

Canton of Zurich

The affirmation of the Canton of Zurich’s Issuer Default Ratings (IDRs) at ‘AAA’ with a Stable Outlook reflects Fitch Ratings’ expectation that Zurich’s economic liability burden will remain below 15% in the medium term in Fitch’s rating-case scenario.

Key Rating Drivers

Standalone Credit Profile: Zurich’s ‘Stronger’ risk profile, combined with its ‘aa’ financial profile, leads to a Standalone Credit Profile (SCP) in the ‘aaa’ category. The SCP also factors in comparison with national and international peers, including German and Australian States. Under our rating case, the canton’s economic liability burden (ELB) is expected to remain below 15%, which is at the upper end of the ‘aaa’ category for financial profile and the debt service coverage (synthetic calculation) is forecast at 1.0x in 2029, being in the ‘bb’ category.

Ratings Derivation Summary: Zurich’s Long-Term Foreign-Currency IDR of ‘AAA’ is based on the canton’s SCP of ‘aaa’. The SCP results from a ‘Stronger’ risk profile and a financial profile that Fitch assesses as ‘aa’ 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 2025-2029 either because of revenue falling short of expectations, spending above expectations, or an unanticipated rise in liabilities or debt-service requirements.

Financial Profile of ‘aa’: 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 13.9% in 2029, corresponding to a ‘aaa’ financial profile assessment.

Payback Ratio to Rise: The payback ratio will increase to 12.1x in 2029 from 10x in 2024, corresponding to a ‘a’ assessment, and debt service coverage (Fitch’s synthetic calculation) will decline to 1.0x in 2029 from 1.2x in 2024, corresponding to a ‘bb’ assessment. The fiscal debt burden will increase to 31.7% in 2029 from 27.6% in 2024 and but remain at ‘aaa’ and will be well below the trigger of 50%.

The primary metric (economic liability burden) drives the canton’s financial profile with significant leeway to the lower ‘aa’ category (trigger above 40%). However, considering also the payback as primary metric, the combination of a ‘aaa’ assessment for the ELB and ‘a’ for the payback, results in a financial profile of ‘aa’, further considering a weak synthetic debt service coverage ratio (SDSCR) assessed at ‘bb’.

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 consider any other extraordinary support from the central government. No additional risk factors have been identified.

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.

Ratings

Foreign Currency

Long-Term IDR	AAA
Short-Term IDR	F1+

Local Currency

Long-Term IDR	AAA
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Outlooks

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

Debt Ratings

Senior Unsecured Debt - Long-Term Rating	AAA
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Issuer Profile Summary

Zurich is in north-eastern Switzerland and has around 1.6 million inhabitants, out of 8.9 million in the whole country. It has by far the largest economy in Switzerland, with a wealth level well above the national average.

Financial Data Summary

(CHFm)	2024	2029rc
Economic liability burden (%)	16.1	13.9
Payback ratio (x)	10.0	12.1
Synthetic coverage (x)	1.4	1.0
Actual coverage (x)	1.9	1.2
Fiscal debt burden (%)	27.6	31.9
Net adjusted debt	5,252	6,656
Operating balance	525	550
Operating revenue	19,066	20,859
Debt service	272	445
Mortgage-style debt annuity	383	530

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

Applicable Criteria

[International Local and Regional Governments Rating Criteria \(August 2024\)](#)

Related Research

[Fitch Affirms Switzerland at ‘AAA’; Outlook Stable \(April 2025\)](#)

[Swiss Cantons – Framework Report \(November 2023\)](#)







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Rating Synopsis

Zurich, Canton of LT IDR Derivation Summary

KRF attribute	Key Risk Factors (KRF)						Risk Profile	Financial Profile Assessments					Standalone Credit Profile (SCP)	From SCP to LT FC IDR			
	Revenue		Expenditure		Liabilities & Liquidity			Primary metric	Secondary metrics		Financial Profile Score	Intergovernmental lending		Ad hoc support	Sovereign Rating	LT IDR Outlook	
	Robustness	Adjustability	Sustainability	Adjustability	Robustness	Flexibility		Economic Liability Burden	Payback Ratio (x)	Synthetic DSCR (x)							Fiscal Debt Burden (%)
Stronger							Stronger	aaa	aaa	aaa	aaa	aaa	aaa	AAA	AAA	Stable	
							High						aa+	AA+	AA+		
							Midrange						aa	AA	AA		
													aa-	AA-	AA-		
													a+	A+	A+		
Midrange							Midrange	aa	aa	aa	aa	aa	a	A	A		
							Low						a-	A-	A-		
							Midrange	a	a	a	a	a	bbb+	BBB+	BBB+		
							Low						bbb	BBB	BBB		
							Midrange						bbb-	BBB-	BBB-		
Weaker							Low	bbb	bbb	bbb	bbb	bbb	bb+	BB+	BB+		
							Vulnerable						bb	BB	BB		
													bb-	BB-	BB-		
								bb	bb	bb	bb	bb	b+	B+	B+		
													b	B	B		
													b-	B-	B-		
													ccc+	CCC+	CCC+		
													ccc	CCC	CCC		
													ccc-	CCC-	CCC-		
								b	b	b	b	b	cc	CC	CC		
												c	C	C			

Higher Influence KRFLower Influence KRF

Higher Influence KRF

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. Risk profile and financial profile assessments, which measures 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. The SCP, 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 payback, would lead to negative rating action.

Issuer Profile

Zurich, one of Switzerland's 26 cantons, is in the north-east of the country, bordering Germany. The canton's population continues to rise and was about 1.6 million at end-2024, out of Switzerland's 8.9 million inhabitants. The canton's capital is the city of Zurich (about 440,000 inhabitants) and the city's urban area accounts for over a million people.

Zurich's economy is the by far largest in Switzerland in absolute terms, 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 a fifth of national GDP in 2024. Its GDP per capita of CHF105,600 in 2024 was 13% above the Swiss average (CHF93,084), 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.

Socioeconomic Indicators

	Zurich	Switzerland
Population, 2024 (m)	1.6	8.9
GDP per capita, 2024 (CHF)	105,600.6	93,084.0
GRP growth, 2024 (%)	1.2	1.2
Inflation, 2024 (%)	1.5	1.5
Unemployment rate, 2024 (%)	2.2	2.4

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

Revenue robustness	Revenue adjustability	Expenditure sustainability	Expenditure adjustability	Liabilities & liquidity robustness	Liabilities & liquidity flexibility	Implied operating environment score	Risk Profile
Stronger	Stronger	Stronger	Stronger	Stronger	Stronger	aa	Stronger

Source: Fitch Ratings

Zurich's risk profile reflects a 'Stronger' assessment for all six key risk factors. It 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 over 2025-2029. This may be due to revenue falling short of expectations, spending rising above expectations, or an unanticipated rise in liabilities or debt-service requirements.

Revenue Robustness: Stronger

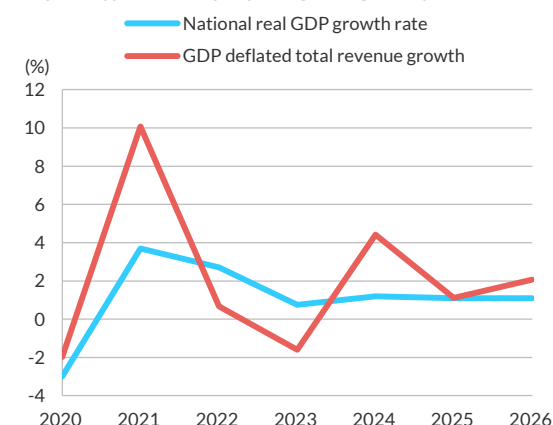
Zurich's 'Stronger' revenue robustness reflects its stable revenue sources with growth prospects that are in line with national GDP growth. Tax revenue accounted for 44.6% of Zurich's operating revenue in 2024 and is based on moderately cyclical economic activities. Personal income tax (PIT), the largest single tax item, accounted for 73% of the canton's tax revenue. The canton's two other main sources of operating revenue are transfers (31.5%), and fees, fines and other operating revenue (23.9%).

We consider 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 risen consistently while transfers and fees have shown only limited volatility. Zurich is the main contributor to Switzerland's GDP and has above-average wealth levels. Zurich can rely on a stable tax base, consisting of PIT, in particular, as well as corporate income tax (CIT), transfers and fees.

In 2024, tax growth of 4.5% was driven by PIT, while corporate taxes remained almost the same. Considering the prosperous employment market of the canton and the City of Zurich in particular, reflected in an annual population increase outpacing Switzerland growth and a very low unemployment rate of 2.2% in 2024 (Switzerland: 2.4%), we assume PIT to remain a robust contributor towards the canton's revenue.

Transfers increased by 7.2% in 2024, with the bulk coming from the central government and financial equalisation. Considering the sophistication and the strong record of the institutional framework and the financial system, we view this to be a largely predictable revenue source with minor deviations from the budget. Large amount of this is linked to corresponding spending items and we assume adjustments on spending possible in case of lower transfers received.

Real Total Revenue and GDP Growth



Source: Fitch Ratings, Canton of Zurich

Revenue Breakdown, 2024 (%)

	Operating revenue	Total revenue
PIT	32.5	31.4
CIT	8.1	7.8
Other taxes	4.0	3.8
Transfers	31.5	30.5
Other operating revenue	23.9	23.1
Operating revenue	100.0	96.7
Interest revenue	-	2.5
Capital revenue	-	0.8
Total revenue	-	100.0

Note: Figures may not tally due to rounding.

Source: Fitch Ratings, Fitch Solutions, Canton of Zurich

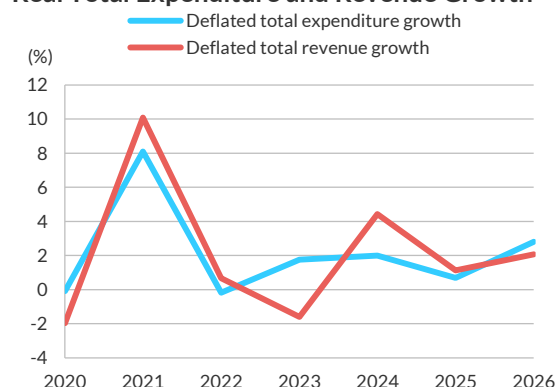
Revenue Adjustability: Stronger

Fitch assesses Zurich's capacity to raise additional revenue in a downturn as 'Stronger', underpinned by high fiscal autonomy and tax leeway consistent with Swiss cantons. Cantons operate independently of the central government and can adjust PIT and CIT rates. Zurich applies below-average PIT rates and above-average CIT rates, indicating technical headroom to increase PIT if required. This supports flexibility to bolster revenue without structural constraints. However, Fitch views the canton's willingness to raise rates as limited, with a preference to adjust spending rather than pursue tax rises.

Expenditure Sustainability: Stronger

Zurich demonstrates tight control over expenditure growth, with core responsibilities largely non-cyclical (education, healthcare, public safety, public transport). Operating expenditure has broadly tracked operating revenue, sustaining operating surpluses. Strong budget governance includes an eight-year medium-term balance rule (four actual, four budgeted), with departments required to review opex and propose savings if the target is not met. The canton has a consistent record of capex flexibility, typically underspending its investment budget (24% in 2024). Fitch assumes Zurich would cut capex if revenues weaken, supported by past ability to scale back investment without compromising core services.

Real Total Expenditure and Revenue Growth



Source: Fitch Ratings, Canton of Zurich

Expenditure Breakdown, 2024 (%)

	Operating expenditure	Total expenditure
Staff Cost	36.1	33.9
Goods and Services	19.4	18.2
Transfers	44.5	41.8
Other operating expenditure	0.0	0.0
Operating expenditure	100.0	93.9
Interest expenditure	-	0.6
Capital expenditure	-	5.5
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 24% below budget in 2024, which reflects its fiscal flexibility.

In Fitch's view, the canton's obligation to have a medium-term balanced budget (current term: 2021-2028) ensures a high degree of discipline. The current term shows an overall surplus, so no specific measures are required. However, recently the canton had to introduce severe cost-cutting measures across all departments to return to an overall surplus. This shows the canton's ability to adjust spending on the operations part of the budget in our view.

In 2024, 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.

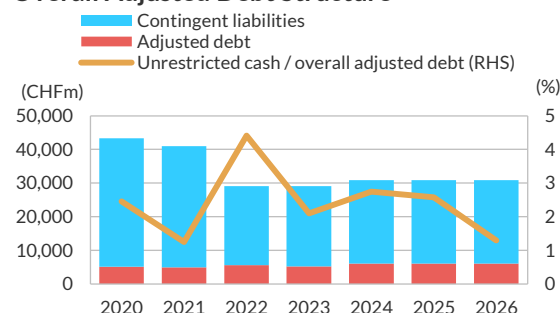
Liabilities and Liquidity Robustness: Stronger

Zurich has a prudent debt management and established access to the capital market as a regular domestic bond issuer. Demand for its debt is fully satisfied in the domestic market, so Zurich is not looking at 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-2024. Further, the canton is not exposed to floating rates and has no foreign-currency debt. It reported unrestricted cash of CHF849 million at end-2024 and has a committed credit line of CHF200 million with the wholly owned Zuercher Kantonalbank (ZKB; AAA/Stable).

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 ZKB. This incorporates the bank's liabilities of CHF22.5 billion at end-2024, but we assume the canton would support the bank through capital measures to prevent a default. The bank is supervised by the canton and its business profile is of limited risk.

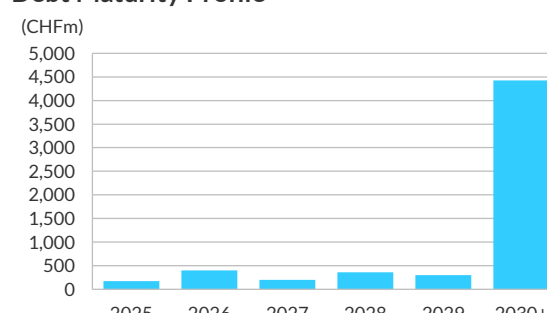
In addition to ZKB, the canton had CHF2,330 million of contingent liabilities at end-2024. The bulk of it consists of CHF2,009 million of pension obligations towards its pension fund. The amount increased by CHF1,312 million in 2024 based on a reassessment of these obligations considering lower interest rates. The remainder are other guarantees and debt we deem the canton liable for towards its majority-owned shareholdings.

Overall Adjusted Debt Structure



Source: Fitch Ratings, Canton of Zurich

Debt Maturity Profile



Source: Fitch Ratings, Canton of Zurich

Liabilities and Liquidity Flexibility: Stronger

Fitch assesses the canton's liabilities and liquidity flexibility as 'Stronger'. Zurich has a proven record of good access to the capital markets and there used to be high demand for its bond issues. The canton further has excess cash a committed credit line with ZKB. Lastly, we deem the canton to have access to the Swiss National Bank and the central government to satisfy emergency liquidity needs.

Debt Analysis

	2024
Fixed rate (% of direct debt)	100
Debt in foreign currency (% of direct debt)	0
Apparent cost of debt (%)	1
Weighted average life of debt (years)	11.1

Source: Fitch Ratings, Canton of Zurich

Liquidity

(CHFm)	2024
Total cash, liquid deposits and sinking funds	849
Restricted cash	0
Cash available for debt service	849
Undrawn committed credit lines	200

Source: Fitch Ratings, Canton of Zurich

Financial Profile Assessment

Financial Profile: aa category

Financial Profile Score 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 the issuer.

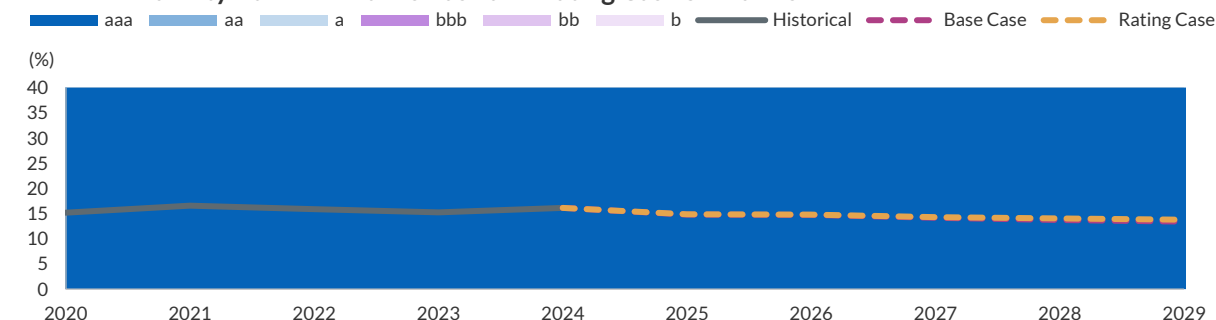
Source: Fitch Ratings

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 financial profile in the 'aa' category. The assessment is driven by its economic liability burden assessed at 13.9%, corresponding to the 'aaa' category, a payback ratio of 12.1x (a), a synthetic debt service coverage ratio of 1.0x (bb) and a fiscal debt burden of 31.9% (aaa). For Type A issuers, the payback ratio is considered as an additional primary metric to assess the financial profile. The assessment of the payback ratio is assessed as 'a' under the current rating case and allows to view the financial profile in the 'aa' category in combination with the canton's very strong ELB assessment. It is further considering the main secondary metric (SDSCR) assessed at 'bb'.

Our rating case is for direct debt to increase to CHF6.4 billion by 2029 from CHF5.8 billion in 2024, assuming an operating balance consistently below the past five-year average and annual investments close to CHF1.4 billion on average in 2025-2029.

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



Source: Fitch Ratings, Canton of Zurich

Financial Performance to Preserve a Strong Economic Liability Burden

Under our rating case, the city's operating revenue would increase by 1.8% a year on average reflecting the scheduled nominal GDP growth of 2.2% in 2025, 2.1% in 2026 and 3.1% in 2027-2029, while inflation is expected at 1% in 2025 and 2026 and 2% in 2027-2029. Zurich can rely on a stable tax revenue driven by PIT, which has not shown any volatility over the past five years. We further view transfers received to increase by 2.3% on average in 2025-2029 (30.5% of total revenue in 2024) and the remaining revenue by a moderate 0.4% on average in 2025-2029 (23.9%), allowing to maintain the operating margin to remain roughly in line with the operating margin of 2.4% shown in 2024.

The canton's operating margin was 4.3% on average in 2020-2024 and is supported by interest revenue usually exceeding interest cost, based on the positive contributions the canton receives from its shareholdings in public companies. This ensures an appropriate pre-financing of its investments and limits debt funded investments, keeping, together with the positive economic performance of the canton, the canton's ELB at a strong 15.8% on average in 2020-2024 and 14.3% in 2025-2029, mitigating the moderate payback ratio and SDSCR.

Opex would increase also by 1.8% a year on average because, driven by a moderate increase of personnel cost and transfers, the main spending items, contributing 35% and 44% to its operating cost in 2024. This factors in a modest increase due to inflation and stresses the canton's assumptions by additional 20bp annually in 2025-2029. Net adjusted debt is calculated as direct debt net of unrestricted cash (please see *Appendix C: Data Adjustments*).

Prolonged Positive Fiscal and Financial Performance in 2024

In 2024, Zurich's fiscal performance was satisfactory with an operating balance of CHF525 million (CHF253 million in 2023), or 2.8% the operating revenue, thanks to opex mild growth and below that of operating revenue. Total cash amounted to CHF849 billion (CHF612 million), sufficient to cover the canton's maturing debt of CHF175 million in 2025. Net adjusted debt increased to CHF5.2 billion, or 10x the operating balance.

Scenario Assumptions Summary

Assumptions	2020-2024 average	2025-2029 average	
		Base case	Rating case
Operating revenue growth (%)	3.4	1.9	1.8
Tax revenue growth (%)	3.4	2.5	2.3
Current transfers received growth (%)	4.8	2.2	2.2
Operating expenditure growth (%)	4.0	1.6	1.8
Net capital expenditure (CHFm)	-1,071	-1,192	-1,192
Apparent cost of debt (%)	1.0	1.9	2.1

Outcomes	2024	2029	
		Base case	Rating case
Economic liability burden (%)	16.1	13.4	13.8
Payback ratio (x)	10.0	6.8	12.1
Overall payback ratio (x)	57.3	36.2	57.1
Actual coverage ratio (x)	1.9	2.0	1.2
Synthetic coverage ratio (x)	1.4	1.9	1.0
Fiscal debt burden (%)	27.5	27.3	31.9

Source: Fitch Ratings, Canton of Zurich

SCP Positioning and Peer Comparison

Analytical Outcome Guidance

Risk Profile	Financial Profile					
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

For international peers, Zurich best compares to the German states, both having a 'Stronger' risk profile, while there are discrepancies towards their financial profiles, where the State of Hamburg is the best peer, although Zurich has the by far lowest ELB among all international peers. Other German States like North Rhine-Westphalia or Rhineland-Palatinate may have similar paybacks and SDSCRs, but their ELBs are much higher, main reason for assessing their financial profiles at 'a'. Compared to its international peers, Zurich enjoys the highest leeway prior to adjusting its SCP.

While all international peers have a risk profile of 'Stronger', there are differences towards their financial profiles and only the State of Hamburg and the State of New South Wales have a similar financial profile. Like Zurich, Hamburg is a wealthy region, but has a much higher debt outstanding, reflected in their debt burdens (2024: 101% for Hamburg; 27.6% for Zurich). The ELB of Zurich is therefore by far the lowest in the peer group, amounting to 16.1% in 2024, while all peers have ELBs above 50% in 2024. In terms of payback, Rhineland-Palatinate has a similar assessment, but in combination with a ELB assessed one category lower compared to Zurich, the financial profile is assessed as 'a'.

Peer Comparison

	Risk profile	Financial profile score	SCP	Extraordinary support	Sovereign rating	Long-Term IDR/Outlook
Canton of Zurich	Stronger	aa	aaa	n.a.	AAA	AAA/Stable
State of Hamburg	Stronger	aa	aaa	n.a.	AAA	AAA/Stable
State of North Rhine-Westphalia	Stronger	a	aa+	n.a.	AAA	AAA/Stable
State of Rhineland-Palatinate	Stronger	a	aa+	n.a.	AAA	AAA/Stable
State of New South Wales	Stronger	aa	aaa	n.a.	AAA	AAA/Stable
State of South Australia	Stronger	a	aa+	n.a.	AAA	AA+/Stable
State of Victoria	Stronger	a	aa+	n.a.	AAA	AA+/Stable

Source: Fitch Ratings, Canton of Zurich

Long Term Rating Derivation

From SCP to LT FC IDR: Factors Beyond the SCP

SCP	Sovereign LT FC IDR	Support			Rating cap	Leeway above sovereign (notches)	LT FC IDR
		Intergovern. financing	Ad hoc support	Floor			
aaa	AAA	-	-	-	-	-	AAA

Source: Fitch Ratings, Canton of Zurich

Zurich's 'Stronger' risk profile, combined with its 'aa' financial profile, leads to an SCP in the 'aaa' category. The SCP also factors in comparison with national and international peers, including German and Australian states. Under our rating case, the canton's ELB ratio is expected to remain well below 15%, which is at the upper end of the 'aaa' category

for the financial profile, and the debt service coverage (synthetic calculation) is forecasted at about 1x by 2029. Zurich's ratings are equalised with the sovereign's. No other factors apply to the canton's rating.

Short Term Rating Derivation

Zurich's Long-Term IDRs of 'AAA' correspond to a Short-Term IDR of 'F1+'.

National Ratings

n.a.

Transaction and Securities

Zurich's senior unsecured debt is rated on par with its Long-Term IDRs at 'AAA'.

Criteria Variation

n.a.

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/topics/esg/products#esg-relevance-scores.

Appendix A: Financial Data

Canton of Zurich

(CHFm)	2020	2021	2022	2023	2024	2025rc	2026rc	2027rc	2028rc	2029rc
Fiscal performance										
Taxes	7,108	7,598	7,844	8,128	8,497	8,649	8,965	9,127	9,342	9,502
Transfers received	4,999	5,995	5,592	5,611	6,015	6,285	6,544	6,548	6,647	6,719
Fees, fines and other operating revenue	4,322	4,645	4,783	4,350	4,555	4,473	4,439	4,513	4,564	4,638
Operating revenue	16,429	18,238	18,219	18,089	19,066	19,407	19,948	20,188	20,553	20,859
Operating expenditure	-15,556	-17,089	-17,197	-17,836	-18,542	-18,746	-19,497	-19,653	-20,021	-20,309
Operating balance	873	1,149	1,022	253	525	661	451	535	532	550
Interest revenue	202	244	186	408	484	583	441	445	541	449
Interest expenditure	-233	-99	-75	-89	-116	0	0	0	0	0
Current balance	841	1,294	1,133	572	892	1,244	892	980	1,073	999
Capital revenue	190	127	121	96	164	134	365	192	263	216
Capital expenditure	-1,335	-1,416	-1,092	-1,133	-1,078	-1,315	-1,341	-1,381	-1,424	-1,468
Capital balance	-1,144	-1,288	-971	-1,037	-914	-1,181	-976	-1,189	-1,161	-1,252
Total revenue	16,821	18,609	18,526	18,593	19,713	20,124	20,754	20,825	21,357	21,524
Total expenditure	-17,124	-18,604	-18,364	-19,057	-19,736	-20,061	-20,838	-21,034	-21,445	-21,777
Surplus (deficit) before net financing	-304	5	162	-464	-23	63	-84	-209	-88	-253
New direct debt borrowing	645	250	525	371	910	175	400	200	574	646
Direct debt repayment	-750	-807	-850	-481	-210	-175	-400	-200	-360	-300
Net direct debt movement	-105	-557	-325	-110	700	0	0	0	214	346
Overall results	-409	-552	-163	-574	678	63	-84	-209	126	93
Debt and liquidity										
Short-term debt	1,185	450	932	669	865	400	200	360	300	300
Long-term debt	3,962	4,237	4,397	4,311	4,983	5,448	5,648	5,488	5,763	6,108
Intergovernmental debt	0	0	0	0	0	0	0	0	0	0
Direct debt	5,147	4,687	5,329	4,979	5,848	5,848	5,848	5,848	6,063	6,408
Other Fitch-classified debt	0	264	251	267	253	253	253	253	253	253
Adjusted debt	5,147	4,951	5,580	5,246	6,101	6,101	6,101	6,101	6,316	6,661
Guarantees issued (excluding adjusted debt portion)	36,286	34,221	21,624	23,025	22,466	22,466	22,466	22,466	22,466	22,466
Majority-owned GRE debt and other contingent liabilities	1,914	1,814	1,873	834	2,330	2,330	2,330	2,330	2,330	2,330
Overall adjusted debt	43,347	40,986	29,077	29,105	30,898	30,897	30,897	30,897	31,112	31,457
Total cash, liquid deposits, and sinking funds	1,065	510	1,284	612	849	797	400	65	56	5
Restricted cash	0	0	0	0	0	0	0	0	0	0
Unrestricted cash	1,065	510	1,284	612	849	797	400	65	56	5
Net adjusted debt	4,082	4,441	4,297	4,634	5,252	5,304	5,701	6,036	6,260	6,656
Net overall debt	42,282	40,476	27,793	28,493	30,048	30,100	30,497	30,832	31,056	31,452
Enhanced net adjusted debt	4,082	4,441	4,297	4,634	5,252	5,304	5,701	6,036	6,260	6,656
Enhanced net overall debt	42,282	40,476	27,793	28,493	30,048	30,100	30,497	30,832	31,056	31,452
Memo:										
Debt in foreign currency/direct debt (%)	0	0	0	0	0	-	-	-	-	-
Issued debt/direct debt (%)	77	89	77	80	80	-	-	-	-	-
Floating interest rate debt/direct debt (%)	0	100	100	100	0	-	-	-	-	-

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Source: Fitch Ratings, Canton of Zurich

Appendix B: Financial Ratios

Canton of Zurich

	2020	2021	2022	2023	2024	2025rc	2026rc	2027rc	2028rc	2029rc
Fiscal performance ratios (%)										
Operating balance/operating revenue	5.3	6.3	5.6	1.4	2.8	3.4	2.3	2.7	2.6	2.6
Current balance/current revenue	5.1	7.0	6.2	3.1	4.6	6.2	4.4	4.8	5.1	4.7
Operating revenue annual growth	2.0	11.0	-0.1	-0.7	5.4	1.8	2.8	1.2	1.8	1.5
Operating expenditure annual growth	2.3	9.9	0.6	3.7	4.0	1.1	4.0	0.8	1.9	1.4
Surplus (deficit) before net financing/total revenue	-1.8	0.0	0.9	-2.5	-0.1	0.3	-0.4	-1.0	-0.4	-1.2
Surplus (deficit) before net financing/GDP	-0.2	0.0	0.1	-0.3	0.0	0.0	-0.1	-0.1	-0.1	-0.1
Total revenue annual growth	1.8	10.6	-0.5	0.4	6.0	2.1	3.1	0.3	2.6	0.8
Total expenditure annual growth	3.7	8.6	-1.3	3.8	3.6	1.7	3.9	0.9	2.0	1.6
Debt ratios										
Primary metrics										
Economic liability burden (%)	15.2	16.6	15.8	15.3	16.1	14.9	14.8	14.3	14.1	13.9
Enhanced economic liability burden (%)	15.2	16.6	15.8	15.3	16.1	14.9	14.8	14.3	14.1	13.9
Payback ratio (net adjusted debt/operating balance) (x)	4.7	3.9	4.2	18.3	10.0	8.0	12.6	11.3	11.8	12.1
Secondary metrics										
Fiscal debt burden (net debt/operating revenue) (%)	24.9	24.4	23.6	25.6	27.6	27.3	28.6	29.9	30.5	31.9
Synthetic debt service coverage ratio (x)	3.0	3.5	3.3	0.8	1.4	1.6	1.0	1.2	1.1	1.0
Actual debt service coverage ratio (x)	1.1	1.3	1.1	0.5	1.9	2.3	0.9	1.6	1.1	1.2
Other debt ratios										
Liquidity coverage ratio (x)	2.0	2.6	1.7	2.9	4.2	5.2	2.4	2.9	1.2	1.4
Direct debt maturing in one year/total direct debt (%)	23.0	9.6	17.5	13.4	17.8	6.8	3.4	6.2	5.0	4.7
Direct debt (annual % change)	-2.0	-8.9	13.7	-6.6	17.5	0.0	0.0	0.0	3.7	5.7
Apparent cost of direct debt (interest paid/direct debt) (%)	1.1	1.0	0.9	1.0	1.2	2.0	1.9	2.2	2.3	2.3
Revenue ratios (%)										
Tax revenue/total revenue	42.3	40.8	42.3	43.7	43.1	43.0	43.2	43.8	43.7	44.2
Current transfers received/total revenue	29.7	32.2	30.2	30.2	30.5	31.2	31.5	31.4	31.1	31.2
Interest revenue/total revenue	1.2	1.3	1.0	2.2	2.5	2.9	2.1	2.1	2.5	2.1
Capital revenue/total revenue	1.1	0.7	0.7	0.5	0.8	0.7	1.8	0.9	1.2	1.0
Expenditure ratios (%)										
Staff expenditure/total expenditure	33.0	31.4	32.6	33.6	33.9	0.0	0.0	0.0	0.0	0.0
Current transfers made/total expenditure	39.2	42.2	42.1	41.2	41.0	0.0	0.0	0.0	0.0	0.0
Interest expenditure/total expenditure	1.4	0.5	0.4	0.5	0.6	0.0	0.0	0.0	0.0	0.0
Capital expenditure/total expenditure	7.8	7.6	6.0	5.9	5.5	6.6	6.4	6.6	6.6	6.7

rc - rating case

Source: Fitch Ratings, Canton of Zurich

Appendix C: Data Adjustments

Net Adjusted Debt Calculations

Fitch's net adjusted debt comprises short- and long-term debt, amounting to CHF865 million and CHF4,983 million, respectively, at end-2024. We considered CHF253 million as other Fitch-classified debt and we deducted the canton's cash of CHF849 million at end-2024, resulting in net adjusted debt of CHF5,252 million.

Synthetic Coverage Calculation

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.

Specific Adjustments

The following all relate to 2024:

- Removed CHF580 million of depreciations from the canton's operating expenditure
- Removed CHF212 million of allowances from the canton's interest revenue
- Removed CHF280 million of pass-through revenues and costs each from its operating revenue and opex

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