

# Zürcher Kantonalbank grows profit by 7% to CHF 420 million in the first half of 2017

Media release

***Zürcher Kantonalbank significantly increased its net profit to CHF 420 million in the first half of 2017, a rise of 7% compared to the same period of 2016. All income drivers contributed to this pleasing result. With a total capital ratio of 17.9%, Zürcher Kantonalbank has further strengthened its extremely solid capital position.***

Zurich, 25 August 2017 - Martin Scholl, Chief Executive Officer of Zürcher Kantonalbank, commented: "We succeeded in delivering another excellent result in the first six months of 2017. Our performance is especially pleasing against the backdrop of continued geopolitical risks and in view of the generally challenging environment. Our financial result demonstrates the operational strength of our bank and is attributable, in particular, to the successful execution of our strategy, which focuses on diversification and continuity."

## **Income growth despite challenging environment**

Operating income rose by 3% to CHF 1,185 million in the first half of 2017. All income drivers contributed to this growth, with a particularly pleasing increase in net commission and fee income, as well as higher net interest income and trading income.

Interest operations remain the most important income driver, accounting for 50% of the bank's operating income, followed by the commission and fee business at 32% and trading at 16%.

Interest operations produced net income of CHF 598 million, an increase of almost 3% compared to the first half of 2016. That includes a charge for allowances for defaults and losses from interest operations of CHF 7 million (first half of 2016: CHF 10 million). The mortgage business – the main component of interest operations – grew in line with the market during the reporting period. Compared to the end of 2016, mortgage loans rose by CHF 931 million and reached CHF 78,207 million at the end of June 2017.

In the first half of 2017, the bank maintained the positive trend in the commission and fee business and generated a 5% rise in net fee and commission income to CHF 378 million. This increase was largely attributable to the successful performance of the securities and investment business.

Trading income grew by 2% to CHF 187 million compared to the first half of 2016. In the first half of 2017, trading was impacted by continued political uncertainty but also benefited from the generally positive market environment – especially in the equities business. The results for equities, structured products and collateral trading therefore improved compared to the previous year. In contrast, the eurobonds business generated a lower level of income compared to the first half of 2016.

Market risks in the trading book (Value-at-Risk with a 10-day holding period) averaged CHF 12 million and thus remained at a low level in line with the first half of 2016.

### **Cost/income ratio stable at 59.2%**

Operating expenses totalled CHF 706 million in the first half of 2017, up 3% compared to the same period of the previous year. This increase mainly reflects higher personnel expenses, which rose by almost 7% to CHF 501 million. In contrast, other operating expenses decreased by 5% to CHF 205 million. That includes expenses of around CHF 12 million for compensation for the state guarantee that was paid to the Canton of Zurich for the first six months of 2017, compared to CHF 11 million in the first half of 2016.

The charge for impairments on participations as well as the depreciation of tangible fixed assets and intangible assets decreased by 10% to CHF 59 million compared to the first half of 2016. That includes the ordinary write-off of goodwill from the acquisition of Swisscanto. The charge for changes in provisions and other impairments and losses totalled CHF 4 million, compared to CHF 5 million in the same period of the previous year.

At 59.2%, the cost/income ratio was virtually unchanged compared to the same period of 2016 (59.1%).

Operating profit was CHF 417 million for the first half of 2017, corresponding to an increase of 6% compared to the same period of 2016. Extraordinary income totalled CHF 7 million in the first half of 2017, compared to CHF 3 million in the same period of the previous year. No extraordinary expenses were recognised in the reporting period; this compares to extraordinary expenses of CHF 1 million in the first half of 2016. Tax expense was CHF 5 million, compared to CHF 4 million in the first half of 2016. Group profit totalled CHF 420 million for the first half of 2017 compared to CHF 393 million in the first half of 2016, corresponding to an increase of 7%.

Customer assets grew by CHF 9.8 billion to CHF 274.5 billion in the first half of 2017.

### **Capital base further strengthened**

In the first half of 2017, Zürcher Kantonalbank further strengthened its extremely solid capital base through the retention of earnings and the successful launch of a new Additional Tier 1 bond in the amount of CHF 750 million. As of 30 June 2017, Zürcher Kantonalbank had a total capital ratio of 17.9%, compared to 17.3% at the end of June 2016. The common equity tier 1 (CET1) ratio was 15.7%, compared to 15.3% at the end of June 2016. The leverage ratio of 6.9% continued to significantly exceed the 3.5% leverage ratio requirement for systemically relevant banks.

### **Outlook**

Commenting on the outlook, Martin Scholl stated: "With our broadly diversified business model and our close proximity to our customers, we are confident that we can generate another pleasing result in the second half of the year despite the challenging and highly competitive environment."

### **Contact**

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### **Zürcher Kantonalbank**

Zürcher Kantonalbank is a leading universal bank in the Greater Zurich Area, with national roots and international reach. It is an independent public-law institution of the Canton of Zurich and has received top ratings from the rating agencies Standard & Poor's, Moody's and Fitch (AAA or Aaa). With more than 5,000 employees, Zürcher Kantonalbank offers its clients a comprehensive range of products and services. The bank's core activities include financing businesses, asset and wealth management, trading, capital market transactions, deposits, payment transactions and card business. Zürcher Kantonalbank provides customers and distribution partners with a comprehensive range of investment and retirement provision products and services.

# Halbjahresabschluss Konzern

per 30. Juni 2017

<b>Erfolgsrechnung</b>	<i>in Mio. CHF</i>	1. Halbjahr 2017	1. Halbjahr 2016
Geschäftsertrag		1'185	1'149
Geschäftserfolg		417	395
Halbjahreskonzerngewinn		420	393

<b>Kennzahlen</b>	<i>in %</i>	1. Halbjahr 2017	1. Halbjahr 2016
Return on Equity (RoE)		8,0	7,7
Cost Income Ratio (CIR) <sup>1</sup>		59,2	59,1
Quote Hartes Kernkapital (CET1)		15,7 <sup>2</sup>	15,3
Quote Kernkapital (Tier 1)		17,9 <sup>2</sup>	16,2
Quote Gesamtkapital		17,9 <sup>2</sup>	17,3
Leverage Ratio <sup>2</sup>		6,9	7,1
Liquidity Coverage Ratio (LCR) <sup>3</sup>		132,0	113,7

<b>Kundenvermögen</b>	<i>in Mio. CHF</i>	30.06.2017	31.12.2016
Total Kundenvermögen		274'519	264'754

<b>Personalbestand / Geschäftsstellen</b>	<i>Anzahl</i>	30.06.2017	31.12.2016
Personalbestand teilzeitbereinigt per Stichtag		5'115	5'173
Geschäftsstellen <sup>4</sup>		84	89

<b>Ratingagenturen</b>	<i>Rating</i>	30.06.2017	31.12.2016
Fitch		AAA	AAA
Moody's		Aaa	Aaa
Standard & Poor's		AAA	AAA

<sup>1</sup> Berechnung: Geschäftsaufwand im Verhältnis zu Geschäftsertrag (exkl. Veränderungen von ausfallbedingten Wertberichtigungen sowie Verluste Zinsengeschäft).

<sup>2</sup> Gemäss Bestimmungen für systemrelevante Banken.

<sup>3</sup> LCR per Quartalsende.

<sup>4</sup> Inklusive Geschäftsstellen der Zürcher Kantonalbank Österreich AG in Salzburg und Wien sowie sechs Automatenbanken.

# Konzernerfolgsrechnung

per 30. Juni 2017

	1. Halbjahr 2017 in Mio. CHF	1. Halbjahr 2016 in Mio. CHF	Veränderung in Mio. CHF	Veränderung in %
Zins- und Diskontertrag	776	718	58	8,1
Zins- und Dividendenertrag aus Finanzanlagen	25	30	-5	-16,5
Zinsaufwand	-196	-156	-40	25,5
<b>Brutto-Erfolg Zinsengeschäft</b>	<b>605</b>	<b>592</b>	<b>13</b>	<b>2,2</b>
Veränderungen von ausfallrisikobedingten Wertberichtigungen sowie Verluste aus dem Zinsengeschäft	-7	-10	2	-23,1
<b>Subtotal Netto-Erfolg Zinsengeschäft</b>	<b>598</b>	<b>582</b>	<b>15</b>	<b>2,6</b>
Kommissionsertrag Wertschriften- und Anlagegeschäft	394	379	15	4,0
Kommissionsertrag Kreditgeschäft	26	26	-0	-0,6
Kommissionsertrag übriges Dienstleistungsgeschäft	68	62	5	8,7
Kommissionsaufwand	-109	-106	-3	2,6
<b>Subtotal Erfolg Kommissions- und Dienstleistungsgeschäft</b>	<b>378</b>	<b>360</b>	<b>18</b>	<b>4,9</b>
<b>Erfolg aus dem Handelsgeschäft und der Fair-Value-Option</b>	<b>187</b>	<b>183</b>	<b>4</b>	<b>2,1</b>
Erfolg aus Veräusserungen von Finanzanlagen	0	0	0	391,8
Beteiligungsertrag	14	12	3	23,4
– davon aus nach Equity-Methode erfassten Beteiligungen	2	0	2	-
– davon aus übrigen nicht konsolidierten Beteiligungen	13	12	1	10,1
Liegenschaftenerfolg	4	5	-1	-18,2
Anderer ordentlicher Ertrag	4	8	-3	-43,8
Anderer ordentlicher Aufwand	-1	-1	1	-60,7
<b>Subtotal Übriger ordentlicher Erfolg</b>	<b>22</b>	<b>23</b>	<b>-1</b>	<b>-2,6</b>
<b>Geschäftsertrag</b>	<b>1'185</b>	<b>1'149</b>	<b>36</b>	<b>3,2</b>
Personalaufwand	-501	-469	-31	6,7
Sachaufwand	-205	-215	10	-4,6
<b>Subtotal Geschäftsaufwand</b>	<b>-706</b>	<b>-684</b>	<b>-22</b>	<b>3,2</b>
Wertberichtigungen auf Beteiligungen sowie Abschreibungen auf Sachanlagen und immateriellen Werten	-59	-65	6	-9,8
Veränderungen von Rückstellungen und übrigen Wertberichtigungen sowie Verluste	-4	-5	1	-26,5
<b>Geschäftserfolg</b>	<b>417</b>	<b>395</b>	<b>22</b>	<b>5,6</b>
Ausserordentlicher Ertrag	7	3	4	154,3
Ausserordentlicher Aufwand	-0	-1	1	-98,7
Steuern	-5	-4	-0	6,1
<b>Halbjahreskonzerngewinn</b>	<b>420</b>	<b>393</b>	<b>27</b>	<b>6,9</b>

# Konzernbilanz

vor Gewinnverwendung per 30. Juni 2017

	30.06.2017 in Mio. CHF	31.12.2016 in Mio. CHF	Veränderung in Mio. CHF	Veränderung in %
<b>Aktiven</b>				
Flüssige Mittel	36'059	35'336	723	2,0
Forderungen gegenüber Banken	5'036	5'364	-328	-6,1
Forderungen aus Wertpapier-Finanzierungsgeschäften	14'260	14'889	-629	-4,2
Forderungen gegenüber Kunden	7'436	7'509	-74	-1,0
Hypothekarforderungen	78'207	77'275	931	1,2
Handelsgeschäft	9'135	9'472	-337	-3,6
Positive Wiederbeschaffungswerte derivativer Finanzinstrumente	1'514	1'933	-419	-21,7
Übrige Finanzinstrumente mit Fair-Value-Bewertung		20	-20	-100
Finanzanlagen	4'539	4'156	383	9,2
Aktive Rechnungsabgrenzungen	527	360	167	46,4
Nicht konsolidierte Beteiligungen	182	179	4	2,0
Sachanlagen	785	804	-18	-2,3
Immaterielle Werte	153	168	-15	-8,7
Sonstige Aktiven	545	520	25	4,7
<b>Total Aktiven</b>	<b>158'378</b>	<b>157'985</b>	<b>393</b>	<b>0,2</b>
Total nachrangige Forderungen	162	181	-20	-10,8
– davon mit Wandlungsverzicht und / oder Forderungsverzicht	53	44	10	22,2
<b>Passiven</b>				
Verpflichtungen gegenüber Banken	32'422	34'137	-1'715	-5,0
Verpflichtungen aus Wertpapier-Finanzierungsgeschäften	5'111	5'084	27	0,5
Verpflichtungen aus Kundeneinlagen	81'454	80'890	564	0,7
Verpflichtungen aus Handelsgeschäften	2'048	2'656	-608	-22,9
Negative Wiederbeschaffungswerte derivativer Finanzinstrumente	1'357	1'551	-195	-12,5
Verpflichtungen aus übrigen Finanzinstrumenten mit Fair-Value-Bewertung	3'058	3'100	-42	-1,4
Kassenobligationen	209	235	-26	-11,1
Obligationenanleihen	10'908	9'329	1'579	16,9
Pfandbriefdarlehen	9'162	8'384	778	9,3
Passive Rechnungsabgrenzungen	556	683	-126	-18,5
Sonstige Passiven	645	506	138	27,3
Rückstellungen	585	636	-51	-8,0
Gesellschaftskapital	2'425	2'425		
Gewinnreserve	8'026	7'686	340	4,4
Währungsumrechnungsreserve	-7	-8	1	-9,9
Halbjahreskonzerngewinn	420	691	-271	-39,2
<b>Eigenkapital</b>	<b>10'863</b>	<b>10'793</b>	<b>70</b>	<b>0,6</b>
<b>Total Passiven</b>	<b>158'378</b>	<b>157'985</b>	<b>393</b>	<b>0,2</b>
Total nachrangige Verpflichtungen	1'473	1'298	175	13,5
– davon mit Wandlungsverzicht und / oder Forderungsverzicht	1'473	1'298	175	13,5
<b>Ausserbilanzgeschäfte</b>				
Eventualverpflichtungen	3'975	4'483	-508	-11,3
Unwiderrufliche Zusagen	7'926	7'506	420	5,6
Einzahlungs- und Nachschussverpflichtungen	233	233	-0	-0,0
Verpflichtungskredite				