FitchRatings

Public Finance
Local and Regional Governments
Switzerland

Canton of Zurich

This report does not constitute a new rating action for this issuer. It provides more detailed credit analysis than the previously published Rating Action Commentary, which can be found on www.fitchratings.com.

The affirmation of the Canton of Zurich's Issuer Default Ratings (IDRs) at 'AAA' with Stable Outlook reflects Fitch Ratings' expectation that Zurich's economic liability burden will remain below 20% in the medium term in Fitch's rating-case scenario.

Key Rating Drivers

Ratings Derivation Summary: Zurich's Long-Term Foreign-Currency IDR of 'AAA' is based on the canton's Standalone Credit Profile (SCP) of 'aaa'. The SCP results from a 'Stronger' risk profile and debt sustainability that Fitch assesses as 'aaa' under its rating-case scenario. Zurich's IDR is not capped by Switzerland's sovereign rating (AAA/Stable) and no other rating factors affect the rating.

'Stronger' Risk Profile: Fitch assesses all of Zurich's key risk factors (revenue robustness and adjustability, expenditure sustainability and adjustability, and liability and liquidity robustness and flexibility) as 'Stronger'.

The 'Stronger' risk profile reflects a very low risk relative to international peers that the canton may see its ability to cover debt service by its operating balance weaken unexpectedly in 2024-2028 either because of revenue falling short of expectations, spending above expectations, or an unanticipated rise in liabilities or debt-service requirements.

Debt Sustainability at 'aaa': In Fitch's rating-case scenario, Zurich's economic liability burden, which is the primary metric for a 'Type A' local and regional governments (LRG), will amount to 14.5% in 2028, corresponding to a 'aaa' debt sustainability assessment.

The payback ratio will decrease to 11.1x in 2028 from 18.3x in 2023, corresponding to an 'a' assessment, and debt service coverage (Fitch's synthetic calculation) will increase to 1.2x in 2028 from 0.8x in 2023, corresponding to a 'bbb' assessment. The fiscal debt burden will increase to 38.5% in 2028 from 25.6% in 2023, corresponding to a 'aaa' assessment and will be well below the trigger of 50%. The primary metric (economic liability burden) drives debt sustainability with significant leeway to the lower 'aa' category (trigger x>40%).

Neutral Additional Rating Factors: Zurich's Long-Term IDR is rated in line with the sovereign rating, reflecting its SCP of 'aaa'. Its rating does not take into account any other extraordinary support from the central government. No additional risk factors have been identified.

Ratings

Foreign Currency	
Long-Term IDR	AAA
Short-Term IDR	F1+
Local Currency	
Long-Term IDR	AAA

Outlooks	
Long-Term Foreign-Currency IDR	Stable
Long-Term Local-Currency IDR	Stable

Debt Ratings	
Senior Unsecured Debt - Long-Term Rating	AAA

Issuer Profile Summary

Zurich is in north-eastern Switzerland and has around 1.6 million inhabitants, out of 8.8 million in the whole country. It is by far the largest economy in Switzerland, with a wealth level well above the national average.

Financial Data Summary

(CHFm)	2023	2028rc
Economic liability burden (%)	15.3	14.5
Payback ratio (x)	18.3	11.1
Synthetic coverage (x)	0.8	1.2
Actual coverage (x)	0.5	1.4
Fiscal debt burden (%)	25.6	38.5
Net adjusted debt	4,634	7,580
Operating balance	253	683
Operating revenue	18,089	19,708
Debt service	531	472
Mortgage-style debt annuity	333	568

rc: Fitch's rating-case scenario
Source: Fitch Ratings, Fitch Solutions, Canton of Zurich

Applicable Criteria

International Local and Regional Governments Rating Criteria (September 2021)

Related Research

Fitch Affirms Canton of Zurich at 'AAA'; Outlook Stable (May 2024)

Swiss Cantons – Framework Report (November 2023)

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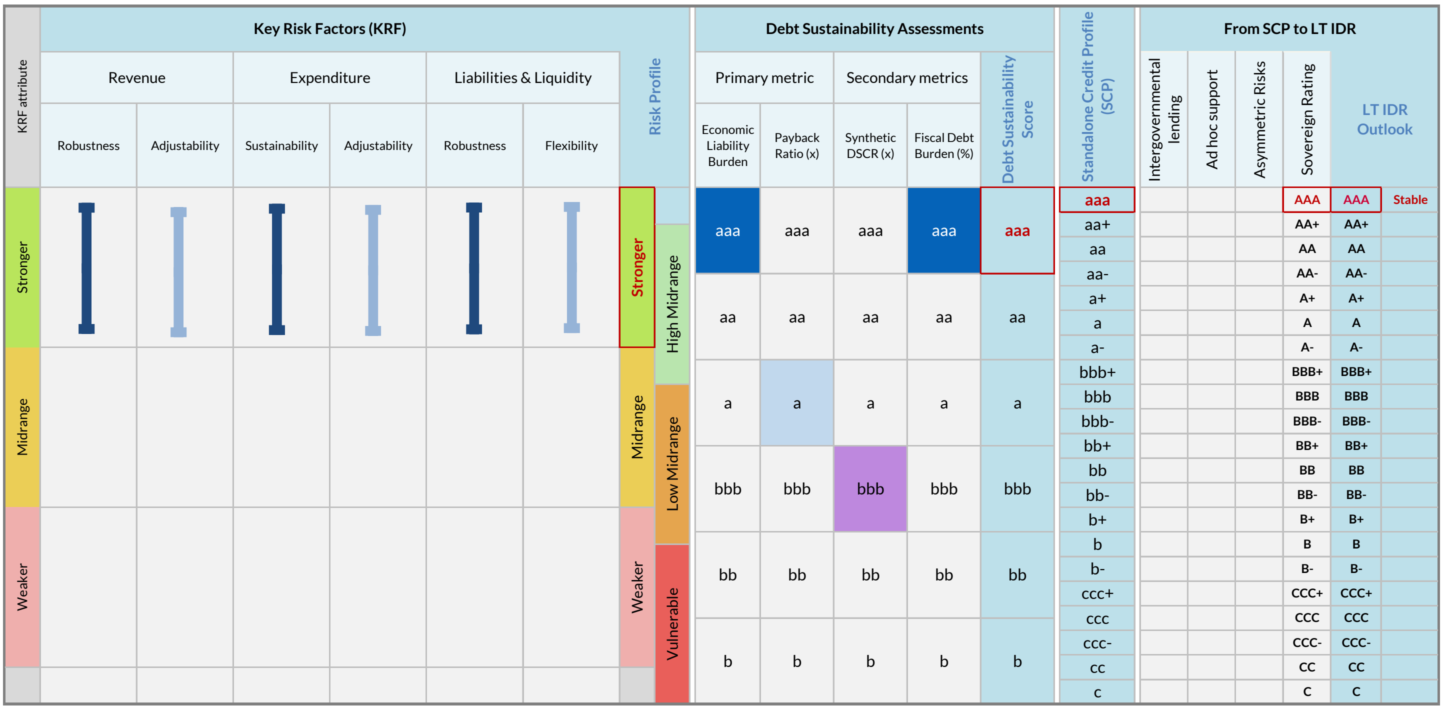
Rating Synopsis

Canton of Zurich - LT IDR Derivation Summary



Higher Influence I   Lower Influence KRF

Source: Fitch Ratings

The six key risk factors, combined according to their relative importance, collectively represent the risk profile of the LRG. The risk profile and debt sustainability assessments, which measure the LRG's debt burden and debt-service requirements amid a reasonable economic or financial downturn over the rating horizon, are combined in an SCP. This, together with some additional factors not captured in the SCP, such as extraordinary support or rating cap, produces the IDR.

Rating Sensitivities

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

The ratings are at the highest level on Fitch's scale and cannot be upgraded.

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

Given the canton's tax dynamics and tax-raising potential, a downgrade is unlikely. However, materialisation of the canton's contingent liabilities, or capital injections into its government-related entities raising the economic liability burden consistently above 40% and a material weakening of the secondary metrics, would lead to negative rating action.

Issuer Profile

Zurich is one of Switzerland's 26 cantons, in the north-east of the country, bordering Germany. The canton's population continues to rise and was at about 1.6 million at end-2023, out of Switzerland's 8.8 million inhabitants. The canton's capital is the city of Zurich (about 440,000 inhabitants) and the city's urban area accounts for over one million inhabitants.

Zurich's economy is the largest in Switzerland, and is one of the most diversified and dynamic. It is closely linked both to the economic cycle and the country's sizeable financial and insurance sectors. The canton is also one of the wealthiest in Switzerland, and it accounted for about 20% of national GDP in 2022. Its GDP per capita of CHF104,000 in 2023 was 23% above the Swiss average (CHF84,260), which in itself is one of the highest in Europe. The canton's services and financial sectors, in particular banking, insurance and real estate are primary drivers of GDP.

Zurich's GDP rose by 2.6% in real terms in 2023 (Switzerland: 0.8%). Fitch estimates that national GDP should grow by 1.2% in real terms in 2024 and 1.7% in 2025.

Net migration supports population growth, with foreigners accounting for about 28% of the population of Zurich.

The canton is a popular destination given its wealthy and above-average economic profile, with high demand for qualified non-native workers. The employment market is healthy, and the unemployment rate was low at 1.7% at end-2023, below that of Switzerland (2.0%). Zurich's employment demand cannot be satisfied by its own population.

Socioeconomic Indicators

	Issuer	Sovereign
Population, 2023 (m)	1.6	8.8
GDP per capita, 2023 (CHF)	104,000	84,260
GRP growth, 2023 (%)	4.7	2.8
Inflation, 2023 (%)	2.1	2.1
Unemployment rate, 2023 (%)	1.7	2.0

Source: Fitch Ratings, national statistics, Canton of Zurich

Risk Profile Assessment

Risk Profile: Stronger

Fitch assesses Zurich's risk profile at 'Stronger', reflecting the combination of assessments:

Risk Profile Assessment

Risk Profile	Revenue Robustness	Revenue Adjustability	Expenditure Sustainability	Expenditure Adjustability	Liabilities & Liquidity Robustness	Liabilities & Liquidity Flexibility
Stronger	Stronger	Stronger	Stronger	Stronger	Stronger	Stronger

Source: Fitch Ratings

Revenue Robustness: Stronger

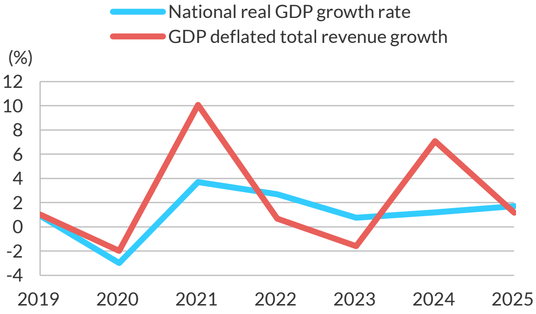
Zurich's 'Stronger' revenue robustness reflects the canton's stable revenue sources, with growth prospects that are in line with national GDP growth. Tax revenue accounted for 44% of Zurich's operating revenue in 2023 and is based on moderately cyclical economic activities. Personal income tax (PIT), the largest single tax item, accounted for 73% of the canton's tax revenue.

The other two main sources of the canton's operating revenues are transfers (31%) and fees, fines and other operating revenue (25%).

We assume the canton's operating revenue to be moderately cyclical, as proceeds from PIT do not necessarily move in tandem with the economic cycle and have grown consistently, while transfers and fees have been only moderately volatile. Zurich is the main contributor to Switzerland's GDP and has wealth levels well above the national average. Zurich can rely on a stable tax base, consisting of PIT in particular and also corporate income tax (CIT), transfers and fees.

Zurich is able to manage the shortfall of profit distribution from Swiss National Bank (SNB) in 2023 and the announced shortfall in 2024, in Fitch's view, especially in light of its high and annually increasing tax revenue and its strong capacity to adjust expenditure. The canton used to underperform its investment budget (2023: by 17%), which reflects the canton's fiscal flexibility. The profit distribution from SNB in 2022 represented 4% of the canton's operating revenue in that year.

Real Total Revenue and GDP Growth



Source: Fitch Ratings, Canton of Zurich

Revenue Breakdown, 2023

	Operating revenue (%)	Total revenue (%)
PIT	32.8	31.9
CIT	8.7	8.4
Other taxes	2.0	2.0
Transfers	31.0	30.2
Other operating revenue	25.5	24.8
Operating revenue	**100.0**	**97.3**
Interest revenue	-	2.2
Capital revenue	-	0.5
Total revenue	**-**	**100.0**

Source: Fitch Ratings, Fitch Solutions, Canton of Zurich

Revenue Adjustability: Stronger

Fitch assesses Zurich's ability to generate additional revenue in response to possible economic downturn as 'Stronger', supported by its high fiscal autonomy (in line with all Swiss cantons) and particularly its tax leeway. Swiss cantons have a high degree of autonomy and are independent from the central government.

Cantons have some leeway to adjust rates on PIT and CIT. In case of real need, it would be possible for Zurich to increase these tax rates. However, we do not expect the canton to do so unless to avoid a default.

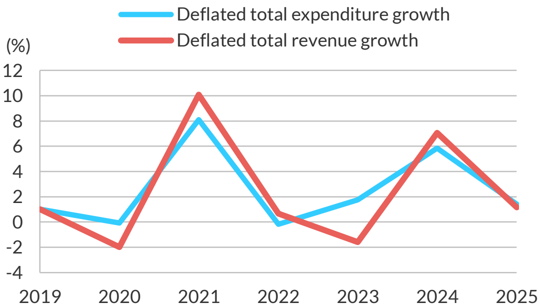
In 2023, Zurich received CHF5.9 billion of PIT and CHF1.6 billion of CIT. The canton's tax revenue increased in 2023 by 3.6% because of increased PIT and CIT.

Expenditure Sustainability: Stronger

Zurich has a record and good prospects of tight control over total expenditure growth. A large part of the canton's main responsibilities is non-cyclical, such as education, healthcare, public safety and public transport. Operating expenditure (opex) growth has generally been in line with that of operating revenue, resulting in an operating surplus. Zurich has effective budget rules and commits itself to a medium-term balanced budget over eight years. If the medium-term surplus is not met the cantonal government can call on all departments to review opex and recommend savings.

Zurich also had a good record of adjusting capital expenditure (capex) in case of need. The canton usually underspends its budgeted investments (2023: by 17%). We assume Zurich will cut capex in response to a fall in revenue; the canton previously has been able to afford to cut back.

Real Total Expenditure and Revenue Growth



Source: Fitch Ratings, Canton of Zurich

Expenditure Breakdown, 2023

	Operating expenditure (%)	Total expenditure (%)
Staff costs	35.9	33.6
Goods and services	19.6	18.4
Operating subsidies	0.0	0.0
Transfers to other budgets	44.0	41.2
Other operating expenditure	0.5	0.4
Operating expenditure	**100.0**	**93.6**
Interest expenditure	-	0.5
Capital expenditure	-	5.9
Total expenditure	**-**	**100.0**

Source: Fitch Ratings, Fitch Solutions, Canton of Zurich

Expenditure Adjustability: Stronger

We assess the canton's ability to reduce spending in response to shrinking revenue or higher expenditure as 'Stronger'.

Zurich would adjust opex first to cope with a fall in revenue, despite its tax leeway. The canton also has a record of cutting spending to achieve a medium-term balanced budget. Further, we assume Zurich will also cut capex, if required, as it has shown strong affordability to do so. Capex was on average 17% below budget, data for 2021-2023 show, which reflects its fiscal flexibility.

In Fitch's view, Zurich will postpone or reduce capex in response to a lower operating result in 2023 compared with the previous years, which resulted from a shortfall of profit distribution from SNB in 2023 and higher operating costs (due to higher personnel costs for education and health, among other things) and in anticipation of tighter operating margins until 2028.

In 2023, Zurich could not fully self-finance its capex, resulting in a moderate increase in debt, but which Fitch still deems to be low. Zurich's goal is self-financing capex and Zurich's government council (Regierungsrat) instructed new criteria to prioritize investments.

Liabilities and Liquidity Robustness: Stronger

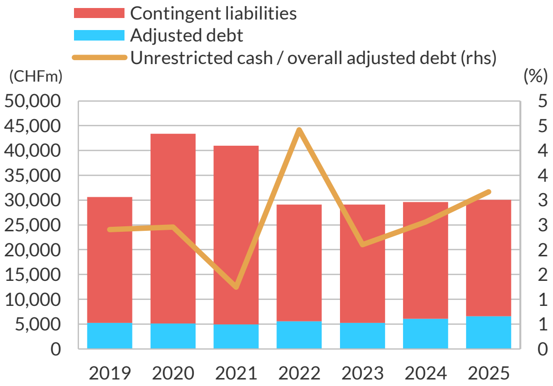
Zurich has a prudent debt management in place and established access to the capital market as a frequent domestic bond issuer. Demand for its debt is fully satisfied in the domestic market so Zurich is not focused on international placements.

Its debt is mostly bonds with bullet repayment and none of its annual debt repayments exceeded 20% of its outstanding debt at end-2023. Further, the canton is not exposed to floating rates and has no foreign-currency debt.

The canton is exposed to contingent liabilities, which Fitch views to be of moderate risk. The largest single contingent liability stems from the guarantee Zurich provided to its fully owned cantonal bank, Zuercher Kantonalbank (ZKB; AAA/Stable/F1+). This incorporates the bank's liabilities of CHF23 billion at end-2023, but we assume the canton would support the bank through capital measures to prevent a default. Furthermore, the bank is supervised by the canton and its business profile is of limited risk.

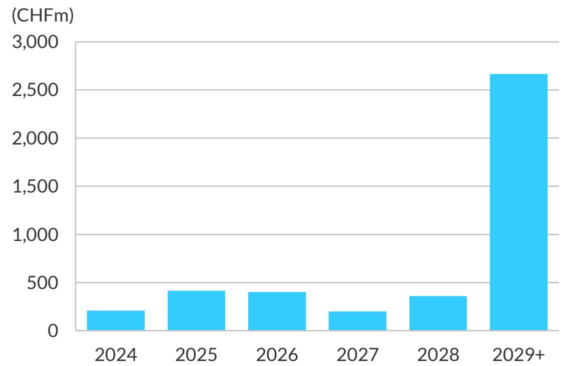
In addition to ZKB, the canton had CHF834 million of contingent liabilities at end-2023.

Overall Adjusted Debt Structure



Source: Fitch Ratings, Canton of Zurich

Direct Debt Maturity Profile, End-2023



Source: Fitch Ratings, Canton of Zurich

Liabilities and Liquidity Flexibility: Stronger

Fitch assesses the canton's liabilities and liquidity flexibility as 'Stronger'. Zurich's liquidity coverage ratio has been above 1x over the past five years. Further, Zurich has a committed credit line with ZKB to cover its annual debt repayment needs.

We assume additional access to emergency liquidity to be available in the short term, as reflected in Zurich's good record in capital markets and its 'AAA' rating history.

In severe financial distress, which we deem very unlikely considering the canton's credit strength, we assume the Bund would provide emergency liquidity.

Debt Analysis

	2023
Fixed rate (% of direct debt)	100
Debt in foreign currency (% of direct debt)	0
Apparent cost of debt (%)	1.3
Weighted average life of debt (years)	8.5

Source: Fitch Ratings, Fitch Solutions, Canton of Zurich

Liquidity

(CHFm)	2023
Total cash, liquid deposits and sinking funds	612
Restricted cash	0
Cash available for debt service	612
Undrawn committed credit lines	750

Source: Fitch Ratings, Fitch Solutions, Canton of Zurich

Debt Sustainability Assessment

Debt Sustainability: aaa category

Debt Sustainability Metrics Summary

	Primary Metric		Secondary Metrics	
	Economic Liability Burden (%)	Payback Ratio (x)	Coverage (x)	Fiscal Debt Burden (%)
aaa	X ≤ 40	X ≤ 5	X >= 4	X ≤ 50
aa	40 < X ≤ 70	5 < X ≤ 9	2 ≤ X < 4	50 < X ≤ 100
a	70 < X ≤ 100	9 < X ≤ 13	1.5 ≤ X < 2	100 < X ≤ 150
bbb	100 < X ≤ 140	13 < X ≤ 18	1.2 ≤ X < 1.5	150 < X ≤ 200
bb	140 < X ≤ 180	18 < X ≤ 25	1 ≤ X < 1.2	200 < X ≤ 250
b	X > 180	X > 25	X < 1	X > 250

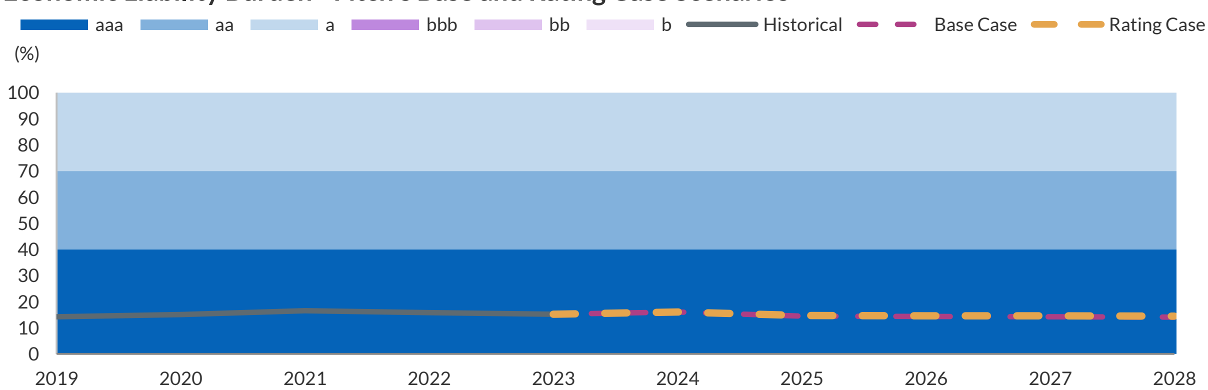
Note: Yellow highlights show metric ranges applicable to Issuer
Source: Fitch Ratings

Fitch views Swiss cantons as 'Type A' LRGs under its criteria, given that their main spending responsibilities cover health, education and social spending, with a material share of general government expenditure and debt, and fiscal imbalances. Consequently, their primary debt sustainability metric is the economic liability burden, which is strongly related to central government debt.

Fitch assesses Zurich's debt sustainability in the 'aaa' category. The assessment is driven by its economic liability burden assessed at 14.5%, corresponding to the 'aaa' category, a payback ratio of 11.1x (a), a synthetic debt service coverage ratio of 1.2x (bbb) and a fiscal debt burden of 38.5% (aaa).

Our rating case expects direct debt to increase to CHF7.7 billion by 2028 from CHF5.0 billion in 2023, assuming an operating balance consistently below the past five-year average and annual investments of about CHF1.2 billion on average.

Economic Liability Burden - Fitch's Base and Rating Case Scenarios



Source: Fitch Ratings, Canton of Zurich

Fitch's base-case scenario considers the assumptions that are primarily derived from economic data, including Fitch's Global Economic Outlook and Switzerland's sovereign report, as well as the issuer's forecast. Fitch's assumptions for cash flow for 2024-2028 are primarily based on economic data, in particular national nominal GDP growth and inflation forecasts.

Our rating case is a "through-the-cycle" scenario, which incorporates a combination of revenue and cost stresses. It is based on 2019-2023 actual figures and 2024-2028 projected ratios. The rating case ends in 2028 and relies on the assumptions below.

Scenario Assumptions Summary

Assumptions	Five-Year Historical Average	2024-2028 Average Base Case	2024-2028 Average Rating Case
Operating revenue growth (%)	3.2	1.8	1.7
Tax revenue growth (%)	3.5	2.7	2.6
Current transfers received growth (%)	3.4	0.7	0.7
Operating expenditure growth (%)	3.8	1.2	1.3
Net capital expenditure (average per year; m)	-1,095	-1,193	-1,193
Apparent cost of debt (%)	1.1	1.5	1.5

Outcomes	2023	2028 Base Case	2028 Rating Case
Economic liability burden (%)	15.3	14.1	14.5
Payback ratio (x)	18.3	8.4	11.1
Overall payback ratio (x)	112.5	37.3	46.0
Actual coverage ratio (x)	0.5	1.6	1.3
Synthetic coverage ratio (x)	0.8	1.6	1.2
Fiscal debt burden (%)	25.6	34.9	38.5

Source: Fitch Ratings, Canton of Zurich

Zurich's operating balance in 2023 was lower than in 2019-2022. Tax income increased, but operating revenue contracted by 0.7% compared to 2022, mainly due to the shortfall of profit distribution from SNB in 2023. Fitch includes the dividends the canton received from ZKB in 2019-2023 (CHF320 million in 2023) as operating revenue.

Opex rose by 3.7% in 2023 mainly due to higher personnel costs. Increased salaries for Zurich's employees resulted from higher Swiss inflation and jobs creation, mainly in education and health.

In our rating-case scenario, we expect Zurich's operating balance to increase to CHF683 million in 2028, mainly driven by conservative assumptions, assuming an operating balance consistently below the past five-year average. This will correspond to an operating margin of between 1.4% for 2023 and 3.5% in 2028.

Our rating-case assumes cantonal capex (CHF1.2 billion of annual investments on average) is substantially in line with its the canton's medium-term planning. The canton faces substantial demands to maintain and develop infrastructure (especially for schools and hospitals) on account of a rising population.

At end-2023, Zurich's total direct risk (adjusted debt) was CHF5,246 million and we assume its debt will increase to CHF7,946 million in 2028, based on our capex assumptions. However, this expected increase will not result in much weaker debt ratios. The canton's IDRs are driven by its 'Stronger' risk profile and its 'aaa' debt sustainability.

Its economic liability burden was 15.3% in 2023; our rating case expects a slight decrease to 14.5% in 2028. Both are well below the trigger of 40%, which would then correspond to a debt sustainability assessment in the 'aa' category.

SCP Positioning and Peer Comparison

SCP Positioning Table

Risk Profile	Debt Sustainability					
Stronger	aaa or aa	a	bbb	bb	b	
High Midrange	aaa	aa	a	bbb	bb	b
Midrange		aaa	aa	a	bbb	bb or below
Low Midrange			aaa	aa	a	bbb or below
Weaker				aaa	aa	a or below
Vulnerable					aaa	aa or below
Suggested analytical outcome (SCP)	**aaa**	**aa**	**a**	**bbb**	**bb**	**b**

Source: Fitch Ratings

Zurich's closest peer is Hamburg, a German city state, and the wealthiest in Germany in terms of GDP per capita. However, German states have higher debt and their IDRs are driven by Fitch's rating approach for the German Laender (equalisation with the sovereign rating on the basis of a strong equalisation system and solidarity mechanism). Hamburg also has an SCP of 'aaa', but its economic liability burden (ELB, primary metric) of 38.8% (rating case in 2027) is higher than Zurich's 14.5% (RC 2028). The financial profiles of other German states in the peer comparison below are weaker.

The Autonomous Community of Madrid has a weaker risk profile than the Swiss and German peers and its ELB is high at 83.5% (RC 2028), resulting in a 'bbb+' SCP.

Peer Comparison

	Risk Profile	Primary Metric (x)	SCP	IDR
Canton of Zurich	Stronger	14.5	aaa	AAA
State of Hamburg	Stronger	38.8	aaa	AAA
State of Berlin	Stronger	65.3	aa	AAA
State of North Rhine-Westphalia	Stronger	54.4	aa+	AAA
State of Bremen	Stronger	84.0	a	AAA
Autonomous Community of Madrid	Midrange	83.5	bbb+	A-

Source: Fitch Ratings

Long Term Rating Derivation

From SCP to LT IDR: Factors Beyond the SCP

		Support						
SCP	Sovereign LT FC IDR	Intergovern. Financing	Ad-hoc Support	Floor	Asymmetric Risks	Rating Cap	Leeway above Sovereign (notches)	LT FC IDR
aaa	AAA	-	-	-	-	-	-	AAA

Source: Fitch Ratings, Canton of Zurich

Zurich's final IDR is driven by the canton's SCP that Fitch assesses at 'aaa'. No other rating factor affects the final rating.

Short Term Rating Derivation

Zurich's short-term rating of 'F1+' is consistent with its long-term ratings of 'AAA'

National Ratings

n.a.

Transaction and Securities

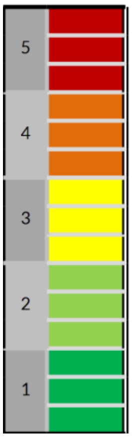
Fitch rates Zurich's senior unsecured debt at 'AAA'.

Criteria Variation

n.a.

ESG Considerations

Environmental (E)



General Issues	Score	Key Issuer Specific Issues	Comments
GHG Emissions & Air Quality	3	Emissions and air pollution as constraints on economy and revenue growth; enforcement/compliance with governmental/regulatory standards	credit-neutral/ a minimal credit impact
Energy Management	3	Impact of energy resources management on economy and governmental operations, including enforcement/ compliance with governmental/regulatory standards	credit-neutral/ a minimal credit impact
Water Resources and Management	3	Water resource availability impacts on economy and governmental operations, including enforcement of governmental/regulatory standards	credit-neutral/ a minimal credit impact
Biodiversity and Natural Resource Management	3	Impact of natural resources management on economy and governmental operations	credit-neutral/ a minimal credit impact
Natural Disasters and Climate Change	3	Impact of extreme weather events and climate change on economy, governmental operations and policy related to natural disasters treatment	credit-neutral/ a minimal credit impact

Appendix A: Financial Data

Canton of Zurich

(CHFm)	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Fiscal Performance										
Taxes	7,187	7,108	7,598	7,844	8,128	8,306	8,530	8,760	8,997	9,240
Transfers received	4,758	4,999	5,995	5,592	5,611	5,837	5,721	5,762	5,823	5,823
Fees, fines and other operating revenues	4,169	4,322	4,645	4,783	4,350	4,496	4,523	4,589	4,645	4,645
Operating revenue	16,114	16,429	18,238	18,219	18,089	18,639	18,774	19,111	19,465	19,708
Operating expenditure	-15,210	-15,556	-17,089	-17,197	-17,836	-18,210	-18,411	-18,613	-18,818	-19,025
Operating balance	904	873	1,149	1,022	253	428	363	498	647	683
Interest revenue	241	202	244	186	408	195	215	217	221	221
Interest expenditure	-88	-233	-99	-75	-89	-115	-122	-133	-144	-152
Current balance	1,056	841	1,294	1,133	572	508	456	582	724	752
Capital revenue	176	190	127	121	96	142	142	142	142	142
Capital expenditure	-1,213	-1,335	-1,416	-1,092	-1,133	-1,262	-1,297	-1,310	-1,404	-1,404
Capital balance	-1,037	-1,144	-1,288	-971	-1,037	-1,120	-1,155	-1,168	-1,262	-1,262
Total revenue	16,531	16,821	18,609	18,526	18,593	18,976	19,131	19,470	19,828	20,071
Total expenditure	-16,512	-17,124	-18,604	-18,364	-19,057	-19,588	-19,830	-20,057	-20,366	-20,581
Surplus (deficit) before net financing	20	-304	5	162	-464	-612	-699	-586	-538	-510
New borrowing	301	645	250	525	371	310	1,215	1,100	900	760
Debt repayment	-251	-750	-807	-850	-481	-210	-415	-400	-200	-360
Net direct debt movement	50	-105	-557	-325	-110	100	800	700	700	400
Overall results	70	-409	-552	-163	-574	-512	101	114	162	-110
Debt and Liquidity										
Short-term debt	1,170	1,185	450	932	669	415	400	200	360	300
Long-term debt	4,082	3,962	4,237	4,397	4,311	4,664	5,479	6,379	6,919	7,379
Intergovernmental debt	0	0	0	0	0	0	0	0	0	0
Direct debt	5,252	5,147	4,687	5,329	4,979	5,079	5,879	6,579	7,279	7,679
Other Fitch-classified debt	0	0	264	251	267	267	267	267	267	267
Adjusted debt	5,252	5,147	4,951	5,580	5,246	5,346	6,146	6,846	7,546	7,946
Guarantees issued (excluding adjusted debt portion)	23,250	36,286	34,221	21,624	23,025	23,025	23,025	23,025	23,025	23,025
Majority-owned GRE debt and other contingent liabilities	2,101	1,914	1,814	1,873	834	834	834	834	834	834
Overall adjusted debt	30,603	43,347	40,986	29,077	29,105	29,205	30,005	30,705	31,405	31,805
Total cash, liquid deposits, and sinking funds	736	1,065	510	1,284	612	100	201	314	467	366
Restricted cash	0	0	0	0	0	0	0	0	0	0
Unrestricted cash	736	1,065	510	1,284	612	100	201	314	467	366
Net adjusted debt	4,516	4,082	4,441	4,297	4,634	5,247	5,946	6,532	7,079	7,580
Net overall debt	29,867	42,282	40,476	27,793	28,493	29,106	29,805	30,391	30,938	31,439
Enhanced net adjusted debt	4,516	4,082	4,441	4,297	4,634	5,247	5,946	6,532	7,079	7,580
Enhanced net overall debt	29,867	42,282	40,476	27,793	28,493	29,106	29,805	30,391	30,938	31,439

Source: Fitch Ratings, Fitch Solutions, Canton of Zurich

Appendix B: Financial Ratios

Canton of Zurich

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Fiscal Performance Ratios										
Operating balance/operating revenue (%)	5.6	5.3	6.3	5.6	1.4	2.3	1.9	2.6	3.3	3.5
Current balance/current revenue (%)	6.5	5.1	7.0	6.2	3.1	2.7	2.4	3.0	3.7	3.8
Operating revenue growth (annual % change)	4.2	2.0	11.0	-0.1	-0.7	3.0	0.7	1.8	1.9	1.3
Operating expenditure growth (annual % change)	2.6	2.3	9.9	0.6	3.7	2.1	1.1	1.1	1.1	1.1
Surplus (deficit) before net financing/total revenue (%)	0.1	-1.8	0.0	0.9	-2.5	-3.2	-3.7	-3.0	-2.7	-2.5
Surplus (deficit) before net financing/GDP (%)	0.0	-0.2	0.0	0.1	-0.3	-0.4	-0.4	-0.3	-0.3	-0.3
Total revenue growth (annual % change)	2.9	1.8	10.6	-0.5	0.4	2.1	0.8	1.8	1.8	1.2
Total expenditure growth (annual % change)	3.1	3.7	8.6	-1.3	3.8	2.8	1.2	1.1	1.5	1.1
Debt Ratios										
Primary Metrics (%)										
Economic liability burden	14.2	15.2	16.6	15.8	15.2	16.1	14.7	14.7	14.6	14.1
Enhanced economic liability burden	14.2	15.2	16.6	15.8	15.3	16.1	14.7	14.7	14.6	14.5
Secondary Metrics										
Payback ratio (x) (net adjusted debt/operating balance)	5.0	4.7	3.9	4.2	18.3	12.2	16.4	13.1	10.9	11.1
Overall payback ratio (x)	33.1	48.5	35.2	27.2	112.5	67.9	82.0	61.0	47.8	46.0
Fiscal debt burden (%) (net debt/operating revenue)	28.0	24.9	24.4	23.6	25.6	28.2	31.7	34.2	36.4	38.5
Synthetic debt service coverage ratio (x)	2.6	3.0	3.5	3.3	0.9	1.1	0.8	1.0	1.2	1.1
Actual debt service coverage ratio (x)	2.7	1.1	1.3	1.1	0.5	1.5	0.7	1.0	2.1	1.4
Other Debt Ratios										
Liquidity coverage ratio (x)	4.6	2.0	2.6	1.7	2.9	3.6	0.9	1.4	3.2	2.4
Direct debt maturing in one year/total direct debt (%)	22.3	23.0	9.6	17.5	13.4	8.2	6.8	3.0	5.0	3.9
Direct debt (annual % change)	1.4	-2.0	-8.9	13.7	-6.6	2.0	15.8	11.9	10.6	5.5
Apparent cost of direct debt (interest paid/direct debt) (%)	1.7	1.1	1.0	0.9	1.0	1.5	1.5	1.5	1.5	1.5
Revenue Ratios (%)										
Tax revenue/total revenue	43.5	42.3	40.8	42.3	43.7	43.8	44.6	45.0	45.4	46.0
Current transfers received/total revenue	28.8	29.7	32.2	30.2	30.2	30.8	29.9	29.6	29.4	29.0
Interest revenue/total revenue	1.5	1.2	1.3	1.0	2.2	1.0	1.1	1.1	1.1	1.1
Capital revenue/total revenue	1.1	1.1	0.7	0.7	0.5	0.8	0.7	0.7	0.7	0.7
Expenditure Ratios (%)										
Staff expenditure/total expenditure	33.4	33.0	31.4	32.6	33.6	-	-	-	-	-
Current transfers made/total expenditure	39.4	39.2	42.2	42.1	41.2	-	-	-	-	-
Interest expenditure/total expenditure	0.5	1.4	0.5	0.4	0.5	0.6	0.6	0.7	0.7	0.7
Capital expenditure/total expenditure	7.4	7.8	7.6	6.0	5.9	6.4	6.5	6.5	6.9	6.8

Source: Fitch Ratings, Fitch Solutions, Canton of Zurich

Appendix C: Data Adjustments

Net Adjusted Debt Calculations

Debt Sustainability Assessment

Net Adjusted Debt Calculations

Fitch's net adjusted debt comprises short- and long-term debt, amounting to CHF669 million and CHF4,311 million, respectively, at end-2023. We considered CHF267 million as other Fitch-classified debt and we deducted the canton's cash of CHF612 million at end-2023, resulting in net adjusted debt of CHF4,634 million.

Specific Adjustments

Fitch's synthetic coverage calculation assumes a mortgage-style amortisation over 15 years of the entity's net adjusted debt, using its average cost of debt. This synthetic calculation is used to assess Zurich's debt sustainability.

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.

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