

11 February 2022

Media release

Ad hoc announcement pursuant to article 53 LR SIX Exchange Regulation and section 16 BX Swiss

Zürcher Kantonalbank achieves record profit of CHF 942 million for 2021

- **Strong organic growth with rigorous risk discipline and cost discipline**
- **Record operating income of CHF 2,544 million**
- **Net inflows of new money and assets under management reach new high**
- **Increase in the ordinary dividend for the Canton and its municipalities**

Zurich, 11 February 2022 – Zürcher Kantonalbank generated a net profit of CHF 942 million in 2021 – the highest in its history and 8.9% above its result for the previous year. This record result was driven primarily by strong growth in income in the commission and fee business as well as a consistent performance in interest operations. “Our record result is based on strong organic growth in our core and specialised segments – combined with consistently high risk discipline and cost discipline,” stated Martin Scholl, CEO of Zürcher Kantonalbank. “I am especially pleased about our exceptionally high net inflows of new money. I wish to express my sincere thanks to our clients for the trust they have placed in us at this challenging time.”

In view of the good 2021 result, the Board of Directors has decided to increase the ordinary dividend for the Canton of Zurich and its municipalities by 21% to CHF 431 million. This brings Zürcher Kantonalbank’s cumulative distribution to the Canton and its municipalities over the last ten years to CHF 2.8 billion and CHF 1.2 billion, respectively. Over the same period, additional payments of CHF 1.2 billion were made in connection with the bank’s public service mandate, which is enshrined in law. Further, with retained profit of CHF 4.0 billion, around half of the profit generated within the last decade has been used to strengthen the bank’s equity.

Record operating income due to excellent performance in the commission and fee business

Zürcher Kantonalbank reported CHF 31 million growth in operating income to CHF 2,544 million in 2021. This increase was driven primarily by the commission and fee business as well as interest operations. Together, these two key income streams more than offset the decline in trading income. “This shows how well our diversified business model is working,” said CEO Martin Scholl.

With a 14.8% rise in income, the commission and fee business generated the highest income growth – achieving stronger momentum in the second half of 2021 than in the first half of the year. This reflected the very positive development of income from the funds business as well as from management and advisory fees. Commission income from lending activities was also significantly higher than in the previous year due to increased income from the settlement of trade finance transactions (letters of credit).

Commission expenses rose by 23.6% as the marked increase in the fund business also gave rise to increased brokerage and agency commission.

Assets under management reached a record CHF 409.2 billion (+13%) at the end of 2021. This increase was mainly driven by a record net inflow of new money totalling CHF 25.9 billion (+17%), of which 40% stemmed from individual clients and 60% from institutional clients. It also reflected excellent market performance of CHF 21.3 billion. At the end of 2021, the pension app “frankly” had around 50,000 clients, with pension assets totalling CHF 1.1 billion.

In interest operations, Zürcher Kantonalbank’s most important income stream, gross interest income rose by CHF 30 million to CHF 1,287 million. The bank is also performing very successfully in this area thanks to growth in mortgage volumes and various opportunities in the money market. Net interest income rose by 2.4% to CHF 1,248 million. This includes CHF 39 million of value adjustments for default risks and losses, consisting of changes in individual value adjustments for impaired loans as well as changes in value adjustments for expected losses, which now have to be recognised.

At the end of 2021, the mortgage portfolio totalled CHF 91.8 billion (previous year: CHF 87.7 billion). This corresponds to a net increase of 4.8%. The gross increase – excluding value adjustments for expected losses introduced on 1 January 2021 – was 5.2%, up 1.2 percentage points compared to the previous year. The main drivers of this increase are the favourable interest rate environment as well as the attractiveness of real estate investments. The bank achieved strong volume growth while maintaining the same high standards of quality.

Income from trading operation, which represents the bank’s third income stream, totalled CHF 347 million – exceeding the long-term average. Overall, this represents the fourth-highest result to date. Compared to the exceptionally good result for the previous year, which was strongly influenced by corona-related market volatility, income from trading operations declined by 24.4% or CHF 112 million. The largest proportion of this decrease was attributable to a sharp decline of CHF 102 million in the trading of bonds, interest and credit derivatives. Thanks to the high level of investor interest in financial products, income from trading in equities and structured products increased. Trading in foreign exchange, bank notes and precious metals accounted for the largest proportion of income.

Rigorous cost discipline

Reflecting a rigorous approach to cost discipline and the non-recurrence of one-off effects, operating expenses decreased by 4.0% to CHF 1,517 million. The strongest reduction was recorded in general and administrative expenses of CHF 425 million, which were down by 6.6% year on year. This was due to lower marketing costs; with “frankly” for example, marketing expenses have decreased significantly compared to the previous year when it was launched. Further, occupancy costs have decreased following the centralisation of workspaces in Zurich West in the previous year.

Personnel expenses decreased by 3.0% to CHF 1,092 million, primarily reflecting the non-recurrence of the one-off anniversary payment of CHF 46 million made in 2020. Further, variable compensation rose due to the very good annual result and costs for family and child allowances increased, while headcount

decreased by -0.7% to 5,145 full-time equivalents. The cost/income ratio improved to 58.7% (2020: 60.1%) and was thus at the lower end of the 58%-64% target range.

Depreciation decreased from CHF 117 million in 2020 to CHF 104 million, mainly reflecting lower depreciation on bank buildings and other real estate. The line item "Changes to provisions and other value adjustments" showed a net release of CHF 28 million (compared to the net creation of CHF 14 million of provisions in the previous year). Of this sum, CHF 19 million related to the end of the US tax dispute and CHF 7 million related to the net release of provisions for default risks. After taking these two items into account, an operating result of CHF 951 million was recorded for 2021 (previous year: CHF 801 million). At the end of 2021, due to new regulatory requirements, the balance sheet included value adjustments and provisions for expected losses of CHF 502.2 million for the first time. Of this sum, CHF 460 million was recognized at the start of the year without affecting income through the release of retained earnings reserves.

Higher ordinary distribution and strong capital position

Zürcher Kantonalbank will distribute an ordinary dividend of CHF 431 million to the Canton of Zurich and its municipalities for the financial year 2021. This represents a 21% increase, reflecting the good business result. In the previous year, the ordinary dividend totalled CHF 356 million – with an additional one-off special coronavirus dividend of CHF 100 million.

The Canton will therefore receive CHF 280 million in the form of a dividend and CHF 11 million to cover the cost of the endowment capital. In addition to the distribution, the Canton will receive CHF 27 million (+17.4%) by way of compensation for the state guarantee. The municipalities will receive a dividend of CHF 140 million. Payments relating to the public service mandate will rise by 11.9% to CHF 141 million. As was the case in the first year of the pandemic, the bank continued to fully support its sponsorship partners in 2021, irrespective of the services they provided.

Zürcher Kantonalbank continues to have an exceptionally strong capital base. The risk-weighted capital ratio to absorb losses incurred during regular business operations was 18.5%, significantly exceeding the current requirement of 12.9%. The leverage ratio, which corresponds to the unweighted capital requirement, was unchanged at 6.2%. As a systemically important bank, Zürcher Kantonalbank is also subject to stricter liquidity requirements: The Liquidity Coverage Ratio of 160% at the end of 2021 far exceeded the current requirement of 135%. The bank also comfortably meets the Net Stable Funding Ratio (NSFR) of at least 100%, which has applied since July 2021, with an NSFR of 118.2%.

Outlook

"The banking industry is once again faced with a challenging operating environment in 2022 and we anticipate that competition will intensify further," said CEO Martin Scholl. "Nevertheless, we expect to achieve a pleasing result based on our universal bank strategy, our diversified business model and strong client loyalty. We will also focus on the sustainable development of our business activities," he added.

Contact

Media Relations Zürcher Kantonalbank, Telefon +41 44 292 29 79, medien@zkb.ch

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.

Jahresabschluss Konzern

31. Dezember 2021

Erfolgsrechnung	in Mio. CHF	2021	2020	Veränderung +/-
Geschäftsertrag		2'544	2'513	+1,2 %
Geschäftsaufwand		-1'517	-1'580	-4,0 %
Geschäftserfolg		951	801	+18,7 %
Konzerngewinn		942	865	+8,9 %

Kennzahlen	in %			
Return on Equity (RoE)		7,8	7,2	+0,6
Cost Income Ratio (CIR) ¹		58,7	60,1 ²	-1,4
Risikobasierte Quote Hartes Kernkapital (CET1) (going-concern) ³		17,0	17,4	-0,4
Risikobasierte Kapitalquote (going-concern) ³		18,5	18,9	-0,4
Leverage Ratio (going-concern) ³		6,2	6,2	+0,0
Liquidity Coverage Ratio (LCR) ⁴		160	160	-
Net Stable Funding Ratio (NSFR) ⁵		118	-	-

Bilanz	in Mio. CHF	31.12.2021	31.12.2020	
Bilanzsumme		192'105	188'364	+2,0 %
Hypothekarforderungen		91'847	87'679	+4,8 %
Qualitativ hochwertige liquide Aktiven (HQLA) ⁴		51'682	53'042	-2,6 %
Eigenkapital		12'674	12'650	+0,2 %

Kundengeschäft	in Mio. CHF			
Total Kundengelder ⁶		130'998	128'868	+1,7 %
Total Kundenausleihungen		101'738	96'876	+5,0 %
Total verwaltete Vermögen		409'190	361'658	+13,1 %
Netto Zu- oder -Abfluss verwalteter Vermögen (NNM; +/-)		+25'853	+22'056	+17,2 %

Geschäftsstellen/Personalbestand	Anzahl			
Geschäftsstellen ⁷		57	60	-3
Personalbestand teilzeitbereinigt per Stichtag (FTE)		5'145	5'180	-35

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

² Ausweis ohne den einmaligen Personalaufwand von CHF 46 Mio. im Zusammenhang mit dem an die Mitarbeitenden ausbezahlten Jubiläumsgeld.

³ Gemäss Bestimmungen für systemrelevante Banken.

⁴ Einfacher Durchschnitt der Tagesendwerte der Arbeitstage im Berichtsquartal.

⁵ Per 1. Juli 2021 in Kraft getreten.

⁶ Bestehend aus: Verpflichtungen aus Kundeneinlagen, Kassenobligationen, Obligationenanleihen und Pfandbriefdarlehen.

⁷ Inklusive Geschäftsstellen der Zürcher Kantonalbank Österreich AG in Salzburg und Wien.

Erfolgsrechnung Konzern

in Mio. CHF	2021	2020	Veränderung	
Erfolg aus dem Zinsengeschäft				
Zins- und Diskontertrag	1'190	1'425	-235	-16,5 %
Zins- und Dividendenertrag aus Finanzanlagen	27	32	-6	-17,4 %
Zinsaufwand	70	-200	+270	-135,0 %
Brutto-Erfolg Zinsengeschäft	1'287	1'258	+30	+2,4 %
Veränderungen von ausfallrisikobedingten Wertberichtigungen sowie Verluste aus dem Zinsengeschäft	-39	-39	-0	+0,5 %
Subtotal Netto-Erfolg Zinsengeschäft	1'248	1'218	+30	+2,4 %
Erfolg aus dem Kommissions- und Dienstleistungsgeschäft				
Kommissionsertrag Wertschriften- und Anlagegeschäft	1'025	862	+163	+18,9 %
Kommissionsertrag Kreditgeschäft	69	57	+11	+19,9 %
Kommissionsertrag übriges Dienstleistungsgeschäft	131	129	+2	+1,8 %
Kommissionsaufwand	-299	-242	-57	+23,6 %
Subtotal Erfolg Kommissions- und Dienstleistungsgeschäft	926	806	+119	+14,8 %
Erfolg aus dem Handelsgeschäft				
Erfolg aus dem Handelsgeschäft und der Fair-Value-Option	347	459	-112	-24,4 %
Übriger ordentlicher Erfolg				
Erfolg aus Veräusserungen von Finanzanlagen	4	6	-2	-36,2 %
Beteiligungsertrag	12	15	-3	-22,1 %
– davon aus nach Equity-Methode erfassten Beteiligungen	2	1	+1	+56,7 %
– davon aus übrigen nicht konsolidierten Beteiligungen	10	14	-4	-29,6 %
Liegenschaftenerfolg	5	5	-0	-2,2 %
Anderer ordentlicher Ertrag	14	9	+5	+50,1 %
Anderer ordentlicher Aufwand	-11	-6	-5	+79,3 %
Subtotal Übriger ordentlicher Erfolg	24	29	-6	-19,6 %
Geschäftsertrag	2'544	2'513	+31	+1,2 %
Geschäftsaufwand				
Personalaufwand	-1'092	-1'126	+33	-3,0 %
Sachaufwand	-425	-455	+30	-6,6 %
Geschäftsaufwand	-1'517	-1'580	+63	-4,0 %
Wertberichtigungen auf Beteiligungen sowie Abschreibungen auf Sachanlagen und immateriellen Werten	-104	-117	+13	-11,0 %
Veränderungen von Rückstellungen und übrigen Wertberichtigungen sowie Verluste	28	-14	+43	-297,2 %
Geschäftserfolg	951	801	+150	+18,7 %
Ausserordentlicher Ertrag	2	25	-24	-92,9 %
Ausserordentlicher Aufwand	-2	-0	-2	-
Veränderungen von Reserven für allgemeine Bankrisiken	-	46	-46	-100,0 %
Steuern	-9	-8	-1	+12,6 %
Konzerngewinn	942	865	+77	+8,9 %

Bilanz Konzern

in Mio. CHF	31.12.2021	31.12.2020	Veränderung	
Aktiven				
Flüssige Mittel	40'883	52'154	-11'271	-21,6 %
Forderungen gegenüber Banken	3'173	3'238	-65	-2,0 %
Forderungen aus Wertpapierfinanzierungsgeschäften	26'289	16'942	+9'346	+55,2 %
Forderungen gegenüber Kunden	9'891	9'197	+694	+7,5 %
Hypothekarforderungen	91'847	87'679	+4'168	+4,8 %
Handelsgeschäft	12'442	10'920	+1'523	+13,9 %
Positive Wiederbeschaffungswerte derivativer Finanzinstrumente	1'272	1'593	-322	-20,2 %
Übrige Finanzinstrumente mit Fair-Value-Bewertung	-	-	-	-
Finanzanlagen	4'759	5'035	-276	-5,5 %
Aktive Rechnungsabgrenzungen	280	302	-23	-7,5 %
Nicht konsolidierte Beteiligungen	155	135	+20	+15,0 %
Sachanlagen	597	629	-31	-5,0 %
Immaterielle Werte	50	86	-37	-42,3 %
Sonstige Aktiven	467	453	+14	+3,1 %
Total Aktiven	192'105	188'364	+3'741	+2,0 %
Total nachrangige Forderungen	284	263	+21	+8,1 %
– davon mit Wandlungspflicht und / oder Forderungsverzicht	48	18	+30	+171,1 %
Passiven				
Verpflichtungen gegenüber Banken	34'897	34'733	+164	+0,5 %
Verpflichtungen aus Wertpapierfinanzierungsgeschäften	4'403	4'823	-420	-8,7 %
Verpflichtungen aus Kundeneinlagen	96'777	92'582	+4'195	+4,5 %
Verpflichtungen aus Handelsgeschäften	1'943	1'320	+624	+47,3 %
Negative Wiederbeschaffungswerte derivativer Finanzinstrumente	1'116	942	+174	+18,5 %
Verpflichtungen aus übr. Finanzinstrumenten mit Fair-Value-Bewertg.	4'387	3'459	+928	+26,8 %
Kassenobligationen	135	158	-23	-14,5 %
Obligationenanleihen	22'779	25'385	-2'606	-10,3 %
Pfandbriefdarlehen	11'307	10'743	+564	+5,2 %
Passive Rechnungsabgrenzungen	787	798	-11	-1,3 %
Sonstige Passiven	661	549	+113	+20,5 %
Rückstellungen	237	222	+15	+6,7 %
Reserven für allgemeine Bankrisiken	154	154	-	-
Gesellschaftskapital	2'425	2'425	-	-
Gewinnreserve	9'163	9'214	-51	-0,6 %
Währungsumrechnungsreserve	-9	-8	-2	+22,6 %
Konzerngewinn	942	865	+77	+8,9 %
Eigenkapital	12'674	12'650	+24	+0,2 %
Total Passiven	192'105	188'364	+3'741	+2,0 %
Total nachrangige Verpflichtungen	1'585	1'607	-22	-1,3 %
– davon mit Wandlungspflicht und / oder Forderungsverzicht	1'585	1'607	-22	-1,3 %
Ausserbilanzgeschäfte				
Eventualverpflichtungen	4'374	3'395	+979	+28,8 %
Unwiderrufliche Zusagen	10'192	10'563	-371	-3,5 %
Einzahlungs- und Nachschussverpflichtungen	332	251	+81	+32,1 %
Verpflichtungskredite	-	-	-	-