# 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.

## 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 Switzerland's largest cantonal economy, contributing about one-fifth of national GDP and with above-average GDP per capita. Its diversified, high-value-added economy is driven by financial and business services, IT, life sciences, research and higher education. Its population was 1.6 million at end-2025, or 18% of Switzerland's total.

## Financial Data Summary

| (CHFm) | 2025 | 2030rc |
|---|---|---|
| Economic liability burden (%) | 14.4 | 13.3 |
| Payback ratio (x) | 5.8 | 19.8 |
| Synthetic coverage (x) | 2.3 | 0.6 |
| Actual coverage (x) | 1.5 | 0.8 |
| Fiscal debt burden (%) | 27.2 | 34.9 |
| Net adjusted debt | 5,458 | 7,622 |
| Operating balance | 934 | 385 |
| Operating revenue | 20,064 | 21,839 |
| Debt service | 624 | 472 |
| Mortgage-style debt annuity | 403 | 545 |

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

## Climate Vulnerability Signals

| | |
|---|---|
| 2035 Climate Vulnerability Signal | 32 |
| Transition (Climate.VSt) | 12 |
| Physical (Climate.VSp) | 32 |

## Applicable Criteria

International Local and Regional Governments Rating Criteria (March 2026)

## Related Research

Fitch Affirms Canton of Zurich at 'AAA'; Outlook Stable (October 2026)

Fitch Affirms Switzerland at 'AAA'; Outlook Stable (March 2026)

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The affirmation of Canton of Zurich's ratings reflects Fitch Ratings' unchanged assessment of Zurich's Standalone Credit Profile (SCP) at 'aaa'. This is in turn reflects the canton's 'Stronger' risk profile and a financial profile assessed at 'aa' under Fitch's *International Local and Regional Governments (LRG) Rating Criteria*.

## Key Rating Drivers

**Standalone Credit Profile – 'aaa':** The SCP reflects an economic liability burden (ELB) in the 'aaa' category and a payback in the 'bb' category at 19.8x, which are both at the higher end of their respective categories. Both the risk profile and the financial profile are at the high end of their respective categories. The SCP also factors in a peer comparison.

**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. Zurich's IDR is not capped by Switzerland's sovereign rating (AAA/Stable) and no other rating factors affect the rating.

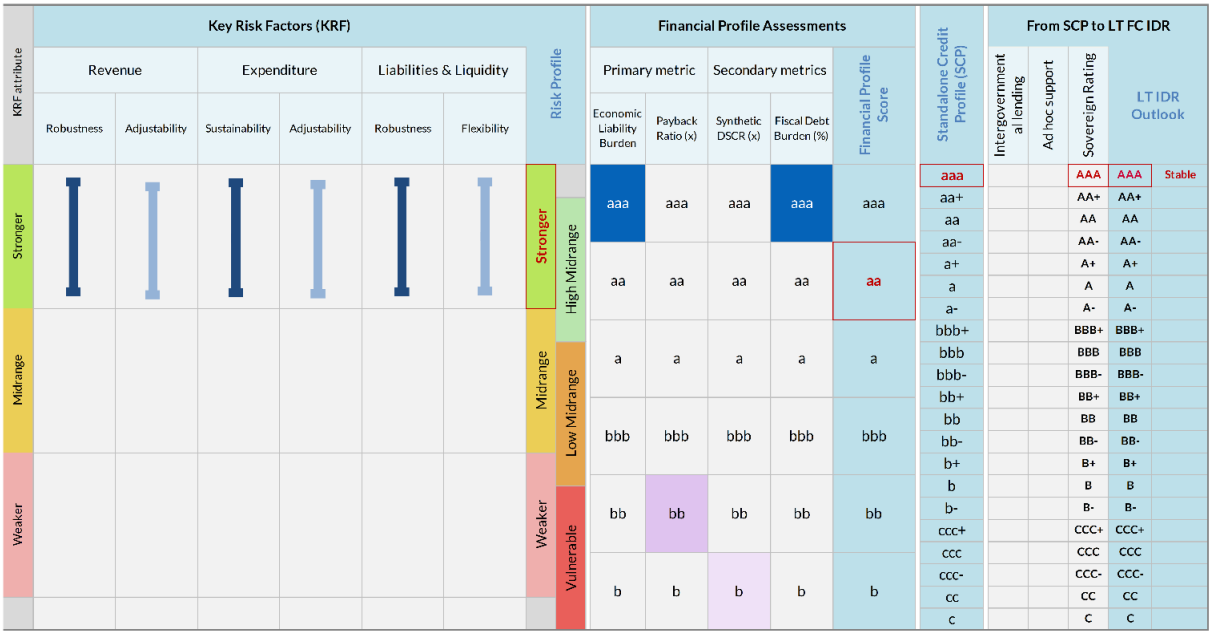
**'Stronger' Risk Profile:** The 'Stronger' risk profile reflects a very low risk relative to international peers that Zurich may see its ability to cover debt service by its operating balance weaken unexpectedly in 2025-2029 either because of revenue falling short of expectations, spending above expectations, or an unanticipated rise in liabilities or debt-service requirements.

**Financial Profile of 'aa':** Our rating case is for Zurich's ELB to decline to 13.3% in 2030 from 14.4% in 2025 and for its payback ratio to deteriorate to 19.8x from 6.2x. Debt-service coverage (Fitch's synthetic calculation) will also decline from 2.2x in 2025 to 0.7x in 2030 and its fiscal debt burden from 28.9% to 34.9%. Our rating case is based on conservative GDP growth assumptions to test rating resilience through the economic cycle.

Zurich's Long-Term IDR is 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.

## Rating Synopsis

**Zurich, Canton of LT IDR Derivation Summary**




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 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. The SCP, together with some additional factors not captured in the SCP, such as extraordinary support or the rating cap, produces the IDR.

## Rating Sensitivities

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

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

### 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.

## Issuer Profile

Swiss cantons operate under the Harmonized Accounting Model (HAM2), which was adopted by all cantons by end-2018. HAM2 applies accrual accounting and provides a common, structured framework for presenting cantonal accounts. Financial reporting is public and subject to transparency and understandability principles. Cantonal financial management is also supported by economic and revenue forecasting and prudent long-term planning.

Switzerland's federal framework provides its 26 cantons with substantial institutional and fiscal autonomy. Cantons have their own constitutions, governments, parliaments and courts, and retain all powers not assigned to the Confederation under the Federal Constitution. Both the Confederation and cantons have fiscal sovereignty, while municipalities exercise delegated powers. Cantons set their own tax laws and rates, collect most direct taxes, including certain federal taxes on behalf of the Confederation, and have broad discretion over spending their revenues, subject to federal tax-harmonisation requirements.

The national fiscal equalisation system mitigates differences in cantonal financial capacity and compensates certain structural expenditure pressures. In 2025, resource equalisation totalled CHF4.839 billion and was funded 60% by the Confederation and 40% by financially stronger cantons; Zurich was the largest gross contributor, while Bern was the largest beneficiary. A separate, federally funded expenditure-compensation mechanism totalled CHF911 million.

This component of Switzerland's National Fiscal Equalisation system comprises two elements: the Geographical-Topographical Compensation, addressing structural extra costs beyond cantons' control that arise from challenging geography, extreme topography, or sparse population density; and the Socio-Demographic Compensation, addressing comparable costs linked to population structure or a canton's function as an urban centre. Geneva was its largest beneficiary. On a net basis across both mechanisms, Zug was the largest contributor at CHF431 million, followed by Zurich at CHF419 million, while Bern was the largest recipient at CHF1,433 million.

Zurich is in north-eastern Switzerland having a border to Germany in the north. It has 1.6 million inhabitants (18% of the national population), which grew by 12% over the past decade, primarily due to migration. The canton anticipates population growth of around 20% over the next 30 years, to about 1.9 million by 2055. Growth is expected to remain driven by international immigration, while the contribution from the natural population balance is projected to diminish. The canton's projections assume that Zurich remains an attractive place to live and work, particularly for younger residents. This should positively contribute to the canton's economic development.

Zurich is Switzerland's largest cantonal economy and a key driver of national output. It generated GDP of CHF179.9 billion in 2025, equivalent to 20.4% of Swiss GDP, and had GDP per capita of CHF117,027, placing it among the country's wealthiest cantons on this measure (18% above the national average). Zurich's economic scale is underpinned by its large population, broad employment base and high value-added service economy; it accounts for about a fifth of Swiss GDP and provides one in five jobs nationally.

The canton benefits from Switzerland's high national wealth and stable institutional environment. Swiss household net worth increased by CHF226 billion in 2025 to CHF5.132 trillion, supported by financial assets and residential real estate, although these figures are national rather than canton-specific. Zurich's own wealth creation is reflected in its above-average GDP per capita, its role as the country's principal financial centre and its concentration of high-productivity activities. The canton's financial and insurance sector, together with professional services, information and communication, life sciences, research and education, supports a comparatively resilient and diversified tax base.

Zurich's medium- to long-term economic potential is supported by a diversified knowledge-intensive economy, strong research institutions and international connectivity. Finance employs 90,993 people, or 7.9% of all jobs in the canton, while information and communication represents 6.4% of employment; legal, consulting, engineering and research-and-development services account for a further 12.2%. The canton also benefits from ETH Zurich, the University of Zurich and the Zurich University of Applied Sciences, which support innovation and skilled-labour supply. Key growth areas include financial services and fintech, information technology, biotechnology and life sciences, artificial intelligence, cleantech and other advanced technologies. Zurich Airport and the Greater Zurich Area's international business network further support access to global markets, investment and talent.

### Socioeconomic Indicators

| | Zurich | Switzerland |
|---|---|---|
| Population, 2025 (m) | 1.6 | 8.9 |
| GDP per capita, 2025 (CHF) | 117,027 | 99,019 |
| GRP growth, 2025 (%) | 1.6 | 1.6 |
| Inflation, 2025 (%) | 0.1 | 1.0 |
| Unemployment rate, 2025 (%) | 2.6 | 2.8 |

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 Long-Term Foreign-Currency IDR of 'AAA' is based on the canton's SCP of 'aaa'. The IDR is not capped by Switzerland's sovereign rating and no other rating factors affect the rating.

### Revenue Robustness: Stronger

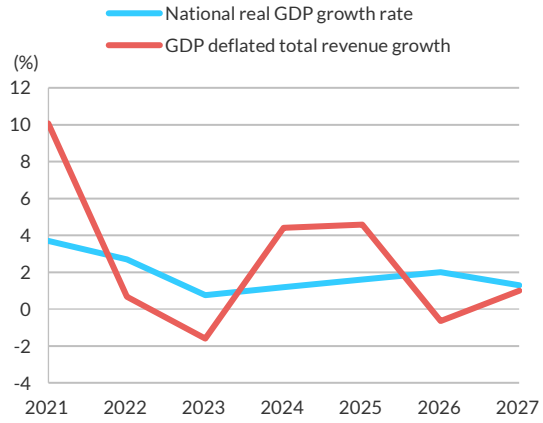
We assess Zurich's revenue robustness as 'Stronger', supported by stable, diversified sources with growth aligned to national GDP. Taxes comprised 44.2% of operating revenue in 2025, based on a moderately cyclical revenue profile. Personal income tax is dominant, accounting for 73% of tax revenue. Transfers (31.5%) and fees, fines and other operating revenue (24.3%) form the other key pillars. Personal income tax (PIT) has risen consistently and, together with transfers and fees and fines, has limited volatility. Zurich's role as Switzerland's main GDP contributor and its above-average wealth underpin a stable revenue base.

We deem Zurich's revenue robustness to be 'Stronger', reflecting its broad fiscal autonomy, large and diversified tax base, and strong economic fundamentals. Zurich is Switzerland's largest cantonal economy, with above-average GDP per capita and a diversified concentration of high-value-added activities, including financial services, professional services, information and communication technology, life sciences, research and higher education. This supports substantial own-source revenue generation and limits reliance on more volatile or narrow revenue streams.

The canton has extensive discretion to levy and adjust cantonal taxes within Switzerland's federal framework. It collects the majority of direct taxes, including personal income and wealth taxes and corporate profit taxes, and can determine its tax rates and spending priorities. This flexibility provides capacity to respond to revenue pressure, while the broad base of resident households and businesses supports revenue stability. Although receipts from corporate taxation and the financial sector may be cyclical, Zurich's economic diversification, high household wealth and large employment base mitigate concentration risk.

Zurich also benefits from Switzerland's well-established fiscal equalisation system, which supports the overall stability of cantonal public finances. As a financially strong canton, Zurich is generally a net contributor to the system; this represents a recurring budgetary obligation but does not undermine its revenue-generating capacity. Overall, the combination of strong local tax-raising powers, a wealthy and diversified economy, and a sizeable, resilient tax base supports a Strong assessment of revenue robustness.

**Real Total Revenue and GDP Growth**




Source: Fitch Ratings, Canton of Zurich

**Revenue Breakdown, 2025**

| (%) | Operating revenue | Total revenue |
|---|---|---|
| PIT | 32.2 | 31.1 |
| CIT | 8.3 | 8.0 |
| Other taxes | 3.7 | 3.6 |
| Transfers | 31.5 | 30.3 |
| Other operating revenue | 24.3 | 23.4 |
| **Operating revenue** | **100.0** | **96.4** |
| Interest revenue | - | 2.8 |
| 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

Zurich's revenue adjustability is driven by Switzerland's long-established, rules-based and predictable inter-cantonal fiscal equalisation system. Zurich is generally a net contributor, but the transparent methodology and institutionalised recalibration of the framework provide good visibility over its equalisation obligations and limit the risk of abrupt changes. The canton also retains discretion to adjust cantonal tax rates, supported by its large and diversified tax base, providing additional flexibility to respond to revenue pressures.

We deem Zurich's revenue adjustability to be 'Stronger', primarily reflecting the established and predictable operation of Switzerland's inter-cantonal fiscal equalisation system. The system has a long record, is embedded in the federal institutional framework and provides a transparent mechanism for redistributing resources among cantons. This supports the stability and predictability of cantonal revenue frameworks over the medium term.

Zurich is a financially strong canton and generally a net contributor to fiscal equalisation. While this creates a recurring expenditure-like obligation and can constrain the full retention of growth in its tax capacity, the framework is rules-based and well understood. The calculation methodology, periodic recalibration and institutionalised nature

of transfers provide visibility over the canton's equalisation position and limit the risk of abrupt, discretionary changes in revenue flows.

In addition, Zurich has discretion to adjust cantonal tax multipliers and therefore its own-source tax revenues, subject to the applicable legal and political process. Its large and diversified tax base provides practical capacity to use this flexibility if needed. Overall, the durability of the revenue-equalisation framework, coupled with Zurich's tax-setting powers and strong underlying revenue base, supports a 'Stronger' assessment of revenue adjustability.

### Expenditure Sustainability: Stronger

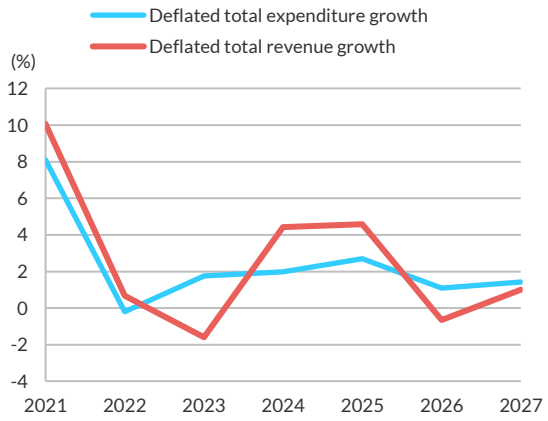
Zurich's expenditure sustainability reflects prudent fiscal management, formal fiscal rules and multi-year financial planning. Its expenditure responsibilities are predictable within Switzerland's stable federal framework, while the canton has demonstrated capacity to align spending with recurring revenue and manage cyclical pressures. Healthcare, education, transport and social spending create structural pressures, but Zurich retains flexibility over the pace and composition of discretionary expenditure, supporting our assessment.

We deem Zurich's expenditure sustainability to be 'Stronger', reflecting its prudent fiscal management, sound expenditure controls and the high predictability of its service-delivery responsibilities within Switzerland's established federal framework. The canton has a record of aligning expenditure with recurring revenue and maintaining budgetary discipline, supported by formal fiscal rules and multi-year financial planning.

Expenditure pressures are mitigated by Zurich's strong economic and fiscal capacity, although the canton faces structural demands related to healthcare, education, transport infrastructure and social services. These responsibilities are broadly stable and shared across levels of government, while the canton has scope to manage the pace and composition of discretionary spending through its budget process. The predictable distribution of responsibilities between the federal government, cantons and municipalities limits the risk of material unanticipated cost shifting.

Zurich's high degree of institutional stability, transparent budgetary framework and demonstrated ability to absorb cyclical revenue movements without sustained operating deficits support the 'Stronger' assessment.

**Real total Expenditure and Revenue Growth**




Source: Fitch Ratings, Canton of Zurich

**Expenditure Breakdown, 2025**

| (%) | Operating expenditure | Total expenditure |
|---|---|---|
| Staff cost | 36.0 | 33.7 |
| Goods and services | 19.2 | 18.0 |
| Transfers | 44.2 | 41.4 |
| Other operating expenditure | 0.6 | 0.5 |
| **Operating expenditure** | **100.0** | **93.5** |
| Interest expenditure | - | 0.6 |
| Capital expenditure | - | 5.9 |
| **Total expenditure** | **-** | **100.0** |

Note: Figures may not tally due to rounding.
Source: Fitch Ratings, Fitch Solutions, Canton of Zurich

### Expenditure Adjustability: Stronger

Zurich's expenditure adjustability reflects meaningful discretion to adjust expenditure through its annual budget process and multi-year planning. Its responsibilities are clearly allocated and predictable within Switzerland's federal framework, limiting the risk of abrupt cost transfers. Spending on core services and personnel is partly inflexible, but Zurich's established budgetary controls and financial-management capacity support timely corrective action in response to fiscal pressures.

The 'Stronger' assessment reflects our view, that the canton has a meaningful discretion over budget implementation and a demonstrated ability to contain or reprioritise spending when needed. Within Switzerland's stable federal framework, the canton's expenditure responsibilities are clearly allocated and largely predictable, reducing the risk of sudden cost transfers from other levels of government.

Zurich can adjust the pace, timing and composition of discretionary expenditure, notably in such areas as investment, grants and certain operating outlays, through its annual budget process and multi-year financial planning. While

spending on education, healthcare, social services and personnel is partly inflexible in the short term, the canton's strong financial management framework and institutional capacity support timely corrective action. Its broad fiscal capacity and established budgetary controls further enhance its ability to absorb cost pressures without undermining service delivery or fiscal balance.

The assessment is further supported by the canton's statutory requirement to maintain a balanced budget over the medium term for the 2021-2028 planning period, which underpins fiscal discipline. The current planning period is expected to record an aggregate surplus and therefore does not require additional corrective measures. However, the canton has recently implemented material cost-containment measures across departments to restore an overall surplus. In Fitch's view, this demonstrates its ability to adjust operating expenditure when required.

The assessment is also supported by the canton's recurring underspending against its investment budget, which indicates flexibility to defer, rescale or reprioritise capital expenditure when necessary. This provides an additional adjustment lever in periods of fiscal pressure, although persistent under execution could delay infrastructure delivery if maintained over an extended period. In 2025, Zurich budgeted CHF1.6 billion of investments, with CHF1.2 billion being spent.

### Liabilities and Liquidity Robustness: Stronger

Zurich's liabilities and liquidity robustness is supported by prudent debt and treasury management, low refinancing risk and strong access to domestic bank and capital-market funding. Its liquidity is underpinned by substantial cash balances and flexibility in funding plans. Zurich's stable institutional framework and robust financial-management practices support timely debt service and refinancing.

We assess Zurich's liabilities and liquidity robustness as 'Stronger', reflecting its prudent debt management, low refinancing risk and strong access to liquidity. The canton benefits from a deep domestic capital market, a broad and diversified investor base, and established access to bank and capital-market funding. Its debt profile is generally characterised by manageable maturities and limited exposure to foreign-currency or other market risks.

At end-2025, the canton's direct debt was CHF6.2 billion, up by CHF320 million from end-2024. Despite the increase, Zurich's debt is lower than most cantons at just under 29% of its operating revenue. The canton is further not exposed to foreign-currency and floating-rate risk and has a sound maturity profile. The weighted average life of debt was 9.1 years in 2025 and the debt maturing averages at about CHF350 million a year in 2026-2030. In 2025, the debt service (Fitch's calculation) was above 2x, meaning the canton was able to cover its annual debt service two times by its operating balance. The moderate debt burden is reflected also in its very low ELB, which was 15% in 2025, the lowest in Fitch's 'AAA' publicly rated LRG portfolio.

Zurich's liquidity position is supported by substantial cash balances, conservative treasury management and the ability to adjust funding plans if required. The canton reported cash of CHF966 million at end-2025, up by CHF115 million, always covering Zurich's debt servicing needs. Liquidity is further supported by a committed credit line of CHF300 million with the wholly owned Zuercher Kantonalbank (ZKB; AAA/Stable) and additional uncommitted CHF450 million.

The canton has a pension fund for its public employees, limiting its exposure to pension obligations. In 2025, Zurich reported CHF186 million of contingent liabilities towards this fund according to IPSAS 39, but this is for reporting purposes only and is not a binding obligation. The remaining guarantees of CHF230 million in 2025 are low in the context of the canton's budget size and are not showing a single concentration risk.

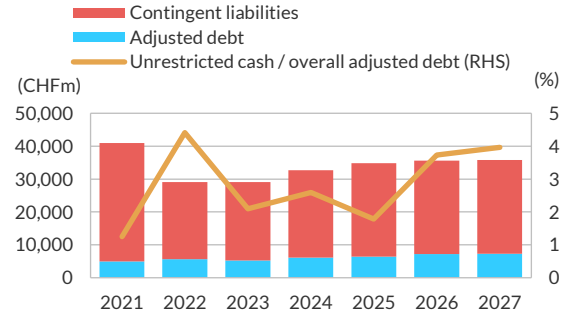
The canton's exposure to its majority-owned entities appears manageable overall, although it is concentrated in a small number of strategically important public-sector entities and ZKB. The canton holds 100% interests in ZKB, Elektrizitätswerke des Kantons Zürich (EKZ), SVA Zurich and several public-law institutions. It also consolidates other entities, including the University of Zurich. The canton's investment in administrative assets totals CHF3 billion, of which CHF2.425 billion relates to ZKB and CHF0.5 billion to its 33.3% holding in Flughafen Zürich AG; these two holdings therefore account for most of the reported carrying value.

ZKB represents the most material contingent exposure, as the canton is statutorily liable for all of the bank's obligations (which we assess at CHF24.1 billion at end-2025) should its own funds prove insufficient, excluding subordinated liabilities and participation capital. This exposure is mitigated by the bank's regulatory capital ratios, including a 17.9% going-concern ratio and a 7.8% gone-concern ratio at end-2025. The canton has also reserved CHF1 billion of unutilised participation-capital capacity for the bank's emergency planning.

Exposure to EKZ appears limited by its strong standalone financial position. EKZ reported equity of CHF2.475 billion at end-2025, an 87% equity ratio and low debt, while the canton assesses the likelihood of a capital injection as very low. Its risk profile is nevertheless exposed to electricity-market developments and renewable-energy investments, although these are mitigated by diversified activities and its low-risk regulated network business.

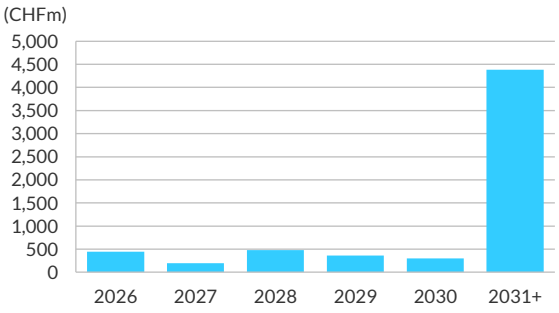
The canton's other majority-owned public-law entities generally create lower direct financial exposure. For example, the state is not liable for SVA Zurich's obligations or administrative-cost deficits, subject to specified federal-law exceptions. The canton's participation-reporting framework requires ownership strategies, reporting and risk assessments for significant participations, providing a mechanism to monitor entities that may pose material risks to the cantonal budget, economy or reputation.

### Overall Adjusted Debt Structure




Source: Fitch Ratings, Canton of Zurich

### Debt Maturity Profile




Source: Fitch Ratings, Canton of Zurich

### Liabilities and Liquidity Flexibility: Stronger

Zurich has a proven record of good access to capital markets, with high demand for its bond issues. The canton further has excess cash in a committed credit line with ZKB. It also has access to the Swiss National Bank and the central government to meet emergency liquidity needs.

### Debt Analysis

| | 2025 |
|---|---|
| Fixed rate (% of direct debt) | 107 |
| Debt in foreign currency (% of direct debt) | 0 |
| Apparent cost of debt (%) | 1 |
| Weighted average life of debt (years) | 9.1 |

Source: Fitch Ratings, Canton of Zurich

### Liquidity

| (CHFm) | 2025 |
|---|---|
| Total cash, liquid deposits and sinking funds | 966 |
| Restricted cash | 0 |
| Cash available for debt service | 966 |
| Undrawn committed credit lines | 300 |

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 *LRG Rating Criteria*, as 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 ELB, which is strongly related to central government debt.

We assess Zurich's ELB at 13.3% in our rating case for 2026-2030 (2025: 14.4%), which corresponds to 'aaa' and the debt payback ratio at 19.8x (bb). The secondary metrics, including the synthetic debt service coverage and the fiscal debt burden, are assessed at 0.7x (b) and 34.9% (aaa), respectively. This leads to a 'aa' financial profile. This considers the payback and the debt service coverage below the 'aa' category.

Zurich's operating performance remains consistent with an 'aa' financial profile, supported by a large and resilient own-source revenue base, prudent financial management and a record of budgetary outperformance. The canton recorded a CHF727 million surplus in 2025, CHF629 million above the revised budget. This was driven by CHF664 million higher tax revenue and a higher Swiss National Bank distribution. State tax revenue totalled about CHF8.9 billion, equivalent to around 44% of operating revenue, underlining the importance of the canton's broad tax base.

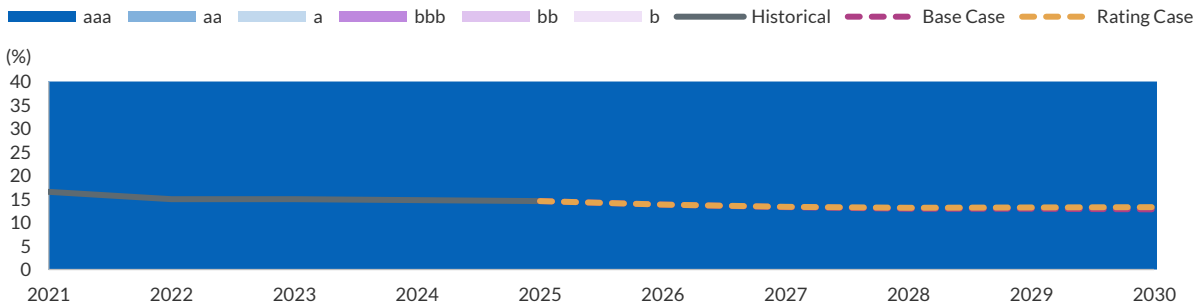
The 2025 result also reflected expenditure underspending and demonstrates some in-year budget flexibility. Investment spending was CHF345 million below budget, while selected operating functions reported lower personnel costs due to delayed recruitment and lower-than-planned transfers or service costs. For example, the cantonal contribution to the Zurich Transport Network was CHF4.1 million below budget, following lower compensation to cost-financed transport operators. Such underspending may partly reflect timing effects and deferred expenditure, but it supports the canton's record of conservative budgeting and expenditure control.

Operating performance is expected to normalise over 2027-2030 as the exceptionally high 2025 revenue result is not repeated. The medium-term plan 2026-2030 of Zurich incorporates lower financial income from participations and distributions relative to 2025, including lower assumed dividends from ZKB and Airport Zurich. It also identifies expenditure pressures from inflation, personnel, public transport, healthcare, education, digitalisation and environmental programmes. For example, the planned cantonal contribution to the Zurich University of Applied Sciences rises from CHF230.8 million in 2026 to CHF260.7 million in 2030, while the medium-term plan includes additional expenditure for innovation, transport and environmental measures.

Nevertheless, the canton's multi-year financial planning framework, supported by the Finance Administration's responsibility for the budget, medium-term plan, financial reporting, treasury and overall expenditure management, provides a strong basis to manage these pressures. The government reports that 52 of 59 measures under its legislative programme are proceeding as planned, with only three delayed. Zurich's broad tax base, capacity to manage expenditure, and conservative planning for more volatile financial income should support continued balanced operating performance.

With an expected operating performance below the relative strong financial year 2025 and the canton's investment programme requiring an increase of its direct debt, like reflected in our rating case, the payback is likely to deteriorate to 19.8x in 2030 (2025: 5.8x), while its ELB is expected to improve to 13.3% from 14.4%, driven by the canton's increasing GDP. However, even further deteriorating payback to the 'a' category, would not result in a change of its financial profile, unless the ELB would significantly decline to above 40%, what Fitch views very unlikely.

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




Source: Fitch Ratings, Canton of Zurich

Fitch's rating action is driven by the following assumptions for reference metrics under our 2026-2030 rating case scenario. These include their respective changes since the last review and weights in the rating decision:

The affirmation is driven by the following assumptions for reference metrics under our 2026-2030 rating case:

- **ELB:** 13.3% in 2030
- **Payback ratio:** 19.8x in 2030
- **Synthetic debt service coverage ratio:** 0.7x in 2030
- **Fiscal debt burden:** 34.9% in 2030

Fitch's rating case is a through-the-cycle scenario, which incorporates a combination of revenue, cost and financial risk stresses. It is based on 2021-2025 published figures and 2026-2030 projected ratios. The key assumptions for the scenario include:

Annual average 1.7% increase in operating revenue, including growth in tax revenue and transfers received of 1.3% and 1.1%, respectively.

Annual average 2.3% increase in opex, reflecting inflation compensation of its employees and targeted staffing additions as well as higher spending needs towards health care, education and transport.

Annual net capex to average EUR1,200 million (2021-2025: EUR1,051 million) that reflects a plan to further improve its educational, healthcare, transport and environmental infrastructure as well as ongoing decarbonisation and property refurbishments.

Apparent cost of debt of 1.5% a year, to reflect rising debt and potential increases in interest expenditure following a long period of lower interest rates.

### Scenario Assumptions Summary

| | | 2026-2030 average | |
|---|---|---|---|
| **Assumptions** | **2021-2025 average** | **Base case** | **Rating case** |
| Operating revenue growth (%) | 4.1 | 1.8 | 1.7 |
| Tax revenue growth (%) | 4.5 | 1.5 | 1.3 |
| Current transfers received growth (%) | 4.8 | 1.1 | 1.1 |
| Operating expenditure growth (%) | 4.2 | 2.2 | 2.3 |
| Net capital expenditure (CHFm) | -1,051 | -1,200 | -1,200 |
| Apparent cost of debt (%) | 1.1 | 1.3 | 1.5 |

| | | 2030 | |
|---|---|---|---|
| **Outcomes** | **2025** | **Base case** | **Rating case** |
| Economic liability burden (%) | 14.6 | 12.9 | 13.3 |
| Payback ratio (x) | 6.2 | 10.6 | 19.8 |
| Overall payback ratio (x) | 36.7 | 55.1 | 93.5 |
| Actual coverage ratio (x) | 1.5 | 1.4 | 0.8 |
| Synthetic coverage ratio (x) | 2.2 | 1.3 | 0.7 |
| Fiscal debt burden (%) | 28.9 | 31.0 | 34.9 |

Source: Fitch Ratings, Canton of Zurich

Fitch's net adjusted debt of CHF5.5 billion at end-2025 reflects Zurich's direct debt (2025: CHF6.2 billion) less unrestricted cash (2025: CHF966 million). Zurich's direct debt of EUR6,168 million consists solely of capital market debt. Its adjusted debt of CHF6,424 million includes CHF256 million of lease liabilities.

Under our rating case, we expect Zurich's direct debt to increase to EUR8,720 million, to fund its investment plan.

Zurich's net overall debt of CHF33.9 billion also includes Zurich's guarantee towards its entirely owned cantonal bank, ZKB (CHF24.1 billion), debt of majority-owned government-related entities and other contingent liabilities (2025: CHF4,307 million). Fitch views the materialisation of Zurich's contingent liabilities as low risk.

# 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 is most comparable to German states, with both having a 'Stronger' risk profile. There are discrepancies between their financial profiles, with the State of Hamburg as the strongest, although Zurich has by far the lowest ELB among all international peers. Other German States like North Rhine-Westphalia or Rhineland-Palatinate have similar paybacks and debt service coverage ratios, but their ELBs are much higher, leading to their 'a' financial profiles. Compared with its international peers, Zurich is by far the strongest 'AAA' rated issuer.

While all international peers have a risk profile of 'Stronger', there are differences towards their financial profiles and only the State of Hamburg, Alberta, Saskatchewan 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 (2025: above 100% for Hamburg; 34.9% for Zurich). The ELB of Zurich is therefore by far the lowest in the peer group, amounting to 14.6% in 2025, while all peers have ELBs above 50% in 2025. In terms of payback, the German States have similar assessments, but in combination with a ELB assessed one-two categories 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 |
| Province of Alberta | High Midrange | aa | aa- | 1 | AA+ | AA/Stable |
| Province of Saskatchewan | High Midrange | aa | aa- | 1 | AA+ | AA/Stable |
| State of New South Wales | Stronger | aa | aaa | n.a. | AAA | AAA/Stable |

Source: Fitch Ratings, Canton of Zurich

# Long Term Rating Derivation

## From SCP to LT FC IDR: Factors Beyond the SCP

| | | Support | | | | | |
|---|---|---|---|---|---|---|---|
| SCP | Sovereign LT FC IDR | Intergovern. financing | Ad hoc support | Floor | Rating cap | Leeway above sovereign (notches) | LT FC IDR |
| 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, Canadian 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 payback at 19.8x, corresponding to 'bb'. 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+'.

## Transaction and Securities

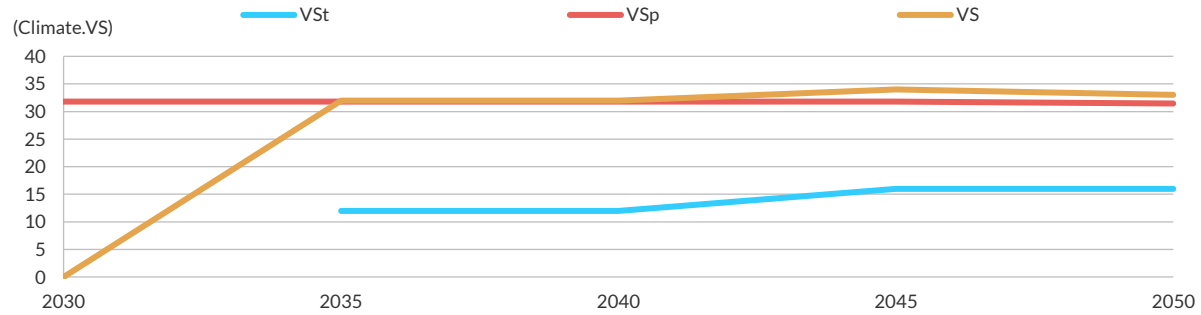
Zurich's senior unsecured debt is rated on a par with its Long-Term IDRs at 'AAA'.

## Climate Vulnerability Signals

Fitch uses Climate Vulnerability Signals (Climate.VS) as a screening tool to identify sectors and Fitch-rated issuers that are potentially most exposed to climate-related risks. If Fitch identifies an entity as higher risk (i.e. its Climate.VS in 2035 is 50 or higher), the entity receives additional analysis and consideration in rating reviews. Climate.VS range from 0 (lowest risk) to 100 (highest risk). For more information on Climate.VS, see Fitch's *LRG Rating Criteria*.

The Climate.VS for 2035 is 32 out of 100. This reflects a VSp of 32 and a VSt of 12.

**Climate Vulnerability Signals**




Source: Fitch Ratings

## 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) | 2021 | 2022 | 2023 | 2024 | 2025 | 2026rc | 2027rc | 2028rc | 2029rc | 2030rc |
|---|---|---|---|---|---|---|---|---|---|---|
| **Fiscal Performance** | | | | | | | | | | |
| Taxes | 7,598 | 7,844 | 8,128 | 8,497 | 8,872 | 8,899 | 8,939 | 9,119 | 9,269 | 9,450 |
| Transfers received | 5,995 | 5,592 | 5,611 | 6,015 | 6,315 | 6,521 | 6,572 | 6,545 | 6,641 | 6,675 |
| Fees, fines and other operating revenue | 4,348 | 4,503 | 4,030 | 4,171 | 4,877 | 4,867 | 4,938 | 5,563 | 5,626 | 5,714 |
| Operating revenue | 17,941 | 17,939 | 17,769 | 18,683 | 20,064 | 20,287 | 20,449 | 21,227 | 21,536 | 21,839 |
| Operating expenditure | -17,089 | -17,197 | -17,836 | -18,542 | -19,130 | -19,496 | -19,859 | -20,850 | -21,193 | -21,454 |
| Operating balance | 852 | 742 | -67 | 141 | 934 | 791 | 590 | 377 | 343 | 385 |
| Interest revenue | 541 | 466 | 728 | 867 | 580 | 443 | 576 | 464 | 462 | 463 |
| Interest expenditure | -99 | -75 | -89 | -116 | -117 | -121 | -128 | -138 | -158 | -172 |
| Current balance | 1,294 | 1,133 | 572 | 892 | 1,397 | 1,113 | 1,038 | 703 | 647 | 676 |
| Capital revenue | 127 | 121 | 96 | 164 | 169 | 163 | 157 | 273 | 263 | 209 |
| Capital expenditure | -1,416 | -1,092 | -1,133 | -1,078 | -1,213 | -1,284 | -1,293 | -1,523 | -1,560 | -1,406 |
| Capital balance | -1,288 | -971 | -1,037 | -914 | -1,044 | -1,121 | -1,136 | -1,250 | -1,297 | -1,197 |
| Total revenue | 18,609 | 18,526 | 18,593 | 19,713 | 20,813 | 20,893 | 21,182 | 21,964 | 22,261 | 22,511 |
| Total expenditure | -18,604 | -18,364 | -19,057 | -19,736 | -20,460 | -20,901 | -21,280 | -22,511 | -22,911 | -23,032 |
| Surplus (deficit) before net financing | 5 | 162 | -464 | -23 | 353 | -8 | -98 | -547 | -650 | -521 |
| New direct debt borrowing | 250 | 525 | 371 | 910 | 865 | 1,162 | 387 | 1,069 | 984 | 736 |
| Direct debt repayment | -807 | -850 | -481 | -210 | -545 | -446 | -200 | -480 | -360 | -300 |
| Net direct debt movement | -557 | -325 | -110 | 700 | 320 | 716 | 187 | 589 | 624 | 436 |
| Overall results | -552 | -163 | -574 | 678 | 673 | 708 | 89 | 42 | -26 | -85 |
| **Debt and Liquidity** | | | | | | | | | | |
| Short-term debt | 450 | 932 | 669 | 865 | 770 | 200 | 480 | 360 | 300 | 525 |
| Long-term debt | 4,237 | 4,397 | 4,311 | 4,983 | 5,398 | 6,684 | 6,591 | 7,300 | 7,984 | 8,195 |
| Intergovernmental debt | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Direct debt | 4,687 | 5,329 | 4,979 | 5,848 | 6,168 | 6,884 | 7,071 | 7,660 | 8,284 | 8,720 |
| Other fitch-classified debt | 264 | 251 | 267 | 253 | 256 | 256 | 256 | 256 | 256 | 256 |
| Adjusted debt | 4,951 | 5,580 | 5,246 | 6,101 | 6,424 | 7,140 | 7,327 | 7,916 | 8,540 | 8,976 |
| Guarantees issued (excluding adjusted debt portion) | 34,221 | 21,624 | 23,025 | 22,466 | 24,140 | 24,140 | 24,140 | 24,140 | 24,140 | 24,140 |
| Majority-owned GRE debt and other contingent liabilities | 1,814 | 1,873 | 834 | 4,135 | 4,307 | 4,307 | 4,307 | 4,307 | 4,307 | 4,307 |
| Overall adjusted debt | 40,986 | 29,077 | 29,105 | 32,702 | 34,871 | 35,587 | 35,774 | 36,363 | 36,987 | 37,423 |
| Total cash, liquid deposits, and sinking funds | 510 | 1,284 | 612 | 849 | 966 | 1,330 | 1,420 | 1,462 | 1,437 | 1,354 |
| Restricted cash | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Unrestricted cash | 510 | 1,284 | 612 | 849 | 966 | 1,330 | 1,420 | 1,462 | 1,437 | 1,354 |
| Net adjusted debt | 4,441 | 4,297 | 4,634 | 5,252 | 5,458 | 5,810 | 5,907 | 6,454 | 7,103 | 7,622 |
| Net overall debt | 40,476 | 27,793 | 28,493 | 31,853 | 33,905 | 34,257 | 34,354 | 34,901 | 35,550 | 36,069 |
| Enhanced net adjusted debt | 4,441 | 4,297 | 4,634 | 5,252 | 5,458 | 5,810 | 5,907 | 6,454 | 7,103 | 7,622 |
| Enhanced net overall debt | 40,476 | 27,793 | 28,493 | 31,853 | 33,905 | 34,257 | 34,354 | 34,901 | 35,550 | 36,069 |
| **Memo:** | | | | | | | | | | |
| Debt in foreign currency/direct debt (%) | 0 | 0 | 0 | 0 | 0 | - | - | - | - | - |
| Issued debt/direct debt (%) | 89 | 77 | 80 | 80 | 83 | - | - | - | - | - |
| Floating interest rate debt/direct debt (%) | 0 | 0 | 0 | 0 | 0 | - | - | - | - | - |

rc - rating case
Source: Fitch Ratings, Canton of Zurich

# Appendix B: Financial Ratios

## Canton of Zurich

| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026rc | 2027rc | 2028rc | 2029rc | 2030rc |
|---|---|---|---|---|---|---|---|---|---|---|
| **Fiscal Performance Ratios (%)** | | | | | | | | | | |
| Operating balance/operating revenue | 4.8 | 4.1 | -0.4 | 0.8 | 4.7 | 3.9 | 2.9 | 1.8 | 1.6 | 1.8 |
| Current balance/current revenue | 7.0 | 6.2 | 3.1 | 4.6 | 6.8 | 5.4 | 4.9 | 3.2 | 2.9 | 3.0 |
| Operating revenue annual growth | 9.2 | 0.0 | -1.0 | 5.1 | 7.4 | 1.1 | 0.8 | 3.8 | 1.5 | 1.4 |
| Operating expenditure annual growth | 9.9 | 0.6 | 3.7 | 4.0 | 3.2 | 1.9 | 1.9 | 5.0 | 1.7 | 1.2 |
| Surplus (deficit) before net financing/total revenue | 0.0 | 0.9 | -2.5 | -0.1 | 1.7 | 0.0 | -0.5 | -2.5 | -2.9 | -2.3 |
| Surplus (deficit) before net financing/GDP | 0.0 | 0.1 | -0.3 | 0.0 | 0.2 | 0.0 | -0.1 | -0.3 | -0.3 | -0.3 |
| Total revenue annual growth | 10.6 | -0.5 | 0.4 | 6.0 | 5.6 | 0.4 | 1.4 | 3.7 | 1.4 | 1.1 |
| Total expenditure annual growth | 8.6 | -1.3 | 3.8 | 3.6 | 3.7 | 2.2 | 1.8 | 5.8 | 1.8 | 0.5 |
| **Debt Ratios** | | | | | | | | | | |
| **Primary Metrics** | | | | | | | | | | |
| Economic liability burden (%) | 16.6 | 15.0 | 15.0 | 14.8 | 14.4 | 13.9 | 13.4 | 13.2 | 13.3 | 13.3 |
| Enhanced economic liability burden (%) | 16.6 | 15.0 | 15.0 | 14.8 | 14.4 | 13.9 | 13.4 | 13.2 | 13.3 | 13.3 |
| Payback ratio (net adjusted debt/operating balance) (x) | 5.2 | 5.8 | -69.4 | 37.2 | 5.8 | 7.3 | 10.0 | 17.1 | 20.7 | 19.8 |
| **Secondary Metrics** | | | | | | | | | | |
| Fiscal debt burden (net debt/operating revenue) (%) | 24.8 | 24.0 | 26.1 | 28.1 | 27.2 | 28.6 | 28.9 | 30.4 | 33.0 | 34.9 |
| Synthetic debt service coverage ratio (x) | 2.6 | 2.4 | -0.2 | 0.4 | 2.3 | 1.8 | 1.3 | 0.8 | 0.6 | 0.6 |
| Actual debt service coverage ratio (x) | 1.0 | 0.8 | -0.1 | 0.5 | 1.5 | 1.4 | 1.8 | 0.6 | 0.7 | 0.8 |
| **Other Debt Ratios** | | | | | | | | | | |
| Liquidity coverage ratio (x) | 2.2 | 1.4 | 2.3 | 2.8 | 2.9 | 2.5 | 5.9 | 2.9 | 3.5 | 3.9 |
| Direct debt maturing in one year/total direct debt (%) | 9.6 | 17.5 | 13.4 | 17.8 | 19.7 | 2.9 | 6.8 | 4.7 | 3.6 | 6.0 |
| Direct debt (annual % change) | -8.9 | 13.7 | -6.6 | 17.5 | 5.5 | 11.6 | 2.7 | 8.3 | 8.2 | 5.3 |
| Apparent cost of direct debt (interest paid/direct debt) (%) | 1.0 | 0.9 | 1.0 | 1.2 | 1.3 | 1.9 | 1.8 | 1.9 | 2.0 | 2.0 |
| **Revenue Ratios (%)** | | | | | | | | | | |
| Tax revenue/total revenue | 40.8 | 42.3 | 43.7 | 43.1 | 42.6 | 42.6 | 42.2 | 41.5 | 41.6 | 42.0 |
| Current transfers received/total revenue | 32.2 | 30.2 | 30.2 | 30.5 | 30.3 | 31.2 | 31.0 | 29.8 | 29.8 | 29.7 |
| Interest revenue/total revenue | 2.9 | 2.5 | 3.9 | 4.4 | 2.8 | 2.1 | 2.7 | 2.1 | 2.1 | 2.1 |
| Capital revenue/total revenue | 0.7 | 0.7 | 0.5 | 0.8 | 0.8 | 0.8 | 0.7 | 1.2 | 1.2 | 0.9 |
| **Expenditure Ratios (%)** | | | | | | | | | | |
| Staff expenditure/total expenditure | 31.4 | 32.6 | 33.6 | 33.9 | 33.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Current transfers made/total expenditure | 42.2 | 42.1 | 41.2 | 41.0 | 41.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Interest expenditure/total expenditure | 0.5 | 0.4 | 0.5 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.7 | 0.8 |
| Capital expenditure/total expenditure | 7.6 | 6.0 | 5.9 | 5.5 | 5.9 | 6.1 | 6.1 | 6.8 | 6.8 | 6.1 |

rc - rating case
Source: Fitch Ratings, Canton of Zurich

# Appendix C: Data Adjustments

## Net Adjusted Debt Calculations

Fitch's net adjusted debt of CHF5.5 billion at end-2025 reflects Zurich's direct debt (2025: CHF6.2 billion) less unrestricted cash (2025: CHF966 million). Zurich's direct debt of EUR6,168 million consists solely of capital market debt. Its adjusted debt of CHF6,424 million includes CHF256 million of lease liabilities.

Zurich's net overall debt of CHF33.9 billion also includes Zurich's guarantee towards its entirely owned cantonal bank, ZKB (CHF24.1 billion), debt of majority-owned government-related entities and other contingent liabilities (2025: CHF4,307 million). Fitch views the materialisation of Zurich's contingent liabilities as low risk.

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 financial profile.

## Specific Adjustments

The following all relate to 2025:

- Removed CHF670 million of depreciations from the canton's operating expenditure.
- Removed CHF237 million of pass-through revenues and costs each from its operating revenue and opex

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