


Annual results 2022

 Zürcher
Kantonalbank

Annual results media conference handout
Zurich, 10 February 2023

 Zürcher
Kantonalbank

1. Introduction and overview of financial results
2. 2022 financial results
3. Five strategic priorities
4. Outlook

The first few months as CEO



Security

Rating with / without state guarantee

AAA / AA-

Strong reputation and brand

Reputation Index for Zurich area

Highest score among all banks

Financially successful

Net profit (CHF)

1,059 m

Satisfied clients

Client loyalty index

Continued high scores

Dedicated employees

Commitment index

Highest-ever score

Sustainability pioneer

Environmental loans launched

1992

Five **strategic** priorities

Diversification and growth

Digitalisation

Sustainability

Efficiency and effectiveness

Culture and brand

Overview of 2022 financial results

Urs Baumann, CEO

**For the first time, Zürcher
Kantonalbank reports a net
profit that exceeds the
CHF 1 billion mark**

Net profit (CHF)

1.059 bn

+12%

Operating income (CHF)

2.752 bn

+8%

Operating expenses (CHF)

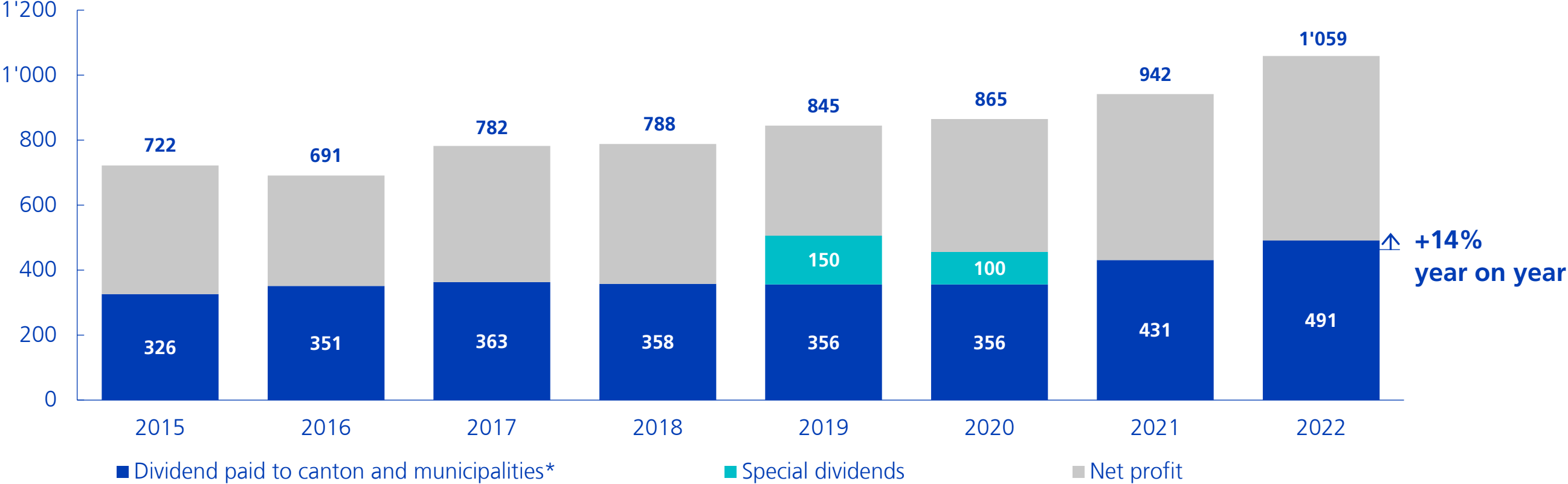
1.594 bn

+5%

Dividend policy focused on continuity

Distributions to Canton and municipalities

CHF m



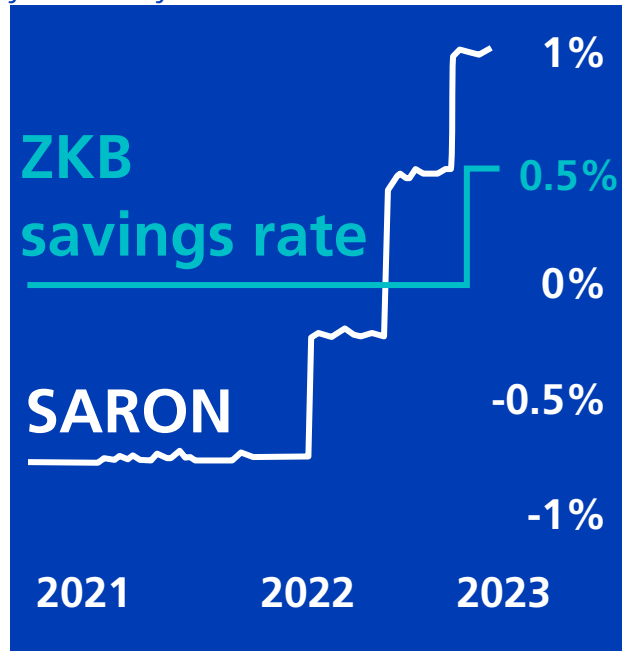
*incl. costs of endowment capital (CHF 11 m)

2022 financial results

Rudolf Sigg, CFO

Tailwind due to interest rate reversal

Gross interest income up 10% year on year



Challenging environment

Risks remain under control



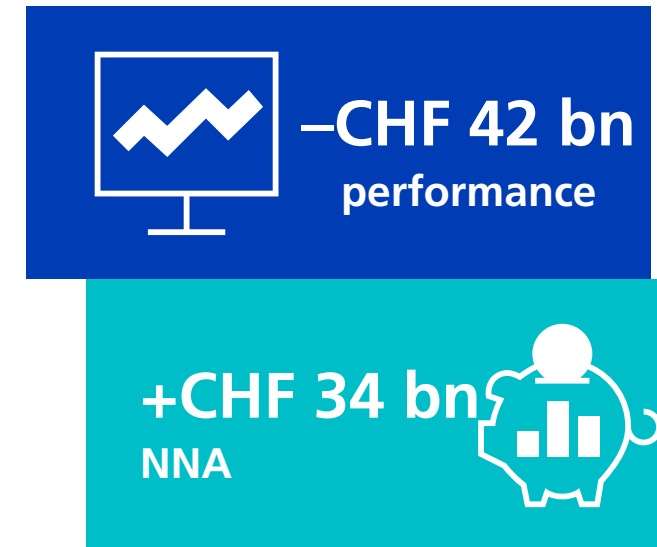
High volatility

Trading income up 18% year on year



High level of client trust

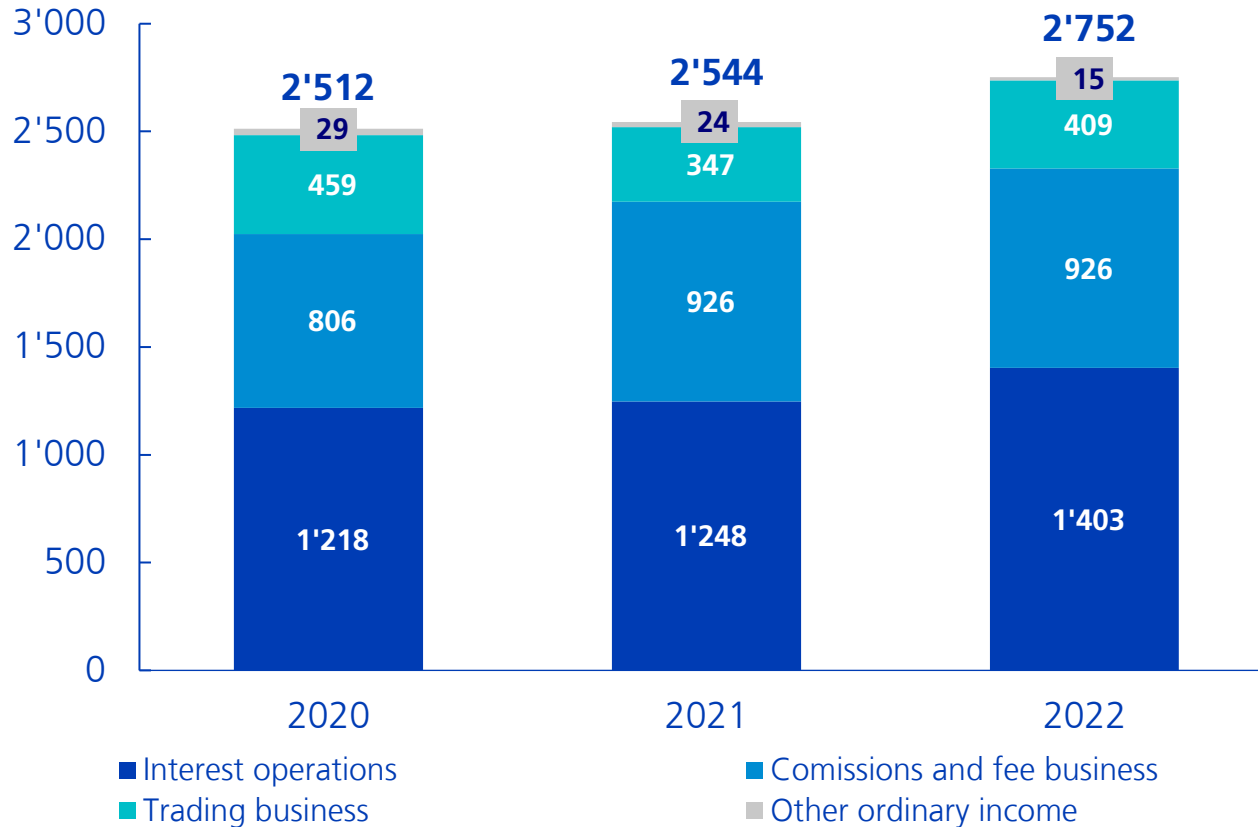
Commission and fee business maintains good level of income due to inflow of new assets



Growth in income driven by strong performance of interest operations and trading business

Operating income¹

CHF m



¹ Rounding differences may occur

Operating income grew by 8.2% due to the successful performance of interest operations and the trading business

Net interest income (+12.4% year on year) benefited primarily from the interest rate reversal – initially in key foreign currencies (USD, EUR) and, from September, also in CHF

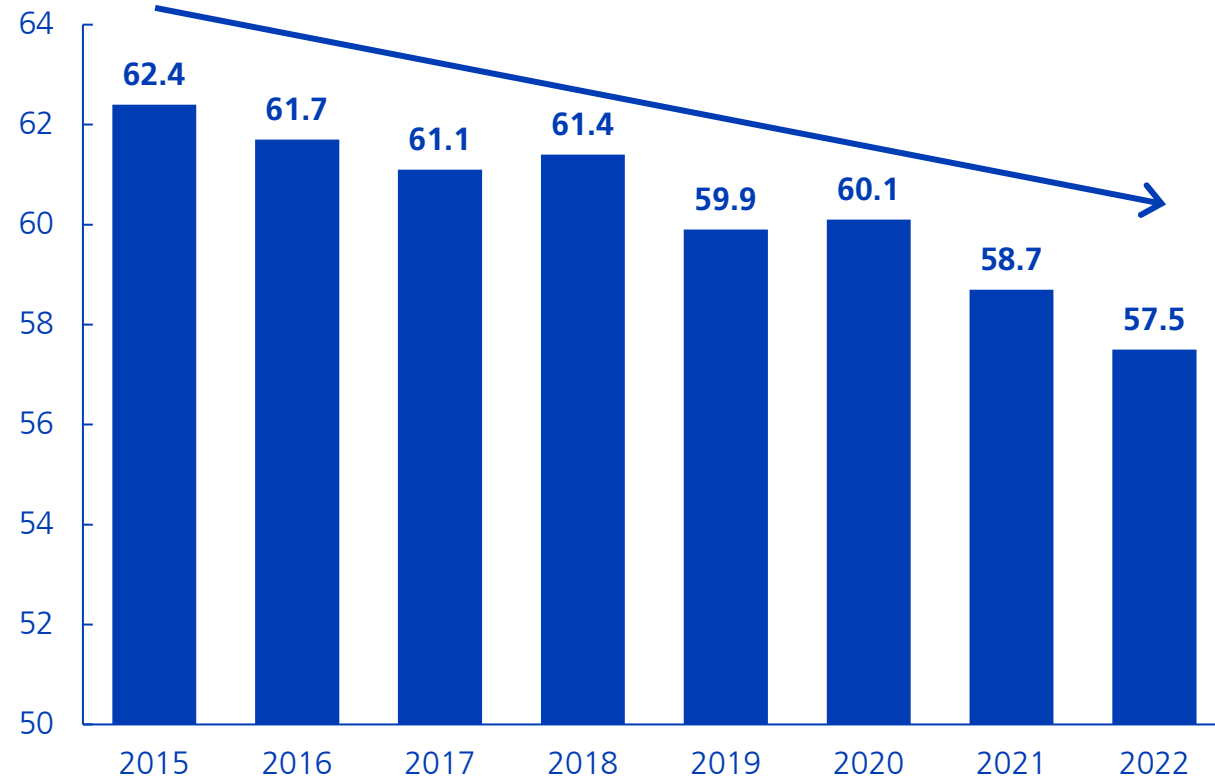
Despite negative market performance, the commission and fee business maintained the very good level of income generated in the previous year

Trading income grew by 17.9% year on year. Zürcher Kantonalbank was a reliable partner and provider of liquidity to the market, even in volatile periods. With its moderate risk profile, it benefited from high volatility during certain phases

Improved cost/income ratio while investing in the future

Cost/income ratio

in %



Costs are rising at a slower rate than operating income: Strong cost discipline is reflected by the decrease in the cost/income ratio over time

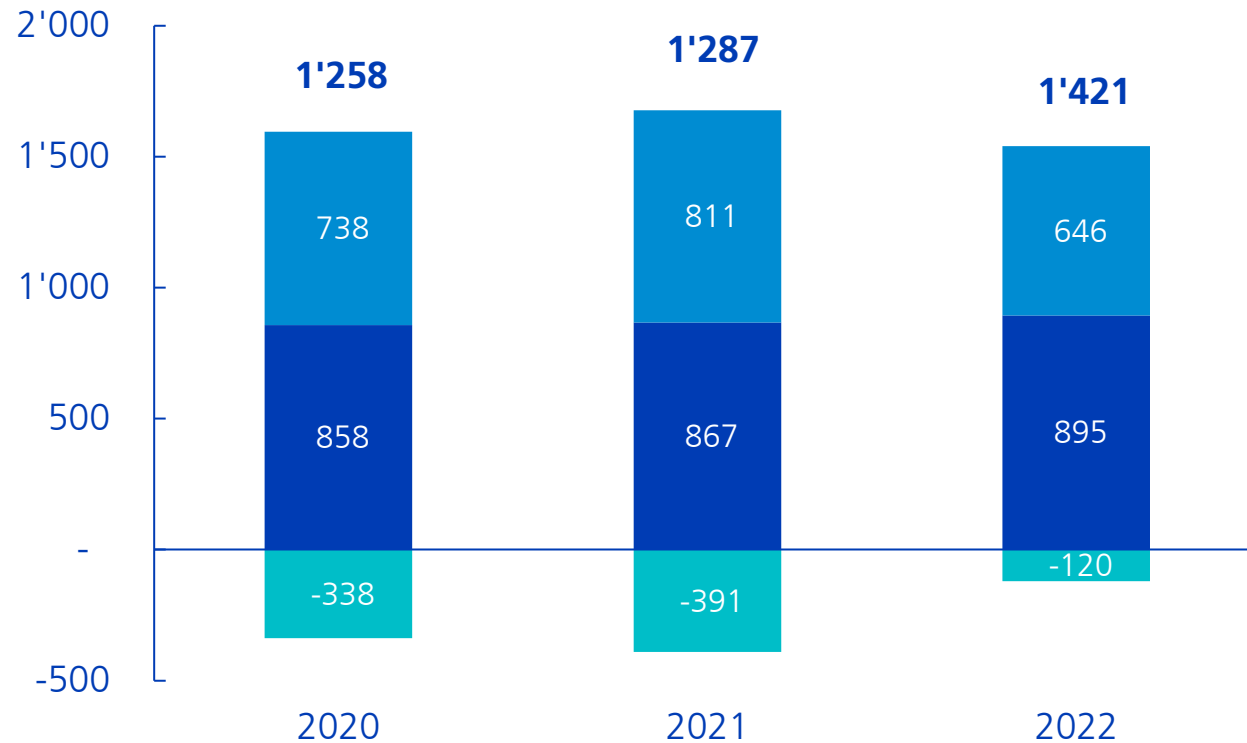
At the same time, Zürcher Kantonalbank is making targeted investments in the future

Interest operations

Excellent interest income as liability margin starts to recover

Gross interest income

CHF m



■ Lending business ■ Deposit-taking business ■ Other interest income

The margin in the deposit-taking business is recovering due to the end of the negative interest rate phase

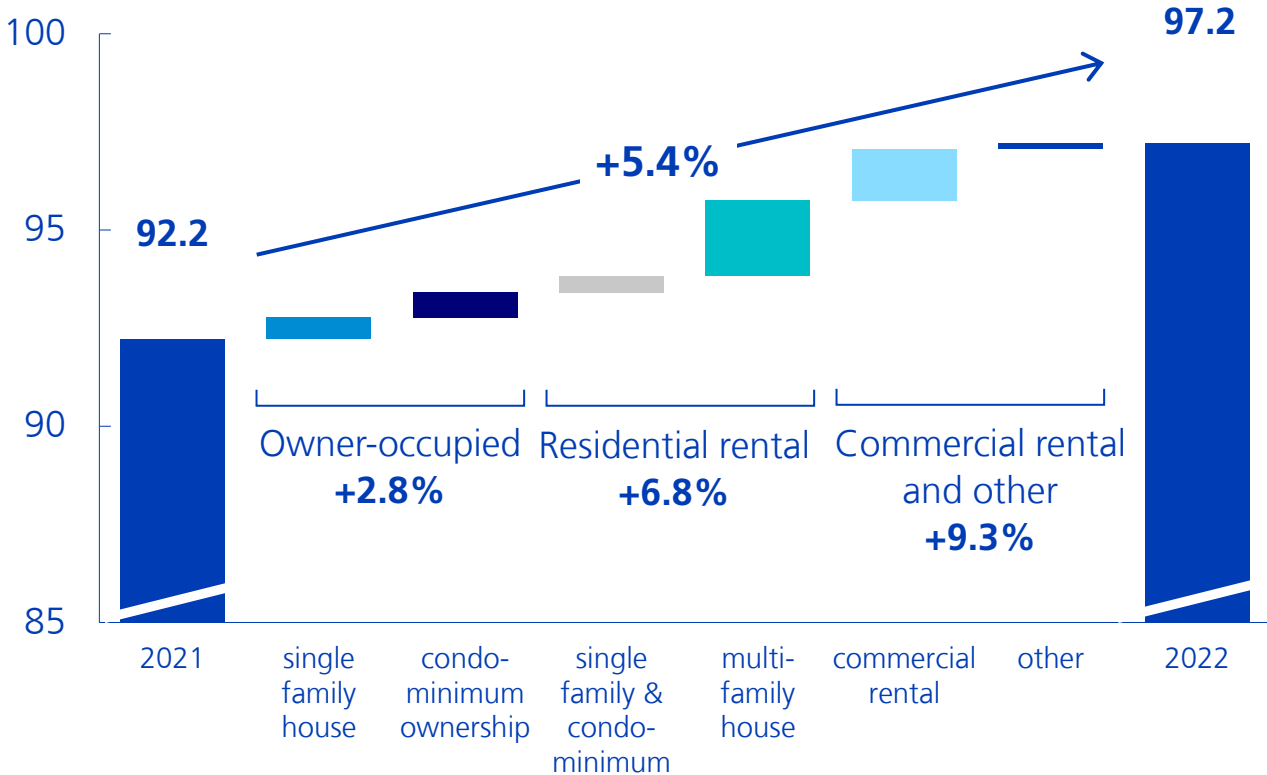
In other interest income, the end of compensatory effects – especially on SNB assets – had a negative impact

The change in net interest income also reflects a positive contribution from the growth in lending

Continued momentum in Zurich economic area supports growth of mortgage business

Mortgage growth¹

CHF bn



Growth in mortgages for individual clients and institutional clients of +5.4% in 2022 was 0.2 percentage points higher than in 2021 and 2.0 percentage points above the Swiss market²

The interest rate environment and the attractiveness of real estate as an investment are the main drivers of growth in the mortgage market

Despite strong growth in volumes, Zürcher Kantonalbank is committed to the same high standards of quality

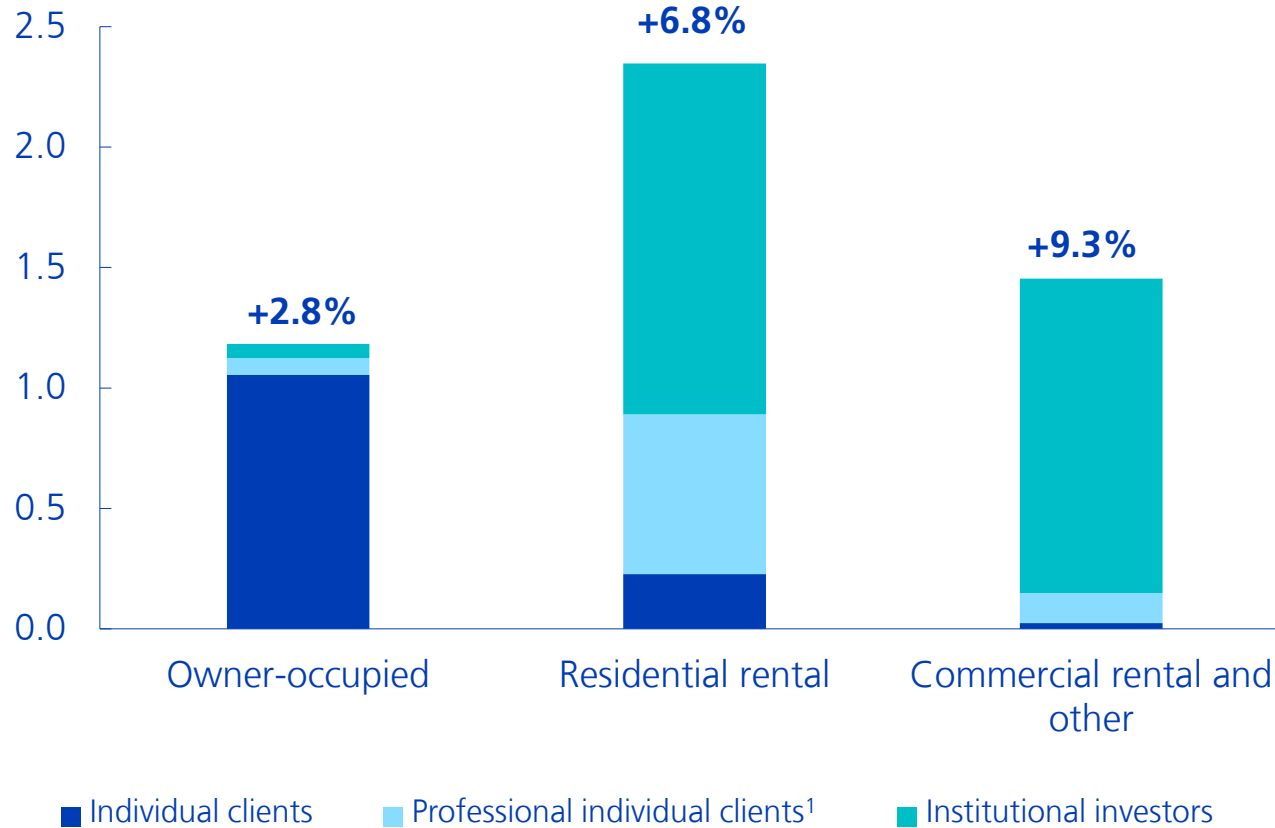
¹ Mortgage volumes and the development of mortgages are shown before value adjustments and expected credit losses

² Market growth from November 2021 to November 2022 (source: SNB credit volume data for domestic banks)

Slower growth in mortgages for owner-occupied property, stronger growth in mortgages for professional counterparties with good ratings

Growth in mortgages in 2022 by client group

CHF bn



¹ Individual clients who usually have several residential investment properties

Growth in residential mortgages of CHF 1.2 bn was significantly lower than in the previous year (+CHF 1.8 bn /+4.5%) and was driven almost entirely by the individual clients segment

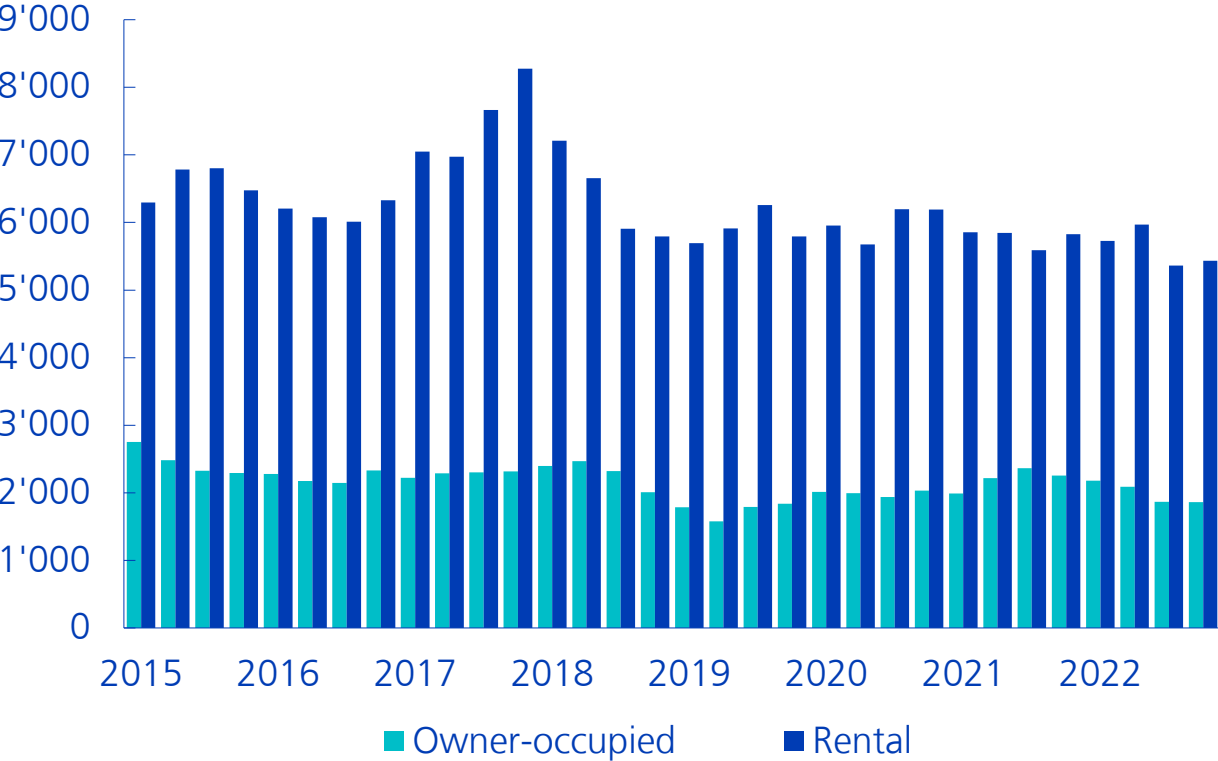
In the “Residential rental” segment, growth of CHF 2.3 bn was slightly higher year on year (+CHF 2.2 bn/+6.5%). The increase in volumes was mainly driven by multi-family homes in the client segment comprising institutional investors with very good ratings

The strong growth in the “Commercial rental” segment of CHF 1.5 bn was also driven almost exclusively by the institutional investors segment and rose significantly year on year (+CHF 0.6 bn/+4.1%)

Demand for property exceeds supply – supporting real estate prices

Construction activity in Canton of Zurich

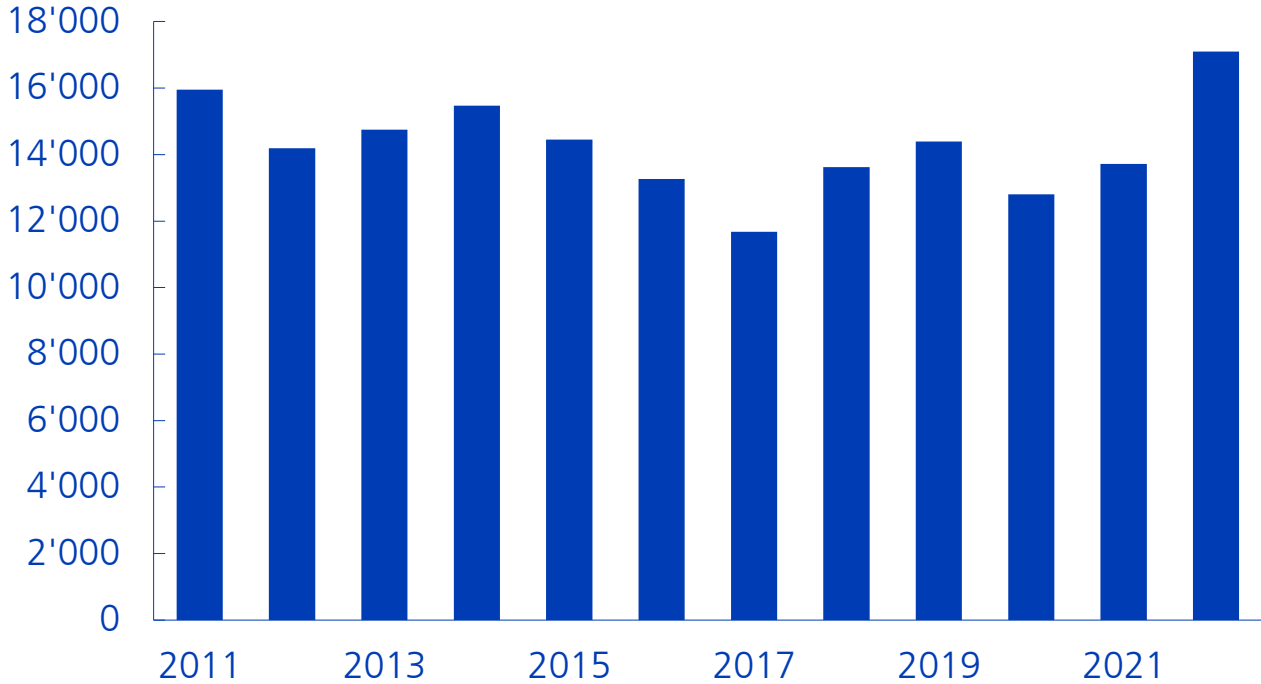
Number of new apartments approved



Source: Zürcher Kantonalbank

Net migration in Canton of Zurich

Permanent residential population (excl. "Status S"), Jan–Nov, cumulative



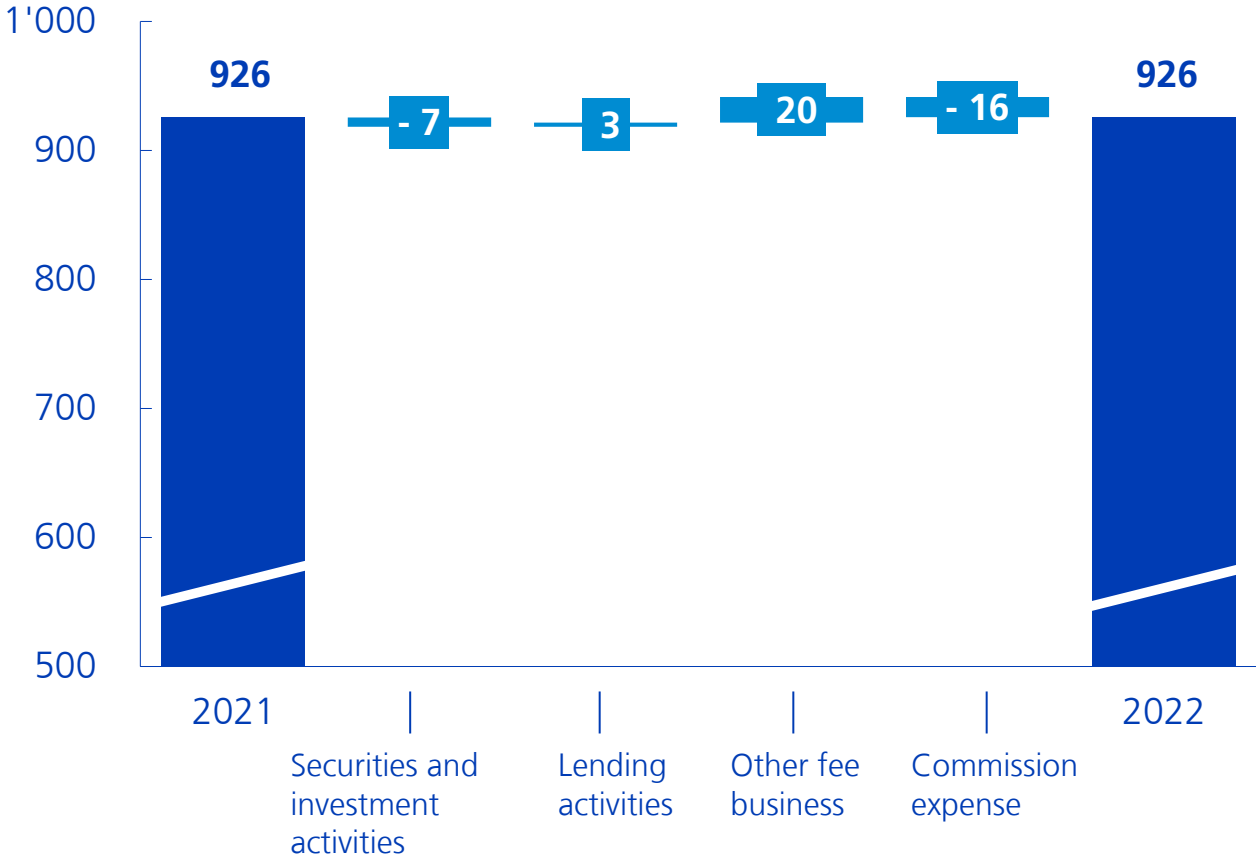
Source: State Secretariat for Migration (SEM)

Commission and fee business

Commission and fee business maintains good level of income achieved in previous year

Commission and fee income

CHF m



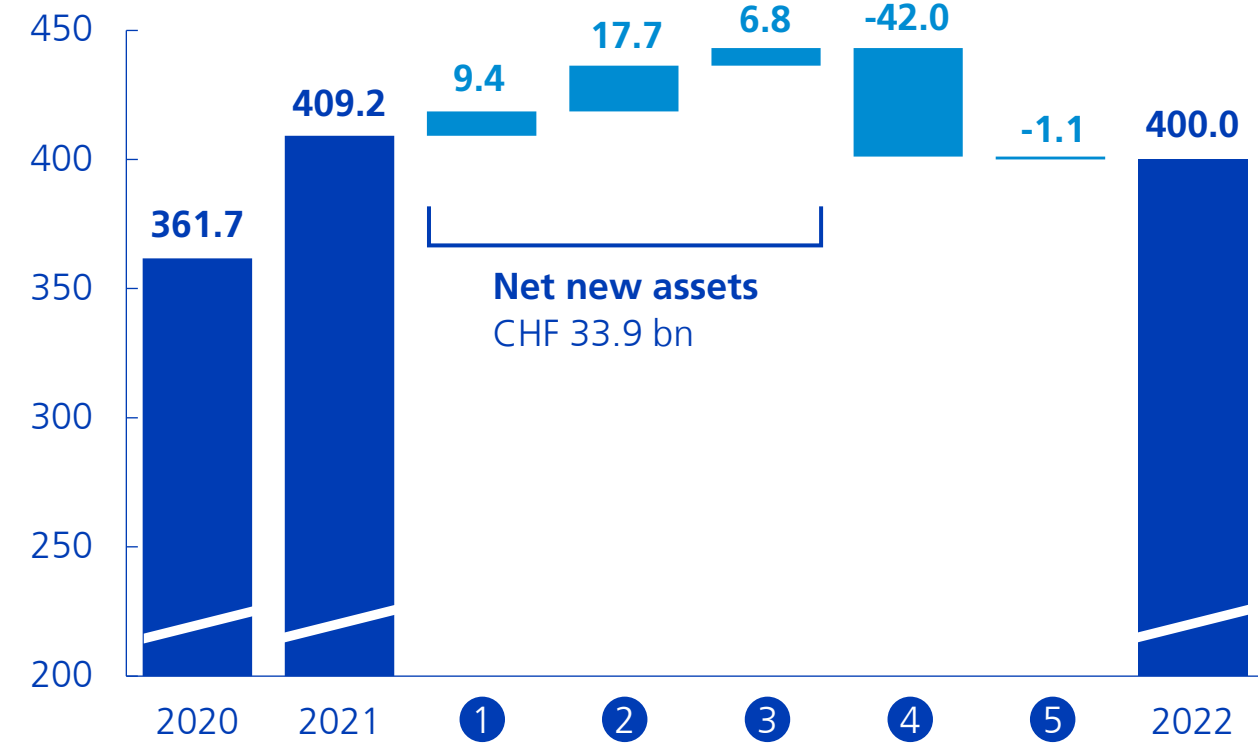
Despite negative market performance, commission income from securities and investment activities was virtually in line with the very good level in the previous year

Income from other fee business rose 15% year on year, driven by a higher number of transactions in the cards business (e.g. due to increased travel by clients), among other factors

Client assets virtually unchanged year on year despite market turmoil – reflecting strong inflow of new assets

Development of client assets

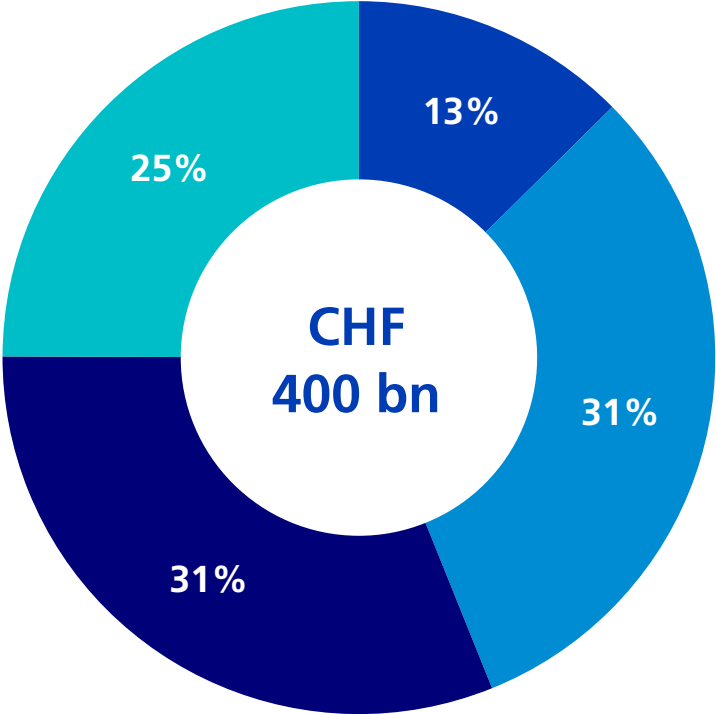
CHF bn



- 1 Pleasing inflow of new assets in funds business
- 2 Strong inflow of new investment assets, comprising around 70% institutional and 30% private assets
- 3 Inflow of assets (client deposits)
- 4 Negative net market performance
- 5 Other effects

Balanced client assets – stable basis for trust

Breakdown of client assets



- Investment assets, private individuals
- Investment assets, corporate clients
- Own funds
- Deposits

Despite negative market performance, client assets were down by only 2% year on year

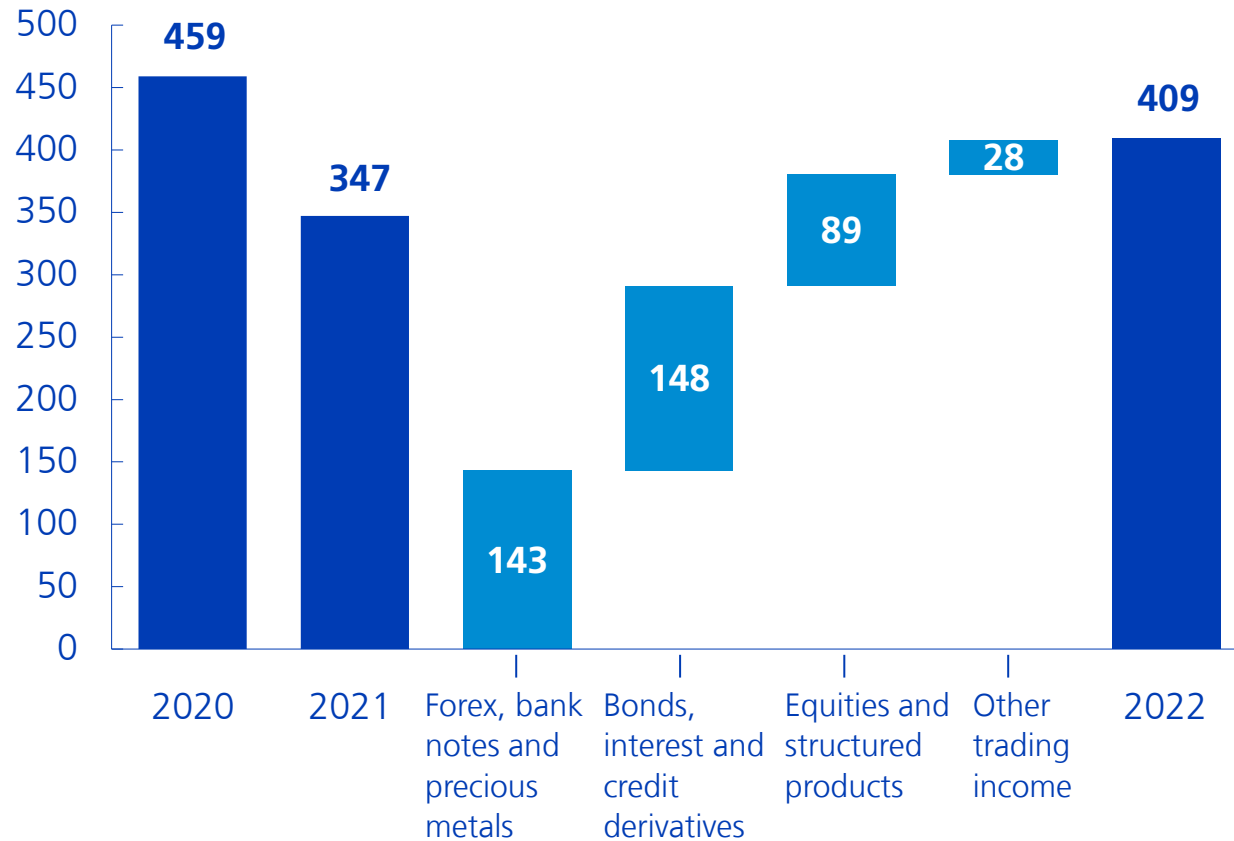
Strong inflow of new assets totalling CHF 33.9 billion underscores trust clients place in Zürcher Kantonalbank and its products

Trading business

Trading business benefited from higher volatility thanks to moderate risk profile

Trading income¹

CHF m



In the trading business, client focus is a key principle for Zürcher Kantonalbank and an important pillar of its diversification strategy

Trading income grew by CHF 62 million year on year

Zürcher Kantonalbank was a reliable partner and liquidity provider to the market, even in periods of volatility

With a moderate risk profile, we benefited from high volatility – especially in foreign exchange and interest operations – during certain phases

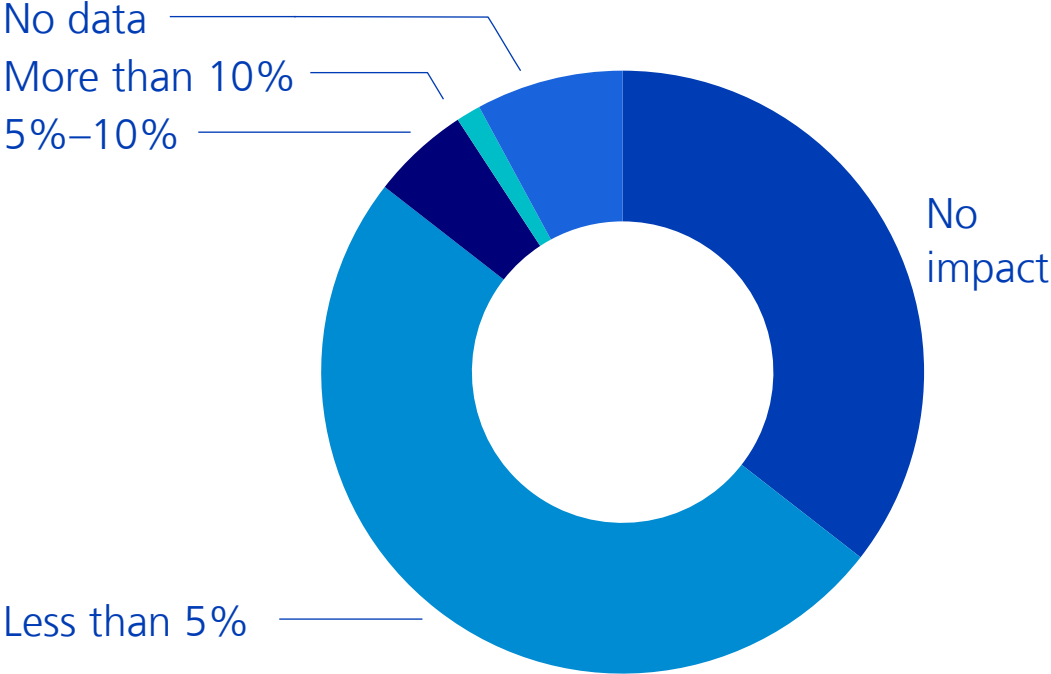
¹ Rounding differences may occur

Credit portfolio – focus on electricity prices

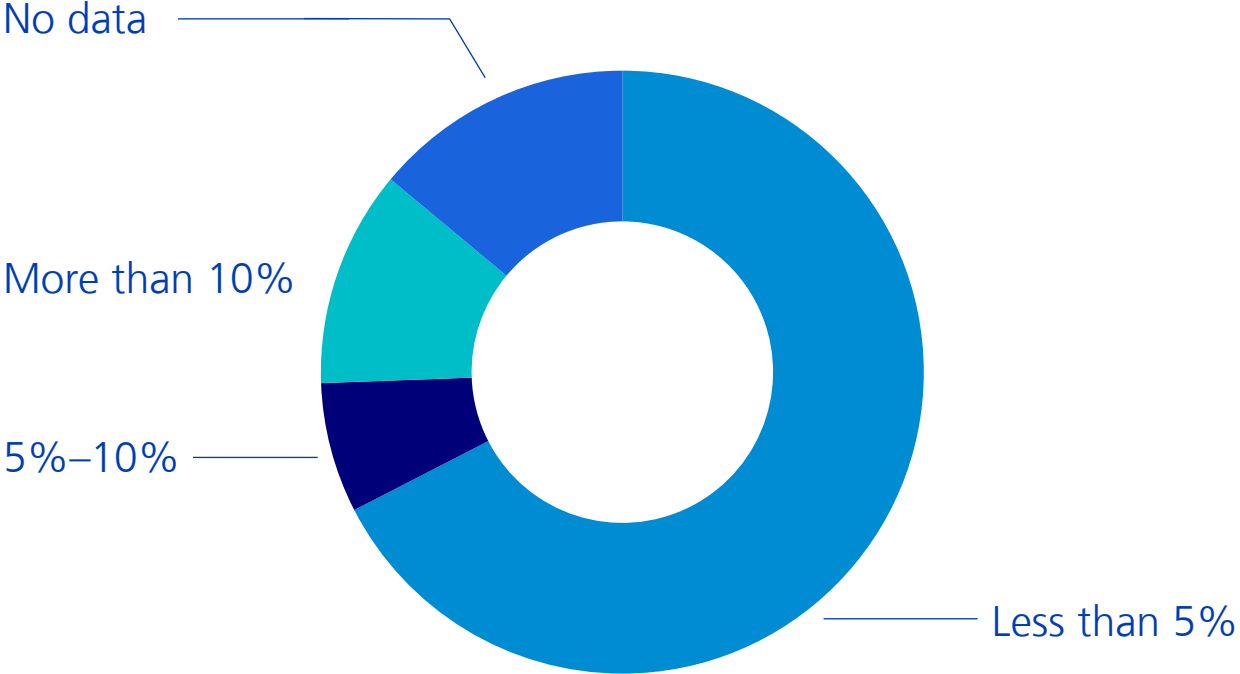
Sharp rise in electricity prices had little impact on the bank's credit portfolio

Survey of selected firms: How significant is the negative impact of rising electricity prices on EBIT?

Companies – basic energy supply



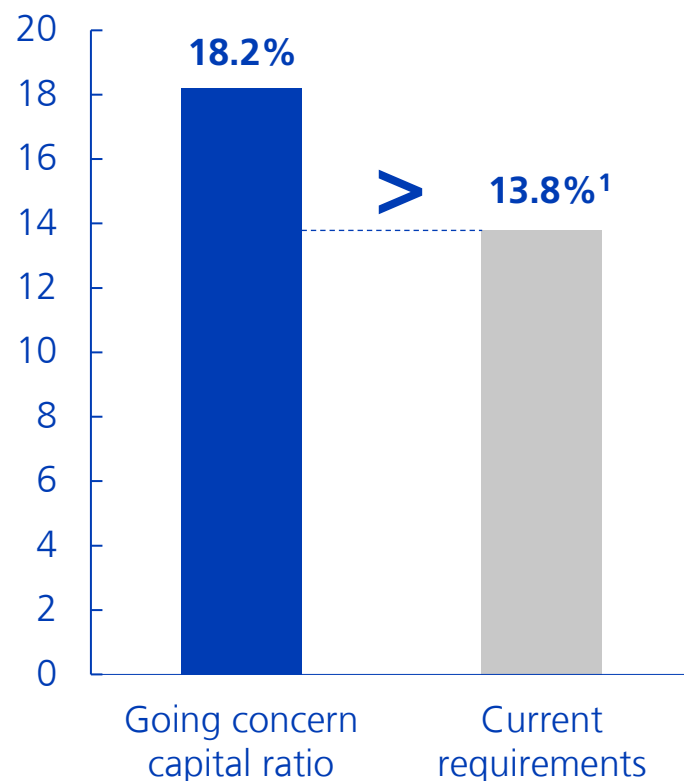
Companies – free electricity market



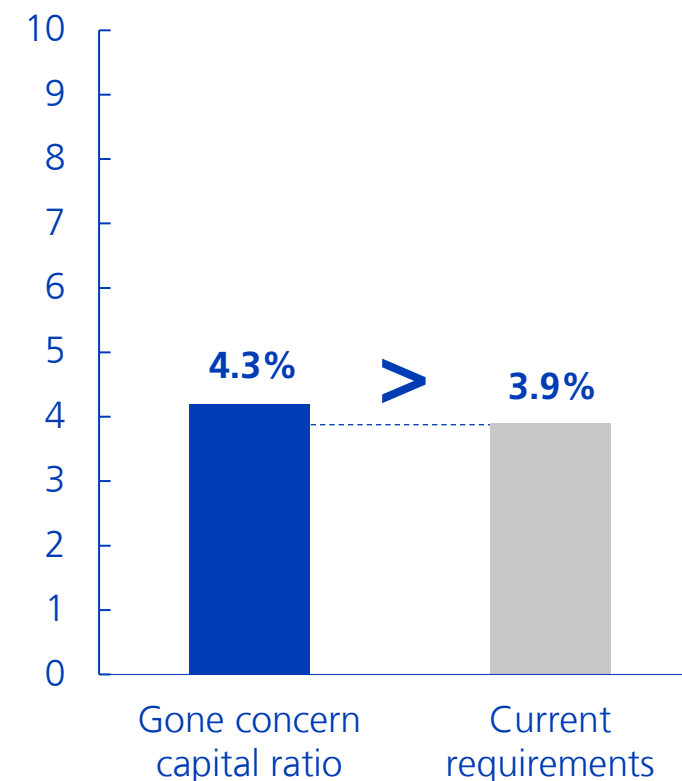
Capitalisation

The bank has a strong capital position – far exceeding regulatory requirements

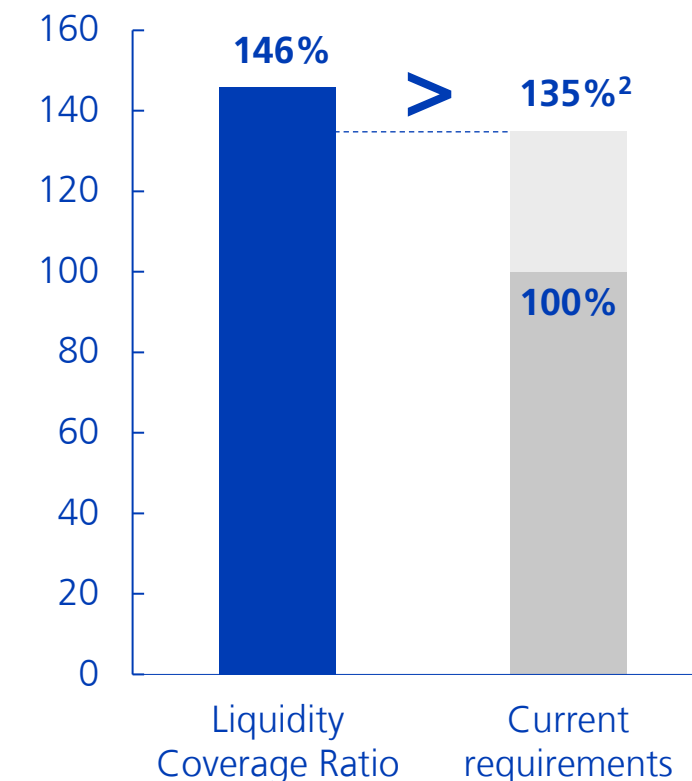
Risk-weighted capital ratio Going concern as of 31.12.2022



Risk-weighted capital ratio Gone concern as of 31.12.2022



Liquidity Coverage Ratio (LCR) in fourth quarter of 2022



¹ Incl. anti-cyclical capital buffer

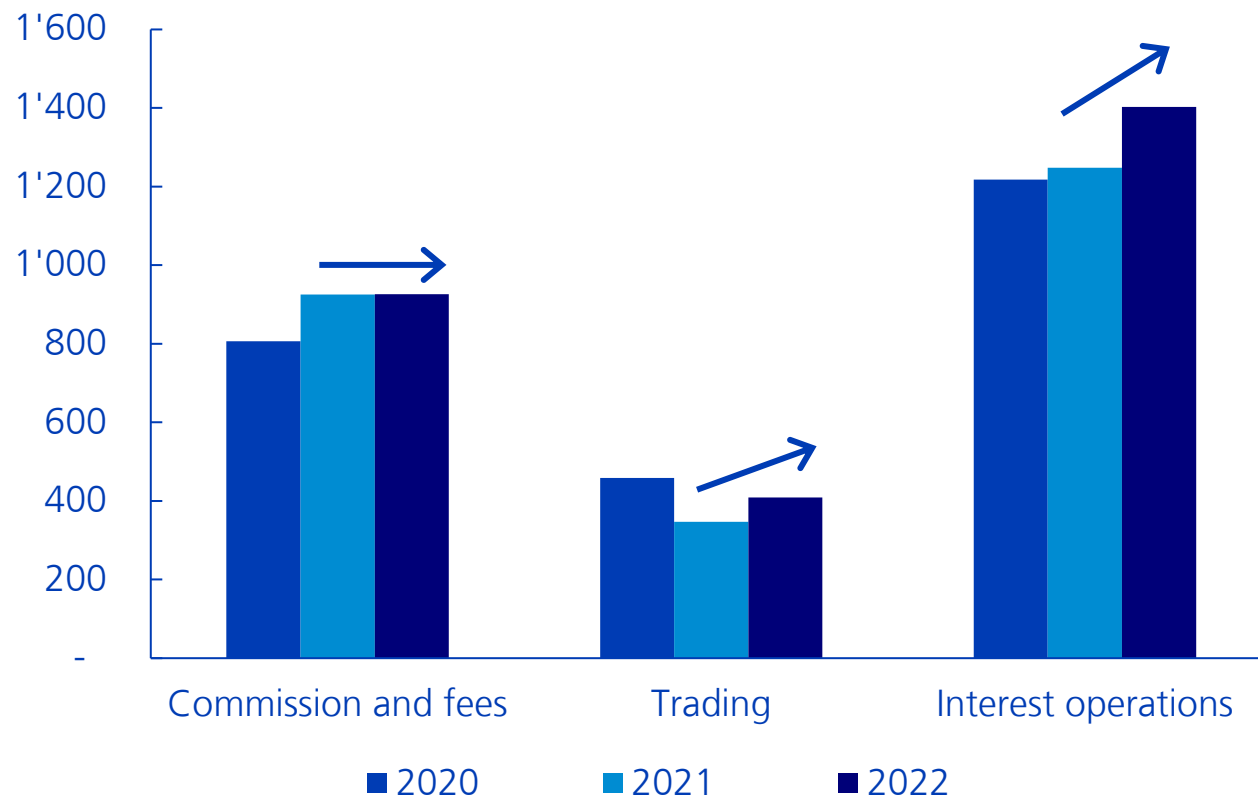
² As a systemically important bank, Zürcher Kantonalbank is subject to stricter liquidity requirements and has to achieve an LCR of 135%.

Summary

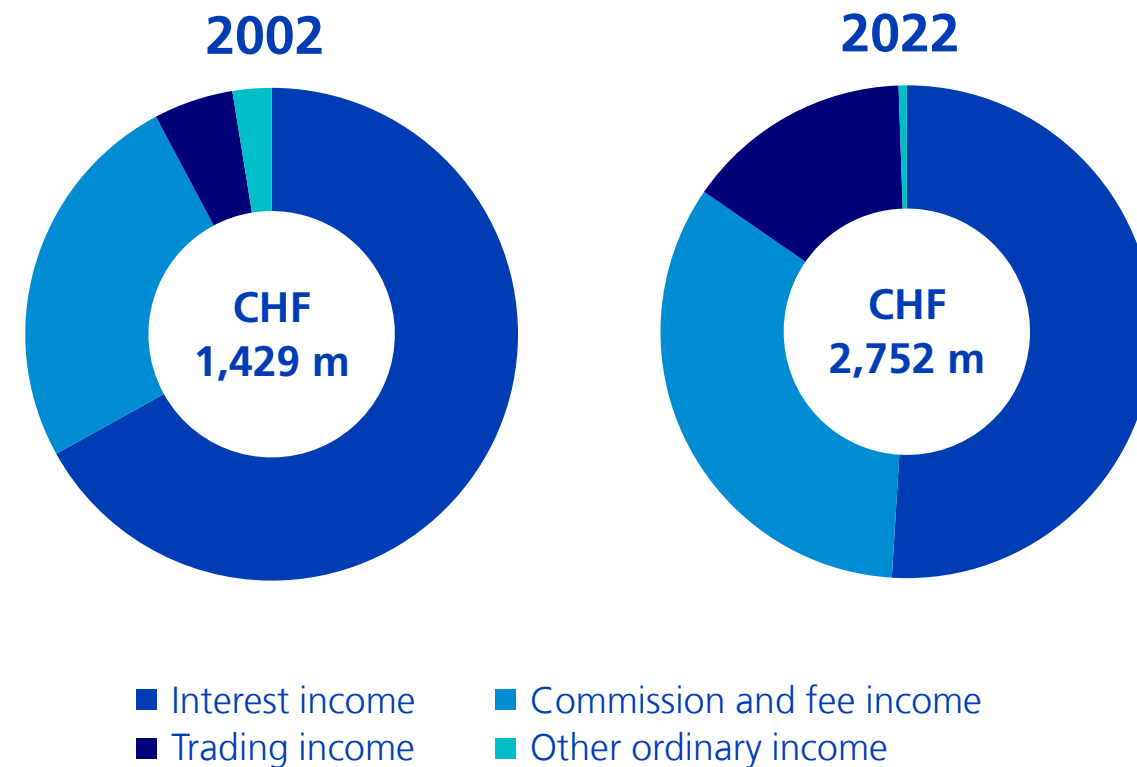
The diversified business model pays off in turbulent times

Main income streams

In CHF m



Breakdown of operating income – 20 years ago and today



**Strong, stable, forward-looking –
you can count on Zürcher
Kantonalbank**

Rudolf Sigg
CFO for 15 years

Strategic priorities

Urs Baumann, CEO

- 1 Diversification and growth
- 2 Digitalisation
- 3 Sustainability
- 4 Efficiency and effectiveness
- 5 Culture and brand



A tall, lattice-structured telecommunications tower stands on a grassy hilltop. The tower is equipped with various antennas and equipment. In the background, a vast valley unfolds, featuring rolling green hills, dense forests of evergreen trees, and a small town or village nestled in the distance. The sky is clear and blue, suggesting a bright, sunny day.

Diversification and growth

Seizing opportunities to make our bank even stronger

Extend leading position in Zurich economic area

Core segments – Individual clients

- Retail clients
- High-net-worth individuals
- Private Banking

Core SME segments

- Commercial clients
- Business and corporate clients



Strengthen national position

Specialised segments

- Key clients
- Large corporations
- Pension funds
- External asset managers
- Financial institutions
- frankly



Seize international opportunities

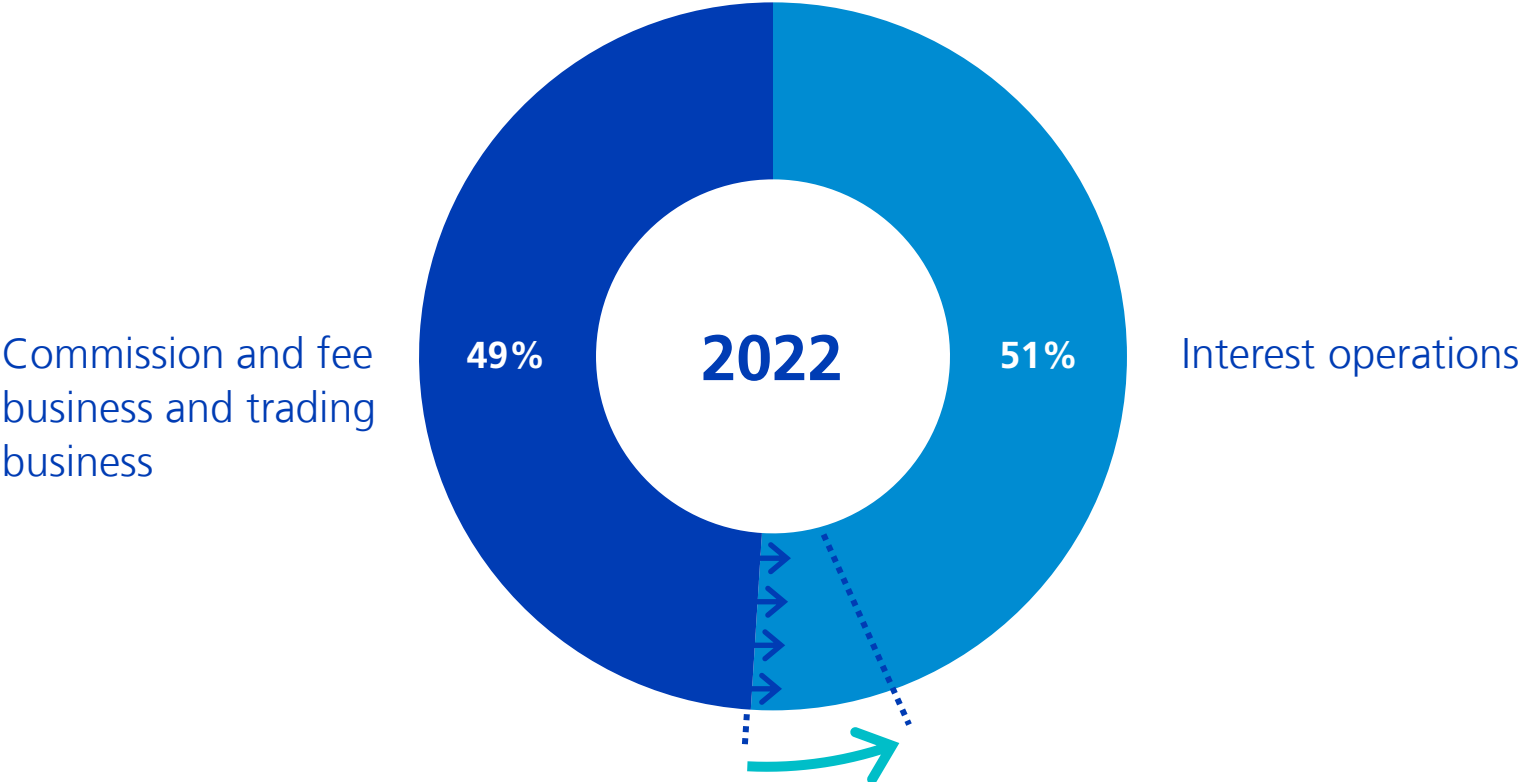
Specialised segments

- Active targeting of private banking market in Germany
- Distribution of Swisscanto products



Growth ambitions support diversification

Income structure



Digitalisation

Enhanced client benefits,
increased client proximity



Vision: The most appreciated and respected bank in Switzerland – including as a digital partner

Canton of Zurich
Hybrid offering (physical and digital) to cover 100% of everyday banking needs by 2025



Mobile



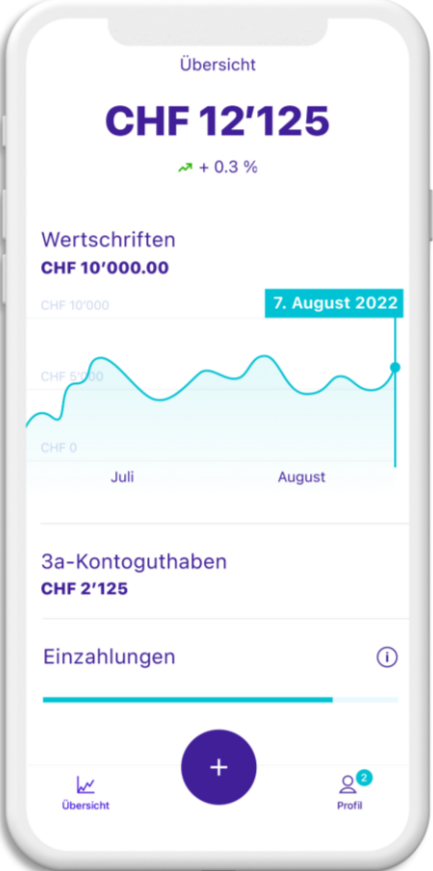
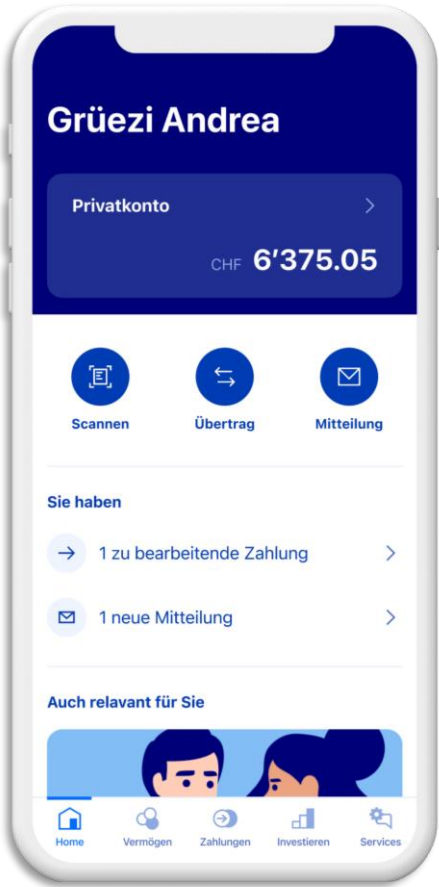
Advisory discussions



Desktop

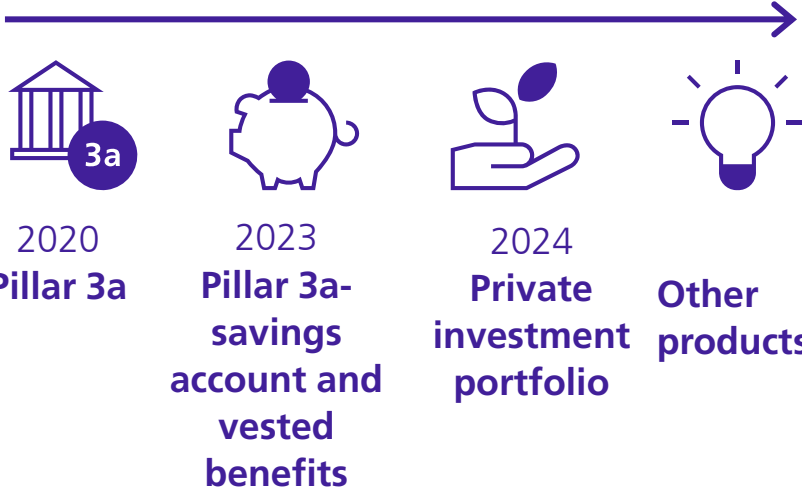


Call Center



frankly.

Switzerland-wide
frankly – our digital-only offering



Digitalisation road map: With these building blocks, we will deliver a new digital experience by 2025

Further development of Mobile Banking

Launched in
May 2022



Digital account opening



Digital financing process



Expansion of self-service functions

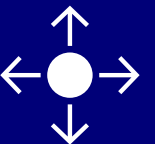


Digital solutions to deliver sophisticated advice

Financial planning, pensions,
inheritance, tax, etc.

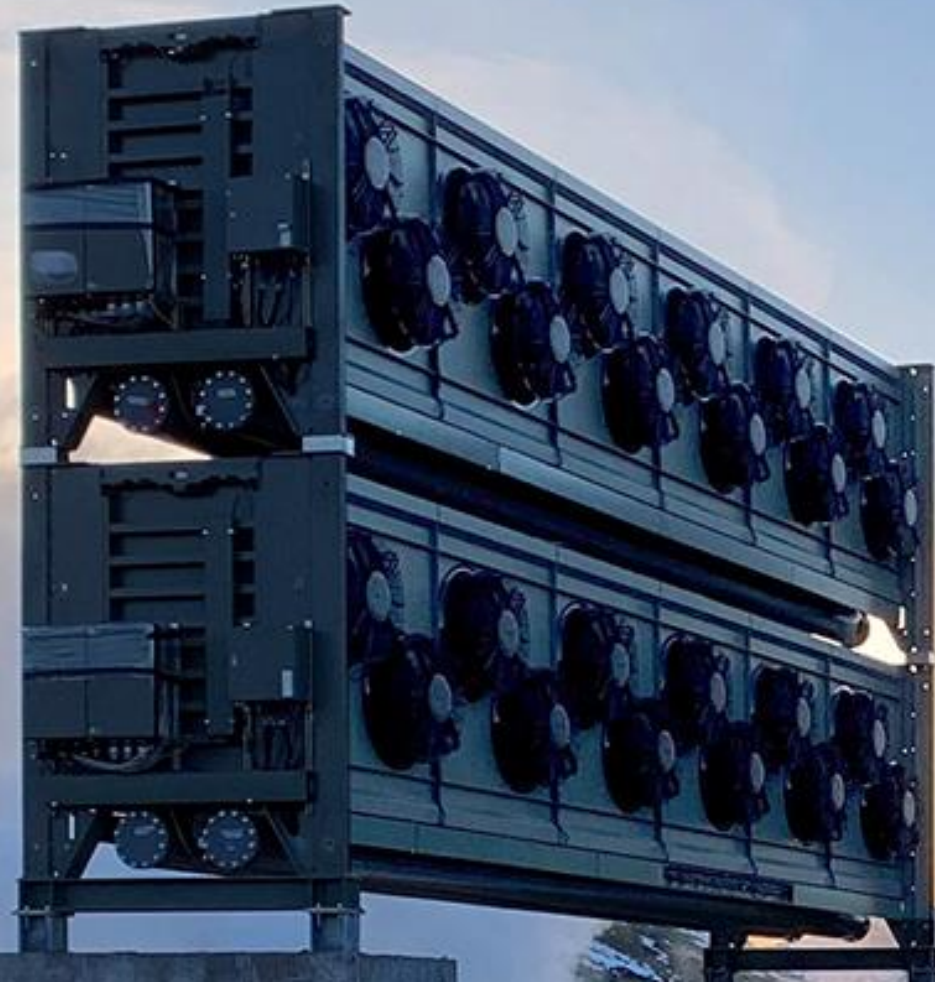


Extend open finance platform and develop new offerings



Sustainability

Extending our leading position



Sustainability in active investing: Generate greater direct impact

Our current sustainability standard



ESG integration

Alongside return and risk considerations, ESG criteria are an integral part of our active investment process for traditional assets. **Systematic ESG integration** when evaluating companies and states allows us to identify risks and opportunities at an early stage, take sound and informed investment decisions and create value for our clients.



Voting and engagement

With our investment stewardship, we want to foster **sustainable business practices** and compliance with recognised international principles and ESG best-practice standards. Direct or indirect **engagement** with the management of companies and **voting** are central aspects of our investment business.



Avoidance of controversy

We want to avoid investing in unsustainable business activities and practices. During the investment process, we take account of any controversial activities by companies – particularly those involving **controversial, prohibited weapons, thermal coal or violations of the UN Global Compact**.



Alignment with Paris Agreement

With our active asset management investment solutions with traditional investments, as well as the ZKB portfolio management mandates with an ESG focus, we take account of CO₂e emissions at portfolio level and **align ourselves with the Paris Agreement**. As a pioneer in the field of sustainable investing, **Asset Management focuses its active investment funds on a reduction path with binding quantitative goals as its standard approach**. As part of this commitment, the CO₂e intensity of portfolios is reduced by at least 4% annually.

Strengthen offering with a focus on impact

Current status	Start-up finance	ZKB as start-up investor
	Private equity carbon solutions	Offering for institutional clients
Future	Customisation of investment solutions with sustainable themes	Future offering for individual clients

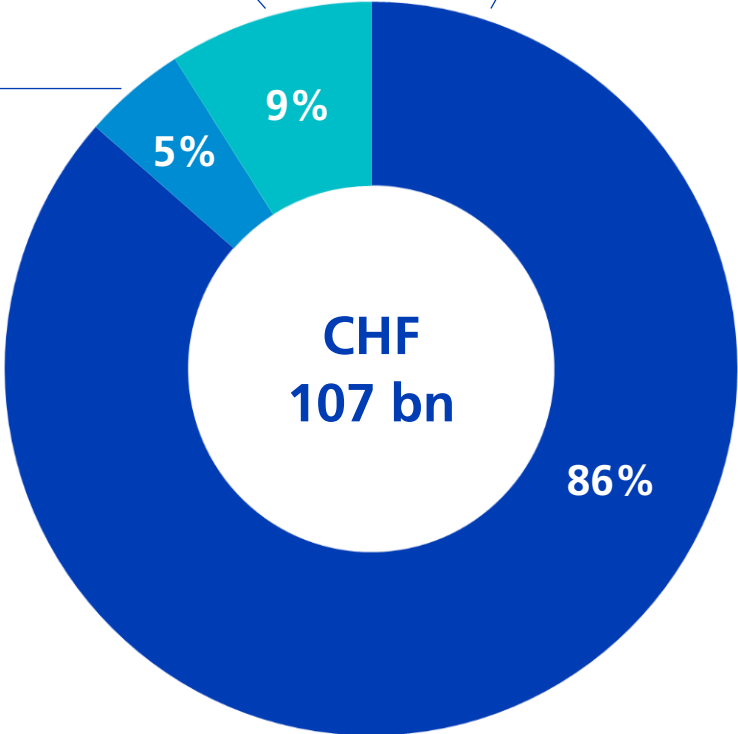
Sustainability in the financing business: Decarbonisation of buildings is key

Corporate finance

- Since 2021: Sustainability-linked loans

Housing cooperatives

- Since 2022: ZKB WohnPlus mortgage for housing cooperatives with the greatest emphasis on social/welfare aspects



Mortgages (residential and commercial)

- Since 1992: Environmental loans for individual clients and companies
- Since 2020: Free consultations on alternative heating sources
- Since 2021: Integral advisory process for long-term value preservation and energy efficiency

Outlook

Urs Baumann, CEO

Outlook

We expect to deliver another pleasing result for 2023

- **Uncertainty** – difficult geopolitical environment
- **High volatility** in the market
- **No recession** in Switzerland
- **Inflation** is declining
- **Restrictive monetary policy** – rising or stable interest rates
- Growing demand for **sustainable investments**

We are well positioned and can seize opportunities

With a stable and healthy business model, we want to generate sustainable growth.

Appendix

Key figures at a glance

in CHF m	2020	2021	2022	Range
Operating income	2,513	2,544	2,752	
Operating expenses	1,580	1,517	1,594	
Net profit	865	942	1,059	
in %				
Return on equity	7.2	7.8	8.4	
Cost/income ratio	60.1	58.7	57,5	58–64
Risk-based capital ratio (going concern)	18.9	18.5	18.2	17–20
Risk-based capital ratio (gone concern)	3.2	4.0	4.3	
Leverage ratio (going concern)	6.2	6.2	6.2	
Liquidity Coverage Ratio (LCR)	160.0	160.0	146.0	
in CHF bn				
Total client assets	361.7	409.2	400.0	
Net new assets	22.1	25.9	33.9	

Outlook for 2023: No recession in sight in Switzerland



Mild global recession with differences between regions
Possible global recovery from mid-2023



Inflation has peaked but remains elevated



Geopolitical developments; restrictive approach set to continue



Switzerland to achieve quantitative growth thanks to immigration; no recession in sight



Investment policy: Short-term uncertainty is dominant factor; improved opportunities in the long term



Zürcher
Kantonalbank