
Media Release

St.Gallen, August 18, 2021

Ad hoc announcement pursuant to Art. 53 LR

This text is a translation from the media release in German, which version shall be decisive.

St.Galler Kantonalbank significantly increases profit

St.Galler Kantonalbank increases its consolidated profit by 12.4% to CHF 93.9 Mio. and achieves net new money growth of CHF 2.9 billion. It thus demonstrates its excellent positioning in the investment business.

Broad-based growth

St.Galler Kantonalbank continues to grow significantly and records net new money inflows of CHF 2.9 billion. Assets under management reach a new high of CHF 53.9 billion (+10.9%). The strong growth is driven by Private Banking with net new money of CHF 1.9 billion, to which institutional investors contribute CHF 0.5 billion. In Retail Banking, net new money amounts to CHF 0.9 billion, with growth among natural persons accounting for around two-thirds. Customer loans increase by CHF 0.1 billion to CHF 28.2 billion (+0.5%), with strong growth among private individuals being offset by repayments of short-term loans from institutional borrowers. The volume of COVID loans remains stable at CHF 0.1 billion.

«This growth confirms our strong positioning and the high level of customer confidence», says Christian Schmid, CEO of St.Galler Kantonalbank.

Profit significantly increased

At CHF 93.9 Mio., SGKB's consolidated profit is 12.4% higher than in the previous year.

Operating income increased by 2.6% to CHF 253.2 million. The expanded mortgage portfolio and the management of the SNB exemption limit can only partially compensate the effects of the persistently low interest rate environment and declining margins. As a result, gross interest income (CHF 153.5 million) is 1.4% lower than in the previous year. After stock market prices had slumped in the first half of the previous year under the impact of the Corona pandemic, the 2021 Stock Exchange performed exceptionally well. The pleasing growth in new money and the positive stock market performance contribute to a 14.6% increase in income from commission business and services (CHF 74.2 million). This demonstrates the excellent positioning of SGKB in the investment business. The trading business (CHF 20.6 million; +27.5%) also benefited from the good stock market performance and the associated increase in investor activity.

Operating expenses increased by 3.0% to CHF 134.3 million, mainly due to higher headcount and higher costs for IT and projects, while marketing and travel continue to generate lower costs due to the pandemic. While CHF 4.4 million net of default risk-related valuation allowances and provisions from the credit business were provided in the previous year, CHF 0.7 million net of valuation allowances and provisions from the credit business are reversed in the first half of 2021. This results in a positive effect of CHF 5.1 million compared to the previous year. The credit portfolio remains in very good condition.

Christian Schmid, CEO of St.Galler Kantonalbank: «The fact that we are already able to release provisions again on a net basis after the pandemic year 2020 demonstrates the robustness of our loan portfolio in an improving economic situation.»

Eastern Swiss economy robust

Economic development has gained significant momentum since the beginning of the year. Many companies in Eastern Switzerland have come through the past year better than initially expected. While the export-oriented industry already developed very well at the beginning of the year, the service sector was also able to benefit thanks to increasing easing from March onwards. In particular, the business situation in the catering and entertainment sectors, which were severely affected by the measures to combat the pandemic, brightened somewhat. Thanks to short-time working, COVID credits and hardship programs, it was possible to cushion the impact of the pandemic in many cases. Companies that were already in a solid position before the pandemic were more able to cope with the short-term drop in earnings. In the construction sector, sales even rose last year.

Outlook improved

For the second semester, St.Galler Kantonalbank expects a result in the extent of the first semester. The expectation for the year-end result of 2021 is adjusted upwards: a result above the one of the previous year is expected.

Key figures

In CHF million	1st semester 2021	1st semester 2020	change
Operating income	253.2	246.7	+2.6%
Operating result	109.0	98.6	+10.6%
Consolidated profit	93.9	83.6	+12.4%

In CHF Mio.	June 30, 2021	Dec. 31, 2020	change
Balance sheet total	39'487	38'548	+2.4%
Total loans to clients	28'165	28'016	+0.5%
Managed assets ¹	53'939	48'628	+10.9%
Shareholders' equity	2'590	2'591	-0.0%
Employees Full-time equivalents (average balance)	1'301 1'115	1'297 1'115	+0.3% -0.0%

Detailed financials as well as video footage can be found at: www.sgkb.ch/finanzzahlen

Shareholder letter: www.sgkb.ch/aktionaersbrief

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/P-1 Bank Deposit Rating as well as an Aa2 Senior Unsecured Debt 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).