

Zürcher Kantonalbank grows profit by 5% to CHF 439 million in the first half of 2018

Media release

Zürcher Kantonalbank achieved a 5% increase in net profit to CHF 439 million in the first half of 2018 compared to the same period of 2017. The rise in income from interest operations as well as higher commission and fee income were the main drivers of this growth. The cost/income ratio improved to 58.4% as a result of strong cost discipline.

Zurich, 24 August 2018 – Martin Scholl, Chief Executive Officer, stated: "In the first half of 2018, Zürcher Kantonalbank delivered an impressive operating performance, reflecting pleasing growth in income in our core businesses as well as our continued strict cost discipline. This strong result, which was achieved in a still challenging market environment, shows that we are on the right track with our strategy. In particular, it demonstrates the considerable trust that clients place in us and their high level of satisfaction."

Growth in operating income

Zürcher Kantonalbank reported CHF 1,211 million of operating income in the first half of 2018, an increase of 2% compared to the same period of the previous year. This pleasing result is mainly attributable to the growth of its main income streams, with net income from interest operations rising by around 5% to CHF 625 million compared to the first half of 2017. With an increase of 1.5%, the mortgage business – the main component of interest operations – grew in line with the market during the first six months of the year. Compared to the end of 2017, mortgage loans rose by CHF 1,184 million to CHF 80,271 million. This reflects the systematic execution of Zürcher Kantonalbank's strategy of focusing on the quality of its lending portfolio.

Net commission and fee income improved by 5% to CHF 396 million compared to the first half of 2017. This increase primarily reflects the pleasing performance of the securities and investment business, where income rose by CHF 18 million, or around 5%, compared to the first half of 2017.

At CHF 151 million, trading income declined significantly compared to the very high figure of CHF 187 million recorded in the same period of the previous year. This decrease should be viewed in the context of current geopolitical events and the related uncertainty, which negatively impacted the market environment. Market risks in the trading book (Value-at-Risk with a 10-day holding period) averaged CHF 13 million and thus remain at a low level, in line with the first half of 2017.

Interest operations continue to represent the bank's main income driver, accounting for 52% of operating income, followed by the commission and fee business at 33% and trading at 12%.

Improved cost/income ratio

Operating expenses totalled CHF 706 million in the first six months of 2018, in line with the same period of 2017. At CHF 210 million, other operating expenses rose slightly compared to the figure of CHF 205 million in the first half of 2017. However, this increase was offset by a reduction in personnel costs, which totalled CHF 495 million (previous year: CHF 501 million). Other operating expenses also include compensation for the state guarantee. At CHF 11.3 million, the amount of compensation paid to the canton for the first six months of 2018 was slightly lower than in the first half of 2017 (CHF 11.5 million).

Impairments on participations as well as the depreciation of tangible fixed assets and intangible assets totalled CHF 65 million, an increase of CHF 6 million compared to the first half of 2017. This figure also includes an increase in the regular depreciation of goodwill from the Swisscanto Group due to a further earn-out payment in autumn 2017. The cost/income ratio improved further to 58.4% (first half of 2017: 59.2%).

Pleasing operating profit

In the first half of 2018, Zürcher Kantonalbank generated CHF 436 million of operating profit, corresponding to growth of CHF 19 million or almost 5% compared to the first half of 2017. Group profit totalled CHF 439 million, an increase of 5% compared to the first half of 2017.

Net new money drives assets under management

Customer assets grew by CHF 9.3 billion to CHF 298.2 billion in the first half of 2018. This increase was primarily driven by very strong inflows, especially in the business with institutional customers. In contrast, performance had a negative impact on customer assets.

Capital position remains extremely solid

The total capital ratio was 18.6% at 30 June 2018, compared to 18.8% at the end of 2017 and 17.9% at 30 June 2017. The capital ratio significantly exceeds the risk-based capital adequacy requirements for systemically important banks (14.6% of risk-weighted assets) and reflects Zürcher Kantonalbank's extremely solid capital position. The common equity tier 1 (CET1) ratio was 16.3% at 30 June 2018, compared to 16.5% at the end of 2017 and 15.7% at 30 June 2017. The leverage ratio of 6.8% continued to significantly exceed the 4.0% leverage ratio requirement for systemically important banks.

Outlook

Commenting on the outlook for the second half of the year, Martin Scholl said: "In view of the unstable geopolitical environment and the related uncertainty, we expect the second half of the year to be challenging. However, thanks to our broadly diversified business model and our close proximity to our customers, we are confident that we can produce another pleasing result in the second half of 2018."

Contact

Zürcher Kantonalbank Media Relations, telephone +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.

Halbjahresabschluss Konzern

30. Juni 2018

<u>Erfolgsrechnung</u>	in Mio. CHF	<u>1. Halbjahr 2018</u>	<u>1. Halbjahr 2017</u>
Geschäftsertrag		1'211	1'185
Geschäftserfolg		436	417
Halbjahreskonzerngewinn		439	420

<u>Kennzahlen</u>	in %	<u>1. Halbjahr 2018</u>	<u>1. Halbjahr 2017</u>
Return on Equity (RoE)		8.0	8.0
Cost Income Ratio (CIR) ¹		58.4	59.2
Quote Hartes Kernkapital (CET1) ²		16.3 ³	15.7
Quote Kernkapital (Tier 1) ²		18.6 ³	17.9
Quote Gesamtkapital ²		18.6 ³	17.9
Leverage Ratio ²		6.8	6.9
Liquidity Coverage Ratio (LCR) ⁴		136	132

<u>Kundenvermögen</u>	in Mio. CHF	<u>30.06.2018</u>	<u>31.12.2017</u>
Total Kundenvermögen		298'167	288'802

<u>Personalbestand / Geschäftsstellen</u>	Anzahl	<u>30.06.2018</u>	<u>31.12.2017</u>
Personalbestand teilzeitbereinigt per Stichtag		5'144	5'117
Geschäftsstellen ⁵		75	78

<u>Ratingagenturen</u>	Rating	<u>30.06.2018</u>	<u>31.12.2017</u>
Fitch		AAA	AAA
Moody's		Aaa	Aaa
Standard & Poor's		AAA	AAA

¹ Berechnung: Geschäftsaufwand im Verhältnis zu Geschäftsertrag (exkl. Veränderungen von ausfallbedingten Wertberichtigungen sowie Verluste Zinsgeschäft).

² Gemäss Bestimmungen für systemrelevante Banken.

³ Inkl. Effekte aus der Umstellung auf IRB und SA-CCR per 31.12.2017.

⁴ Einfacher Durchschnitt der Tagesendwerte der Arbeitstage des 2. Quartals.

⁵ Inklusiv Geschäftsstellen der Zürcher Kantonalbank Österreich AG in Salzburg und Wien sowie sechs Automatenbanken.

Konzernerfolgsrechnung

	1. Halbjahr 2018 in Mio. CHF	1. Halbjahr 2017 in Mio. CHF	Veränderung in Mio. CHF	Veränderung in %
Erfolg aus dem Zinsengeschäft				
Zins- und Diskontertrag	881	776	105	13.6
Zins- und Dividendertrag aus Finanzanlagen	24	25	-1	-4.6
Zinsaufwand	-284	-196	-88	44.8
Brutto-Erfolg Zinsengeschäft	621	605	16	2.7
Veränderungen von ausfallrisikobedingten Wertberichtigungen sowie Verluste aus dem Zinsengeschäft	3	-7	11	-
Subtotal Netto-Erfolg Zinsengeschäft	625	598	27	4.5
Erfolg aus dem Kommissions- und Dienstleistungsgeschäft				
Kommissionsertrag Wertschriften- und Anlagegeschäft	411	394	18	4.5
Kommissionsertrag Kreditgeschäft	24	26	-1	-5.6
Kommissionsertrag übriges Dienstleistungsgeschäft	70	68	2	3.4
Kommissionsaufwand	-109	-109	-0	0.2
Subtotal Erfolg Kommissions- und Dienstleistungsgeschäft	396	378	18	4.9
Erfolg aus dem Handelsgeschäft und der Fair-Value-Option	151	187	-36	-19.1
Übriger ordentlicher Erfolg				
Erfolg aus Veräusserungen von Finanzanlagen	2	0	2	906.0
Beteiligungsertrag	30	14	16	108.9
- davon aus nach Equity-Methode erfassten Beteiligungen	1	2	-1	-41.6
- davon aus übrigen nicht konsolidierten Beteiligungen	29	13	16	127.4
Liegenschaftenerfolg	3	4	-1	-23.4
Anderer ordentlicher Ertrag	5	4	1	23.3
Anderer ordentlicher Aufwand	-1	-1	-1	138.7
Subtotal Übriger ordentlicher Erfolg	39	22	17	73.7
Geschäftsertrag	1'211	1'185	26	2.2
Geschäftsaufwand				
Personalaufwand	-495	-501	6	-1.1
Sachaufwand	-210	-205	-5	2.6
Subtotal Geschäftsaufwand	-706	-706	0	-0.0
Wertberichtigungen auf Beteiligungen sowie Abschreibungen auf Sachanlagen und immateriellen Werten	-65	-59	-6	9.9
Veränderungen von Rückstellungen und übrigen Wertberichtigungen sowie Verluste	-5	-4	-2	49.3
Geschäftserfolg	436	417	19	4.5
Ausserordentlicher Ertrag	8	7	1	7.7
Ausserordentlicher Aufwand	-	-0	-0	-100.0
Steuern	-5	-5	0	-1.3
Halbjahreskonzerngewinn	439	420	19	4.6

Konzernbilanz

per 30. Juni 2018

	30.06.2018	31.12.2017	Veränderung	Veränderung
	in Mio. CHF	in Mio. CHF	in Mio. CHF	in %
Aktiven				
Flüssige Mittel	37'586	41'147	-3'561	-8.7
Forderungen gegenüber Banken	4'550	4'457	93	2.1
Forderungen aus Wertpapier-Finanzierungsgeschäften	14'763	14'326	437	3.0
Forderungen gegenüber Kunden	8'431	7'832	600	7.7
Hypothekarforderungen	80'271	79'087	1'184	1.5
Handelsgeschäft	9'758	8'922	836	9.4
Positive Wiederbeschaffungswerte derivativer Finanzinstrumente	1'529	1'535	-6	-0.4
Übrige Finanzinstrumente mit Fair-Value-Bewertung	-	-	-	-
Finanzanlagen	4'918	4'740	179	3.8
Aktive Rechnungsabgrenzungen	338	281	57	20.4
Nicht konsolidierte Beteiligungen	133	130	3	2.5
Sachanlagen	750	775	-25	-3.2
Immaterielle Werte	173	192	-19	-9.7
Sonstige Aktiven	490	458	32	6.9
Total Aktiven	163'690	163'881	-191	-0.1
Total nachrangige Forderungen	148	188	-40	-21.2
- davon mit Wandlungsverzicht und / oder Forderungsverzicht	38	31	8	25.5
Passiven				
Verpflichtungen gegenüber Banken	35'518	35'393	126	0.4
Verpflichtungen aus Wertpapier-Finanzierungsgeschäften	5'483	6'623	-1'140	-17.2
Verpflichtungen aus Kundeneinlagen	82'725	81'381	1'345	1.7
Verpflichtungen aus Handelsgeschäften	2'158	1'859	299	16.1
Negative Wiederbeschaffungswerte derivativer Finanzinstrumente	813	867	-54	-6.2
Verpflichtungen aus übrigen Finanzinstrumenten mit Fair-Value-Bewertung	2'954	2'869	85	3.0
Kassenobligationen	180	191	-10	-5.5
Obligationenanleihen	11'263	12'419	-1'156	-9.3
Pfandbriefdarlehen	9'411	9'275	136	1.5
Passive Rechnungsabgrenzungen	589	634	-44	-7.0
Sonstige Passiven	709	558	151	27.0
Rückstellungen	582	585	-3	-0.5
Gesellschaftskapital	2'425	2'425	-	-
Gewinnreserve	8'445	8'026	419	5.2
Währungsumrechnungsreserve	-5	-4	-0	9.7
Halbjahreskonzerngewinn	439	782	-343	-43.8
Eigenkapital	11'304	11'228	76	0.7
Total Passiven	163'690	163'881	-191	-0.1
Total nachrangige Verpflichtungen	1'494	1'513	-19	-1.3
- davon mit Wandlungsverzicht und / oder Forderungsverzicht	1'494	1'513	-19	-1.3
Ausserbilanzgeschäfte				
Eventualverpflichtungen	3'903	4'086	-183	-4.5
Unwiderrufliche Zusagen	8'388	8'015	373	4.7
Einzahlungs- und Nachschussverpflichtungen	235	233	3	1.1
Verpflichtungskredite	-	-	-	-