



# Consolidated Interim Financial Statements.

As at 30 June 2019.

 **Banca Cantonale**



# Group key figures.

(Half-yearly figures are not audited.)

## Balance sheet / Off-balance-sheet

	in CHF million 6/30/2019	in CHF million 12/31/2018	+ / - in %
Client assets <sup>1)</sup>	34,998	33,244	5.3
Loans to clients	20,051	19,697	1.8
Own funds <sup>2)</sup>	2,615	2,622	-0.3

## Headcount

	6/30/2019	12/31/2018	+ / - in %
FTEs (adjusted for part-time positions, apprenticeships at 50 %)	775.5	781.2	-0.7

## Income statement

	in CHF million 1st half 2019	in CHF million 1st half 2018	+ / - in %
Operating income	209.4	198.0	5.7
Operating expenses	91.5	85.3	7.3
Operating result	103.9	105.0	-1.0
Profit before allocation to reserves without minority interests	96.2	105.4	-8.7
Group profit	100.5	99.4	1.1

## Key figures

	1st half 2019	1st half 2018	+ / - in %
Net new money (in CHF million) <sup>1)</sup>	-32.7	683.9	
Operating expense / Operating income (CIR I) <sup>3)</sup>	44.2 %	44.0 %	0.4
Operating expense incl. depreciation/operating income (CIR II) <sup>3)</sup>	47.0 %	46.5 %	1.0
Return on equity (ROE) <sup>2) 4)</sup>	7.5 %	8.5 %	-11.8
Own funds <sup>2)</sup> / PC	1,049.1	1,015.5	3.3
Leverage Ratio	9.2 %	8.9 %	3.5
Return on equity (ROE) on own funds target of 14.5 % CET-1-ratio	10.7 %	11.0 %	-3.2
Excess capital (basis: 8 % / CH standard)	151.4 %	130.8 %	15.7
Core capital ratio (CET-1-ratio / Tier-1-ratio)	20.1 %	18.5 %	8.9

1) Client funds, client deposits and fiduciary investments incl. client assets with account and custody account management at third-party banks (incl. double counting); without cash management positions

2) Equity before the appropriation of profits without minority interests

3) without value adjustments interest rates; CIR II: depreciation excl. goodwill depreciation

4) Basis: profit before allocation to reserves without minority interests

All amounts listed in this documented have been rounded. This can lead to a minimal difference to the total amounts.

## Half-Year and Management Report: Expansion of the Investment Bank stands the test. Diversification contributes to success.



CEO Alois Vinzens and Chairman Peter Fanconi

**Graubündner Kantonalbank (GKB) achieved a very good result in the first half of the year, with a consolidated profit of over CHF 100 million (+1.1%). The rigorous expansion of the investment business paid off for the Bank in the current stock market environment. The outlook for the year as a whole is better than expected.**

In addition to the existing holding in Privatbank Bellerive AG, on 1 July 2018 GKB acquired a 51% majority stake in the Zurich asset management firm Albin Kistler AG that can be fully consolidated. The aim was and is to expand the investment business and further reduce the dependence on interest-earning operations. GKB's strategic development into a relevant investment bank is reflected in the interim results: for the first time, more than one third of its income came from the investment business. The Bank can look back on a challenging but nevertheless very successful half-year. The impact of negative interest rates was apparent. Even so, for the first time GKB was able to increase consolidated profit to over CHF 100 million in a half-year period.

### **Consolidated profit increased to CHF 100.5 million**

The operating result, GKB's consolidated operating profit, was just below the level of the prior year's level in the first half of the year (CHF 103.9 million / -1.0%). Consolidated profit was up 1.1% to CHF 100.5 million, exceeding the CHF 100 million mark for the first time. Privatbank Bellerive AG was able to maintain its contribution to results at the good level seen the previous year.

## **Operating income rose by 5.7%**

Operating income (CHF 209.4 million) increased by CHF 11.4 million or 5.7% because of the effect of consolidating Albin Kistler AG. The consequences of the SNB's negative interest rate policy are increasingly evident in the results. Ongoing margin tightening and the flatter yield curve caused net earnings from interest-related business to fall by CHF 6.9 million. The additional net fee and commission income and other ordinary income made up for this, causing operating income to rise as mentioned.

## **Net fee and commission income up 34.9%**

Net fee and commission income increased by 34.9% to CHF 66.6 million (CHF +17.2 million) as a result of the full consolidation of Albin Kistler AG. The strong rise in income pushed up the margin to 32.2% (prior-year period: 25.5%). The strategic target of 30% was exceeded for the first time. Other ordinary earnings (CHF 10.1 million / +28.7%) increased as a result of the stock market performance.

## **Excellent productivity maintained: cost/income ratio I of 44.2%**

Operating expenses (CHF 91.5 million) including the state guarantee contribution were up on the previous year by 7.3%. The sole reason for the additional costs was the full consolidation of Albin Kistler AG. Investments in the digital future of the Bank and the associated higher operating costs were fully made up by strategic cost management. With a cost/income ratio II of 47.0% (+0.5 percentage points) and a cost/income ratio I of 44.2% (+0.2 percentage points), GKB continues to be among the most productive Swiss banks.

## **Loans to clients rose to over CHF 20 billion**

The business volume of the GKB Group was CHF 55.0 billion. Loans to clients increased by CHF 354.5 million (+1.8%), with loans secured against mortgages contributing CHF 271.6 million (+1.6%) to the growth. Client assets increased by 5.3% to CHF 35.0 billion as a result of the market performance. The flow of funds was affected by more a restrictive treatment of client money. Hence a net new money outflow of CHF -32.7 million (-0.1%) was reported for the first half. The strategic performance of the investment bank was reflected in a pleasing trend in mandate and fund volumes.

## **Above-average capital ratio**

GKB reported shareholders' equity (including non-controlling interests) of CHF 2,656.6 million for the first half of 2019. The Bank used the BIS's standardised approach to calculate equity requirements for the first time. In conjunction with further optimisations, the calculated Common Equity Tier 1 (CET 1) ratio rose to 20.1%. GKB is thus one of the best capitalised universal banks in Switzerland. This was also confirmed by the very high leverage ratio of 9.2%.

## **Outlook for 2019: operating profit better than expected**

GKB is improving its outlook for 2019 based on the interim result. The Bank is now expecting an operating result of CHF 185 to CHF 190 million (previously CHF 175 to 180 million). The objective for growth in loans to clients is being raised to CHF 550 million (previously CHF 350 million) and in client assets the growth target is being cut to CHF 300 million (previously CHF 500 million). The reduction is due to the broader application of negative interest rates on client money in the parent company.

## **Anniversary focuses on sustainability**

In 2020 GKB will celebrate its 150th anniversary. To underscore its strong commitment to Graubünden, the Bank will set standards for the future by implementing sustainable projects during its anniversary year. The focus will be on water, nature and sustainability. GKB introduced its first anniversary project in May: the Graubünden summit e-register. Further projects will be presented at the press conference about the change in CEO on 26 September 2019. The latest information about GKB's anniversary can be found at [gkb2020.ch](http://gkb2020.ch) or on social media under the hashtag #gkb2020.

## Information on the summarised notes.

### **Extraordinary income and expense**

The extraordinary income (CHF 2.8 million) includes earnings from sales of three bank properties (CHF 1.9 million) and another property (CHF 0.9 million). During the first semester of 2019, no extraordinary expenses were incurred.

CHF 2.0 million was allocated the reserves for general bank risks.

### **Changes in the accounting and valuation principles**

None.

### **Material events after the closing date of the interim financial statements**

None.

Chur, 25 July 2019

# Group Balance Sheet.

## Assets

	in CHF 1'000 6/30/2019	in CHF 1'000 12/31/2018	+ / - in %
Liquid assets	4,262,414	4,101,988	3.9
Amounts due from banks	349,713	778,185	-55.1
Amounts due from customers	2,783,966	2,701,052	3.1
Mortgage loans	17,267,530	16,995,905	1.6
Trading portfolio assets	147	414	-64.5
Positive replacement values of derivative financial instruments	126,726	178,772	-29.1
Financial investments	1,507,287	1,394,101	8.1
Accrued income and prepaid expenses	35,842	29,055	23.4
Non-consolidated participations	17,298	17,298	-
Tangible fixed assets	118,306	118,181	0.1
Intangible assets	23,552	26,879	-12.4
Other assets	102,261	111,436	-8.2
<b>Total assets</b>	<b>26,595,042</b>	<b>26,453,267</b>	<b>0.5</b>
Total subordinated claims	10,185	10,185	-

## Liabilities

	in CHF 1'000 6/30/2019	in CHF 1'000 12/31/2018	+ / - in %
Amounts due to banks	2,548,979	2,398,144	6.3
Liabilities from securities financing transactions	600,000	865,900	-30.7
Amounts due in respect of customer deposits	16,524,825	16,519,705	0.0
Negative replacement values of derivative financial instruments	31,570	20,527	53.8
Cash bonds	9,417	12,572	-25.1
Bond issues and central mortgage institution loans	4,053,485	3,846,485	5.4
Accrued expenses and deferred income	72,811	84,487	-13.8
Other liabilities	78,991	30,726	>100
Provisions	18,372	14,127	30.1
Reserves for general banking risks	1,383,026	1,381,026	0.1
Bank's capital	250,000	250,000	-
Capital reserves	49,660	49,425	0.5
Retained earnings reserves	849,005	770,503	10.2
Own shares	-10,486	-10,539	-0.5
Minority interests in equity	34,908	35,063	-0.4
Consolidated profit	100,479	185,117	-45.7
of which, minority interests in consolidated profit	6,286	3,384	+85.8
<b>Total liabilities</b>	<b>26,595,042</b>	<b>26,453,267</b>	<b>0.5</b>

## Consolidated Income Statement.

	in CHF 1'000 1st half 2019	in CHF 1'000 1st half 2018	+ / - in %
Gross result from interest operations	121,948	126,790	-3.8
Changes in value adjustments for default risks and losses from interest operations	2,144	4,224	-49.2
Net result from interest operations	124,092	131,014	-5.3
Result from commission business and services	66,630	49,389	34.9
Result from trading activities and the fair value option	8,546	9,764	-12.5
Other result from ordinary activities	10,087	7,835	28.7
<b>Operating income</b>	<b>209,355</b>	<b>198,002</b>	<b>5.7</b>
Personnel expenses	60,366	56,258	7.3
General and administrative expenses	29,620	27,459	7.9
Compensation for cantonal guarantee	1,538	1,549	-0.7
<b>Operating expenses</b>	<b>91,524</b>	<b>85,266</b>	<b>7.3</b>
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	9,192	7,426	23.8
of which, goodwill depreciation	3,365	2,592	29.8
Changes to provisions and other value adjustments, and losses	-4,750	-349	>100
<b>Operating result</b>	<b>103,889</b>	<b>104,961</b>	<b>-1.0</b>
Extraordinary income	2,770	2,885	-4.0
Extraordinary expenses	0	0	-
Changes in reserves for general banking risks	-2,000	-7,500	-73.3
Taxes	4,180	938	>100
<b>Consolidated profit</b>	<b>100,479</b>	<b>99,408</b>	<b>1.1</b>
of which, minority interests in consolidated profit	6,286	1,501	>100

## Statement of consolidated Equity Capital.

in CHF 1,000

	Bank's capital	Capital reserves	Retained earnings reserves	Unassigned reserves for general banking risks	Reserves for general banking risks (earmarked)	Own shares	Minority interests	Consolidated profit	Total
<b>Equity on 1.1.2019</b>	250,000	49,425	770,503	1,373,091	7,935	-10,539	35,063	185,117	2,660,594
Prior year's profit carried forward	-	-	181,733	-	-	-	3,384	-185,117	-
Acquisition of own shares	-	-	-109	-	-	-1,146	-	-	-1,255
Disposal of own shares	-	-	-	-	-	1,199	-	-	1,199
Profit (loss) on disposal of own shares	-	-41	-	-	-	-	-	-	-41
Dividends and other distributions	-	276	-103,200	-	-	-	-3,461	-	-106,385
Other allocations to (transfers from) the reserves for general banking risks	-	-	-	2,000	-	-	-	-	2,000
Change in non-controlling interests	-	-	77	-	-	-	-77	-	-
Consolidated profit	-	-	-	-	-	-	-	100,479	100,479
<b>Equity on 30.06.2019</b>	250,000	49,660	849,005	1,375,091	7,935	-10,486	34,908	100,479	2,656,592

# Graubündner Kantonalbank Participation Certificate.

Listed on SIX Swiss Exchange. Sec. No. 134 020. Price: CHF 1,430.00<sup>2</sup>

Graubündner Kantonalbank (GKB) is a mid-sized cantonal bank. In addition to private and corporate client business focused on the Canton of Graubünden, GKB has a long-standing tradition in private banking. Offering a comprehensive range of services, attractive employment options, progressive training opportunities and balanced value management, meeting the needs of its clients, employees, investors and the public is of paramount importance to GKB.

The bank holds strategic stakes in Privatbank Bellerive AG, Zurich, and Albin Kistler AG, Zurich.

## Capital structure

Endowment and participation capital: CHF 250 million  
Participation capital: 750,000 PC at CHF 100 nom.  
CHF 175,000,000 endowment capital

## Shareholders

Canton of Graubünden: 84.5% of capital (per 06/30/2019)  
Board/Management: 0.1% of PC (per 06/30/2019)

## Board of directors/Management

Chairman of the Bank: Peter Fanconi (since 2014)  
Chief Executive Officer: Alois Vinzens (since 2003)  
No. of BD/EB members 2018: 7/4

## Rating Standard & Poor's

Long term: AA  
Outlook: stable

## Key dates

Annual figures 2019: 7 February 2020  
Participation certificate holder's meeting: 25 April 2020

## Key figures per Participation Certificate (PC): Figures according to ZKB Research

per PC (adjusted in CHF)		2015	2016	2017	2018	2019 estimation
Equity capital <sup>1)</sup>		945.4	968.0	1,011.1	1,040.0	1,077.0
Adjusted net profit		68.8	67.3	78.4	81.1	74.8
Dividend		38.0	38.0	40.0	40.0	40.0
Payout ratio		57.9 %	57.2 %	56.3 %	55.0 %	54.9 %

  

per PC (in CHF)		2016	2017	2018	2019
Price <sup>3)</sup>	High	1,860	1,566	1,535	1,500
	Low	1,271	1,398	1,300	1,320
P/E <sup>4)</sup>	High	27.6	20.0	18.9	20.1
	Low	18.9	17.8	16.0	17.6

1 not including intangible assets

2 price as at 06/28/2019

3 highest/lowest prices on actually paid prices

4 highest/lowest prices of a given year as a ratio of the adjusted net profit of that year

## 10 year performance (including dividend distributions)



