

8 February 2019

*Media release*

## **2018 net profit rises to CHF 788 million**

- **Very good operating performance driven by solid income of CHF 2,320 million and strong cost discipline**
- **Significant growth in operating profit of 14% to CHF 892 million**
- **Strong net inflow of new money totalling CHF 18.0 billion, with pleasing inflows across all business areas**
- **Customer assets increase to CHF 295.2 billion**
- **Capital position remains extremely strong with total capital ratio of 20.2% and leverage ratio of 6.8%**
- **Canton and municipalities to receive CHF 345 million, in line with the previous year**

Zurich, 8 February 2019 - In the financial year 2018 – after the allocation of CHF 200 million to reserves for general banking risks – Zürcher Kantonalbank generated a net profit of CHF 788 million, an increase of 1% compared to the previous year. This was driven primarily by solid income growth as well as continued strong cost discipline. The Canton of Zurich and the municipalities will receive CHF 345 million, in line with the previous year.

Commenting on the financial result, Martin Scholl, Chief Executive Officer of Zürcher Kantonalbank, stated: "In a challenging environment, we delivered a very good operating result for the financial year 2018. This once again demonstrates the value of our broadly diversified business model and our strategy, which places an emphasis on continuity."

Turning to the outlook, Martin Scholl added: "With increasing signs of an economic slowdown, as well as numerous geopolitical uncertainties, it is difficult to provide a reliable forecast for the current year. However, we are confident that even in a continued challenging environment, we can generate a pleasing result thanks to our strong position, our balanced business model and our universal bank strategy."

### **Solid income growth**

Operating income totalled CHF 2,320 million in the financial year 2018, following a record result of CHF 2,336 million in the previous year. The slight growth in income from interest operations and in net commission and fee income in 2018 did not fully offset the decline in trading income. Other ordinary income increased significantly on the back of higher investment income.

Net interest income totalled CHF 1,213 million in the financial year 2018, corresponding to an increase of 1%. This includes a charge for changes in allowances for defaults and losses from interest operations of CHF 10 million (previous year: CHF 9 million). Volumes in the mortgage business – the main income stream – increased by 2.7% and thus grew somewhat more slowly than the market as a whole. At the end of 2018, mortgage loans therefore rose by CHF 2.2 billion to CHF 81.3 billion.

Following significant growth in the previous year, a further increase in net commission and fee income to CHF 776 million (+1%) was recorded in the financial year 2018. While turbulent market conditions had a negative impact on customer assets and therefore also on income, the launch of the new Investment World had a positive effect. Income from the other service business also improved significantly, especially in the area of payment transactions.

The market environment, which was impacted by geopolitical risks, led to subdued levels of client activity in the trading business. Against this backdrop, trading income declined by 14% to CHF 286 million compared to the previous year. 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.

### **Continued strong cost discipline with a stable cost/income ratio**

Driven by continued strong cost discipline, operating expenses declined slightly to CHF 1,430 million, compared to CHF 1,434 million in the previous year. The slight increase in other operating expenses, which rose to CHF 428 million (+1%), was more than offset by lower personnel costs of CHF 1,002 million (-1%). At 61.4%, the cost/income ratio remained at a good level for this type of business model.

Impairments on participations as well as the depreciation of tangible fixed assets and intangible assets rose by CHF 72 million to a total of CHF 192 million. The increase was primarily attributable to an extraordinary goodwill amortization at Swisscanto in connection with the sale of Swisscanto Funds Centre Ltd.

In contrast, changes in provisions and other impairments and losses had a positive impact totalling CHF 194 million on the income statement, driven mainly by the reversal of provisions recorded in connection with the settlement of the US tax dispute. Against this backdrop, operating income rose by 14% to CHF 892 million in line with the previous year.

Extraordinary income grew by CHF 95 million to CHF 103 million compared to the previous year. This was mainly attributable to the sale of Swisscanto Funds Centre Ltd. in London to Clearstream. The creation of reserves for general banking risks reduced the bottom line by CHF 200 million.

This resulted in a net profit of CHF 788 million (+1%).

### **Stable dividend for the Canton and municipalities**

The Canton of Zurich and the municipalities will participate in the profit generated by Zürcher Kantonalbank with a dividend totalling CHF 358 million. This represents a slight decrease (-1%) compared to the previous year. However, this is due exclusively to a lower share of the cost of capital: The sum paid to the Canton to cover the cost of capital decreased by CHF 5 million compared to the previous year to CHF 13 million. Excluding the share of the cost of capital, the Canton of Zurich and the municipalities will receive CHF 345 million, in line with the previous year. Of this sum, a dividend of CHF 230 million will be paid to the Canton of Zurich and a dividend of CHF 115 million to the political municipalities.

In addition, the Canton received CHF 22 million for the state guarantee (previous year: CHF 23 million).

### **Pleasant increase in customer assets due to very good net inflow of new money**

Customer assets rose to CHF 295.2 billion at the end of 2018, corresponding to an increase of around 2% compared to the end of 2017. This growth was driven by the strong net inflow of new money, which totalled CHF 18.0 billion. All business areas contributed to the pleasing generation of new money, particularly the Corporate Clients business, which recorded very strong inflows. In contrast, negative market developments reduced customer assets by CHF 11.6 billion.

### **Extremely solid capital position**

Zürcher Kantonalbank further strengthened its capital base in the financial year 2018. Eligible capital totalled CHF 12,658 million at the end of 2018, compared to CHF 12,019 million at the end of 2017. The total capital ratio was 20.2%, compared to 18.8% in the previous year, and the common equity tier 1 (CET1) ratio was 17.8%, compared to 16.5%. The leverage ratio was unchanged at 6.8% at the end of 2018.

With its extremely solid capital position, Zürcher Kantonalbank significantly exceeds all regulatory requirements. This is also the case for the additional gone-concern requirements that entered into effect at the start of 2019 for systemically important banks focusing on the Swiss market. These additional requirements have to be met by 2026.

### **Contact**

Zürcher Kantonalbank Media Relations, telephone +41 44 292 29 79, [medien@zkb.ch](mailto:medien@zkb.ch)

### **Zürcher Kantonalbank**

Zürcher Kantonalbank is a leading universal bank in the Zurich economic area with Swiss roots and international reach. It is an independent, incorporated 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/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 the card business. Zürcher Kantonalbank provides clients and distribution partners with a comprehensive range of investment and retirement provision products and services.

# Jahresabschluss Konzern

31. Dezember 2018

Erfolgsrechnung	<i>in Mio. CHF</i>	2018	2017
Geschäftsertrag		2'320	2'336
Geschäftserfolg		892	784
Konzerngewinn		788	782

Kennzahlen	<i>in %</i>	2018	2017
Return on Equity (RoE)		7.1	7.3
Cost Income Ratio (CIR) <sup>1</sup>		61.4	61.1
Quote Hartes Kernkapital (CET1) <sup>2</sup>		17.8	16.5 <sup>3</sup>
Quote Kernkapital (Tier 1) <sup>2</sup>		20.2	18.8 <sup>3</sup>
Quote Gesamtkapital <sup>2</sup>		20.2	18.8 <sup>3</sup>
Leverage Ratio <sup>2</sup>		6.8	6.8
Liquidity Coverage Ratio (LCR) <sup>4</sup>		127	153

Kundenvermögen	<i>in Mio. CHF</i>	31.12.2018	31.12.2017
Total Kundenvermögen		295'194	288'802

Personalbestand / Geschäftsstellen	<i>Anzahl</i>	31.12.2018	31.12.2017
Personalbestand teilzeitbereinigt per Stichtag		5'087	5'117
Geschäftsstellen <sup>5</sup>		75	78

Ratingagenturen	<i>Rating</i>	31.12.2018	31.12.2017
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> Inkl. Effekte aus der Umstellung auf IRB und SA-CCR.

<sup>4</sup> Einfacher Durchschnitt der Tagesendwerte der Arbeitstage des Berichtsquartals.

<sup>5</sup> Inklusive Geschäftsstellen der Zürcher Kantonalbank Österreich AG in Salzburg und Wien sowie sechs Automatenbanken.

# Konzernerfolgsrechnung

	2018 in Mio. CHF	2017 in Mio. CHF	Veränderung in Mio. CHF	Veränderung in %
<b>Erfolg aus dem Zinsengeschäft</b>				
Zins- und Diskontertrag	1'812	1'608	203	12.6
Zins- und Dividendenertrag aus Finanzanlagen	44	49	-5	-10.3
Zinsaufwand	-633	-446	-187	41.8
<b>Brutto-Erfolg Zinsengeschäft</b>	<b>1'223</b>	<b>1'211</b>	<b>12</b>	<b>1.0</b>
Veränderungen von ausfallrisikobedingten Wertberichtigungen sowie Verluste aus dem Zinsengeschäft	-10	-9	-1	7.5
<b>Subtotal Netto-Erfolg Zinsengeschäft</b>	<b>1'213</b>	<b>1'202</b>	<b>11</b>	<b>0.9</b>
<b>Erfolg aus dem Kommissions- und Dienstleistungsgeschäft</b>				
Kommissionsertrag Wertschriften- und Anlagegeschäft	803	802	2	0.2
Kommissionsertrag Kreditgeschäft	50	52	-2	-4.1
Kommissionsertrag übriges Dienstleistungsgeschäft	147	141	6	3.9
Kommissionsaufwand	-224	-225	1	-0.4
<b>Subtotal Erfolg Kommissions- und Dienstleistungsgeschäft</b>	<b>776</b>	<b>770</b>	<b>6</b>	<b>0.8</b>
<b>Erfolg aus dem Handelsgeschäft und der Fair-Value-Option</b>	<b>286</b>	<b>334</b>	<b>-48</b>	<b>-14.4</b>
<b>Übriger ordentlicher Erfolg</b>				
Erfolg aus Veräusserungen von Finanzanlagen	2	4	-2	-48.8
Beteiligungsertrag	32	16	16	96.9
– davon aus nach Equity-Methode erfassten Beteiligungen	2	3	-1	-40.7
– davon aus übrigen nicht konsolidierten Beteiligungen	30	13	17	125.5
Liegenschaftenerfolg	6	6	-0	-3.8
Anderer ordentlicher Ertrag	9	9	1	8.5
Anderer ordentlicher Aufwand	-4	-4	1	-17.4
<b>Subtotal Übriger ordentlicher Erfolg</b>	<b>46</b>	<b>31</b>	<b>15</b>	<b>49.2</b>
<b>Geschäftsertrag</b>	<b>2'320</b>	<b>2'336</b>	<b>-16</b>	<b>-0.7</b>
<b>Geschäftsaufwand</b>				
Personalaufwand	-1'002	-1'008	6	-0.6
Sachaufwand	-428	-426	-2	0.6
<b>Subtotal Geschäftsaufwand</b>	<b>-1'430</b>	<b>-1'434</b>	<b>3</b>	<b>-0.2</b>
Wertberichtigungen auf Beteiligungen sowie Abschreibungen auf Sachanlagen und immateriellen Werten	-192	-120	-72	60.4
Veränderungen von Rückstellungen und übrigen Wertberichtigungen sowie Verluste	194	2	192	-
<b>Geschäftserfolg</b>	<b>892</b>	<b>784</b>	<b>108</b>	<b>13.7</b>
Ausserordentlicher Ertrag	103	8	95	-
Ausserordentlicher Aufwand	-0	-0	-0	509.3
Veränderungen von Reserven für allgemeine Bankrisiken	-200	-	-200	-
Steuern	-7	-11	4	-34.9
<b>Konzerngewinn</b>	<b>788</b>	<b>782</b>	<b>6</b>	<b>0.8</b>

# Konzernbilanz

per 31. Dezember 2018

Aktiven	31.12.2018 in Mio. CHF	31.12.2017 in Mio. CHF	Veränderung in Mio. CHF	Veränderung in %
Flüssige Mittel	40'989	41'147	-158	-0.4
Forderungen gegenüber Banken	4'803	4'457	345	7.8
Forderungen aus Wertpapier-Finanzierungsgeschäften	17'004	14'326	2'678	18.7
Forderungen gegenüber Kunden	8'469	7'832	637	8.1
Hypothekarforderungen	81'256	79'087	2'169	2.7
Handelsgeschäft	9'364	8'922	442	5.0
Positive Wiederbeschaffungswerte derivativer Finanzinstrumente	1'278	1'535	-257	-16.7
Übrige Finanzinstrumente mit Fair-Value-Bewertung	-	-	-	-
Finanzanlagen	4'705	4'740	-35	-0.7
Aktive Rechnungsabgrenzungen	293	281	13	4.5
Nicht konsolidierte Beteiligungen	138	130	8	6.5
Sachanlagen	677	775	-97	-12.6
Immaterielle Werte	142	192	-50	-26.1
Sonstige Aktiven	291	458	-167	-36.4
<b>Total Aktiven</b>	<b>169'408</b>	<b>163'881</b>	<b>5'528</b>	<b>3.4</b>
Total nachrangige Forderungen	166	188	-21	-11.4
– davon mit Wandlungsverzicht und / oder Forderungsverzicht	46	31	16	50.8

## Passiven

Verpflichtungen gegenüber Banken	37'019	35'393	1'626	4.6
Verpflichtungen aus Wertpapier-Finanzierungsgeschäften	6'876	6'623	254	3.8
Verpflichtungen aus Kundeneinlagen	85'537	81'381	4'157	5.1
Verpflichtungen aus Handelsgeschäften	2'418	1'859	559	30.1
Negative Wiederbeschaffungswerte derivativer Finanzinstrumente	752	867	-115	-13.3
Verpflichtungen aus übrigen Finanzinstrumenten mit Fair-Value-Bewertung	2'472	2'869	-397	-13.8
Kassenobligationen	167	191	-24	-12.4
Obligationenanleihen	11'666	12'419	-753	-6.1
Pfandbriefdarlehen	9'463	9'275	188	2.0
Passive Rechnungsabgrenzungen	725	634	91	14.4
Sonstige Passiven	205	558	-353	-63.3
Rückstellungen	255	585	-330	-56.3
Reserven für allgemeine Bankrisiken	200	-	200	-
Gesellschaftskapital	2'425	2'425	-	-
Gewinnreserve	8'445	8'026	419	5.2
Währungsumrechnungsreserve	-6	-4	-2	38.7
Konzerngewinn	788	782	6	0.8
<b>Eigenkapital</b>	<b>11'852</b>	<b>11'228</b>	<b>623</b>	<b>5.6</b>
<b>Total Passiven</b>	<b>169'408</b>	<b>163'881</b>	<b>5'528</b>	<b>3.4</b>
Total nachrangige Verpflichtungen	1'491	1'513	-23	-1.5
– davon mit Wandlungsverzicht und / oder Forderungsverzicht	1'491	1'513	-23	-1.5

## Ausserbilanzgeschäfte

Eventualverpflichtungen	4'102	4'086	16	0.4
Unwiderrufliche Zusagen	7'698	8'015	-317	-4.0
Einzahlungs- und Nachschussverpflichtungen	263	233	30	13.1
Verpflichtungskredite	-	-	-	-