

# Annual Result 2021



**Annual Media Conference**  
Zurich, 11<sup>th</sup> February 2022



# Agenda

1. Annual Result 2021 and Profit Distribution
2. Financial Result
3. Focus on Organic Growth
4. Outlook
5. Questions

# Summary Annual Result 2021

Martin Scholl, CEO

# With CHF 942 million, Zürcher Kantonalbank generates the highest group net income in its history

Group net income (CHF)

**942 million**

+9%

Gross interest income

**+2%** 

Assets under Management (CHF)

**409.2 billion**

+13%

Operating income (CHF)

**2,544 million**

+1%

Commissions

**+15%** 

Net new money (CHF)

**25.9 billion**

+17%

Operating expenses (CHF)

**1,517 million**

-4%

Cost Income Ratio

**58.7%** 

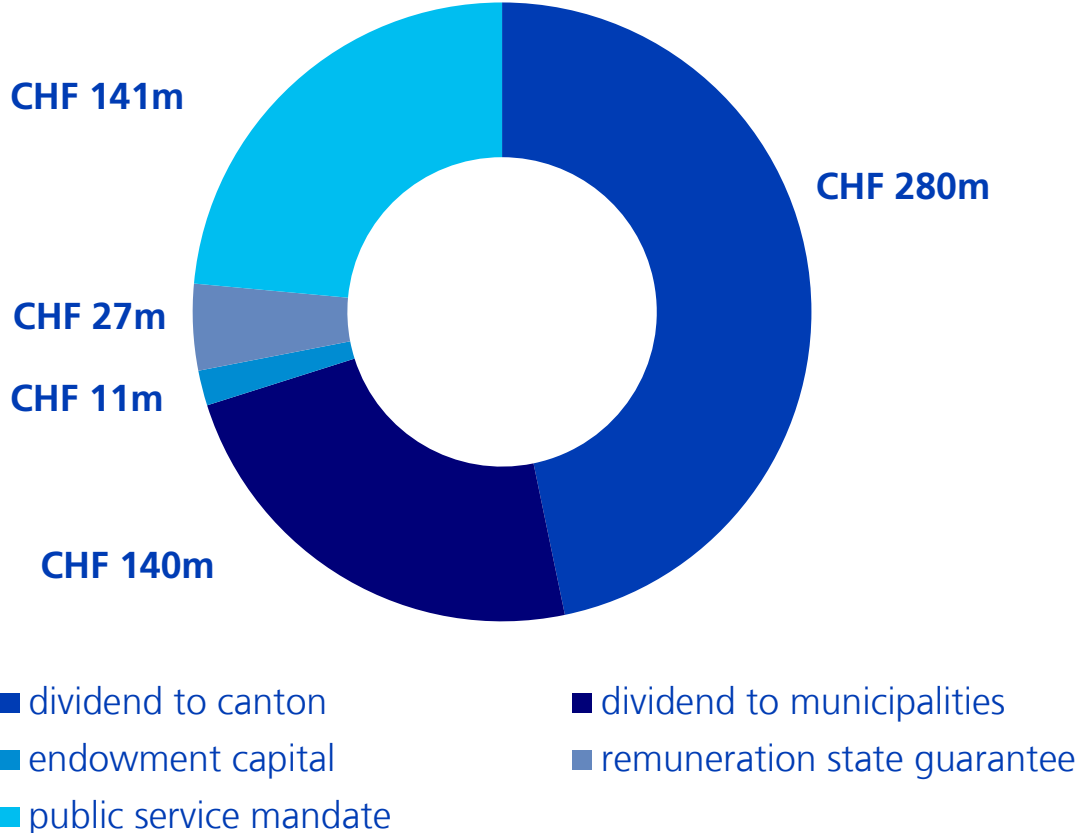
Of which asset inflow (CHF)

**23.0 billion**

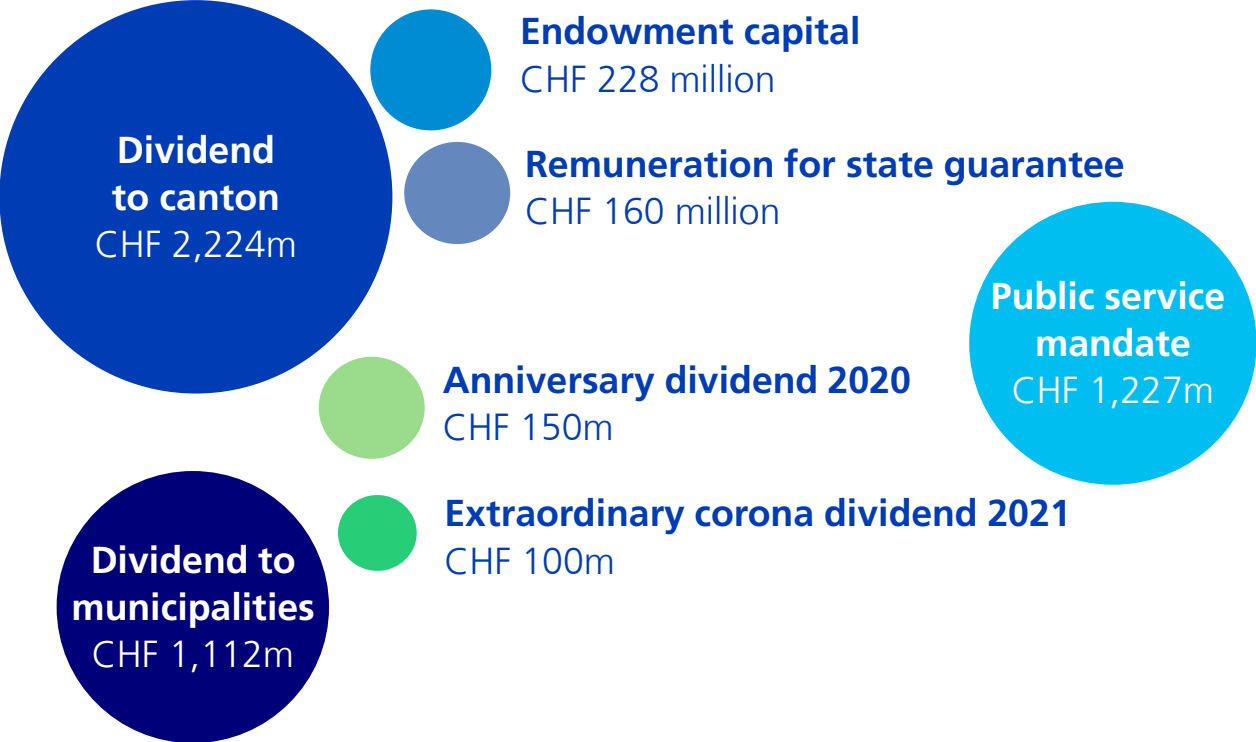
+42%

# Ordinary dividend to Canton of Zurich and its municipalities increased by 21% to CHF 431 million

Benefits to Canton of Zurich and its municipalities in 2021



Total over ten years: CHF 4bn to canton and municipalities<sup>1</sup>

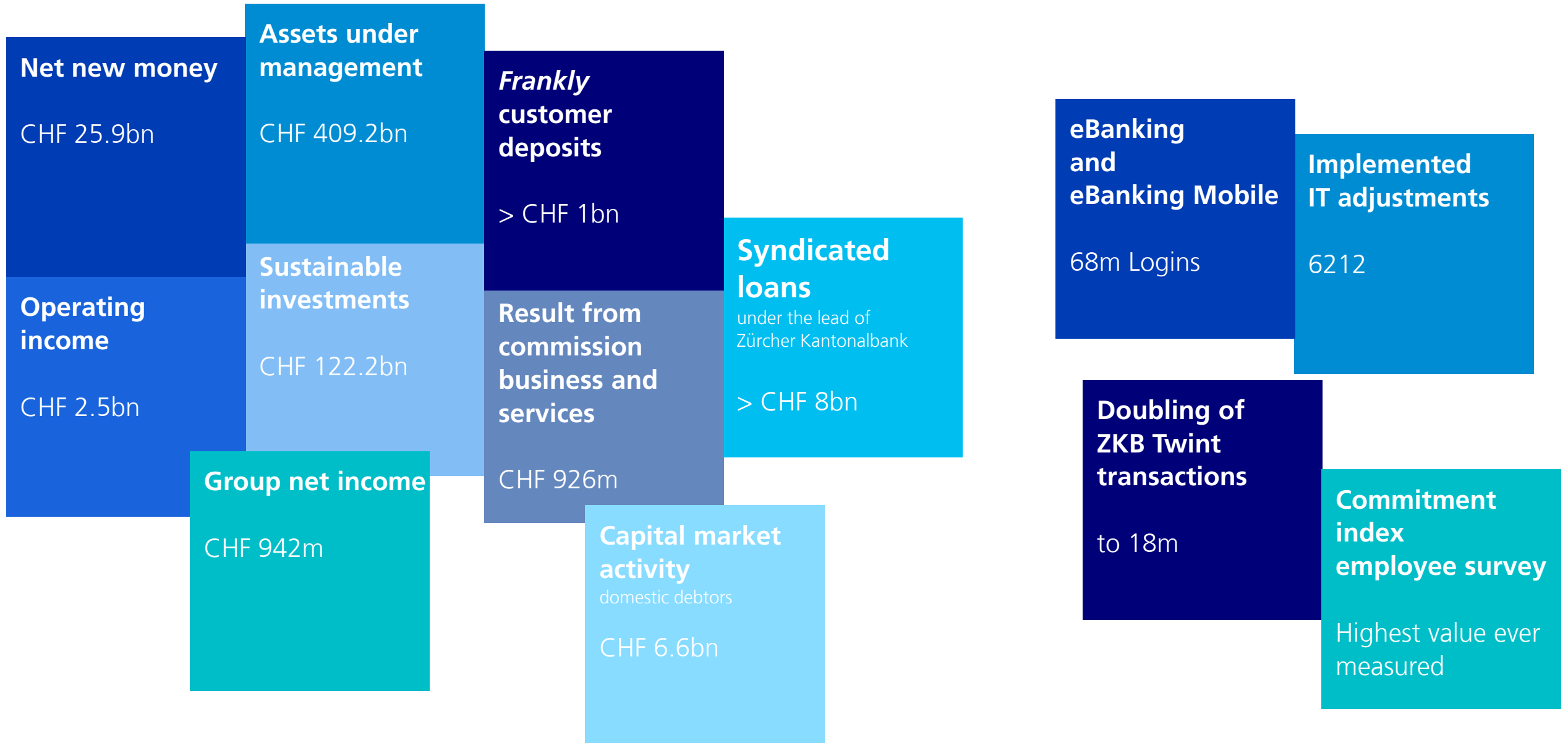


<sup>1</sup> Sizes of circles proportional to amounts

# Financial Result

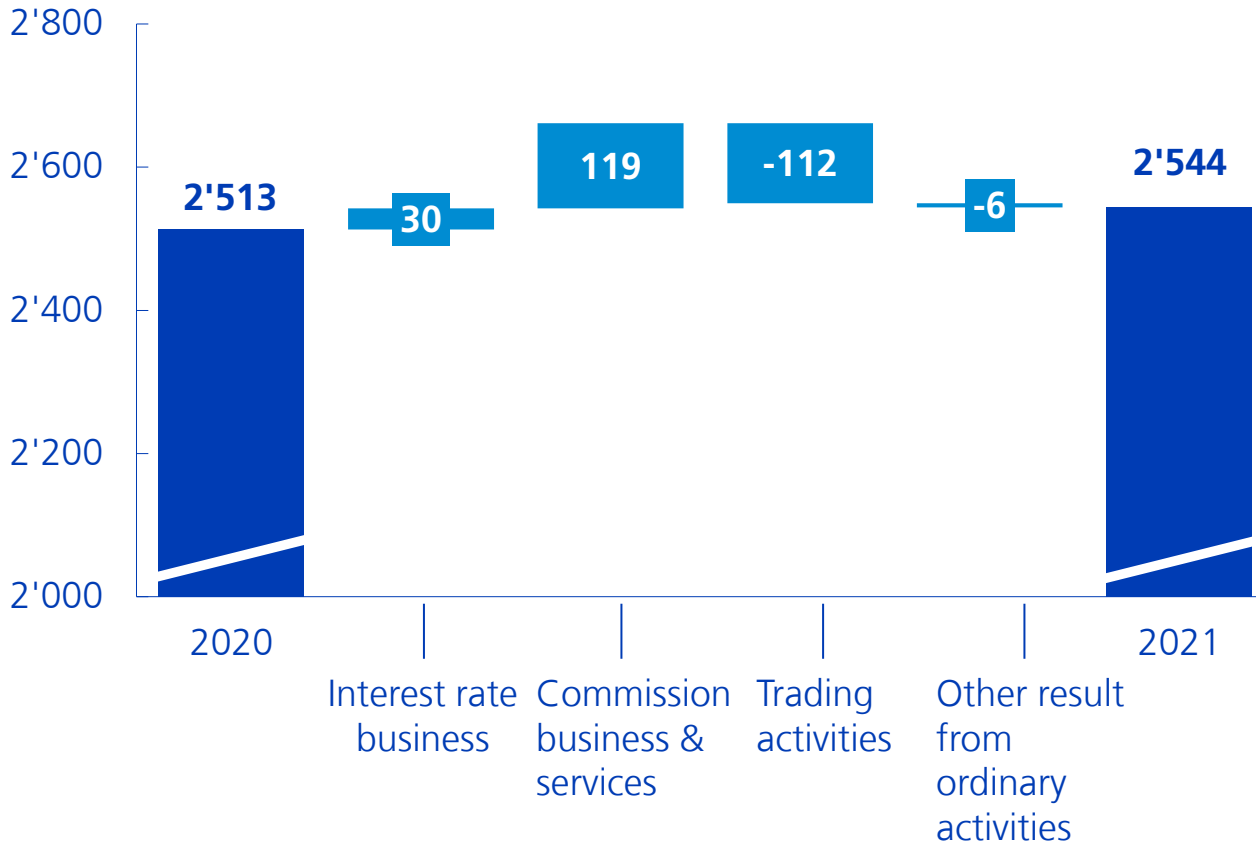
Rudolf Sigg, CFO

# A record year. . .



# Broad diversification leads to highest operating income ever

## Operating income CHF million



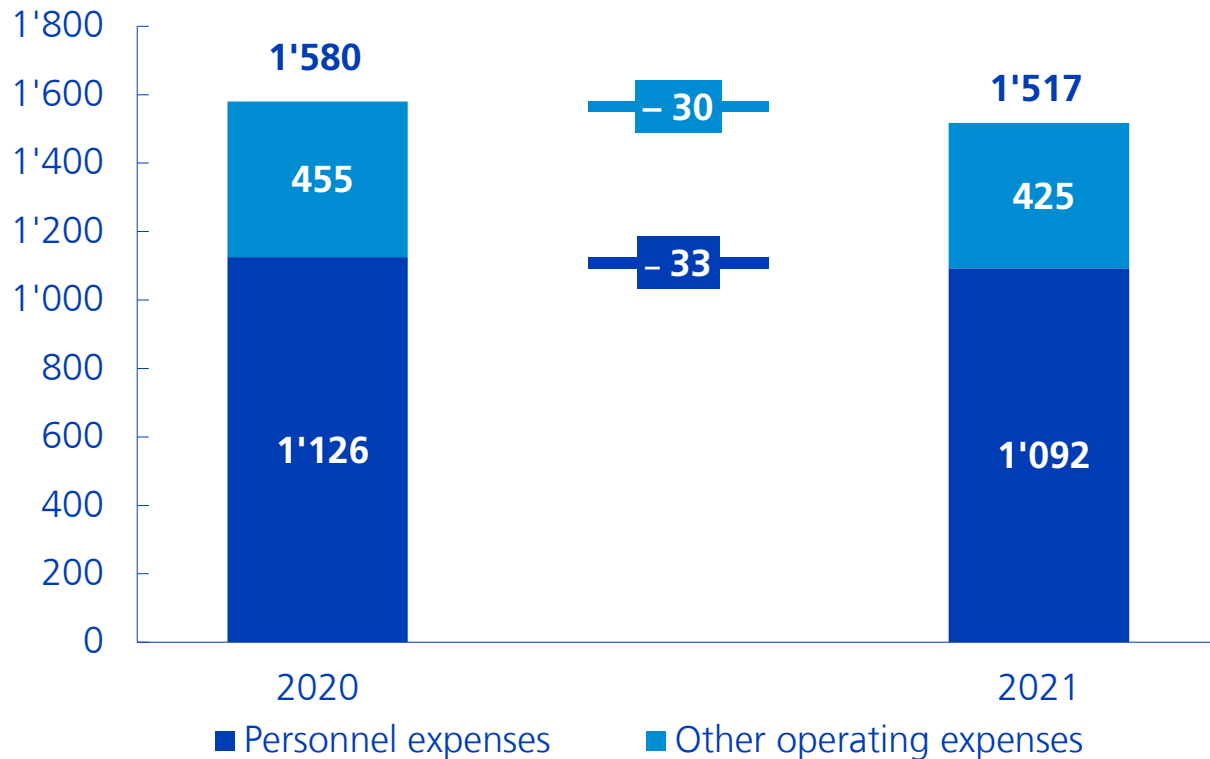
Operating income at record high thanks to very strong commission business and services and growing interest rate business. The increase in the two business areas compensates the decline in trading and other result

Net interest income increases due to growth in mortgage business and opportunities in the money market

The commission business and services achieved a very strong result. It reflects the evolution of assets under management thanks to an increase in net new assets and the positive market development

# Consistent cost discipline

## Personnel and other operating expenses CHF million



## Other operating expenses decreased by 6.6%

- Consistent cost discipline
- Decrease in marketing costs – e.g. at *frankly* these have decreased significantly compared to the launch in the previous year
- Decreasing costs for premises due to the centralization of workplaces in Zurich West carried out in the previous year

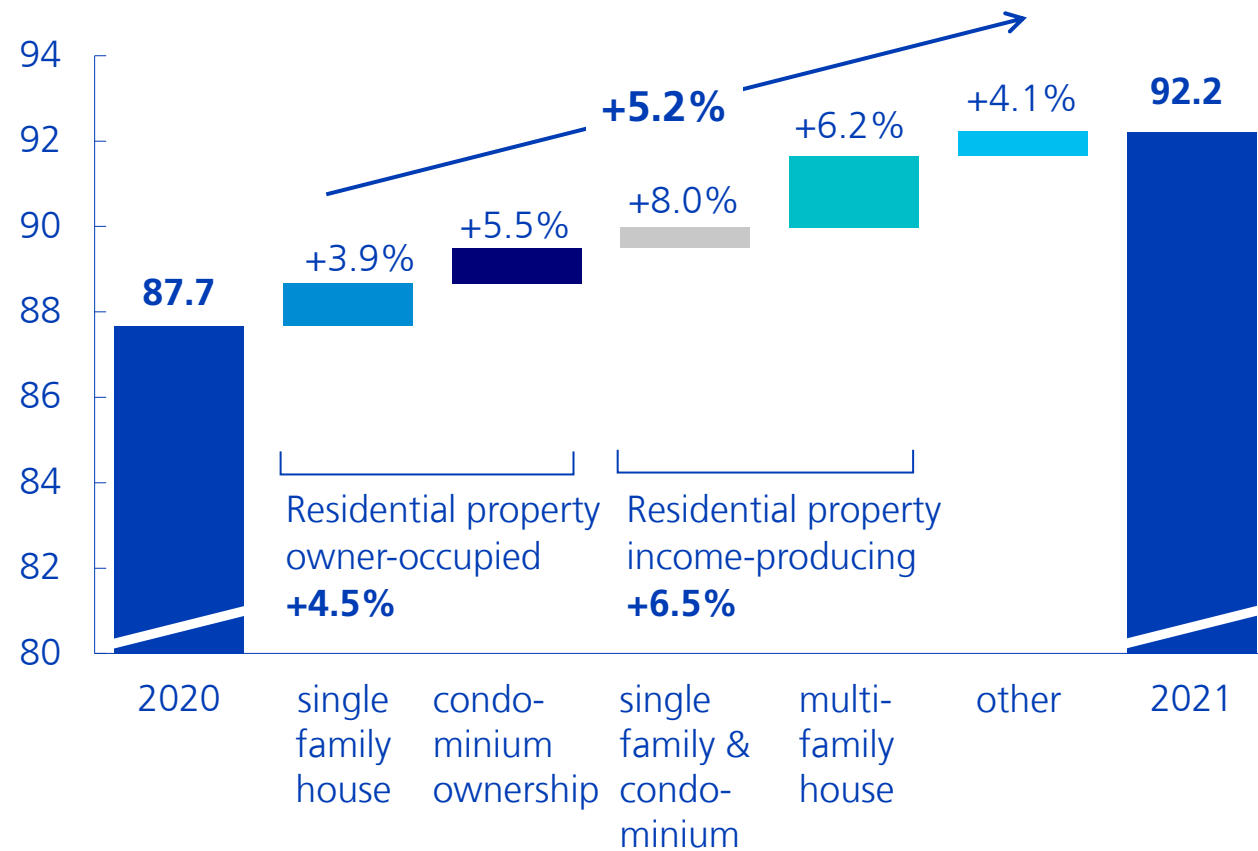
## Personnel expenses decreased by 3.0%

- Omission of the one-off 150-year anniversary bonus of CHF 46 million paid out in the previous year
- Higher variable compensation due to very good annual result
- Increased costs for family and child allowances
- Decrease in headcount (-0.7%)

# Sound growth in mortgage business

## Mortgage growth per property category<sup>1</sup>

CHF bn



Growth in mortgage lending to private and institutional clients was +5.2% in 2021, 1.2 percentage points above the previous year and 1.6 percentage points above the Swiss market<sup>2</sup>

The interest rate environment and the demand for real estate as an investment are key drivers of mortgage market growth

Despite strong volume growth, Zürcher Kantonalbank continues to maintain its high quality standards

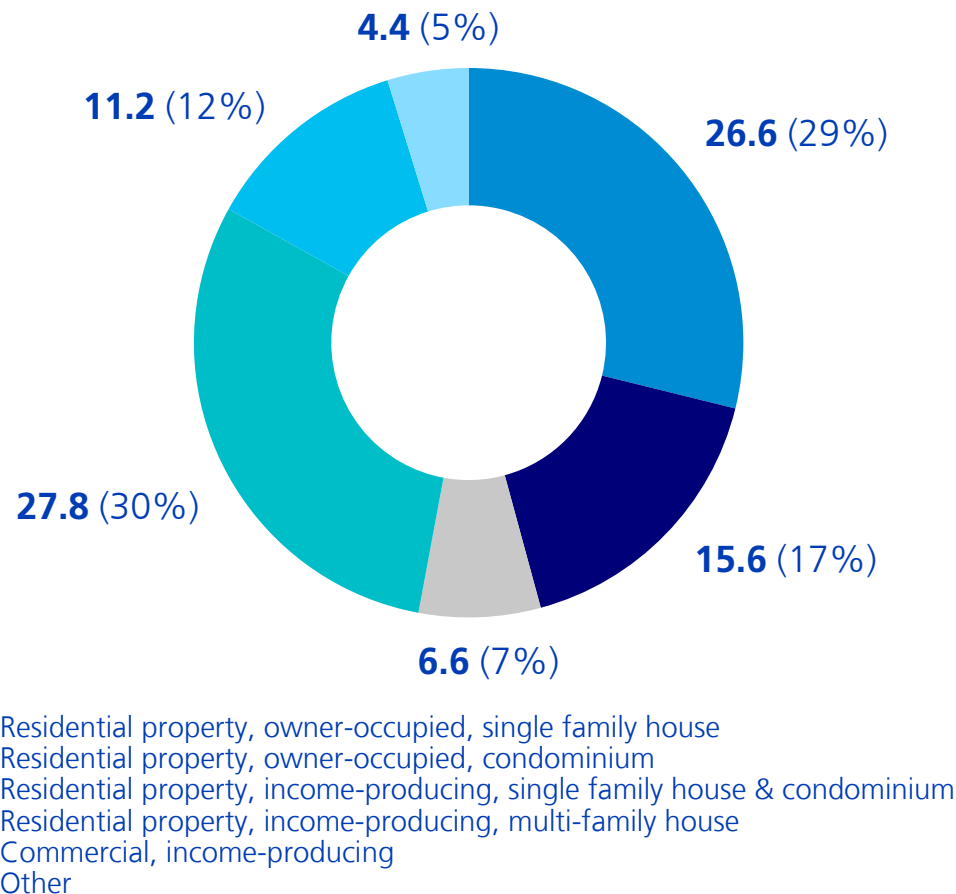
<sup>1</sup> The expected credit loss (ECL) introduced in 2021 is not included in key figures and presentation

<sup>2</sup> Market growth November 2020 to November 2021 (Source: Kreditvolumenstatistik SNB; Banken Inland)

# Broadly diversified mortgage portfolio with a high proportion in residential properties

## Mortgage portfolio<sup>1</sup>

as at 31.12.2021, in CHF billion



83% of the mortgage portfolio consists of residential properties

92% of the total mortgage portfolio is located in the dynamic economic area of Zurich

86% of the financed residential properties show a loan-to-value less than two-thirds. For the remaining financings, the low interest rate environment is used for amortisations, which at the same time reduces the affordability risks

In the segment of income-producing residential properties, more than 90% of the financings are already within a two-thirds loan-to-value ratio

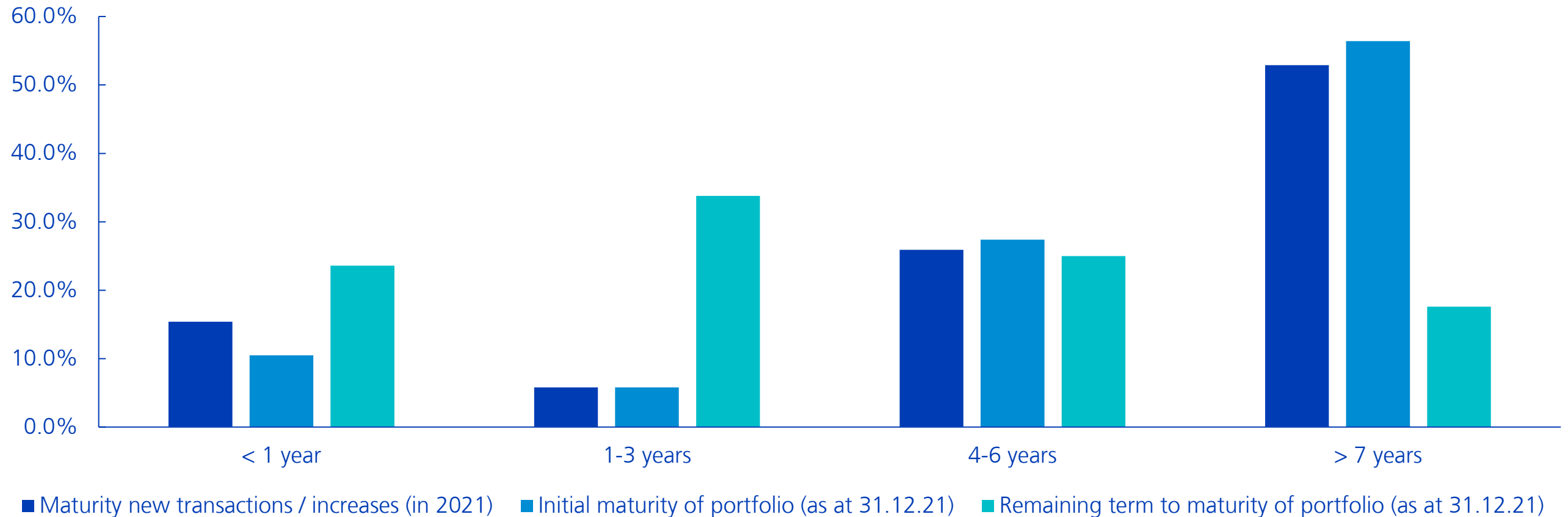
In both portfolios, the proportions have been constant since 2017

<sup>1</sup> The expected credit loss (ECL) introduced in 2021 is not included in key figures and presentation

# Long-term fixed interest rates protect customers from an abrupt rise in interest rates

## Fixed interest rates: mortgage portfolio vs. new private mortgage contracts

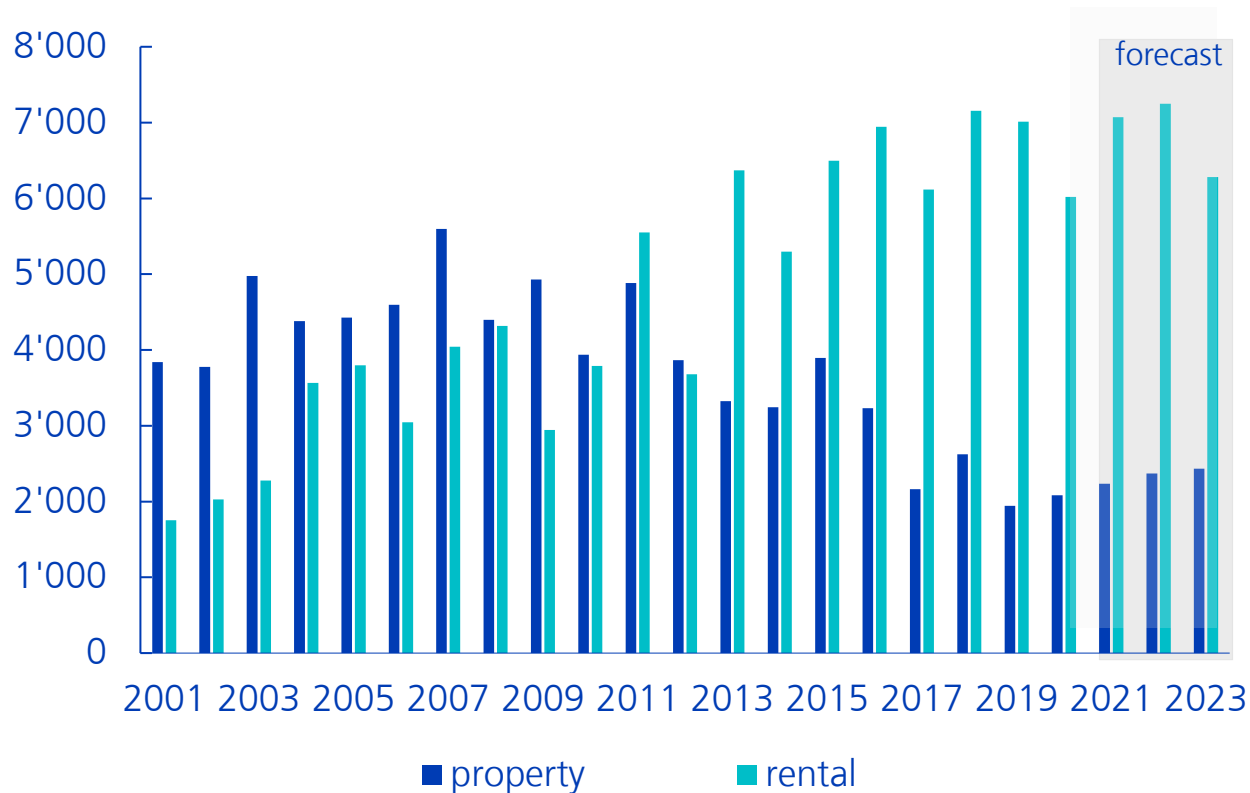
Quota percentage



# Acute undersupply meets high demand: Canton of Zurich's real estate market is well secured

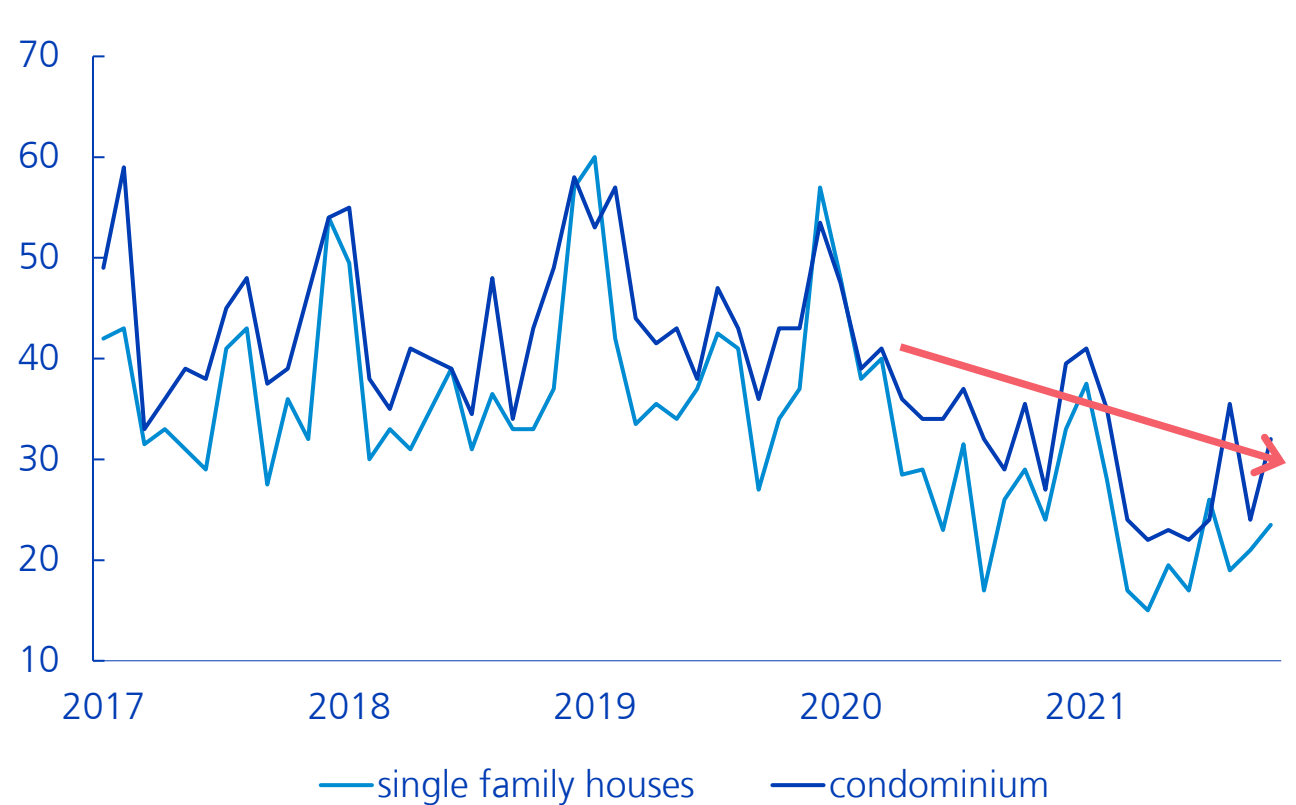
## Housing forecast Canton of Zurich

Number of newly built apartments



## Marketing period in Canton of Zurich

Number of days, median



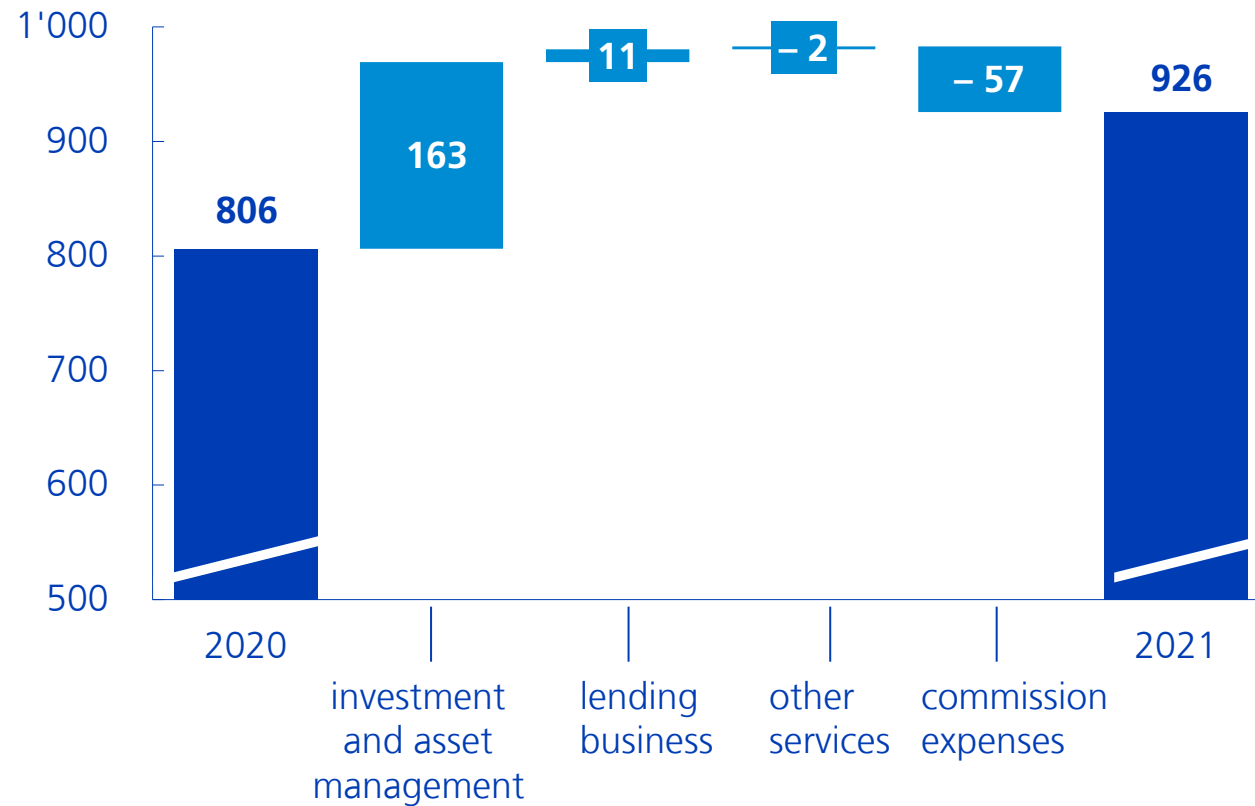
Source: Zürcher Kantonalbank

Source: homegate.ch, Zürcher Kantonalbank

# Very strong development of the commission and services business with a plus of 14.8%

## Result from commission and services business

CHF million



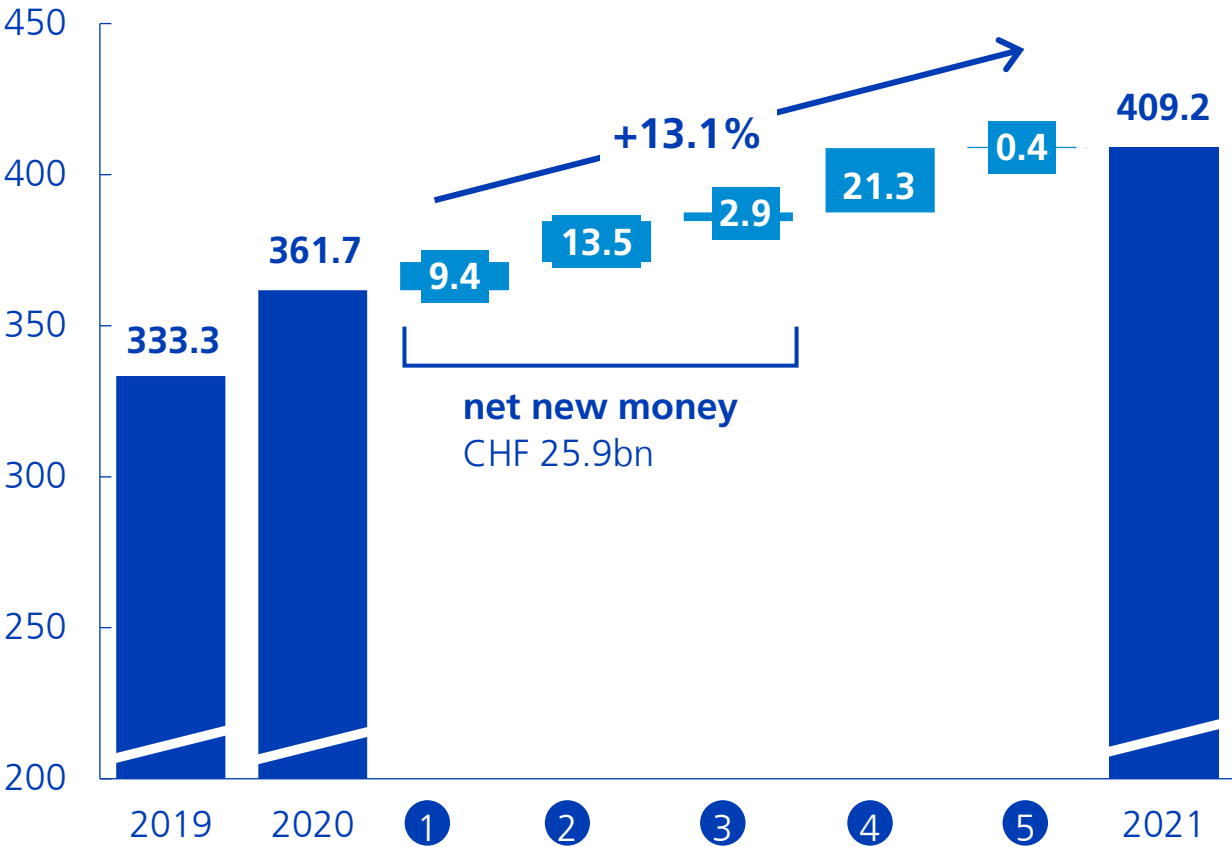
The increase in investment and asset management characterise the very strong overall result. In particular, the fund and asset management business as well as advisory fees developed very positively

Commission income from the lending business is significantly higher than in the previous year, mainly due to higher income from the execution of trading transactions

Commission expenses increased because the markedly higher fund business was accompanied by higher brokerage and agency fees

# Record level of assets under management thanks to CHF 25.9 bn net new money and strong market performance

**Development of assets under management**  
CHF billion

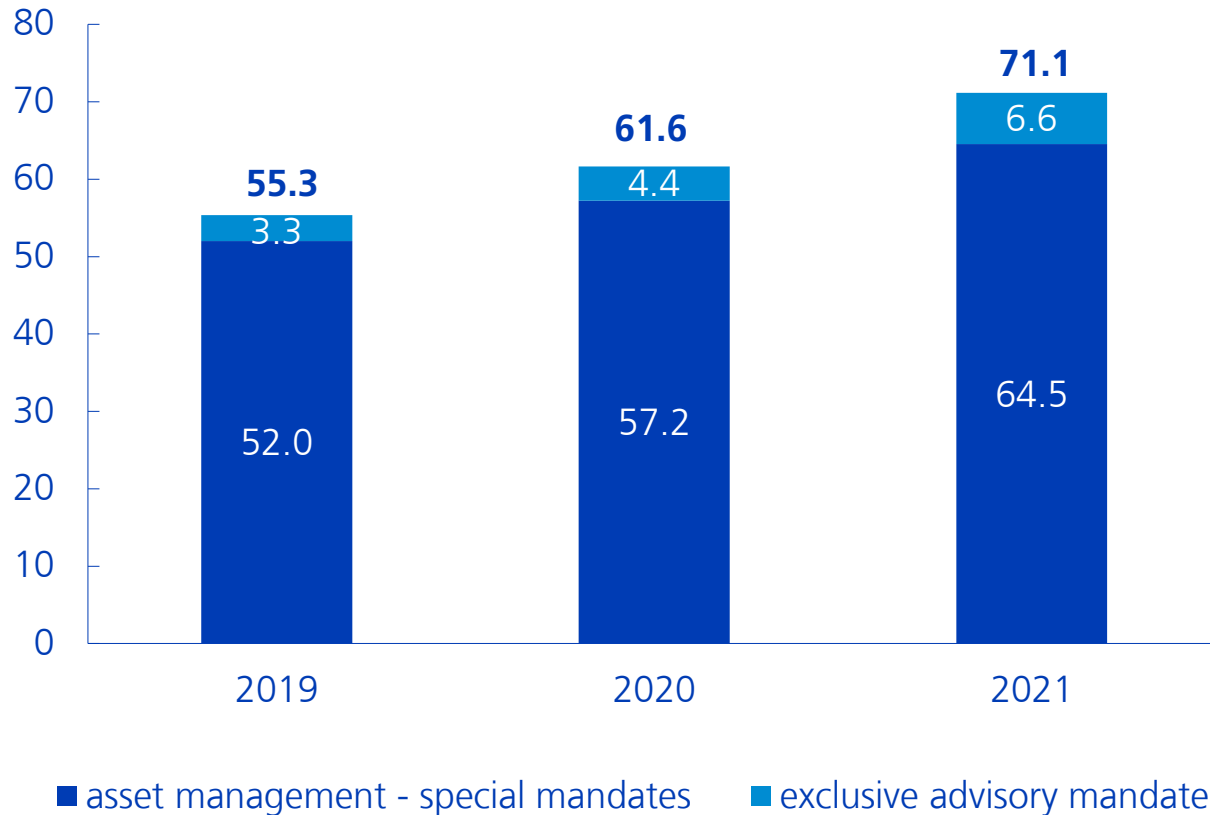


- ① High inflow of net new money from investment fund business
- ② Strong asset inflow from both institutional (60%) and private clients (40%)
- ③ Inflow in deposits
- ④ Net market performance
- ⑤ Other

# Focus on institutional and key clients: Volumes grow stronger than in the previous year

## Asset growth with institutional and key clients

Volume in CHF billion



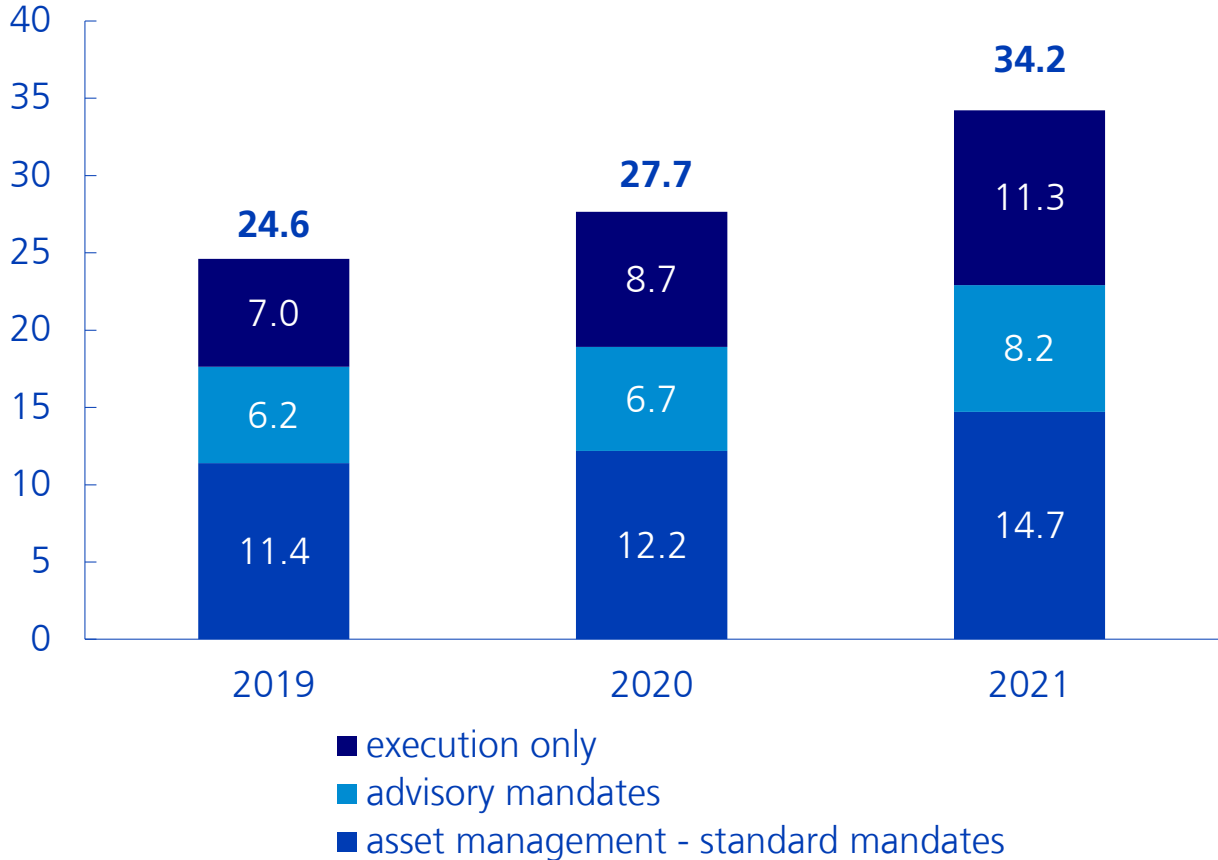
40% of the growth in special mandates is attributable to inflows

Exclusive advisory mandates for institutional and ultra-high net worth individuals grow by over 50%. Inflows account for more than 60% of growth

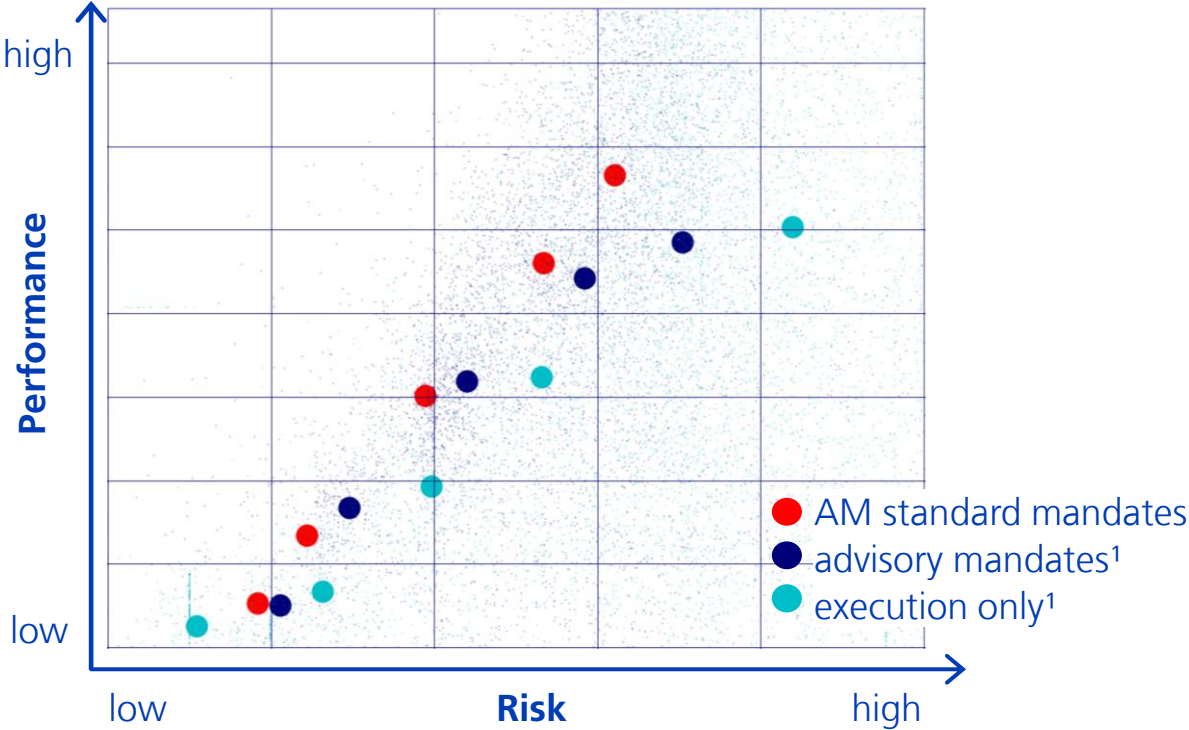
# Focus on private customers: Excellent performance in asset management mandates

## Asset growth with private clients

Volume in CHF billion



## Performance comparison private customers 2021

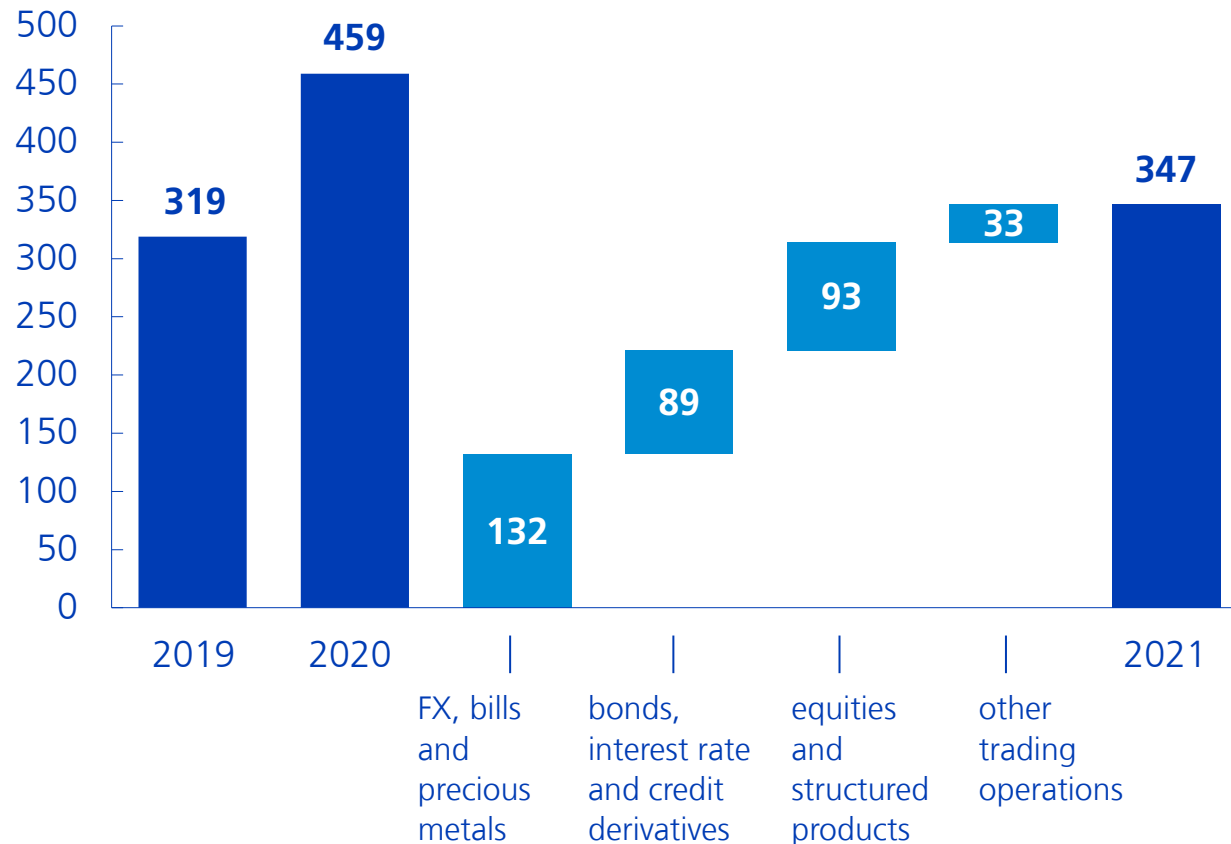


<sup>1</sup> median

# Trading business achieves fourth-best result to date in challenging markets

## Result from trading operations

CHF million



Net trading income declined by CHF 112 million in FY 2021 compared to the extraordinary FY 2020, which was characterised by Corona-related market volatility. However, it is still above the long-term average

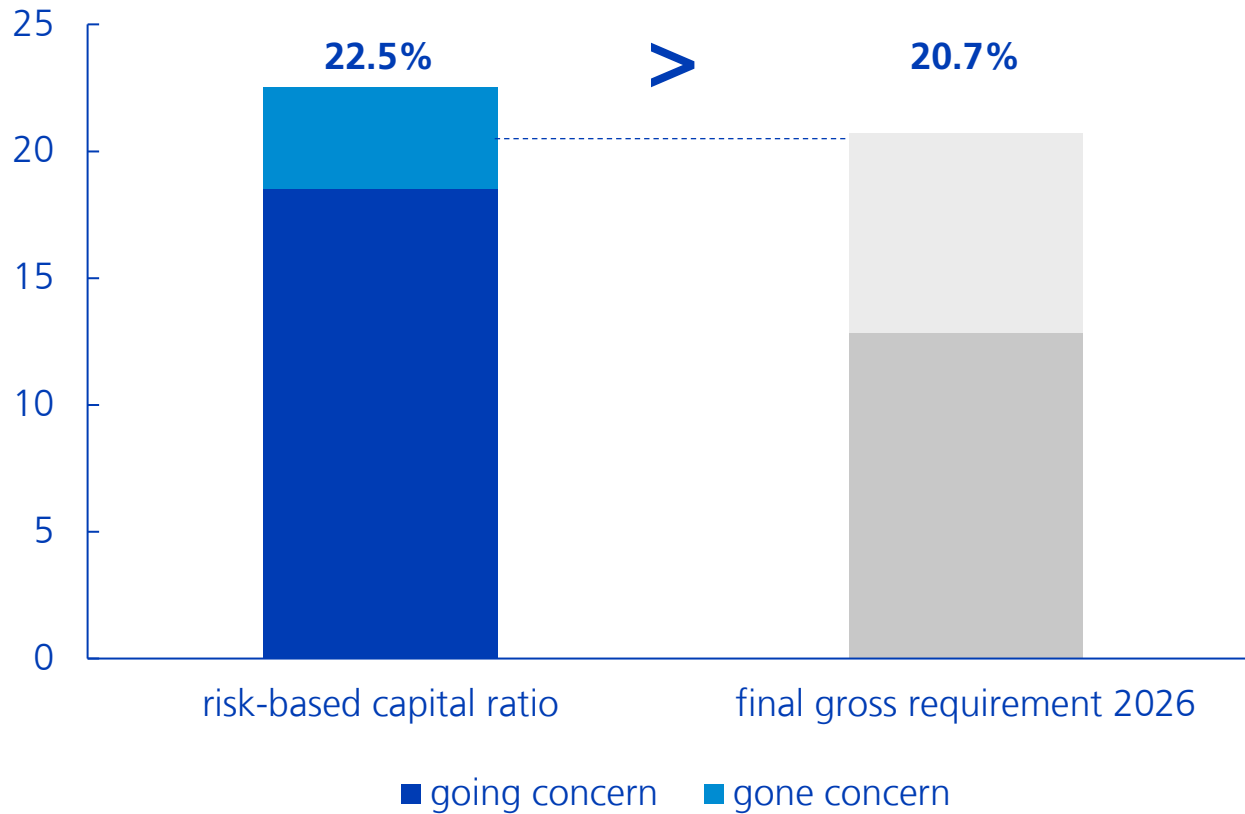
The decline was mainly due to CHF 102 million lower revenues in trading with bonds, interest rate and credit derivatives

Markets reached a record high in Q4 2021 with ZKB's FX, bills and precious metals trading making the largest contributions to the trading result

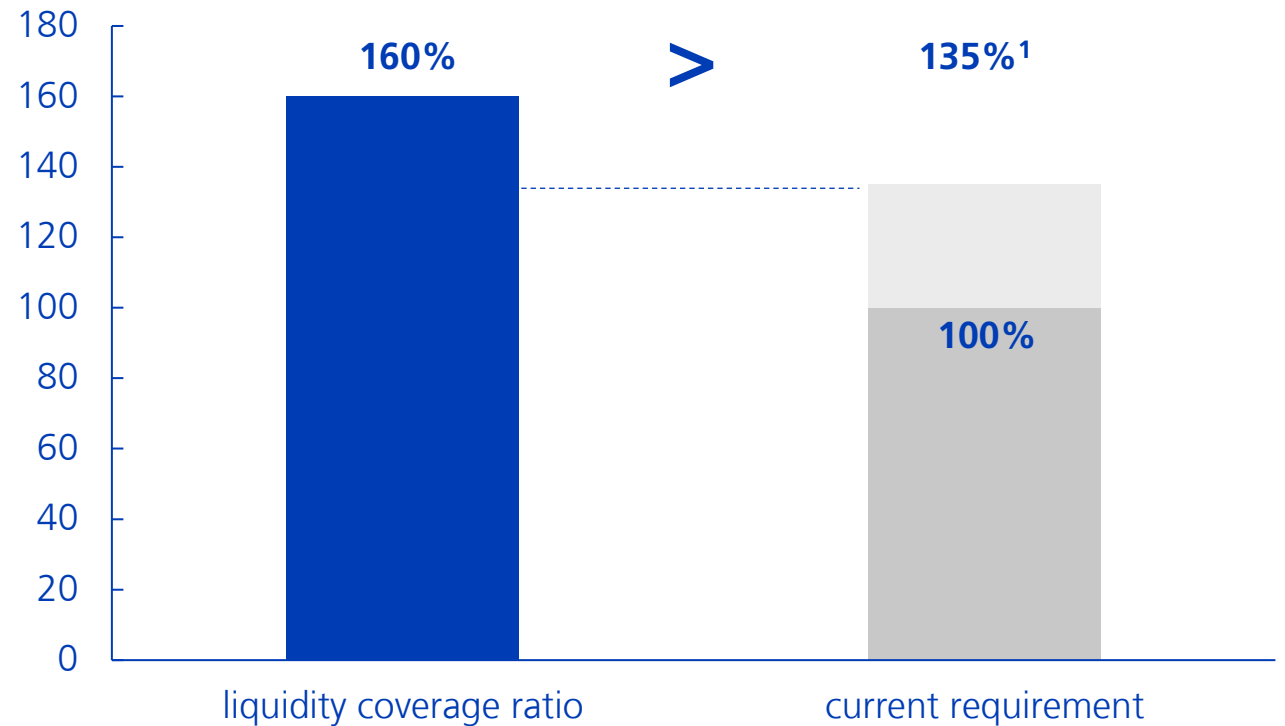
Overall, ZKB relies on the principle of client focus being one key pillar of its diversification strategy

# With its strong capitalisation, Zürcher Kantonalbank already meets the requirements for 2026

**Risk-based capital ratio**  
as at 31.12.2021



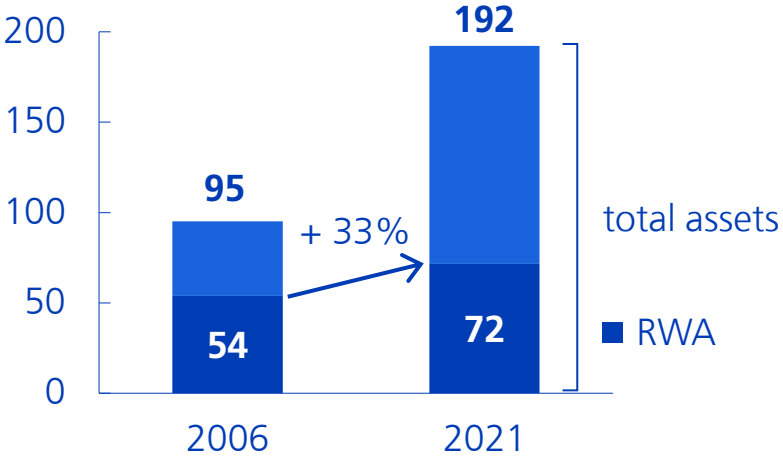
**Liquidity coverage ratio (LCR)**  
as at 31.12.2021



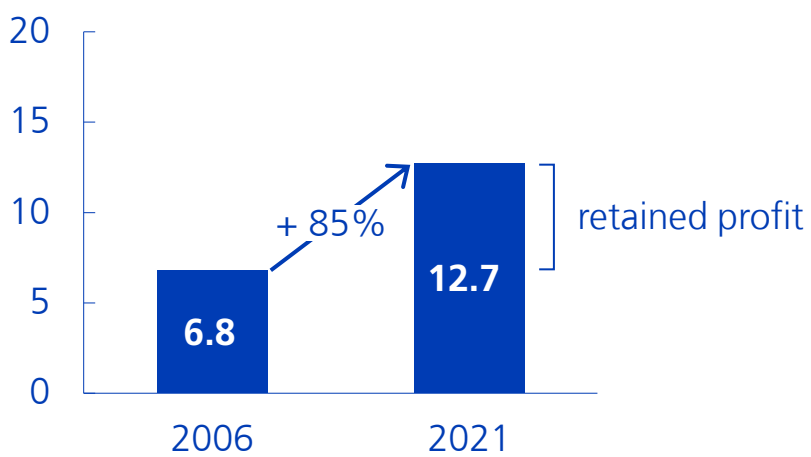
<sup>1</sup> As a systemically important bank, Zürcher Kantonalbank is subject to stricter liquidity regulations. It must meet an LCR of 135%.

# Record years 2006 vs. 2021: We have grown, become safer and have a more stable earnings base

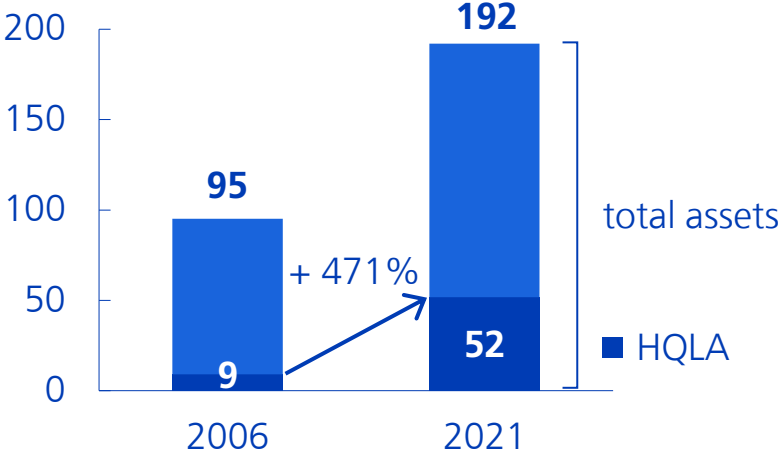
**Risk-weighted assets (RWA)**  
CHF billion



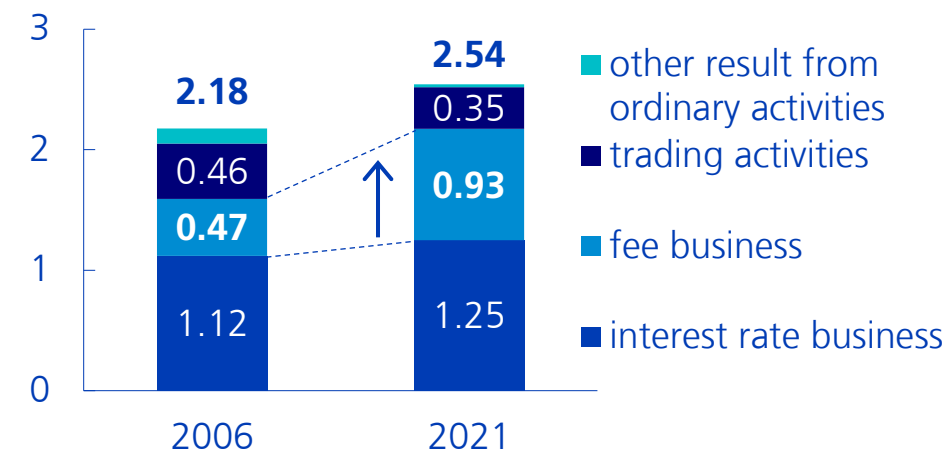
**Equity**  
CHF billion



**Liquidity (HQLA)<sup>1</sup>**  
CHF billion



**Income**  
CHF billion



<sup>1</sup> high-quality liquid assets

# Focus on Organic Growth

Martin Scholl, CEO

# Strong organic growth during the last three years

in CHF

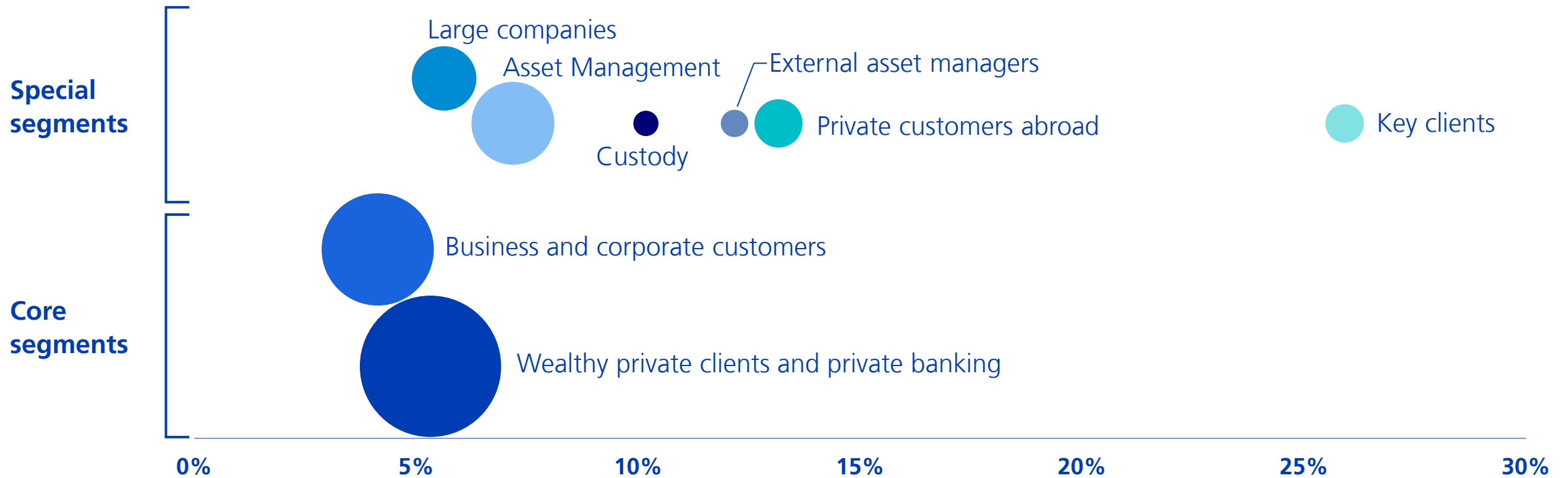
|                                    | 2018            | 2019                      | 2020 | 2021            |
|------------------------------------|-----------------|---------------------------|------|-----------------|
| <b>Operating income</b>            | 2,320 million   | + 224 million / + 10%     | >    | 2,544 million   |
| <b>Operating expenses</b>          | 1,430 million   | + 87 million / + 6%       | >    | 1,517 million   |
| <b>Group net income</b>            | 788 million     | + 154 million / + 20%     | >    | 942 million     |
| <b>Mortgage volume<sup>1</sup></b> | 81,321 million  | + 10,949 million / + 13%  | >    | 92,270 million  |
| <b>Assets under Management</b>     | 295,194 million | + 113,996 million / + 39% | >    | 409,190 million |

<sup>1</sup> mortgage volume before deduction of value adjustments (mainly expected loss)

# Good growth in core segments, high dynamics in special segments

## – key clients have grown by 26% annually

Average annual revenue growth rates<sup>1</sup>  
Selected segments from 2018 to 2021

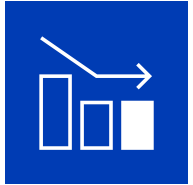


<sup>1</sup> Proportions of circles proportional to revenue in business year 2021

# Outlook

Martin Scholl, CEO

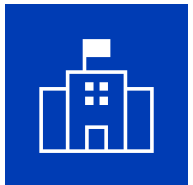
# Outlook 2022: self-regulation of the economy



**Growth slowdown towards trend growth**



**Inflation remains persistent, productivity growth works against it**



**High pressure on Western central banks to normalise monetary policy**

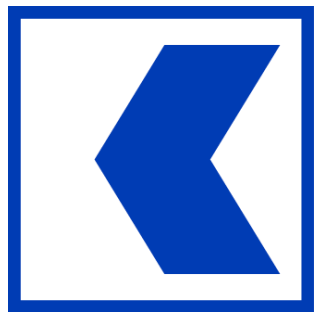


**Switzerland is in a good position in the global context**



**Rising but negative real yields and positive earnings prospects for companies**

# Questions



Zürcher  
Kantonalbank

# Addendum

# Key figures

| <b>in CHF million</b>                    | <b>2019</b> | <b>2020</b> | <b>2021</b> | <b>Target range</b> |
|--|-------------|-------------|-------------|---------------------|
| Operating income                         | 2,414       | 2,513       | 2,544       |                     |
| Operating expenses                       | 1,443       | 1,580       | 1,517       |                     |
| Group net income                         | 845         | 865         | 942         |                     |
| <b>in %</b>                              |             |             |             |                     |
| Return on equity (ROE)                   | 7.2         | 7.2         | 7.8         |                     |
| Cost/income ratio                        | 59.9        | 60.1        | 58.7        | 58–64               |
| Risk-based capital ratio (going concern) | 20.0        | 18.9        | 18.5        | 16–19               |
| Risk-based capital ratio (gone concern)  | 1.4         | 3.2         | 4.0         |                     |
| Leverage ratio (going concern)           | 7.0         | 6.2         | 6.2         |                     |
| Liquidity coverage ratio (LCR)           | 123         | 160         | 160         |                     |
| <b>in CHF billion</b>                    |             |             |             |                     |
| Assets under management                  | 333.3       | 361.7       | 409.2       |                     |
| Net new money                            | 11.7        | 22.1        | 25.9        |                     |