



Interim Report 2021

Very good result for the first half of 2021

Zuger Kantonalbank is recording a very good result for the first six months of the current year. Loans and customer deposits are higher once again. The investment and asset management business is developing very positively. Operating income is up by 4.6% to CHF 114.8 million. The two key income pillars – interest income and commission business – show significant year-on-year rises. At CHF 37.4 million, six-month profit is at the same level as the previous year. The good quality of the credit portfolio remains unchanged.

Zuger Kantonalbank is in good operational shape. The very pleasing result underlines the stability of the business model. Total assets are up by 3.5% to CHF 17.5 billion. Loans to customers contribute CHF 261.9 million to this balance sheet growth. As a responsible bank, we are pursuing a partnership-based approach to supporting our customers through the coronavirus pandemic. Against the backdrop of the Confederation's COVID-19 lending programme, outstanding loans amount to CHF 80.4 million as per mid-2021, following the first repayments under this programme.

Good result from interest operations

Despite the persistent pressure on margins, net income from interest operations is up by 1.5% to CHF 74.7 million thanks to circumpect and long-term-oriented refinancing. Residential property remains highly sought after in Canton Zug. The continuing demand for home ownership was strengthened even further by the coronavirus pandemic.

Consistent liquidity management within the balance sheet is also contributing to the improved interest result. As before, the bank is only passing negative rates on to customers sporadically and on an individual basis.

Higher commission income and result from trading activities

In commission business and services, the bank is posting a very gratifying result of CHF 30.5 million, which equates to a year-on-year rise of 17.7%. A particularly strong contribution here comes from the eight ZugerKB funds, which are performing very impressively. In the first half of 2021, Zuger Kantonalbank received a number of national and international awards as well as top citations for its investment products and advisory quality. The bank's assets under management invested in its own funds now stand at more than CHF 900 million.

The proprietary fund business and new asset management mandates are strengthening the income from non-interest and non-deposit business as a key income pillar. The positive development of equity markets is also supporting the strong rise in commission income. Zuger Kantonalbank is expanding its needs-oriented investment advice further. As an expert partner in wealth management and retirement provision solutions, the bank is also looking to make a name for itself in the future among expats living in Zug.

Trading activities are likewise stronger for the first half of the year compared to the first half of 2020. The decline in interest rates in the United States is more than offset by a higher volume of currency transactions in the first half of 2021. However, with net income of CHF 6.8 million, business in this segment remains at a subdued level.

Asset management continues to strengthen

Assets under management amount to CHF 15.1 billion; this equates to a rise of CHF 1.7 billion (12.6%) compared to 31 December 2020. The ongoing rise in assets under management is strengthened further for the first half of the year by a net new money inflow of CHF 459.6 million. This reflects the high level of confidence customers have in our advisory expertise.

Cost development under control

The development in expenses is less substantial than the growth in operating income. In a year-on-year comparison, operating expenses are 3.3% higher at CHF 54.3 million. Personnel expenses show a year-on-year rise of 2.2%. Investment in digital services and in the improvement of internal efficiency together with additional premises costs against a backdrop of branch renovation results in a rise of CHF 1.0 million in general and administrative expenses. The bank's consistent cost management is reflected in the reduction of the cost-income ratio from 47.8% to 47.3%.

Persistently low value adjustments, provisions and losses

Depreciation and amortisation of tangible fixed assets amounts to a total of CHF 5.5 million, and includes the modernisation of branches and the bank's IT infrastructure. Value adjustments for default risks remain at a very low level, as in previous years. So far, there have been no default incidents in connection with the coronavirus pandemic. Zuger Kantonalbank is adhering to its prudent lending policy.

Balance Sheet

in CHF 1,000 (rounded)	30.06.2021	31.12.2020	Change
Assets			
Liquid assets	3,369,166	3,045,165	10.6%
Amounts due from banks	24,172	33,376	-27.6%
Amounts due from customers	571,624	639,995	-10.7%
Mortgage loans	12,729,296	12,399,070	2.7%
Trading portfolio assets	198	175	13.4%
Positive replacement values of derivative financial instruments	12,127	8,463	43.3%
Financial investments	600,073	599,222	0.1%
Accrued income and prepaid expenses	8,839	3,994	121.3%
Participations	22,026	18,073	21.9%
Tangible fixed assets	121,241	118,104	2.7%
Other assets	47,492	49,861	-4.8%
Total assets	17,506,253	16,915,496	3.5%
Total subordinated claims	4,854	4,463	8.8%
Liabilities			
Amounts due to banks	1,211,555	778,361	55.7%
Liabilities from securities financing transactions	470,000	493,000	-4.7%
Amounts due in respect of customer deposits	10,387,862	10,153,774	2.3%
Negative replacement values of derivative financial instruments	4,825	12,964	-62.8%
Medium-term notes	11,462	13,557	-15.5%
Bond issues and central mortgage institution loans	3,949,000	3,962,000	-0.3%
Accrued expenses and deferred income	56,483	61,964	-8.8%
Other liabilities	56,441	64,751	-12.8%
Provisions	8,264	9,588	-13.8%
Reserves for general banking risks	779,982	769,182	1.4%
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	248,663	237,891	4.5%
Voluntary retained earnings reserves	43,243	21,622	100.0%
Own shares	-2,762	-3,411	-19.0%
Profit carried forward	98	134	-26.4%
Six-month/12-month profit	37,427	74,788	-50.0%
Total liabilities	17,506,253	16,915,496	3.5%
Off-balance-sheet transactions			
Contingent liabilities	82,620	85,060	-2.9%
Irrevocable commitments	607,232	540,422	12.4%
Liabilities for calls on shares and other equities	17,724	17,724	

Income Statement

in CHF 1,000 (rounded)	30.06.2021	30.06.2020	Change
Interest and discount income	82,096	88,687	-7.4 %
Interest and dividend income from financial investments	1,296	1,304	-0.7 %
Interest expense	-8,769	-16,347	-46.4 %
Gross result from interest operations	74,623	73,644	1.3 %
Changes in value adjustments for default risks and losses from interest operations	50	-48	-205.5 %
Net result from interest operations	74,673	73,596	1.5 %
Commissions from securities and investment transactions	25,468	21,990	15.8 %
Commission income from lending activities	1,220	1,099	11.0 %
Commission income from other services	6,631	5,888	12.6 %
Commission expense	-2,855	-3,090	-7.6 %
Result from commission business and services	30,464	25,888	17.7 %
Results from trading activities	6,841	6,587	3.8 %
Income from participations	694	1,237	-43.9 %
Result from real estate	1,769	1,755	0.8 %
Other ordinary income	391	679	-42.5 %
Other ordinary expenses		-5	-100.0 %
Other result from ordinary activities	2,853	3,667	-22.2 %
Operating income	114,831	109,739	4.6 %
Personnel expenses	-34,551	-33,810	2.2 %
General and administrative expenses	-18,114	-17,122	5.8 %
Compensation for government guarantee	-1,589	-1,589	
Operating expenses	-54,254	-52,521	3.3 %
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-5,524	-4,725	16.9 %
Changes to provisions and other value adjustments, and losses	-39	-71	-44.5 %
Operating result	55,013	52,421	4.9 %
Extraordinary income	12	3	252.5 %
Changes in reserves for general banking risks	-10,800	-8,500	27.1 %
Taxes	-6,798	-6,561	3.6 %
Six-month profit	37,427	37,363	0.2 %

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 31.12.2020	144,144	121,188	237,891	21,622	-3,411	769,182	74,922	1,365,537
Acquisition of own shares					-1,060			-1,060
Disposal of own shares					1,709			1,709
Profit (loss) on disposal of own shares			168					168
Dividends from own equity securities			104					104
Dividends, other distributions and reserve allocations		-21,622	10,500				-53,201	-64,323
Other allocations to (transfers from) reserves for general banking risks						10,800		10,800
Other changes to (transfers from) other reserves				21,622			-21,622	
Six-month profit							37,427	37,427
Equity as at 30.06.2021	144,144	99,567	248,663	43,243	-2,762	779,982	37,525	1,350,361

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 2021, please see pages 2 and 3 of this publication.

Extraordinary income and extraordinary expenses

in CHF 1,000 (rounded)	30.06.2021	30.06.2020	Change
Gains realised from the disposal of participations, tangible fixed assets and intangible assets	9		
Revaluation of participations and tangible fixed assets	2	3	-28.4 %
Total extraordinary income	12	3	252.5 %

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 2021.

Outlook for 2021

Success of vaccine rollouts as a boost for the economy

Global economic growth is currently more impressive than was expected at the start of the year. Vaccine campaigns in many of the world's leading developed economies together with huge fiscal stimulus packages are having a strong expansionary effect. Despite higher inflation, central banks will be keeping interest rates low for the time being. The ongoing return to normality in the second half of the year gives us grounds for confidence.

Long-term appeal of Zug real estate market

Residential property remains coveted in Canton Zug. As such, demand for rental apartments and above all owner-occupied units is very high. The supply of accommodation in Zug, which was already limited last year, has shrunk in the meantime, as there is not nearly enough property on the market to satisfy demand. Accordingly, prices can be expected to rise further in both segments, albeit with not quite the same dynamism that we have seen in recent years. In the office property segment, the combination of high-quality supply and long-term rental agreements is underpinning demand. By contrast, retail premises continue to face an uphill struggle.

Zuger Kantonalbank expands digital offering further

We have greatly expanded our digital services in recent months. Customers appreciate being able to deal with their basic banking business anywhere, and at any time. The latest digital services include chat, chatbot, as well as online advice via telephone and screen-

sharing. A recent study produced by the Institute of Financial Services Zug (IFZ) and e.foresight rates Zuger Kantonalbank among the 15 most digitalised retail banks in Switzerland. Moreover, in addition to advice provided in our 14 branches, we have also been advising our customers in an online branch since June. Here customers are directly greeted by the ZugerKB advisory team by video or chat. In the late summer of 2021, our Mobile Banking app will be relaunched with a modern, intuitive design, and foreign payments will also be possible through the app. Additional functionalities in e-banking will enable our customers to order and process products themselves in future with just a few clicks.

Personal advice in all Zug municipalities

We are convinced that the provision of personal and needs-oriented advice to our customers will become even more important in future. Zuger Kantonalbank is therefore investing in its branches in all Zug municipalities. The branch in Menzingen is set to undergo a modernisation from mid-August onwards. Until this branch reopens in November, our customers in Menzingen will be advised and supported by our branches in Neuheim and Unterägeri. Since the easing of coronavirus measures at the end of June, we have once again been able to welcome a very high number of customers for face-to-face discussions. We are delighted that this is the case.

Good annual result anticipated

Zuger Kantonalbank is expecting a good annual result, with both the operating result and profit set to be in line with that of the previous year.

Key Figures

in CHF 1,000 (rounded)	30.06.2021	31.12.2020	Change
Balance sheet			
Total assets	17,506,253	16,915,496	3.5%
Loans to customers	13,300,920	13,039,065	2.0%
■ of which mortgage loans	12,729,296	12,399,070	2.7%
Customer deposits	10,399,324	10,167,331	2.3%
Assets under management	15,119,374	13,427,289	12.6%
Change in assets under management, performance-adjusted	459,636	352,719	30.3%

in CHF 1,000 (rounded)	30.06.2021	30.06.2020	Change
Income statement			
Net result from interest operations	74,673	73,596	1.5%
Result from commission business and services	30,464	25,888	17.7%
Result from trading activities	6,841	6,587	3.8%
Operating income	114,831	109,739	4.6%
Operating expenses	-54,254	-52,521	3.3%
Operating result	55,013	52,421	4.9%
Six-month profit	37,427	37,363	0.2%
Shareholders' equity			
Available regulatory capital ratio	17.8%	18.0%	
Cost-income ratio	47.3%	47.8%	
Number of employees (FTE)	402	406	

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