

## FINANCIAL YEAR 2005



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**St.Galler  
Kantonalbank**

## EDITORIAL

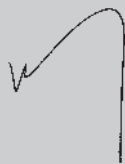
### A five-year success story

Dear Shareholders

The Cantonal Bank of St. Gallen once again generated a record profit in 2005. We are particularly proud that SGKB has been able to increase its results year for year. For this reason we take the opportunity of this year's Letter to Shareholders to look back at a five-year success story.

Does your interest centre on the current performance and the results recorded by the Cantonal Bank of St. Gallen in 2005? Then the following two pages are for you. These detail the most important aspects of last year's annual results. And if you are in a hurry? The Cantonal Bank of St. Gallen posted a group net profit of CHF 168.3 million in the year 2005. This represents an approximately 50 % improvement on the prior year. Both interest-related business as well as securities trading contributed to this success. We see this as affirmation of our strategy of focusing our investment on these two key earnings pillars. In the interim, our balance sheet total has reached CHF 19.1 billion, making us the fifth-largest cantonal bank in Switzerland. We are also amongst the top cantonal banks in terms of assets under management, which total CHF 31 billion.

In view of this successful track-record, we look to the future with confidence. We very much hope you will continue to accompany us in the years ahead, and thank you for the confidence you have shown in the Cantonal Bank of St. Gallen. We would further like to extend special thanks to our employees for their contribution to this outstanding annual result.



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 business together: the 2005 Annual Report is dedicated to the corporate customers of the Cantonal Bank of St. Gallen. The cover photo shows the view from a cabin of the Säntis cable car. Appenzell is also the guest region of this year's general meeting.

(Photos: Nik Hunger, Zurich)

## REVIEW AND PROSPECTS

The Cantonal Bank of St.Gallen recorded an outstanding result in 2005. Particularly impressive were the striking rises in gross profit and operating profit, where growth rates of 35.0% and 45.0% were realized respectively. Both the interest-related side of the business as well as securities trading contributed to this success.

### **Strong interest-related business**

The first semester saw impressive growth in lending activities. This trend continued in the second half of the year: despite the aggressive competitive environment, mortgage lending to private clients showed a favorable net volume growth of 5.7%. In addition to brisk housing construction activities, measures to further boost the quality of our advisory services and customer relation management have paid off. Lending to small and medium-sized companies (+ 2.0%) was also positive, while there was a 5.2% decline in lending to large commercial companies. The latter was caused by the persistently subdued investment climate as well as the unusually large volume of early loan repayments due to high liquidity levels. The quality of the loan portfolio as at the end of 2005 remained extraordinarily robust, as is reflected by the 23.3% lower level of valuation adjustments for credit risks. These reached a historic low of CHF 7.9 million.

### **Strong inflow of new money**

The SGKB Group also had a very successful year in the field of private banking. Net fee and commission income generated a total of CHF 184.8 million. This represents an impressive rise of 21.3% relative to the prior year. The most important sources of revenue on the securities trading side – specifically brokerage income and earnings from structured products and retrocessions from investment fund business – all rose strongly. Total funds under management rose by CHF 4.3 billion (+ 16.2%); particularly impressive was the inflow of net new money to the Group of over CHF 1.0 billion. The improved trading activities (+ CHF 11.5 million) also profi-

ted from higher transaction volumes on the securities trading side with non-domestic stocks as well as from the positive development of the most important currencies.

### **Modest rise in costs**

In overall terms, administrative expenses rose by a total of 2.5%. Personnel expenses increased 10.9%; in this conjunction, a CHF 5.0 million contribution was made to the pension fund. By contrast, other operating expenses fell 7.8%. In view of the planned switch to a new IT platform by mid 2008, an amount of CHF 27.0 million was set aside as a reserve for general banking risks; the anticipated total cost of the IT migration project, amounting to CHF 61.0 million, has now been financed in advance.

Valuation adjustments, provisions and losses rose 12.0%.

### **Further rise in employee satisfaction**

As at 31 December 2005 the SGKB Group had 1073 employees (– 1.6%). The Group spent around CHF 2.0 million on staff training, equivalent to 1.3% of its total personnel expenses. As a reflection of the strong performance of the business in 2005, salaries were increased in overall terms by 2% with effect from 1 March 2006.

The employee survey, conducted for the third time after comparable surveys in 2002 and 2003, showed continued across-the-board improvements for all parameters. Particularly worth mentioning is the extremely strong identification shown by employees vis-à-vis their employer and the high level of workplace satisfaction. It is furthermore pleasing to note that the recorded satisfaction levels are also high on a sector comparison.

### **SGKB shares reach annual high – increased dividend**

In October 2005 shares of the Cantonal Bank of St.Gallen hit an absolute high for the year of CHF 424.00. Over the year as a whole, the shares posted an impressive gain of 36.8%,

once again significantly outperforming the likewise substantial rise in the Swiss Performance Index (SPI). The strong performance of the business of the Cantonal Bank of St. Gallen in 2005 enabled the Board of Directors to propose to shareholders that the dividend be increased by CHF 4.00 to CHF 13.00 per share. The dividend yield consequently stands at 3.3%, which is very impressive for the sector.

#### **Increasingly popular general meeting**

On 20 April 2005 SGKB held its fourth public general meeting at the OLMA Hall in St. Gallen. Of the total of 24 542 shareholders, 3877 took part in the event. This was 723 more than in the previous year, representing a new record.

This growing interest is no doubt partly attributable to the strong performance of SGKB share price. Further interest is generated by the interesting supporting program organized each year by a different guest region. In 2005 St. Gallen's Rhine Valley fascinated shareholders with attractions and specialties, thereby once again promoting contacts between the populations of different regions of our market territory.

Following the stockmarket floatation in April 2001, the number of shareholders increased from the initial total of 16 000 to the new number of around 26 000 by the end of February 2006.

#### **IT platform: decision has been taken**

At the end of December, following a joint evaluation, the Cantonal Banks of Lucerne, St. Gallen and Thurgau which make up the AGI Cooperation took the decision to switch to the standard platform produced by the company Avaloq Evolution AG. The parent company and HYPOSWISS will then be working on the same system, opening up new perspectives in terms of cooperation. In conjunction with the migration to the new system by mid 2008, there will be a switch to a state-of-the-art infrastructure coupled with lower operating costs.

#### **Positive outlook for 2006**

The Cantonal Bank of St. Gallen is determined to continue strengthening its market position in the year 2006. For this purpose, the quality of its services will be subjected to continuous institutional controls – e.g. using periodical mystery shopping.

SGKB will be sticking to its established lending policy, thereby aiming to achieve a balanced development within the framework of the three components creditworthiness, profitability and growth. On the private banking side, the existing strategy is being maintained; in addition to organic growth, further potential acquisitions will continue to be assessed.

For the year 2006, SGKB is expecting a positive economic environment and generally healthy conditions within the corporate sector. Housing construction is set to remain an important pillar of the economy. In an environment of solid global economic growth, low inflation and moderate interest rates, robust corporate earnings are anticipated. This will support the development of stockmarkets.

Against this backdrop, and provided the interest rate turnaround materializes only gradually, SGKB is expecting to report an operating profit in line with the record year 2005.

## INTERVIEW

### Urs Rügsegger, CEO of the Cantonal Bank of St. Gallen: «5 successful years – characterized by continuity»

The Cantonal Bank of St. Gallen is once again able to look back at a very successful year. What is the root of this success?

To begin with, I am very pleased we not only surpassed the previous year's record profit in 2005, but were even able to report a remarkable 46.5% rise. Of course, SGKB benefited from the outstanding stockmarket environment in 2005, as well as from the substantial inflow of client assets. Nevertheless, this success certainly wouldn't have been possible to anything like the same degree had we not beforehand purposely boosted investment in wealth management and private banking customer care services.

2005 marks the fifth straight year of success following the Bank's floatation 5 years ago. What in your view are the reasons for this impressive track record?

I believe there are three main reasons for our success: firstly, following its partial privatization the Cantonal Bank of St. Gallen has been able to increase its earnings in a carefully targeted manner – for example through higher quality services or by expanding wealth management activities. Secondly, rigorous cost controls have been introduced; these have also increased awareness amongst staff for the need to cut costs. And thirdly, professional risk management means our Bank takes up only those growth opportunities which are in line with our corporate policy.

It is nevertheless remarkable that SGKB was almost entirely unaffected by the 2001/2002 bear markets.

The past 3 years in particular presented a favorable environment to banks with strong balance sheet activities; declining interest rates and a higher proportion of fixed mortgages made it

possible to boost interest earnings. Those who, like us, had correctly estimated interest rate developments, were able to generate additional earnings by adjusting the balance sheet structure. In addition, we acquired the private bank HYPOSWISS AG at precisely the right moment. Last but not least, our performance in this otherwise challenging environment underscores the importance our customers place on the values we represent: proximity, security and reliability.

The SGKB share price has risen steadily and consistently, matching the development of the Bank's key financial figures. What are the reasons for this impressive stock price performance?

We are delighted, of course, that the Cantonal Bank of St. Gallen's shareholders show as much confidence as its customers. We have a clear strategy, and one which we have always communicated openly to our customers. We have always implemented and kept our promises. It therefore gives us great satisfaction to be able to return the trust which has been placed in us – in the form of an impressive stock price performance and steadily rising dividends.

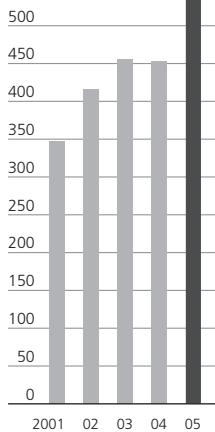
And the future? What goals are you setting SGKB for the coming year – and the next 5 years?

Above all, we are determined to drive forward the strategic growth developments on the private banking side. At the same time, cooperation between the individual customer units will be further strengthened. Our new IT platform will also contribute to this; SGKB and HYPOSWISS will have switched by mid 2008. At the same time, we shall certainly not be resting on our laurels. The success of the past 5 years, in a sometimes difficult environment, gives us added confidence when it comes to tackling the challenges of the next 5 years.

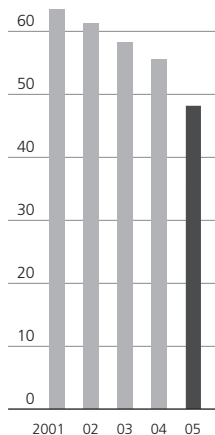
## ST. GALLER KANTONALBANK-GROUP

### Marking 5 years since the partial privatization – Dr. Franz Peter Oesch, Chairman of the Board of Directors, looks back

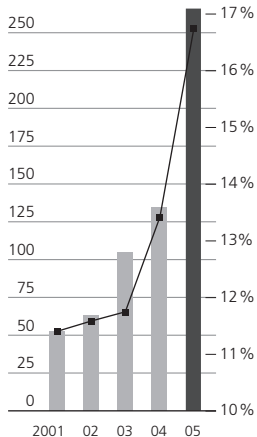
Group operating income  
in CHF million



Group cost/income ratio  
in %



Return on equity  
in %



■ Return on equity  
(right-hand scale)  
■ growth in shareholder's equity in  
CHF million (left-hand scale)

With its 2005 financial results, the Cantonal Bank of St. Gallen is able to look back not merely on a further successful year, but also on a five-year success story that began with the stockmarket floatation in 2001. Subsequent events have shown that this was the right route to take. Privatization – with the Canton retaining a majority stake – and the later stockmarket floatation were key contributory factors behind the realization of the Cantonal Bank of St. Gallen's value-oriented strategy. Indeed, over the course of the past 5 years it has consistently increased its corporate value, thus benefiting you as shareholders.

#### Top rankings

In the years since 2001 the Cantonal Bank of St. Gallen has seen its profits rise substantially, with similarly impressive gains in productivity and return on equity. In addition, SGKB has also been able to report profitable growth since 2001. On a 5-year average, operating income has risen by around 11.1% per annum, while Group net profit increased by an even more remarkable 16.0%. In contrast to other cantonal banks, SGKB remained amongst the top performers in terms of practically all relevant financial performance parameters throughout these 5 years. As recently as the year 2000 the Bank was ranked only around 20th; it now finds itself amongst the top 5 cantonal banks in all categories. In certain fields our Bank is the number 1. Along with its growth in earnings, SGKB – in addition to expanding its customer relationships – has been increasingly moving into more value-added segments such as private banking. The acquisition of HYPOSWISS Privatbank AG in the year 2002 enabled the bank to strengthen its know-how in the field of asset management. Today it supports all Group divisions as a centre of expertise.

#### Popular share

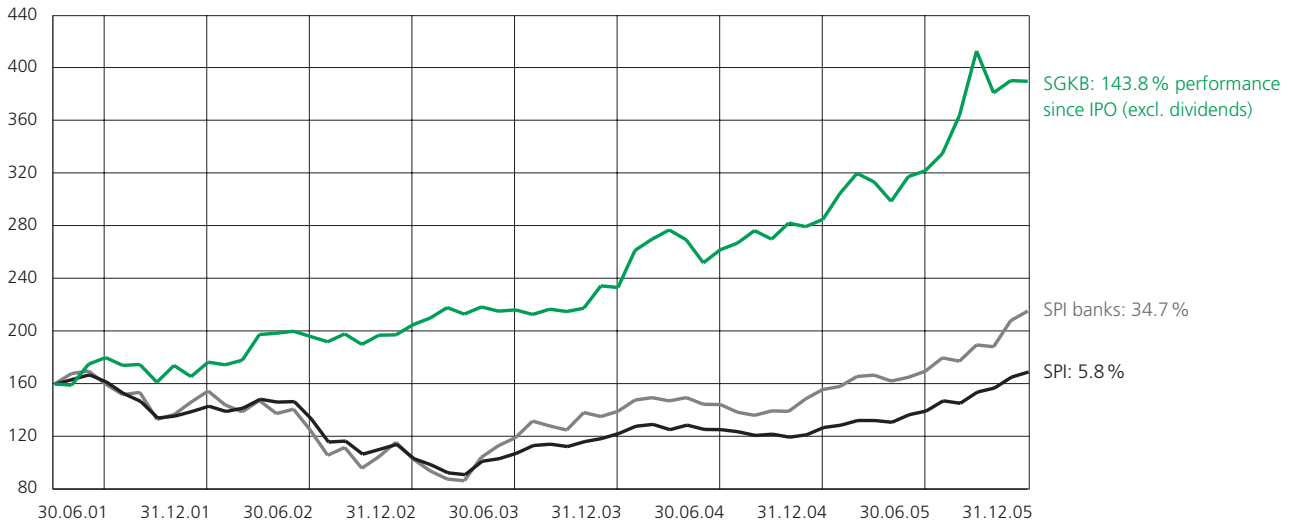
SGKB share has been traded on the stock mar-

ket since April 2001. As a consequence of the dynamic performance of the business, the share price has performed extremely well. Over the past five years this has risen from the initial CHF 160.00 to reach over CHF 400.00. Relative to the closing price, the share has posted an average performance of 25% per annum. This makes the share one of the most successful Swiss shares of recent years. Its steady rise, accompanied by few fluctuations, makes the share particularly interesting for investors with medium to long-term investment horizons. For this reason the Swiss financial press regularly recommend the share as a buy. The share has been made additionally attractive by the growing number of free floating shares; this in particular following the successful conversion of our convertible bond into shares in the spring of 2005. Today approx. 2.5 million shares are in the free float; around 3.1 million shares are held by the Canton. Our shares now show a very favorable liquidity position. As a result, the number of shareholders increased steadily following the stockmarket floatation: the total rose from the initial figure of around 16 000 to reach 26 000 by the end of February 2006.

#### Outstanding reputation

The Bank's healthy condition is also attested by a variety of consultancy and rating agencies: a study drawn up in the year 2005 by *Accenture* on the most profitable and fastest-growing cantonal, regional and Raiffeisen banks place the Cantonal Bank of St. Gallen at the very top. In the year 2003 the rating agency *Moody's Investors Service* raised its long-term credit rating for SGKB from Aa2 to Aa1. This represents the second-highest rating on the scale. According to Moody's, the quality of the Bank in conjunction with the state guarantee provided by the Canton of St. Gallen with its healthy finances contributes to the Bank's high creditworthiness. In 2005, the investment foundation Schweizeri-

## SHARE PRICE PERFORMANCE SINCE 2001



sche Anlagestiftung für nachhaltige Entwicklung *ethos* published its third Corporate Governance Study, that is to say its assessment of the structure and nature of the corporate management deployed by the 100 top companies listed on the Swiss stock exchange. This placed SGKB in the leading group of the 25 best companies. Along with the two «big banks», this group included only one other Swiss bank, giving our Bank the best ranking of all listed cantonal banks. In addition to the management structure, the study reserved particular praise for the SGKB's annual report, which published information on corporate governance in greater detail than is prescribed by the Swiss Stock Exchange SWX.

This award confirms and substantiates the Board of Directors' open information policy. Here too, SGKB exercises the responsibilities of a listed company vis-à-vis the various interest groups, in particular shareholders, in an exemplary fashion.

## Committed to the Canton of St.Gallen

The confidence shown by the principal shareholder in «its» bank is reflected this year in a variety of ways. The following figures provide an indication of how its guiding principle of «growing together» in partnership with the Canton of St.Gallen and its population is realised:<sup>1</sup>

- Paying off the state guarantee: CHF 5.8 million
- Taxes: CHF 40.6 million (CHF 19.5 million of which for the Canton of St.Gallen and its municipalities)
- Cantonal share of dividend: CHF 39.7 million
- Wage bill of around CHF 72.4 million (excl. ancillary wage costs)
- Apprentices: 106 (10 % of the workforce)
- Lending within the Cantons of SG and AR: CHF 12.6 billion
- Sponsorship for culture, sport, business and miscellaneous: CHF 1.2 million

<sup>1</sup> All figures relate to the 2005 financial year.

Dr. Franz Peter Oesch, Chairman of the Board of Directors  
Cantonal Bank of St.Gallen

## Group Balance Sheet

<b>ASSETS</b> in CHF 000s	Dec. 31, 2005	in %	Dec. 31, 2004	in %	Change	in %
Liquid funds	119 350	0.6	147 514	0.8	(28 164)	(19.1)
Receivables from money market instruments	343 071	1.8	291 217	1.6	51 854	17.8
Due from banks	1 011 850	5.3	907 287	4.9	104 563	11.5
Due from customers	2 502 392	13.1	2 437 206	13.1	65 186	2.7
Mortgage loans	13 933 488	72.9	13 565 709	73.1	367 779	2.7
<i>Total loans to customers</i>	<i>16 435 880</i>	<i>86.0</i>	<i>16 002 915</i>	<i>86.2</i>	<i>432 965</i>	<i>2.7</i>
Securities and precious metals trading portfolios	48 994	0.3	26 181	0.1	22 813	87.1
Financial investments	699 815	3.7	725 792	3.9	(25 977)	(3.6)
Non-consolidated participations	21 213	0.1	21 846	0.1	(633)	(2.9)
Fixed assets	156 938	0.8	164 008	0.9	(7 070)	(4.3)
Intangibles	76 305	0.4	99 784	0.6	(23 479)	(23.5)
Accrued income and prepaid expenses	84 400	0.4	82 178	0.4	2 222	2.7
Other assets	119 515	0.6	84 931	0.5	34 584	40.7
<b>Total assets</b>	<b>19 117 331</b>	<b>100.0</b>	<b>18 553 653</b>	<b>100.0</b>	<b>563 678</b>	<b>3.0</b>
Of which:						
– Total subordinated amounts receivable	1 575		0		1 575	100.0
– Total due from non-consolidated participations	128 150		86 458		41 692	48.2
– Total due from the Canton of St.Gallen	0		0		0	0.0

## LIABILITIES in CHF 000s

Due to money market instruments	206	0.0	210	0.0	(4)	(1.9)
Due to banks	822 460	4.3	837 249	4.5	(14 789)	(1.8)
Due to customers in savings and deposits	6 523 200	34.1	6 411 343	34.6	111 857	1.7
Other due to customers	3 818 579	20.0	3 251 022	17.5	567 557	17.5
Medium-term notes	618 126	3.2	670 603	3.6	(52 477)	(7.8)
<i>Total customer funds</i>	<i>10 959 905</i>	<i>57.3</i>	<i>10 332 968</i>	<i>55.7</i>	<i>626 937</i>	<i>6.1</i>
Debt and loans secured by mortgages	5 263 935	27.5	5 539 040	29.9	(275 105)	(5.0)
Accrued expenses and deferred income	180 446	0.9	190 366	1.0	(9 920)	(5.2)
Other liabilities	128 739	0.7	128 932	0.7	(193)	(0.1)
Valuation adjustments and provisions	199 959	1.1	216 124	1.2	(16 165)	(7.5)
Reserves for general banking risks	61 000	0.3	34 000	0.2	27 000	79.4
Share capital	557 343	2.9	509 856	2.7	47 487	9.3
Capital reserve	82 810	0.4	20 364	0.1	62 446	306.6
Profit reserve	702 155	3.7	633 162	3.4	68 993	10.9
less treasury shares	(9 929)	0.0	(3 499)	0.0	(6 430)	(183.8)
Group net profit	168 302	0.9	114 881	0.6	53 421	46.5
<i>Total shareholders' equity</i>	<i>1 561 681</i>	<i>8.2</i>	<i>1 308 764</i>	<i>7.0</i>	<i>252 917</i>	<i>19.3</i>
<b>Total liabilities</b>	<b>19 117 331</b>	<b>100.0</b>	<b>18 553 653</b>	<b>100.0</b>	<b>563 678</b>	<b>3.0</b>
Of which:						
– Total subordinated amounts payable	260 000		260 000		0	0.0
– Total due to non-consolidated participations	1 176 938		1 263 062		(86 124)	(6.8)
– Total due to the Canton of St.Gallen	377 856		59 286		318 570	537.3

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

Contingent liabilities	286 021		164 450		121 571	73.9
Irrevocable commitments	175 943		105 815		70 128	66.3
Liabilities for calls on shares and other equities	40 411		40 411		0	0.0
Derivative financial instruments:						
– Contract volume	5 136 411		4 623 229		513 182	11.1
– Positive replacement values	69 784		64 765		5 019	7.7
– Negative replacement values	35 860		48 875		(13 015)	(26.6)
Fiduciary transactions	2 131 622		1 559 335		572 287	36.7



## Group Income Statement

in CHF 000s	2005	2004	Change	in %
Interest and discount income	532 684	516 306	16 378	3.2
Interest and dividend income on trading portfolios	722	252	470	186.5
Interest and dividend income on financial investments	19 446	19 111	335	1.8
Interest expenses	(249 990)	(264 791)	14 801	5.6
<i>Net interest income</i>	<i>302 862</i>	<i>270 878</i>	<i>31 984</i>	<i>11.8</i>
Commission income from lending activities	1 925	1 766	159	9.0
Commission income from securities and investment activities	175 037	140 914	34 123	24.2
Commission income from other service fee activities	18 266	18 383	(117)	(0.6)
Commission expenses	(10 474)	(8 794)	(1 680)	(19.1)
<i>Net fee and commission income</i>	<i>184 754</i>	<i>152 269</i>	<i>32 485</i>	<i>21.3</i>
<i>Net trading income</i>	<i>39 383</i>	<i>27 887</i>	<i>11 496</i>	<i>41.2</i>
Results from the sale of financial investments	1 823	1 718	105	6.1
Income from non-consolidated participations	1 451	1 644	(193)	(11.7)
Results from real estate	1 444	1 232	212	17.2
Other ordinary income	4 353	1 336	3 017	225.8
Other ordinary expenses	(2 907)	(4 980)	2 073	41.6
<i>Net other income</i>	<i>6 164</i>	<i>950</i>	<i>5 214</i>	<i>548.8</i>
<b>Operating income</b>	<b>533 163</b>	<b>451 984</b>	<b>81 179</b>	<b>18.0</b>
Personnel expenses	(145 012)	(130 817)	(14 195)	(10.9)
Other operating expenses	(97 885)	(106 115)	8 230	7.8
<i>Administrative expenses</i>	<i>(242 897)</i>	<i>(236 932)</i>	<i>(5 965)</i>	<i>(2.5)</i>
<b>Gross profit</b>	<b>290 266</b>	<b>215 052</b>	<b>75 214</b>	<b>35.0</b>
Depreciation and write-offs on fixed assets and participations	(14 972)	(14 682)	(290)	(2.0)
Depreciation of intangibles	(23 479)	(23 479)	0	0.0
Valuation adjustments, provisions and losses	(15 842)	(14 150)	(1 692)	(12.0)
<b>Operating profit (interim result)</b>	<b>235 973</b>	<b>162 741</b>	<b>73 232</b>	<b>45.0</b>
Extraordinary income	1 285	22 296	(21 011)	(94.2)
Extraordinary expenses	(27 001)	(34 727)	7 726	22.2
<i>of which creation of reserves for general banking risks</i>	<i>(27 000)</i>	<i>(34 000)</i>	<i>7 000</i>	<i>20.6</i>
<b>Group profit before taxes</b>	<b>210 257</b>	<b>150 310</b>	<b>59 947</b>	<b>39.9</b>
Taxes	(41 955)	(35 429)	(6 526)	(18.4)
<b>Group net profit</b>	<b>168 302</b>	<b>114 881</b>	<b>53 421</b>	<b>46.5</b>

## Divisional Accounts

in CHF 000s/Change in % compared to prior year	Retail and commercial banking		Private Banking		Corporate Center		Group	
	2005	Change	2005	Change	2005	Change	2005	Change
<i>Operating income</i>	<i>259 819</i>	<i>4.7</i>	<i>192 562</i>	<i>23.5</i>	<i>80 782</i>	<i>68.5</i>	<i>533 163</i>	<i>18.0</i>
<i>Administrative expenses</i>	<i>(139 214)</i>	<i>6.4</i>	<i>(79 600)</i>	<i>(7.2)</i>	<i>(24 083)</i>	<i>(73.6)</i>	<i>(242 897)</i>	<i>(2.5)</i>
<i>Gross profit</i>	<i>120 605</i>	<i>21.4</i>	<i>112 962</i>	<i>38.4</i>	<i>56 699</i>	<i>66.5</i>	<i>290 266</i>	<i>35.0</i>
Depreciation and write-offs on fixed assets and intangibles	0	0.0	(3 618)	16.9	(34 833)	(3.0)	(38 451)	(0.8)
Valuation adjustments, provisions and losses	(8 894)	13.1	(597)	16.4	(6 351)	(98.2)	(15 842)	(12.0)
<i>Operating profit (interim result)</i>	<i>111 711</i>	<i>25.3</i>	<i>108 747</i>	<i>42.1</i>	<i>15 515</i>	<i>625.9</i>	<i>235 973</i>	<i>45.0</i>
Extraordinary income, net	0	0.0	(11 000)	(100.0)	(14 716)	(18.4)	(25 716)	(106.9)
Taxes	(17 644)	(3.1)	(19 870)	(18.6)	(4 441)	(183.0)	(41 955)	(18.4)
<i>Group net profit</i>	<i>94 067</i>	<i>30.6</i>	<i>77 877</i>	<i>30.2</i>	<i>(3 642)</i>	<i>78.5</i>	<i>168 302</i>	<i>46.5</i>
<i>Other data</i>								
Loans to customers	15 025 711	1.1	1 410 169	22.9	0	0.0	16 435 880	2.7
Customer funds	7 900 946	5.2	3 058 959	8.4	0	0.0	10 959 905	6.1
Funds under Management	8 961 172	7.0	21 807 679	20.5	0	0.0	30 768 851	16.2
Headcount (in accordance with RRV-EBK) <sup>1</sup>	486	(0.8)	217	(0.9)	254	(1.6)	957	(1.0)
Cost/income-ratio including depreciation	53.6 %	(10.7)	43.2 %	(14.3)	n/a	n/a	48.2 %	(13.3)

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

## Group Key Figures

<b>INCOME STATEMENT</b> in CHF 000s	2005	2004	2003
Operating income	533 163	451 984	457 054
Administrative expenses	(242 897)	(236 932)	(249 977)
Operating profit (interim result)	235 973	162 741	141 895
Group net profit	168 302	114 881	104 685
<b>SGKB SHARE</b> in CHF			
Earnings per share	30.99	22.91	21.00
Dividend paid out resp. proposed	13.00	9.00	8.50
Share price as at Dec. 31	390.00	285.00	233.25
Stockmarket capitalization as at Dec. 31 (CHF billion)	2 173.60	1 453.10	1 166.30
<b>KEY FIGURES</b>			
Return on equity, pre-tax (basis: operating profit)	17.1 %	13.6 %	12.8 %
Return on equity, after tax (basis: group net profit)	12.2 %	9.6 %	9.5 %
Cost/income-ratio including depreciation on fixed assets	48.2 %	55.6 %	58.1 %
<b>BALANCE SHEET</b> in CHF 000s			
	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2003
Loans to customers	16 435 880	16 002 915	15 911 512
Customer funds	10 959 905	10 332 968	10 536 306
Balance sheet total	19 117 331	18 553 653	18 912 789
Shareholders' equity	1 561 681	1 308 764	1 181 192
<b>EQUITY KEY FIGURES</b>			
BIS ratio tier 1	13.5 %	11.3 %	9.8 %
BIS ratio tier 2	14.5 %	12.7 %	11.4 %
Excess capital ratio (CH standard)	75.9 %	52.5 %	35.8 %
Shareholders' equity in % of balance sheet total	8.2 %	7.0 %	6.3 %
<b>FUNDS UNDER MANAGEMENT</b> in CHF 000s			
Funds under management	30 768 851	26 482 420	25 311 915
<b>HEADCOUNT</b>			
Full-time equivalents <sup>1</sup>	957	967	1 003
<b>MOODY'S RATING</b>			
Senior unsecured domestic currency	Aa1	Aa1	Aa1
Bank deposits	Aa1/P-1	Aa1/P-1	Aa1/P-1
Bank financial strength	B	B	B

<sup>1</sup> Apprentices calculated at 50 %

## Board of Directors and Group Management 2005

### BOARD OF DIRECTORS

Dr. Franz Peter Oesch, Chairman	Dr. Niklaus Fäh	Dr. Hubertus Schmid	Dr. Claudia Zogg-Wetter
Hans-Peter Härtsch, Vice Chairman	Dr. Markus Rauh	Peter Schönenberger	

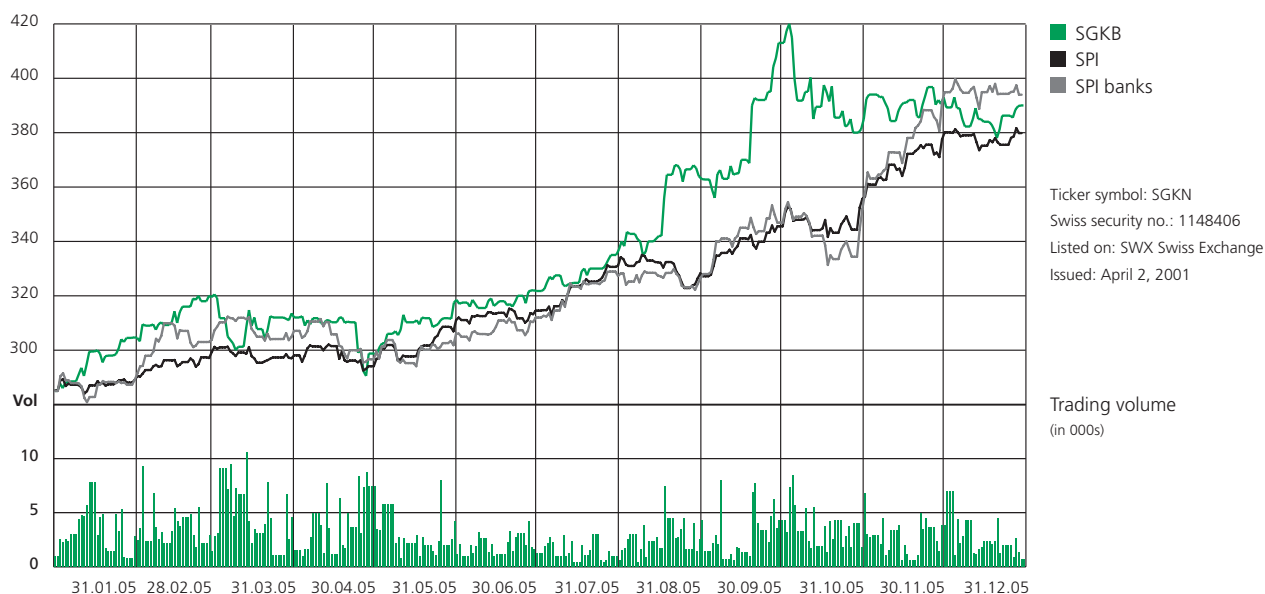
### GROUP MANAGEMENT

Dr. Urs Rügsegger, CEO	Marcel Zoller, Deputy CEO	Roland Ledergerber	Urs Bolzern (until July 2005) Marcel W. Schmid (as of October 2005)
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## Information for investors

### PRICE DEVELOPMENT

In overall terms, the SGKB share price developed positively during the past year. From 1 January to 31 December 2005 the value of the share rose by 36.8%.



### SHARE STATISTICS

DEC. 31, 2005

Earnings per share	CHF 30.99
Dividend per share	CHF 13.00 <sup>1</sup>
Total shares issued	5 573 426 (Floating 2 453 355)
Time-weighted number of dividend-bearing shares	5 430 766
Number of shares held by SGKB (av.)	10 475
Shareholders	25 457
Issue price (IPO)	CHF 160.00
Market price as at the end of the year	CHF 390.00
– Lowest price	CHF 282.00
– Highest price	CHF 422.00
Market capitalization	CHF 2 173.6 million
Ratio of market capitalization/ shareholders' equity	139.2 %
Return on equity (basis: operating profit)	17.1 %
Reported shareholders' equity	CHF 1 561.7 million
Dividend yield	3.3 %
Price-earnings ratio	12.6

<sup>1</sup> Recommendation of the Board of Directors for the financial year ended on 31 December 2005.

### CONTACT

#### Shareholders

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### IMPORTANT INFORMATION SOURCES

Annual conference for media/analysts	Frequency 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

For current publication and event dates, see [www.sgkb.ch](http://www.sgkb.ch)

## Cantonal Bank of St. Gallen

The Cantonal Bank of St. Gallen Group comprises the parent company Cantonal Bank of St. Gallen (SGKB), which was founded in 1868, and the subsidiary HYPOSWISS Privatbank AG, acquired in 2002. SGKB has been listed on the SWX stock exchange since 2001, whereby the Canton of St. Gallen holds 54.8% of the share capital in its capacity as the majority shareholder. Measured in terms of the 2005 balance sheet total of CHF 19.1 billion, it is the fifth largest cantonal bank in Switzerland. The parent company SGKB offers its customers in the cantons of St. Gallen and Appenzell Ausserrhoden a full range of financial services. In addition, as an employer, taxpayer and sponsorship partner, the Cantonal Bank of St. Gallen assumes responsibility for the economic, social and cultural development of the region. As at 31 December 2005 the Group had a total workforce of 1073 employees. The parent company has a state guarantee and an Aa1 rating from Moody's.