Annual results 2023

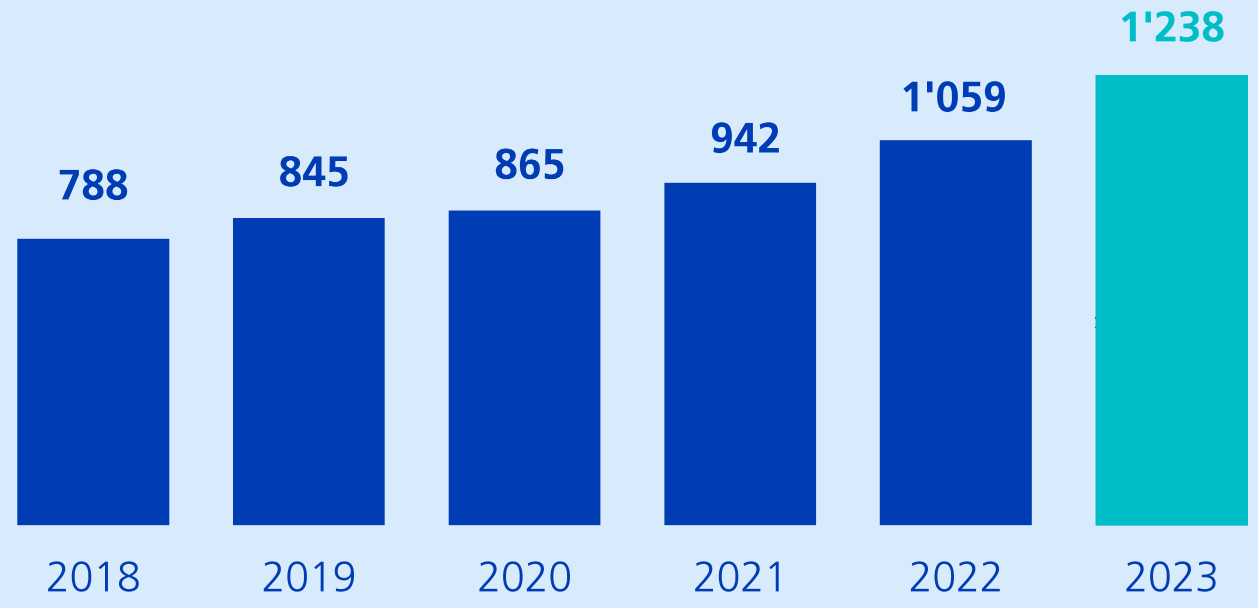
Zürcher Kantonalbank

Annual results media conference handout
9 February 2024

We achieved a record net profit

Net profit
CHF m

CHF 1,238 m



We are giving back to the Canton and municipalities

Ordinary dividend of over half a billion Swiss francs for the first time

Distributions to the Canton and municipalities*
CHF m

> CHF 0.5 bn

* incl. costs of endowment capital (2023: CHF 18 m)

Leap in income due to strong interest operations

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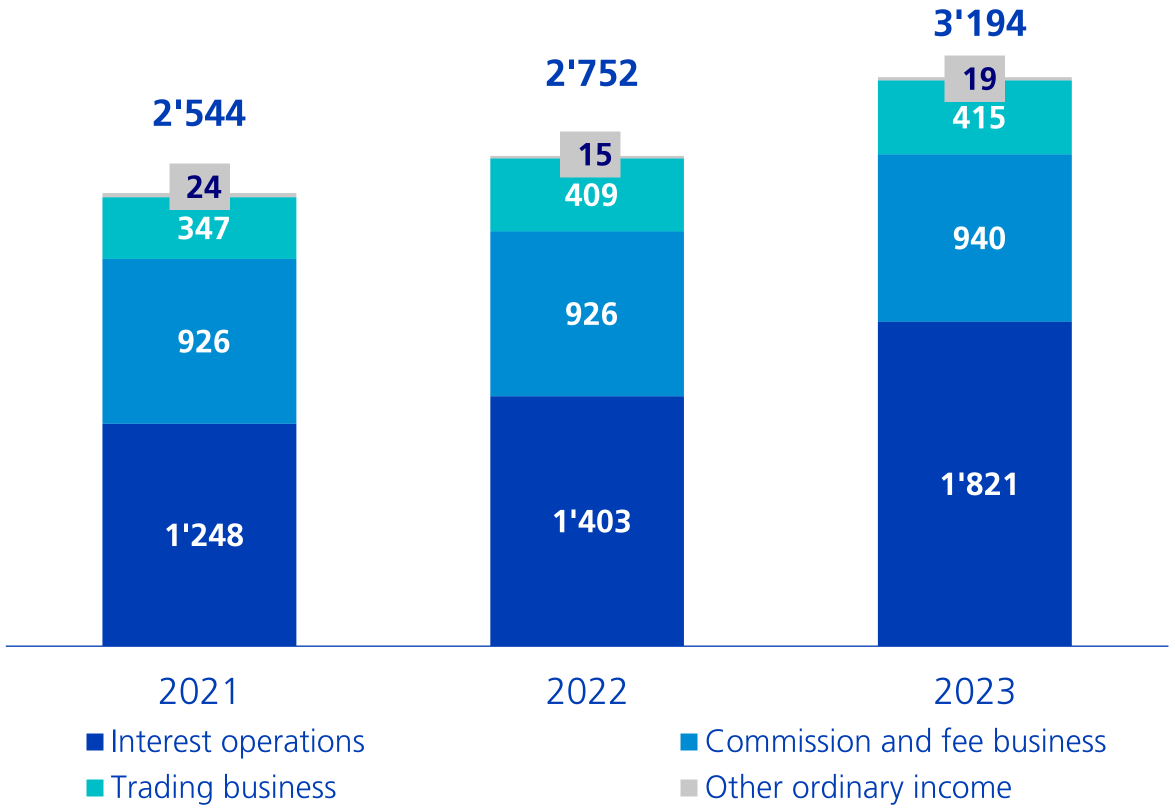
Operating income[1]
CHF m



[1] Rounding differences may occur

Operating income rose by 16% on the back of strong results across all three income streams and exceed CHF 3 billion for the first time.

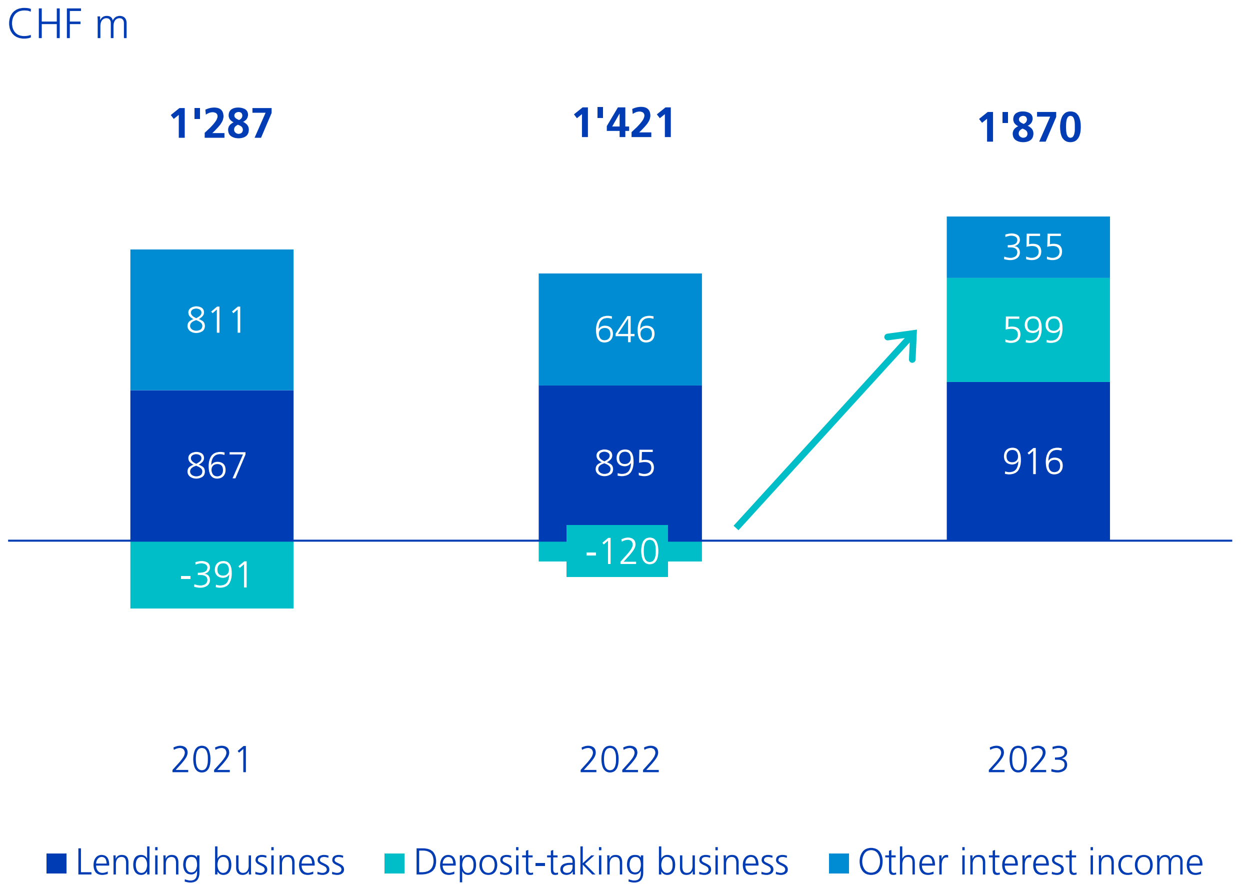
Interest operations benefited in particular from the interest rate reversal. Net interest income rose by 30% year on year.

Thanks to strong inflows of new money, the commission and fee business slightly exceed the result for the previous year (+2%).

Trading income increased by 2% compared to the already strong result for 2022.

Interest operations

Exceptionally high interest income[1] as the deposit margin returns to positive territory



The deposit margin is recovering following the end of the negative interest rate phase. Particularly in the first half of 2023, further interest rate changes by the Swiss National Bank (SNB), combined with a comparatively slow shift of account deposits to products offering higher interest rates, had a strong positive impact.

In the lending business, a good increase in volumes coupled with stable margins supported the result: Mortgage volumes exceed the CHF 100 billion mark for the first time.

[1] Gross interest income before changes from risk-related value adjustments and losses in interest operations

What were the drivers of the strong interest income generated in 2023?

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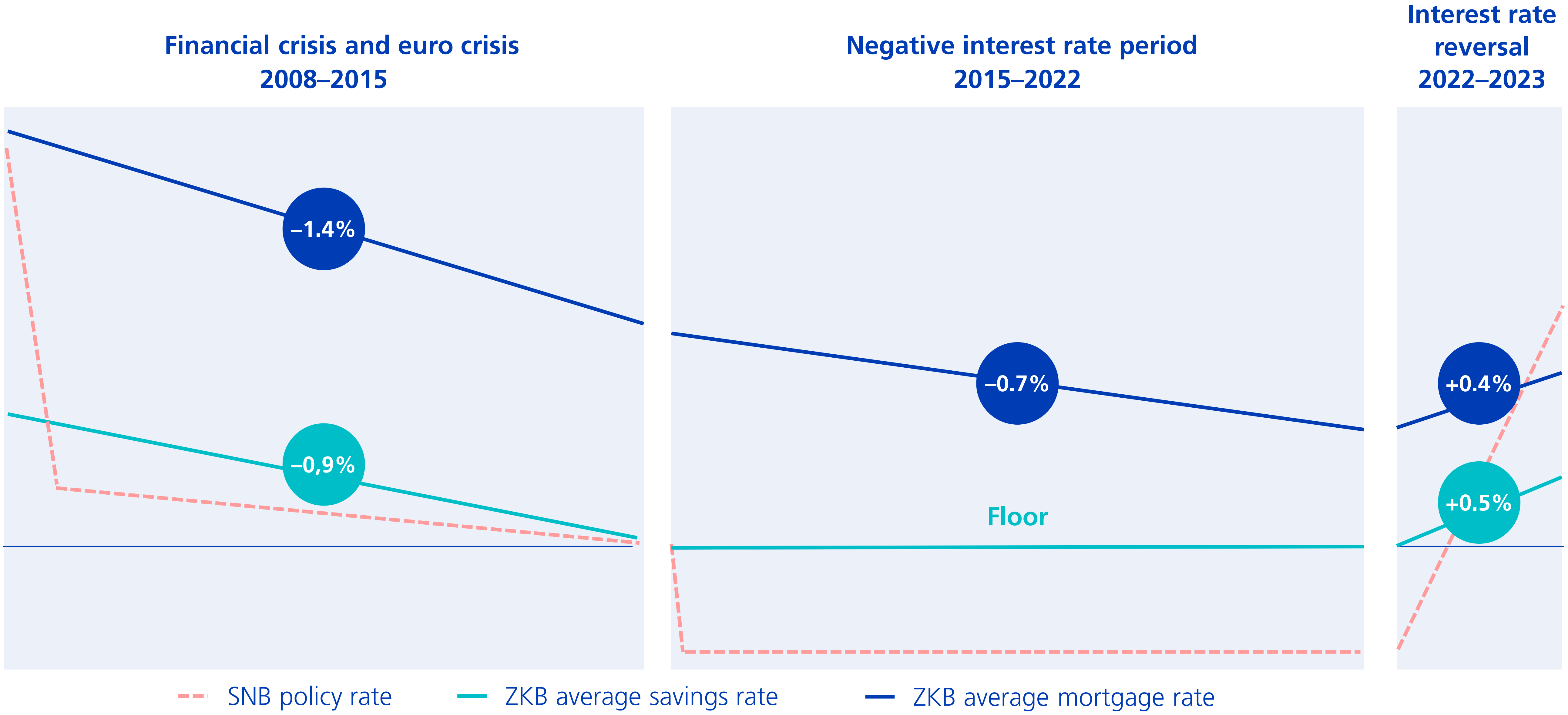
- Return to **positive interest rate environment**
- **Shift of client assets** to investment opportunities offering higher interest rates occurred more slowly than expected
- Leveraging of favourable **currency situation**

- The **margin** between savings rates and mortgage rates did not widen
- Our **liquidity buffer** at the SNB costs us money

The margin between mortgage rates and savings rates remains historically tight



Stricter liquidity requirements shape balance sheet

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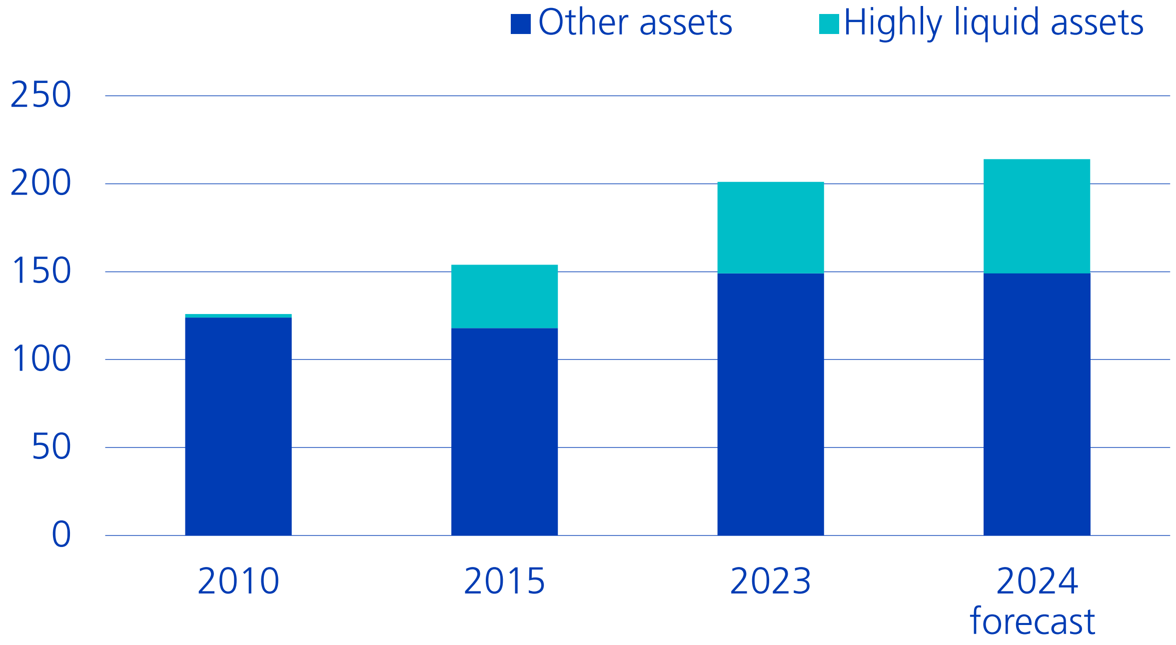
Increase in highly liquid assets driven by stricter liquidity requirements

Assets in CHF bn



Total assets **126** **154** **201**
in CHF bn

- Liquidity requirements are being tightened continuously:
  - 2015: 100% LCR introduced
  - 2021 LCR increased to 135%
  - 2024 Liquidity stress scenario – de facto extension to 120 days (TBTF)
- ZKB already holds around one-quarter of total assets in the form of highly liquid assets – primarily SNB sight deposits.
- ZKB expects a further increase in liquidity in 2024 due to the applicable TBTF regulation.
- ZKB mainly finances the liquidity buffer at the SNB with time deposits via the money market as well as fixed-term deposits of major clients with interest rates at close to or above SARON.

Further pleasing growth in mortgage volumes despite higher interest rates

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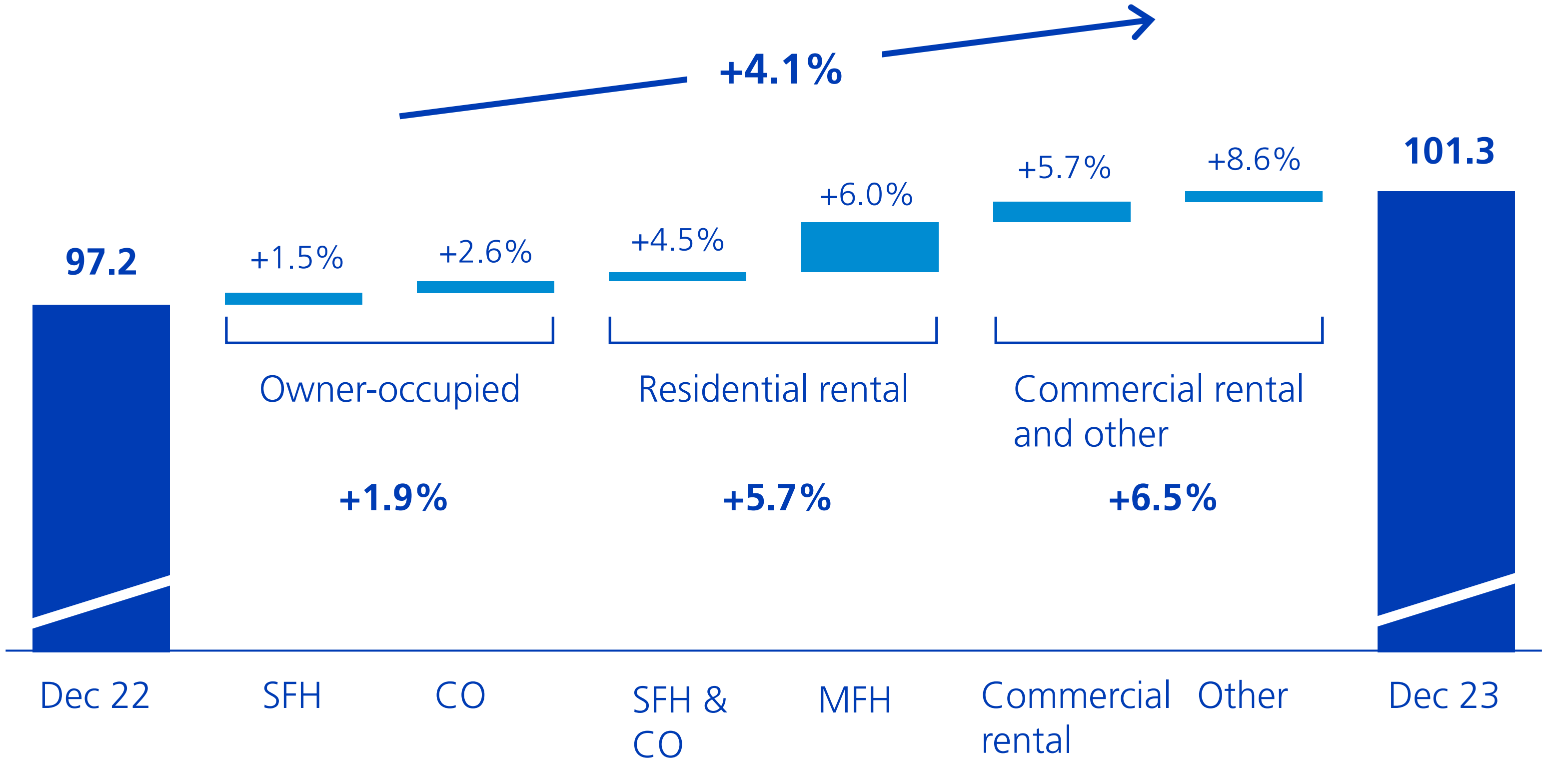
Mortgage growth[1]
CHF bn



The volume of mortgages provided to our private and institutional clients grew by **4.1%** in 2023, 1.3 percentage points less than in the previous year.

Substantially higher interest rates did not significantly dampen demand for real estate financing.

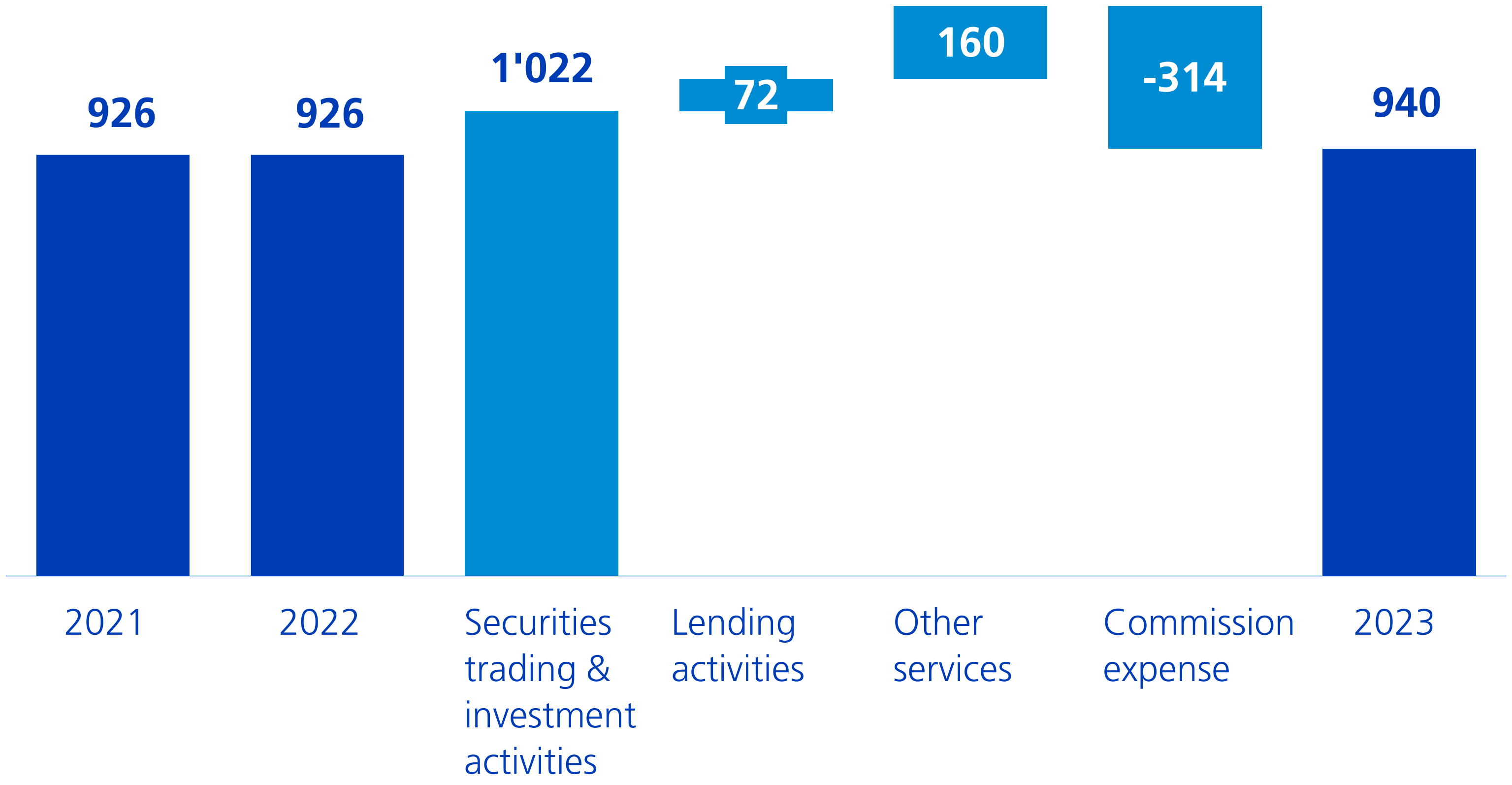
ZKB maintained the same high standards of quality in terms of borrowers and financed properties.

[1] Mortgage volumes and development of mortgages are shown before value adjustments
SFH: single-family house, CO: condominium ownership, MFH: Multi-family house

Commission and fee business

Stable net fee and commission income

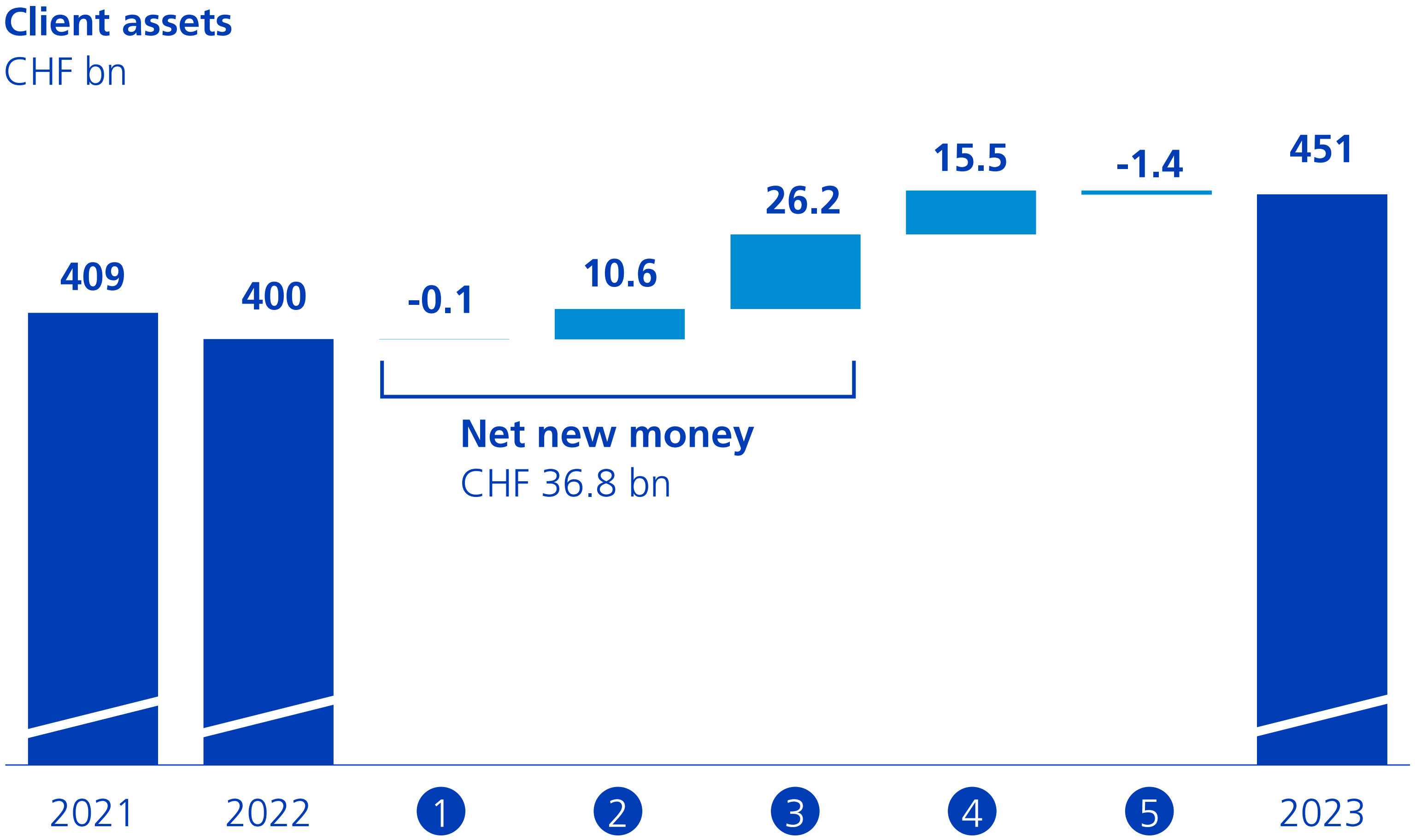
Net fee and commission income
CHF m



Despite lower initial volumes driven by market conditions, commission income from securities trading and investment activities increased marginally year on year, reflecting a large inflow of new money.

Income from other services increased by 6% year on year, driven primarily by additional income from services in the real estate business.

Client assets grow significantly year on year

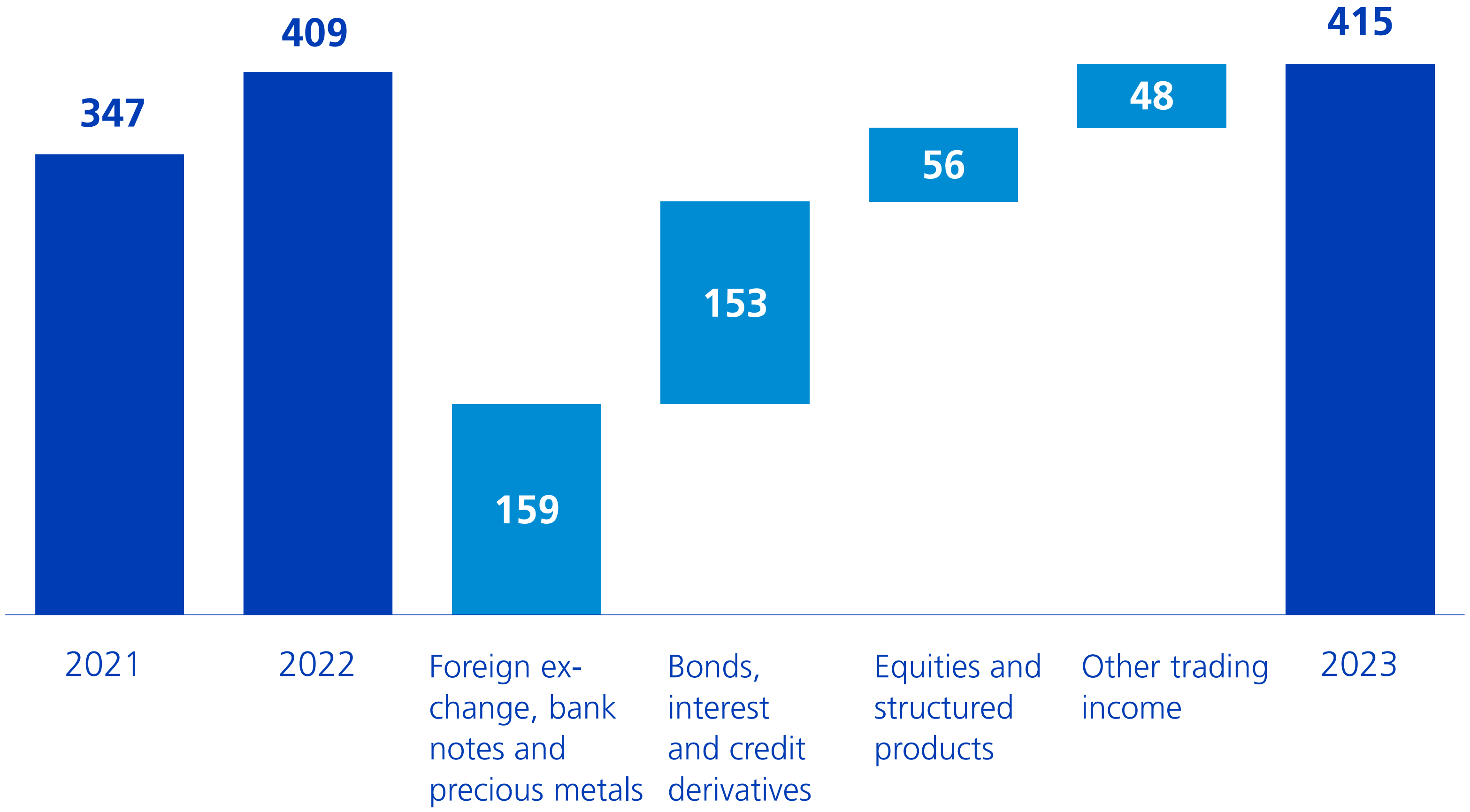


1. Outflow of assets (client deposits)
2. Pleasing inflow of new money in fund business
3. Substantial inflow of new investment assets, comprising around 75% institutional and 25% private assets
4. Positive net market performance
5. Other effects

Trading business

Trading business delivers another strong result

Trading income¹
CHF m



[1] Rounding differences may occur

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

Trading income increased slightly (+2%) compared to the previous year's result despite volatility being at record low levels for extended periods of 2023.

The risk profile remains moderate.

Operating expenses

Firm grip on costs

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- Personnel expenses grew at a slower rate
- General and administrative expenses: Targeted investments in the future and in the establishment of the ZKB Philanthropy Foundation

	Change vs 2022
Operating result	+39%
Headcount	+6%
Personnel expenses	+2%
General and administrative expenses (adjusted for Foundation)	+7%

Personnel expenses increase at a slower rate than headcount

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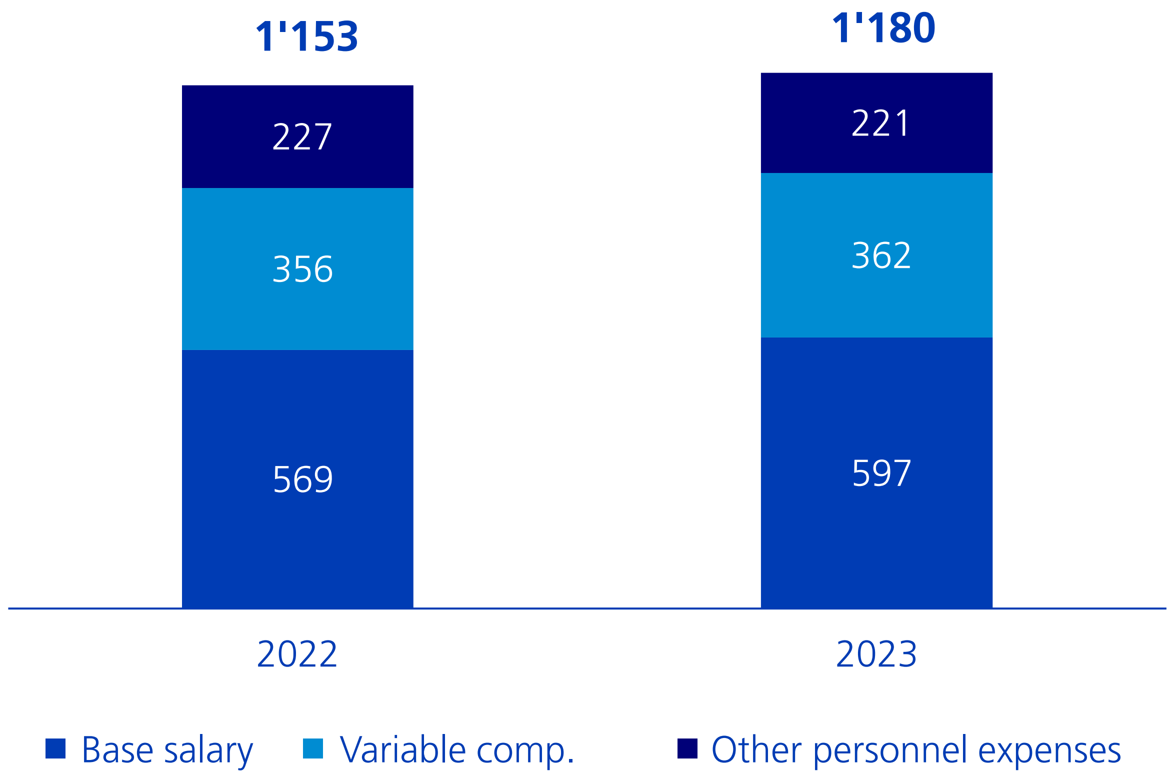
Personnel expenses
CHF m



Headcount increased by almost 6%, while personnel expenses rose by 2%.

Variable compensation per employee did not increase compared to 2022.

Moderate increase in general and administrative expenses – one-off capital contribution to Foundation

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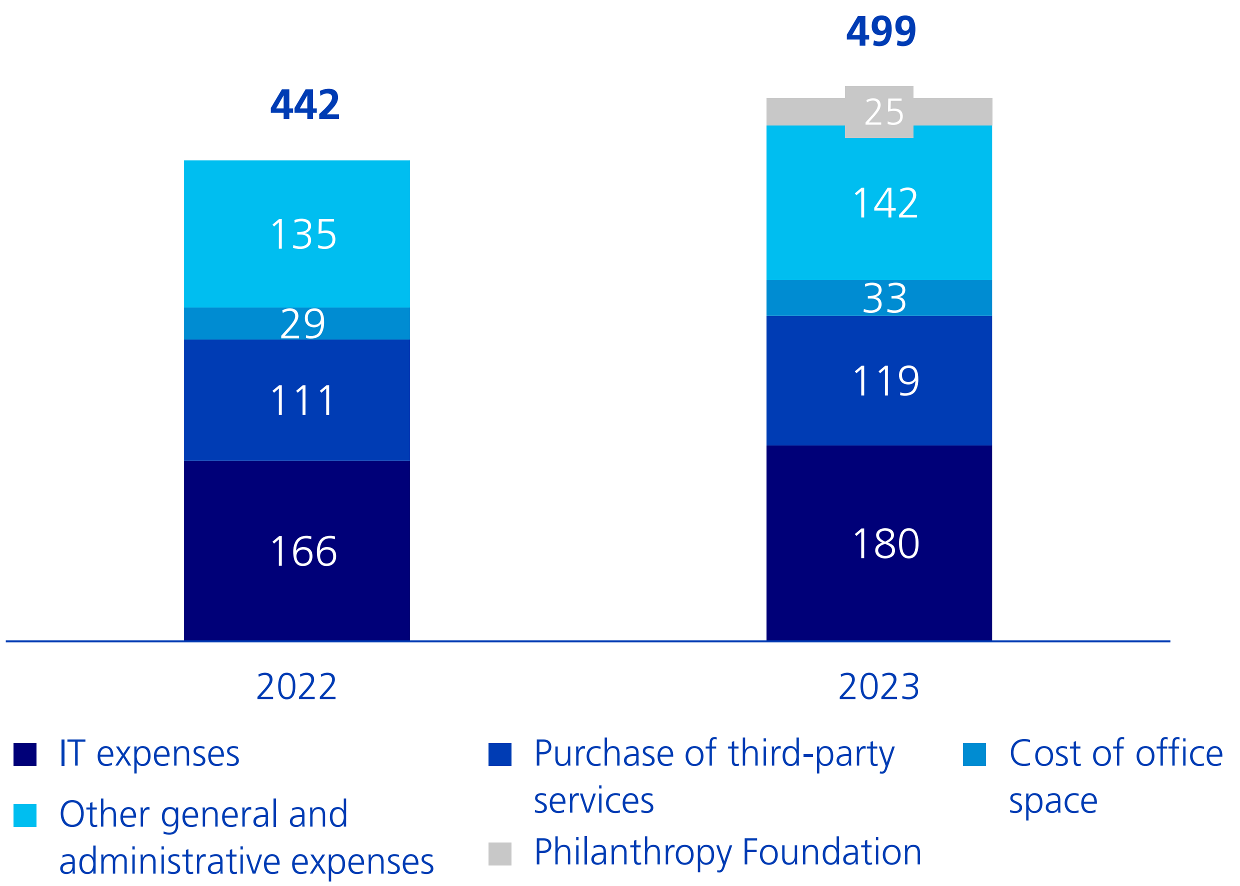
General and administrative expenses
CHF m



In 2023, CHF 25 million was spent on establishing the ZKB Philanthropy Foundation.

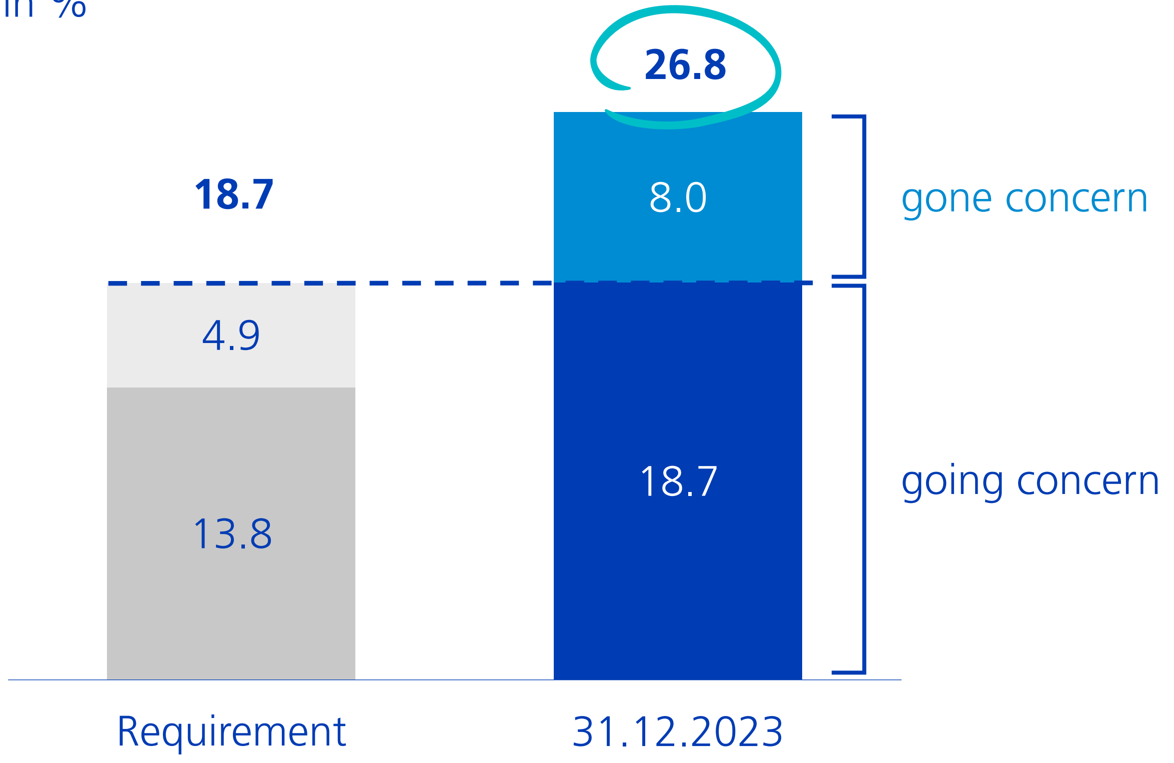
Excluding the one-off impact of establishing the Foundation, general and administrative expenses rose by CHF 32 million or 7%.

The largest part of this increase relates to IT expenses incurred as a result of investments in the future.

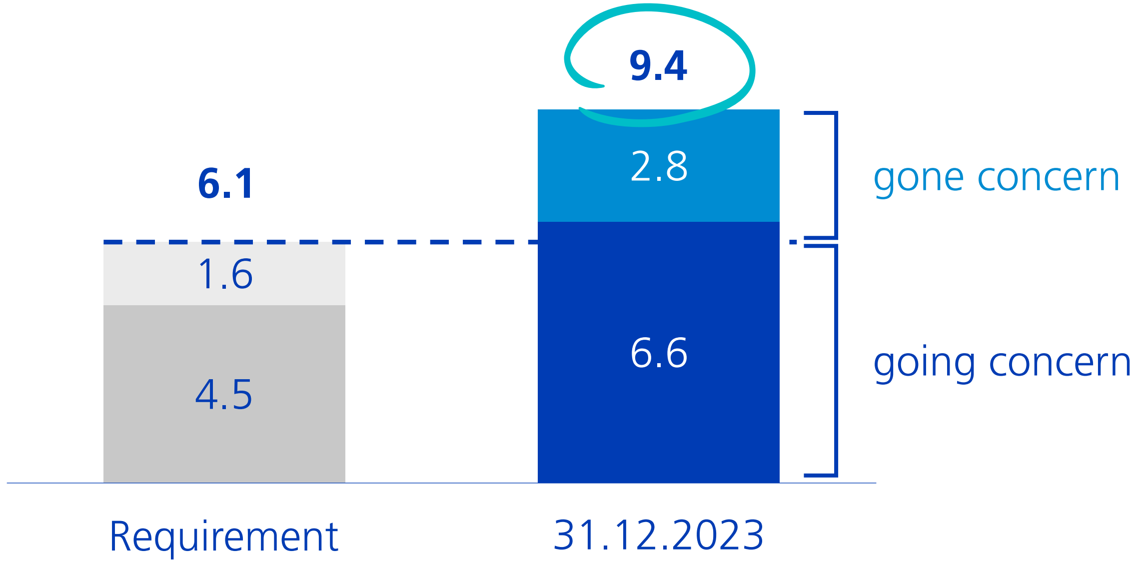
Capitalisation

Strong capital base

Risk-based capital ratio
in %



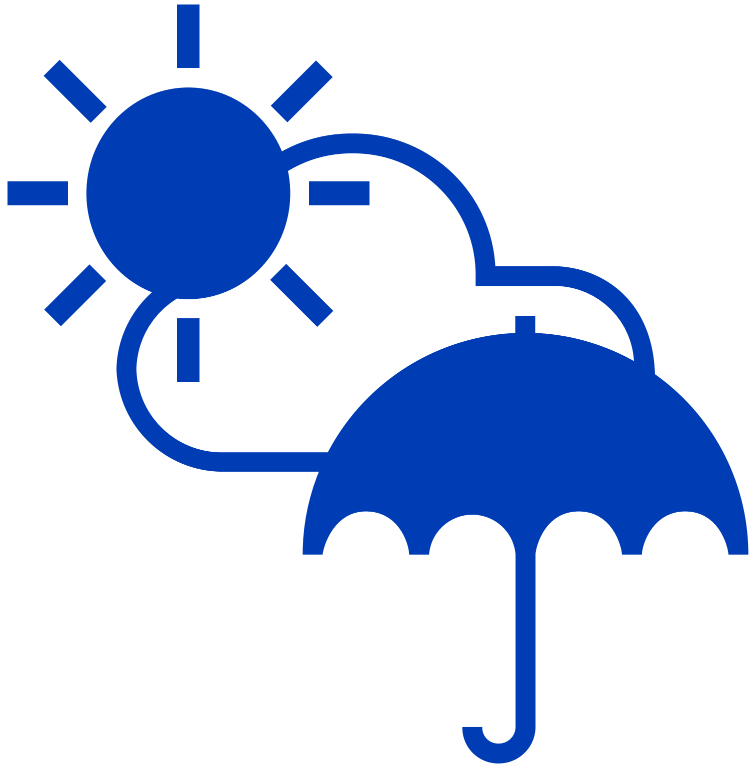
Leverage Ratio
in %



Outlook

2024 will be challenging

- Macroeconomic environment remains **uncertain**
- Exceptional **interest income** will **not be repeated**
- **Operating income and the operating result** will **not match** the oustanding results for 2023
- **Pleasing net profit** expected



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Appendix

A successful year for Zürcher Kantonalbank

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Key figures for 2023

Net profit (CHF)
Change vs 2022: **+17.0%**

1,238 m

Profit distribution (CHF) (proposal)

528 m

Headcount (FTE)
Delta vs 31.12.2022: **+5.5%**

5,539

Operating income (CHF)
Change vs 2022: **+16.1%**

3,194 m

Operating expenses (CHF)
Change vs 2022 : **+5.3%**

1,679 m

Operating result (CHF)
Change vs 2022 : **+38.8%**

1,469 m

Total assets (CHF m)
Change vs 2022 : **+0.7%**

201,259

Return on equity (RoE)
2022: **8.4%**

9.3%

Cost/income ratio (CIR)
2022: **57.5%**

51.8%

Regulatory key figures

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Risk-based capital ratio (going concern)
As of 31.12.2022: **18.2%**

18.7%

Leverage Ratio (going concern)
As of 31.12.2022: **6.2%**

6.6%

Risk-based capital ratio (gone concern)
As of 31.12.2022: **4.3%**

8.0%

Leverage Ratio (gone concern)
As of 31.12.2022: **1.5%**

2.8%

Requirements	Risk-based capital ratio	Leverage Ratio
Going concern	**13.8%**	**4.5%**
Gone concern	**4.9%**	**1.6%**
Gone concern from 2026	**7.9%**	**2.8%**

Risk-based TLAC Ratio
As of 31.12.2022: **22.5%**

26.8%

TLAC Leverage Ratio
As of 31.12.2022: **7.7%**

9.4%

Liquidity Coverage Ratio (LCR)
As of 31.12.2022: **146%**

147%

Net Stable Funding Ratio (NSFR)
As of 31.12.2022: **124%**

117%