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# Media Release

St. Gallen, 15 February 2019

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This text is a translation from the media release in German, which represents the relevant version.

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## Higher consolidated profit - headcount expansion in client advisory services

**In 2018, St.Galler Kantonalbank (SGKB) again worked successfully: consolidated profit increased by 1.7% to CHF 158.6 million. Business volume reaches CHF 69.1 billion (+1.7%).**

### **New clients, healthy loans**

With a growth (net new money) of CHF 2.8 billion (+6.5%), market-adjusted managed assets developed very positively to CHF 43.0 billion (+1.6%). The strong net new money significantly outperformed the negative market performance. Loans to clients grew solidly. The net growth (net new loans) is 1.8%, although the focus in the lending business is on sustainable growth. Therefore, the quality of the loan portfolio is excellent, which allows to dissolve further value adjustments and provisions of CHF 24.9 million.

The operating income increased by 3.9% to CHF 477.6 million. With it, the result from commission business and services increased by 3.5%, partly due to the increase in asset management mandates and the recently launched investment packages. The release of value adjustments for default risks and losses from interest operations had a positive impact on the net result from interest operations (+4.6%) and compensated the slight decline in gross income, which was caused by the low interest rate environment. The negative stock market performance reduced the result from trading activities by 12.4%.

### **Headcount expansion in client advisory services**

As planned, operating expenses increased by 2.9% to CHF 266.6 million, in particular due to the strategic headcount expansion and a one-off accrual of CHF 2.7 million for holiday and overtime credits. As part of its strategy, SGKB is investing both in digitalisation and in personal on-site advisory. Therefore, in 2018, 10 new jobs were created in client advisory services. The creation of a total of 30-35 jobs will be continued in 2019.

At CHF 195.0 million, the operating result remained at the previous year's level. As a general risk provision, CHF 10.0 million are allocated to the reserves for general banking risks. The consolidated profit after tax thus amounted to CHF 158.6 million (+1.7%).

### **Stable dividend of CHF 16 per share**

The Board of Directors will propose a dividend of CHF 16 per share to the Annual General Meeting on 24 April 2019. This corresponds to a payout ratio of 56.2% of the consolidated profit and a dividend yield of 3.5%, calculated on the year-end share price of 2018. Also, in the previous year the dividend was CHF 16. In addition, an extraordinary anniversary dividend of CHF 1.50 was distributed.

### **Upcoming share capital increase**

In 2017, the Board of Directors of St.Galler Kantonalbank considered a strategic strengthening of the own funds by CHF 300 million to CHF 400 million. By placing two subordinated bonds, SGKB managed to raise CHF 200 million by the end of 2017 already. The share capital increase announced on 23 August 2018 will be the final step. With this package of measures, the bank will further strengthen its equity base and ensure the strategic room for manoeuvre for sustainable growth. In addition, it is intended to counter any further increase in regulatory capital requirements at an early stage. Once these measures have been completed, the Common Equity Tier 1 ratio (CET1 ratio) will rise slightly above 16% and thus fall within the targeted range of 15-17%.

Subject to approval by the Annual General Meeting on 24 April 2019 and appropriate market conditions, the capital increase is to be carried out in the following months. Up to 420'240 new registered shares will be issued, which will be fully entitled to dividends for the 2019 financial year. The existing shareholders will be granted subscription rights for the entire volume of the new shares. As previously announced, the Canton of St. Gallen will not participate in the capital increase. Therefore, the free float will increase and the Canton's stake will be reduced from currently 54.8% to the statutory minimum of 51.0%. By waiving its subscription rights, the Canton will allow private and institutional investors to become more involved.

The new shares will be placed at a subscription price close to the market price («at market»). The subscription ratio is 6:1, i.e. six existing shares entitle the holder to subscribe for one new share at the subscription price. Shares that are not subscribed for via the subscription offer can be subscribed for by the public and institutional investors within the framework of a free placement. A trade of the subscription rights is not envisaged.

In the course of the capital increase, the nominal value of the existing shares will be increased from CHF 70 to CHF 80. After completion of the planned capital increase, the share capital of SGKB will amount to up to CHF 479'493'280, divided into up to 5'993'666 registered shares with a nominal value of CHF 80 each.

#### **Albert Koller announces his resignation for June 2020**

Albert Koller, Head of Retail and Commercial Clients and member of the Management Board of SGKB, will leave the bank in June 2020. In the future, he will concentrate on strategic mandates outside the St.Galler Kantonalbank. The Board of Directors and the Management Board regret his decision and, already now, thank him for his great commitment to SGKB. Roland Ledergerber, CEO: «Albert Koller has shaped St.Galler Kantonalbank with his personality and his professional competence. With his leadership qualities and a great deal of passion, he made a decisive contribution to the success of the Retail and Commercial Clients division. » Albert Koller (54) has been a member of the Management Board and Head of Retail and Commercial Clients since 1 February 2008. He has worked for St.Galler Kantonalbank in various management positions since 1990.

#### **Outlook for 2019**

For 2019, the St.Galler Kantonalbank expects an operational performance in the range of the previous year. Taking into account the valuation adjustments and provisions, the release of which was exceptionally high in 2018, consolidated profit is expected to be slightly below last year's level.

#### **Key figures**

In CHF million	2018	2017	change
Operating income	477.6	459.8	+3.9%
Operating result	195.0	195.8	-0.4%
Consolidated profit	158.6	156.0	+1.7%

In CHF million	31.12.2018	31.12.2017	change
Balance sheet total	33'146	32'598	+1.7%
Loans to clients	26'016	25'496	+2.0%
Managed assets <sup>1</sup>	43'045	42'352	+1.6%
Shareholders' equity	2'304	2'235	+3.1%
Employees	1'254	1'233	
Full-time equivalents <sup>2</sup>	1'078	1'060	

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The **St.Galler Kantonalbank AG (SGKB)**, founded in 1868, has been listed on the SIX Swiss Exchange since 2001. The Canton of St. Gallen is the majority shareholder, with 54.8% of the share capital. The St.Galler Kantonalbank offers a comprehensive range of financial services to its clients in its home market in the cantons of St. Gallen and Appenzell Ausserrhoden. While SGKB operates out of Zurich in the remaining parts of German-speaking Switzerland in private banking and corporate banking segments, it is actively engaged in the German market through its subsidiary in Germany. The St.Galler Kantonalbank meets its responsibilities for the economic, social and cultural development of the region as an employer, taxpayer and sponsorship partner. The parent company operates with a state guarantee and has an Aa1 credit rating from Moody's. Further information at: [www.sgkb.ch/en](http://www.sgkb.ch/en)

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<sup>1</sup> Managed assets = Client funds (Due to clients in savings and deposits, other due to clients, medium-term notes) and assets under management. Not included are custody assets (=assets that are held solely for transaction and storage purposes and for which the Bank offers no advice to the clients).

<sup>2</sup> Average balance