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Media release

## Net profit increases 28% to CHF 537 million in the first half of 2020

- **Outstanding result for first half of 2020 underscores bank's solid business model**
- **Increased operating income of CHF 1,310 million (+12.4%), with positive results across all income drivers**
- **Significantly lower cost/income ratio of 55.2%**
- **Excellent net inflow of new money totalling CHF 13.6 billion**
- **Corona emergency loans of almost CHF 1 billion approved**
- **Continued strong capital position, significantly exceeding regulatory minimum requirements**

Zurich, 28 August 2020 – Zürcher Kantonalbank reported a net profit of CHF 537 million for the first half of 2020, corresponding to an increase of 28.4% compared to the same period of 2019. This was driven by above-average trading income as well as a solid performance in interest operations and the commission and fee business.

Martin Scholl, Chief Executive Officer, stated: "I am very pleased with our excellent half-year result. Our broadly diversified business model, which is focused on continuity, and our client proximity have proved effective even during the corona crisis and provided further clear evidence of the resilience of Zürcher Kantonalbank."

On the outlook, Martin Scholl said: "In view of the still difficult interest rate environment, as well as geopolitical tensions and the economic impacts of COVID-19, the rest of the year is likely to remain challenging. However, I am confident that we are well positioned to deliver another pleasing result in the second half of 2020."

### Increased operating income

The bank generated operating income of CHF 1,310 million in the first half of 2020, compared to CHF 1,165 million in the same period of the previous year. This increase was mainly attributable to the good performance of the trading business, with income growing by CHF 134 million to CHF 272 million compared to the same period of the previous year. This result reflects strong trading volumes and high levels of client activity during the period of market turmoil, when it was possible to capture opportunities. Income from trading in bonds as well as interest and credit derivatives contributed to this increase. It was also driven by trading in foreign exchange, bank notes and precious metals, as well as equities and structured products. Trading activities have now returned to normal market levels. Other trading income declined slightly.

Net interest income totalled CHF 619 million, up 2.1% year on year. In addition to the growth in lending, the charging of negative interest to major clients led to a slight improvement in income from interest operations. The mortgage business – the main component of interest operations – grew by 1.7% to CHF 85.7 billion in the first six months of 2020, with the principle of 'Quality before quantity' being observed like before. Zürcher Kantonalbank evaluates loan default risks and all other identifiable risks on an ongoing basis and records provisions and value adjustments where necessary. In the first half of 2020,

default risk-related net value adjustments of CHF 7 million were newly recorded, compared to a net release of CHF 9 million in the same period of the previous year. No significant increase in loan defaults related to the corona pandemic has been identified to date.

Net commission and fee income rose by 4.5% to CHF 404 million compared to the same period of the previous year. This mainly reflected the increase in income from the securities and investment business, which offset the slight decline in commission income from the lending business and income from the other service business, as well as higher commission expense.

### **Cost/income ratio reduced significantly**

Operating expenses totalled CHF 773 million for the first six months of 2020 and were thus 13.2% higher than the figure for the same period of the previous year. This increase was mainly related to higher personnel costs (+15.8%), including one-off personnel costs of CHF 46 million for the anniversary payment to the bank's employees that was already decided in the prior year; the release of reserves for general banking risks in the same amount offset this one-off expense in the net profit for the first half of the year. Personnel costs also reflect an increase in variable personnel costs resulting from the rise in net profit for the first half of 2020. The increase in other operating expenses (+6.8%) is mainly due to IT costs incurred, among other things, due to the expansion of infrastructure in connection with the corona crisis. It was also attributable to the development and launch of the new pensions app 'frankly'. The cost/income ratio improved significantly to 55.2% due to the pleasing development of income (excluding the one-off personnel costs for the anniversary payment), compared to 59.1% at the end of the first half of 2019.

Impairments on participations as well as the depreciation of tangible fixed assets and intangible assets totalled CHF 59 million, compared to CHF 56 million in the first half of 2019. Changes in provisions and other impairments as well as losses totalled CHF 8 million, only slightly above the figure of CHF 7 million for the same period of 2019. This led to an operating result of CHF 469 million for the first half of 2020. Including exceptional income of CHF 25 million largely resulting from the sale of the 10% stake in Homegate AG and the sale of the BVG administration business of Swisscanto Vorsorge AG, and after the deduction of taxes of CHF 4 million, Zürcher Kantonalbank achieved a pleasing net profit of CHF 537 million for the first half of 2020.

### **Excellent net inflow of new money**

Customer assets grew by CHF 4.5 billion to CHF 337.8 billion in the first half of 2020, driven by a strong net inflow of new money of CHF 13.6 billion, with contributions from all businesses. This strong result more than offset negative market and foreign exchange impacts of CHF 9.1 billion.

### **Corona emergency loans of around CHF 1 billion approved**

Under the COVID-19 joint and several federal and cantonal guarantee, Zürcher Kantonalbank had granted almost CHF 1 billion of loans to more than 7,600 firms by 31 July 2020. The vast majority of companies took up loans with a federal guarantee of up to CHF 500,000.

### **Capital position remains strong**

The risk-based capital ratio on a going-concern basis remained high at 17.5% as of mid-2020, compared to 19.3% as of 30 June 2019. The decline in the capital ratio was, for the most part, directly related to regulatory changes but the ratio continues to significantly exceed the applicable regulatory capital requirements (12.86% of risk-weighted assets). The leverage ratio on a going-concern basis of 6.2% as of 30 June 2020 (6.6% as of mid-2019) also far exceeded the regulatory requirement of 4.5% for systemically relevant banks.

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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

30. Juni 2020

Erfolgsrechnung	in Mio. CHF	1. Halbjahr 2020	1. Halbjahr 2019	Veränderung +/-
Geschäftsertrag		1'310	1'165	+12.4%
Geschäftsaufwand		-773	-683	+13.2%
Geschäftserfolg		469	419	+11.9%
Halbjahreskonzerngewinn		537	418	+28.4%

Kennzahlen	in %			
Return on Equity (ROE)		9.0	7.2	+1.8
Cost Income Ratio (CIR) <sup>1/2</sup>		55.2	59.1	-3.9
Risikobasierte Quote Hartes Kernkapital (CET1) (going-concern) <sup>3</sup>		16.5	17.2	-0.7
Risikobasierte Kapitalquote (going-concern) <sup>3</sup>		17.5	19.3	-1.8
Leverage Ratio (going-concern) <sup>3</sup>		6.2	6.6	-0.4
Liquidity Coverage Ratio (LCR) <sup>4</sup>		127	125	+2.0

Bilanz	in Mio. CHF	30.06.2020	31.12.2019	
Bilanzsumme		179'521	167'054	+7.5%
Hypothekarforderungen		85'710	84'311	+1.7%
Eigenkapital		12'321	12'337	-0.1%

Kundengeschäft	in Mio. CHF			
Total Kundengelder <sup>5</sup>		113'511	108'339	+4.8%
Total Kundenausleihungen		96'932	93'215	+4.0%
Total verwaltete Vermögen		337'830	333'341	+1.3%
Netto Zu- oder -Abfluss verwalteter Vermögen (NNM; +/-)		+13'569	+11'656	+16.4%

Geschäftsstellen/Personalbestand	Anzahl			
Geschäftsstellen <sup>6</sup>		62	66	-4
Personalbestand teilzeitbereinigt (FTE)		5'161	5'145	+16

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

<sup>2</sup> Im 2020 inklusive Berücksichtigung Veränderung von Reserven für allgemeine Bankrisiken.

<sup>3</sup> Gemäss Bestimmungen für systemrelevante Banken.

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

<sup>5</sup> Bestehend aus: Verpflichtungen aus Kundeneinlagen, Kassenobligationen, Obligationenanleihen und Pfandbriefdarlehen.

<sup>6</sup> Inklusive Geschäftsstellen der Zürcher Kantonalbank Österreich AG in Salzburg und Wien.

# Erfolgsrechnung Konzern

in Mio. CHF	1. Halbjahr 2020	1. Halbjahr 2019	Veränderung	in %
<b>Erfolg aus dem Zinsengeschäft</b>				
Zins- und Diskontertrag	780	987	-207	-21.0%
Zins- und Dividendenertrag aus Finanzanlagen	17	18	-2	-9.8%
Zinsaufwand	-171	-408	+238	-58.2%
<b>Brutto-Erfolg Zinsengeschäft</b>	<b>626</b>	<b>597</b>	<b>+29</b>	<b>+4.8%</b>
Veränderungen von ausfallrisikobedingten Wertberichtigungen sowie Verluste aus dem Zinsengeschäft	-7	9	-16	-181.6%
<b>Subtotal Netto-Erfolg Zinsengeschäft</b>	<b>619</b>	<b>606</b>	<b>+13</b>	<b>+2.1%</b>
<b>Erfolg aus dem Kommissions- und Dienstleistungsgeschäft</b>				
Kommissionsertrag Wertschriften- und Anlagegeschäft	425	384	+41	+10.7%
Kommissionsertrag Kreditgeschäft	27	29	-3	-8.7%
Kommissionsertrag übriges Dienstleistungsgeschäft	62	72	-10	-14.4%
Kommissionsaufwand	-110	-99	-11	+10.9%
<b>Subtotal Erfolg Kommissions- und Dienstleistungsgeschäft</b>	<b>404</b>	<b>387</b>	<b>+17</b>	<b>+4.5%</b>
<b>Erfolg aus dem Handelsgeschäft</b>				
Erfolg aus dem Handelsgeschäft und der Fair-Value-Option	272	138	+134	+96.6%
<b>Übriger ordentlicher Erfolg</b>				
Erfolg aus Veräusserungen von Finanzanlagen	-0	5	-5	-101.1%
Beteiligungsertrag	12	23	-10	-45.0%
– davon aus nach Equity-Methode erfassten Beteiligungen	1	1	-0	-18.9%
– davon aus übrigen nicht konsolidierten Beteiligungen	12	22	-10	-46.0%
Liegenschaftenerfolg	3	3	+0	+2.0%
Anderer ordentlicher Ertrag	4	4	+0	+2.9%
Anderer ordentlicher Aufwand	-5	-1	-4	-
<b>Subtotal Übriger ordentlicher Erfolg</b>	<b>15</b>	<b>34</b>	<b>-19</b>	<b>-55.9%</b>
<b>Geschäftsertrag</b>	<b>1'310</b>	<b>1'165</b>	<b>+145</b>	<b>+12.4%</b>
<b>Geschäftsaufwand</b>				
Personalaufwand	-563	-486	-77	+15.8%
Sachaufwand	-210	-197	-13	+6.8%
<b>Geschäftsaufwand</b>	<b>-773</b>	<b>-683</b>	<b>-90</b>	<b>+13.2%</b>
Wertberichtigungen auf Beteiligungen sowie Abschreibungen auf Sachanlagen und immateriellen Werten	-59	-56	-3	+5.6%
Veränderungen von Rückstellungen und übrigen Wertberichtigungen sowie Verluste	-8	-7	-2	+25.9%
<b>Geschäftserfolg</b>	<b>469</b>	<b>419</b>	<b>+50</b>	<b>+11.9%</b>
Ausserordentlicher Ertrag	25	1	+25	-
Ausserordentlicher Aufwand	-0	-0	-0	+98.7%
Veränderungen von Reserven für allgemeine Bankrisiken	46	-	+46	-
Steuern	-4	-2	-2	+102.3%
<b>Halbjahreskonzerngewinn</b>	<b>537</b>	<b>418</b>	<b>+119</b>	<b>+28.4%</b>

# Bilanz Konzern

in Mio. CHF	30.06.2020	31.12.2019	Veränderung	in %
<b>Aktiven</b>				
Flüssige Mittel	34'525	36'786	-2'262	-6.1%
Forderungen gegenüber Banken	5'730	4'917	+813	+16.5%
Forderungen aus Wertpapierfinanzierungsgeschäften	22'319	15'588	+6'731	+43.2%
Forderungen gegenüber Kunden	11'222	8'905	+2'317	+26.0%
Hypothekarforderungen	85'710	84'311	+1'400	+1.7%
Handelsgeschäft	11'693	9'168	+2'525	+27.5%
Positive Wiederbeschaffungswerte derivativer Finanzinstrumente	1'881	1'486	+395	+26.6%
Übrige Finanzinstrumente mit Fair-Value-Bewertung	-	-	-	-
Finanzanlagen	5'040	4'422	+618	+14.0%
Aktive Rechnungsabgrenzungen	335	293	+43	+14.6%
Nicht konsolidierte Beteiligungen	138	138	-1	-0.5%
Sachanlagen	642	651	-9	-1.3%
Immaterielle Werte	105	123	-18	-14.5%
Sonstige Aktiven	182	267	-85	-31.7%
<b>Total Aktiven</b>	<b>179'521</b>	<b>167'054</b>	<b>+12'467</b>	<b>+7.5%</b>
Total nachrangige Forderungen	314	337	-23	-6.8%
- davon mit Wandlungspflicht und / oder Forderungsverzicht	33	37	-5	-12.5%
<b>Passiven</b>				
Verpflichtungen gegenüber Banken	40'305	34'082	+6'223	+18.3%
Verpflichtungen aus Wertpapierfinanzierungsgeschäften	4'740	4'969	-230	-4.6%
Verpflichtungen aus Kundeneinlagen	87'757	85'089	+2'668	+3.1%
Verpflichtungen aus Handelsgeschäften	1'816	2'058	-242	-11.8%
Negative Wiederbeschaffungswerte derivativer Finanzinstrumente	1'006	1'303	-297	-22.8%
Verpflichtungen übrige Finanzinstrumente mit Fair-Value-Bewertung	2'775	2'844	-69	-2.4%
Kassenobligationen	166	143	+23	+16.3%
Obligationenanleihen	15'075	13'329	+1'746	+13.1%
Pfandbriefdarlehen	10'513	9'778	+735	+7.5%
Passive Rechnungsabgrenzungen	575	674	-99	-14.7%
Sonstige Passiven	2'252	205	+2'047	-
Rückstellungen	220	242	-21	-8.8%
Reserven für allgemeine Bankrisiken	154	200	-46	-23.1%
Gesellschaftskapital	2'425	2'425	-	-
Gewinnreserve	9'214	8'875	+339	+3.8%
Währungsumrechnungsreserve	-9	-7	-1	+14.1%
Konzerngewinn	537	845	-308	-36.5%
<b>Eigenkapital</b>	<b>12'321</b>	<b>12'337</b>	<b>-16</b>	<b>-0.1%</b>
<b>Total Passiven</b>	<b>179'521</b>	<b>167'054</b>	<b>+12'467</b>	<b>+7.5%</b>
Total nachrangige Verpflichtungen	1'463	1'471	-8	-0.5%
- davon mit Wandlungspflicht und / oder Forderungsverzicht	1'463	1'471	-8	-0.5%
<b>Ausserbilanzgeschäfte</b>				
Eventualverpflichtungen	3'305	3'885	-579	-14.9%
Unwiderrufliche Zusagen	9'191	8'718	+473	+5.4%
Einzahlungs- und Nachschussverpflichtungen	255	257	-2	-0.8%
Verpflichtungskredite	-	-	-	-