



Interim Report 2022

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# Strong result for the first half of 2022

Zuger Kantonalbank is recording a very good result for the first half of 2022, thus continuing its successful growth trajectory across all business segments. At CHF 61.2 million\*, the operating result was up 11.2% year on year. All income streams showed improvement in the first six months of the year. Loans and customer deposits are likewise significantly higher, while the good quality of the credit portfolio remains unchanged. Zuger Kantonalbank is making rapid progress with the implementation of its 2025 corporate strategy.

The first six months of 2022 were dominated by geopolitical tensions, inflationary pressures and volatile financial markets. Zuger Kantonalbank was nevertheless able to increase its income in every business segment, while total assets have grown to CHF 18.7 billion.

## Operating result and profit increased – new practice for transfers to reserves

Zuger Kantonalbank is reporting an operating result of CHF 61.2 million after the first six months of 2022. This includes CHF 3.8 million for the one-off dissolution of a foundation for financing BVG (occupational pension) employer contributions. After adjusting for this amount, the operating result is up by 4.4% year on year.

Effective 1 January 2022, Zuger Kantonalbank changed its practice in relation to transfers to reserves. Reserves for general banking risks will no longer be increased at the expense of profit; consequently, the CHF 16.2 million – or 43.4% – year-on-year rise in profit includes a substantial base effect. It is now

envisaged that reserves will be supplemented in the context of the distribution of earnings.

## Improved result from interest operations

Loans to customers amount to CHF 14.2 billion, 3.2% higher than at the end of 2021. Interest and discount income is down by CHF 2.8 million due to ongoing margin pressures within the credit business. Lower refinancing costs, coupled with systematic asset and liability management measures, have resulted in interest expense that is CHF 5.3 million lower. Overall, the net result from interest operations is up 2.7% at CHF 76.7 million.

## Risk-conscious lending policy paying off

Zuger Kantonalbank is adhering to its prudent lending policy. This risk-conscious approach to lending continues to pay off in the current market environment. The credit portfolio remains in excellent shape. So far, there have been no default incidents in connection with the coronavirus pandemic. Changes in value adjustments for default

\* All amounts in the report are stated in Swiss francs (CHF) unless otherwise noted.

risks and losses from interest operations amount to just CHF 0.3 million for the first half of 2022. As before, Zuger Kantonalbank is only passing negative rates on to customers sporadically and on an individual basis; the bank has also made adjustments in line with the interest rate decision taken by the Swiss National Bank on 16 June 2022.

### **Increase in income from non-interest and non-deposit business**

Investment and asset management, as well as the proprietary fund business, are important pillars of income for the successful future development and diversification of the business model. Commission business and services is contributing CHF 33.7 million to the good result for the first half of the year, equivalent to a very significant year-on-year increase of 10.7%.

### **Higher result from trading activities**

At CHF 7.2 million, the result from trading activities is showing a year-on-year increase of CHF 0.3 million. The other result from ordinary activities is likewise higher than in the first six months of 2021. In particular, income from the equities portfolio is up on the prior-year period. Overall, Zuger Kantonalbank is reporting a result of CHF 4.2 million in this segment.

### **Acquired net new money continues to rise**

The net new money inflow of CHF 721.1 million reflects the high degree of confidence

customers have in Zuger Kantonalbank's advisory expertise. As at 30 June 2022, the bank had CHF 15.0 billion in assets under management.

### **Above-average cost-income ratio**

Personnel expenses are showing a decrease of 3.8% to CHF 33.2 million, CHF 3.8 million of which is due to the dissolution of a foundation for financing occupational pension employer contributions. With general and administrative expenses amounting to CHF 19.7 million, overall operating expenses are up 0.4% year on year at CHF 54.5 million.

### **Depreciation and losses as planned**

Investments in IT infrastructure and branch modernisation pushed depreciation and amortisation up by CHF 0.6 million to CHF 6.1 million in the first half of 2022. At CHF 48,000, losses risks remain at an extremely low level, as in previous years.

# Balance Sheet

in CHF 1,000 (rounded)	30.06.2022	31.12.2021	Change
<b>Assets</b>			
Liquid assets	3,613,451	3,525,686	2.5%
Amounts due from banks	42,578	27,512	54.8%
Amounts due from customers	849,448	696,907	21.9%
Mortgage loans	13,365,102	13,073,840	2.2%
Trading portfolio assets	172	99	73.1%
Positive replacement values of derivative financial instruments	11,062	3,067	260.7%
Financial investments	656,808	634,014	3.6%
Accrued income and prepaid expenses	10,881	4,248	156.1%
Participations	37,320	23,546	58.5%
Tangible fixed assets	120,676	121,148	-0.4%
Other assets	35,940	37,769	-4.8%
<b>Total assets</b>	<b>18,743,438</b>	<b>18,147,837</b>	<b>3.3%</b>
Total subordinated claims	5,206	4,854	7.3%
<b>Liabilities</b>			
Amounts due to banks	1,641,998	1,716,243	-4.3%
Liabilities from securities financing transactions	465,000	500,000	-7.0%
Amounts due in respect of customer deposits	10,819,216	10,501,289	3.0%
Negative replacement values of derivative financial instruments	12,357	8,288	49.1%
Medium-term notes	9,351	10,047	-6.9%
Bond issues and central mortgage institution loans	4,281,000	3,895,000	9.9%
Accrued expenses and deferred income	57,140	61,823	-7.6%
Other liabilities	64,117	51,709	24.0%
Provisions	5,573	5,653	-1.4%
Reserves for general banking risks	790,682	790,682	
Share capital	144,144	144,144	
Statutory capital reserve	78,945	99,567	-20.7%
■ of which tax-exempt capital contribution reserve		20,622	-100.0%
Statutory retained earnings reserve	259,411	248,695	4.3%
Voluntary retained earnings reserves	63,865	43,243	47.7%
Own shares	-3,585	-3,943	-9.1%
Profit carried forward	573	98	483.5%
Six-month/12-month profit	53,652	75,298	-28.7%
<b>Total liabilities</b>	<b>18,743,438</b>	<b>18,147,837</b>	<b>3.3%</b>
<b>Off-balance-sheet transactions</b>			
Contingent liabilities	27,882	34,539	-19.3%
Irrevocable commitments	553,442	572,996	-3.4%
Liabilities for calls on shares and other equities	24,268	24,268	

# Income Statement

in CHF 1,000 (rounded)	30.06.2022	30.06.2021	Change
Interest and discount income	79,288	82,096	-3.4 %
Interest and dividend income from financial investments	1,131	1,296	-12.7 %
Interest expense	-3,444	-8,769	-60.7 %
<b>Gross result from interest operations</b>	<b>76,975</b>	<b>74,623</b>	<b>3.2 %</b>
Changes in value adjustments for default risks and losses from interest operations	-263	50	-623.8 %
<b>Net result from interest operations</b>	<b>76,713</b>	<b>74,673</b>	<b>2.7 %</b>
Commissions from securities and investment transactions	27,203	25,468	6.8 %
Commission income from lending activities	1,794	1,220	47.0 %
Commission income from other services	7,776	6,631	17.3 %
Commission expense	-3,040	-2,855	6.5 %
<b>Result from commission business and services</b>	<b>33,734</b>	<b>30,464</b>	<b>10.7 %</b>
<b>Result from trading activities</b>	<b>7,178</b>	<b>6,841</b>	<b>4.9 %</b>
Income from participations	1,844	694	165.8 %
Result from real estate	1,842	1,769	4.1 %
Other ordinary income	502	391	28.6 %
<b>Other result from ordinary activities</b>	<b>4,188</b>	<b>2,853</b>	<b>46.8 %</b>
<b>Operating income</b>	<b>121,813</b>	<b>114,831</b>	<b>6.1 %</b>
Personnel expenses	-33,232	-34,551	-3.8 %
General and administrative expenses	-19,668	-18,114	8.6 %
Compensation for government guarantee	-1,589	-1,589	
<b>Operating expenses</b>	<b>-54,490</b>	<b>-54,254</b>	<b>0.4 %</b>
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-6,101	-5,524	10.4 %
Changes to provisions and other value adjustments, and losses	-48	-39	23.1 %
<b>Operating result</b>	<b>61,174</b>	<b>55,013</b>	<b>11.2 %</b>
<b>Extraordinary income</b>	<b>23</b>	<b>12</b>	<b>99.8 %</b>
<b>Changes in reserves for general banking risks</b>		<b>-10,800</b>	<b>-100.0 %</b>
<b>Taxes</b>	<b>-7,545</b>	<b>-6,798</b>	<b>11.0 %</b>
<b>Six-month profit</b>	<b>53,652</b>	<b>37,427</b>	<b>43.4 %</b>

# Statement of Changes in Equity

in CHF 1,000 (rounded)	Share capital	Statutory capital reserve	Statutory retained earnings reserve	Voluntary retained earnings reserves	Own shares	Reserves for general banking risks	Result of the period	Total
Equity as at 31.12.2021	144,144	99,567	248,695	43,243	-3,943	790,682	75,397	1,397,784
Acquisition of own shares					-1,250			-1,250
Disposal of own shares					1,609			1,609
Profit (loss) on disposal of own shares			100					100
Dividends from own equity securities			117					117
Dividends, other distributions and reserve allocations		-20,622	10,500				-54,201	-64,323
Other allocations to (transfers from) reserves for general banking risks								
Other changes to (transfers from) other reserves				20,622			-20,622	
Six-month profit							53,652	53,652
Equity as at 30.06.2022	144,144	78,945	259,411	63,865	-3,585	790,682	54,225	1,387,687

## Abridged Notes

### Changes to accounting and valuation policies and any corrections to errors, and their impact on the interim financial statements

There are no changes or corrections to errors to report in comparison with the previous year.

### Note on factors which have influenced the bank's economic situation during the reporting period and by comparison with the prior-year period

For comments on the development of business in the first half of 2022, please see pages 2 and 3 of this publication.

### Extraordinary income and extraordinary expenses

in CHF 1,000 (rounded)	30.06.2022	30.06.2021	Change
Gains realised from the disposal of participations, tangible fixed assets and intangible assets	23	9	150.8%
Revaluation of participations and tangible fixed assets		2	-100.0%
<b>Total extraordinary income</b>	<b>23</b>	<b>12</b>	<b>99.8%</b>

### Material events occurring after the balance sheet date of the interim financial statements

No material events have occurred since the balance sheet date which significantly influence

the bank's assets, financial position and earnings as at 30 June 2022.

# Outlook for 2022

## Backdrop still challenging

The outlook for the second half of the year is clouded by uncertainty. The coronavirus situation in Asia, war in Ukraine and the tightening of monetary policy – coupled with their respective impacts on economic activity and corporate profits – will likely remain key factors in the second half of the year. In addition, the tightrope walk between the exchange rate and inflation remains in place. A slowdown in growth is emerging, although there are no signs of recession in Switzerland.

## Zug real estate market remains attractive

The number of apartments approved for construction in Canton Zug increased in the first half of 2022 and is projected to be above the 10-year average on a full-year basis. The persistent, pronounced imbalance between low supply and very high demand within the canton is nevertheless likely to continue driving up prices over the coming months – though probably at a reduced pace.

The acquisition of Immofonds Asset Management AG (IFAM) – which was announced in May – enables Zuger Kantonalbank to strengthen its activities in the real estate business. This acquisition of IFAM represents a significant milestone in the bank's corporate development and underscores its distinctive expertise when it comes to attractive property investments.

## Strategy implementation on track

Implementation of the 2025 corporate strategy launched at the beginning of the year is proceeding apace. The digital offering around innovative solutions, including the customer portal in Mobile Banking, was expanded in the first half of the year while investments were made in the physical banking experience through modernisation of the branch in Walchwil. Refurbishment of the Steinhausen and Hünenberg branches will commence in the latter part of the summer. Zuger Kantonalbank is extending its capacity in the investment and asset management business in the third quarter, making it even more able to capture potential in its home market as well as Central Switzerland. The other strategic focal points lie in sustainability and personnel management, as reflected in the implementation of the new sustainability concept as well as various initiatives to strengthen corporate culture.

## A difficult second half of the year

Zuger Kantonalbank expects the second half of the year to be difficult in light of the ongoing tough economic and political environment. In an economic climate clouded by uncertainty, matching the excellent result for the first half of the year will be quite a challenge.

# Key Figures

in CHF 1,000 (rounded)	30.06.2022	31.12.2021	Change
<b>Balance sheet</b>			
Total assets	18,743,438	18,147,837	3.3%
Loans to customers	14,214,550	13,770,747	3.2%
■ of which mortgage loans	13,365,102	13,073,840	2.2%
Customer deposits	10,828,567	10,511,336	3.0%
<b>Assets under management</b>	<b>14,953,641</b>	<b>15,592,524</b>	<b>-4.1%</b>

in CHF 1,000 (rounded)	30.06.2022	30.06.2021	Change
<b>Income statement</b>			
Net result from interest operations	76,713	74,673	2.7%
Result from commission business and services	33,734	30,464	10.7%
Result from trading activities	7,178	6,841	4.9%
Operating income	121,813	114,831	6.1%
Operating expenses	-54,490	-54,254	0.4%
Operating result	61,174	55,013	11.2%
Six-month profit	53,652	37,427	43.4%
<b>Change in assets under management, performance-adjusted</b>	<b>721,126</b>	<b>459,636</b>	<b>56.9%</b>
<b>Shareholders' equity</b>			
Available regulatory capital ratio	17.2%	17.8%	
<b>Cost-income ratio</b>	<b>44.6%</b>	<b>47.3%</b>	
<b>Number of employees (FTE)</b>	<b>437</b>	<b>402</b>	

Zuger Kantonalbank  
 Bahnhofstrasse 1  
 6301 Zug  
 Phone 041 709 11 11

service@zugerkb.ch  
 www.zugerkb.ch