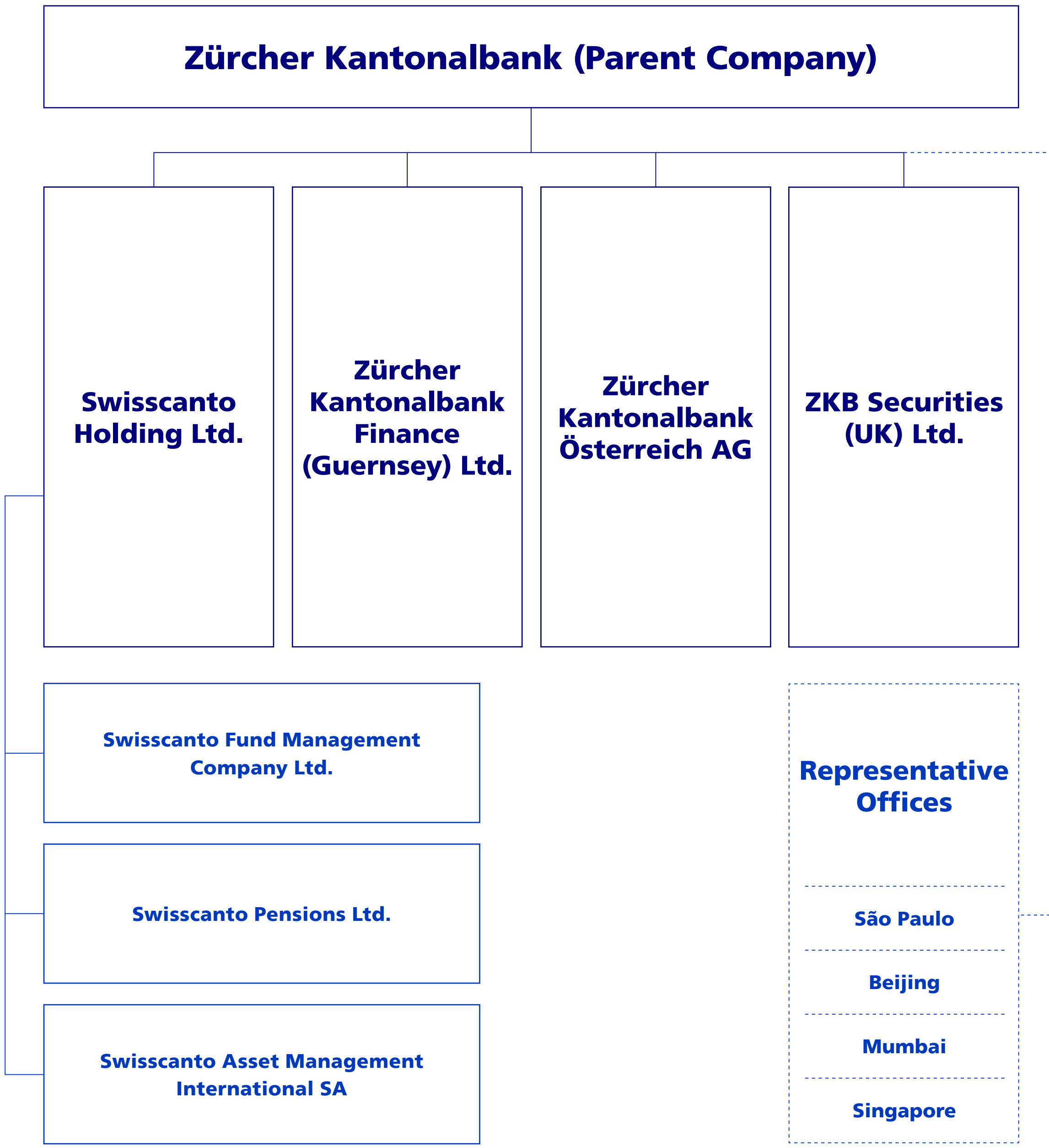
# Half-yearly Report Financial Year 2023

Zürcher Kantonalbank

# Close to you.

**Zürcher Kantonalbank has successfully positioned itself as a systemically important universal bank with a regional base as well as a national and international network. We are the most important cantonal bank in Switzerland and one of the largest Swiss banks. With a market penetration rate of around 50 percent, we are the top-ranked bank in the Greater Zurich Area 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 resolve 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.**

# 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

– Figure not available or not meaningful

# Key figures (group)

| | 1st half 2023 | 1st half 2022 | Change in % |
|---|---|---|---|
| **Key figures** in % | | | |
| Return on equity (RoE) | **10.4** | 8.7 | |
| Cost income ratio (CIR)[1] | **48.7** | 56.2 | |
| Common equity tier 1 ratio (CET1) (going-concern)[2] | **16.6** | 16.2 | |
| Risk-based capital ratio (going-concern)[2] | **18.0** | 17.6 | |
| Risk-based capital ratio (gone-concern)[2] | **5.9** | 4.3 | |
| Risk-based TLAC ratio[2/3] | **23.9** | 22.0 | |
| Leverage ratio (going-concern)[2] | **6.2** | 6.0 | |
| Leverage ratio (gone-concern)[2] | **2.0** | 1.5 | |
| TLAC leverage ratio[2/3] | **8.2** | 7.5 | |
| Liquidity coverage ratio (LCR)[4] | **147** | 149 | |
| Net stable funding ratio (NSFR) | **121** | 119 | |
| **Income statement** in CHF million | | | |
| Net result from interest operations | **946** | 650 | 45.5 |
| Result from commission business and services | **475** | 473 | 0.3 |
| Result from trading activities and the fair value option | **252** | 211 | 19.6 |
| Other result from ordinary activities | **13** | 10 | 36.6 |
| **Operating income** | **1,687** | **1,344** | **25.5** |
| Operating expenses | **−818** | −765 | 6.9 |
| Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets | **−43** | −54 | −20.0 |
| Changes to provisions and other value adjustments and losses | **5** | 12 | −53.6 |
| **Operating result** | **831** | **537** | **54.7** |
| Extraordinary result | **0** | 8 | n.a. |
| Changes in reserves for general banking risks | **−150** | – | n.a. |
| Taxes | **−4** | −4 | −0.1 |
| **Consolidated profit** | **677** | **541** | **25.2** |

| **Balance sheet** in CHF million | 30.06.2023 | 31.12.2022 | |
|---|---|---|---|
| Total assets | **202,862** | 199,791 | 1.5 |
| High-quality liquid assets (HQLA)[4] | **53,824** | 58,545 | −8.1 |
| Mortgage loans | **98,863** | 96,838 | 2.1 |
| Amounts due in respect of customer deposits | **104,441** | 103,351 | 1.1 |
| Provisions | **207** | 214 | −3.2 |
| Equity | **13,634** | 13,299 | 2.5 |
| **Customers' assets** in CHF million | | | |
| Total customers' assets | **430,392** | 399,965 | 7.6[5] |
| Net new money inflow/outflow (NNM) | **19,323** | 33,928 | −43.0[6] |
| **Headcount/branches** Number | | | |
| Headcount after adjustment for part-time employees, as at the reporting date | **5,337** | 5,249 | 1.7 |
| Branches[7] | **53** | 53 | 0.0 |

1 Calculation: Cost/income ratio (excl. changes in default-related value adjustments and losses from interest operations).
2 In accordance with the provisions for systemically important banks.
3 TLAC = Total loss absorbing capacity
4 Simple average of the closing values on the business days during the quarter under review.
5 In addition to NNM, the change in customers' assets contains the change arising from price gains/losses, interest rates, dividends and currency gains/losses of CHF +11,783 million (previous year: CHF −42,020 million) and other effects of CHF −680 million (previous year: CHF −1,133 million).
6 The period-adjusted change compared to the first half of 2022 is plus 8.4 percent (first half of 2022: NNM plus CHF 17,826 million).
7 Of which 51 branches (previous year: 51) of Zürcher Kantonalbank in Zurich as well as 2 branches (previous year: 2) of the subsidiary Zürcher Kantonalbank Österreich AG in Salzburg and Vienna.

# Business development

## Major developments and events

**First quarter of 2023** The strong economy and encouraging labour market data made it difficult for central banks to fight the ongoing high inflation. The Swiss National Bank (SNB) tightened the monetary reins further and raised the policy rate by 50 basis points to 1.5 percent at the end of March 2023. Towards the end of the quarter, events in the financial industry came to a head, causing turmoil in the financial markets and fuelling fears of a banking crisis. However, decisive action by central banks, governments and regulators quickly stabilised the situation again.

**Second quarter of 2023** Inflation remained stubborn in the second quarter. Towards the end of the quarter, this prompted almost all major central banks to raise key interest rates again, including the SNB, which hiked its policy rate by 25 basis points to 1.75 percent. Monetary policy therefore became even more restrictive, thus increasing the downside risks for the economy accordingly. A global recession is not yet visible, however. Nonetheless, monetary tightening is increasingly leading to concerns about the economy, which is also reflected in the strong franc. Zürcher Kantonalbank saw an increase in client enquiries and new clients as a result of the events surrounding Credit Suisse, but overall these did not have a material impact on the income figures as at 30 June 2023.

## Very encouraging half-year result

Zürcher Kantonalbank built on the successful previous year in the first half of 2023. The bank once again increased most income components year-on-year. This can be seen, despite slightly higher costs, in the consolidated profit of CHF 677 million (previous year: CHF 541 million).

The net result from interest operations amounts to a considerable CHF 946 million. This is a 45.5 percent increase on the comparable period in the previous year (CHF 650 million). The result from commission business and services totals CHF 475 million and therefore matches the previous year's level. The result from trading activities also developed positively at CHF 252 million (plus 19.6 percent). Overall, operating income therefore increased by 25.5 percent to CHF 1,687 million. Operating expenses of CHF 818 million were up by CHF 53 million or 6.9 percent compared with the previous year.

After taking into account the other profit components, such as value adjustments on participations, depreciation and amortisation of tangible fixed assets and intangible assets, changes to provisions and other value adjustments, as well as losses and changes in reserves for general banking risks, the consolidated profit was 25.2 percent or CHF 136 million higher compared with the prior-year period.

This positive trend is also reflected in the key figures. Return on equity (RoE), for example, stands at 10.4 percent (first half of 2022: 8.7 percent), and the cost-income ratio (CIR) is 48.7 percent versus 56.4 percent in the comparable period.

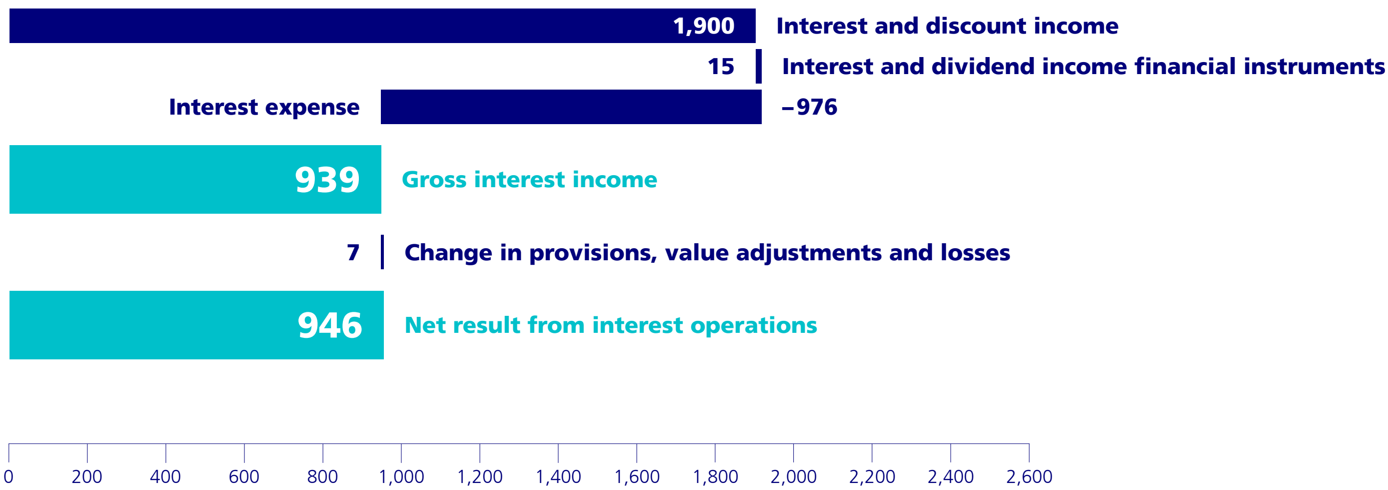
## Excellent interest operations

Gross interest income, at CHF 939 million, is significantly higher than in the previous year. This positive trend is due to the rapid turnaround in interest rates, followed by two further rate hikes by the SNB in the first half of 2023 to combat inflation.

Compared with the previous year, the assets side has now seen an end to the years of negative interest payments on liquid investments at the SNB, and interest is now once again being paid in our favour. Margins on the liabilities side, which had also been negative for years, have recovered, and clients are again receiving interest on their savings, as was the case prior to the negative interest phase. In addition, the current interest rate environment offered opportunities in the money market, which the bank used to further boost its positive results.

Zürcher Kantonalbank continuously assesses default risks and all other identifiable risks. The line item “Changes in value adjustments for default risk and losses from interest operations” shows a net release of CHF 7 million for the first half-year (previous year: net new allocation of CHF 17 million). This resulted in an impressive net result from interest operations totalling CHF 946 million or plus 45.5 percent.

**Breakdown of result from interest operations in CHF million**

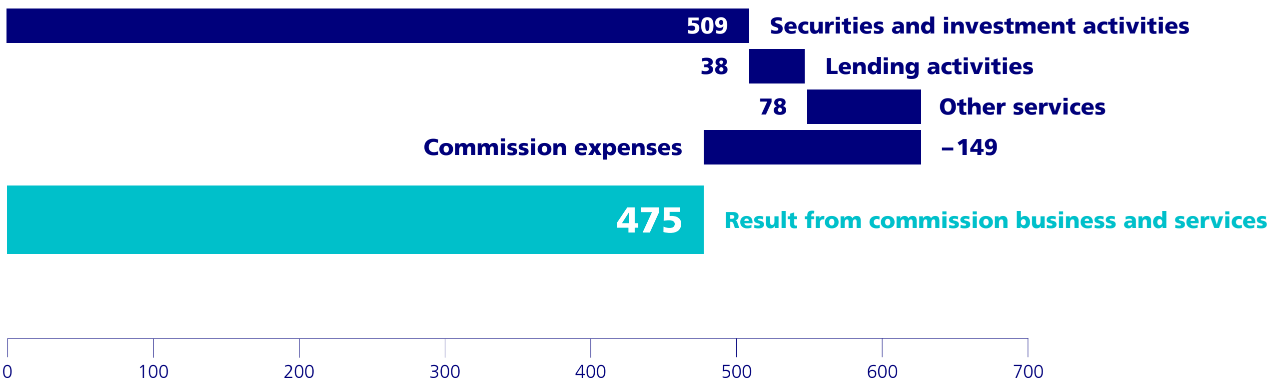



## Stable result from commission business and services

The bank generated a result of CHF 475 million in commission business and services in the first half of 2023. The result is therefore on a par with the previous year (CHF 473 million).

Commission income from securities trading and investment activities dropped slightly in the first half of the year to CHF 509 million (minus CHF 14 million). This reduction is due to lower transaction volumes (transaction fees) and lower income from wealth management. The decline in investment activities was offset by higher commission income from lending activities (plus CHF 4 million) and from other services (plus CHF 8 million) as well as by a slightly lower level of commission expense (minus CHF 4 million).

**Breakdown of result from commission business and services in CHF million**



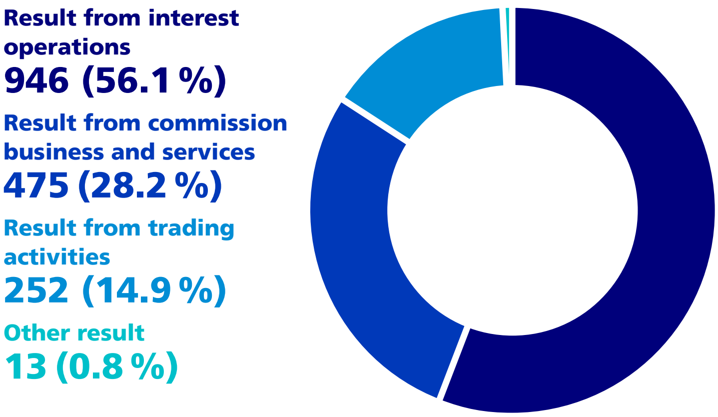

## Strong trading result

The trading result of CHF 252 million (previous year: CHF 211 million) was influenced by several factors, including constantly high excess demand in the bond market and the volatile environment in the foreign exchange market. These factors led to high revenue and thus also high income in bond, foreign exchange and money market trading. In addition, the volume in the special repo business, which had grown following the interest rate turnaround, picked up again with high spreads.

## Very strong operating income

The bank generated operating income totalling CHF 1,687 million in the first half of 2023. This represents an increase of 25.5 percent or CHF 343 million on the prior-year period. The income trend was influenced positively by the strong performance of the markets, the encouraging net inflows of the past months across all investment solutions and the improvement in the interest rate environment. The bank's diversified and stable income structure continued to prove its worth, with income improving further or at least remaining at the previous year's level. With a share of 56.1 percent, interest operations remain the bank's most important income stream, followed by commission business and services with a share of 28.2 percent. Trading activities, the third material income component, contributed 14.9 percent to operating income.

### Breakdown of operating income in CHF million / percent

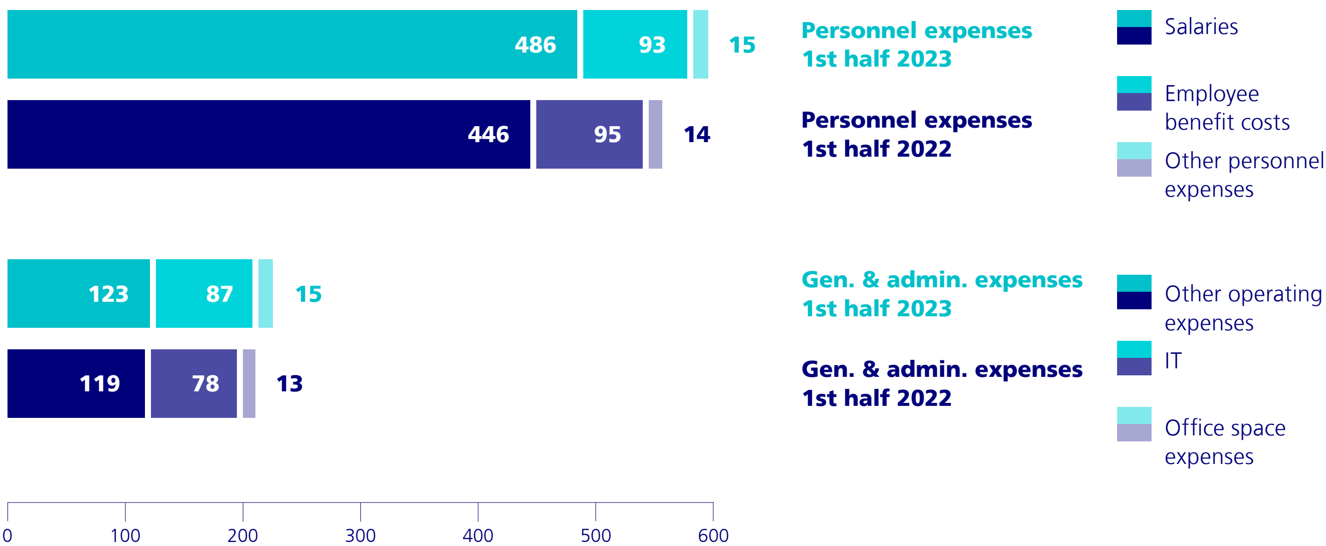



## Slightly higher operating expenses

Operating expenses totalled CHF 818 million in the first half and are therefore 6.9 percent higher year-on-year. Personnel expenses increased by 7.0 percent, or CHF 39 million, to CHF 594 million, and the bank's headcount rose from 5,140 FTEs at the end of June 2022 to 5,337 FTEs.

At CHF 225 million, general and administrative expenses were higher by CHF 14 million or 6.9 percent compared with the same period in the previous year. The increase in costs was due in particular to higher expenses for IT maintenance and consulting (up 11.2 percent to CHF 87 million), which are related primarily to enhancements. Inflation generally also affected general and administrative expenses. This effect can be seen, for example, in higher licence fees for third-party providers and rising electricity costs, which in turn are reflected in higher office space expenses. An overview of the change in the various components is shown in the figure "Development of operating expenses".

## Development of operating expenses in CHF million




## Lower value adjustments, depreciation and amortisation

Value adjustments on participations as well as depreciation and amortisation of tangible fixed assets and intangible assets, at around CHF 43 million, are 20.0 percent or CHF 11 million lower than in the previous year. The goodwill amortisation of Swisscanto, which expired in the first quarter of 2023, caused a decline of CHF 8 million.

The creation of other provisions totalling CHF 13 million was more than offset by net releases of provisions for off-balance-sheet default risks in the amount of CHF 20 million. Together with other factors, the line item “Changes to provisions and other value adjustments and losses” therefore results in a net release of CHF 5 million (first half of 2022: net release of CHF 12 million).

The better-than-expected operating result also allowed for an allocation to reserves for general banking risks in the amount of CHF 150 million to strengthen the bank’s capital.

## Stable total assets with unchanged balance sheet structure

Total assets were only slightly higher compared with the end of the previous year. They increased by CHF 3.1 billion or 1.5 percent to CHF 202.9 billion as at 30 June 2023. The balance sheet structure also remained largely unchanged.

Mortgage loans totalling CHF 98.9 billion remain the largest asset position, accounting for 48.7 percent of total assets (end of 2022: 47.7 percent), followed by liquid assets at 17.7 percent of total assets. Liabilities are dominated by customer deposits of CHF 104.4 billion, which account for 51.5 percent of total liabilities and equity.

## Stable liquidity situation

There was a slight shift within liquidity from liquid assets to amounts due from securities financing transactions. Liquid assets decreased by 10.8 percent to CHF 35.9 billion in the first half of the year, while amounts due from securities financing transactions increased by 8.3 percent to CHF 30.1 billion. Deposits at the SNB continue to account for the largest proportion. Their significance is directly related to the particularly high liquidity requirements that apply to systemically important banks such as Zürcher Kantonalbank. The liquidity coverage ratio (LCR) of 147 percent (previous year: 149 percent), which is determined as the simple average of the end-of-day values on business days during the quarter under review, confirms the high liquidity reserves and the resulting excellent liquidity situation.

## Comfortable refinancing situation

Mortgage loans grew by CHF 2.0 billion to CHF 98.8 billion in the first six months of 2023. This corresponds to growth of 2.1 percent. Zürcher Kantonalbank ensures it has a balanced risk profile by implementing carefully coordinated measures.

Amounts due from clients, which primarily include short-term financing, increased by 12.1 percent or CHF 1.3 billion to CHF 11.8 billion as at 30 June 2023. On the liabilities side, customer deposits amount to CHF 104.4 billion, up by CHF 1.1 billion. In the case of customer deposits, there has also been an increase in time deposits, which have become more attractive due to the higher interest rates. The client cover ratio is 94.6 percent, which has a positive effect on the refinancing situation. Long-term refinancing through bonds and central mortgage institution loans totalling CHF 22.1 billion is also comfortable. The amendment of the Federal Act on Banks and Savings Banks (BankA) and the Capital Adequacy Ordinance as at 1 January 2023 has made it possible for Zürcher Kantonalbank to issue bonds to bear losses in the event of insolvency measures (bail-in bonds), which take into account the bank's special legal basis. Supported by broad demand, Zürcher Kantonalbank issued the first bail-in bond in Swiss francs with a 5-year maturity in the amount of 425 million in April. In June, the bank then issued a bail-in bond in euros for 500 million. The latter matures in six years. Both bonds can be redeemed early one year before final maturity on a one-time basis.

## Strengthened capital base

The allocation to reserves for general banking risks in the amount of CHF 150 million strengthens the bank's capital. The risk-based equity ratio on a going-concern basis was therefore 18.0 percent as at 30 June 2023, compared with 17.6 percent as at 30 June 2022. The bank thus continues to clearly exceed the current capital adequacy requirement (13.8 percent of risk-weighted positions) imposed on it as a systemically important bank. This confirms Zürcher Kantonalbank's strong capitalisation. The leverage ratio (going-concern) of 6.2 percent is likewise far above the 4.5 percent requirement applicable to systemically important domestic banks.

## Growth in net new money and positive market performance shape client assets

Client assets totalled CHF 430.4 billion as at 30 June 2023. At CHF 19.3 billion, the net new money inflow was once again significantly higher than in the first half of the previous year (CHF 17.8 billion). Contrary to the previous year, the market performance also made a positive contribution of CHF 11.8 billion to total managed assets. Overall, client assets increased by CHF 30.4 billion or 7.6 percent in the first half of the year compared with the end of the previous year.

## Confirmed AAA rating

The rating agencies Fitch, Moody's and Standard & Poor's awarded Zürcher Kantonalbank an AAA or Aaa rating. Zürcher Kantonalbank is also one of the safest universal banks in the world on a stand-alone basis (i.e. without taking any government support into account), as evidenced by the stand-alone rating of aa- (Standard & Poor's).

## Outlook

The economy is proving to be fundamentally more resilient than expected. The SNB is also paying attention to the recent decline in inflation in Switzerland. Nevertheless, the risk of second- and third-round effects does not seem to have been averted yet. It therefore cannot be ruled out that further interest rate hikes will be necessary to ensure price stability in the medium term. In light of our encouraging half-year result, we are in any case very confident that we have created a good basis for a notable annual result.

# Consolidated income statement

| in CHF million | 1st half 2023 | 1st half 2022 | Change | Change in % |
|---|---|---|---|---|
| **Result from interest operations** | | | | |
| Interest and discount income | **1,900** | 657 | 1,243 | 189.3 |
| Interest and dividend income from financial investments | **15** | 13 | 2 | 14.2 |
| Interest expense | **–976** | –3 | –973 | – |
| **Gross result from interest operations** | **939** | **667** | **272** | **40.8** |
| Changes in value adjustments for default risk and losses from interest operations | **7** | –17 | 24 | –143.4 |
| **Subtotal net result from interest operations** | **946** | **650** | **296** | **45.5** |
| **Result from commission business and services** | | | | |
| Commission income from securities trading and investment activities | **509** | 523 | –14 | –2.7 |
| Commission income from lending activities | **38** | 34 | 4 | 10.8 |
| Commission income from other services | **78** | 70 | 8 | 11.4 |
| Commission expense | **–149** | –153 | 4 | –2.6 |
| **Subtotal result from commission business and services** | **475** | **473** | **2** | **0.3** |
| **Result from trading activities** | | | | |
| **Result from trading activities and the fair value option** | **252** | **211** | **41** | **19.6** |
| **Other result from ordinary activities** | | | | |
| Result from the disposal of financial investments | **6** | 3 | 3 | 93.5 |
| Income from participations | **10** | 8 | 2 | 27.1 |
| – of which, participations valued using the equity method | **1** | 1 | 0 | 4.4 |
| – of which, from other non-consolidated participations | **9** | 7 | 2 | 29.5 |
| Result from real estate | **3** | 3 | 0 | 5.9 |
| Other ordinary income | **4** | 4 | –0 | –0.4 |
| Other ordinary expenses | **–9** | –8 | –2 | 19.3 |
| **Subtotal other result from ordinary activities** | **13** | **10** | **4** | **36.6** |
| **Operating income** | **1,687** | **1,344** | **343** | **25.5** |
| **Operating expenses** | | | | |
| Personnel expenses | **–594** | –555 | –39 | 7.0 |
| General and administrative expenses | **–225** | –210 | –14 | 6.9 |
| **Subtotal operating expenses** | **–818** | **–765** | **–53** | **6.9** |
| Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets | **–43** | –54 | 11 | –20.0 |
| Changes to provisions and other value adjustments and losses | **5** | 12 | –6 | –53.6 |
| **Operating result** | **831** | **537** | **294** | **54.7** |
| Extraordinary income | **0** | 8 | –8 | –98.2 |
| Extraordinary expenses | **–** | – | – | – |
| Changes in reserves for general banking risks | **–150** | – | –150 | – |
| Taxes | **–4** | –4 | 0 | –0.1 |
| **Consolidated profit** | **677** | **541** | **136** | **25.2** |

# Consolidated balance sheet

| in CHF million | 30.6.2023 | 31.12.2022 | Change | Change in % |
|---|---|---|---|---|
| **Assets** | | | | |
| Liquid assets | **35,947** | 40,302 | –4,355 | –10.8 |
| Amounts due from banks | **3,177** | 2,937 | 240 | 8.2 |
| Amounts due from securities financing transactions | **30,123** | 27,804 | 2,319 | 8.3 |
| Amounts due from clients | **11,847** | 10,567 | 1,279 | 12.1 |
| Mortgage loans | **98,863** | 96,838 | 2,025 | 2.1 |
| Trading portfolio assets | **13,441** | 11,071 | 2,369 | 21.4 |
| Positive replacement values of derivative financial instruments | **841** | 1,190 | –349 | –29.3 |
| Other financial instruments at fair value | **–** | – | – | – |
| Financial investments | **5,906** | 7,490 | –1,583 | –21.1 |
| Accrued income and prepaid expenses | **441** | 457 | –16 | –3.4 |
| Non-consolidated participations | **155** | 155 | 0 | 0.2 |
| Tangible fixed assets | **547** | 565 | –19 | –3.3 |
| Intangible assets | **4** | 14 | –10 | –70.9 |
| Other assets | **1,571** | 400 | 1,170 | 292.4 |
| **Total assets** | **202,862** | **199,791** | **3,072** | **1.5** |
| Total subordinated claims | **248** | 132 | 116 | 88.1 |
| – of which, subject to conversion and/or debt waiver | **76** | 17 | 60 | 350.8 |
| **Liabilities** | | | | |
| Amounts due to banks | **35,812** | 39,051 | –3,239 | –8.3 |
| Liabilities from securities financing transactions | **13,254** | 10,636 | 2,618 | 24.6 |
| Amounts due in respect of customer deposits | **104,441** | 103,351 | 1,091 | 1.1 |
| Trading portfolio liabilities | **3,291** | 3,636 | –345 | –9.5 |
| Negative replacement values of derivative financial instruments | **1,343** | 2,066 | –722 | –35.0 |
| Liabilities from other financial instruments at fair value | **4,306** | 3,953 | 353 | 8.9 |
| Cash bonds | **243** | 196 | 47 | 23.8 |
| Money market instruments | **130** | 104 | 26 | 24.6 |
| Bond issues | **10,122** | 9,400 | 722 | 7.7 |
| Central mortgage institution loans | **11,981** | 11,924 | 57 | 0.5 |
| Accrued expenses and deferred income | **856** | 1,063 | –207 | –19.5 |
| Other liabilities | **3,242** | 897 | 2,345 | 261.4 |
| Provisions | **207** | 214 | –7 | –3.2 |
| Reserves for general banking risks | **304** | 154 | 150 | 97.5 |
| Bank's capital | **2,425** | 2,425 | – | – |
| Retained earnings reserve | **10,241** | 9,674 | 567 | 5.9 |
| Foreign currency translation reserve | **–13** | –13 | –0 | 1.7 |
| Consolidated profit | **677** | 1,059 | –382 | –36.0 |
| **Shareholders' equity** | **13,634** | **13,299** | **335** | **2.5** |
| **Total liabilities** | **202,862** | **199,791** | **3,072** | **1.5** |
| Total subordinated liabilities | **2,485** | 1,569 | 917 | 58.4 |
| – of which, subject to conversion and/or debt waiver | **2,485** | 1,569 | 917 | 58.4 |
| **Off-balance-sheet transactions** | | | | |
| Contingent liabilities | **3,925** | 4,119 | –195 | –4.7 |
| Irrevocable commitments | **14,396** | 12,929 | 1,467 | 11.3 |
| Obligations to pay up shares and make further contributions | **355** | 367 | –12 | –3.4 |
| 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 |
|---|---|---|---|---|---|---|
| **2022** | | | | | | |
| Total equity as at 31.12.2021 | 2,425 | 9,163 | 154 | 942 | −9 | 12,674 |
| Effect of any restatement | – | – | – | 0[1] | – | 0 |
| Capital increase | – | – | – | – | – | – |
| Capital decrease | – | – | – | – | – | – |
| Increase in scope of capital consolidation | – | – | – | – | – | – |
| Decrease in scope of capital consolidation | – | – | – | – | – | – |
| Other contributions/other capital paid in | – | – | – | – | – | – |
| Currency translation differences | – | – | – | – | −4 | −4 |
| Dividends and other distributions | – | – | – | −431 | – | −431 |
| Allocation to (transfers from) the reserves for general banking risks | – | – | – | – | – | – |
| Allocation to (transfers from) the retained earnings reserve | – | 512 | – | −512 | – | – |
| Consolidated profit | – | – | – | 1,059 | – | 1,059 |
| **Total equity as at 31.12.2022** | **2,425** | **9,674** | **154** | **1,059** | **−13** | **13,299** |
| **2023** | | | | | | |
| Total equity as at 31.12.2022 | **2,425** | **9,674** | **154** | **1,059** | **−13** | **13,299** |
| Effect of any restatement | **–** | **–** | **–** | **−1**[1] | **–** | **−1** |
| Capital increase | **–** | **–** | **–** | **–** | **–** | **–** |
| Capital decrease | **–** | **–** | **–** | **–** | **–** | **–** |
| Increase in scope of capital consolidation | **–** | **–** | **–** | **–** | **–** | **–** |
| Decrease in scope of capital consolidation | **–** | **–** | **–** | **–** | **–** | **–** |
| Other contributions/other capital paid in | **–** | **–** | **–** | **–** | **–** | **–** |
| Currency translation differences | **–** | **–** | **–** | **–** | **−0** | **−0** |
| Dividends and other distributions | **–** | **–** | **–** | **−491** | **–** | **−491** |
| Allocation to (transfers from) the reserves for general banking risks | **–** | **–** | **150** | **–** | **–** | **150** |
| Allocation to (transfers from) the retained earnings reserve | **–** | **567** | **–** | **−567** | **–** | **–** |
| Consolidated profit | **–** | **–** | **–** | **677** | **–** | **677** |
| **Total equity as at 30.06.2023** | **2,425** | **10,241** | **304** | **677** | **−13** | **13,634** |

1 Corrections of subsidiaries after the reporting deadline for the consolidated financial statements

## Capital and liquidity disclosures

The bank's disclosures on capital adequacy and liquidity regulations are published in a separate report at zkb.ch/disclosure.

# Condensed notes

## Changes in accounting and valuation principles

There were no changes in the accounting and valuation principles in the first half of 2023. For further information on the applicable accounting and valuation principles, please refer to the Annual Report 2022.

## Factors influencing the half-year result in 2023

While in the first quarter the looming banking crisis came to the fore and led to market distortions, in the second quarter the focus was on the fight against inflation and on key interest rate hikes. The Swiss National Bank raised its policy rate twice in the first half of 2023. It now stands at 1.75 percent. Higher interest rates and the volatile environment in the foreign exchange market contributed strongly to a positive income trend.

## Events occurring after the reporting date of the interim financial statements

No significant events affecting the assets, liabilities, financial position and the results of operations of the group occurred between the reporting date of the interim financial statements and the date on which the report was approved for publication.

## 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 2023 | 1st half 2022 |
|---|---|---|
| **Extraordinary income** | | |
| Reversal of impairment on other participations | 0 | 1 |
| Income from sale of other real estate/bank premises | – | 7 |
| Income from sale of participations | – | – |
| Other | 0 | 1 |
| **Total** | **0** | **8** |
| **Extraordinary expenses** | | |
| Losses from sale of other real estate/bank premises | – | – |
| Losses from disposal of participations | – | – |
| Other | – | – |
| **Total** | **–** | **–** |
| **Changes in reserves for general banking risks** | | |
| Creation of reserves for general banking risks [1] | 150 | – |
| Release of reserves for general banking risks | – | – |
| **Total** | **150** | **–** |

1 Allocation to strenghten the bank's capital

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