
Media Release

St.Gallen, February 12, 2020

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 increases consolidated profit to CHF 163.9 million

2019 was another successful year for St.Galler Kantonalbank (SGKB): Consolidated profit increases by 3.4%. On the Board of Directors and the Executive board, changes are pending.

Operationally strong

The positive development on the stock exchange contributed to a higher result from the commission business and services (+11.0%) and from the trading activities (+21.2%). Continued growth in loans to clients and client deposits can compensate for the effects of negative interest rates in the gross result from interest operations. As expected, significantly less value adjustments for default risks can be dissolved than in the previous year, reducing the net result from interest operations by 5.7%. Operating income can be kept at CHF 479.2 million (+0.3%). Excluding the effect of lower reversals of value adjustments for default risks (2018: CHF 20.0 million; 2019: CHF 0.4 million), operating income rises by 4.7%.

Operating expenses can be kept at the previous year's level. Personnel expenses rise by 4.2% due to the further expansion of the staff in customer advice and a one-off contribution to the pension fund (CHF 6.1 million). General and administrative expenses decrease by 5.9% compared to the previous year, as there are no more expenses for the anniversary year and due to IT cost savings.

This means that the operating result increases by 1.2% and the consolidated profit of CHF 163.9 million is 3.4% above the previous year.

Pleasing growth in customer business

SGKB has again grown strongly in customer business. Due to net new money of CHF 0.4 billion and the positive stock market development managed assets rise to CHF 46.3 billion (+7.7%). Without the special effect due to the leaving of a major institutional customer in the first half of the year, net new money would have grown at almost the same rate as in the previous year (5.3%). Loans to clients rise by 3.5% to CHF 26.9 billion, in particular due to the encouraging growth of juridical clients.

Stable dividend

The Board of Directors will propose a constant dividend of CHF 16 per share to the Annual General Meeting of Shareholders on April 29, 2020. This corresponds to a pay-out ratio of 58.5% of consolidated profit and a dividend yield of 3.6%, calculated on the 2019 year-end price.

Solid and strongly capitalized

Thanks to the capital increase effected in May, SGKB has further strengthened its equity base and remains well capitalized. The core-capital-ratio (CET1-ratio) stands at 16.2% at the end of the year. SGKB's loan portfolio is still of excellent quality, which is also shown by the fact that no new value adjustments for default risks had to be made in 2019.

Digital progress

SGKB has made very good progress in implementing its digitalization strategy. In the past twelve months, more than eight digital innovations have been introduced for customers, such as the digital financial and life planner «Witblick», voice recognition in the financial assistant and the SGKB TWINT App. With the «St.Galler Finanzberatung» a holistic advisory solution was developed, which connects the advantages of digital and personal consulting ideally. It has been used successively in customer advisory dialogues since 2019.

Changes on the Board of Directors and the Executive board

The president of the Board of Directors, Thomas Gutzwiller, will reach the maximum statutory term of office of 15 years in 2021. As his successor, the Board of Directors plans to nominate the current president of the Executive board, Roland Ledergerber. The Board of Directors has set the timing as follows: Roland Ledergerber will turn 60 years old in May 2021 and resign by this time as CEO. He will be proposed to the Annual General Meeting of Shareholders of 2021 as a new member of the Board of Directors. After one year as a member of the Board of Directors, Roland Ledergerber will be proposed to the Annual General Meeting of 2022 as successor of the president of the Board of Directors, Thomas Gutzwiller. To allow a smooth transition and greatest possible continuity, Thomas Gutzwiller will make himself available for another year – over the maximum statutory term of office – as president of the Board of Directors. The Board of Directors already thanks Thomas Gutzwiller for his willingness to extend his mandate for another year.

Thomas Gutzwiller, president of the Board of Directors: «Roland Ledergerber has been working for St.Galler Kantonalbank for 21 years, 18 years of which as a member of the Executive board. During this time, he has significantly contributed to the successful development of SGKB. We are happy that he would like to switch to the strategic level to the Board of Directors after his time in the operational management. Thus, he will be able to further shape St.Galler Kantonalbank with his great experience.»

Hans-Jürg Bernet will retire from the Board of Directors at the Annual General Meeting of 2020 due to his reaching the statutory age limit of 70 years. Hans-Jürg Bernet has been a member of the Board of Directors since 2007, since 2013 he has been its vice president. Additionally, he is president of the board of trustees of the pension fund of St.Galler Kantonalbank. As part of the succession planning mentioned, no additional member for the Board of Directors will be proposed to the Annual General Meeting of 2020. Therefore, the Board of Directors will consist of eight members from then until the general assembly of 2021.

Benedikt Würth will leave the government and thus the Board of Directors of St.Galler Kantonalbank by the end of the legislative period in May 2020, due to his election into the council of states. He has been a member of the Board of Directors since 2016. The cantonal government will, according to the cantonal bank law, appoint a new member of the government for the Board of Directors of St.Galler Kantonalbank as of June 1, 2020.

The Board of Directors and the Executive board thank Hans-Jürg Bernet and Benedikt Würth for the professional and collegial collaboration, their exemplary commitment and their valuable contribution to the successful development of St.Galler Kantonalbank and wish them the best for the future.

Outlook 2020

The 2019 result benefited from an excellent development on the stock exchanges. For the current year, St.Galler Kantonalbank anticipates a more moderate development in the markets. For this reason and due to the ongoing negative interest rate environment, SGKB expects an operating result slightly below the very good level of the previous year.

Key figures

In CHF million	2019	2018	change
Operating income	479.2	477.6	+0.3%
Operating result	197.4	195.0	+1.2%
Consolidated profit	163.9	158.6	+3.4%

In CHF million	31.12.2019	31.12.2018	change
Balance sheet total	35'944	33'146	+8.4%
Loans to clients	26'937	26'016	+3.5%
Managed assets ¹	46'348	43'045	+7.7%
Shareholders' equity	2'552	2'304	+10.7%
Employees	1'276	1'254	+1.8%
Full-time equivalents ²	1'099	1'078	+2.0%

Alternative Performance Measures:

The alternative performance measures used outside the scope of generally accepted accounting principles as defined in the corresponding SIX Directive are explained (in German) on the SGKB website (www.sgkb.ch/alternative-performancekennzahlen).

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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