



# Review 2022

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# Pleasing annual result for 2022

Zuger Kantonalbank generated higher income across its business areas despite an environment characterised by geopolitical tensions, inflationary pressures and the interest rate reversal. At CHF 112.6 million\*, the operating result was 1.3% higher than in the previous year. In its first-ever assessment by Standard & Poor's, Zuger Kantonalbank was awarded an outstanding AA+ credit rating.

The 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.

## Significant changes

### Acquisition of Immofonds Asset Management AG (IFAM)

The full acquisition of IFAM enables Zuger Kantonalbank to strengthen potential income not connected with interest operations. Despite a slight fall in commission from securities and investment transactions, the move resulted in the proportion of income not connected with interest operations increasing to 35.1% from 33.4% in the previous year. Headquartered in Zurich, IFAM is a fund management company that invests in Swiss real estate and will continue to operate independently following the merger. Goodwill arising from the acquisition will be amortised on a straight-line basis over a period of five years. On account of this factor in particular, value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets are up by CHF 7.3 million to CHF 22.9 million.

### Consolidated financial statements

Following the acquisition of IFAM, the bank switched to consolidated financial statements

as of 1 July 2022. The results presented for the 2022 financial year therefore constitute Zuger Kantonalbank's first set of consolidated financial statements and include a corresponding restatement of the previous year's figures.

### Creation of reserves for general banking risks

The switch to consolidated financial statements prompted Zuger Kantonalbank to change its practice in relation to transfers to reserves. Reserves for general banking risks are no longer increased at the expense of profit and are now supplemented in the context of the distribution of earnings. Thanks to this practice, the reported annual profit is a better reflection of the bank's operating performance.

### New organisational structure

Having launched its new 2025 corporate strategy on 1 January 2022, Zuger Kantonalbank is on a growth trajectory. The new organisational structure – likewise introduced at the start of the year under review – is notable for its simplicity and clarity. With its short decision lines, it creates the ideal framework

for responding rapidly to changes in the marketplace and enabling the strategic initiatives that have been set out to be implemented in an energetic and efficient way.

## Developments in 2022 financial year

### Improved net interest income

Total assets amounted to CHF 18.6 billion as 31 December 2022. Lending rose by CHF 508.2 million, representing a year-on-year increase of 3.7%. This enabled the bank to generate a net result from interest operations of CHF 155.1 million – a rise of 2.9%. This positive development underscores Zuger Kantonbank's position as the leading financial institution in the Zug economic region. The early take-up of long-term funds partly offset the impact of the Swiss National Bank's restrictive monetary policy.

### Proactive lending policy

The systematic focus on effective, professional risk management is delivering results, as evidenced by the fact that loan defaults have remained persistently low for years. In fact, the changes in value adjustments for default risks and losses from interest operations versus the previous year amounted to just CHF 2.3 million. The loan book remains in excellent shape.

### Operating expenses influenced by dissolution of employer-sponsored foundation

Personnel expenses increased by 1.1 % year-on-year and totalled CHF 70.8 million. It should be noted that the dissolution of the employer-sponsored foundation reduced personnel expenses by CHF 3.8 million

on a one-off basis in the year under review as a result of employer's contribution reserves. General and administrative expenses were in line with expectations and rose by 9.7% to CHF 39.3 million, mainly as a consequence of the strategic plans and expanded volume of business: Zuger Kantonbank is investing in its future sustainability. Despite the increased expenses, the cost-income ratio of 45.0% was still very good, reflecting the high level of operational efficiency. It remains an excellent figure by industry standards.

### Increase in operating result

Geopolitical tensions and rising inflation around the world continue to pose challenges for financial markets. 2022 saw equities as well as bonds post negative returns for the first time in a long while. Despite the challenging backdrop, Zuger Kantonbank is performing positively across all key business segments. At CHF 112.6 million, the operating result was 1.3% higher than in the previous year. The CHF 21.3 million increase in profit to CHF 97.2 million is mainly attributable to the change in practice with regard to reserves for general banking risks.

### Growth in assets under management

Due to falling equity and bond prices, commission income from securities and investment transactions fell by 6.1 % year-on-year and amounted to CHF 50.8 million. Zuger Kantonbank nevertheless continued its successful growth in the investment and asset management business. Customer assets in proprietary products continue to increase, while asset management inflows remain strong. The latter increased by a net CHF 983.4 million on a performance-adjusted basis and

totalled CHF 15.8 billion at year-end.

This progress once again reflects the good work done by our customer advisers, who achieved this outstanding result by focusing on their customers' needs and providing them with bespoke advice and support.

### **Substantial rise in customer deposits thanks to favourable terms for accounts and savings balances**

Zuger Kantonalbank is one of the first banks in Switzerland to have increased interest rates on its range of savings and current accounts following the interest rate turnaround. This is reflected in a pleasing increase in customer deposits. The bank attracted new customer deposits of CHF 2.1 billion, significantly increasing the stability of its balance sheet.

### **Robust capital base and excellent rating**

Zuger Kantonalbank recorded growth in lending of over CHF 500 million, with targets significantly surpassed in the case of mortgages in particular. Higher lending necessitates an increase in shareholders' equity: The total capital ratio amounted to 17.8% and was only slightly lower than in the previous year. Therefore, it continues to exceed regulatory requirements by a significant margin. The 2.5% countercyclical capital buffer on domestic residential mortgages was reactivated on 30 September 2022, thus pushing up the required equity ratio. Thanks to its very high level of capitalisation, solid refinancing and liquidity base, together with the government guarantee from Canton Zug, Zuger Kantonalbank was awarded an AA+ rating by Standard & Poor's.

### **Zuger Kantonalbank share**

The price of Zuger Kantonalbank shares stood at CHF 7,420 at the year-end, giving an increase of 7.4% for 2022. In what was a difficult year for the Swiss equity market (SMI: -16.7%), the shares therefore performed very well. Including the dividend of CHF 220 per share paid out in 2022, the overall return for the year under review amounted to 10.7%.

## **Outlook**

### **A challenging market environment**

The economic outlook for 2023 is mixed and beset by various imponderables. It seems likely that central banks will continue their battle against inflation and carry on raising their key interest rates. The slowdown in consumer sentiment will hit economic growth both globally as well as in Switzerland, while financial markets are likely to remain volatile in such an environment. Nevertheless, Zuger Kantonalbank is confident that the outlook for the world's economy will brighten as the year progresses.

### **Zug real estate market remains attractive**

Owing to its above-average appeal as a place to live and work, home ownership in Canton Zug has rarely been in such high demand, notwithstanding the interest-rate reversal. This persistently high demand is coupled with limited supply. However, the surge in prices seen in previous quarters is now likely to soften a little. A structural demand overhang exists in Zug's rental property market too; this is likely to persist beyond 2023 and

result in higher asking rents. In the commercial and office markets, the volume of space being marketed in Canton Zug is down by roughly a quarter year-on-year. Despite the current, more difficult economic situation, there is solid demand for the space on offer; consequently, these properties are likely to be absorbed in line with expectations.

### **Customers are the top priority**

Through innovative products such as the 'fix.' digital account set, a seamless customer experience in the real and digital space as well as ongoing expansion of the service line-up, Zuger Kantonalbank provides private individuals as well as businesses with straightforward, valuable financial services on a one-stop basis. In parallel with the expansion of digital products, we will be focusing our attention on branch modernisation this year as well. For example, the refurbished branch in Baar will be unveiled in summer 2023. Branch modernisation is part of Zuger Kantonalbank's efforts to transform its customer zones into places at which people can meet to discuss banking and financial matters.

### **Sustainability engagement is expanding**

Through its sustainability engagement, Zuger Kantonalbank is committed to underpinning its business actions with ethical principles as well as social and environmental responsibilities to foster lasting positive development. The bank began implementing its overarching ESG philosophy and associated investment approach at the start of the year. The existing investment fund, bond and asset management mandates are now

managed on a sustainable basis in line with ESG (environmental, social and governance) principles. As well as the products that have already been launched, the sustainable offering is therefore being made available to investors too. The plan is to align other investment products with ESG standards in the second half of 2023.

### **Upcoming dates**

#### **Publication of Annual Report**

28 March 2023

#### **Annual General Meeting**

13 May 2023

#### **Interim Report 2023**

18 July 2023

# Consolidated balance sheet as at 31 December 2022

(before distribution of profit)

in CHF 1,000 (rounded)	2022	2021	Change
<b>Assets</b>			
Liquid assets	3,396,642	3,525,686	-3.7%
Amounts due from banks	28,793	27,512	4.7%
Amounts due from customers	804,289	696,907	15.4%
Mortgage loans	13,474,644	13,073,840	3.1%
Trading portfolio assets	155	99	55.5%
Positive replacement values of derivative financial instruments	4,679	3,067	52.5%
Financial investments	669,804	634,014	5.6%
Accrued income and prepaid expenses	6,983	4,248	64.4%
Non-consolidated participations	21,589	26,004	-17.0%
Tangible fixed assets	122,092	121,148	0.8%
Intangible assets	56,074		
Other assets	28,721	37,769	-24.0%
<b>Total assets</b>	<b>18,614,464</b>	<b>18,150,295</b>	<b>2.6%</b>
<b>Liabilities</b>			
Amounts due to banks	517,773	1,716,243	-69.8%
Liabilities from securities financing transactions		500,000	-100.0%
Amounts due in respect of customer deposits	12,595,757	10,501,289	19.9%
Negative replacement values of derivative financial instruments	13,184	8,288	59.1%
Medium-term notes	9,873	10,047	-1.7%
Bond issues and central mortgage institution loans	3,920,000	3,895,000	0.6%
Accrued expenses and deferred income	64,726	61,823	4.7%
Other liabilities	55,525	51,709	7.4%
Provisions	4,638	5,653	-18.0%
Reserves for general banking risks	790,682	790,682	
Share capital	144,144	144,144	
Capital reserve	90,232	110,594	-18.4%
Retained earnings reserve	315,064	282,895	11.4%
Own shares	-4,316	-3,943	9.5%
Consolidated profit	97,183	75,870	28.1%
<b>Total liabilities</b>	<b>18,614,464</b>	<b>18,150,295</b>	<b>2.6%</b>
<b>Off-balance-sheet transactions</b>			
Contingent liabilities	158,607	34,539	359.2%
Irrevocable commitments	620,574	572,996	8.3%
Liabilities for calls on shares and other equities	24,268	24,268	

# Consolidated income statement

in CHF 1,000 (rounded)	2022	2021	Change
Interest and discount income	177,492	160,608	10.5%
Interest and dividend income from financial investments	2,421	2,464	-1.7%
Interest expense	-22,214	-11,988	85.3%
<b>Gross result from interest operations</b>	<b>157,700</b>	<b>151,084</b>	<b>4.4%</b>
Change in value adjustments for default risks and losses from interest operations	-2,571	-276	831.8%
<b>Net result from interest operations</b>	<b>155,129</b>	<b>150,808</b>	<b>2.9%</b>
Commissions from securities and investment transactions	50,830	54,135	-6.1%
Commission income from lending activities	2,653	2,046	29.7%
Commission income from other services	26,416	14,712	79.6%
Commission expense	-7,844	-5,549	41.4%
<b>Result from commission business and services</b>	<b>72,056</b>	<b>65,344</b>	<b>10.3%</b>
<b>Result from trading activities and the fair value option</b>	<b>16,136</b>	<b>13,487</b>	<b>19.6%</b>
Income from participations	1,244	2,092	-40.5%
▪ of which from equity-consolidated participations	57	971	-94.2%
▪ of which income from other non-consolidated participations	1,188	1,121	6.0%
Result from real estate	3,608	3,733	-3.4%
Other ordinary income	721	430	67.8%
Other ordinary expenses		-200	-100.0%
<b>Other result from ordinary activities</b>	<b>5,574</b>	<b>6,056</b>	<b>-8.0%</b>
<b>Operating income</b>	<b>248,895</b>	<b>235,696</b>	<b>5.6%</b>
Personnel expenses	-70,782	-70,009	1.1%
General and administrative expenses	-39,255	-35,784	9.7%
Compensation for government guarantee	-3,178	-3,178	
<b>Operating expenses</b>	<b>-113,215</b>	<b>-108,972</b>	<b>3.9%</b>
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-22,874	-15,527	47.3%
Changes to provisions and other value adjustments, and losses	-213	-53	301.5%
<b>Operating result</b>	<b>112,593</b>	<b>111,144</b>	<b>1.3%</b>
<b>Extraordinary income</b>	<b>24</b>	<b>18</b>	<b>31.1%</b>
<b>Changes in reserves for general banking risks</b>		<b>-21,500</b>	<b>-100.0%</b>
<b>Taxes</b>	<b>-15,434</b>	<b>-13,793</b>	<b>11.9%</b>
<b>Consolidated profit</b>	<b>97,183</b>	<b>75,870</b>	<b>28.1%</b>

# Key Figures

in CHF 1,000 (rounded)

	2022	2021	Change
<b>Consolidated balance sheet</b>			
Total assets	18,614,464	18,150,295	2.6%
Loans to customers	14,278,933	13,770,747	3.7%
■ of which mortgage loans	13,474,644	13,073,840	3.1%
Customer deposits	12,605,630	10,511,336	19.9%
<b>Shareholders' equity</b>			
Total regulatory capital	1,367,032	1,335,918	2.3%
Total capital ratio	17.8%	18.0%	
<b>Consolidated income statement</b>			
Net result from interest operations	155,129	150,808	2.9%
Result from commission business and services	72,056	65,344	10.3%
Result from trading activities	16,136	13,487	19.6%
Operating income	248,895	235,696	5.6%
Operating expenses	-113,215	-108,972	3.9%
Operating result	112,593	111,144	1.3%
Consolidated profit	97,183	75,870	28.1%
<b>Statistical overview</b>			
Assets under management	15,820,092	15,592,524	1.5%
Change in assets under management, performance-adjusted	983,395	656,696	49.7%
Cost-income ratio	45.0%	46.2%	
Number of employees (FTE)	448	416	
<b>Key share figures</b>			
Share price at the end of the year (in CHF)	7,240	6,740	7.4%
Market capitalisation	2,087,205	1,943,061	7.4%
Dividend (in CHF)	220 <sup>1</sup>	220	
Dividend yield	3.0%	3.3%	

<sup>1</sup> Proposal to the Annual General Meeting

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