



Review 2019

Very good 2019 annual result

Zuger Kantonalbank performed very well in the 2019 financial year. Profit amounted to CHF 74.7 million. At CHF 107.2 million, the operating result was just 1.0% below the prior-year equivalent. The non-lending business developed gratifyingly. In keeping with the bank's strategy, this now accounts for almost a third of total income.

Thanks to the very good annual result, a dividend of CHF 220 per share will once again be proposed to the Annual General Meeting.

Over the next three years, the bank's tax-exempt capital reserve is to be used to pay dividends to shareholders. For the 2019 year, it will thus be proposed to the Annual General Meeting that the dividend payment be divided into two parts: CHF 145 will be distributed from retained profit and CHF 75 drawn down from the capital reserves. The CHF 75 component is tax-free for private investors domiciled in Switzerland.

Interest income remains under pressure

Negative interest rates are establishing themselves as a permanent fixture, weighing on margins. This is reflected in the lower net result from interest operations of CHF 147.6 million (-1.0% compared to the previous year).

In the year under review, Zuger Kantonalbank consolidated its leading position in the financing of residential property in the Zug region. The bank secured its long-term refinancing through the issuance of two bonds.

It is thanks to this and to the favourable conditions in the interbank lending market due to negative interest rates that the bank managed to partly compensate for the decline in interest income.

Zuger Kantonalbank has been consistent in pursuing a circumspect risk policy. When releases are taken into account, value adjustments and losses from interest operations exhibited a slightly positive figure of CHF 18,000 (previous year: CHF -150,000).

Growth in asset management – decline in trading result

Thanks to persistent growth in volumes and earnings, the non-lending business has evolved into a key pillar of the bank's business, and now accounts for around a third of total income.

The result from commission business and services rose by 5.9% to CHF 49.1 million

(previous year: CHF 46.4 million). The strategic measures taken by the bank to strengthen the asset management business are bearing fruit, and this area also benefited from the outstanding performance of equities in 2019.

The trading business was overshadowed by the decline in the interest rate advantage of CHF vis-à-vis other major currencies, and amounted to CHF 15.4 million (-8.2% compared to the prior year).

Rise in assets under management – cautious acceptance of new money

The customer deposits entrusted to us, predominantly in private and savings accounts, increased by just 0.3% to CHF 9.7 billion. As before, the bank is only passing negative rates on to customers sporadically in individual cases.

At 31 December 2019, assets under management stood at CHF 12.7 billion, an increase of 9.8% on the previous year. The performance-adjusted net change in assets under management amounted to CHF -30.5 million. The development of assets under management in the strategically important Private Banking area was solid, recording a performance-adjusted rise of around CHF 100 million net.

In the year under review, the volume of proprietary investment funds – expanded with the new ZugerKB equity and strategy funds as well as fund solutions for pension assets – developed very pleasingly. Thanks to a good performance compared to the market and our needs-oriented advisory approach, ZugerKB proprietary products are being very

well received by customers. Fund volumes exceeded the 500-million franc threshold in the year under review.

Number one in real estate financing in the Zug business region

Zuger Kantonalbank was able to further expand its business of financing residential property in the Zug region. This encompasses above all the financing of owner-occupied residential property, which is a key anchor product for the bank as it forms the basis for long-term customer relationships. Mortgage-backed loans to institutional real estate investors have proved conducive to healthy growth. The volume of real estate financing recorded a rise of 5.0% to a new level of CHF 12.3 billion. Overall loans to customers developed accordingly, rising by 4.3% to CHF 12.7 billion. Total assets amounted to CHF 15.7 billion.

Very good cost-income ratio

Operating expenses recorded a year-on-year rise of CHF 1.1 million to CHF 100.1 million. The slight increase in personnel expenses (+1.5%) is partly attributable to the deliberate increase in headcount in property trading and the pensions area. Despite ongoing investment in digitalisation, general administrative expenses remained stable at CHF 33.0 million. While the cost-income ratio of 45.6% is slightly higher than the previous year (44.9%), it remains very healthy in a long-term comparison.

Capital base strengthened

Zuger Kantonalbank's strong equity base is a source of great security, and gives the bank welcome freedom of manoeuvre going forward. In the reporting year, shareholders' equity increased by CHF 26.8 million. The bank surpasses regulatory capital requirements very comfortably.

The proposed breakdown of the dividend distribution will see equity capital drawn down from the tax-free capital contribution reserve. However, this will be offset by an increase in voluntary reserves.

The leverage ratio – the ratio of the bank's core capital to its total assets – stands at a very

good 8.0%. The ratio of available regulatory capital amounted to 18.2% as at the balance sheet date, which is high in an industry comparison. The year-on-year decline here (from 18.5%) is the result of a growth-driven increase in capital backing for the mortgage business.

Zuger Kantonalbank share

As per the end of 2019, the Zuger Kantonalbank share price had posted a year-on-year rise of 10.9% to CHF 6,320. Including the dividend of CHF 220 per share distributed in 2019, the overall return amounted to 14.7% in the year under review.

Outlook for 2020

Economy stabilising – political uncertainties remain

In 2020 we are expecting to see a stabilisation of global growth at a low level. Central banks will continue to provide generous support, and interest rates will persist at low levels. Trade conflicts and political uncertainties are likely to lead intermittently to market turmoil. Broad diversification across all asset classes provides protection against major fluctuations.

Zug real estate market retains strong appeal

The Zug real estate market will retain its leading position in Switzerland. Thanks to the considerable attraction of Canton Zug as

a place to live, residential property will remain heavily in demand. At the same time, the volume of building permit issuance hit a ten-year low in 2019. The foreseeable supply of housing stock is set to remain scarce over the coming years, which should be reflected in further rises in the price of residential property. From a risk perspective, the rental apartment market also remains in a very healthy state: Canton Zug has had the lowest Swiss vacancy rate in this segment for more than ten years now. This currently stands at 0.6%, whereas the Swiss average amounts to 2.7%. The canton also remains attractive as a business location thanks to its offering of modern office premises.

Addressing a major concern with pension solutions

For the third year running, the number one worry for the Swiss – according to the Worry Barometer produced by gfs.bern – is retirement provision. Over the next few years, we will therefore be placing particular emphasis on the pensions area when providing comprehensive advice. With its pension solutions, Zuger Kantonalbank is aiming to become an even more expert and forward-looking partner for its clients.

Two branches relocating

Zuger Kantonalbank is investing further in the modernisation of its branches. Over the next few months, two of its branches will receive a full makeover: In October we will be opening our Zug-Herti branch at a new location following the complete renovation of the Herti shopping centre. In Rotkreuz, meanwhile, we will be welcoming our clients to a newbuild on Luzernerstrasse.

Continuously expanding digital services

To supplement the comprehensive advice provided by our certified client advisors, we are continuously expanding our range of digital services. Clients who so wish will soon be able to get in touch with us via our new chat service. Modern user interfaces will make it even easier in future to execute banking transactions through our Mobile Banking app or to follow market developments via Yourmoney.ch. The tried-and-tested app of CrontoSign Swiss is likewise being updated, which will result in a further increase in the standard of security for the e-banking login.

Upcoming dates

Publication of Annual Report

25 March 2020

Annual General Meeting

2 May 2020

2020 interim results

16 July 2020

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 2019 (before distribution of profit)

in CHF 1,000 (rounded)

	2019	2018	Change
Assets			
Liquid assets	2,218,990	1,832,777	21.1 %
Amounts due from banks	28,776	25,089	14.7 %
Amounts due from customers	408,381	471,949	-13.5 %
Mortgage loans	12,311,903	11,722,040	5.0 %
Trading portfolio assets	749	650	15.2 %
Positive replacement values of derivative financial instruments	11,724	12,197	-3.9 %
Financial investments	548,606	534,588	2.6 %
Accrued income and prepaid expenses	3,877	4,311	-10.1 %
Participations	13,434	13,434	0.0 %
Tangible fixed assets	115,826	119,303	-2.9 %
Other assets	33,010	7,147	361.9 %
Total assets	15,695,277	14,743,485	6.5 %
Liabilities			
Amounts due to banks	192,602	2,194	>1.000 %
Liabilities from securities financing transactions	450,000		
Amounts due in respect of customer deposits	9,684,468	9,638,925	0.5 %
Negative replacement value of derivative financial instruments	18,356	18,402	-0.2 %
Medium-term notes	20,441	34,244	-40.3 %
Bond issues and central mortgage institution loans	3,846,000	3,608,000	6.6 %
Accrued expenses and deferred income	59,930	58,508	2.4 %
Other liabilities	55,328	41,138	34.5 %
Provisions	6,151	3,701	66.2 %
Reserves for general banking risks			
▪ of which risk profile	191,000	190,000	0.5 %
▪ of which general	586,117	570,517	2.7 %
Share capital	144,144	144,144	0.0 %
Statutory capital reserve	142,810	142,810	0.0 %
▪ of which tax-exempt capital contribution reserve	63,865	63,865	0.0 %
Statutory retained earnings reserve	226,964	219,381	3.5 %
Own shares	-3,990	-3,746	6.5 %
Profit carried forward	273	560	-51.3 %
Profit	74,684	74,707	0.0 %
Total liabilities	15,695,277	14,743,485	6.5 %
Off-balance-sheet transactions			
Contingent liabilities	31,504	31,773	-0.8 %
Irrevocable commitments	349,657	455,514	-23.2 %
Liabilities for calls on shares and other equities	17,724	17,724	0.0 %

Income statement

in CHF 1,000 (rounded)

	2019	2018	Change
Interest and discount income	186,855	191,041	-2.2%
Interest and dividend income from trading portfolios	5	5	0.0%
Interest and dividend income from financial investments	2,608	2,505	4.1%
Interest expense	-41,922	-44,404	-5.6%
Gross result from interest operations	147,546	149,147	-1.1%
Changes in value adjustments for default risks and losses from interest operations	18	-150	-112.0%
Net result from interest operations	147,564	148,997	-1.0%
Commissions from securities and investment transactions	40,671	39,141	3.9%
Commission income from lending activities	940	844	11.5%
Commission income from other services	12,636	12,005	5.3%
Commission expense	-5,172	-5,634	-8.2%
Result from commission business and services	49,075	46,356	5.9%
Results from trading activities	15,403	16,773	-8.2%
Result from divestment of financial investments		626	-100.0%
Income from participations	2,572	3,003	-14.4%
Result from real estate	3,769	3,952	-4.6%
Other ordinary income	1,184	494	139.9%
Other ordinary expenses		-1	-100.0%
Other result from ordinary activities	7,525	8,074	-6.8%
Operating income	219,567	220,200	-0.3%
Personnel expenses	-67,139	-66,133	1.5%
General and administrative expenses	-32,986	-32,863	0.4%
Operating expenses	-100,125	-98,996	1.1%
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-12,184	-12,894	-5.5%
Changes to provisions and other value adjustments, and losses	-62	-75	-18.0%
Operating result	107,196	108,234	-1.0%
Extraordinary income	31	1,361	-97.7%
Reserves for general banking risks			
▪ risk profile	-1,000	-2,000	-50.0%
▪ general	-15,600	-20,600	-24.3%
Changes in reserves for general banking risks	-16,600	-22,600	-26.5%
Taxes	-15,944	-12,288	29.8%
Profit	74,684	74,707	0.0%

Key Figures

in CHF 1,000 (rounded)

	2019	2018	Change
Balance sheet			
Total assets	15,695,277	14,743,485	6.5%
Loans to customers	12,720,284	12,193,988	4.3%
■ of which mortgage loans	12,311,903	11,722,040	5.0%
Customer deposits	9,704,909	9,673,169	0.3%
Shareholders' equity			
Shareholders' equity after distribution of profit	1,297,678	1,270,879	2.1%
Available regulatory capital ratio	18.2%	18.5%	
Income statement			
Net result from interest operations	147,564	148,997	-1.0%
Result from commission business and services	49,075	46,356	5.9%
Results from trading activities	15,403	16,773	-8.2%
Operating income	219,567	220,200	-0.3%
Operating expenses	-100,125	-98,996	1.1%
Operating result	107,196	108,234	-1.0%
Profit	74,684	74,707	0.0%
Statistical overview			
Assets under management	12,709,027	11,575,608	9.8%
Change in assets under management, performance-adjusted	-30,516	425,334	
Cost-income ratio	45.6%	44.9%	
Number of employees (FTE)	404	397	
Key share figures			
Share price at the end of the year (in CHF)	6,320	5,700	10.9%
Market capitalization	1,821,980	1,643,242	10.9%
Dividend (in CHF)	220 ¹	220	0.0%
Dividend yield	3.5%	3.9%	

¹ Proposal to the Annual General Meeting

Zuger Kantonalbank
 Bahnhofstrasse 1
 6301 Zug
 Phone 041 709 11 11
 Fax 041 709 15 55

service@zugerkb.ch
 www.zugerkb.ch