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# Media Release

St.Gallen, February 18, 2021

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## St.Galler Kantonalbank: stability high, new business strong

**The impact of the Corona pandemic on SGKB's business in 2020 is manifold. Negative and positive effects on the business result are roughly equal. At CHF 167.2 million (+2.0%), the consolidated profit is slightly higher than in the previous year. Strong growth is recorded in managed assets (+6.3%) and loans to clients (+4.0%).**

### Strong new business

In total, new business volume of CHF 4.0 billion was acquired (+5.5%). Loans to clients increase by 4.0% to CHF 28.0 billion, mainly thanks to growth in clients with accounting obligations. Of the CHF 1.1 billion increase in loans to clients, CHF 0.6 billion or around 58% comes from mortgage loans, which grow by 2.5%. The share of COVID-19 credits in due from clients, which increase by CHF 0.5 billion (+19.8%), is CHF 101.4 million.

The impact of the stock market correction in spring on managed assets was neutralised by a rapid rebound and a continuous improvement until the end of the year. Therefore, the increase in managed assets by a strong 6.3% to CHF 48.6 billion is entirely due to the strong inflow of new money of CHF 2.9 billion (previous year: CHF 0.4 billion).

### Solid result

Operating income reaches CHF 486.7 million (+1.6%). Gross result from interest operations increases by 4.0% to CHF 309.8 million. This is, among other reasons, due to the active management of the increased exemption threshold defined by the Swiss National Bank (SNB). This partially compensates for negative effects on interest operations, such as the decline in margins in the mortgage business. Due to the high client activity in securities trading and the strong growth in managed assets, the result from commission business and services again reaches the very good level of the previous year (CHF 129.4 million, -0.7%). However, it should be considered that in the previous year, performance-related income of CHF 11.5 million was generated due to the very good stock market performance, whereas in the reporting year it is at CHF 1.1 million only. The result from trading activities declines by 3.9% to CHF 38.1 million. Among other factors, this is due to low travel activities of clients and the corresponding significantly lower income from foreign currencies, while the lower income on the nostro portfolio and the higher income from the foreign exchange business balance each other out. The other result from ordinary activities decreases by CHF 3.7 million (-33.5%) compared to the previous year, mainly due to a special dividend in the previous year's income from participations and a lower valuation result on financial investments.

The negative and positive effects of the Corona pandemic on operating expenses (+0.2%) are more or less balanced: on the one hand, costs were not incurred, for example for the Annual General Meeting, on the other hand, there are additional expenses, for example for IT. Personnel expenses decrease by 0.7% to CHF 175.2 million. This is mainly due to the one-time contribution to the pension fund in the previous year, a slightly higher number of employees due to the expansion of client advisory services and the Corona-related increase of the accrual for overtime and holiday balances. General and administrative expenses rise by 2.1% to CHF 93.3 million, mainly due to higher costs for IT operations and the contribution of CHF 1 million to the charitable fund. Gross profit increases by 3.3% to CHF 218.2 million. Taxes are CHF 10.1 million (-29.0%) lower due to a lower tax rate as a result of the tax reform STAF and the reclassification of reserves for general banking risks to value adjustments for inherent default risks.

Overall, consolidated profit amounts to CHF 167.2 million, which means an increase of CHF 3.3 million or 2.0% compared to the previous year.

### **1'643 COVID-19 credits, stable loan portfolio**

During the term of the Swiss COVID-19 credit programme, from March 26 to July 31, 2020, St.Galler Kantonalbank set a total of 1'753 COVID-19 credit limits in the amount of CHF 232.8 million. At the end of 2020 there are still 1'643 limits totalling CHF 209.5 million, 48% of which are claimed. The major share is made up of the 1'612 COVID-19 credits up to CHF 500'000 with an interest rate of 0% and which are guaranteed by the federal government. The limit for these loans comes to CHF 160.8 million. The development of credit risks has been monitored particularly closely in recent months. The credit portfolio was reviewed and is still in very good condition. No increased risks could be identified.

The consolidated profit includes the net creation of provisions and value adjustments for credit risks of CHF 6.5 million (previous year: net release of CHF 2.3 million). Of this, CHF 3.1 million are provisions in connection with the mapping of inherent default risks. In accordance with the FINMA Accounting Ordinance, they must be made on the non-impaired part of the loan portfolio in order to strengthen the risk prevention. Also for this purpose, the reclassification of the reserves for general banking risks mentioned above was made. The FINMA ordinance applies to all category 3 banks as of 1.1.2020 and must be implemented at the latest with the 2021 annual financial statements. An additional CHF 3.4 million in net value adjustments and provisions for credit risks were created.

### **Market outlook**

The measures against the spread of the Corona virus are leaving deep traces in the economy, also in the market area of St.Galler Kantonalbank. Local small businesses, especially in the sectors of gastronomy, culture and retail trade, have been particularly hard hit. Thanks to the support of the Swiss government and the cantons for cases of hardship, the quick and unbureaucratic granting of COVID-19 credits and the expansion of short-time working compensation the recession has not been even more severe. The continuing uncertainty is negatively affecting both demand and investment activity. The future measures against the Corona pandemic will have a significant impact on economic development. Once the pandemic subsides, the expected recovery of the global economy will also have a positive impact on business activity in Eastern Switzerland. Low interest rates and the stable Swiss franc as well will contribute to improving the framework conditions for the economy.

The real estate market in Eastern Switzerland remains particularly solid in private homes, due to the continuing high demand. Interest rates are expected to remain low and thus demand for residential investment properties will remain high. We note that very low yields are currently accepted in some cases. The situation for commercial and retail properties remains tense in view of the current uncertain situation. Especially for retail space, the pressure on rents will continue.

### **Stable dividend**

The Board of Directors will propose a constant dividend of CHF 16 per share to the Annual General Meeting of Shareholders on May 5, 2021. This corresponds to a pay-out ratio of 57% of the consolidated profit and a dividend yield of 3.9%, calculated on the 2020 year-end price.

### **Outlook 2021**

For the 2021 financial year, St.Galler Kantonalbank expects a result slightly below the previous year's level.

## Key figures

In CHF million	2020	2019	change
Operating income	486.7	479.2	+1.6%
Operating result	191.7	197.4	-2.9%
Consolidated profit	167.2	163.9	+2.0%

In CHF million	Dec. 31, 2020	Dec. 31, 2019	change
Balance sheet total	38'548	35'944	+7.2%
Total loans to clients	28'016	26'937	+4.0%
Managed assets <sup>1</sup>	48'628	45'763 <sup>2</sup>	+6.3%
Shareholders' equity	2'591	2'552	+1.5%
Employees	1'297	1'276	+1.6%
Full-time equivalents <sup>3</sup>	1'115	1'099	+1.4%

### 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](http://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/P-1 Bank Deposit Rating as well as an Aa2 Senior Unsecured Debt Rating from Moody's. Further information at: [www.sgkb.ch/en](http://www.sgkb.ch/en)

<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> As of Dec. 31, 2019, an adjustment of CHF 584.8 million was made to the double counting of self-issued funds in global custody accounts with third-party banks. Reported assets under management decreased by this amount.

<sup>3</sup> Average balance