

[Interim Report 2007]



Group Key Figures	2
Letter to Shareholders	3
Group Balance Sheet	5
Group Income Statement	6
Information for Investors	7
Brief Profile	8

Group Key Figures

Income Statement in CHF 000s	June 30, 2007	June 30, 2006	June 30, 2005
Operating income	285 921	276 139	262 323
Administrative expenses	(133 868)	(121 886)	(119 367)
Operating profit	130 751	135 065	117 809
Group net profit	115 788	112 354	80 761
Balance Sheet in CHF 000s	June 30, 2007	Dec. 31, 2006	Dec. 31, 2005
Loans to customers	17 464 281	17 208 671	16 435 880
Customer funds	12 060 659	11 802 711	10 959 905
Balance sheet total	20 462 653	19 799 982	19 117 331
Shareholders' equity	1 642 857	1 705 676	1 561 681
Funds under Management in CHF 000s	June 30, 2007	June 30, 2006	June 30, 2005
Funds under management	39 044 445	38 838 934	33 323 426
Headcount	June 30, 2007	June 30, 2006	June 30, 2005
Full-time equivalents (in accordance with RRV-EBK; apprentices calculated at 50%)	982	972	957
Key Figures	June 30, 2007	June 30, 2006	June 30, 2005
SGKB share in CHF	June 30, 2007	June 30, 2006	June 30, 2005
Earnings per share	20.89	20.23	15.54
Dividend per share	–	13.00	9.00
Approved repayment of par value per share	30.00	–	–
Market price as of June 30	607.00	420.00	322.00
Market capitalization as of June 30 (in CHF million)	3 383.07	2 340.84	1 794.64
Return on equity	June 30, 2007	June 30, 2006	June 30, 2005
Return on equity, pre-tax (basis: operating profit)	16.4 %	17.5 %	17.2 %
Return on equity, after tax (basis: group net profit)	14.6 %	14.6 %	11.8 %
Cost/income-ratio	June 30, 2007	June 30, 2006	June 30, 2005
Cost/income-ratio including depreciation on fixed assets	49.5 %	46.2 %	48.4 %
Equity key figures	June 30, 2007	Dec. 31, 2006	Dec. 31, 2005
BIS ratio tier 1	13.2 %	13.5 %	13.5 %
BIS ratio tier 2	13.7 %	14.2 %	14.5 %
Excess capital ratio (CH standard)	73.2 %	74.8 %	75.9 %
Shareholders' equity as % of balance sheet total	8.0 %	8.5 %	8.2 %
Moody's Rating	June 30, 2007	Dec. 31, 2006	Dec. 31, 2005
Senior unsecured domestic currency	Aa1	Aa1	Aa1
Bank deposits	Aa1/P-1	Aa1/P-1	Aa1/P-1
Bank financial strength	B-	B	B

Board of Directors and Group Management 2007

Board of Directors

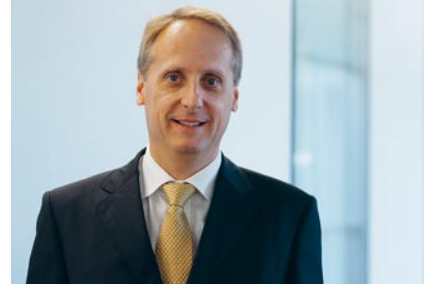
Dr. Franz Peter Oesch, Chairman	Dr. Hans-Jürg Bernet	Prof. Dr. Thomas A. Gutzwiller	Dr. Claudia Zogg-Wetter
Hans-Peter Härtsch, Vice Chairman	Dr. Niklaus Fäh	Peter Schönenberger	

Group Management

Dr. Urs Rüeeggger, CEO	Marcel Zoller, Deputy CEO	Roland Ledergerber	Marcel W. Schmid
------------------------	---------------------------	--------------------	------------------



Dr. Franz Peter Oesch
Chairman of the Board of Directors



Dr. Urs Rügsegger
Chief Executive Officer

Dear Shareholders,

At the recent Annual General Meeting at the end of April 2007, we were pleased to present to you our sixth record year in a row. We were thus able to look back on our achievements with a sense of satisfaction and pride – and to celebrate them once again with a successful social event. The presentation by the region of St. Gallen followed on seamlessly from the striking performances seen in previous years and provided a fitting backdrop for the celebration. However, both the Board of Directors and the Group Management are aware that the impressive growth surges witnessed in recent years cannot be expected to continue at the same tempo. This sense of caution on our part may perhaps spring from the matter-of-fact nature of the people of St. Gallen and appears to be repeatedly interpreted by the media and financial analysts as false modesty. We are therefore all the more proud to be able to present a robust set of half-year results, which not only confirm our estimates but indeed reflect an improvement on the extraordinarily positive results recorded last year.

In the first half of 2007, the Cantonal Bank of St. Gallen Group generated operating income of 285.9 million Swiss francs, representing an increase of 3.5% relative to the high level recorded in the previous year. Net interest income amounted to 154.4 million francs, 0.8% higher than in the first six months of 2006. On the asset side, the pressure on interest margins was further exacerbated by the ongoing intensity of the competitive environment in the mortgage sector. Nevertheless, lending in the core business segment to private and corporate clients advanced 2.1%, boosted by an increase in companies' investment spending against the backdrop of a favorable economic climate. On the liabilities side, the first half of the year was marked by a substantial reallocation of funds away from savings accounts into fixed-term deposits – a factor that also contributed significantly to the increased pressure on interest margins.

The Cantonal Bank of St. Gallen has successfully achieved its targets, as the results for the first half of 2007 clearly demonstrate.

In Private Banking, the Cantonal Bank of St. Gallen Group was able to maintain the extremely high income level achieved in the previous year. Net fee and commission income across the group increased 7.4% to 107.6 million Swiss francs. Half of this turnover stemmed from portfolio-related fees. As we announced last year, there was a reduction in funds under management resulting from one major transaction. Aside from this, we recorded an impressive increase in net new money.

There was a substantial increase in administrative expenses in the first half of the year. In addition to the major project of migrating to a new IT platform, which had an anticipated impact on other operating expenses (+12.1%), salary adjustments and the additional cost of the employee participation program resulting from the significant increase in the price of the SGKB share resulted in an increase in personnel expenses (+8.3%). Consequently, gross profit declined 1.4% to 152.1 million Swiss francs. If the impact of the IT project were excluded from the figures for the first half of the year, this would result in an operating profit of 139.9 million Swiss francs, representing an advance of 1.4% relative to the previous year. In addition, the outstanding cost/income-ratio (administrative expenses/operating income) of 46.3% exceeds our strategic target. All of these factors resulted in a group net profit of 115.8 million Swiss francs, 3.1% higher than the excellent first-half result (112.4 million Swiss francs) recorded in the previous year.

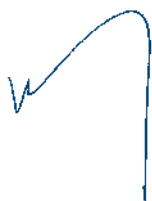
The bank's growing competency in asset management was demonstrated by its excellent results in two competitions. At the Swiss Derivate Awards 2007, the bank's structured pension product "Performer 3a" received the Special Award. In the words of the jury, this "outstanding innovation" makes it possible, for the first time in Switzerland, for funds from tax-privileged private pension plans to be invested in the form of a structured product. In a second competition, the first public Swiss performance comparison for discretionary mandates, our subsidiary HYPOSWISS was also awarded first prize – a fact that clearly illustrates the quality of the investment decisions made by the SGKB Group.

The Cantonal Bank of St. Gallen also has every reason to be proud of the results of its recent employee survey, which was conducted this March. Both the Board of Directors and Group Management were delighted to note that the bank's employees are extremely satisfied with their working situation and feel an extraordinarily strong sense of identity with the Cantonal Bank of St. Gallen Group. On a scale of 1 to 6, our employees awarded the Cantonal Bank of St. Gallen an overall mark of 5.5. At 88 %, the participation rate in the survey was also impressive and was four percentage points higher than during the last survey in 2005. According to the external institute that conducted the survey on our behalf, the results are exceptionally high when compared to other companies. To us, this indicates that our strategic focus on growth and close customer ties is wholeheartedly supported by our employees.

Finally, the changes to the Board of Directors implemented last year will also contribute to the bank's growing competitiveness. In Thomas A. Gutzwiller, elected at last year's Annual General Meeting, and Hans-Jürg Bernet, elected this year, the Board of Directors has been strengthened by two members with extensive financial and management experience as well as a profound understanding of the IT environment. We would like to thank outgoing Board members Markus Rauh and Hubertus Schmid for their outstanding services on behalf of the bank. They oversaw a very successful phase in the history of the bank and have every right to be proud of their performance. Alongside their professional activities, both Hubertus Schmid and Markus Rauh were convivial and loyal Board members who contributed greatly to the positive atmosphere and harmonious conduct displayed by the Board.

Against this backdrop, it comes as no surprise that the SGKB share price reached a record high of 675 Swiss francs at the end of April 2007. In addition, other banks are increasingly placing our stock on their recommended lists or integrating it into special baskets. We are delighted with the trust that is being placed in us; and it is our intention to justify this vote of confidence by continuing to achieve robust and solid performances. Following a protracted period of strong growth, the Group's current level of profitability is now very high. This is reflected by our excellent return on equity (pre-tax) of 16.4%; when the bank was initially listed on the stock exchange in 2001, this figure was 11.4%. Rising interest rates, coupled with intense competitive pressure in the credit business and the reallocation of client funds, means that net interest income can only be improved at a relatively limited rate. Moreover, sustaining the impressive results that we have achieved in terms of our net fee and commission income will depend on the performance of the stock markets. Overall, we anticipate that our operating profit at year-end – excluding the IT migration project – should be in line with the excellent result achieved in the previous year.

Based on our services and products, our ability to determine the correct strategy and the satisfaction levels displayed by our employees, we are convinced that we will be able to achieve this objective and that, at the next Annual General Meeting, we will once again be able to report a successful year of business to our shareholders.



Dr. Franz Peter Oesch



Dr. Urs Rügsegger

Cover photo

Insights, outlooks, perspectives: The bank's remodeled headquarters emphasize the transparency and innovation of the Cantonal Bank of St. Gallen. The highlights include the new lobby, which is bathed in light and features a neon tube sculpture by the artist Alex Hanimann.

Group Balance Sheet

Assets in CHF 000s	June 30, 2007	in %	Dec. 31, 2006	in %	Change	in %
Liquid funds	172 029	0.8	111 158	0.6	60 871	54.8
Receivables from money market instruments	331 549	1.6	335 959	1.7	(4 410)	(1.3)
Due from banks	1 318 871	6.4	1 030 030	5.2	288 841	28.0
Due from customers	2 963 619	14.5	2 930 849	14.8	32 770	1.1
Mortgage loans	14 500 662	70.9	14 277 822	72.1	222 840	1.6
Total loans to customers	17 464 281	85.4	17 208 671	86.9	255 610	1.5
Securities and precious metals trading portfolios	43 125	0.2	56 621	0.3	(13 496)	(23.8)
Financial investments	682 202	3.3	675 387	3.4	6 815	1.0
Non-consolidated participations	19 264	0.1	19 275	0.1	(11)	(0.1)
Fixed assets	175 898	0.9	172 733	0.9	3 165	1.8
Intangibles	49 150	0.2	60 209	0.3	(11 059)	(18.4)
Accrued income and prepaid expenses	93 078	0.5	83 775	0.4	9 303	11.1
Other assets	113 206	0.6	46 164	0.2	67 042	145.2
Total assets	20 462 653	100.0	19 799 982	100.0	662 671	3.3
Of which:						
– Total subordinated amounts receivable	0		525		(525)	(100.0)
– Total due from non-consolidated participations	126 999		78 580		48 419	61.6
– Total due from the Canton of St.Gallen	0		0		0	0.0

Liabilities in CHF 000s

Due to money market instruments	297	0.0	222	0.0	75	33.8
Due to banks	648 303	3.2	665 212	3.4	(16 909)	(2.5)
Due to customers in savings and deposits	5 814 451	28.4	6 193 089	31.3	(378 638)	(6.1)
Other due to customers	5 426 932	26.5	4 900 653	24.8	526 279	10.7
Medium-term notes	819 276	4.0	708 969	3.6	110 307	15.6
Total customer funds	12 060 659	58.9	11 802 711	59.7	257 948	2.2
Debt and loans secured by mortgages	5 127 779	25.1	5 154 629	26.0	(26 850)	(0.5)
Accrued expenses and deferred income	193 629	0.9	174 475	0.9	19 154	11.0
Other liabilities	605 744	3.0	105 841	0.5	499 903	472.3
Valuation adjustments and provisions	183 385	0.9	191 216	1.0	(7 831)	(4.1)
Reserves for general banking risks	39 300	0.2	48 400	0.2	(9 100)	(18.8)
Share capital	390 140	1.9	557 343	2.8	(167 203)	(30.0)
Capital reserve	86 081	0.4	83 615	0.4	2 466	2.9
Profit reserve	1 027 273	5.0	798 672	4.0	228 601	28.6
less treasury shares	(15 725)	(0.1)	(10 909)	(0.1)	(4 816)	(44.1)
Group net profit	115 788	0.6	228 555	1.2	(112 767)	(49.3)
Total shareholders' equity	1 642 857	8.0	1 705 676	8.5	(62 819)	(3.7)
Total liabilities	20 462 653	100.0	19 799 982	100.0	662 671	3.3
Of which:						
– Total subordinated amounts payable	260 000		260 000		0	0.0
– Total due to non-consolidated participations	1 294 614		1 286 918		7 696	0.6
– Total due to the Canton of St.Gallen	368 467		429 991		(61 524)	(14.3)

Off-Balance-Sheet Transactions in CHF 000s

Contingent liabilities	261 144		326 467		(65 323)	(20.0)
Irrevocable commitments	186 743		169 583		17 160	10.1
Liabilities for calls on shares and other equities	40 411		40 411		0	0.0
Derivative financial instruments:						
– Contract volume	4 680 685		4 475 089		205 596	4.6
– Positive replacement values	36 362		33 534		2 828	8.4
– Negative replacement values	84 206		28 005		56 201	200.7
Fiduciary transactions	3 250 340		4 646 171		(1 395 831)	(30.0)

Group Income Statement

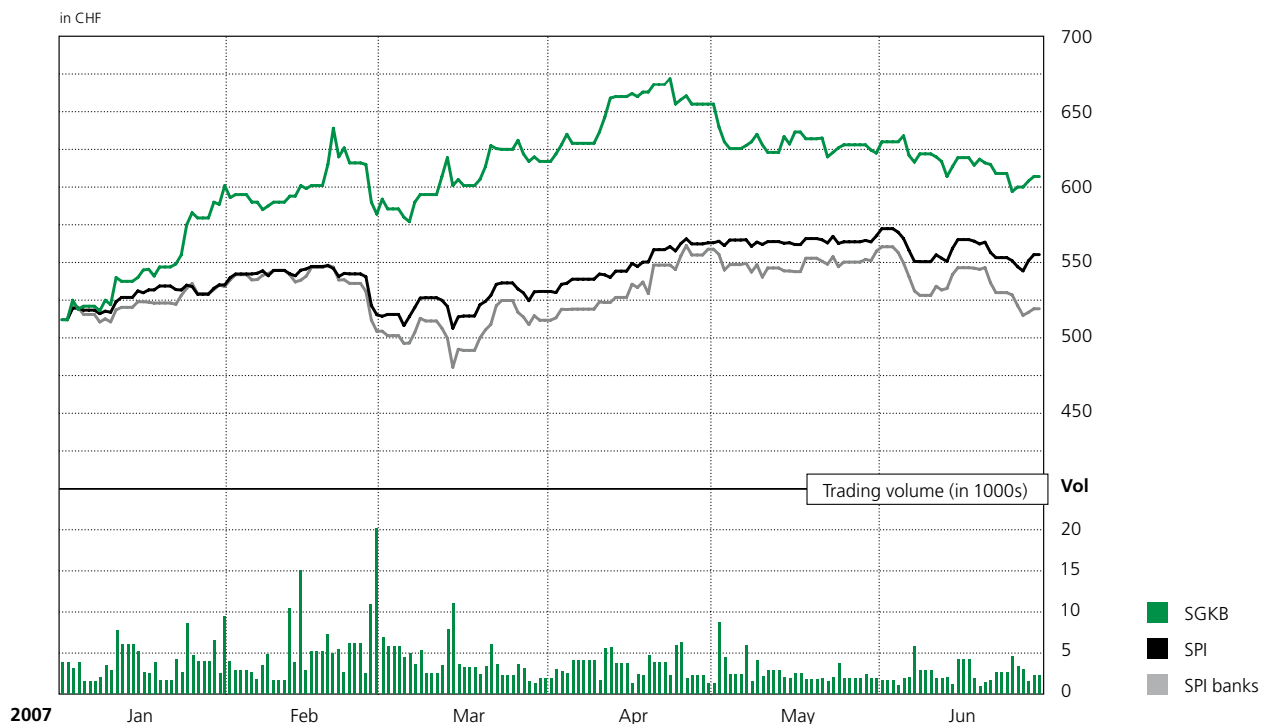
in CHF 000s	June 30, 2007	June 30, 2006	Change	in %
Interest and discount income	300 075	271 643	28 432	10.5
Interest and dividend income on trading portfolios	331	348	(17)	(4.9)
Interest and dividend income on financial investments	9 854	9 678	176	1.8
Interest expenses	(155 823)	(128 392)	(27 431)	(21.4)
Net interest income	154 437	153 277	1 160	0.8
Commission income from lending activities	1 194	1 081	113	10.5
Commission income from securities and investment activities	101 776	93 961	7 815	8.3
Commission income from other service fee activities	8 951	9 261	(310)	(3.3)
Commission expenses	(4 305)	(4 121)	(184)	(4.5)
Net fee and commission income	107 616	100 182	7 434	7.4
Net trading income	21 361	17 835	3 526	19.8
Results from the sale of financial investments	596	1 199	(603)	(50.3)
Income from non-consolidated participations	964	1 154	(190)	(16.5)
Results from real estate	594	1 136	(542)	(47.7)
Other ordinary income	653	1 956	(1 303)	(66.6)
Other ordinary expenses	(300)	(600)	300	50.0
Net other income	2 507	4 845	(2 338)	(48.3)
Operating income	285 921	276 139	9 782	3.5
Personnel expenses	(77 938)	(71 985)	(5 953)	(8.3)
Other operating expenses	(55 930)	(49 901)	(6 029)	(12.1)
Administrative expenses	(133 868)	(121 886)	(11 982)	(9.8)
Gross profit	152 053	154 253	(2 200)	(1.4)
Depreciation and write-offs on fixed assets and participations	(6 297)	(5 891)	(406)	(6.9)
Depreciation of intangibles	(12 987)	(12 219)	(768)	(6.3)
Valuation adjustments, provisions and losses	(2 018)	(1 078)	(940)	(87.2)
Operating profit (interim result)	130 751	135 065	(4 314)	(3.2)
Extraordinary income	11 304	3 441	7 863	228.5
<i>of which dissolution of reserves for general banking risks</i>	<i>9 100</i>	<i>2 860</i>	<i>6 240</i>	<i>218.2</i>
Extraordinary expenses	0	(2)	2	100.0
Group profit before taxes	142 055	138 504	3 551	2.6
Taxes	(26 267)	(26 150)	(117)	(0.4)
Group net profit	115 788	112 354	3 434	3.1

Divisional Accounts

in CHF 000s	Retail and Commercial Banking		Private Banking		Corporate Center		Group	
	June 30, 07	June 30, 06	June 30, 07	June 30, 06	June 30, 07	June 30, 06	June 30, 07	June 30, 06
Operating income	153 480	138 147	121 221	109 867	11 220	28 125	285 921	276 139
Administrative expenses	(70 459)	(68 606)	(43 718)	(41 456)	(19 691)	(11 824)	(133 868)	(121 886)
Gross profit	83 021	69 541	77 503	68 411	(8 471)	16 301	152 053	154 253
Depreciation and write-offs on fixed assets and intangibles	0	0	(741)	(596)	(18 542)	(17 514)	(19 283)	(18 110)
Valuation adjustments, provisions and losses	(1 388)	(731)	(578)	(156)	(53)	(191)	(2 019)	(1 078)
Operating profit	81 633	68 810	76 184	67 659	(27 066)	(1 404)	130 751	135 065
Extraordinary income	866	0	2 900	1 180	7 538	2 259	11 304	3 439
Taxes	(10 640)	(10 211)	(12 671)	(12 160)	(2 956)	(3 779)	(26 267)	(26 150)
Group net profit	71 859	58 599	66 413	56 679	(22 484)	(2 924)	115 788	112 354
Cost/income-ratio	45.9%	49.7%	36.7%	38.3%	n/a	n/a	49.5%	46.2%
Other data in CHF 000s	June 30, 07	Dec. 31, 06	June 30, 07	Dec. 31, 06	June 30, 07	Dec. 31, 06	June 30, 07	Dec. 31, 06
Loans to customers	15 555 043	15 323 425	1 909 238	1 885 246	0	0	17 464 281	17 208 671
Customer funds	8 408 387	8 377 696	3 652 272	3 425 015	0	0	12 060 659	11 802 711
Funds under management	12 213 087	11 936 930	26 831 358	26 902 004	0	0	39 044 445	38 838 934
Headcount	481	485	233	229	268	258	982	972

Information for Investors

Overall, the SGKB share price performed very well in the first half of 2007. From 1 January to 30 June 2007, the stock's valuation improved by 18.6%.

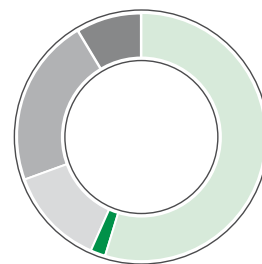


Ticker symbol: SGKN, Swiss security no.: 1148406, Listed on: SWX Swiss Exchange, Issued: April 2, 2001

Share Statistics	June 30, 2007
Earnings per share	CHF 20.89
Approved repayment of par value per share	CHF 30.00 ¹
Total shares issued	5 573 426
Tradable shares (free float)	2 440 560
Time-weighted number of dividend-bearing shares	5 543 777
Number of shares held by SGKB (average)	29 981
Shareholders	26 487
Issue price (IPO)	CHF 160.00
Market price	CHF 607.00
– Highest price in the first half of 2007	CHF 675.00
– Lowest price in the first half of 2007	CHF 512.00
Market capitalization	CHF 3 383.1 million
Ratio of market capitalization/ shareholders' equity	205.9%
Return on equity (basis: operating profit)	16.4% (annualised)
Reported shareholders' equity	CHF 1 642.9 million
Yield relating to the repayment of par value per share	4.9%
Price-earnings ratio	14.53 (annualised)

¹ For the financial year ending December 31, 2006.

Shareholder Structure



Canton of St. Gallen	54.8%
SGKB employees	1.9%
Corporates	12.8%
Individuals	22.0%
Registration pending	8.5%

Contact

[Shareholders]

St.Galler Kantonalbank
Investor Relations
Dr. Cornelia Gut-Villa
St.Leonhardstrasse 25
CH-9001 St.Gallen
Telefon +41 (0)71 231 36 92
Fax +41 (0)71 231 37 94
E-Mail: cornelia.gut@sgkb.ch

[Media]

St.Galler Kantonalbank
Media Spokesman
Simon Netzle
St.Leonhardstrasse 25
CH-9001 St.Gallen
Telefon +41 (0)71 231 32 18
Fax +41 (0)71 231 37 94
E-Mail: simon.netzle@sgkb.ch

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 (→ Media/Investors)



Brief Profile

The **Cantonal Bank of St.Gallen Group** comprises the Cantonal Bank of St.Gallen (SGKB), the parent company founded in 1868, and its subsidiary HYPOSWISS Privatbank AG, which was acquired in 2002. The SGKB has been listed on the SWX exchange since 2001; the canton of St.Gallen is the majority shareholder with 54.8% of the share capital. Measured in terms of the balance sheet total reported in the group's annual results for 2006, the SGKB is the eighth largest Swiss universal bank and fourth largest cantonal bank. As the parent company, the 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 in its capacities as an employer, taxpayer and sponsorship partner. On 30 June 2007, the Group employed a total of 1103 staff. The parent company operates with a state guarantee and has an Aa1 credit rating from Moody's.