



Consolidated Interim Financial Statements.

as at 30 June 2015.

Growing together.



**Graubündner
Kantonalbank**

Group Key Figures.

(Half-yearly figures are not audited.)

	30.06.2015	31.12.2014	
Balance sheet / Off-balance-sheet	in CHF 1,000	in CHF 1,000	+/- in %
Client assets 1)	29,403,822	30,156,640	-2.5
Loans to clients	16,858,639	16,365,226	+3.0
Own funds ²⁾	2,273,460	2,267,090	+0.3
Headcount	30.06.2015	31.12.2014	+/- in %
FTEs ³⁾	790.4	804.9	-1.8
Income statement	1st half 2015	1st half 2014	+/- in %
	in CHF 1,000	in CHF 1,000	
Gross earnings	183,359	193,985	-5.5
Operating expenses	84,897	84,760	+0.2
Gross profit	98,462	109,225	-9.9
Group profit before extraordinary items and taxes	91,416	101,316	-9.8
Profit before allocation to reserves without minority interests	104,261	96,816	+7.7
Group profit	89,985	88,472	+1.7
Key figures	1st half 2015	1st half 2014	+/- in %
Net new money ¹⁾	-310,231	-9,648	
Operating expenses/gross earnings (CIR I)	46.3%	43.7%	+6.0
Operating expenses incl. amortisation and depreciation/gross earnings (CIR II)	48.8%	46.4%	+5.1
Return on equity (ROE); (basis: profit without minority interests)	9.4%	9.1%	+3.3
Profit/PS (EPS); (basis: profit without minority interests)	41.7	38.7	+7.7
Own funds ²⁾ /PS	909.4	906.8	+0.3
Own funds incl. minority interests/balance sheet total	10.2%	11.2%	-9.0
Return on equity (ROE) on own funds target of 14.5 % CET1 ratio	12.1%	11.5%	+5.4
Excess capital (basis: 8 %/CH standard)	46.2%	49.6%	-6.9
Core capital ratio (CET1 ratio/Tier 1 ratio)	18.6%	18.9%	-1.3

1) Client funds, client deposits and fiduciary investments incl. client assets with account and custody account management at third-party banks (incl. double counting); from 2012 without cash management positions

2) before the appropriation of profits, without minority interests

3) adjusted for part-time positions, apprenticeships at 50 %

Half-Year and Management Report – Graubündner Kantonalbank increases Group profit.



Alois Vinzens
CEO

Peter Fanconi
Chairman

Strong growth in loans to clients.

Sound mortgage growth is being supported by the brokerage of real estate financing. This business has a positive influence on the average loan-to-value ratio while broadening risk diversification.

Client assets: performance and adjustments weigh on results.

Client assets declined to CHF 29.4 billion (-2.5%) as a result of losses in value and outflows. The negative performance is primarily attributable to currency effects. Net outflows of CHF 310.2 million related to the adjustment of cross-border business.

Negative money market rates dent interest income.

The 5.2% decline in net interest income can be ascribed to the negative interest rate policy of the Swiss National Bank, which gave rise to higher hedging costs. Hedging costs on short- and medium-term positions are having an impact on the current year in particular.

Commission business undergoing adjustment.

Net fee and commission income declined by 9.8% to CHF 52.2 million. Reduced income from retrocessions and the fall in client deposits as a result of the adjustment of cross-border business are weighing on results. The higher share of asset management mandates generated additional income.

Graubündner Kantonalbank posted a 1.7% increase in Group profit in the first half of 2015 over the same period last year. The lending and mortgage business reported a solid performance. Operating income suffered from the decline in interest business. The risk profile of the loan portfolio had a positive effect. Expectations for the full financial year 2015 have been raised from the forecast made in February.

Trading business higher.

Net trading income (CHF +2.9 million / +31.3%) reflects the increase in foreign currency transactions in client business. Other income (CHF -1.7 million/-21.6%) includes major gains on the disposal of financial assets in the previous year.

Operating expense under control.

Current costs were reduced over the previous year. The +0.2% (CHF 0.14 million) rise in operating expense is attributable to investments in new and innovative products and processes in the investment business. Lower income pushed up the cost/income ratio II to 48.8% (previous year: 46.4%). Productivity remains relatively high, however.

Positive trend in allowances.

The development of value adjustments for credit risks has so far given no indication of an increase in credit risk exposure. This is because businesses in the construction and tourism sectors are adjusting to lower demand, so only a few defaults are expected.

Expected completion of the US tax programme process.

Graubündner Kantonalbank is participating in Category 2 of the US tax programme. The parent company is expected to complete the process in autumn.

Gain on disposal of Swisscanto units earmarked for future projects.

In the first half of 2015, Graubündner Kantonalbank realised a gain of CHF 16.8 million on the disposal of its Swisscanto holding. The gain is being transferred to the reserves for general banking risks and will be used for investments in major projects.

Group profit up slightly.

Group profit was up slightly to CHF 90 million. Net profit before allocations to reserves and after deductions for minority interests increased by 7.7%.

Above-average capital base.

GKB reported shareholders' equity (including minority interests) of CHF 2,311 million for the first half of 2015. With a core capital ratio (CET 1) of 18.6%, it is one of the best-capitalised banks in Switzerland.

Improved expectations.

Given the first half of the year, the outlook for 2015 has improved markedly over what we communicated in February. Expected net profit is being revised upwards by approximately CHF 10 million to CHF 170 to CHF 180 million. Group profit is expected to total CHF 160 to CHF 165 million, which is at the previous year's level. Earnings per share is likely to be between CHF 70 and CHF 72, with the dividend unchanged at CHF 38.

Information on the summarised notes.

Extraordinary income and expense.

In addition to the aforementioned gains on the disposal of Swisscanto units (CHF 16.8 million), extraordinary income (CHF 17.2 million) in the first half of 2015 was positively influenced by gains on the disposal of own real estate (CHF 0.4 million). Extraordinary expense (CHF 16.9 million) primarily includes the aforementioned creation of reserves for general banking risks (CHF 16.8 million).

Changes in the accounting and valuation principles.

None.

Material events after the closing date of the interim financial statements.

None.

Chur, 31. July 2015

Group Balance Sheet.

	30.06.2015	31.12.2014	
Assets	in CHF 1,000	in CHF 1,000	+/- in %
Liquid assets	3,228,888	1,411,157	+128.8
Claims from money market securities	91	96	-5.2
Due from banks	655,179	682,463	-4.0
Due from customers	2,627,567	2,582,824	+1.7
Mortgage loans	14,231,072	13,782,402	+3.3
Securities and precious metals trading assets	281	283	-0.7
Financial assets	1,377,033	1,477,985	-6.8
Non-consolidated participations	13,458	19,750	-31.9
Tangible assets	119,497	121,079	-1.3
Accrued income and prepaid expenses	37,215	34,764	+7.1
Other assets	405,439	478,246	-15.2
Balance sheet total	22,695,720	20,591,049	+10.2

	30.06.2015	31.12.2014	
Liabilities	in CHF 1,000	in CHF 1,000	+/- in %
Due to banks	2,118,594	619,984	+241.7
Due to customers on savings and deposit accounts	8,779,272	8,736,388	+0.5
Other balances due to customers	5,859,191	5,703,550	+2.7
Medium-term notes	39,015	44,604	-12.5
Bonds and loans from central mortgage institutions	3,114,315	2,641,230	+17.9
Accrued expenses and deferred income	48,662	71,234	-31.7
Other liabilities	183,479	226,938	-19.2
Value adjustments and provisions	243,116	243,443	-0.1
Reserves for general banking risks	1,326,758	1,309,958	+1.3
Endowment capital	175,000	175,000	-
Participation capital	75,000	75,000	-
Own equity	-2,976	-4,066	-26.8
Capital reserve	48,484	47,785	+1.5
Retained earnings	563,733	504,532	+11.7
Minority interests in equity	34,092	31,662	+7.7
Group profit	89,985	163,807	
<i>of which minority interests</i>	<i>2,524</i>	<i>4,926</i>	
Balance sheet total	22,695,720	20,591,049	+10.2

Consolidated Income Statement.

	1st half 2015 in CHF 1,000	1st half 2014 in CHF 1,000	+/- in %
Net interest income	113,053	119,210	-5.2
Net fee and commission income	52,188	57,887	-9.8
Net trading income	12,113	9,227	+31.3
Other ordinary income	6,005	7,661	-21.6
Gross income	183,359	193,985	-5.5
Personnel expense	57,759	57,974	-0.4
General administrative expense	27,138	26,786	+1.3
Total operating expense	84,897	84,760	+0.2
Operating profit/operational cash flow	98,462	109,225	-9.9
Depreciation and write-offs on fixed assets and participations	4,496	5,229	-14.0
Value adjustments, provisions and losses	2,550	2,680	-4.9
Group profit before extraordinary items and taxes	91,416	101,316	-9.8
Extraordinary income, including taxes	-1,431	-12,844	-88.9
<i>of which allocation to reserves for general banking risks</i>	<i>16,800</i>	<i>11,000</i>	<i>+52.7</i>
Group profit	89,985	88,472	+1.7
<i>of which minority interests</i>	<i>2,524</i>	<i>2,656</i>	<i>-5.0</i>

Statement of Equity Capital.

	in CHF 1,000									
	Share capital	Capital reserves	Profit reserves	Reserves for general banking risks	Currency conversion reserves*	Voluntary retained earnings and retained earnings/losses brought forward	Treasury shares (negative position)	Minority interests*	Profit or loss for the period	Total
Shareholders' equity on 1.1.2015	250,000	47,785	504,532	1,309,958			-4,066	31,662	163,807	2,303,678
Appropriation of profit			158,881					4,926	-163,807	-
Acquisition of treasury shares							-3,750			-3,750
Sale of treasury shares							4,840			4,840
Gain (loss) from the sale of treasury shares		699								699
Dividends and other distributions			-99,680					-2,496		-102,176
Other allocations to (withdrawals from) the reserves for general banking risks				16,800						16,800
Profit/loss (for the period)									89,985	89,985
Shareholders' equity on 30.06.2015	250,000	48,484	563,733	1,326,758	-	-	-2,976	34,092	89,985	2,310,076

Graubündner Kantonalbank Participation Certificate.

Listed on SIX Swiss Exchange Sec. No. 134 020 Price: CHF 1,520.00⁴

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 Private Client Bank AG, Zurich.

Capital structure.

Endowment and participation cap.: CHF 250 Mio.
750,000 PC at CHF 100 nom.
CHF 175,000,000 endow. cap.

Shareholders.

Canton of Graubünden: 84.3% of capital (per 30.06.15)
Board/Management: 0.1% of PC (per 30.06.15)

Board/Management.

Supervisory Board
Chairman: Peter Fanconi (since 2014)
CEO: Alois Vinzens (since 2003)
No. of SB/EB members 2015: 7/4

Rating Standard & Poor's.

Short term: A-1+
Long term: AA
Outlook: stable

Key dates.

Annual figures 2015: 12 February 2016
Participation capital holders' meeting 2016: 19 March 2016

Key figures per Participation Certificate (PC).

per PC (adjusted in CHF)	2012	2013	2014	2015(S)	2016(S)	per PC (in CHF)	2012	2013	2014	2015
Equity capital ¹	838.9	872.7	906	921.7 ²	946.8 ²	Price ⁵ High	1'206	1'237	1'418	1'552
Adjusted net profit ¹	73.0	75.0	72.6	60.4 ²	63.1 ²	Low	1'144	1'123	1'170	1'403
Dividend	38.0	38.0	38.0 ³	38.0 ²	38.0 ²	P/E ⁶ High	16.5	16.5	19.5	25.7
Payout ratio ¹	62.0%	60.8%	59.8%	56.7% ²	60.2% ²	Low	15.7	15.7	16.1	23.2

¹ not including goodwill/immaterial ² estimate ZKB Research ³ Ex-dividend as at 6.3.2015 ⁴ price and performance development as at 30.6.2015

⁵ Highest/lowest prices based on actually paid prices ⁶ Highest/lowest prices of a given year as a ratio of the adjusted net profit of that year

10 year performance (including dividend distributions).

