

## FINANCIAL YEAR 2004



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**St.Galler  
Kantonalbank**

## EDITORIAL

### Growing together – enjoying success together

Dear Shareholders,

We are delighted to present you with an excellent annual report for the financial year 2004. Ever since we became a listed company in 2001 Group profit has risen every year. 2004 was yet another year with a record result.

A constant striving for new records is not, however, our main goal. The success story of the SGKB Group is based on a continuous solid strategy which has proven more productive than frequent changes of direction. In retrospect, our decision to invest in highly profitable client segments and private banking was a particularly judicious one. This has enabled us to more than compensate for the long-predicted downturn in interest-related operations.

We are also proud to direct your attention to the most remarkable 22.2% rise in the value of SGKB shares over the course of 2004. This increase surpassed that of traditional «blue chip» companies. We were also pleased that leading Swiss financial media regularly recommended our shares. Your advantages as shareholder are twofold: you benefit both from the rise in the value of our shares and the dividend payout following our latest success.

We would like to thank you for the confidence you have shown in the Cantonal Bank of St. Gallen. We would further like to extend a special thank you to our employees for their contribution towards these outstanding results.



Dr. Franz Peter Oesch



Dr. Urs Rügsegger



Dr. Franz Peter Oesch  
Chairman of the Board of Directors

Dr. Urs Rügsegger  
Chief Executive Officer

#### Title photo

«Growing together» does not stop at the end of the working day: the photos for the 2004 financial year show SGKB employees who also follow the basic principle of our company in their leisure time – from assisting disabled sports enthusiasts and giving guided tours to helping out on a farm.

(Photos: Daniel Ammann, St. Gallen)

## REVIEW AND PROSPECTS

### An extremely successful financial year

The financial 2004 year was once more very successful for the SGKB Group. Gross profit, the operating profit and Group net profit increased significantly in comparison to 2003. These results were primarily due to the increase in securities activities, strict control of administrative expenses and lower valuation adjustments and provisions in lending activities. The increase in Group net profit to CHF 114.9 million (+9.7%) was very positive, particularly since CHF 34.0 million have been assigned to the reserves for general banking risks.

Consolidated operating income in 2004 amounted to CHF 452.0 million, almost matching the high figure achieved in the previous year (–CHF 5.1 million or –1.1%). Although the anticipated downturn on the net interest income occurred, this was more than offset by higher commission and service fee income. The planned diversification between interest-related operations and private banking was thus crowned with the desired positive effect. Personnel expenses fell by CHF 3.9 million or 2.9% and other operating expenses decreased by CHF 9.1 million or 7.9%. Consequently, gross profit rose by CHF 8.0 million to CHF 215.1 million (+3.9%). The risk situation is also highly pleasing: although credit risks were again very cautiously valued, valuation adjustments, provisions and losses were reduced by CHF 10.8 million to CHF 14.2 million (–43.2%). The operating profit therefore rose by CHF 20.8 million to CHF 162.7 million (+14.7%). The sale of AGI Holding AG resulted in a profit of CHF 20.1 million which may be seen in extraordinary income. The excellent business growth and the extraordinary sales revenue led to the formation of reserves for general banking risks amounting to CHF 34.0 million. These reserves will be partially used to finance the migration to a new IT platform, which is scheduled to take place by 2008.

#### Selective growth in credit business

In comparison to 2003, net interest income

declined by 4.7% or CHF 13.4 million to CHF 270.9 million. This was mainly due to the long maturities of fixed-interest mortgages and their extension at a lower rate of interest. The increase in client loans by CHF 91.4 million (+0.6%) may appear modest at first glance. Outflow primarily occurred for three reasons: firstly, low-margin business was, as in the previous year, deliberately reduced in order to strengthen the Bank's profitability; secondly, the adjustment of non-performing items was systematically continued; thirdly, the Berlin loans – tax-privileged investments that were issued for the financing of the reconstruction of Berlin – expired. In connection with the reduction of impaired loans, the balance of valuation adjustments and provisions was also reduced by CHF 9.4 million to CHF 216.1 million. A very pleasing increase of CHF 544.1 million or 4.1% was achieved in the core business, i.e. lending business with private clients and small and medium-sized companies. Customer funds decreased by CHF 203.3 million. This was mainly attributable to the reduction in volatile fixed-term deposits (–CHF 256.2 million) since these funds with lower medium- and long-term rates either flowed out or were changed into deposited securities. The development of interest rates also led to a decrease of CHF 88.8 million in medium-term notes. By contrast, amounts due to customers in savings and deposits and other amounts due to customers on sight increased by CHF 64.7 million and CHF 77.0 million respectively.

#### Increase of CHF 1.2 billion in funds under management

The acquisition of new funds and the improving mood of the stock market led to a substantial increase of CHF 1.2 billion in funds under management, reaching a total of CHF 26.5 billion (+4.6%). The proportion of new funds (net new money according to the definition of the Federal Banking Commission) is therefore CHF 602.2 million.

St. Galler Vermögensberatung (SGVB) was retrospectively incorporated in SGKB from 1 January 2004. Since then, the activities of the former SGVB have been managed in a separate market segment – «St. Galler Kantonalbank Private Banking» – within the parent company. The subsidiary HYPOSWISS Privatbank AG and Private Banking SGKB were combined in the divisional accounts to form the «Private Banking» Division, effective 1 January 2004. This move means that more emphasis is now being placed on the extension of the private banking segment as a strategic success factor in the SGKB Group.

This Division of the parent company concentrates its activities on private customers who have complex investment requirements and wish to make use of the entire range of services of SGKB, as well as on the institutional customers primarily involved in the area of pension funds. The market territory includes Eastern Switzerland and neighbouring regions in Austria and Germany. HYPOSWISS handles the asset management business in the Greater Zurich area and offshore banking, mainly in selected high-growth countries in Central and Eastern Europe and South America.

Due to the intensive market development measures and as a result of rising capital markets, the Private Banking Division increased its operating income in the year under review by CHF 24.4 million or 18.5% to CHF 155.9 million. Cost control in the Group also helped the Private Banking Division to reduce its administrative expenses by CHF 1.9 million or 2.5% to CHF 74.3 million. This led to a very high gross profit increase of 47.4%, rising from CHF 55.4 million to CHF 81.6 million (+ CHF 26.2 million).

#### **SGKB shares still flying high**

Just like the annual financial statements, the performance of SGKB shares was very good. In the year under review, share value improved by 22.2%. This performance occupies a leading position in comparison with other cantonal banks and the Bank Index. In order to allow shareholders to participate in these excellent

results, the Board of Directors will submit a resolution to the 2005 general meeting proposing a dividend increase to CHF 9.00 per share.

#### **A continuing success story**

The positive results achieved in 2004 mean that the SGKB Group has improved its operating results for the fourth year in a row. The Bank has managed to reduce the cost-income ratio, continuously increasing productivity and maintaining high levels of equity return. This achievement is a clear indication of the success of the strategy pursued since the stock market listing in 2001, which is a continuous increase in income through systematic concentration on attractive client segments and a purposeful extension of business activities into the private banking sector. The annual financial statements for 2004 furthermore clearly demonstrate that we were right to pursue the strategy of increasing the commission share and service fee business, thus diversifying the income base.

#### **Prospects for 2005: continuing success**

In 2005 SGKB will continue its present strategy in order to increase profitability still further. The focal points of this strategy will be to continuously develop and improve the results achieved to date. Specific measures will also be deployed to attain growth in strategically important business segments. In particular, the expansion activities in the private banking segment will be continued. In addition to intensification of market activities in Eastern Switzerland, more attention will be paid to selected key international markets. This will also enable SGKB to increase corporate value in future in the interest of shareholders. This goal will be achieved by both a continuous reduction in costs and a moderate risk policy. The SGKB Group is confident that it can achieve its targets yet again in 2005.

## INTERVIEW

Urs Rügsegger, CEO of St.Galler Kantonalbank:  
«We also want to 'grow together' in 2005.»

The SGKB has achieved record results every year since its listing on the stock market in 2001. In your opinion, what have been the reasons for this successful development?

We were actually a success story ever since we went public. The stock market listing was the culmination of several specific measures for implementing our chosen strategy. For example, we have managed to achieve continuous growth in the attractive asset management business through the expansion of the private banking segment, in particular the acquisition of HYPO-SWISS. However, SGKB has generally maintained its responsible growth policy and has avoided high-risk volume acquisitions. We have also substantially reduced costs through systematic control of our business efficiency.

How do you rate the annual results of SGKB in 2004?

Naturally, I am pleased that the Bank again posted record results. I am even more pleased that we yet again managed to increase gross profit despite the considerable decrease in interest-related business. The integration of St.Galler Vermögensberatung in the parent company and the establishment of the Investment Center represented two major steps within the SGKB Group. They will lead to even more intensive cooperation between client segments and increase our specialist skills in the field of client investment.

What precautions are you taking to maintain your high-quality credit portfolio?

I would first like to emphasize that we had a very comfortable risk situation and lower valuation adjustments for credit risks in 2004. In my

opinion, this is the result of the systematic implementation of our lending policy. In future, we will also maintain our basic principles relating to accepting collateral and debt capacity. The development of our credit portfolio is also continuously monitored, for example through quick reactions when credit limits are exceeded.

SGKB has massively expanded the private banking segment in the last three years. What were the reasons for this expansion and what further steps can be expected?

A glance at our results in 2004 provides the best answer: thanks to the increase in the commission and service fee business, SGKB was able to diversify its profit basis and reduce the one-sided dependency on interest-related business. We are convinced that we can increase profit opportunities in the investment segment still further. Since asset management services represent a growing need among our clients, we will also extend the private banking segment in future. Finally, the higher value added in this segment will also improve the profitability of the SGKB Group as a whole.

IT platforms are undergoing radical change, especially in cantonal banks. What strategic action is SGKB taking in order to ensure professional technical settlements in future?

As is already known, SGKB will continue to use the existing Swisscom IT Services platform until 2008. This will give us latitude to choose a modern system which will enable us to manage bank processes even more efficiently and also naturally reduce our operating costs. After all, IT systems account for around a quarter of our total administrative costs. In addition to the evaluation of a reliable platform, we are therefore paying special attention to cost control.

What are your most important plans in 2005?

I would like to emphasize three issues: firstly, we intend to continue improving our client services like we did in the past. The positive results of a client survey have encouraged us in this respect. Secondly, in this year we will position ourselves even more emphatically as a provider of private banking services in Eastern Switzerland. The objective of the marketing campaign, which we launched last year with well-known personalities from the region, was to publicize the «cantonal bank» brand in this segment and make clients and the general public aware of the quality standards that have been built up over the past few years. Thirdly, we want to use the synergies produced between the private and business client segments and private banking in 2004 to ensure that existing and potential clients make more use of SGKB as the main bank for all their financial transactions. In this way we will also «grow together» with our clients in 2005.

## PRIVATE BANKING

### 300 institutional investors trust SGKB

SGKB provides services to institutional investors as part of its private banking business. The Bank's focus here is on large investors with substantial and mostly continuous investment needs, such as pension funds, commercial firms, insurance companies and public corporations.

#### **Demanding environment**

Over the course of the last decade, the asset management business has enjoyed extraordinary growth. This trend was influenced by the rise in share prices during the last decade, the development in occupational pensions after 1985 on account of the Federal Occupational Retirement, Survivors' and Disability Pension Plans Act (BVG) and the high demand for professionally managed investment products. However, since share markets have started to decline, an increasing number of political discussions are being held, particularly in connection with the sustainability of our pension provision model. Demographic developments in Switzerland, in particular the growing percentage of senior citizens, pose another problem in connection with the maintenance of the old-age pension system. Numerous pension funds are having problems due to under-coverage of their obligations. The reduction in the minimum interest rate is one consequence of this trend.

#### **Increased demands**

The objectives of a pension fund are to accumulate capital through contributions and investment income and furnish services in the form of pensions. A balanced ratio between assets and liabilities should be maintained. Since it is likely that average yields on financial markets in the future will be less than those over the last 20 years, the demands on investment managers in companies and pension funds and on providers of financial services have increased considerably.

### Greater needs

In the light of increasing uncertainty, pension funds appreciate intensive investment management and support services. In particular, there are now signs of a trend towards absolute performance on account of low yields. Professional investment advice can lead to efficient management of portfolios in this case. An increasing number of companies are therefore outsourcing management of their pension funds in order to again concentrate more closely on their core competence.

### Partner for investments and pensions

In this environment, SGKB is aiming to offer its customers the best possible service through a high degree of professionalism and competence. The Bank gears its advice towards individual needs, formulates selective strategies and provides answers to all investment questions. The services offered include the provision of advice and trading access for institutional investors who personally manage their portfolios. In this respect, we attach great importance to strategic and tactical alignment of asset distribution. Studies show that 80% of the success of investments depends on the selection of the correct strategy. Security versus growth and liquidity and flexibility must be carefully weighted in each individual case.

### Concentrated investment competence

SGKB focuses on the regional market and benefits from its strong local presence. Short decision-making pathways and customer relations based on a spirit of trust ensure that customers receive needs-oriented advice every day, including tailor-made solutions and interesting investment opportunities.

In addition to the provision of investment advice, asset managers concentrate on developing special mandates for institutional investors all over Switzerland. The Investment Center of the SGKB Group provides valuable investment support and know-how in this respect. In its

capacity as an independent institute, SGKB also cooperates with different banks in order to obtain the best possible prices in securities trading.

## St.Galler Kantonalbank for institutional investors

SGKB offers its institutional investors and all company representatives a complete range of needs-oriented investment services and extensive know-how in the pension fund segment. On 31 December 2004, SGKB managed assets of some 300 institutional clients amounting to CHF 5.6 billion.

The services offered to institutional investors include:

- Investment advice: advice regarding all investment questions, investment recommendations and access to trading
- Asset management: continuous management of assets by the Investment Center of the SGKB Group
- Cash management: optimization of short-term financial investments
- Swisscanto Investment Foundation: collective management of assets of Swiss pension funds with tax optimization opportunities
- Securities management: securities accounting conforming with audit requirements and independent management of personal pensions in cooperation with Swisscanto Vorsorge AG



Eugen Melliger, Head of Institutional Investment Management, St. Galler Kantonalbank

## Group Balance Sheet

<b>ASSETS</b> in CHF 000s	Dec. 31, 2004	in %	Dec. 31, 2003	in %	Change	in %
Liquid funds	147 514	0.8	130 816	0.7	16 698	12.8
Receivables from money market instruments	291 217	1.6	285 515	1.5	5 702	2.0
Due from banks	907 287	4.9	1 339 291	7.1	(432 004)	(32.3)
Due from customers	2 437 206	13.1	2 689 118	14.2	(251 912)	(9.4)
Mortgage loans	13 565 709	73.1	13 222 394	69.9	343 315	2.6
<i>Total loans to customers</i>	<i>16 002 915</i>	<i>86.2</i>	<i>15 911 512</i>	<i>84.1</i>	<i>91 403</i>	<i>0.6</i>
Securities and precious metals trading portfolios	26 181	0.1	13 321	0.1	12 860	96.5
Financial investments	725 792	3.9	735 132	3.9	(9 340)	(1.3)
Non-consolidated participations	21 846	0.1	32 723	0.2	(10 877)	(33.2)
Fixed assets	164 008	0.9	181 108	0.9	(17 100)	(9.4)
Intangibles	99 784	0.6	123 262	0.7	(23 478)	(19.0)
Accrued income and prepaid expenses	82 178	0.4	81 683	0.4	495	0.6
Other assets	84 931	0.5	78 426	0.4	6 505	8.3
<b>Total assets</b>	<b>18 553 653</b>	<b>100.0</b>	<b>18 912 789</b>	<b>100.0</b>	<b>(359 136)</b>	<b>(1.9)</b>
Of which:						
– Total subordinated amounts receivable	0		4 287		(4 287)	(100.0)
– Total due from non-consolidated participations	86 458		91 870		(5 412)	(5.9)
– Total due from the Canton of St.Gallen	0		0		0	0.0

## LIABILITIES in CHF 000s

Due to money market instruments	210	0.0	254	0.0	(44)	(17.3)
Due to banks	837 249	4.5	1 027 408	5.4	(190 159)	(18.5)
Due to customers in savings and deposits	6 411 343	34.6	6 346 605	33.6	64 738	1.0
Other due to customers	3 251 022	17.5	3 430 296	18.1	(179 274)	(5.2)
Medium-term notes	670 603	3.6	759 405	4.0	(88 802)	(11.7)
<i>Total customer funds</i>	<i>10 332 968</i>	<i>55.7</i>	<i>10 536 306</i>	<i>55.7</i>	<i>(203 338)</i>	<i>(1.9)</i>
Debt and loans secured by mortgages	5 539 040	29.9	5 596 445	29.6	(57 405)	(1.0)
Accrued expenses and deferred income	190 366	1.0	191 571	1.0	(1 205)	(0.6)
Other liabilities	128 932	0.7	154 059	0.8	(25 127)	(16.3)
Valuation adjustments and provisions	216 124	1.2	225 554	1.2	(9 430)	(4.2)
Reserves for general banking risks	34 000	0.2	0	0.0	34 000	100.0
Share capital	509 856	2.7	500 000	2.6	9 856	2.0
Capital reserve	20 364	0.1	6 420	0.0	13 944	217.2
Profit reserve	633 162	3.4	571 465	3.1	61 697	10.8
less treasury shares	(3 499)	0.0	(1 378)	0.0	(2 121)	(153.9)
Group net profit	114 881	0.6	104 685	0.6	10 196	9.7
<i>Total shareholders' equity</i>	<i>1 308 764</i>	<i>7.0</i>	<i>1 181 192</i>	<i>6.3</i>	<i>127 572</i>	<i>10.8</i>
<b>Total liabilities</b>	<b>18 553 653</b>	<b>100.0</b>	<b>18 912 789</b>	<b>100.0</b>	<b>(359 136)</b>	<b>(1.9)</b>
Of which:						
– Total subordinated amounts payable	260 000		260 000		0	0.0
– Total due to non-consolidated participations	1 263 062		1 447 580		(184 518)	(12.7)
– Total due to the Canton of St.Gallen	59 286		239 393		(180 107)	(75.2)

## OFF-BALANCE-SHEET TRANSACTIONS in CHF 000s

Contingent liabilities	164 450		212 198		(47 748)	(22.5)
Irrevocable commitments	105 815		99 576		6 239	6.3
Liabilities for calls on shares and other equities	40 411		40 394		17	0.0
Derivative financial instruments:						
– Contract volume	4 623 229		4 590 246		32 983	0.7
– Positive replacement values	64 765		52 611		12 154	23.1
– Negative replacement values	48 875		73 299		(24 424)	(33.3)
Fiduciary transactions	1 559 335		1 397 712		161 623	11.6

## Group Income Statement

in CHF 000s	2004	2003	Change	in %
Interest and discount income	516 306	549 481	(33 175)	(6.0)
Interest and dividend income on trading portfolios	252	317	(65)	(20.5)
Interest and dividend income on financial investments	19 111	20 591	(1 480)	(7.2)
Interest expenses	(264 791)	(286 123)	21 332	7.5
<i>Net interest income</i>	<i>270 878</i>	<i>284 266</i>	<i>(13 388)</i>	<i>(4.7)</i>
Commission income from lending activities	1 766	2 105	(339)	(16.1)
Commission income from securities and investment activities	140 914	123 288	17 626	14.3
Commission income from other service fee activities	18 383	17 627	756	4.3
Commission expenses	(8 794)	(5 393)	(3 401)	(63.1)
<i>Net fee and commission income</i>	<i>152 269</i>	<i>137 627</i>	<i>14 642</i>	<i>10.6</i>
<i>Net trading income</i>	<i>27 887</i>	<i>26 784</i>	<i>1 103</i>	<i>4.1</i>
Results from the sale of financial investments	1 718	3 823	(2 105)	(55.1)
Income from participations accounted for under the equity method	0	475	(475)	(100.0)
Income from non-consolidated participations	1 644	1 735	(91)	(5.2)
Results from real estate	1 232	3 336	(2 104)	(63.1)
Other ordinary income	1 336	4 166	(2 830)	(67.9)
Other ordinary expenses	(4 980)	(5 158)	178	3.5
<i>Net other income</i>	<i>950</i>	<i>8 377</i>	<i>(7 427)</i>	<i>(88.7)</i>
<b>Operating income</b>	<b>451 984</b>	<b>457 054</b>	<b>(5 070)</b>	<b>(1.1)</b>
Personnel expenses	(130 817)	(134 746)	3 929	2.9
Other operating expenses	(106 115)	(115 231)	9 116	7.9
<i>Administrative expenses</i>	<i>(236 932)</i>	<i>(249 977)</i>	<i>13 045</i>	<i>5.2</i>
<b>Gross profit</b>	<b>215 052</b>	<b>207 077</b>	<b>7 975</b>	<b>3.9</b>
Depreciation and write-offs on fixed assets and participations	(14 682)	(16 793)	2 111	12.6
Depreciation of intangibles	(23 479)	(23 479)	0	0.0
Valuation adjustments, provisions and losses	(14 150)	(24 910)	10 760	43.2
<b>Operating profit (interim result)</b>	<b>162 741</b>	<b>141 895</b>	<b>20 846</b>	<b>14.7</b>
Extraordinary income	22 296	3 547	18 749	528.6
Extraordinary expenses	(34 727)	(8 325)	(26 402)	(317.1)
<i>of which creation of reserves for general banking risks</i>	<i>(34 000)</i>	<i>0</i>	<i>(34 000)</i>	<i>(100.0)</i>
Taxes	(35 429)	(32 432)	(2 997)	(9.2)
<b>Group net profit</b>	<b>114 881</b>	<b>104 685</b>	<b>10 196</b>	<b>9.7</b>

## Divisional Accounts

in CHF 000s/Change in % compared to prior year	Retail and commercial banking		Private Banking		Corporate Center		Group	
	2004	Change	2004	Change	2004	Change	2004	Change
<i>Operating income</i>	<i>248 151</i>	<i>(5.3)</i>	<i>155 896</i>	<i>18.5</i>	<i>47 937</i>	<i>(24.3)</i>	<i>451 984</i>	<i>(1.1)</i>
<i>Administrative expenses</i>	<i>(148 777)</i>	<i>7.2</i>	<i>(74 279)</i>	<i>2.5</i>	<i>(13 876)</i>	<i>(3.3)</i>	<i>(236 932)</i>	<i>5.2</i>
<i>Gross profit</i>	<i>99 374</i>	<i>(2.4)</i>	<i>81 617</i>	<i>47.4</i>	<i>34 061</i>	<i>(31.8)</i>	<i>215 052</i>	<i>3.9</i>
Depreciation and write-offs on fixed assets and intangibles	0	0.0	(4 354)	(16.1)	(33 807)	7.4	(38 161)	5.2
Valuation adjustments, provisions and losses	(10 232)	57.5	(714)	(19.6)	(3 204)	(1 151.6)	(14 150)	43.2
<i>Operating profit</i>	<i>89 142</i>	<i>14.7</i>	<i>76 549</i>	<i>50.1</i>	<i>(2 950)</i>	<i>(122.4)</i>	<i>162 741</i>	<i>14.7</i>
Extraordinary income, net	0	100.0	0	100.0	(12 431)	(4 216.3)	(12 431)	(160.2)
Taxes	(17 108)	(40.1)	(16 752)	(44.5)	(1 569)	81.8	(35 429)	(9.2)
<i>Group net profit</i>	<i>72 034</i>	<i>17.6</i>	<i>59 797</i>	<i>52.6</i>	<i>(16 950)</i>	<i>(500.8)</i>	<i>114 881</i>	<i>9.7</i>
<i>Other data</i>								
Funds under Management	8 378 045	2.5	18 104 375	5.6	0	100.0	26 482 420	4.6
Headcount (in accordance with RRV-EBK) <sup>1</sup>	490	(1.4)	219	(2.2)	258	(8.5)	967	(3.6)

<sup>1</sup> Full-time equivalents; apprentices calculated at 50%

Notes:

A number of changes have been made to the divisional accounts relative to the previous year: Following the reintegration of St. Galler Vermögensberatung (SGVB) into the Cantonal Bank of St. Gallen, SGVB now forms the segment Private Banking Group together with HYPOSWISS. The

interest structure contribution from the interest business and interest hedging results are now shown in the corporate center whereas they were included in the Retail and commercial banking segment in the prior year. Affected previous year's figures have been restated accordingly. Further changes were made with respect to the internal cost allocation. These changes result in a debit of the operating income of the Retail and commercial banking segment of CHF 12.3 Mio.

## Group Key Figures

<b>INCOME STATEMENT</b> in CHF 000s	2004	2003	2002 <sup>1</sup>
Operating income	451 984	457 054	417 954
Administrative expenses	(236 932)	(249 977)	(242 280)
Operating profit	162 741	141 895	122 435
Group net profit	114 881	104 685	99 185
<b>EARNINGS PER SHARE</b> in CHF			
Earnings per share	22.91	21.00	19.87
Dividend paid out resp. proposed	9.00	8.50	8.00
<b>KEY FIGURES</b>			
Return on equity, pre-tax (basis: operating profit)	13.6%	12.8%	11.7%
Return on equity, after tax (basis: group net profit)	9.6%	9.5%	9.5%
Administrative expenses incl. depreciation on fixed assets/operating income	55.6%	58.1%	61.2%
<b>BALANCE SHEET</b> in CHF 000s			
	Dec. 31, 2004	Dec. 31, 2003	Dec. 31, 2002
Loans to customers	16 002 915	15 911 512	15 720 538
Customer funds	10 332 968	10 536 306	10 249 851
Balance sheet total	18 553 653	18 912 789	18 314 332
Shareholders' equity	1 308 764	1 181 192	1 116 038
<b>EQUITY KEY FIGURES</b>			
BIS ratio tier 1	11.3%	9.8%	9.1%
BIS ratio tier 2	12.7%	11.4%	11.0%
Excess capital ratio (CH standard)	52.5%	35.8%	30.5%
Shareholders' equity in % of balance sheet total	7.0%	6.3%	6.1%
<b>FUNDS UNDER MANAGEMENT</b> in CHF 000s			
Funds under management	26 482 420	25 311 915	23 033 289
<b>HEADCOUNT</b>			
Full-time equivalents <sup>2</sup>	967	1 003	1 081
<b>MOODY'S RATING</b>			
Senior unsecured domestic currency	Aa1	Aa1	Aa2
Bank deposits	Aa1/P-1	Aa1/P-1	Aa2/P-1
Bank financial strength	B	B	B

<sup>1</sup> HYPOSWISS only nine months consolidated

<sup>2</sup> Apprentices calculated at 50%

## Board of Directors and Group Management 2004

### BOARD OF DIRECTORS

Dr. Franz Peter Oesch, chairman  
Hans-Peter Härtsch, vice chairman

Dr. Niklaus Fäh  
Dr. Markus Rau

Dr. Hubertus Schmid  
Peter Schönenberger

Dr. Claudia Zogg-Wetter

### GROUP MANAGEMENT

Dr. Urs Rügsegger, CEO

Marcel Zoller, deputy CEO

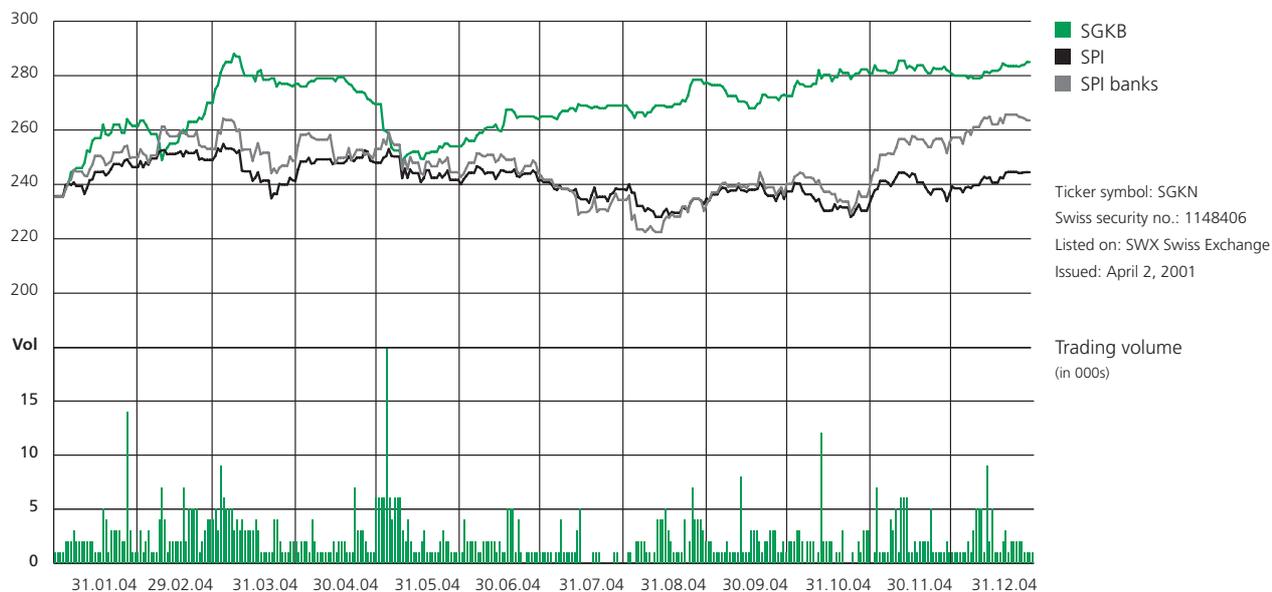
Roland Ledergerber

Urs Bolzern

## Information for investors

### PRICE DEVELOPMENT

In overall terms, the SGKB share price developed positively during the past year. From 1 January to 31 December 2004 the value of the share rose by 22.2%.



### SHARE STATISTICS

DEC. 31, 2004

Earnings per share	CHF 22.91
Dividend per share	CHF 9.00 <sup>1</sup>
Total shares issued	5 098 561 (Floating 2 043 000)
Number of shares held by SGKB	12 616
Shareholders	23 750
Issue price (IPO)	CHF 160.00
Market price	CHF 285.00
Market capitalization	CHF 1453.1 Mio.
Ratio of market capitalization/ shareholders' equity	111.0%
Return on Equity (basis: operating profit)	13.6%
Reported shareholders' equity	CHF 1 308.8 Mio.
Dividend yield	3.2%
Price-earnings ratio	12.4 x
Payout ratio	40.5%
(Basis: profit subject to distribution of the parent company)	

### CONTACT

#### shareholders

St.Galler Kantonalbank  
 Investor Relations  
 Dr.Cornelia Gut-Villa  
 St.Leonhardstrasse 25  
 CH-9001 St.Gallen  
 phone ++41 (0)71 231 36 92  
 fax ++41 (0)71 231 37 94  
 e-mail [cornelia.gut@sgkb.ch](mailto:cornelia.gut@sgkb.ch)

#### media

St.Galler Kantonalbank  
 Media Spokesman  
 Simon Netzle  
 St.Leonhardstrasse 25  
 CH-9001 St.Gallen  
 phone ++41 (0)71 231 32 18  
 fax ++41 (0)71 231 37 94  
 e-mail [simon.netzle@sgkb.ch](mailto:simon.netzle@sgkb.ch)

<sup>1</sup> Recommendation of the Board of Directors for the financial year ended on Dec. 31, 2004.

### IMPORTANT INFORMATION SOURCES

Annual conference for media/analysts  
 Annual report (German)  
 Annual report (English)  
 Shareholders' Meeting  
 Interim report (newsletter to shareholders)  
 Interim conference for media/analysts  
 Newsletter to shareholders in German and English  
 Press releases  
[www.sgkb.ch](http://www.sgkb.ch)

#### Frequency

annual  
 annual  
 annual  
 annual  
 annual  
 semi-annual  
 as required  
 ongoing

## St. Galler Kantonalbank

In its capacity as a universal bank, SGKB provides its customers with all traditional banking services. Founded in 1868, the Bank operates 35 branches in the Canton of St. Gallen, 2 branches in the Canton of Appenzell Ausserrhoden and a subsidiary in Zurich. It enjoys excellent relations with private and institutional clients both inside and outside Eastern Switzerland. SGKB has significantly strengthened its market position in the private banking sector through the acquisition of two private banks – HYPOSWISS (on 1 April 2002) and Bank Thorbecke (on 1 January 2003). As of 31 December 2004, the SGKB Group had a total workforce of 1090 employees.