



Review 2020

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Good 2020 annual result

Zuger Kantonalbank performed well in the 2020 financial year. At CHF 74.8 million, annual profit equalled the previous year's figure. The operating result came to CHF 104.5 million, which is 2.5% lower than in 2019. The reason for this is that compensation for the government guarantee is no longer booked to distribution of profit, but to operating expenses. Particularly pleasing was the result from commission business and services, which has been developing positively for a number of years now. The strong increase of 10.8% underlines the solid positioning of Zuger Kantonalbank in asset management. Total assets rose to CHF 16.9 billion.

In an uncertain environment, Zuger Kantonalbank's business model has proven itself to be stable. This makes it possible to propose to the Annual General Meeting a dividend of CHF 220 per share, which is unchanged from the previous year.

The pandemic changed the nature of the working environment at our bank too. The emphasis of all our decision-making has been placed consistently on protecting employees and customers, while also providing the people of Zug with banking services at all times. The bank adapted its organisation swiftly and expanded the digital options to facilitate cooperation. In the current crisis, we consider it particularly important to be available to customers in person at all times.

Rise in total assets

The Swiss National Bank stuck to its expansionary monetary policy. Among other things, it increased the amounts that commercial banks could keep in their sight deposit accounts without being subject to negative interest. This led to a year-on-year rise in liquid assets of CHF 826.2 million. Total assets rose by more than CHF 1.2 billion to CHF 16.9 billion.

Interest result improves slightly

The credit business developed positively, recording net growth of CHF 318.8 million. As part of the Confederation's COVID-19 lending programme, the bank made more than CHF 100 million of liquidity available to Zug-based SMEs. In the mortgage business, Zuger Kantonalbank consolidated its leading market position in the Zug economic region in the year under review. In particular, the financing of owner-occupied residential property remains key to long-term customer relationships. The real estate market in Canton Zug has remained buoyant even against the backdrop of the coronavirus crisis. At CHF 148.9 million, the bank's income from interest operations was 0.9% higher than in the previous year.

The quality of the credit portfolio continues to be high. Thanks to the bank's consistent risk policy, changes in value adjustments for

default risks and losses from interest operations amounted to just CHF 66,000 in the reporting year.

Income from commission business and services sharply up – trading result lower

The bank remains on a growth trajectory with its commission business and services. This area made an above-average contribution to the annual result. The positive development of these income positions reflects consistent implementation of our strategy and the growth achieved in the asset management business as a result. At CHF 54.4 million, commissions acted as a second important income driver, recording a significant rise of CHF 5.3 million.

In a challenging market environment, income from trading activities declined by CHF 2.6 million to CHF 12.8 million. This decline is attributable to the slump in demand for foreign currencies during the coronavirus crisis on the one hand, and to the sharp decline in interest rates in the US and Europe on the other.

Increase in assets under management

The customer deposits entrusted to us, predominantly in private and savings accounts, increased by 4.8% to CHF 10.2 billion. As before, the bank passed negative rates on to customers only sporadically and on an individual basis.

Thanks to the recovery in equity markets following the price slump at the beginning of the coronavirus crisis, assets under manage-

ment amounted to CHF 13.4 billion as at December 31, 2020, an increase of 5.7% on the previous year. The performance-adjusted net change in assets under management amounted to a pleasingly high CHF 352.7 million.

The volume of proprietary investment funds developed very well in the year under review. Thanks to a good performance compared to the market and our needs-oriented advisory approach, ZugerKB products are being very well received by customers. Fund volumes rose by CHF 164.0 million in the reporting year, reaching a level of CHF 742.7 million.

Compensation for government guarantee reported under operating expenses for first time

Operating expenses amounted to CHF 105.0 million, which equates to a year-on-year rise of 4.9%. The increase was due in particular to the fact that, following the entry into force of the new "Zuger Kantonalbank Act" on 1 January 2020, the extra allocation to the canton as compensation for the state guarantee is no longer booked to distribution of profit but to operating expenses. General and administrative expenses recorded a year-on-year rise of CHF 1.0 million to CHF 34.0 million, primarily as a result of higher IT expenditure. The cost-income ratio amounted to a healthy 47.2% (previous year: 45.6%). Of this rise, 1.4 percentage points is attributable to the change in the booking of compensation for the government guarantee.

Further strengthening of capital

The stability of Zuger Kantonalbank is underscored by its robust capital base. Due to a new accounting guideline, the bank made value adjustments for non-impaired receivables. Despite this one-time provision, shareholders' equity rose by 0.3% to CHF 1.3 billion. This exceeds regulatory requirements for equity by some margin.

The ratio of available regulatory capital amounted to 18.1% (prior year: 18.2%). Compared to the ratio of 12.0% required by the regulator, Zuger Kantonalbank is very well capitalised for the future. The leverage ratio – i.e. the ratio of capital to total assets – stands at a very healthy 7.5%.

Zuger Kantonalbank share

At CHF 6,400, the price of the Zuger Kantonalbank share at the year-end was slightly higher than at the end of 2019. Including the distributed dividend of CHF 220 per share paid out last year, the overall return for 2020 amounted to 4.7%.

For the 2020 financial year, a dividend of CHF 220 will once again be proposed to the Annual General Meeting. As was the case last year, CHF 145 is to be paid from retained profit and CHF 75 from the capital contribution reserves. The CHF 75 component remains tax-free for private investors domiciled in Switzerland.

Due to the pandemic, the Annual General Meeting for the 2020 financial year, which is scheduled to take place on 8 May 2021, will again be held without shareholders being physically present.

Outlook for 2021

Global economic recovery set to continue

Despite the persistently negative effects of the coronavirus pandemic, there are plenty of signs pointing to a step-by-step recovery of the global economy. Central banks are sticking to their low-interest policies, and governments will continue to provide additional stimulus. The increasingly widespread availability of vaccines to combat the virus allows us to look to the future with confidence.

Real estate remains coveted in Canton Zug

The Zug real estate market will retain its unique position in Switzerland. The continuing demand for home ownership will be strengthened even further by the coronavirus pandemic. The doubling of construction planning applications in the reporting year will not be able to cover the high level of demand for residential property. This is likely to mean a further rise in owner-occupied property prices. The rental apartment market is also looking robust: less than 3%

of existing stock is currently on the market, compared to a Swiss average of around 7%. At the same time, demand continues to be strong across all rental price segments. In the office property market, the high quality of available supply, long-term rental agreements and the strong location appeal of Zug will support demand. By contrast, major challenges are likely to lie ahead for the marketers of retail premises.

Personal advice increasingly important – digital services as a useful add-on

Zuger Kantonalbank is convinced that the provision of personal advice to its customers will continue to gain in importance. For this reason, the bank is continuing to invest in the modernisation of its branches. Following a renovation project lasting several months, we will be welcoming our customers in Cham to newly designed, bright premises at the well-established Neudorf Center location from June onwards. In addition to on-site personal consultations, we are expanding our online customer advisory offering through phone calls and screen-sharing. Another option for customers is to get in contact with us via chat and chatbot. Furthermore, customers appreciate being able to execute straightforward banking transactions themselves, wherever and whenever they wish. Thanks to a modern, intuitive interface, this will be even easier in the future with our mobile banking app. Additional functionalities in e-banking will enable our customers to order products themselves with just a few clicks.

New CEO as of 1 March 2021

Hanspeter Rhyner will become the new CEO of Zuger Kantonalbank with effect from 1 March 2021. Our future CEO has profound knowledge of the banking industry and the cantonal banks. He will take over from Pascal Niquille, who will retire in the spring of 2021. Under Pascal Niquille's leadership, the bank has repositioned itself above all as an asset manager. Thanks to continuing customer growth, the non-lending and non-deposit business – alongside the interest business – has now emerged as a crucial income pillar, accounting for around a third of the bank's overall income. The Bank Council would like to thank Pascal Niquille for his exceptional dedication.

Key dates

Publication of Annual Report

23 March 2021

Annual General Meeting

8 May 2021; no physical presence of shareholders. Shareholder rights may only be exercised by the independent proxy. The agenda and information on issuance of power of proxy will be sent out to all shareholders at the end of March.

Interim Report 2021

15 July 2021

Key dates already known are listed above. These are potentially subject to change. The latest information can be found at www.zugerkb.ch/ir.

Balance Sheet as at 31 December 2020 (before distribution of profit)

in CHF 1,000 (rounded)	2020	2019	Change
Assets			
Liquid assets	3,045,165	2,218,990	37.2%
Amounts due from banks	33,376	28,776	16.0%
Amounts due from customers	639,995	408,381	56.7%
Mortgage loans	12,399,070	12,311,903	0.7%
Trading portfolio assets	175	749	-76.7%
Positive replacement values of derivative financial instruments	8,463	11,724	-27.8%
Financial investments	599,222	548,606	9.2%
Accrued income and prepaid expenses	3,994	3,877	3.0%
Participations	18,073	13,434	34.5%
Tangible fixed assets	118,104	115,826	2.0%
Other assets	49,861	33,010	51.0%
Total assets	16,915,496	15,695,277	7.8%
Liabilities			
Amounts due to banks	778,361	192,602	304.1%
Liabilities from securities financing transactions	493,000	450,000	9.6%
Amounts due in respect of customer deposits	10,153,774	9,684,468	4.8%
Negative replacement value of derivative financial instruments	12,964	18,356	-29.4%
Medium-term notes	13,557	20,441	-33.7%
Bond issues and central mortgage institution loans	3,962,000	3,846,000	3.0%
Accrued expenses and deferred income	61,964	59,930	3.4%
Other liabilities	64,751	55,328	17.0%
Provisions	9,588	6,151	55.9%
Reserves for general banking risks	769,182	777,117	-1.0%
Share capital	144,144	144,144	
Statutory capital reserve	121,188	142,810	-15.1%
■ of which tax-exempt capital contribution reserve	42,244	63,865	-33.9%
Statutory retained earnings reserve	237,891	226,964	4.8%
Voluntary retained earnings reserves	21,622		
Own shares	-3,411	-3,990	-14.5%
Profit carried forward	134	273	-51.1%
Profit	74,788	74,684	0.1%
Total liabilities	16,915,496	15,695,277	7.8%
Off-balance-sheet transactions			
Contingent liabilities	85,060	31,504	170.0%
Irrevocable commitments	540,422	345,134	56.6%
Liabilities for calls on shares and other equities	17,724	17,724	

Income Statement

in CHF 1,000 (rounded)	2020	2019	Change
Interest and discount income	175,353	186,855	-6.2%
Interest and dividend income from trading portfolios		5	-100.0%
Interest and dividend income from financial investments	2,615	2,608	0.3%
Interest expense	-29,015	-41,922	-30.8%
Gross result from interest operations	148,953	147,546	1.0%
Changes in value adjustments for default risks and losses from interest operations	-66	18	-466.3%
Net result from interest operations	148,887	147,564	0.9%
Commissions from securities and investment transactions	45,229	40,671	11.2%
Commission income from lending activities	1,835	940	95.2%
Commission income from other services	12,474	12,636	-1.3%
Commission expense	-5,149	-5,172	-0.4%
Result from commission business and services	54,390	49,075	10.8%
Result from trading activities and the fair value option	12,798	15,403	-16.9%
Income from participations	1,655	2,572	-35.7%
Result from real estate	3,636	3,769	-3.5%
Other ordinary income	792	1,184	-33.2%
Other ordinary expenses	-5		
Other result from ordinary activities	6,078	7,525	-19.2%
Operating income	222,153	219,567	1.2%
Personnel expenses	-67,787	-67,139	1.0%
General and administrative expenses	-34,018	-32,986	3.1%
Compensation for government guarantee	-3,178		
Operating expenses	-104,982	-100,125	4.9%
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-12,509	-12,184	2.7%
Changes to provisions and other value adjustments, and losses	-138	-62	123.4%
Operating result	104,524	107,196	-2.5%
Extraordinary income	6	31	-81.6%
Changes in reserves for general banking risks	-20,000	-16,600	20.5%
Taxes	-9,742	-15,944	-38.9%
Profit	74,788	74,684	0.1%

Key Figures

in CHF 1,000 (rounded)	2020	2019	Change
Balance sheet			
Total assets	16,915,496	15,695,277	7.8%
Loans to customers	13,039,065	12,720,284	2.5%
■ of which mortgage loans	12,399,070	12,311,903	0.7%
Customer deposits	10,167,331	9,704,909	4.8%
Shareholders' equity			
Shareholders' equity after distribution of profit	1,301,214	1,297,678	0.3%
Available regulatory capital ratio	18.1%	18.2%	
Income statement			
Net result from interest operations	148,887	147,564	0.9%
Result from commission business and services	54,390	49,075	10.8%
Results from trading activities	12,798	15,403	-16.9%
Operating income	222,153	219,567	1.2%
Operating expenses	-104,982	-100,125	4.9%
Operating result	104,524	107,196	-2.5%
Profit	74,788	74,684	0.1%
Statistical overview			
Assets under management	13,427,289	12,709,027	5.7%
Change in assets under management, performance-adjusted	352,719	-30,516	
Cost-income ratio	47.2%	45.6%	
Number of employees (FTE)	402	404	
Key share figures			
Share price at the end of the year (in CHF)	6,400	6,320	1.3%
Market capitalisation	1,845,043	1,821,980	1.3%
Dividend (in CHF)	220 ¹	220	
Dividend yield	3.4%	3.5%	

¹ Proposal to the Annual General Meeting

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