



Interim Report 2023

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# Strong result for the first half of 2023

**Zuger Kantonalbank continued successfully along its growth trajectory in the first six months of 2023. At CHF 62.7 million\*, consolidated profit was up 19.9% year on year, with the positive development of interest operations in particular making a key contribution to this pleasing result. The bank secured further significant growth in customer deposits and assets under management.**

Zuger Kantonalbank can look back on a successful first six months of 2023. Implementation of the #gemeinsamvorwärts 2025 corporate strategy is on track. Some of the strategic initiatives have already fed through to the income statement, thus preparing the way for the bank's continued successful development. Higher business volumes at all levels made headcount expansion necessary. Despite these expanded capacities, Zuger Kantonalbank has an excellent cost-income ratio. Following the full acquisition of ImmoFonds Asset Management AG (IFAM) in July 2022, Zuger Kantonalbank is issuing its first-ever Interim Report at Group level.

## **Very good result from interest operations**

Interest operations developed very encouragingly in the first six months of 2023. As early as autumn last year, Zuger Kantonalbank was one of the first banks in Switzerland to increase the rate of interest paid on credit balances. The substantial inflow of customer deposits continued in the first half of this year. Coupled with the expansion of credit volumes and with targeted measures in asset and liability management as well as with regard to interest rate risks, this led to a

very pleasing net result from interest operations: the result improved by 30.1% year on year to CHF 99.8 million. The low rate of loan defaults reflects the bank's prudent lending policy. Value adjustments for default risks and losses from interest operations have thus been kept at a low level for a number of years. In keeping with the principle of prudence, Zuger Kantonalbank has increased value adjustments for inherent default risks to take account of the increased credit volumes.

## **Challenging environment for investment business**

Given the ongoing difficulties in the geopolitical situation in Europe, there was no let-up in the uncertainties making themselves felt in the markets of relevance for both customers and the bank. The result was a volatile stock market environment with lower trading volumes and constrained income growth in securities and investment business. Brokerage income that was down on the prior-year period contrasted with a positive trend in mandate business. Despite this mixed picture, Zuger Kantonalbank is in a position to substantially expand volumes in investment and

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

asset management business. At CHF 1.1 billion, the net new money inflow into assets under management is very gratifying. Assets under management thus increased to CHF 18.1 billion as at 30 June 2023, and the result from commission business and services was 14.5% higher year on year at CHF 38.6 million. Commission income from asset management business was marginally lower. This dip can be offset thanks to the consolidation of IFAM.

### **Increased income from trading activities**

The Swiss franc's higher interest rate differentials versus the other major currencies and the larger volume of currency transactions contributed to the very good result recorded in trading activities. Zuger Kantonalbank increased its income from these activities by 36.2% year on year to CHF 9.8 million.

### **Excellent cost-income ratio**

Operating expenses were 18.5% higher than in the first half of 2022; in the 2022 financial statements, the dissolution of the employer-sponsored foundation reduced personnel expenses by a one-time amount of CHF 3.8 million. Through a targeted expansion of the headcount, Zuger Kantonalbank is ensuring that its exacting standards and requirements in tailored and personal client care are maintained and can be developed further. New jobs are also being created in processing, risk management and in the supporting units: Zuger Kantonalbank continually seeks to satisfy the very highest standards in terms of service quality and security. Personnel expenses were up by

CHF 41.0 million. This corresponds to an increase of 23.3%, adjusted for the prior-year one-time effect of 10.8%. General and administrative expenses in the first half of 2023 amounted to CHF 22.0 million (+11.8%). The cost-income ratio was reduced to a very good 41.6% despite this increase in general and administrative expenses.

### **Higher level of depreciation and amortisation**

The need for depreciation and amortisation increased with the write-down of the goodwill from the acquisition of IFAM over five years and the investments in the branch network. The modernisation of all branches in the network will be completed in the first quarter of 2024. Depreciation and amortisation amounted to CHF 13.8% in the first half of 2023, CHF 7.1 million higher than in the prior-year period. CHF 5.7 million of this amount can be attributed to the write-down of the IFAM goodwill. At CHF 0.1 million, operational losses remained at a very low level, as in previous years.

# Consolidated balance sheet

in CHF 1,000 (rounded)	30.06.2023	31.12.2022	Change
<b>Assets</b>			
Liquid assets	4,019,574	3,396,642	18.3%
Amounts due from banks	80,996	28,793	181.3%
Amounts due from customers	904,347	804,289	12.4%
Mortgage loans	13,800,590	13,474,644	2.4%
Trading portfolio assets	118	155	-23.8%
Positive replacement values of derivative financial instruments	3,366	4,679	-28.1%
Financial investments	668,594	669,804	-0.2%
Accrued income and prepaid expenses	9,960	6,983	42.6%
Non-consolidated participations	21,906	21,589	1.5%
Tangible fixed assets	123,024	122,092	0.8%
Intangible assets	49,781	56,074	-11.2%
Other assets	25,676	28,721	-10.6%
<b>Total assets</b>	<b>19,707,932</b>	<b>18,614,464</b>	<b>5.9%</b>
Total subordinated claims	4,553	4,801	-5.2%
<b>Liabilities</b>			
Amounts due to banks	209,225	517,773	-59.6%
Liabilities from securities financing transactions	50,000		
Amounts due in respect of customer deposits	13,870,913	12,595,757	10.1%
Negative replacement values of derivative financial instruments	5,931	13,184	-55.0%
Medium-term notes	13,619	9,873	37.9%
Bond issues and central mortgage institution loans	3,990,000	3,920,000	1.8%
Accrued expenses and deferred income	67,744	64,726	4.7%
Other liabilities	63,513	55,525	14.4%
Provisions	5,035	4,638	8.6%
Reserves for general banking risks	790,682	790,682	
Share capital	144,144	144,144	
Capital reserve	90,500	90,232	0.3%
Retained earnings reserve	347,924	315,064	10.4%
Own shares	-3,988	-4,316	-7.6%
Six-month/12-month profit, Group	62,690	97,183	-35.5%
<b>Total liabilities</b>	<b>19,707,932</b>	<b>18,614,464</b>	<b>5.9%</b>
<b>Off-balance-sheet transactions</b>			
Contingent liabilities	133,069	158,607	-16.1%
Irrevocable commitments	592,548	620,574	-4.5%
Liabilities for calls on shares and other equities	24,268	24,268	

# Consolidated income statement

in CHF 1,000 (rounded)	30.06.2023	30.06.2022	Change
Interest and discount income	148,192	79,288	86.9%
Interest and dividend income from financial investments	1,807	1,131	59.8%
Interest expense	-46,797	-3,444	>1000%
<b>Gross result from interest operations</b>	<b>103,202</b>	<b>76,975</b>	<b>34.1%</b>
Changes in value adjustments for default risks and losses from interest operations	-3,408	-263	>1000%
<b>Net result from interest operations</b>	<b>99,794</b>	<b>76,713</b>	<b>30.1%</b>
Commissions from securities and investment transactions	25,302	27,203	-7.0%
Commission income from lending activities	2,170	1,794	21.0%
Commission income from other services	16,074	7,776	106.7%
Commission expense	-4,919	-3,040	61.8%
<b>Result from commission business and services</b>	<b>38,627</b>	<b>33,734</b>	<b>14.5%</b>
<b>Result from trading activities</b>	<b>9,775</b>	<b>7,178</b>	<b>36.2%</b>
Income from participations	1,136	1,039	9.4%
▪ of which from participations accounted for using the equity method		57	-100.0%
▪ of which from other non-consolidated participations	1,136	982	15.7%
Result from real estate	1,838	1,842	-0.2%
Other ordinary income	483	502	-3.7%
<b>Other result from ordinary activities</b>	<b>3,458</b>	<b>3,383</b>	<b>2.2%</b>
<b>Operating income</b>	<b>151,654</b>	<b>121,007</b>	<b>25.3%</b>
Personnel expenses	-40,977	-33,232	23.3%
General and administrative expenses	-21,986	-19,668	11.8%
Compensation for government guarantee	-1,589	-1,589	
<b>Operating expenses</b>	<b>-64,553</b>	<b>-54,490</b>	<b>18.5%</b>
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-13,786	-6,660	107.0%
Changes to provisions and other value adjustments, and losses	-111	-48	129.4%
<b>Operating result</b>	<b>73,205</b>	<b>59,808</b>	<b>22.4%</b>
<b>Extraordinary income</b>	<b>89</b>	<b>23</b>	<b>283.8%</b>
<b>Taxes</b>	<b>-10,603</b>	<b>-7,545</b>	<b>40.5%</b>
<b>Six-month profit, Group</b>	<b>62,690</b>	<b>52,287</b>	<b>19.9%</b>

# Consolidated Statement of Changes in Equity

in CHF 1,000 (rounded)	Share capital	Capital reserve	Retained earnings reserve	Own shares	Reserves for general banking risks	Consolidated profit	Total
<b>Equity as at 31.12.2022</b>	<b>144,144</b>	<b>90,232</b>	<b>315,064</b>	<b>-4,316</b>	<b>790,682</b>	<b>97,183</b>	<b>1,432,990</b>
Acquisition of own shares				-911			-911
Disposal of own shares				1,239			1,239
Profit (loss) on disposal of own shares		145					145
Dividends from own equity securities		123					123
Dividends and other distributions						-64,323	-64,323
Other allocations to (transfers from) other reserves			32,860			-32,860	
Six-month profit						62,690	62,690
<b>Equity as at 30.06.2023</b>	<b>144,144</b>	<b>90,500</b>	<b>347,924</b>	<b>-3,988</b>	<b>790,682</b>	<b>62,690</b>	<b>1,431,952</b>

## 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 2023, please see pages 2 and 3 of this publication.

### Extraordinary income and extraordinary expenses

in CHF 1,000 (rounded)	30.06.2023	30.06.2022	Change
Gains realised from the disposal of participations, tangible fixed assets and intangible assets	89	23	283.8 %
<b>Total extraordinary income</b>	<b>89</b>	<b>23</b>	<b>283.8 %</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 or earnings as at 30 June 2023.

# Outlook for 2023

## Market environment

The cycle of interest rate rises looks set to peak soon. Despite a slight easing in inflation rates, there is no immediate prospect of interest rate cuts. While the real economy in Switzerland is proving resilient, increased financing costs could act as a drag on economic growth as the year progresses. This will lead to more uncertainty in terms of corporate earnings. In light of these opposing tensions, Zuger Kantonalbank is anticipating increased volatility in the financial markets in the second half of the year and is therefore sticking to its relatively defensive positioning.

## Real estate prices remain high

Zug's real estate market continues to be robust at a high level. The number of (rental and owner-occupied) apartments approved for construction in Canton Zug recorded a new low in a ten-year comparison. This contrasts with record demand for residential property in the canton due to its appeal as a place to live in a national comparison. Increased interest costs notwithstanding, this pronounced imbalance between a low level of supply and a very high level of demand will underpin owner-occupied housing prices in Canton Zug. On top of this, the yes vote for the "2000 Wohnungen für den Zuger Mittelstand" popular initiative will probably have a negative impact on construction activity, at least for the time being. Rents in the rental apartment sector look set to rise.

## "Am Start" campaign targets companies

Zuger Kantonalbank has stepped up its commitment to its role as a financial services provider for companies and their owners. Whether at the foundation of a business or at the succession stage, whether business, pension or private assets: with its new advisory approach Zuger Kantonalbank is there «from the start" for business owners and on hand to provide comprehensive support right across their company's life cycle. Short decision-making channels, tailored solutions and a keen awareness of a company's needs are what define the offering.

## Strengthening the corporate culture

With the #gemeinsamvorwärts 2025 strategy, Zuger Kantonalbank is breaking new ground with regard to its corporate culture too. Since the beginning of the year the setting of individual performance goals has been replaced by a focus on shared company goals. The former hierarchical system was replaced by a new career model with effect from 1 July. With this step Zuger Kantonalbank is ensuring flatter hierarchies and helping staff to work together on an equal footing.

## A bright outlook

Zuger Kantonalbank is confident that the positive momentum of the first six months of 2023 will carry through into the rest of the year, with full-year results exceeding those for 2022.

# Key Figures

in CHF 1,000 (rounded)	30.06.2023	31.12.2022	Change
<b>Consolidated balance sheet</b>			
Total assets	19,707,932	18,614,464	5.9%
Loans to customers	14,704,937	14,278,933	3.0%
■ of which mortgage loans	13,800,590	13,474,644	2.4%
Customer deposits	13,884,532	12,605,630	10.1%
<b>Assets under management</b>	<b>18,098,743</b>	<b>15,820,092</b>	<b>14.4%</b>

in CHF 1,000 (rounded)	30.06.2023	30.06.2022	Change
<b>Consolidated income statement</b>			
Net result from interest operations	99,794	76,713	30.1%
Result from commission business and services	38,627	33,734	14.5%
Result from trading activities	9,775	7,178	36.2%
Operating income	151,654	121,007	25.3%
Operating expenses	-64,553	-54,490	18.5%
Operating result	73,205	59,808	22.4%
Six-month profit, Group	62,690	52,287	19.9%
<b>Change in assets under management, performance-adjusted</b>	<b>1,139,410</b>	<b>721,126</b>	<b>58.0%</b>
<b>Shareholders' equity</b>			
Available regulatory capital ratio	17.3%	17.2%	
<b>Cost-income ratio</b>	<b>41.6%</b>	<b>44.9%</b>	
<b>Number of employees (FTE)</b>	<b>459</b>	<b>437</b>	

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