



Review 2021

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Strong annual result for 2021

Zuger Kantonalbank delivered a strong result in the 2021 financial year. The operating result was 5.8% higher than in the previous year and amounted to CHF 110.6 million. After a higher allocation to reserves, annual profit came to CHF 75.3 million, which is in line with the previous year's level. Income from interest operations developed positively, despite negative interest rates and pressure on margins. The result from commission business and services – increasingly a key pillar of income for Zuger Kantonalbank – recorded a year-on-year rise of 20.1%. The cost-income ratio likewise improved sharply and amounted to 46.3% for the 2021 financial year.

This strong result makes it possible to propose to the Annual General Meeting a dividend of CHF 220 per share, which is unchanged from the previous year.

In the reporting year, the pandemic once again presented significant challenges to society and companies in the Zug economic region too. Against this backdrop, the business model of Zuger Kantonalbank proved extremely robust. The bank is growing in all segments and exhibiting striking resilience along with an ability to adapt in this challenging era.

Persistent balance sheet growth with risks firmly under control

Total assets rose by 7.3% in the reporting year to CHF 18.1 billion, with mortgage loans increasing by CHF 674.8 million. The refinancing of this growth has a broad and sustainable base. The credit portfolio continues to exhibit very good quality, as is reflected in the low level of value adjustments for default risks. Net new value adjustments amounted to some CHF 276,000.

Higher result from interest operations

The bank slightly increased its result from interest operations compared to the previous year. With a result of CHF 150.8 million, the increase amounted to 1.3%. Demand for owner-occupied housing remains strong in Canton Zug. Zuger Kantonalbank has been able to consolidate and partly expand its position as the market leader in the mortgage business in the Zug economic region. In particular, it is the region's clear number one in the real estate investment and property development business.

Strong commission business and services, result from trading activities improved

The bank's commission business and services developed very gratifyingly. Zuger Kantonalbank is accelerating its growth in this area. Compared to the previous year, the result improved by 20.1% to a record-high CHF 65.3 million.

The main drivers in this business segment were the higher revenues from Zuger Kantonalbank funds and from asset management. The result from trading activities likewise recorded a year-on-year rise, namely 5.4%. As a result, the bank has managed to increase its proportion of income not connected with interest operations to 33.5%.

Growth in assets under management

Assets under management rose by CHF 2.2 billion to a new high of CHF 15.6 billion. The performance-adjusted net change in assets under management amounted to a pleasing CHF 656.7 million. Zuger Kantonalbank's proprietary products are extremely popular and are very well received by customers. For the first time ever, the bank is now managing more than CHF 1 billion in proprietary investment funds. Morningstar has awarded a number of products its top rating of five stars. This strengthens the trust of our customers in Zuger Kantonalbank funds and in the expertise of our specialists, including on the advisory side.

Modest rise in costs

Zuger Kantonalbank has its costs under control. Operating expenses amounted to CHF 109.0 million, which equates to a year-on-year rise of 3.8%. Personnel expenses rose by 3.3% to 70.0 million. The 5.2% rise in general and administrative expenses to CHF 35.8 million is primarily attributable to investments in digitalization.

This rigorous cost management underlines the bank's efficiency and is reflected in its low cost-income ratio of 46.3% (previous year: 47.2%).

Capital base strengthened

Thanks to the very good annual result, shareholders' equity rose by CHF 32.2 million to CHF 1.3 billion. In other words, Zuger Kantonalbank is continuing to expand its already robust capital base and increase its stability. Due to the growth in lending, the ratio of available regulatory capital declined by 0.2 percentage points to 17.9%, a minor decrease. The bank therefore exceeds the regulatory requirement for this ratio (12.0%) by a considerable margin. The leverage ratio – i.e. the ratio of capital to total assets – stands at a very healthy 7.2%.

Zuger Kantonalbank share

At CHF 6,740, the price of the Zuger Kantonalbank share at the year-end was 5.3% higher than at the end of 2020. For the 2021 financial year, a dividend of CHF 220 per share will once again be proposed to the Annual General Meeting. CHF 148.50 will be distributed from retained profit and CHF 71.50 drawn down from capital contribution reserves. The CHF 71.50 component remains tax-free for private investors domiciled in Switzerland.

Outlook for 2022

Economy continues to grow

Various indicators point to robust global economic growth and an ongoing upswing in 2022. The leading indicators for both the manufacturing and services sectors look positive for the world's major economies. The economy is likely to receive further positive stimuli from an easing of mobility restrictions, pent-up consumer demand and government investment programmes. Zuger Kantonalbank is confident that the impact of Covid and the associated negative repercussions for the global economy will wane as the year progresses.

Real estate in Canton Zug remains very popular

Canton Zug continues to be attractive as a place to live and work. The demand for owner-occupied housing remains very high, clearly exceeding the supply of available living space. In addition to the flourishing economy, the drivers of this demand are the home working trend, the desire for a higher quality of life, and the continuation of the very attractive financing environment. Even though property prices are already very high, there is no reason to expect any trend reversal on the demand side. The scarcity of available properties is likely to become even more pronounced. The number of housing units approved for construction in Canton Zug in 2021 was well below the average for the years 2011–2020. In other words, the price of owner-occupied housing can be expected to trend upwards in 2022.

Digitalisation being driven forward

The expansion of the bank's spectrum of digital services is being continued. Ever since the late summer of 2021, customers have been able to open Private and Savings-3 accounts in the new ZugerKB customer portal. Equally, investments can be made directly through the digital medium in fund savings plans or pension assets in the form of securities savings. In the future, customers will be supported in the customer portal by a virtual assistant and made aware of attractive offers in a targeted way.

Investment in branches

Personal contact remains a core element of the bank's advisory philosophy. For this reason, Zuger Kantonalbank is continuing to invest in the modernisation of its 14 branches. The branches at Walchwil, Steinhausen und Hünenberg will all receive a facelift over the course of 2022, with carefully selected materials, well-lit rooms and a properly thought-out choice of colours and fittings. These renovations are part of Zuger Kantonalbank's efforts to transform its branches into places at which people can meet to discuss banking and financial matters.

Sustainability and responsibility

The bank will greatly step up its commitment to sustainability over the coming months. To this end, a holistic sustainability approach is being developed. Environmental and social aspects will be integrated into the bank's commercial objectives even more closely.

Zuger Kantonalbank wants to be a bank with pronounced expertise in sustainable investing and financing, creating added value for all stakeholder groups. In order to achieve this goal, the bank created a new "Sustainability" area of responsibility in the reporting year.

Setting the strategic course for the future

To kick off the year, Zuger Kantonalbank launched its 2025 corporate strategy. This contains a comprehensive package of measures aimed at making the business of Zuger Kantonalbank more efficient, investing in future-oriented projects and tapping into new sources of income. The measures can be broken down into three strategic areas of focus: increasing income from the commission business and services, acquiring new customers, and generating added value for the existing customer base. By focusing on these core themes, Zuger Kantonalbank hopes to become the leading advisory bank in the Zug region and sharpen its profile as the preferred house bank for private individuals as well as for SMEs and their stakeholders. In Private Banking, the successful growth trajectory will be continued. To coincide with the start of the 2022–2025 strategy period, the bank adjusted its organisational structure with effect from 1 January 2022. Among other things, this now includes a new Corporate Management area at the executive level.

Upcoming dates

Publication of annual report

29 March 2022

Annual General Meeting

14 May 2022

Interim Report 2021

11 July 2022

Balance Sheet as at 31 December 2021 (before distribution of profit)

in CHF 1,000 (rounded)	2021	2020	Change
Assets			
Liquid assets	3,525,686	3,045,165	15.8%
Amounts due from banks	27,512	33,376	-17.6%
Amounts due from customers	696,907	639,995	8.9%
Mortgage loans	13,073,840	12,399,070	5.4%
Trading portfolio assets	99	175	-43.0%
Positive replacement values of derivative financial instruments	3,067	8,463	-63.8%
Financial investments	634,014	599,222	5.8%
Accrued income and prepaid expenses	4,248	3,994	6.4%
Participations	23,546	18,073	30.3%
Tangible fixed assets	121,148	118,104	2.6%
Other assets	37,769	49,861	-24.3%
Total assets	18,147,837	16,915,496	7.3%
Liabilities			
Amounts due to banks	1,716,243	778,361	120.5%
Liabilities from securities financing transactions	500,000	493,000	1.4%
Amounts due in respect of customer deposits	10,501,289	10,153,774	3.4%
Negative replacement values of derivative financial instruments	8,288	12,964	-36.1%
Medium-term notes	10,047	13,557	-25.9%
Bond issues and central mortgage institution loans	3,895,000	3,962,000	-1.7%
Accrued expenses and deferred income	61,823	61,964	-0.2%
Other liabilities	51,709	64,751	-20.1%
Provisions	5,653	9,588	-41.0%
Reserves for general banking risks	790,682	769,182	2.8%
Share capital	144,144	144,144	
Statutory capital reserve	99,567	121,188	-17.8%
■ of which tax-exempt capital contribution reserve	20,622	42,244	-51.2%
Statutory retained earnings reserve	248,695	237,891	4.5%
Voluntary retained earnings reserves	43,243	21,622	100.0%
Own shares	-3,943	-3,411	15.6%
Profit carried forward	98	134	-26.4%
Profit	75,298	74,788	0.7%
Total liabilities	18,147,837	16,915,496	7.3%
Off-balance-sheet transactions			
Contingent liabilities	34,539	85,060	-59.4%
Irrevocable commitments	572,996	540,422	6.0%
Liabilities for calls on shares and other equities	24,268	17,724	36.9%

Income Statement

in CHF 1,000 (rounded)	2021	2020	Change
Interest and discount income	160,608	175,353	-8.4%
Interest and dividend income from financial investments	2,464	2,615	-5.8%
Interest expense	-11,988	-29,015	-58.7%
Gross result from interest operations	151,084	148,953	1.4%
Changes in value adjustments for default risks and losses from interest operations	-276	-66	316.5%
Net result from interest operations	150,808	148,887	1.3%
Commissions from securities and investment transactions	54,135	45,229	19.7%
Commission income from lending activities	2,046	1,835	11.5%
Commission income from other services	14,712	12,474	17.9%
Commission expense	-5,549	-5,149	7.8%
Result from commission business and services	65,344	54,390	20.1%
Result from trading activities and the fair value option	13,487	12,798	5.4%
Income from participations	1,521	1,655	-8.1%
Result from real estate	3,733	3,636	2.7%
Other ordinary income	430	792	-45.7%
Other ordinary expenses	-200	-5	>1000%
Other result from ordinary activities	5,485	6,078	-9.8%
Operating income	235,125	222,153	5.8%
Personnel expenses	-70,009	-67,787	3.3%
General and administrative expenses	-35,784	-34,018	5.2%
Compensation for government guarantee	-3,178	-3,178	
Operating expenses	-108,972	-104,982	3.8%
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-15,527	-12,509	24.1%
Changes to provisions and other value adjustments, and losses	-53	-138	-61.5%
Operating result	110,573	104,524	5.8%
Extraordinary income	18	6	215.0%
Changes in reserves for general banking risks	-21,500	-20,000	7.5%
Taxes	-13,793	-9,742	41.6%
Profit	75,298	74,788	0.7%

Key Figures

in CHF 1,000 (rounded)	2021	2020	Change
Balance sheet			
Total assets	18,147,837	16,915,496	7.3%
Loans to customers	13,770,747	13,039,065	5.6%
■ of which mortgage loans	13,073,840	12,399,070	5.4%
Customer deposits	10,511,336	10,167,331	3.4%
Shareholders' equity			
Shareholders' equity after distribution of profit	1,333,460	1,301,214	2.5%
Available regulatory capital ratio	17.9%	18.1%	
Income statement			
Net result from interest operations	150,808	148,887	1.3%
Result from commission business and services	65,344	54,390	20.1%
Result from trading activities	13,487	12,798	5.4%
Operating income	235,125	222,153	5.8%
Operating expenses	-108,972	-104,982	3.8%
Operating result	110,573	104,524	5.8%
Profit	75,298	74,788	0.7%
Statistical overview			
Assets under management	15,592,524	13,427,289	16.1%
Change in assets under management, performance-adjusted	656,696	352,719	86.2%
Cost-income ratio	46.3%	47.2%	
Number of employees (FTE)	416	402	
Key share figures			
Share price at the end of the year (in CHF)	6,740	6,400	5.3%
Market capitalisation	1,943,061	1,845,043	5.3%
Dividend (in CHF)	220 ¹	220	
Dividend yield	3.3%	3.4%	

¹ Proposal to the Annual General Meeting

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