
Media Release

St.Gallen, August 15, 2019

In accordance with SIX Swiss Exchange's Directive on Ad hoc Publicity this media release is dispatched outside trading hours. This text is a translation from the media release in German, which version shall be decisive.

St.Galler Kantonalbank further increases profit

St.Galler Kantonalbank further increases its operating profit. The gross profit of CHF 108.1 million is significantly (+6.9%) higher than in the previous year. Consolidated profit reaches CHF 82.5 million (+1.7%).

Gross profit increased significantly, higher consolidated profit

Despite the ongoing low interest rates and a challenging economic environment, net interest income can be maintained (+1.3%). Meanwhile, the result from commission business and services declined by 4.9%. The result from trading activities increased by 13.7%, mainly due to the positive performance of a bank-owned asset management mandate, which is managed by the investment center of St.Galler Kantonalbank (SGKB). Other result from ordinary activities exceeded the previous year by 16.1%. Operating income increased by CHF 2.5 million to CHF 237.2 million (+1.1%). Personnel expenses are at the previous year's level (-0.2%). General and administrative expenses drop by 8.6% compared to the previous year due to the discontinuation of the expenses for the 150th anniversary and lower IT costs. As a result, operating expenses are 3.4% lower and gross profit can be increased significantly (+6.9%) to CHF 108.1 million. Consolidated profit of CHF 82.5 million is 1.7% above the previous year's result.

Solid business development

Loans to clients rose to CHF 26.8 billion (+3.2%), thanks in part to strong growth with institutional real estate investors. Managed assets rose to CHF 44.3 billion (+3.0%) due to the positive stock market performance. As of June 30, 2019, net new money in managed assets was negative (CHF -0.7 billion). This decrease is attributable exclusively to the leaving of a major institutional client. Except this one-off effect, ordinary new business continued to perform well.

Strengthened equity

With the successful capital increase in May, the Bank's equity base was further strengthened. The CET1-ratio is now 15.7% and the Total-capital-ratio 17.5%. The share of publicly held shares was increased to 49%. The canton of St. Gallen remains a stable majority shareholder with its 51% stake.

Agreement with German judicial authorities

In the first semester, the St.Galler Kantonalbank has reached an amicable agreement with the judicial authorities of North Rhine-Westphalia in connection with assets of German customers. The agreement has legal force for all federal states of Germany. The EUR 3.1 million payment associated with the agreement, which also includes the employees, has no negative impact on the operating result for the current year. Those expenses are covered by previously made provisions.

Outlook Financial Statements 2019

Due to the economic development and current forecasts, SGKB does not expect a rate hike by the Swiss National Bank until 2022. The low interest rate situation will thus continue to pose a challenge to SGKB's core business. For the year 2019, SGKB expects an operating result in the range of the previous year. Taking into account the value adjustments and provisions, the releases of which were exceptionally high in 2018, consolidated profit is expected to be slightly below the previous year's level.

Felix Buschor announces retirement at the end of 2020

Felix Buschor, Head of Service Center and Member of the Executive Board of SGKB, will retire at the end of 2020 at his own request. The Board of Directors and the Executive Board regret his decision and would like to already thank him for his great commitment to the St.Galler Kantonalbank. CEO Roland Ledergerber: «Felix Buschor has shaped SGKB with his excellent

competences in strategy, professional skills and his great project experience. With his awareness for high quality and currently with the implementation of the digitization strategy, he contributes significantly to the success of our bank.» Felix Buschor (born 1961) has been a member of the Executive Board and Head of Service Center since 2008. Since 1996 he has held various executive positions at the St.Galler Kantonalbank.

Key figures

in CHF million	30.06.2018	30.06.2019	change
Operating income	234.7	237.2	+1.1%
Operating result	94.8	100.0	+5.6%
Consolidated profit	81.2	82.5	+1.7%

in CHF million	31.12.2018	30.06.2019	change
Balance sheet total	33'146	34'150	+3.0%
Loans to clients	26'016	26'839	+3.2%
Managed assets ¹	43'045	44'330	+3.0%
Shareholders' equity	2'304	2'473	+7.3%
Employees ² part-time-adjusted, apprenticeships at 50%	1'078	1'095	+1.5%

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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 51% of the share capital. The St.Galler Kantonalbank offers a comprehensive range of financial services to its clients 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 SGKB Germany. SGKB 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

¹ 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).

² Average balance