

Zürcher Kantonalbank increases its net profit to a pleasing CHF 782 million

Media release

Zürcher Kantonalbank grew its net profit to CHF 782 million in the financial year 2017, an increase of 3% compared to the previous year. This was driven by higher commission and fee income, as well as by good cost discipline. The dividend distributed to the canton and municipalities will increase by just over 3% to a total of CHF 363 million.

Zurich, 9 February 2018 – Martin Scholl, Chief Executive Officer, commented on the 2017 result as follows: “Zürcher Kantonalbank once again demonstrated its operational strength last year and delivered a very good result. I see this renewed growth in profit as confirmation that we are on the right path with our diversified business model.”

Income reaches a new record level

In the financial year 2017, operating income rose by 1% to CHF 2,336 million compared to the previous year. This represents another slight increase compared to the all-time high reached in 2016. The commission and fee business delivered a particularly pleasing performance as it benefited once again from higher income in the securities and investment business as well as from the other service business. In interest operations, the trend was slightly positive, while trading income declined – especially in the second half of the year – due to low levels of volatility and slowing market momentum.

Net interest income totalled CHF 1,202 million in the financial year 2017, corresponding to an increase of just over 1%. That includes a charge for changes in allowances for defaults as well as losses from interest operations totalling CHF 9 million (previous year: CHF 12 million). In 2017, the mortgage business – the main driver of interest operations – grew somewhat more slowly than the market as a whole, reflecting the systematic execution of Zürcher Kantonalbank’s strategy to focus on the quality of its lending portfolio. Overall, mortgage loans rose by 2.3% to CHF 79.1 billion at the end of 2017.

Net commission and fee income improved by 6% to CHF 770 million. This increase was mainly attributable to growth in the securities and investment business and to the other service business.

Trading income declined by 12% to CHF 334 million compared to the previous year. This decrease reflects the significant slowdown in market momentum – especially in the second half of the year – as well as declining volatility and the associated narrowing of bid-ask spreads in trading.

Market risks in the trading book (Value-at-Risk with a 10-day holding period) averaged CHF 11 million and thus remained at the same low level as in 2016.

Cost/income ratio continues to improve

Operating expenses totalled CHF 1,434 million for the financial year 2017, corresponding to a decrease of 5%. Personnel expenses declined by 7% year on year to CHF 1,008 million, following a non-recurring expense of CHF 70 million recognized in the financial year 2016 for provisions for pension benefit obligations. Excluding this one-off impact, personnel expenses would have been virtually unchanged year on year. Other operating expenses totalled CHF 426 million in the financial year 2017, corresponding to a reduction of almost 2%. That includes expenses of CHF 23 million (previous year: CHF 22 million) for compensation for the state guarantee that was paid to the Canton of Zurich.

The charge for impairments on participations as well as the depreciation of tangible fixed assets and intangible assets decreased by 4% to CHF 120 million.

The cost/income ratio improved to 61.1% in 2017 from 61.7% in the previous year. Group operating profit totalled CHF 782 million for the financial year 2017, an increase of 3% compared to 2016.

Canton and municipalities participate in profit through higher dividends

Zürcher Kantonalbank will distribute a dividend totalling CHF 363 million to the canton and municipalities for the financial year 2017. This represents an increase of just over 3% compared to the previous year. Of this sum, a dividend of CHF 230 million (previous year: CHF 220 million) will be paid to the canton of Zurich and a dividend of CHF 115 million (previous year: CHF 110 million) will be paid to the political municipalities as profit participation.

The sum paid to the canton to cover the cost of capital is CHF 18 million, compared to CHF 21 million in the previous year. In addition, the canton will receive CHF 23 million to compensate it for the state guarantee.

Significant increase in customer assets due to good performance and strong inflow of new money

Customer assets grew to CHF 288.8 billion at the end of 2017 from CHF 264.8 billion at the end of 2016. In addition to the pleasing inflow of new money totalling CHF 6.3 billion, this significant increase mainly reflects a contribution of CHF 16.7 billion from positive market performance.

Further strengthening of extremely solid capital base

Zürcher Kantonalbank further strengthened its capital position at the end of 2017 and thus continues to significantly exceed regulatory requirements. Eligible capital totalled CHF 12,019 million at the end of 2017, compared to CHF 11,564 million at the end of 2016.

The total capital ratio was 18.8% at the end of 2017, compared to 17.5% at the end of 2016, and the common equity tier 1 (CET1) ratio was 16.5%, compared to 15.6%. The significantly higher capital ratio not only reflects the retention of earnings and the launch of the Additional Tier 1 bond in the first half of the year but is also attributable to changes in the methodology used to calculate risk-weighted assets for credit risks. The leverage ratio was 6.8% at the end of 2017, compared to 6.7% in the previous year.

Systematic further development of sales channels

Zürcher Kantonalbank continued to systematically develop its sales channels in 2017, further expanding the self-service offering in eBanking and eBanking Mobile. In November 2017, the SME Finance Assistant function was added to eBanking for our corporate clients. As a result, they can now easily and rapidly gain an overview of incoming and outgoing payments and can also carry out simulations in the area of liquidity

planning. Zürcher Kantonalbank was also one of the first Swiss banks to successfully introduce its TWINT app. This mobile payment solution will be continuously developed and the number of TWINT acceptance points will be increased.

Zürcher Kantonalbank reached a milestone with the launch of its new Investment World at the start of 2018. This means that every aspect of its investment advisory offering is now digitally supported and can also be displayed on a tablet. In addition, advisory consultations are now consistently carried out with a focus on the customer's portfolio, taking account of risk and return.

Zürcher Kantonalbank will continue to make significant investments in the further development of its sales channels in the future, thus ensuring the bank is ideally prepared to address the challenges of the future.

Outlook

On the outlook, Martin Scholl stated: "We are currently seeing a global and synchronous upturn in the economy. At the same time, there is a high level of uncertainty due to various geopolitical risks. Against this backdrop, we currently expect to deliver a solid result for the financial year 2018."

Contact

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Zürcher Kantonalbank

Zürcher Kantonalbank is a leading universal bank in the Zurich economic area with national roots and international reach. It is an independent public-law institution owned by 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 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 2017

Erfolgsrechnung	<i>in Mio. CHF</i>	2017	2016
Geschäftsertrag		2'336	2'325
Geschäftserfolg		784	752 ¹
Konzerngewinn		782	761 ¹

Kennzahlen	<i>in %</i>	2017	2016
Return on Equity (RoE)		7,3	7,4 ¹
Cost Income Ratio (CIR) ²		61,1	61,7 ¹
Quote Hartes Kernkapital (CET1) ^{3,4}		16,5	15,6
Quote Kernkapital (Tier 1) ^{3,4}		18,8	17,5
Quote Gesamtkapital ^{3,4}		18,8	17,5
Leverage Ratio ³		6,8	6,7
Liquidity Coverage Ratio (LCR) ⁵		153	132

Kundenvermögen	<i>in Mio. CHF</i>	31.12.2017	31.12.2016
Total Kundenvermögen		288'802	264'754

Personalbestand / Geschäftsstellen	<i>Anzahl</i>	31.12.2017	31.12.2016
Personalbestand teilzeitbereinigt per Stichtag		5'117	5'173
Geschäftsstellen ⁶		78	89

Ratingagenturen	<i>Rating</i>	31.12.2017	31.12.2016
Fitch		AAA	AAA
Moody's		Aaa	Aaa
Standard & Poor's		AAA	AAA

¹ Ausweis ohne den einmaligen Personalaufwand von 70 Millionen CHF im Zusammenhang mit der Bildung von Rückstellungen für Vorsorgeverpflichtungen.

² Berechnung: Geschäftsaufwand über Geschäftsertrag (exkl. Veränderungen von ausfallbedingten Wertberichtigungen sowie Verluste Zinsgeschäft).

³ Gemäss Bestimmungen für systemrelevante Banken.

⁴ Im 2017 inkl. Effekte aus der Umstellung auf IRB und SA-CCR.

⁵ 2016 - Quartalsdurchschnitt; ab 2017 einfacher Durchschnitt der Tagesendwerte der Arbeitstage des Berichtsquartals.

⁶ Inklusive Geschäftsstellen der Zürcher Kantonalbank Österreich AG in Salzburg und Wien sowie sechs Automatenbanken.

Konzernerfolgsrechnung

	2017 in Mio. CHF	2016 in Mio. CHF	Veränderung in Mio. CHF	Veränderung in %
Zins- und Diskontertrag	1'608	1'453	156	10,7
Zins- und Dividendenertrag aus Finanzanlagen	49	58	-9	-15,5
Zinsaufwand	-446	-311	-135	43,3
Brutto-Erfolg Zinsengeschäft	1'211	1'199	12	1,0
Veränderungen von ausfallrisikobedingten Wertberichtigungen sowie Verluste aus dem Zinsengeschäft	-9	-12	3	-24,0
Subtotal Netto-Erfolg Zinsengeschäft	1'202	1'187	15	1,2
Kommissionsertrag Wertschriften- und Anlagegeschäft	802	763	39	5,1
Kommissionsertrag Kreditgeschäft	52	55	-3	-5,5
Kommissionsertrag übriges Dienstleistungsgeschäft	141	134	7	5,1
Kommissionsaufwand	-225	-225	-0	0,1
Subtotal Erfolg Kommissions- und Dienstleistungsgeschäft	770	728	42	5,8
Erfolg aus dem Handelsgeschäft und der Fair-Value-Option	334	379	-46	-12,1
Erfolg aus Veräusserungen von Finanzanlagen	4	1	3	306,0
Beteiligungsertrag	16	14	3	19,5
– davon aus nach Equity-Methode erfassten Beteiligungen	3	3	0	1,8
– davon aus übrigen nicht konsolidierten Beteiligungen	13	11	3	24,0
Liegenschaftenerfolg	6	10	-4	-39,4
Anderer ordentlicher Ertrag	9	9	-0	-2,3
Anderer ordentlicher Aufwand	-4	-3	-1	33,5
Subtotal Übriger ordentlicher Erfolg	31	31	0	0,6
Geschäftsertrag	2'336	2'325	11	0,5
Personalaufwand	-1'008	-1'009 ¹	1	-0,1
Sachaufwand	-426	-433	7	-1,5
Subtotal Geschäftsaufwand	-1'434	-1'441 ¹	7	-0,5
Wertberichtigungen auf Beteiligungen sowie Abschreibungen auf Sachanlagen und immateriellen Werten	-120	-124	4	-3,5
Veränderungen von Rückstellungen und übrigen Wertberichtigungen sowie Verluste	2	-8	9	-
Geschäftserfolg	784	752 ¹	33	4,3
Ausserordentlicher Ertrag	8	17	-9	-54,2
Ausserordentlicher Aufwand	-0	-1	1	-98,6
Steuern	-11	-7	-3	46,4
Betrieblicher Konzerngewinn	782	761 ¹	21	2,8

¹ Ausweis ohne den einmaligen Personalaufwand von 70 Millionen CHF im Zusammenhang mit der Bildung von Rückstellungen für Vorsorgeverpflichtungen.

Konzernbilanz

per 31. Dezember

Aktiven	2017 in Mio. CHF	2016 in Mio. CHF	Veränderung in Mio. CHF	Veränderung in %
Flüssige Mittel	41'147	35'336	5'811	16,4
Forderungen gegenüber Banken	4'457	5'364	-907	-16,9
Forderungen aus Wertpapier-Finanzierungsgeschäften	14'326	14'889	-563	-3,8
Forderungen gegenüber Kunden	7'832	7'509	322	4,3
Hypothekarforderungen	79'087	77'275	1'812	2,3
Handelsgeschäft	8'922	9'472	-550	-5,8
Positive Wiederbeschaffungswerte derivativer Finanzinstrumente	1'535	1'933	-398	-20,6
Übrige Finanzinstrumente mit Fair-Value-Bewertung		20	-20	-100,0
Finanzanlagen	4'740	4'156	584	14,1
Aktive Rechnungsabgrenzungen	281	360	-80	-22,1
Nicht konsolidierte Beteiligungen	130	179	-49	-27,4
Sachanlagen	775	804	-29	-3,6
Immaterielle Werte	192	168	24	14,1
Sonstige Aktiven	458	520	-62	-11,9
Total Aktiven	163'881	157'985	5'896	3,7
Total nachrangige Forderungen	188	181	7	3,7
– davon mit Wandlungsverzicht und / oder Forderungsverzicht	31	44	-13	-29,8
Passiven				
Verpflichtungen gegenüber Banken	35'393	34'137	1'255	3,7
Verpflichtungen aus Wertpapier-Finanzierungsgeschäften	6'623	5'084	1'539	30,3
Verpflichtungen aus Kundeneinlagen	81'381	80'890	491	0,6
Verpflichtungen aus Handelsgeschäften	1'859	2'656	-797	-30,0
Negative Wiederbeschaffungswerte derivativer Finanzinstrumente	867	1'551	-684	-44,1
Verpflichtungen aus übrigen Finanzinstrumenten mit Fair-Value-Bewertung	2'869	3'100	-231	-7,5
Kassenobligationen	191	235	-44	-18,8
Obligationenanleihen	12'419	9'329	3'090	33,1
Pfandbriefdarlehen	9'275	8'384	891	10,6
Passive Rechnungsabgrenzungen	634	683	-49	-7,2
Sonstige Passiven	558	506	52	10,2
Rückstellungen	585	636	-51	-8,1
Gesellschaftskapital	2'425	2'425		
Gewinnreserve	8'026	7'686	340	4,4
Währungsumrechnungsreserve	-4	-8	4	-46,5
Konzerngewinn	782	691 ¹	91	13,2
Eigenkapital	11'228	10'793	435	4,0
Total Passiven	163'881	157'985	5'896	3,7
Total nachrangige Verpflichtungen	1'513	1'298	216	16,6
– davon mit Wandlungsverzicht und / oder Forderungsverzicht	1'513	1'298	216	16,6
Ausserbilanzgeschäfte				
Eventualverpflichtungen	4'086	4'483	-397	-8,9
Unwiderrufliche Zusagen	8'015	7'506	509	6,8
Einzahlungs- und Nachschussverpflichtungen	233	233	-1	-0,3
Verpflichtungskredite				

¹ Ohne einmalige Belastung von 70 Millionen CHF im Personalaufwand belief sich der betriebliche Konzerngewinn auf 761 Millionen CHF.