Financial year 2021

Half-yearly Report

Zürcher Kantonalbank

Group structure

Remarks regarding the scope of consolidation
The consolidated interim financial statements comprise the accounts of the parent company and its subsidiaries Swisscanto Holding AG (and its subsidiaries), Zürcher Kantonalbank Finance (Guernsey) Ltd, Zürcher Kantonalbank Österreich AG and ZKB Securities (UK) Ltd.

About the figures:
The amounts stated in this report have been rounded off. The total may therefore vary from the sum of the individual values.

The following rules apply to the tables:

0	(0 or 0.0) Figure that is smaller than half the unit of account used
–	No value
n.a.	No figures available

Close to you.

Zürcher Kantonalbank has successfully positioned itself as a universal bank with a regional base as well as a national and international network. We are not only the leading cantonal bank in Switzerland, but also one of the largest Swiss banks. With a market penetration rate of around 50 percent, we are the top-ranked bank in the Canton of Zurich in both retail and corporate banking. We are also the third-largest fund provider in the country. Zürcher Kantonalbank is an autonomous public-law institution of the Canton of Zurich and benefits from a state guarantee. Our public service mandate is to provide financial services to the public and business, to contribute towards efforts to address economic and social issues and to ensure that our actions are environmentally and socially responsible. We uphold our values: responsible, inspiring and passionate. We are the bank that's "Close to you" and are part of life in the Canton of Zurich.

Key figures (group)

	1st half 2021	1st half 2020	
Key figures in %			
Return on equity (RoE)	8.2	9.0	
Cost/income ratio (CIR)[1]	56.4	55.2[2]	
Common equity Tier 1 ratio (CET1) (going concern)	16.4	16.5	
Risk-based capital ratio (going concern)[3]	17.9	17.5	
Risk-based capital ratio (gone concern)[3]	4.0	2.6	
Leverage ratio (going concern)[3]	6.0	6.2	
Leverage ratio (gone concern)[3]	1.4	0.9	
Liquidity coverage ratio (LCR)[4]	147	127	
Income statement in CHF million			Change in %
Net result from interest operations	600	619	−3.0
Result from commission business and services	449	404	11.3
Result from trading activities and the fair value option	209	272	−23.4
Other result from ordinary activities	10	15	−31.8
Operating income	**1,268**	**1,310**	**−3.2**
Operating expenses	−737	−773	−4.7
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	−53	−59	−9.1
Changes to provisions and other value adjustments and losses	13	−8	−259.3
Operating result	**492**	**469**	**4.7**
Extraordinary result	1	25	−96.8
Changes in reserves for general banking risks	–	46	−100
Taxes	−5	−4	23.4
Consolidated profit	**487**	**537**	**−9.2**
Balance sheet (before appropriation of profit) in CHF million	30.6.2021	31.12.2020	
Total assets	190,907	188,364	1.3
High-quality liquid assets (HQLA)[4]	60,206	53,042	13.5
Mortgage loans	89,714	87,679	2.3
Amounts due in respect of customer deposits	92,132	92,609	−0.5
Provisions	258	222	16.0
Equity	12,223	12,650	−3.4
Customers' assets in CHF million			
Total customers' assets	**391,760**	**361,658**	**8.3**
Headcount/branches Number			
Headcount after adjustment for part-time employees, as at the reporting date	5,140	5,180	−0.8
Branches[5]	59	60	−1.7
Rating agencies Rating			
Fitch	AAA	AAA	
Moody's	Aaa	Aaa	
Standard & Poor's	AAA	AAA	

1 Calculation: Cost/income ratio (excl. changes in default-related value adjustments and losses from interest operations).
2 Excludes the CHF 46 million non-recurring personnel expense related to the anniversary payment made to employees.
3 In accordance with the provisions for systemically important banks.
4 Simple average of the closing values on the business days during the quarter under review.
5 Including branches of Zürcher Kantonalbank Österreich AG in Salzburg and Vienna.

Business development

Major developments and events

1st quarter 2021 Optimism prevailed in the markets, partly due to the launch of the vaccination campaign. Economic data, which was largely better than expected, indicated that both companies and consumers had adapted to the conditions of the pandemic. Infection rates around the world began to fall, and progress in vaccination sparked confidence in the business community.

On 15 March 2021, Zürcher Kantonalbank opened a new branch with a novel concept directly at Stettbach train station. This pilot location is forward-looking and aims to better meet the needs of today's clients with its modern look and range of products and services.

2nd quarter 2021 While higher growth momentum shifted from emerging markets to industrialised nations, the US saw strong economic recovery in recent months, which peaked towards the end of the second quarter. This was attributable partly to the promising course of the pandemic and vaccination campaign success, and partly to monetary and fiscal policy. That economic momentum is now slowly shifting towards Europe, however, and the recent sharp increase in the inflation rate has prompted concern among financial market players.

On 25 May 2021, Martin Scholl announced his resignation as CEO of Zürcher Kantonalbank with effect from 31 August 2022. The succession planning process has been initiated.

Very pleasing half-year result

Zürcher Kantonalbank's performance in the first half of 2021 has been extremely encouraging. The operating result totalled CHF 492 million, which was 4.7 percent above the previous year's figure of CHF 469 million.

Interest operations performed well year-on-year. At CHF 638 million, gross interest income was up around 1.9 percent on the previous year's figure (CHF 626 million).

At CHF 449 million, the result from commission business and services was substantially higher year-on-year, up 11.3 percent over the previous year (CHF 404 million).

The result from trading activities was again very good at around CHF 209 million, even if it could not quite match the previous year's excellent result (CHF 272 million).

Operating income came in at CHF 1,268 million, which represents a slight decrease of 3.2 percent over the previous year.

Operating expenses were also lower at CHF 737 million (previous year: CHF 773 million), largely making up for the slight decline in operating income.

The very encouraging result for the six-month period is around CHF 50 million lower year-on-year, however it included one-off effects in extraordinary income in addition to an excellent result from trading activities.

The developments mentioned are also reflected in the key figures. Return on equity was 8.2 percent (first half 2020: 9.0 percent). The cost/income ratio amounted to 56.4 percent compared with 55.2 percent for the prior-year period.

Impressive interest operations

The persistently negative interest rate environment and the corresponding pressure on margins continued to have a significant impact on interest operations in the first half of 2021. Nevertheless, gross interest income of CHF 638 million was reported, which is an increase of 1.9 percent year-on-year. Ongoing volume growth in loans coupled with the fact that negative interest rates were systematically passed on to major clients counteracted pressure on margins. Zürcher Kantonalbank assesses credit default risks and other recognisable risks on an ongoing basis. Where necessary, it makes appropriate value adjustments or provisions.

Net value adjustments were created in the amount of CHF 38 million in the first half of 2021. These include CHF 11 million for expected losses, which have had to be factored in since the beginning of this year. At the same time, there were larger releases of provisions for default risks (net CHF 17 million), which are detailed in a separate section.

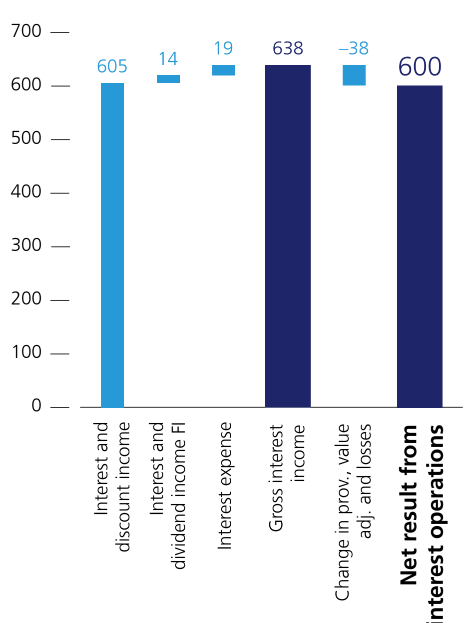
Commission business and services

In the first half of 2021, the bank posted a result from commission business and services of CHF 449 million, up 11.3 percent or around CHF 46 million over the previous year's results. One key factor here was the increase in income from securities trading and investment activities. At CHF 490 million, this represents the largest share of the result from commission business and services and is 15.3 percent higher than in the prior-year period. Strong net new money growth continues to be achieved both in the fund business and in the administration and advisory business. Income also benefited from positive market performance.

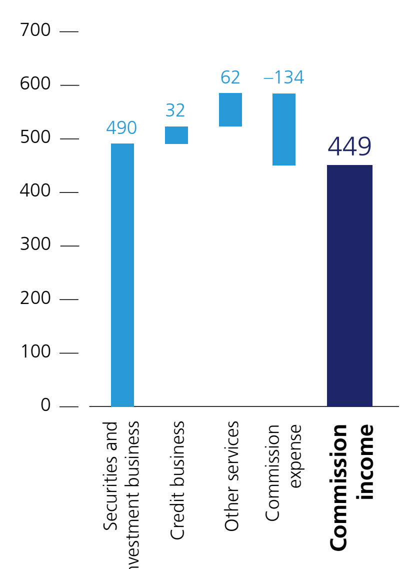
Commission income from credit business rose CHF 5 million (up 18.9 percent) to CHF 32 million.

At CHF 134 million, commission expense increased by CHF 25 million or 22.6 percent compared with the prior-year period. Since this change is related in particular to the fund business, it correlates with trends on the income side.

Breakdown of result from interest operations (in CHF million)



Breakdown of result from commission business (in CHF million)



Very good result from trading activities

While the result from trading activities of CHF 209 million was once again very good in a multi-year comparison, it was not quite on a par with the previous year's excellent result of CHF 272 million, which was influenced by special market conditions. The CHF 64 million or 23.4 percent decline in the result from trading activities was mainly attributable to trading in bonds, interest rate and credit derivatives, which dropped to around CHF 69 million and were therefore CHF 58 million or 46.0 percent lower year-on-year.

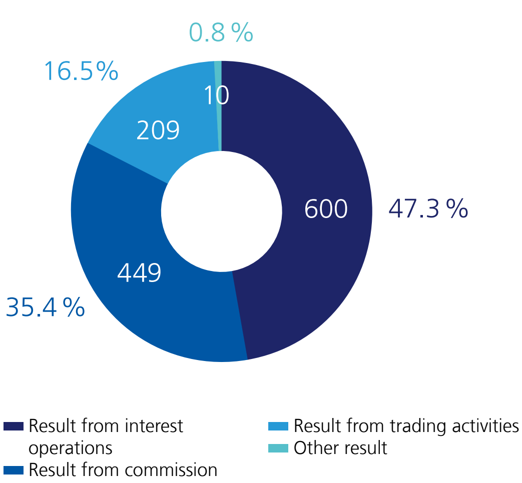
Slight decrease in operating income

Operating income of CHF 1,268 million was generated in the first half of 2021, which corresponds to a 3.2 percent or CHF 41 million decline compared with the prior-year period. This proves the value of the bank's stable, diversified income structure, even during this six-month period, which was challenging for the economy due to the ongoing pandemic. With a share of 47.3 percent, interest operations continue to represent one of the bank's most important income streams, followed by the commission business and services with a 35.4 percent share. The decline was mainly attributable to trading activities, the bank's third most important source of income, which accounted for 16.5 percent of operating income.

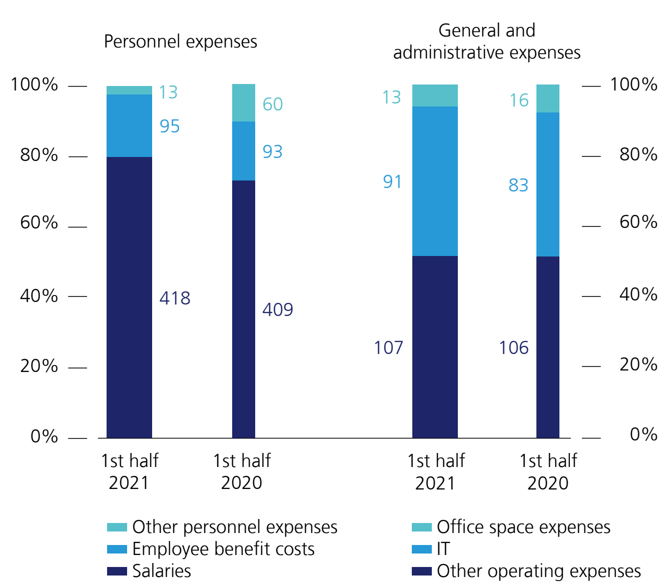
Operating expenses down

Operating expenses were CHF 737 million in the first half of the year and thus 4.7 percent lower year-on-year. This is mainly due to the one-off effect in personnel expenses in the previous year. General and administrative expenses, on the other hand, remained unchanged at CHF 210 million. However, the costs are allocated slightly differently than in the previous year. At CHF 91 million, expenses for information and communications technology, for example, were up CHF 7 million on the previous year, in part due to licensing and material costs, as well as project costs for optimising the infrastructure around client advisory services. The change in the other components can be seen in the chart "Development of operating expenses".

Breakdown of operating income (in CHF million)



Development of operating expenses (in CHF million)



Very pleasing operating result

Zürcher Kantonalbank generated an operating result of CHF 492 million during the first half of 2021. This constitutes an increase of 4.7 percent or CHF 22 million year-on-year. The individual components can be seen in the chart "Breakdown of operating result".

Depreciation and amortisation and changes to provisions slightly higher year-on-year

Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets amounted to CHF 53 million, CHF 5 million lower than in the first half of 2020. The result is attributable to lower value adjustments on participations and depreciation of bank premises.

Changes to provisions and other value adjustments and losses show a reversal of CHF 13 million for the first half of 2021 (previous year: creation of CHF 8 million).

This balance essentially comprises the following: There was a net release of provisions for default risks amounting to CHF 24 million. In addition, net provisions of CHF 7 million were created for expected losses, which have had to be considered since the beginning of this year.

Very encouraging result for the six-month period

While the prior-year period included income of around CHF 25 million from the disposals of two participations, the current half-year result does not include any significant extraordinary income.

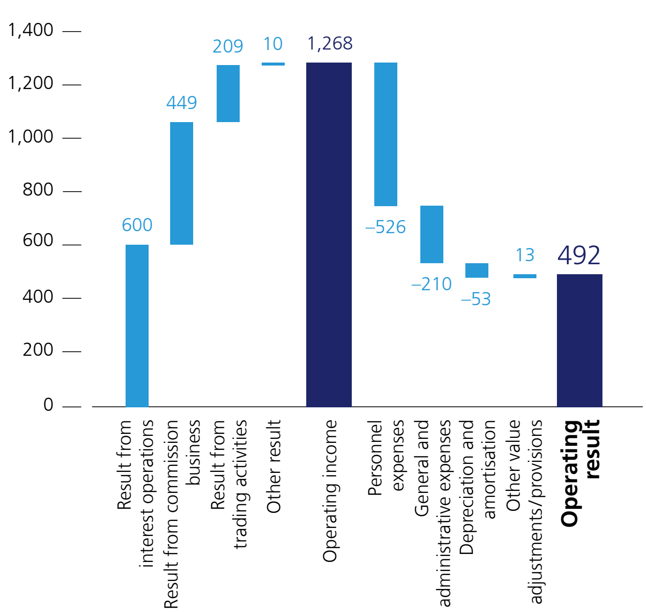
Overall, the result for the six-month period is very encouraging, although it is some CHF 50 million lower year-on-year due to the previous year's excellent result from trading activities and the disposal of participations.

Stable balance-sheet structure

Total assets were CHF 190.9 billion as at 30 June 2021, up by CHF 2.5 billion or 1.3 percent compared with 31 December 2020. Amounts due from securities financing transactions, which include positions related to securities borrowing and reverse repo transactions, increased significantly (up 65 percent) to CHF 28.0 billion as of the reporting date compared with the 2020 financial statements. This is also the reason for the only significant shift in the balance-sheet structure – from liquid assets at 20.8 percent (previous year: 27.7 percent) of total assets to amounts due from securities financing transactions, which now account for 14.7 percent (previous year: 9.0 percent).

Mortgage loans in the amount of CHF 89.7 billion constituted the largest position on the asset side, with a share of 47.0 percent, followed by liquid assets, which accounted for 20.8 percent of total assets. On the liabilities side, the largest item was amounts due in respect of customer deposits, which came in at CHF 92.1 billion, representing 48.3 percent of total liabilities. The second-largest item was amounts due to banks of CHF 40.2 billion, which made up 21.1 percent of total liabilities.

Breakdown of operating result (in CHF million)



Adequate liquidity reserves

Liquid assets remained at a high level as at the middle of the year, totalling around CHF 39.7 billion. Deposits with the Swiss National Bank continued to account for most of these liquid assets. These deposits are directly related to the liquidity requirements, which are particularly high for systemically important banks such as Zürcher Kantonalbank.

Zürcher Kantonalbank's comfortable liquidity situation is also reflected in its liquidity coverage ratio (LCR) of 147 percent, which is calculated as a simple average of the closing values on the business days during the quarter under review.

Comfortable refinancing situation

The total mortgage portfolio grew in the first six months of 2021 by 2.3 percent to CHF 89.7 billion. The principle of "quality before quantity" is a key criterion for the granting of mortgages, so we continue to base affordability calculations on an imputed mortgage interest rate of 5 percent.

Amounts due from clients increased by 5.5 percent to CHF 9.7 billion.

Amounts due in respect of customer deposits (savings and investments as well as other liabilities to clients) were stable and amounted to CHF 92.1 billion at the middle of the year.

The refinancing situation of Zürcher Kantonalbank can still be considered comfortable.

Sound capital base

As at 1 January 2021, value adjustments/provisions for expected losses were introduced by means of an initial allocation of CHF 461 million through the release of retained earnings with no income effect. This offset last year's retained profit of CHF 402 million. Nevertheless, Zürcher Kantonalbank continues to have a very sound capital base.

The risk-based equity ratio (going concern) on 30 June 2021 was 17.9 percent compared with 17.5 percent on 30 June in the previous year. The ratio is still significantly higher than the current capital adequacy requirements for a systemically important bank (12.86 percent of risk-weighted exposures) and testifies to Zürcher Kantonalbank's high capitalisation. The leverage ratio (going concern), at 6.0 percent, is also significantly higher than the 4.5 percent required for systemically important banks. Likewise, the additional loss-absorbing requirements (gone concern) are exceeded by Zürcher Kantonalbank both on a risk-based and an unweighted basis.

Increase in client assets

Client assets rose by CHF 30.1 billion to CHF 391.8 billion during the first half of the year. While net new money inflow generated growth of CHF 11.8 billion, positive market performance in particular had a significant impact, increasing client assets by CHF 17.6 billion.

AAA credit rating

The rating agencies Fitch, Moody's and Standard & Poor's continue to grant Zürcher Kantonalbank first-class credit ratings of AAA and Aaa, even under the current conditions. Even on a stand-alone basis (i.e. not taking into account any support from the state) Zürcher Kantonalbank is one of the safest universal banks worldwide, with a rating of aa- (S&P).

Outlook

Global economic recovery is in full swing, and economic indicators are developing positively. Economic momentum is developing in favour of the industrialised countries, giving rise to hopes of strong economic growth. The third quarter is expected to bring a slowdown in growth, and economic sentiment indicators are already hinting at this. However, the slowdown is not likely to be dramatic by any means. This makes us confident that we will continue to perform well in the second half of 2021, despite the prevailing uncertainties, and will be able to present pleasing annual results again this year.

Consolidated income statement

in CHF million	1st half 2021	1st half 2020	Change	Change in %
Result from interest operations				
Interest and discount income	605	780	−176	−22.5
Interest and dividend income from financial investments	14	17	−2	−12.6
Interest expense	19	−171	190	−111.2
Gross result from interest operations	638	626	12	1.9
Changes in value adjustments for default risk and losses from interest operations	−38	−7	−31	423.0
Subtotal net result from interest operations	600	619	−19	−3.0
Result from commission business and services				
Commission income from securities trading and investment activities	490	425	65	15.3
Commission income from lending activities	32	27	5	18.9
Commission income from other services	62	62	0	0.4
Commission expense	−134	−110	−25	22.6
Subtotal result from commission business and services	449	404	46	11.3
Result from trading activities				
Result from trading activities and the fair value option	209	272	−64	−23.4
Other result from ordinary activities				
Result from the disposal of financial investments	0	−0	0	n.a.
Income from participations	7	12	−6	−44.6
– of which, participations valued using the equity method	1	1	0	63.9
– of which, from other non-consolidated participations	6	12	−6	−51.0
Result from real estate	3	3	−0	−7.9
Other ordinary income	4	4	−0	−11.2
Other ordinary expenses	−4	−5	1	−22.4
Subtotal other result from ordinary activities	10	15	−5	−31.8
Operating income	1,268	1,310	−41	−3.2
Operating expenses				
Personnel expenses	−526	−563	37	−6.5
General and administrative expenses	−210	−210	−0	0.1
Subtotal operating expenses	−737	−773	36	−4.7
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	−53	−59	5	−9.1
Changes to provisions and other value adjustments and losses	13	−8	22	−259.3
Operating result	492	469	22	4.7
Extraordinary income	1	25	−25	−96.8
Extraordinary expenses	–	−0	0	−100.0
Changes in reserves for general banking risks	–	46	−46	−100.0
Taxes	−5	−4	−1	23.4
Half-yearly consolidated profit	487	537	−50	−9.2

Consolidated balance sheet

in CHF million	30.6.2021	31.12.2020	Change	Change in %
Assets				
Liquid assets	39,676	52,154	–12,478	–23.9
Amounts due from banks	2,789	3,238	–449	–13.9
Amounts due from securities financing transactions	28,010	16,942	11,067	65.3
Amounts due from clients	9,703	9,197	506	5.5
Mortgage loans	89,714	87,679	2,035	2.3
Trading portfolio assets	11,643	10,920	724	6.6
Positive replacement values of derivative financial instruments	1,787	1,593	193	12.1
Other financial instruments at fair value	–	–	–	–
Financial investments	4,966	5,035	–69	–1.4
Accrued income and prepaid expenses	513	302	211	69.6
Non-consolidated participations	135	135	–0	–0.1
Tangible fixed assets	612	629	–17	–2.7
Intangible assets	68	86	–18	–21.1
Other assets	1,291	453	838	185.0
Total assets	190,907	188,364	2,542	1.3
Total subordinated claims	276	263	14	5.1
– of which, subject to conversion and/or debt waiver	16	18	–1	–7.9
Liabilities				
Amounts due to banks	40,275	34,733	5,542	16.0
Liabilities from securities financing transactions	4,847	4,823	23	0.5
Amounts due in respect of customer deposits	92,132	92,582	–450	–0.5
Trading portfolio liabilities	1,653	1,320	333	25.2
Negative replacement values of derivative financial instruments	814	942	–127	–13.5
Liabilities from other financial instruments at fair value	4,091	3,459	632	18.3
Cash bonds	147	158	–11	–7.1
Bond issues	20,214	25,385	–5,171	–20.4
Central mortgage institution loans	11,179	10,743	436	4.1
Accrued expenses and deferred income	592	798	–206	–25.8
Other liabilities	2,482	549	1,933	352.3
Provisions	258	222	36	16.0
Reserves for general banking risks	154	154	–	–
Bank's capital	2,425	2,425	–	–
Retained earnings reserve	9,163	9,214	–51	–0.6
Foreign currency translation reserve	–6	–8	1	–19.4
Consolidated profit	487	865	–378	–43.7
Shareholders' equity	12,223	12,650	–428	–3.4
Total liabilities	190,907	188,364	2,542	1.3
Total subordinated liabilities	1,609	1,607	2	0.1
– of which, subject to conversion and/or debt waiver	1,609	1,607	2	0.1
Off-balance-sheet transactions				
Contingent liabilities	3,198	3,395	–197	–5.8
Irrevocable commitments	10,338	10,563	–225	–2.1
Obligations to pay up shares and make further contributions	356	251	105	41.7
Credit commitments	–	–	–	–

Consolidated statement of changes in equity

in CHF million	Bank's capital	Retained earnings reserve	Reserves for general banking risks	Consolidated profit	Foreign currency translation reserve	Total equity
2020						
Opening amount	2,425	9,720	200	–	–7	12,337
Effect of any restatement	–	–	–	–	–	–
Capital increase	–	–	–	–	–	–
Capital decrease	–	–	–	–	–	–
Increase in scope of capital consolidation	–	–	–	–	–	–
Decrease in scope of capital consolidation	–	–	–	–	–	–
Other contributions/other capital paid in	–	–	–	–	–	–
Reclassifications	–	–	–	–	–	–
Currency translation differences	–	–	–	–	–0	–0
Dividends and other distributions	–	–506	–	–	–	–506
Valuation adjustments not affecting net income	–	–0	–	–	–	–0
Other allocations to (transfers from) the reserves for general banking risks	–	–	–46	–	–	–46
Other allocations to (transfers from) the other reserves	–	–	–	–	–	–
Consolidated profit	–	–	–	865	–	865
Total equity as at 31.12.2020	2,425	9,214	154	865	–8	12,650
2021						
Opening amount	2,425	10,079	154	–	–8	12,650
Effect of any restatement	–	–	–	–	–	–
Capital increase	–	–	–	–	–	–
Capital decrease	–	–	–	–	–	–
Increase in scope of capital consolidation	–	–	–	–	–	–
Decrease in scope of capital consolidation	–	–	–	–	–	–
Other contributions/other capital paid in	–	–	–	–	–	–
Reclassifications	–	–	–	–	–	–
Currency translation differences	–	–	–	–	1	1
Dividends and other distributions	–	–456	–	–	–	–456
Valuation adjustments not affecting net income	–	0	–	–	–	0
Other allocations to (transfers from) the reserves for general banking risks	–	–	–	–	–	–
Other allocations to (transfers from) the other reserves	–	–460	–	–	–	–460
Half-yearly consolidated profit	–	–	–	487	–	487
Total equity as at 30.06.2021	2,425	9,163	154	487	–6	12,223

Disclosure of capital and liquidity

A disclosure in line with capital and liquidity requirements is published in a separate report at zkb.ch (keyword "disclosures").

Condensed notes

Changes in accounting and valuation principles

Expected losses

As at 1 January 2021, value adjustments/provisions for expected losses were introduced in accordance with the transitional provisions of the FINMA Accounting Ordinance (FINMA-AO) and FINMA Circular 2020/01. The initial allocation in the amount of CHF 461 million took place through the release of retained earnings with no impact on net income.

The accounting and valuation principles for value adjustments and provisions for expected losses on unimpaired loans and off-balance-sheet transactions can be summarised as follows: Zürcher Kantonalbank creates value adjustments and provisions for expected losses for unimpaired loans and off-balance-sheet transactions. Net creation totalled around CHF 18 million for the first half of 2021.

Expected loss (EL) refers to the expected value of future losses from credit defaults. It is calculated as the product of the probability of default (PD), the loss given default (LGD) and the exposure at default (EAD). Expressed mathematically, the equation can be written as:
EL = PD x LGD x EAD.

The EL approach is based on the regulatory parameters (IRB approach) and a residual maturity approach. No discounts are applied. For the positions without internal rating information, the 1-year PD is derived on the basis of the SA-BIS risk weight. Regulatory PDs are based on long-term average estimates and are extrapolated to lifetime PDs assuming constant forward PDs. IRB residual maturities with a 1-year floor and a 5-year cap are used for this purpose. The regulatory IRB parameters from the capital adequacy calculation are also used to calculate the loss given default (LGD). The EAD from the IRB approach is also used for off-balance-sheet items. For balance-sheet items, an EAD excluding accrued interest is used. EAD and LGD are constant in the (residual) maturity calculation. The EV is calculated on the unimpaired loans of the following balance-sheet and off-balance-sheet items:

- Amounts due from banks
- Amounts due from clients
- Mortgage receivables
- Debt securities held to maturity as financial investments
- Contingent liabilities
- Irrevocable commitments

The use of value adjustments and provisions for expected losses is only intended in the event of a “crisis” (large number of loan defaults). A crisis is defined as follows: the changes in value adjustments/provisions for impaired loans, losses incurred, and default-risk-related changes in the book value of debt securities in financial investments exceed the one-year expected loss (1-year AO EL) calculated based on regulatory parameters for the corresponding period. As a result, 50 percent of the 1-year AO EL is compared with the actual values for the six-month period.

If the trigger criterion for application is met, application may be at the 0 percent, 50 percent, or 100 percent level, with a higher percentage intended for short, severe crises and a lower percentage intended for longer-lasting crises. In the case of a major individual event without an actual crisis, it is also possible to dispense with application.

New value adjustments/provisions are generally created on a linear basis over a period of five years following a crisis. No new value adjustments/provisions are created during an ongoing crisis. The creation period is assessed every six months and may be shortened. Ongoing changes resulting from changes in credit volumes, credit ratings and maturities are always recognised on an accrual basis (not deferred in the event of a crisis).

Broker accounts

With effect from 1 January 2021, broker accounts are now reported under other assets/liabilities instead of under amounts due from and to banks and/or clients. This adjustment requires a restatement of the balance sheet as at 31 December 2020. The financial impact of the restatement is shown in the table below:

Balance sheet as at 31.12.2020 in CHF million	Before restatement	Change	After restatement
Amounts due from banks	3,396	– 159	3,238
Amounts due from clients	9,253	– 56	9,197
Other assets	239	+ 214	453
Amounts due to banks	34,838	– 105	34,733
Amounts due in respect of customer deposits	92,609	– 27	92,582
Other liabilities	417	+ 132	549

There are no other changes that have a material impact on the half-year financial statements.

Factors affecting the 2021 half-year result

The start of vaccination campaigns in the first quarter sparked optimism in the financial markets, and economic indicators in Switzerland have been pointing upwards ever since lockdown measures were eased in March. Retail sales were up more than 22 percent compared with February. According to short-term indicators, the opening of outdoor terraces caused sales in the restaurant sector to double in April. These reopening measures helped return the economy to a pre-pandemic level in early April for the first time since the crisis began. Preliminary sentiment indicators offer hope that the upward momentum will continue. Accordingly, many market participants expect a significant growth spurt in 2021, despite pandemic-related restrictions. This unexpectedly shifted the spotlight back to inflation, prompting a surge in long-term interest rates.

Events occurring after the reference date of the Half-yearly Report

No significant events affecting the assets, liabilities, financial position and the results of operations of the group occurred between the reference date of the Half-yearly Report and the date on which the report was published.

Explanations regarding material losses, extraordinary income and expenses, reserves for general banking risks and value adjustments and provisions no longer required

in CHF million	1st half 2021	1st half 2020
Extraordinary income		
Reversal of impairment on other participations	0	0
Income from sale of other real estate/bank premises	1	–
Income from sale of participations	0	25
Other	0	0
Total	1	25
Extraordinary expenses		
Losses from sale of other real estate/bank premises	–	–0
Losses from disposal of participations	–	–
Other	–	–
Total	–	–0
Changes in reserves for general banking risks		
Creation of reserves for general banking risks	–	–
Release of reserves for general banking risks	–	46[1]
Total	–	46

1 This release of reserves for general banking risks is related to anniversary payments to employees as part of the 150-year anniversary of Zürcher Kantonalbank.

In the first half year, no material value adjustments or provisions no longer required were recorded.

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