Kantonalbank is the parent company of various national and international subsidiaries. The group structure as at the date of this Registration Document is as shown below.



* Number of employees as of 31.12.2023

Swisscanto Holding Ltd. and its subsidiaries Swisscanto Fondsleitung AG, Swisscanto Vorsorge AG and Swisscanto Asset Management International SA, Luxembourg (together "Swisscanto") are direct or, as the case may be, indirect wholly-owned subsidiaries of Zürcher Kantonalbank. As a proven specialist, Swisscanto develops high-quality investment and pension solutions for private investors, companies and institutions.

Zürcher Kantonalbank Österreich AG is a wholly-owned subsidiary of Zürcher Kantonalbank since February 1, 2010. It provides investment and asset management services for private and institutional investors. In addition to its headquarters in Salzburg, it maintains a branch in Vienna and employs about 115 employees.

ZKB Guernsey is also a wholly-owned subsidiary of Zürcher Kantonalbank. It issues structured investment products.

ZKB Securities (UK) Ltd is wholly owned by Zürcher Kantonalbank and acts as a broker for professional clients in the UK, enabling them to invest in Swiss equities (equity brokerage), including investments in equity-related funds. In addition, access to equity research publications (sell-side research) is offered.

Finally, the Representative Office in São Paolo, Zürcher Kantonalbank Representações Ltda is also a wholly owned subsidiary of Zürcher Kantonalbank.

INFORMATION ON THE BOARD OF DIRECTORS, MANAGEMENT, AUDITORS AND OTHER BODIES OF ZÜRCHER KANTONALBANK AND ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

A. Zürcher Kantonalbank

The bodies of Zürcher Kantonalbank are the board of directors ("**Board of Directors**"; Bankrat), the committee of the board ("**Committee of the Board**"; Bankpräsidium) and the executive board ("**Executive Board**"; Generaldirektion) as well as the auditors (§ 14 of the Cantonal Bank Act). The competencies of the Board of Directors, the Committee of the Board, the Executive Board and the auditors are set out in and governed by the Cantonal Bank Act (§ 15 - § 18) and the regulations on the organisation of the Zürcher Kantonalbank Group dated December 15, 2022 (§ 34f., §65f., §77f. und §92.)). The Cantonal Council (Kantonsrat) is the cantonal supervisory authority of Zürcher Kantonalbank. In accordance with § 12 of the Cantonal Bank Act, the Cantonal Council appoints the Commission for the Supervision of Economic Enterprises ("**Cantonal Council Commission**"; Kommission für die Aufsicht über die wirtschaftlichen Unternehmen (AWU)) to exercise the supervision.

In addition, Zürcher Kantonalbank is a bank which is subject to the supervision of FINMA.

The most important competencies of the bodies of Zürcher Kantonalbank and the Cantonal Council Commission are described in the Corporate Governance Report of Zürcher Kantonalbank for the financial year 2023, which is incorporated by reference into this Registration Document (see section "Incorporation by reference" below).

I. Board of Directors

As at the date of this Registration Document, the Board of Directors of Zürcher Kantonalbank is composed as follows:

Name	Function	Duration
Dr. Jörg Müller-Ganz	Chairman Member of the Board of Directors	since July 1, 2011 since July 1, 2007

Roger Liebi	Deputy-Chairman Member of the Board of Directors	since July 1, 2019 since July 1, 2018
Mark Roth	Deputy Chairman Member of the Board of Director	since February 1, 2022 since September 1, 2013
Amr Abdelaziz	Member of the Board of Directors	since July 1, 2015
Sandra Berberat Kecerski	Member of the Board of Directors	since February 28, 2022
Prof. Dr. Adrian Bruhin	Member of the Board of Directors	since November 1, 2020
Prof. Dr. Bettina Furrer	Member of the Board of Directors	since July 1, 2019
René Huber	Member of the Board of Directors	since November 1, 2014
Henrich Kisker	Member of the Board of Directors	since July 1, 2015
Gregor Kreuzer	Member of the Board of Directors	since January 1, 2024
Walter Schoch	Member of the Board of Directors	since July 1, 2015
Prof. Dr. Hans-Ueli Vogt	Member of the Board of Directors	since January 1, 2024
Claudia Zimmermann	Member of the Board of Directors	since January 1, 2024

The business address of all members of the Board of Directors is Bahnhofstrasse 9 in 8001 Zurich.

II. Committee of the Board

As at the date of this Registration Document, the Committee of the Board of Zürcher Kantonalbank is composed as follows:

Name	**Function**	**Duration**
Dr. Jörg Müller-Ganz	Chairman	since July 1, 2011
Roger Liebi	Deputy-Chairman	since July 1, 2019
Mark Roth	Deputy-Chairman	since February 1, 2022

The business address of all members of the Committee of the Board is Bahnhofstrasse 9 in 8001 Zurich.

III. Executive Board

As at the date of this Registration Document, the Executive Board of Zürcher Kantonalbank is composed as follows:

Name	Function	Duration
Urs Baumann	Chief Executive Officer (CEO) Member of the Executive Board	since September 1, 2022 since June 1, 2022
Dr. Stephanino Isele	Deputy CEO Head of Institutionals & Multinationals Member of the Executive Board	since May 1, 2021 since April 1, 2014
Dr. Jürg Bühlmann	Head of Corporate Banking Member of the Executive Board	 since July 1, 2012
Florence Schnydrig Moser	Head of Private Banking Member of the Executive Board	 since January 1, 2021
Hjalmar Schröder	Chief Risk Officer (CRO) Member of the Executive Board	 since April 1, 2024
Daniel Previdoli	Head of Products, Services & Direct Banking Member of the Executive Board	 since December 1, 2007
Remo Schmidli	Head of IT, Operations & Real Estate Member of the Executive Board	 since July 1, 2019
Dr. Martin Bardenhewer	Chief Financial Officer (CFO) Member of the Executive Board	 since May 1, 2023

The business address of Urs Baumann, Florence Schnydrig Moser and Dr. Jürg Bühlmann is Bahnhofstrasse 9 in 8001 Zurich. The business address of Daniel Previdoli and Remo Schmidli is at Neue Hard 11 and 9 in 8005 Zurich. The business address of Dr. Stephanino Isele, Hjalmar Schröder and Dr. Martin Bardenhewer is at Josefstrasse 222 in 8005 Zurich.

IV. Cantonal Council Commission

As at the date of this Registration Document, the Cantonal Council Commission is composed as follows:

Name	Function
Stefanie Huber, GLP, Uster	Member
Thomas Anwander, Die Mitte, Winterthur	Member
André Bender, SVP, Dietikon	Member
Beat Bloch, CSP, Zürich	Member
Astrid Furrer, FDP, Horgen	Member
Hanspeter Göldi, SP, Meilen	Member

Andrea Grossen-Aerni, EVP, Hinwil	Member
Roland Kappeler, SP, Winterthur	Member
Monika Keller, FDP, Uster	Member
Thomas Lamprecht, EDU, Bülach	Member
René Truninger, SVP, Pfäffikon	Member

V. Statutory auditors / Group auditors

As at the date of this Registration Document, the (external) statutory and group auditor under applicable corporate and banking laws is Ernst & Young AG, Maagplatz 1, 8005 Zurich, Switzerland (since 1989).
Pursuant to § 11 and 18 of the Cantonal Bank Act, the auditor is elected by the Cantonal Council for a two-year term of office, must be recognized by FINMA and is entered in the register of the Federal Audit Oversight Authority (FAOA; Eidgenössische Revisionsaufsichtsbehörde) which is responsible for the auditor. On May 30, 2022, the Cantonal Council confirmed the election of Ernst & Young AG as the auditor for the years 2023 and 2024.

B. Zürcher Kantonalbank Finance (Guernsey) Limited

The body responsible for the management and control of Zürcher Kantonalbank Finance (Guernsey) Limited is the board of directors ("**Board of Directors Guernsey**") .

The Board of Directors Guernsey is responsible for all matters that are not delegated to another body of the company by law, the Articles of Association or other regulations. As the supreme management body, the Board of Directors Guernsey takes all fundamental decisions for ZKB Guernsey and is authorised to issue the necessary instructions. The Board of Directors Guernsey determines the organisational structure of ZKB Guernsey, the structure of the accounting department, the financial controls and the financial planning, in each case to the extent required for the management of ZKB Guernsey. It also appoints the persons responsible for the management and representation of the company. In addition, the Board of Directors Guernsey supervises the persons entrusted with the management of the company, in particular with regard to compliance with laws and regulations. It may also discharge the persons entrusted with the management of the company.

The Board of Directors creates the annual report (annual report and annual financial statements) and prepares the shareholders meeting of the company, at which it submits for approval its proposals for the long-term objectives of ZKB Guernsey and the measures required to achieve them.

I. Board of Directors Guernsey

As at the date of this Registration Document, the Board of Directors Guernsey is composed as follows:

Name	Function	Background
Felix Oegerli	Chairman	Representative of Zürcher Kantonalbank, Zurich
Samuel Stadelmann	Deputy-Chairman	Representative of Zürcher Kantonalbank, Zurich
John William Renouf	Member	Independent consultant, Guernsey Non-Executive Director of Zürcher Kantonalbank Finance (Guernsey) Limited

Richard Duchemin	Member	Executive Director of Zürcher Kantonalbank Finance (Guernsey) Limited

The business address of Felix Oegerli and Samuel Stadelmann is Josefstr. 222 in 8005 Zurich. The business address of John William Renouf is Deo Juvante, Castel, Guernsey GY5 7TJ. The business address of Richard Duchemin is Bordage House, Le Bordage, St. Peter Port, Guernsey GY1 1BU.

II. Chief Executive Officer

The Board of Directors Guernsey has delegated the management of ZKB Guernsey to a director who acts as chief executive officer (the "**Chief Executive Officer**").

The Chief Executive Officer has overall responsibility for the management and supervision of ZKB Guernsey's business. He manages th day-to-day business and as such represents the company externally. He performs his duties on site in Guernsey. He may delegate individual tasks to external service providers and/or to the parent company, but retains responsibility for those tasks. Such delegation, which must be laid down in a contract, requires the approval of the Board of Directors Guernsey. The Chief Executive Officer is appointed by the Board of Directors Guernsey and may be discharged by it.

As at the date of this Registration Document, the following person acts as Chief Executive Officer of Zürcher Kantonalbank Finance (Guernsey) Limited:

Name	Function
Richard Duchemin	Chief Executive Officer

III. Chief Financial Officer

ZKB Guernsey has appointed a CFO who supports the Chief Executive Officer as a specialist in financial accounting and reporting matters. The CFO reports directly to the Chief Executive Officer and, within the framework of group management and reporting, to the financial accounting department of ZKB.

The CFO may delegate individual tasks, but retains responsibility for the performance of those tasks.

As at the date of this Registration Document, the following person acts as CFO of Zürcher Kantonalbank Finance (Guernsey) Limited:

Name	Function
Alex Margison	Chief Financial Officer

The business address of Alex Margison is Bordage House, Le Bordage, St. Peter Port, Guernsey GY1 1BU.

IV. Statutory auditors

As at the date of this Registration Document, Ernst & Young LLP, Royal Chambers, St Julian's Avenue, St. Peter Port, Guernsey GY1 4AF, Channel Islands acts as auditor of ZKB Guernsey (since November 17, 2000).

Ernst & Young LLP is authorised and regulated by the Institute of Chartered Accountants in England and Wales and is registered as a regulated firm with the Guernsey Financial Services Commission.

BUSINESS ACTIVITIES AND PROSPECTS OF ZÜRCHER KANTONALBANK AND ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

A. Zürcher Kantonalbank (group parent company)

Zürcher Kantonalbank is the parent company of Zürcher Kantonalbank Group. Accordingly, the following information on business activities is provided on a consolidated basis for the group.

I. Main activity

Zürcher Kantonalbank conducts the business of a universal bank. It does not enter into proprietary transactions involving disproportionate risks. It operates a pawnbroking agency (Pfandleihkasse).

In geographical terms, the business area of Zürcher Kantonalbank primarily comprises the Zurich economic area. Business in the rest of Switzerland and abroad is permitted, provided that it does not expose Zürcher Kantonalbank and its subsidiaries to disproportionate risks and further provided that such activities do not have a negative impact on the money and credit requirements in the Canton of Zurich.

The details of the business activities are governed by the Organizational Regulations. Further details of the business activities of Zürcher Kantonalbank and its subsidiaries are described in the management report (Lagebericht) of Zürcher Kantonalbank, which is incorporated by reference into this Registration Document (see section "Incorporation by reference" below).

II. Public service mandate (*Spezieller Leistungsauftrag*)

The public service mandate of the Canton of Zurich to Zürcher Kantonalbank, as formulated in the Cantonal Bank Act, consists of the service mandate, the support mandate and the sustainability mandate.

III. Service mandate (Versorgungsauftrag)

ZKB provides the people and the economy with the financial services of a universal bank. These include payment transactions, saving, investing, financing, retirement planning, financial planning, taxes and succession planning. When doing so, ZKB pays particular attention to the concerns of small and medium-sized enterprises, employees, agriculture and public-sector corporations. ZKB also promotes home ownership, construction of affordable housing as well as the achievement of greenhouse gas neutrality.
ZKB provides its clients with access to financial services across all channels in both the physical and digital worlds. ZKB has the densest branch network in the Canton of Zurich and covers the basic needs of its clients at low cost. ZKB is characterised by the high quality of its financial services. Stability and security are central pillars of Zürcher Kantonalbank.

IV. Support mandate (Unterstützungsauftrag)

In line with its public service mandate, ZKB supports the Canton of Zurich in fulfilling its economic and social tasks.

ZKB is one of the largest providers of vocational training and is a major employer in the canton. ZKB is one of the largest promoters of start-ups in Switzerland. ZKB supports the innovation and educational institutes in the Canton of Zurich. The contribution of ZKB to strengthening the canton's competitiveness is an important pillar of its public service mandate. ZKB contributes to the quality of life in the Canton of Zurich with its sponsorship commitments and awards in order to protect natural resources and maintain social cohesion. It only goes to follow that ZKB advocates for nature and the environment as well as sustainable mobility, cultural diversity, equal opportunity, access to financial knowledge, education, innovation, and entrepreneurship.

V. Sustainability mandate (*Nachhaltigkeitsauftrag*)

ZKB is guided by the United Nations Sustainable Development Goals and greenhouse gas neutrality. ZKB pursues a business policy geared towards sustainability and continuity. Sustainability is an integral component of the business model of ZKB. When fulfilling its public service mandate, Zürcher Kantonalbank, as a universal bank, observes the principles of sustainability and the recognised rules of risk management. Under its group strategy, ZKB understands sustainability to mean harmonising successful business activity with responsibility for the environment and society on a long-term basis. ZKB has set itself the ambition of actively shaping sustainability issues, being a leader in sustainable offerings and supporting its clients on their path to a more sustainable future. With its sustainability mandate, ZKB focuses on operational sustainability, sustainable banking and promotion of the transition to net zero with the implementation of the objectives of the Net-Zero Banking Alliance (NZBA) and the Net Zero Asset Managers Initiative (NZAM). When implementing the mandate in its own operations, ZKB is a role model in the areas of net zero and employee satisfaction.

VI. Court, arbitration and administrative proceedings

As at the date of this Registration Document, to the knowledge of the bodies of Zürcher Kantonalbank, no legal, arbitration or administrative proceedings are pending or threatened which are of material importance for the assets or earnings position of Zürcher Kantonalbank.

B. Zürcher Kantonalbank Finance (Guernsey) Limited

I. Main activity

Zürcher Kantonalbank Finance (Guernsey) Limited issues structured investment products and sells them to Zürcher Kantonalbank, which places them in the market.

II. Court, arbitration and administrative proceedings

As at the date of this Registration Document, to the knowledge of the corporate bodies of Zürcher Kantonalbank and Zürcher Kantonalbank Finance (Guernsey) Limited, no legal, arbitration or administrative proceedings are pending or threatened which are of material importance for the assets or earnings position of Zürcher Kantonalbank Finance (Guernsey) Limited.

C. Information on the material business prospects of Zürcher Kantonalbank and its subsidiaries

For information on the material business prospects of Zürcher Kantonalbank and its subsidiaries, reference is made to section "Management Report" (p. 21-76) of the Annual Report 2023 of Zürcher Kantonalbank which is incorporated by reference into this Registration Document (see section "*Incorporation by reference*" below). Please note that the information in the Management Report on the material business prospects of Zürcher Kantonalbank and its subsidiaries is subject to uncertainty.

CAPITAL AND VOTING RIGHTS OF THE ISSUERS AND ANY GUARANTORS OR COLLATERAL PROVIDERS

A. Zürcher Kantonalbank

I. Capital structure

The corporate capital of Zürcher Kantonalbank consists of the endowment capital (§ 4 of the Cantonal Bank Act; *Dotationskapital*) and currently amounts to CHF 2'425 million. The Canton of Zurich makes the endowment capital available to Zürcher Kantonalbank for an unlimited period of time. As of November 2, 2020, the Cantonal Council decided to increase the endowment capital framework, which is unlimited in time, by CHF 425 million to CHF 3,425 million An additional endowment capital (endowment capital reserve) of CHF 1'000 million approved by the Cantonal Council which has not yet been drawn-down by Zürcher Kantonalbank has been fully reserved by a resolution of the Board of Directors for the bank's contingency planning and will be counted towards the gone-concern capital component. As a result, the endowment capital reserve can only be used upon the instructions of FINMA or a restructuring officer appointed by FINMA. Zürcher Kantonalbank raises further own funds by increasing reserves and by taking up subordinated liabilities (§ 5 of the Cantonal Bank Act).

II. Outstanding conversion and option rights and bonds

As at the reporting date of the annual financial statements for the financial year 2023, Zürcher Kantonalbank had no conversion or option rights outstanding.

As at the reporting date of the annual financial statements for the financial year 2023, Zürcher Kantonalbank had medium-term notes (Kassenobligationen) with a total nominal value of CHF 288 million (2022: CHF 196 million), bonds (Obligationenanleihen) with a total nominal value of CHF 10'547 million (2022: CHF 9'400 million), money market securities with a total nominal value of CHF 632 Mio. (2022: CHF 104 Mio.) and mortgage-backed bonds (Pfandbriefdarlehen) with a total nominal value of CHF 11,558 million (2022: CHF 11,924 million) outstanding.

III. Own equity securities

As at the reporting date of the annual financial statements for the financial year 2023 and as at the date of this Registration Document, neither Zürcher Kantonalbank nor any of its subsidiaries held own equity securities.

B. Zürcher Kantonalbank Finance (Guernsey) Limited

Zürcher Kantonalbank Finance (Guernsey) Limited is a legal entity, whose purpose is unlimited, but in particular aims the issuancee of financial instruments. Zürcher Kantonalbank Finance (Guernsey) Limited is a so-called *special purpose vehicle* pursuant to article 96 para. 2 FinSO, whose guarantor or collateral provider (Zürcher Kantonalbank) is an institution pursuant to article 70 para. 1 FinSA. Accordingly, reference is made to the information on Zürcher Kantonalbank.

FINANCIAL STATEMENTS OF ZÜRCHER KANTONALBANK AND ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

A. Zürcher Kantonalbank

I. Annual financial statements and related documents

Section "Financial Report" for the financial years 2022 and 2023 of Zürcher Kantonalbank which is incorporated by reference into this Registration Document (see section "Incorporation by reference" below) contains, among other things, the consolidated annual financial statements of Zürcher Kantonalbank audited by the competent auditors, including the auditors report. In addition, the "Financial Report" contains the statutory financial statements of Zürcher Kantonalbank (parent company) including the corresponding auditor's report.

The consolidated financial statements of Zürcher Kantonalbank comprise the financial statements of Zürcher Kantonalbank and its direct and indirect subsidiaries in which Zürcher Kantonalbank holds more than 50 per cent of the voting capital or which are otherwise controlled by Zürcher Kantonalbank. The presentation of the consolidated financial statements is based on the economic approach. The statutory financial statements of the group companies are based on uniform accounting standards applicable throughout the group.

II. Significant changes since the last annual financial statements

Since the reporting date of the annual financial statements for the financial year 2023, there have been no significant changes in the assets, financial and earnings position of Zürcher Kantonalbank.

B. Zürcher Kantonalbank Finance (Guernsey) Limited

I. Annual financial statements and related documents

Annex 1 contains the annual financial statements of Zürcher Kantonalbank Finance (Guernsey) Limited for the financial years 2022 (Annex 1A) and 2023 (Annex 1B), which also contain the auditor's report.

II. Significant changes since the last annual financial statements

Since the reporting date of the annual financial statements for the financial year 2023, there have been no significant changes in the assets, financial and earnings position of Zürcher Kantonalbank Finance (Guernsey) Limited.

INCORPORATION BY REFERENCE

The following documents shall be incorporated or shall be deemed to be incorporated into, and form part of, this Registration Document (the "**Incorporation Documents**"). Only those parts of the Incorporation Documents which are set out in the table below shall be incorporated or shall be deemed to be incorporated into, and form part of, this Registration Document. The other parts of the Incorporation Documents which are not set out in the table below are expressly not incorporated into, and do not form part of, this Registration Document.

Document	**Information incorporated by reference**	**Place of publication**
Annual Report 2022 of Zürcher Kantonalbank	Sections "Management Report" (pp. 30–95), "Corporate Governance" (pp. 96–117), "Financial Report" (pp. 128–245) und "Glossary" (pp. 246–249)	Annual and half-yearly reports of Zürcher Kantonalbank (zkb.ch)
Annual Report 2023 of Zürcher Kantonalbank	Sections "Management Report" (pp. 21–76), "Corporate Governance" (pp. 77–99), "Financial Report" (pp. 113–227) und "Glossary" (pp. 228–231)	Annual and half-yearly reports of Zürcher Kantonalbank (zkb.ch)

RESPONSIBILITY FOR THE REGISTRATION DOCUMENT

A. Zürcher Kantonalbank

Zürcher Kantonalbank takes responsibility for the information contained in this Registration Document. Zürcher Kantonalbank declares that, to its knowledge, the information contained in this document is correct and that no omissions have been made which could change the statements contained in this document.

B. Zürcher Kantonalbank Finance (Guernsey) Limited

Zürcher Kantonalbank Finance (Guernsey) Limited takes responsibility for the information contained in this Registration Document. Zürcher Kantonalbank Finance (Guernsey) Limited declares that, to its knowledge, the information contained in this document is correct and that no omissions have been made which could change the statements contained in this document.

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ANNEX 1A

Financial statements 2022 of 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
CONTENTS

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 Glategny Esplanade St Peter Port Guernsey GY1 4BQ
Custodian	Zürcher Kantonalbank Bahnhofstrasse 9 PO Box 8010 Zürich Switzerland

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

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.

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.

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

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

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

Assets	Notes	31 December 2022 CHF	31 December 2021 CHF
Non-current assets			
Right-of-use assets	13	188,752	197,810
Total non-current assets		188,752	197,810
Current assets			
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
Total current assets		1,829,230,584	1,477,061,299
Total assets		1,829,419,336	1,477,259,109
Liabilities			
Non-current liabilities			
Lease liabilities	15	110,541	155,226
Total Non-current liabilities		110,541	155,226
Current liabilities			
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
Total Current liabilities		1,711,001,311	1,361,785,952
Equity			
Share capital	17	1,000,000	1,000,000
Retained earnings		117,307,484	114,317,931
Total equity		118,307,484	115,317,931
Total liabilities and equity		1,829,419,336	1,477,259,109

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
Balance at 31 December 2021	1,000,000	114,317,931	115,317,931
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
Balance at 31 December 2022	1,000,000	117,307,484	118,307,484

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
Operating activities			
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		22,200,111	(4,221,133)
Financing activities			
Payment of principal portion of lease liabilities	13	(63,717)	(62,688)
Net cash outflows from financing activities		(63,717)	(62,688)
Net increase/(decrease) in cash and cash equivalents		22,136,394	(4,283,821)
Net cash and cash equivalents at 1 January		12,862,124	17,145,945
Net cash and cash equivalents at 31 December	14	34,998,518	12,862,124

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

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.

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.

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.

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 it's 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.

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:

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 rpeorting 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 charge 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 rpeorting periods beginning on or after 1 January 2023 and are to be applied retrospcectively. 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
Gains less losses on instruments held for trading		
Foreign currency	4,211,819	7,622,749
Trading securities	(25,900,807)	(5,528,866)
Other income	55,442	-
Gains less losses on fair value hedging		
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)
Gains less losses on instruments designated at fair value		
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
Net trading income	14,226,201	17,018,899

7 Operating expenses

	Year ended 31 December 2022 CHF	Year ended 31 December 2021 CHF
Administrative expenses		
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
Zürcher Kantonalbank service costs		
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
Employee expenses		
Salaries	519,277	513,011
Social security	33,209	32,457
Health insurance	38,145	37,061
Other staff expenses	15,214	9,205
	11,232,989	9,647,138

8 Financial assets at amortised cost

	2022 CHF	2021 CHF
At amortised cost		
Term deposit due from bank, United Kingdom	29,660,705	-
By maturity		
Up to one year	29,660,705	-

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

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

Financial assets at fair value through profit or loss	2022 CHF	2021 CHF
Securities held for trading		
Debt securities	1,658,553,585	1,366,562,751
Exchange traded funds	5,086,175	4,632,692
Listed equity instruments	574,390	-
	1,664,214,150	1,371,195,443
Derivative financial instruments		
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
	45,641,326	18,039,178
Total financial assets at fair value through profit or loss	1,709,855,476	1,389,234,621

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

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

Financial liabilities at fair value through profit or loss	2022 CHF	2021 CHF
Structured product financial instruments		
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
	1,500,566,858	1,225,473,991
Derivative financial instruments		
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
	161,315,631	66,639,230
Total financial liabilities at fair value through profit or loss	1,661,882,489	1,292,113,221

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 CHF	Liabilities CHF	Notional Amount CHF	Assets CHF	Liabilities CHF	Notional Amount CHF
Derivatives primarily held for trading purposes						
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
	8,479,093	137,547,790	729,353,062	13,806,429	62,894,370	683,054,096
Derivatives primarily held for risk management purposes						
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
	37,162,233	23,767,841	2,840,595,965	4,232,749	3,744,860	1,372,976,464
Total derivatives	45,641,326	161,315,631	3,569,949,027	18,039,178	66,639,230	2,056,030,560

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	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	CHF	CHF	CHF	CHF	CHF	CHF	CHF	CHF
Financial assets								
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
Total financial assets	1,646,137,942	63,717,534	-	1,709,855,476	1,342,365,789	46,868,832	-	1,389,234,621
Financial liabilities								
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
Total financial liabilities	-	1,661,882,489	-	1,661,882,489	-	1,292,113,221	-	1,292,113,221

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.

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

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.

	Long term rating	Nominal holding	Residual term
		CHF	
Issuer A	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.

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
Market scenario:		
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
As at 31 December 2022:			
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%
	1,614,178,495		100%
As at 31 December 2021:			
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%
	1,324,659,808		100%

Securities held for trading - as direct hedging instruments	Fair value CHF	Rating	Allocation
As at 31 December 2022:			
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%
	50,035,655		100%

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.

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 Up to one year CHF	2022 From one to two years CHF	2022 From two to three years CHF	2022 From three to four years CHF	2022 From four to five years CHF	2022 Five years and over CHF	31 December 2022 Total CHF
Assets							
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
Liabilities							
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)
Net Liquidity	(227,710,188)	4,209,612	215,530,206	74,269,386	56,790,392	(4,970,676)	118,118,732

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

Financial liabilities held at fair value through profit or loss	1,161,625,304	281,581,852	36,883,314	25,114,924	27,733,135	74,974,436	1,607,912,965

	2021 Up to one year CHF	2021 From one to two years CHF	2021 From two to three years CHF	2021 From three to four years CHF	2021 From four to five years CHF	2021 Five years and over CHF	31 December 2021 Total CHF
Assets							
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
Liabilities							
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)
Net Liquidity	(222,829,753)	223,481,963	80,619,273	80,621,718	6,954,334	(53,727,414)	115,120,121

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

Financial liabilities held at fair value through profit or loss	765,877,345	310,574,640	90,016,450	3,744,110	5,430,830	63,240,107	1,238,883,482

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.

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 CHF	Variable rate CHF	Fixed rate CHF	No net interest rate risk CHF
Assets				
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
Total Assets	1,829,419,336	41,464,561	1,668,805,110	119,149,665
Liabilities and Shareholder's funds				
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
Total Liabilities and Shareholder's Funds	1,829,419,336	21,320,152	-	1,808,099,184

The interest rate profile of the Company at 31 December 2021:	Total CHF	Variable rate CHF	Fixed rate CHF	No net interest rate risk CHF
Assets				
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
Total Assets	1,477,259,109	31,444,525	1,322,279,607	123,534,977
Liabilities and Shareholder's funds				
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
Retained earnings	114,317,931	-	-	114,317,931
Total Liabilities and Shareholder's Funds	1,477,259,109	3,744,365	-	1,473,514,744

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.

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	Swiss Franc	Euro	US Dollar	British Pound	Other
	CHF	CHF	CHF	CHF	CHF	CHF
Assets						
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
Total Assets	1,829,419,336	1,529,754,972	140,794,008	126,008,453	605,369	32,256,534
	100.00%	83.62%	7.70%	6.89%	0.03%	1.76%
Liabilities						
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
Total Liabilities	1,711,111,852	1,188,329,355	255,470,038	252,790,619	804,411	13,717,429
	100.00%	69.45%	14.93%	14.77%	0.05%	0.80%

Currency profile of the Company as at 31 December 2021:

	Total	Swiss Franc	Euro	US Dollar	British Pound	Other
	CHF	CHF	CHF	CHF	CHF	CHF
Assets						
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
Total Assets	1,477,259,109	1,113,812,539	167,496,364	157,363,341	7,441,732	31,145,133
	100.00%	75.40%	11.34%	10.65%	0.50%	2.11%
Liabilities						
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
Total Liabilities	1,361,941,178	1,000,557,031	167,133,014	176,457,820	836,168	16,957,145
	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.

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 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)
As at 31 December 2021	197,810	197,810
Fair value adjustment	44,758	44,758
Depreciation expense	(53,816)	(53,816)
As at 31 December 2022	188,752	188,752

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
As at 31 December	178,592	213,212
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
Total amount recognised in statement of income	38,155	66,688

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

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

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

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 CHF	2021 CHF
Current interest-bearing loans and borrowings				
Lease liabilities (see note 13)	2.0	2023	68,051	57,986
Total current interest-bearing loans and borrowings			68,051	57,986
Non-current interest-bearing loans and borrowings				
Lease liabilities (see note 13)	2.0	2024 - 2025	110,541	155,226
Total non-current interest-bearing loans and borrowings			110,541	155,226
Total interest-bearing loans and borrowings			178,592	213,212

16 Changes in liabilities arising from financing activities

	1 January 2022 CHF	New leases CHF	Cash flows CHF	Other CHF	Foreign exchange differences CHF	31 December 2022 CHF
Liabilities						
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
Total Liabilities	213,212	-	(63,717)	48,417	(19,320)	178,592

	1 January 2021 CHF	New leases CHF	Cash flows CHF	Other CHF	Foreign exchange differences CHF	31 December 2021 CHF
Liabilities						
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
Total Liabilities	264,822	-	(62,688)	4,511	6,567	213,212

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.

17 Share capital

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

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 Year ended 31 December	Expenses Year ended 31 December	Due to related party 31 December	Due from related party 31 December
		CHF	CHF	CHF	CHF
Parent:					
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 31 December 2022	Year ended 31 December 2021
	CHF	CHF
Short-term employee benefits	213,945	214,293

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.

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ANNEX 1B

Financial statements 2023 of 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
CONTENTS

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 Glategny Esplanade St Peter Port Guernsey GY1 4BQ
Custodian	Zürcher Kantonalbank Bahnhofstrasse 9 PO Box 8010 Zürich Switzerland

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:

2 April 2024

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.

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.

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:

Ernst and Young LLP

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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)
Operating profit			9,655		2,994
Finance costs		(14)		(4)	
			(14)		(4)
Net comprehensive income for the financial year			9,641		2,990

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

Assets	Notes	31 December 2023 CHF'000	31 December 2022 CHF'000
Non-current assets			
Right-of-use assets	13	121	189
Total non-current assets		121	189
Current assets			
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
Total current assets		2,107,668	1,829,230
Total assets		2,107,789	1,829,419
Liabilities			
Non-current liabilities			
Lease liabilities	15	37	111
Total Non-current liabilities		37	111
Current liabilities			
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
Total Current liabilities		1,979,803	1,711,000
Equity			
Share capital	17	1,000	1,000
Retained earnings		126,949	117,308
Total equity		127,949	118,308
Total liabilities and equity		2,107,789	1,829,419

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
Balance at 31 December 2022	1,000	117,308	118,308
At 1 January 2023	1,000	117,308	118,308
Net comprehensive income for the financial year	-	9,641	9,641
Balance at 31 December 2023	1,000	126,949	127,949

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
Operating activities			
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
		1,884	4,417
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		8,429	23,589
Financing activities			
Payment of principal portion of lease liabilities	13	(69)	(64)
Net cash outflows from financing activities		(69)	(64)
Net increase in cash and cash equivalents		8,360	23,525
Net foreign exchange difference		7,826	(1,388)
Net cash and cash equivalents at 1 January		34,999	12,862
Net cash and cash equivalents at 31 December	14	51,185	34,999

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

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.

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 theprincipal 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 charge 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.

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
Gains less losses on instruments held for trading		
Foreign currency	27,522	4,212
Trading securities	57,650	(25,901)
Other income	856	55
Gains less losses on fair value hedging		
Gains less losses from fair value direct hedged items	419	453
Gains less losses from fair value direct hedging instruments	(19,635)	(3,908)
Gains less losses on instruments designated at fair value		
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
Net trading income	29,160	14,226

7 Operating expenses

	Year ended 31 December 2023 CHF'000	Year ended 31 December 2022 CHF'000
Administrative expenses		
Audit fees	84	84
Directors' fees	8	8
Secretarial fees	15	14
Other expenses	91	98
Depreciation	53	53
Zürcher Kantonalbank service costs		
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	-
Employee expenses		
Salaries	477	519
Social security	33	33
Health insurance	33	38
Other staff expenses	5	15
	19,505	11,232

8 Financial assets at amortised cost

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

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

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

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

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
Structured product financial instruments		
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
	1,826,075	1,500,567
Derivative financial instruments		
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
	126,219	161,315
Total financial liabilities at fair value through profit or loss	1,952,294	1,661,882

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
Derivatives primarily held for trading purposes						
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
	10,908	82,620	854,637	8,479	137,548	729,353
Derivatives primarily held for risk management purposes						
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
	22,876	43,599	4,660,093	37,162	23,767	2,840,596
Total derivatives	33,784	126,219	5,514,730	45,641	161,315	3,569,949

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 hierachy for financial assets and liabilities recognised at fair value:

	31 December 2023			
	Level 1	Level 2	Level 3	Total
	CHF'000	CHF'000	CHF'000	CHF'000
Financial assets				
Securities held for trading (note 9)				
Debt instruments	1,948,261	34,170	-	1,982,431
Exchange traded funds	3,830	435	-	4,265
Listed equity instruments	784	-	-	784
Derivative financial instruments (note 10)				
Currency forwards	-	779	-	779
Interest rate swaps	-	22,097	-	22,097
Options	-	7,219	-	7,219
Total return swaps	-	3,689	-	3,689
Total financial assets	1,952,875	68,389	-	2,021,264
Financial liabilities				
Structured product financial instruments (note 9)				
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
Derivative financial instruments (note 10)				
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
Total financial liabilities	-	1,952,294	-	1,952,294

11 Fair value of financial instruments (continued)

	31 December 2022			
	Level 1	Level 2	Level 3	Total
	CHF'000	CHF'000	CHF'000	CHF'000
Financial assets				
Securities held for trading (note 9)				
Debt instruments	1,640,478	18,076	-	1,658,554
Exchange traded funds	5,086	-	-	5,086
Listed equity instruments	574	-	-	574
Derivative financial instruments (note 10)				
Currency forwards	-	689	-	689
Interest rate swaps	-	36,473	-	36,473
Options	-	5,941	-	5,941
Total return swaps	-	2,538	-	2,538
Total financial assets	1,646,138	63,717	-	1,709,855
Financial liabilities				
Structured product financial instruments (note 9)				
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
Derivative financial instruments (note 10)				
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
Total financial liabilities	-	1,661,882	-	1,661,882

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.

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	-

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.

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

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

		31 December 2023		31 December 2022	
	Rating	Fair value CHF'000	Allocation	Fair value CHF'000	Allocation
Guernsey treasury management portfolio					
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%
		1,932,510	100%	1,614,178	100%
Direct hedging instruments					
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%
		54,970	100%	48,471	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)).

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.

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
Assets							
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
Liabilities							
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)
Net Liquidity	(840,970)	219,936	416,151	166,772	227,853	(61,913)	127,829

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

Financial liabilities held at fair value through profit or loss	1,416,627	248,500	50,315	37,279	3,409	112,477	1,868,607

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
Assets							
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
Liabilities							
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)
Net Liquidity	(227,710)	4,210	215,530	74,270	56,790	(4,971)	118,119

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

Financial liabilities held at fair value through profit or loss	1,161,625	281,582	36,883	25,115	27,733	74,974	1,607,913

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.

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
The interest rate profile of the Company at 31 December 2023:				
Assets				
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
Total Assets	2,107,789	28,206	1,968,933	110,650
Liabilities and Shareholder's funds				
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
Total Liabilities and Shareholder's Funds	2,107,789	55,724	-	2,052,065
The interest rate profile of the Company at 31 December 2022:				
Assets				
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
Total Assets	1,829,419	41,464	1,668,805	119,150
Liabilities and Shareholder's funds				
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
Total Liabilities and Shareholder's Funds	1,829,419	21,320	-	1,808,099

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	Swiss Franc	Euro	US Dollar	British Pound	Other
	CHF'000	CHF'000	CHF'000	CHF'000	CHF'000	CHF'000
Currency profile of the Company as at 31 December 2023:						
Assets						
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
Total Assets	2,107,789	1,943,320	60,704	71,661	7,368	24,736
	100.00%	92.20%	2.88%	3.40%	0.35%	1.17%
Liabilities						
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	-
Total Liabilities	1,979,840	1,422,526	293,729	255,308	7,226	1,051
	100.00%	71.85%	14.84%	12.90%	0.36%	0.05%

12 Financial risk and management objectives and policies (continued)

12 g) (ii) Currency risk (continued)

	Total	Swiss Franc	Euro	US Dollar	British Pound	Other
	CHF'000	CHF'000	CHF'000	CHF'000	CHF'000	CHF'000
Currency profile of the Company as at 31 December 2022:						
Assets						
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
Total Assets	1,829,419	1,529,755	140,793	126,009	605	32,257
	100.00%	83.62%	7.70%	6.89%	0.03%	1.76%
Liabilities						
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
Total Liabilities	1,711,111	1,188,329	255,470	252,791	804	13,717
	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.

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

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	Year ended 31 December 2022
	CHF'000	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)
As at 31 December	100	179
Current (see note 15)	63	68
Non-current (see note 15)	37	111

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

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)
Total amount recognised in statement of income	58	39

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
	74,679	82,093
Due to banks, Zürcher Kantonalbank	(23,494)	(47,094)
	(23,494)	(47,094)
Total net cash, amounts due from / to banks, money at call	51,185	34,999

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.

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
Total current interest-bearing loans and borrowings			63	68
Non-current interest-bearing loans and borrowings				
Lease liabilities (see note 13)	2.0	2025	37	111
Total non-current interest-bearing loans and borrowings			37	111
Total interest-bearing loans and borrowings			100	179

16 Changes in liabilities arising from financing activities

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

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

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.

17 Share capital

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

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
Parent:					
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	-

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
Bank positions held with the Parent:				
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	209	214

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.