

## [ Interim Report 2009 ]



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## Group Key Figures

<b>Income Statement</b> in CHF 000s	<b>June 30, 2009</b>	June 30, 2008	June 30, 2007
Operating income	270 743	266 225	283 919
Administrative expenses	139 561	141 108	131 866
Operating profit (interim result)	98 092	98 103	130 751
Group net profit	85 291	89 703	115 788

<b>Balance Sheet</b> in CHF 000s	<b>June 30, 2009</b>	Dec. 31, 2008	Dec. 31, 2007
Loans to customers	18 241 773	17 944 796	17 102 122
Customer funds	16 450 334	14 885 373	12 292 293
Balance sheet total	23 964 887	22 577 338	20 235 796
Shareholders' equity	1 712 751	1 744 273	1 739 533

<b>Funds under Management</b> in CHF 000s			
Funds under management	39 877 236	37 672 912	37 883 264

<b>Headcount</b>			
Full-time equivalents (in accordance with FINMA; apprentices calculated at 50%)	1 121	1 098	1 007
Number of employees:			
– Individuals	1 263	1 235	1 132
– of which trainees	116	115	111

<b>Key Figures</b>	<b>June 30, 2009</b>	June 30, 2008	June 30, 2007
<b>SGKB share</b> in CHF			
Earnings per share	15.41	16.18	20.89
Dividend per share	20.00	26.00	0.00
Repayment of the par value per share	0.00	0.00	30.00
Market price as of June 30	378.00	461.50	607.00

<b>Return on equity</b>			
Return on equity, pre-tax (basis: operating profit)	11.7%	12.0%	16.4%
Return on equity, after tax (basis: group net profit)	10.2%	11.0%	14.6%

<b>Cost/income ratio</b>			
Cost/income ratio including depreciation on fixed assets	54.5%	56.0%	49.1%

<b>Equity key figures</b>	<b>June 30, 2009</b>	Dec. 31, 2008	Dec. 31, 2007
BIS ratio tier 1	13.4%	13.7%	13.9%
BIS ratio tier 2	13.7%	14.2%	14.5%
Excess capital ratio (CH standard)	71.9%	72.2%	83.0%
Shareholders' equity as % of balance sheet total	7.1%	7.7%	8.6%

The values listed in the figures section are rounded. For this reason the respective totals may differ from the sum of the values.

<b>Moody's Rating</b>	<b>June 30, 2009</b>	Dec. 31, 2008	Dec. 31, 2007
Senior unsecured domestic currency	Aa1	Aa1	Aa1
Bank deposits	Aa1/P-1	Aa1/P-1	Aa1 / P-1
Bank financial strength	B-	B-	B-

**Title picture:** The current shareholders' reports for the Cantonal Bank of St. Gallen are illustrated with prized collections from eastern Switzerland. The title picture for this half-year report features design classics from the collection of the St. Gallen designer Roman Dieziger.



Dr. Franz Peter Oesch  
Chairman of the Board of Directors



Roland Ledergerber  
Chief Executive Officer

## Dear Shareholders

The Cantonal Bank of St. Gallen (SGKB) achieved a sound result in the first half of 2009 in a continuing difficult market environment. We are pleased that loans to customers have increased by 1.7% and funds under management by 5.9%, which at CHF 40 billion are at a new record high. These figures reflect the high level of trust the Cantonal Bank of St. Gallen enjoys among its customers.

The export-oriented economy of eastern Switzerland is feeling the understandable effects of the global economic downturn increasingly. You can see from our figures that we have not cut back on lending at all. Nonetheless, the lending portfolio of the Cantonal Bank of St. Gallen looks healthy. The SGKB's current lending policy of continuing to focus on the long term has paid off. Valuation adjustments remain at a low level. The bank considers the property market in eastern Switzerland to be stable.

Given the difficult environment, the first half of the year showed the degree of development expected. We did well in the areas we were able to influence, including growth in customer business, prudent budgeting as regards costs and implementing our own projects according to deadlines. These include opening the new subsidiary bank in Munich, St. Galler Kantonalbank Deutschland AG, which commenced business operations in mid May.

The current figures and the bank's healthy finances show that the SGKB has a good basis and is well positioned. Our strategic focus with the balanced business model of lending and investment activities is right and provides a strong foundation for our future development. We are delighted to offer further proof of this statement in the results of the latest employee survey. The high level of satisfaction has increased again: what is striking is the fact that a sense of identification and attachment to the bank are important and more highly valued than individual job satisfaction. Given the challenges in the present situation, these values are outstanding.

We are proud of the fact that our employees show such strong support for our bank. We would be just as pleased if you, our esteemed shareholders, were to remain loyal to the Cantonal Bank of St. Gallen. For this we would be very grateful. We should like to show that your loyalty is justified in the second half of the year too.

A stylized handwritten signature in blue ink, consisting of a few sweeping lines that form the name.

Dr. Franz Peter Oesch

A handwritten signature in blue ink, written in a cursive style that clearly identifies the name Roland Ledergerber.

Roland Ledergerber

## 2009 Half Yearly Accounts

### Half-year profit on a level with last year

Despite difficult market conditions the Cantonal Bank of St. Gallen was able to increase its turnover compared to the previous year. Operating revenue increased by 1.7% to CHF 270.7 million. After-tax profit currently stands at CHF 85.3 million, just 4.9% less than the previous year.

### Interest income: 12.5% up on last year

Net interest income amounts to CHF 166.1 million and is therefore about CHF 18.5 million or 12.5% up on the result for the previous year. This extremely satisfying result was due on the one hand to growth in the customer lending portfolio and on the other hand to the low interest rate and the markedly steeper interest curve.

### Commission and service fee activities: low level of income expected

As expected, uncertainties on the financial markets worldwide gave rise to a net fee and commission income of CHF 76.2 million, CHF 24.6 million (-24.4%) below last year's figure due to market conditions. Regroupings of securities into customer funds and market quotations remaining below the highest levels of last year reduced portfolio-related income by 29%. Lower sales of securities also led to a 14% reduction in transaction-related income.

### Trading activities: noticeable improvement

The result we were able to achieve, CHF 21.3 million, was up on that of the previous year by CHF 8.6 million or 67.7%.

### Administrative expenses: down on last year

Thanks to strict cost control, including measures early on to make savings on projects and routine administrative expenses, these are below those of the previous year by around CHF 1.5 million or 1.1% in total.

### Portfolios: expansion of business volume

Customer loans increased by CHF 297.0 million or 1.7% to CHF 18.2 billion in the first half of 2009. In terms of core business, there was once again disproportionate growth in the

entire volume of credit for private customers and SMEs (mortgages and business loans) of a satisfying CHF 530.4 million, representing an increase of 3.6%. Funds under management recorded a sharp increase, rising by CHF 2.2 billion (5.9%) to CHF 39.9 billion, thus reaching a new record level. Total balance sheet assets increased by CHF 1.4 billion compared to last year and amount to around CHF 24 billion.

### AGM 2009: all motions carried

At the 9<sup>th</sup> regular Annual General Meeting of the Cantonal Bank of St. Gallen on April 23, 2009, the approximately 3900 shareholders present carried all the motions of the Board of Directors. Dr Franz Peter Oesch, Chairman of the Board of Directors, and Hans-Peter Härtsch and Thomas Gutzwiller, members of the Board of Directors, were returned for a further three years. Kurt Rüegg was elected as a new member. Furthermore, the shareholders approved a dividend payment of CHF 20 per share. This dividend totalling CHF 111.5 million corresponds to 65% of the group profit for the financial year ended December 31, 2008.

### Subsidiary bank opens in Munich

On May 18, 2009 the St. Galler Kantonalbank Deutschland AG officially began business operations. Located in Munich, this is the first independent subsidiary of a cantonal bank in Germany. The new subsidiary will concentrate on investment activities.

### Forecast: level with last year

The growth in customer business and the development of costs and risks are satisfying. The SGKB therefore expects an annual result in the region of last year's figure – provided the economic situation does not deteriorate further.

## Group Balance Sheet

<b>Assets</b> in CHF 000s	<b>June 30, 2009</b>	in %	Dec. 31, 2008	in %	Change	in %
Liquid funds	158 105	0.7	187 087	0.8	(28 982)	(15.5)
Receivables from money market instruments	80 039	0.3	22 111	0.1	57 928	–
Due from banks	3 095 533	12.9	2 728 647	12.1	366 886	13.4
Due from customers	2 735 433	11.4	2 886 156	12.8	(150 723)	(5.2)
Mortgage loans	15 506 340	64.6	15 058 640	66.7	447 700	3.0
<b>Total loans to customers</b>	<b>18 241 773</b>	<b>76.0</b>	<b>17 944 796</b>	<b>79.5</b>	<b>296 977</b>	<b>1.7</b>
Securities and precious metals trading portfolios	15 877	0.1	11 117	0.0	4 760	42.8
Financial investments	1 696 907	7.1	1 015 645	4.5	681 262	67.1
Non-consolidated participations	19 300	0.1	19 236	0.1	64	0.3
Fixed assets	170 828	0.7	172 995	0.8	(2 167)	(1.3)
Intangibles	116 922	0.5	135 027	0.6	(18 105)	(13.4)
Accrued income and prepaid expenses	116 913	0.5	105 910	0.5	11 003	10.4
Other assets	252 691	1.1	234 767	1.0	17 924	7.6
<b>Total assets</b>	<b>23 964 887</b>	<b>100.0</b>	<b>22 577 338</b>	<b>100.0</b>	<b>1 387 549</b>	<b>6.1</b>
Of which:						
– Total subordinated amounts receivable	0		0		0	–
– Total due from non-consolidated participations	71 935		73 697		(1 762)	(2.4)

**Liabilities** in CHF 000s

Due to money market instruments	414	0.0	360	0.0	54	15.0
Due to banks	753 238	3.1	561 239	2.5	191 999	34.2
Due to customers in savings and deposits	8 335 471	34.8	6 817 498	30.2	1 517 973	22.3
Other due to customers	7 093 268	29.6	6 944 182	30.8	149 086	2.1
Medium-term notes	1 021 595	4.3	1 123 693	5.0	(102 098)	(9.1)
<b>Total customer funds</b>	<b>16 450 334</b>	<b>68.7</b>	<b>14 885 373</b>	<b>65.9</b>	<b>1 564 961</b>	<b>10.5</b>
Debt and loans secured by mortgages	4 379 783	18.3	4 754 203	21.1	(374 420)	(7.9)
Accrued expenses and deferred income	195 178	0.8	173 698	0.8	21 480	12.4
Other liabilities	286 082	1.2	277 492	1.2	8 590	3.1
Valuation adjustments and provisions	187 108	0.8	180 700	0.8	6 408	3.5
Reserves for general banking risks	0	0.0	3 152	0.0	(3 152)	(100.0)
Share capital	390 140	1.6	390 140	1.7	(0)	0.0
Capital reserve	84 522	0.4	83 204	0.4	1 318	1.6
Profit reserve	1 168 634	4.8	1 109 002	4.9	59 632	5.4
less treasury shares	15 836	0.1	12 360	0.1	3 476	28.1
Group net profit	85 291	0.4	171 135	0.8	(85 844)	(50.2)
<b>Total shareholders' equity</b>	<b>1 712 751</b>	<b>7.1</b>	<b>1 744 273</b>	<b>7.7</b>	<b>(31 522)</b>	<b>(1.8)</b>
<b>Total liabilities</b>	<b>23 964 887</b>	<b>100.0</b>	<b>22 577 338</b>	<b>100.0</b>	<b>1 387 549</b>	<b>6.1</b>
Of which:						
– Total subordinated amounts payable	99 980		99 980		0	0.0
– Total due to non-consolidated participations	1 199 047		1 217 454		(18 407)	(1.5)
– Total due to the Canton of St. Gallen	560 477		792 873		(232 396)	(29.3)

**Off-Balance-Sheet Transactions** in CHF 000s

Contingent liabilities	300 642		358 293		(57 651)	(16.1)
Irrevocable commitments	144 705		147 300		(2 595)	(1.8)
Liabilities for calls on shares and other equities	54 785		60 390		(5 605)	(9.3)
Derivative financial instruments:						
– Contract volume	9 123 985		9 488 240		(364 255)	(3.8)
– Positive replacement values	160 155		203 283		(43 128)	(21.2)
– Negative replacement values	181 203		172 405		8 798	5.1
Fiduciary transactions	3 511 848		4 224 098		(712 250)	(16.9)

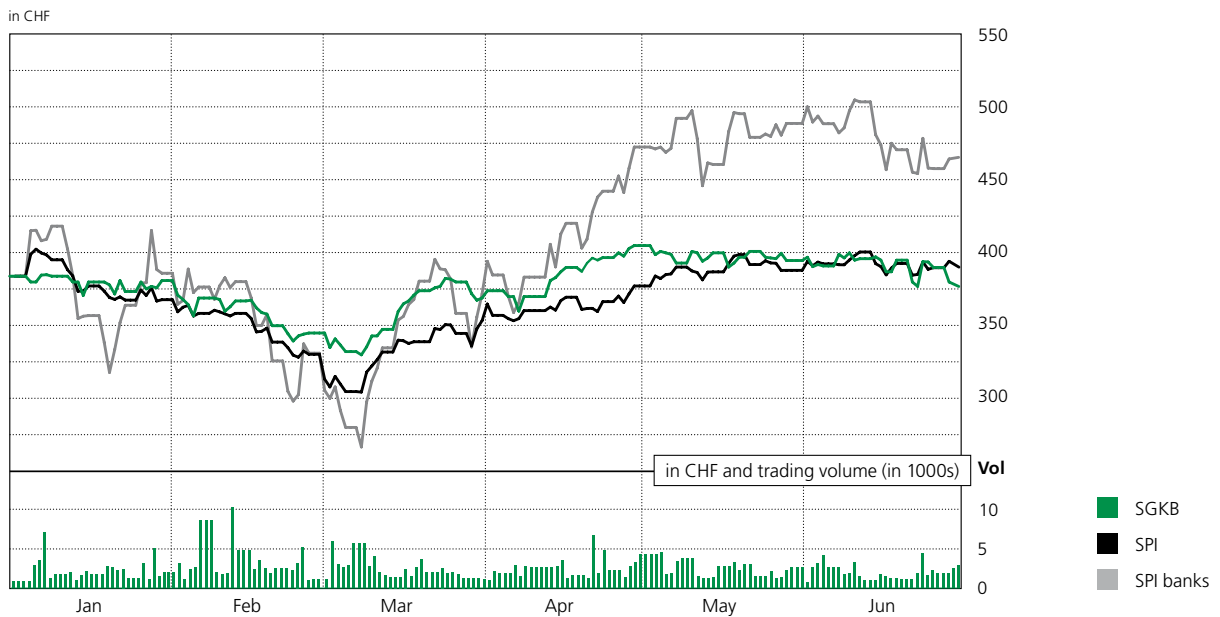
## Group Income Statement

in CHF 000s	June 30, 2009	June 30, 2008	Change	in %
Interest and discount income	286 783	326 029	(39 246)	(12.0)
Interest and dividend income on trading portfolios	169	374	(205)	(54.8)
Interest and dividend income on financial investments	16 556	10 062	6 494	64.5
Interest expenses	137 423	188 869	(51 446)	(27.2)
<b>Net interest income</b>	<b>166 085</b>	<b>147 596</b>	<b>18 489</b>	<b>12.5</b>
Commission income from lending activities	1 250	1 167	83	7.1
Commission income from securities and investment activities	73 265	98 063	(24 798)	(25.3)
Commission income from other service fee activities	8 771	9 278	(507)	(5.5)
Commission expenses	7 079	7 727	(648)	(8.4)
<b>Net fee and commission income</b>	<b>76 207</b>	<b>100 781</b>	<b>(24 574)</b>	<b>(24.4)</b>
<b>Net trading income</b>	<b>21 289</b>	<b>12 698</b>	<b>8 591</b>	<b>67.7</b>
Results from the sale of financial investments	4 714	3 509	1 205	34.3
Income from participation accounted by equity method	64	0	64	–
Income from non-consolidated participations	1 297	1 730	(433)	(25.0)
Results from real estate	941	628	313	49.9
Other ordinary income	541	688	(147)	(21.4)
Other ordinary expenses	394	1 405	(1 011)	(71.9)
<b>Net other income</b>	<b>7 162</b>	<b>5 150</b>	<b>2 012</b>	<b>39.1</b>
<b>Operating income</b>	<b>270 743</b>	<b>266 225</b>	<b>4 518</b>	<b>1.7</b>
Personnel expenses	86 095	80 883	5 212	6.4
Other operating expenses	53 467	60 225	(6 758)	(11.2)
<b>Administrative expenses</b>	<b>139 561</b>	<b>141 108</b>	<b>(1 547)</b>	<b>(1.1)</b>
<b>Gross profit</b>	<b>131 182</b>	<b>125 117</b>	<b>6 065</b>	<b>4.8</b>
Depreciation and write-offs on fixed assets and participations	5 156	5 478	(322)	(5.9)
Depreciation of intangibles	18 186	20 311	(2 125)	(10.5)
Valuation adjustments, provisions and losses	9 748	1 225	8 523	–
<b>Operating profit (interim result)</b>	<b>98 092</b>	<b>98 103</b>	<b>(11)</b>	<b>0.0</b>
Extraordinary income	3 743	12 729	(8 986)	(70.6)
<i>of which dissolution of reserves for general banking risks</i>	<i>3 152</i>	<i>11 846</i>	<i>(8 694)</i>	<i>(73.4)</i>
Extraordinary expenses	187	70	117	–
<b>Group profit before taxes</b>	<b>101 648</b>	<b>110 762</b>	<b>(9 114)</b>	<b>(8.2)</b>
Taxes	16 357	21 059	(4 702)	(22.3)
<b>Group net profit</b>	<b>85 291</b>	<b>89 703</b>	<b>(4 412)</b>	<b>(4.9)</b>

Divisional Accounts	Retail and Commercial Banking		Private Banking		Corporate Center		Group	
	June 30, 09	June 30, 08	June 30, 09	June 30, 08	June 30, 09	June 30, 08	June 30, 09	June 30, 08
<b>Income Statement</b> in CHF 000s	<b>June 30, 09</b>	<b>June 30, 08</b>	<b>June 30, 09</b>	<b>June 30, 08</b>	<b>June 30, 09</b>	<b>June 30, 08</b>	<b>June 30, 09</b>	<b>June 30, 08</b>
<b>Operating income</b>	<b>129 345</b>	<b>136 020</b>	<b>97 303</b>	<b>116 963</b>	<b>44 095</b>	<b>13 242</b>	<b>270 743</b>	<b>266 225</b>
<b>Administrative expenses</b>	<b>66 106</b>	<b>62 460</b>	<b>62 175</b>	<b>49 691</b>	<b>11 281</b>	<b>28 957</b>	<b>139 561</b>	<b>141 108</b>
<b>Gross profit</b>	<b>63 239</b>	<b>73 560</b>	<b>35 128</b>	<b>67 272</b>	<b>32 814</b>	<b>(15 715)</b>	<b>131 182</b>	<b>125 117</b>
Depreciation and write-offs on fixed assets and intangibles	0	0	1 471	854	21 871	24 935	23 342	25 789
Valuation adjustments, provisions and losses	1 064	183	8 684	633	0	408	9 748	1 225
<b>Operating profit (interim result)</b>	<b>62 175</b>	<b>73 377</b>	<b>24 974</b>	<b>65 785</b>	<b>10 944</b>	<b>(41 058)</b>	<b>98 092</b>	<b>98 103</b>
Extraordinary income, net	0	0	0	790	3 556	11 868	3 556	12 658
Taxes	6 520	7 758	5 140	10 695	4 697	2 606	16 357	21 059
<b>Group net profit</b>	<b>55 655</b>	<b>65 619</b>	<b>19 833</b>	<b>55 880</b>	<b>9 803</b>	<b>(31 796)</b>	<b>85 291</b>	<b>89 703</b>
<b>Other data</b> in CHF 000s	<b>June 30, 09</b>	<b>Dec. 31, 08</b>	<b>June 30, 09</b>	<b>Dec. 31, 08</b>	<b>June 30, 09</b>	<b>Dec. 31, 08</b>	<b>June 30, 09</b>	<b>Dec. 31, 08</b>
Loans to customers	16 768 776	16 296 250	1 472 997	1 648 546	0	0	18 241 773	17 944 796
Customer funds	9 729 483	9 156 469	6 720 851	5 728 904	0	0	16 450 334	14 885 373
Funds under management	12 669 868	12 101 987	27 207 368	25 570 925	0	0	39 877 236	37 672 912
Full-time equivalents	491	488	361	339	270	271	1 121	1 098
Cost/income ratio	51.1%	45.9%	65.1%	43.2%	n/a	n/a	54.5%	56.0%

## SGKB Share

The value of SGKB shares amounted to CHF 378 at the end of the first half of the year. Since December 31, 2008 the price has become comparatively stable with no major fluctuations.

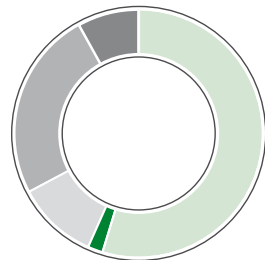


Ticker symbol: SGKN, Swiss security no.: 1148406, listed on: SIX Swiss Exchange, issued: April 2, 2001

Figures and Data	June 30, 2009
Earnings per share	CHF 15.41
Proposed dividend per share	CHF 20.00 <sup>1</sup>
Total shares issued	5 573 426
Time-weighted number of dividend-bearing shares	5 536 276
Number of shares held by SGKB (average)	37 150
Shareholders	28 761
Issue price (IPO)	CHF 160.00
Market price	CHF 378.00
Market capitalization	CHF 2 106.8 million
Ratio of market capitalization/ shareholders' equity	123.0 %
Reported shareholders' equity	CHF 1 712.8 million
Return on equity (basis: operating profit)	11.7 %
Dividend yield	5.3 %
Price-earnings ratio	12.3

<sup>1</sup> For the financial year ended Dec. 31, 2008.

### Shareholder Structure



Canton of St. Gallen	54.8 %
SGKB employees	1.9 %
Corporates	10.6 %
Individuals	24.8 %
Registration pending	7.9 %

## Contact

### [ Shareholders ]

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## Important Information Sources

	[ Frequency ]
Annual conference for media/analysts	annual
Annual report (German)	annual
Annual report (English)	annual
Shareholders' Meeting	annual
Interim report (newsletter to shareholders)	annual
Interim conference for media/analysts	annual
Newsletter to shareholders in German and English	semi-annual
Press releases	as required
www.sgkb.ch	ongoing

Current publication and event dates are available at  
www.sgkb.ch (→ English site: Financial calendar)



## Board of Directors and Group Management

### Board of Directors

Dr. Franz Peter Oesch, Chairman	Dr. Hans-Jürg Bernet	Martin Gehrler	Kurt Rüegg
Hans-Peter Härtsch, Vice Chairman	Dr. Niklaus Fäh	Prof. Dr. Thomas A. Gutzwiller	Dr. Claudia Zogg-Wetter

### Group Management

Roland Ledergerber Chief Executive Officer	Albert Koller Retail and Commercial Clients	Daniel Lipp Private Banking	Dr. Felix Buschor Service Center	Dr. Christian Schmid Finance and Risk Management
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## Brief Profile

The **Cantonal Bank of St.Gallen Group** comprises the parent company, the Cantonal Bank of St.Gallen (SGKB), founded in 1868, and its subsidiaries: the Hyposwiss Privatbank AG of Zurich, the Hyposwiss Private Bank Genève SA in Geneva and the St.Galler Kantonalbank Deutschland AG in Munich. SGKB has been listed on the SIX exchange since 2001. The Canton of St.Gallen is the majority shareholder, with 54.8% of the share capital. The parent company, SGKB, offers a comprehensive range of financial services to its customers in the cantons of St.Gallen and Appenzell Ausserrhoden. In addition, the Cantonal Bank of St.Gallen assumes responsibility for the economic, social and cultural development of the region as an employer, taxpayer and sponsorship partner. On June 30, 2009 the group employed a total of 1121 full-time staff. The parent company operates with a state guarantee and has an Aa1 credit rating from Moody's.