



Review 2023

Very pleasing annual result for 2023

Zuger Kantonalbank recorded a very pleasing result for 2023. At 124.8 million*, consolidated profit was 28.4% higher than in the previous year, with the positive development in interest operations a major factor in this increase. Although operating expenses were higher due to investments in strategic projects, the cost-income ratio was lowered to an outstanding 42.2%.

Strong interest operations

Total assets amounted to CHF 18.8 billion in the year under review, a rise of 1.1% year on year. Lending increased by CHF 636.8 million. Refinancing is broadly based, with an increase of CHF 506.3 million in customer deposits. The pleasing development of net new money is attributable in part to the rapid passing on to customers of the Swiss National Bank's increase in key interest rates. As at 31 December 2023, Zuger Kantonalbank had CHF 13.1 billion in customer deposits, an increase of 4.0%. Coupled with the expansion in lending, this generated a 33.9% rise in the gross result from interest operations to a total of CHF 211.2 million.

The bank attaches considerable importance to ensuring a long-term view in its management of balance sheet and interest rate risk. The low rate of loan defaults is a reflection of its prudent lending policy. Value adjustments for inherent credit risks were higher year on year, due primarily to the growth in lending.

Growth in investment business in a challenging environment

Despite financial markets unsettled by geopolitical tensions, Zuger Kantonalbank witnessed a significant expansion of its investment business. Mandate business in particular developed well. The performance-adjusted increase in assets under management amounted to a pleasing CHF 1.3 billion, giving a total of CHF 17.7 billion (+12.1%). At CHF 77.3 million, the result from commission business and services was up 7.3% on the previous year.

Increased income from trading activities

The Swiss franc's increasing interest rate differential versus the two major currencies the US dollar and the euro impacted positively on trading activities, as did the higher volume of currency transactions. The result from trading activities increased by 19.9% year on year, to CHF 19.3 million.

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

Excellent cost-income ratio

At CHF 132.2 million, operating expenses were 16.8% higher than in 2022, when the dissolution of an employer-sponsored foundation led to a one-time reduction of CHF 3.8 million. Excluding this one-off effect, the increase in operating expenses would have amounted to 13.1%. Higher personnel expenses are attributable primarily to the targeted expansion of the workforce as part of the implementation of the #gemeinsamvorwärts 2025 growth strategy. Zuger Kantonalbank is thus underscoring its high standards and its commitment to serving customers on an individual and personal basis. To ensure a continued high level of service quality and appropriate risk management, processing, risk management and other support units are likewise being provided with additional personnel resources. The higher business volumes resulted in a 13.3% increase in general and administrative expenses to CHF 44.5 million. Despite the higher level of investments made necessary by the implementation of strategic projects, the cost-income ratio was lowered to an excellent 42.2%.

Higher level of depreciation & amortisation and extraordinary income

The acquisition of Immofonds Asset Management AG (IFAM) in July 2022 resulted in goodwill to be written down over a period of five years. The modernisation of the branch network likewise increased the level of depreciation and amortisation, which rose by CHF 8.5 million to a total of CHF 31.4 million.

CHF 5.7 million of this increase can be attributed to IFAM, consolidated for full-year 2023, with a corresponding rise in goodwill write-downs. Operational losses remained extremely low at CHF 0.2 million. The sale of one of the bank's properties produced one-time income of CHF 4.1 million.

Strong capital base

Zuger Kantonalbank has a strong capital base. This is confirmed by the excellent AA+ rating from Standard & Poor's. Zuger Kantonalbank is thus one of the safest banks. Despite the increase in profit, Zuger Kantonalbank is proposing that an unchanged dividend of CHF 220 per share be paid to shareholders. This will allow the bank to increase its total equity ratio to 18.2%. The stronger capital base will allow growth opportunities to be captured and lending to be expanded further.

Zuger Kantonalbank share

The Zuger Kantonalbank share price stood at CHF 7,560 at the end of 2023, a rise of 4.4% year on year (SMI: 3.8%). Together with the dividend of CHF 220 paid per share, this gives an overall return of 7.5%.

Outlook

Volatile market environment

The economic outlook for 2024 is mixed. Geopolitical tensions and conflicts will continue. The peaking of the central banks' rate-hiking cycles and the uncertainty around the extent of the slowdown in economic momentum will shape the framework for market developments in fiscal 2024. Given this backdrop, increased volatility should be expected in the first half of the year. Alongside increased competition in the investment business, the current financial year will likely bring greater market pressures on both the lending and deposit sides. In light of this situation, Zuger Kantonalbank is anticipating a lower result year on year.

Responsible investment

Acting responsibly is one of the core elements of the #gemeinsamvorwärts 2025 strategy. Consequently, the bank incorporates ecological and social aspects into its ambitious business targets. This engagement has also been reflected in the bank's own investment products since mid-January 2024. All mandates and investment funds have been recalibrated to ESG criteria. Zuger Kantonalbank is thus making a further contribution to sustainable economic development. In digital-assisted personal advisory discussions, advisors show customers how personal preferences can be factored into their portfolio.

Zug real estate market remains attractive

Canton Zug's popularity as a place to live and do business is undiminished. In Zug's housing market, demand is still very high while supply remains low. This structural demand overhang is fuelling further upward momentum in prices. In terms of owner-occupied housing property, Zuger Kantonalbank is expecting moderate nominal price growth in 2024 despite increased financing costs. Prices for rental apartments are set to rise significantly across a broad front this year. The supply of office space is being very well absorbed by the market, and the vacancy rate for commercial space has been below the average for Switzerland for a number of years. The market for retail space is also holding its own, thanks to the high purchasing power in Canton Zug and its sizeable commuter flows.

Strong commitment to the region

Zuger Kantonalbank is part and parcel of the Zug economic region, with which it has been closely intertwined for more than 130 years. Donations to a range of associations and charitable organisations will continue in 2024. The ISAF Swiss wrestling and alpine festival will take place in Menzingen from 6 to 7 July 2024. As main sponsor, Zuger Kantonalbank will be present at this major traditional event with various activities. A further commitment to promoting innovative event concepts is

Zuger Kantonalbank's role as presenting partner of the extremely popular ZugMAGIC water show, which was a delight to both young and old in the year under review and will take place again on Zug's lakeside promenade from 1 to 31 July 2024.

Upcoming dates

Publication of Annual Report

28 March 2024

Annual General Meeting

18 May 2024

Interim Report 2024

16 July 2024

Consolidated balance sheet as at 31 December 2023

(before distribution of profit)

in CHF 1,000 (rounded)	2023	2022	Change
Assets			
Liquid assets	2,969,382	3,396,642	-12.6%
Amounts due from banks	46,612	28,793	61.9%
Amounts due from customers	811,369	804,289	0.9%
Mortgage loans	14,104,327	13,474,644	4.7%
Trading portfolio assets	154	155	-0.5%
Positive replacement values of derivative financial instruments	3,577	4,679	-23.5%
Financial investments	665,583	669,804	-0.6%
Accrued income and prepaid expenses	13,161	6,983	88.5%
Non-consolidated participations	21,552	21,589	-0.2%
Tangible fixed assets	121,169	122,092	-0.8%
Intangible assets	43,489	56,074	-22.4%
Other assets	19,948	28,721	-30.5%
Total assets	18,820,324	18,614,464	1.1%
Liabilities			
Amounts due to banks	81,037	517,773	-84.3%
Amounts due in respect of customer deposits	13,097,759	12,595,757	4.0%
Negative replacement values of derivative financial instruments	16,177	13,184	22.7%
Medium-term notes	14,199	9,873	43.8%
Bond issues and central mortgage institution loans	3,982,000	3,920,000	1.6%
Accrued expenses and deferred income	77,048	64,726	19.0%
Other liabilities	53,217	55,525	-4.2%
Provisions	5,550	4,638	19.7%
Reserves for general banking risks	790,682	790,682	
Share capital	144,144	144,144	
Capital reserve	90,529	90,232	0.3%
Retained earnings reserve	347,924	315,064	10.4%
Own shares	-4,762	-4,316	10.3%
Consolidated profit	124,820	97,183	28.4%
Total liabilities	18,820,324	18,614,464	1.1%
Off-balance-sheet transactions			
Contingent liabilities	140,365	158,607	-11.5%
Irrevocable commitments	803,533	620,574	29.5%
Liabilities for calls on shares and other equities	24,268	24,268	

Consolidated income statement

in CHF 1,000 (rounded)	2023	2022	Change
Interest and discount income	326,235	177,492	83.8%
Interest and dividend income from financial investments	3,296	2,421	36.1%
Interest expense	-118,345	-22,214	432.8%
Gross result from interest operations	211,186	157,700	33.9%
Change in value adjustments for default risks and losses from interest operations	-8,972	-2,571	249.0%
Net result from interest operations	202,215	155,129	30.4%
Commissions from securities and investment transactions	51,372	50,830	1.1%
Commission income from lending activities	3,691	2,653	39.1%
Commission income from other services	33,286	26,416	26.0%
Commission expense	-11,007	-7,844	40.3%
Result from commission business and services	77,342	72,056	7.3%
Result from trading activities and the fair value option	19,342	16,136	19.9%
Income from participations	1,390	1,244	11.7%
▪ of which from equity-consolidated participations		57	-100.0%
▪ of which from other non-consolidated participations	1,390	1,188	17.0%
Result from real estate	3,796	3,608	5.2%
Other ordinary income	505	721	-29.9%
Other result from ordinary activities	5,691	5,574	2.1%
Operating income	304,591	248,895	22.4%
Personnel expenses	-84,606	-70,782	19.5%
General and administrative expenses	-44,466	-39,255	13.3%
Compensation for government guarantee	-3,178	-3,178	
Operating expenses	-132,250	-113,215	16.8%
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-31,367	-22,874	37.1%
Changes to provisions and other value adjustments, and losses	-167	-213	-21.7%
Operating result	140,807	112,593	25.1%
Extraordinary income	4,132	24	> 1000.0%
Taxes	-20,119	-15,434	30.4%
Consolidated profit	124,820	97,183	28.4%

Key Figures

in CHF 1,000 (rounded)	2023	2022	Change
Consolidated balance sheet			
Total assets	18,820,324	18,614,464	1.1%
Loans to customers	14,915,697	14,278,933	4.5%
■ of which mortgage loans	14,104,327	13,474,644	4.7%
Customer deposits	13,111,958	12,605,630	4.0%
Shareholders' equity			
Total regulatory capital	1,448,751	1,367,032	6.0%
Total capital ratio	18.2%	17.8%	
Consolidated income statement			
Net result from interest operations	202,215	155,129	30.4%
Result from commission business and services	77,342	72,056	7.3%
Result from trading activities	19,342	16,136	19.9%
Operating income	304,591	248,895	22.4%
Operating expenses	-132,250	-113,215	16.8%
Operating result	140,807	112,593	25.1%
Consolidated profit	124,820	97,183	28.4%
Statistical overview			
Assets under management	17,740,671	15,820,092	12.1%
Change in assets under management, performance-adjusted	1,300,526	983,395	32.2%
Cost-income ratio	42.2%	45.0%	
Number of employees (FTE)	477	448	
Key share figures			
Share price at the end of the year (in CHF)	7,560	7,240	4.4%
Market capitalisation	2,179,457	2,087,205	4.4%
Dividend (in CHF)	220 ¹	220	
Dividend yield	2.9%	3.0%	

¹ Proposal to the Annual General Meeting

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