CREDIT OPINION
21 August 2026

Update

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RATINGS

St.Galler Kantonalbank AG

Domicile	St.Gallen, Switzerland
Long Term CRR	Aa2
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Aa2
Type	Senior Unsecured - Dom Curr
Outlook	Stable
Long Term Deposit	Aa1

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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St.Galler Kantonalbank AG

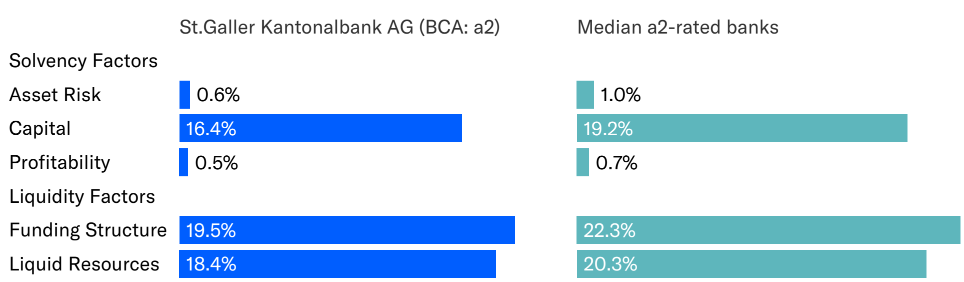
Update after rating affirmation

Summary

St.Galler Kantonalbank AG's (SGKB) Aa1 backed deposit ratings and Aa2 backed senior unsecured rating reflect its a2 BCA, one notch of rating uplift from affiliate support because of the majority ownership by the Canton of St. Gallen and the bank's important role in the region, as well as three notches of ratings uplift for SGKB's backed deposit ratings and one notch of ratings uplift for its backed senior unsecured debt rating from our Advanced Loss Given Failure (LGF) analysis, which incorporates the relative loss severity of a liability class. For the backed senior unsecured debt rating, the guarantee provided by the Canton of St. Gallen for non-subordinated liabilities result an additional notch of rating uplift, whereas it does not result in further uplift for the backed deposit ratings, given the high level prior of deficiency guarantee considerations. We do not incorporate rating uplift from sovereign government support in SGKB's ratings due to the bank's small domestic market share and relatively low importance to the Swiss banking system.

SGKB's a2 BCA reflects the bank's stable and good capital base, its continued sound asset quality, as well as our expectation of profitability remaining close to past years' levels, underpinning the bank's earnings' stability, while it also considers geographical and sector concentration risk in its lending book. The a2 BCA is further supported by contained outflow risks from its well diversified deposit base and the bank benefitting from guaranteed funding provided by its majority owner, the Canton of St.Gallen, which provides the bank with privileged market access even under adverse market situations, and which is accomplished by longer-term Pfandbrief funding. The readily available liquidity provides a good cushion compared with the limited outflow and refinancing risks.

Exhibit 1
Rating Scorecard SGKB - Key financial ratios



Source: Moody's Ratings

Credit strengths

» The Canton of St. Gallen's guarantee of the bank's senior liabilities supports SGKB's credit profile and underpinning market access.

» The bank's strong capitalisation provides a solid buffer against downside risks.

» Strong asset quality reflects low problem loan ratios and a predominantly collateralised mortgage loan book.

Credit challenges

» Geographically concentrated loan book

» Significant exposure to development in residential real estate markets

Outlook

» The stable outlook on the long-term backed deposit and long-term backed senior unsecured debt ratings reflects our expectation that the financial profile of SGKB and its liability structure will remain broadly unchanged. We further do not expect any change in the cantonal guarantee framework.

Factors that could lead to an upgrade

» SGKB's long-term deposit ratings and its subordinated debt rating could be upgraded if the bank's BCA was to be upgraded. The bank's backed CRRs could also be upgraded following changes in the liability structure, such that it reduces the loss severity for these liability classes from our Advanced LGF analysis. The backed senior unsecured debt rating could be upgraded in case the creditworthiness of the Canton of St.Gallen improves.

» The BCA could be upgraded in case its solvency profile improves, which could result from a combination of materially reduced concentration risks, sustainably higher profitability and stronger capitalisation.

Factors that could lead to a downgrade

» The bank's backed deposit ratings and its subordinated debt rating could be downgraded following a downgrade of the bank's BCA. The banks deposit ratings could also be downgraded following a shift in the liability structure towards non-bail-in-able instruments, such that it increases the loss severity for deposits and results in fewer notches of rating uplift. The bank's backed senior unsecured ratings would be downgraded if the canton's creditworthiness deteriorates.

» The bank's BCA could be downgraded if its combined liquidity profile deteriorates, based on combined lower liquidity buffers and a weakening in the creditworthiness, reducing the bank's relative advantage from its strong market access and leading to higher refinancing risks. Further a sustained deterioration in the combined solvency profile could result in a downgrade of the BCA.

Key indicators

Exhibit 2
St.Galler Kantonalbank AG (Consolidated Financials) [1]

	12-25 [2]	12-24 [2]	12-23 [2]	12-22 [2]	12-21 [2]	CAGR/Avg. [3]
Total Assets (CHF Billion)	48.1	45.6	41.3	40.8	39.6	5.0 [4]
Total Assets (USD Billion)	60.8	50.3	49.1	44.1	43.3	8.8 [4]
Tangible Common Equity (CHF Billion)	3.1	3.0	2.9	2.8	2.7	3.8 [4]
Tangible Common Equity (USD Billion)	3.9	3.3	3.4	3.0	2.9	7.6 [4]
Problem Loans / Gross Loans (%)	0.6	0.5	0.4	0.6	0.9	0.6 [5]
Tangible Common Equity / Risk Weighted Assets (%)	16.4	15.9	16.0	16.3	16.6	16.3 [6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	6.2	5.6	4.8	6.2	9.0	6.4 [5]
Net Interest Margin (%)	0.8	0.8	0.9	0.8	0.8	0.8 [5]
PPI / Average RWA (%)	1.4	1.4	1.6	1.3	1.4	1.4 [6]
Net Income / Tangible Assets (%)	0.5	0.5	0.6	0.5	0.5	0.5 [5]
Cost / Income Ratio (%)	55.0	54.9	53.1	58.3	57.3	55.7 [5]
Gross Loans / Due to Customers (%)	115.2	110.7	116.0	113.1	111.0	113.2 [5]
Core Banking Liquidity (HQLA) / Tangible Banking Assets (%)	18.4	17.2	--	--	--	--
Less-stable Funds (LCR) / Tangible Banking Assets (%)	19.5	17.1	--	--	--	--

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; LOCAL GAAP. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.
Further to the publication of our revised methodology in November 2025, only ratios from annual 2024 onwards included in this report apply reported risk weights for all exposures, discontinuing our previously applied standard adjustment for certain government securities Sources: Moody's Ratings and company filings

Profile

SGKB is a Swiss cantonal bank that operates mainly in the Canton of St.Gallen and Appenzell-Ausserrhoden, providing savings and credit services, as well as wealth management solutions to individuals and small and medium-sized businesses. The bank was founded in 1868 as a government-owned credit institution to promote regional economic development. As of 31 December 2025, the bank operated through a network of 40 banking outlets (including two German offices in Frankfurt and Munich) and employed 1,219 full-time equivalent employees. The Canton of St.Gallen is the largest shareholder of the bank, with a 51% stake. By law, the canton is required to hold at least 51% of the bank's shares, which have been listed on the SIX Swiss Exchange since 2001.

Detailed credit considerations

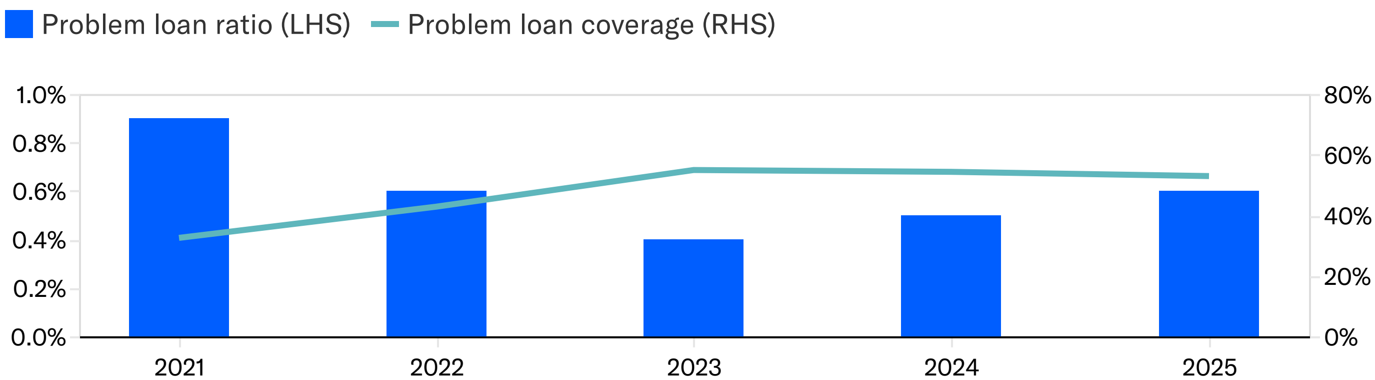
Narrow geographical focus and sector concentrations in real estate are key drivers for asset risk

We assign an a2 asset risk score that reflects our Problem loans to Gross Loans ratio of 0.6% which we consider to be Very Strong, and is adjusted for a narrow Geographical footprint and Sector concentration, although the loan book is dominated by low risk residential mortgages.

SGKB's asset quality is strong and reflects stringent underwriting standards. In addition, its coverage ratio of 52.9% as of December 2025 provides a sufficient buffer to cover potential losses from its very small portfolio of non-performing loans, that are largely secured by mortgages. The bank's exposure to regional larger corporates as well as small and medium-sized enterprises provides a fair degree of diversification, while not impacting the overall level of non-performing loans negatively, thanks to SGKB's good risk management.

SGKB's residential and commercial mortgage loan book (CHF32.2 billion as of 31 December 2025), which is concentrated in the Canton of St.Gallen and Appenzell-Ausserrhoden, grew by 3.5% from year-end 2024 to 2025, hence, at a more contained pace. The expansion of SGKB's mortgage book in recent years has increased the bank's susceptibility to potential shocks from the domestic real estate markets. However, we believe the bank remains well positioned to absorb any potential weakening of the Swiss housing market as its mortgage loan book is highly granular, with only a small proportion exhibiting a loan-to-value ratio above 60%.

Exhibit 3
SGKB's problem loan ratio and coverage ratio improved in recent years



The problem loan ratio is in accordance with our definition.
Source: Moody's Ratings and company filings

Solid capital ratios provide strong investor protection

We assign an a1 score for capital that reflects our Tangible Common Equity to Risk Weighted Assets ratio of 16.4%, which we consider to be Strong, and is in line with the initial score as we expect stable capital buffers going forwards.

SGKB's capital ratios provide a strong, buffer against the bank's regulatory requirements[1] set by the Swiss Financial Market Supervisory Authority (FINMA). Profit retention combined with slightly lower risk weighted assets (RWA), lead to a stabilisation of capital ratios above the 16.0% level in 2025.

SGKB's leverage ratios deteriorated marginally after the introduction of Basel III final in Switzerland in 2025, however remained solid, a situation that we do not expect to change. The bank calculates the risk weights based on the standardized approach.

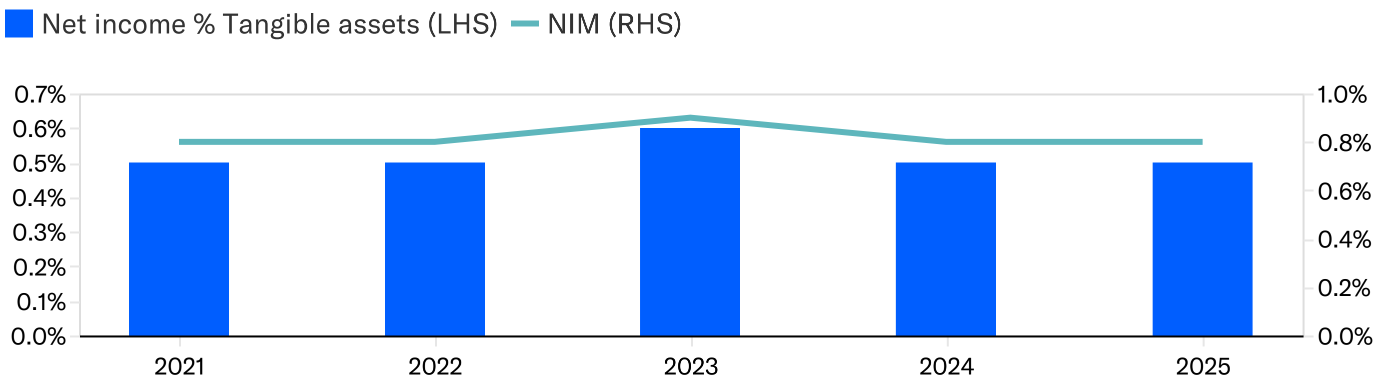
SGKB's stable earnings support its capital generation capacity

We assign a baa3 score for profitability that reflects our Net Income to Tangible Assets ratio of 0.5%, which we consider to be Weak, and is adjusted positively for the bank's track record of very stable returns over the past decade.

We expect that in 2026, SGKB's return on assets will benefit from positive rates, supporting its interest income generation, while fee and commission income is supported from growing assets under management, that reached CHF71.8 billion in 2025, up from CHF64.5 billion in 2024. Net new money was particularly focused on private banking, with CHF3.1 billion of the CHF4.2 billion in total. The improving diversification of income streams starts to provide some protection against potentially higher risk costs, and pressures stemming from slightly lower net interest margins.

In 2025, SGKB recorded an increase in net income, driven by higher net interest income. The less favorable interest-rate environment pressured revenue generation, despite continued loan growth, particularly as funding costs increased. The rise in net fee and commission income was not able to fully balance the impact. Combined with cost pressures, driven by second round inflation effects and IT investments, and slightly rising loan loss provisions, lead to an increase of the bank's pre-tax profit by 4.8% to CHF266 million. The trend is also reflected in SGKB's stable cost-income ratio of 55.0%.

Exhibit 4
SGKB's profitability is very stable



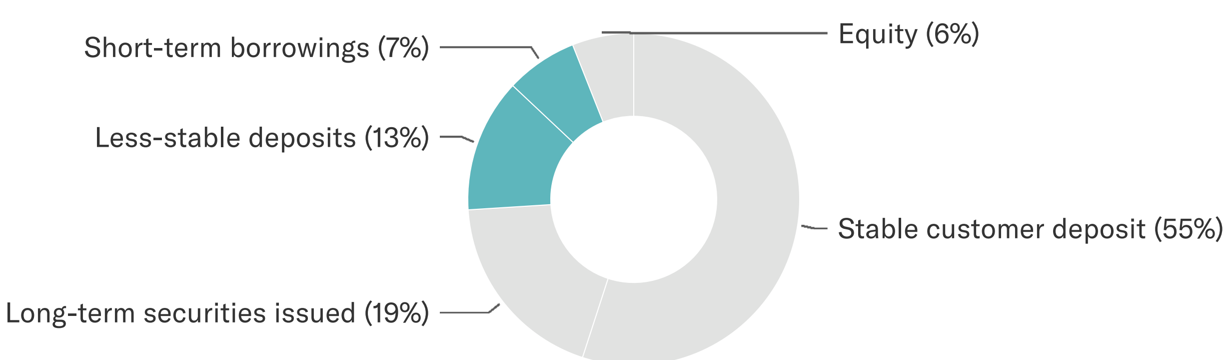
Source: Moody's Ratings and company filings

Excellent market access and strong deposit base imply low refinancing risks

We assign a aa2 score for funding structure that reflects our Less Stable Funds to Tangible Banking Assets ratio of 19.5% which we consider to be Strong, and is adjusted for the guarantee provided by the Canton of St. Gallen on the bank's senior obligations, safeguarding the bank's prime market access even under more adverse market conditions, which significantly reduces any refinancing risks.

SGKB's main funding source is its customer deposit base, which amounted to CHF 30.2 billion as of year-end 2025 (63% of total assets; including Kassenobligationen). Further, covered bonds, which amounted to CHF5.6 billion as of year-end 2025, limit potential interest-rate and refinancing risks for the bank owing to its better matched asset-liability profile. Additionally, funding comprised CHF4.8 billion of interbank liabilities and CHF3.3 billion of senior unsecured funding as of year-end 2025.

Exhibit 5
SGKB's refinancing risks are low



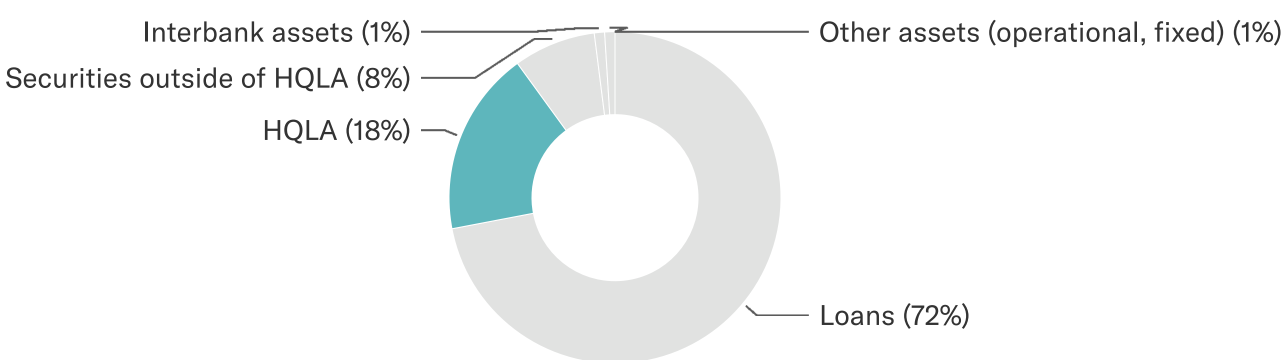
*Less-Stable funds ratio = Less-Stable funds/tangible banking assets.
Source: Moody's Ratings and company filings

SGKB's liquid resources are sound, considering its limited outflow risks

We assign an a3 score for liquid resources that reflects our Core Banking Liquidity to Tangible Banking Assets ratio of 18.4%, which we consider to be Moderate, and is in line with the initial score.

SGKB's liquidity buffer provides a good buffer against the limited outflow and refinancing risks of the bank. The bank's high quality liquid assets (HQLA) of CHF8.8 billion, resulted in a Liquidity Coverage Ratio (LCR) of a solid 142.1% as of year-end 2025, and the bank's Net Stable Funding Ratio (NSFR) was 125.7%. HQLA comprised largely of cash and central bank deposits, CHF9.9 billion, with further contingent liquidity available via its CHF2.8 billion of liquid investment securities, as of year-end 2025.

Exhibit 6
SGKB's liquid resources are well balanced compared with its market funding profile



*Core banking liquidity ratio = Core banking liquidity/tangible banking assets.
Source: Moody's Ratings and company filings

Macro Profile: Strong+

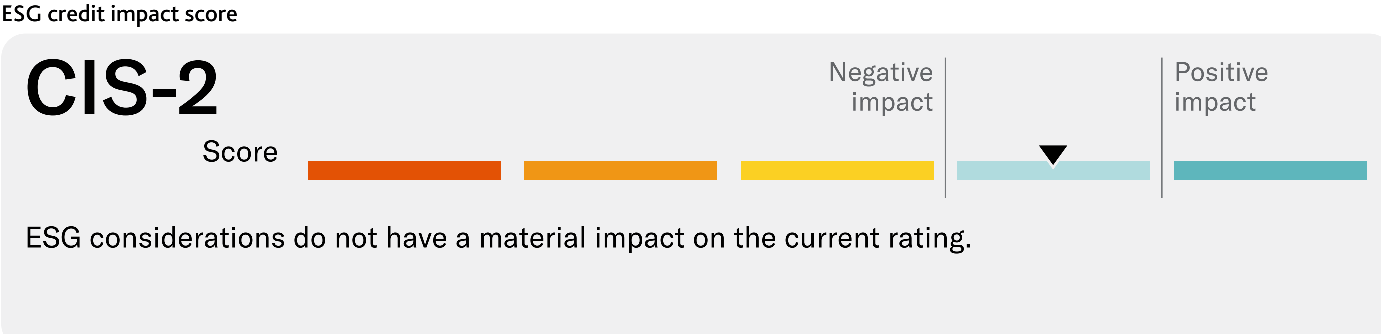
We assign a Strong+ Macro Profile to SGKB, reflecting its large exposure to home market Switzerland (95%), other operations in EU (4%) and with limited exposure to rest of the world. This geographic concentration anchors the bank's operating environment in highly rated, stable economies.

Switzerland's very high wealth levels and competitiveness, which are extremely strong even compared with those of other Aaa-rated sovereigns, underpin a very high degree of resilience to shocks. Switzerland's export-oriented economy benefits from a focus on high value added goods and services which help to insulate the economy from shifts in external demand.

ESG considerations

St.Galler Kantonalbank AG's ESG credit impact score is CIS-2

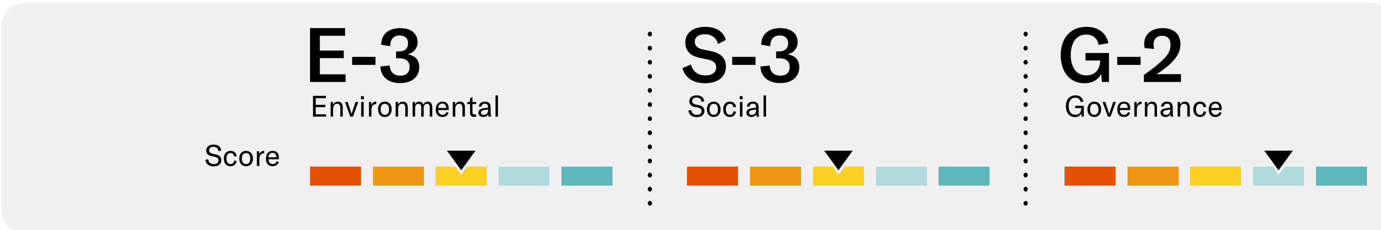
Exhibit 7
ESG credit impact score



Source: Moody's Ratings

SGKB's **CIS-2** indicates that ESG considerations do not have a material impact on the current rating.

Exhibit 8
ESG issuer profile scores



Source: Moody's Ratings

Environmental

SGKB faces moderate exposure to environmental risks primarily because of its loan portfolio exposure to carbon transition risks as a diversified regional banking group. Carbon transition risks relate mostly to its corporate loan book, which represents about a quarter of the bank's lending portfolio, with the remainder comprising residential real estate. In line with its peers, SGKB is facing mounting business risks and stakeholder pressure to meet broader carbon transition goals.

Social

SGKB faces moderate social risks related to customer relations and associated regulatory risks, litigation exposure, and high compliance standards. These risk exposures emerge primarily from its retail as well as its wealth and asset management operations and they are mitigated by the bank's developed policies and procedures. Furthermore, the bank's long track record of handling sensitive customer data as well as technology solutions and organizational measures to prevent data breaches and business disruption help to manage high cyber and personal data risks.

Governance

SGKB faces low governance risks, and its risk management, policies and procedures are in line with industry best practices and commensurate with its universal banking model. Also, even though the bank is 51% owned by the Canton of St.Gallen, seven of the nine members of its board of directors are considered independent.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Support and structural considerations

Affiliate support

We expect a high level of support from the Canton of St.Gallen, which owns 51% of the share capital of SGKB which, combined with the bank's economic and social role as a cantonal bank in the region as well as the existing deficiency guarantee, provides an incentive for the canton to inject capital into SGKB prior to failure, in case of need. This leads to one notch of rating uplift from the a2 BCA, leading to an a1 Adjusted BCA.

Loss Given Failure analysis

SGKB is domiciled in Switzerland, which we consider an operational resolution regime. We therefore apply our Advanced Loss Given Failure (LGF) analysis using standard assumptions. Our LGF analysis indicates that deposits are likely to face extremely low loss-given-failure, resulting in three notches of uplift, while senior unsecured debt faces low loss-given-failure, resulting in one notch of uplift from the Adjusted BCA.

Government support

We assess SGKB as government-backed by its regional authority, the Canton of St.Gallen, since it provides an explicit deficiency guarantee for all of the bank's unsubordinated obligations. However, since we expect that the Canton of St.Gallen will provide some support to SGKB prior to failure, and given the uplift provided by our Advanced LGF analysis for the bank's senior obligations, SGKB's backed deposit ratings, its backed CRR and its backed Counterparty Risk Assessments do not benefit from further (regional) government support. SGKB's subordinated Tier 2 instruments are not covered by the deficiency guarantee, they do not benefit from any uplift.

Further, we do not incorporate rating uplift from sovereign government support for SGKB's senior ratings due to the bank's small domestic market share and low importance to the Swiss banking system.

Methodology and scorecard

Methodology

The principal methodology we used in rating SGKB was our Banks Methodology, published in November 2025.

About Moody's Bank Scorecard

Our Bank Scorecard is designed to capture, express and explain in summary form our Rating Committee's judgment. When read in conjunction with our research, a fulsome presentation of our judgment is expressed. As a result, the output of our scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating methodology and scorecard factors

Exhibit 9

Rating Factors

Macro Factors							
Weighted Macro Profile	**Strong +**	**100%**					

Factor	Historic Ratio	Initial Score	Expected Trend	Assigned Score	Key driver #1	Key driver #2
Solvency						
Asset Risk						
Problem Loans / Gross Loans	0.6%	aa2	↔	a2	Geographical concentration	Sector concentration
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	16.4%	a1	↔	a1	Recognition of risk-weighted assets	
Profitability						
Net Income / Tangible Assets	0.5%	ba1	↔	baa3	Earnings stability	
Combined Solvency Score		a2		a3		
Liquidity						
Funding Structure						
Less-stable Funds / Tangible Banking Assets	19.5%	a2	↔	aa2	Market funding quality	Deposit quality
Liquid Resources						
Core Banking Liquidity / Tangible Banking Assets	18.4%	a3	↔	a3	Quality of liquid assets	
Combined Liquidity Score		a2		a1		
Financial Profile		a2		a2		
Qualitative Adjustments				Adjustment		
Business and Geographic Diversification				0		
Complexity and Opacity				0		
Strategy, Risk Appetite and Governance				0		
Total Qualitative Adjustments				0		
Sovereign or Affiliate constraint				Aaa		
BCA Scorecard-indicated Outcome - Range				a1 - a3		
Assigned BCA				a2		
Affiliate Support notching				-		
Adjusted BCA				a1		

Balance Sheet is not applicable.

Debt Class	De Jure waterfall		De Facto waterfall		Notching		LGF Notching Guidance vs. Adjusted BCA	Assigned LGF notching	Additional Notching	Preliminary Rating Assessment
	Instrument volume + subordination	Sub-ordination	Instrument volume + subordination	Sub-ordination	De Jure	De Facto				
Counterparty Risk Rating	-	-	-	-	2	2	2	2	0	aa2
Counterparty Risk Assessment	-	-	-	-	3	3	3	3	0	aa1 (cr)
Deposits	-	-	-	-	3	3	3	3	0	aa1
Senior unsecured bank debt	-	-	-	-	1	1	1	1	0	aa3
Dated subordinated bank debt	-	-	-	-	-1	-1	-1	-1	0	a2

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	2	0	aa2	-	Aa2	Aa2
Counterparty Risk Assessment	3	0	aa1 (cr)	-	Aa1(cr)	
Deposits	3	0	aa1	-	Aa1	Aa1
Senior unsecured bank debt	1	0	aa3	-	Aa2	Aa2
Dated subordinated bank debt	-1	0	a2	-	A2	

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.
Source: Moody's Ratings

Ratings

Exhibit 10

Category	Moody's Rating
ST.GALLER KANTONALBANK AG	
Outlook	Stable
Bkd Bank Deposits	Aa1/P-1
Baseline Credit Assessment	a2
Adjusted Baseline Credit Assessment	a1
Bkd Senior Unsecured -Dom Curr	Aa2
Subordinate -Dom Curr	A2

Source: Moody's Ratings

Endnotes

1 SGKB is classified as a Category 3 banking institution by FINMA. As such, it has to hold Common Equity Tier 1 of at least 9.1% of risk-weighted assets.

REPORT NUMBER 1485990

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454