



# Consolidated Accounts for the Financial Year.

Ending 31 December 2015.

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**Graubündner  
Kantonalbank**

## Group key figures.

	31.12.2015	31.12.2014	
Balance sheet /Off-balance-sheet	in CHF 1,000	in CHF 1,000	+/- in %
Client assets 1)	30,079,179	30,156,640	-0.3
Loans to clients	17,519,575	16,177,560	8.3
Own funds <sup>2)</sup>	2,359,488	2,264,409	4.2
<b>Headcount</b>			
	31.12.2015	31.12.2014	+/- in %
FTEs <sup>3)</sup>	792.1	804.9	-1.6
<b>Income statement</b>			
	2015	2014	
	in CHF 1,000	in CHF 1,000	+/- in %
Operating income	369,060	380,254	-2.9
Operating expenses	174,966	177,204	-1.3
Operating result	179,083	186,319	-3.9
Profit before allocation to reserves without minority interests	188,791	178,890	5.5
Group profit	168,183	161,126	4.4
<b>Key figures</b>			
	2015	2014	+/- in %
Net new money <sup>1)</sup>	-10,565	-182,672	-94.2
Operating expense/Operating income without value adjustments interest rates (CIR I)	47.4%	46.4%	2.0
Operating expense including depreciation/operating income without value adjustments interest rates (CIR II)	50.2%	49.5%	1.4
Return on equity (ROE) <sup>4)</sup>	8.3%	8.2%	1.3
Profit/PC (EPS) <sup>4)</sup>	75.5	71.6	5.5
Own funds <sup>2)</sup> /PC	943.8	905.8	4.2
Own funds incl. minority interests/balance sheet total	10.3%	11.4%	-9.4
Return on equity (ROE) on own funds target of 14.5 % CET <sub>1</sub> ratio	10.6%	10.6%	0.4
Excess capital (basis: 8 % /CH standard)	133.3%	135.7%	-1.8
Core capital ratio (CET <sub>1</sub> ratio/Tier 1 ratio)	18.7%	18.9%	-1.0

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) before the appropriation of profits, without minority interests

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

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

# GKB consolidated accounts 2015: much better than expected.



**Alois Vinzens**  
CEO

**Peter Fanconi**  
Chairman

Graubündner Kantonalbank posted an excellent result despite difficult conditions. The systematic pursuit of its chosen strategy and effective risk management proved successful. The good 2015 result reflects the excellent staff performance and GKB's great solidarity with its home market of Graubünden. Building on this, the Bank is able to reposition itself and adapt its services to evolving client needs, with the focus falling on digitisation. As Graubündner Kantonalbank has substantially more capital than required by supervisory legislation, it can maintain its stability and security even during an economic slowdown.

## **Loans to clients: strong growth of +8.3% supported by one-off factors**

The increase in loans to clients of CHF 1,342.0 million (+8.3%) is explained by one-off factors rather than a change in risk policy. Cash Management granted short-term client loans to public-sector entities of CHF 400 million. First-class mortgages granted to clients in other cantons contributed 3.1% to the growth posted for mortgages (+6.3%).

## **Client assets: just over CHF 30 billion**

Client assets (-0.3%) contracted slightly to CHF 30.1 billion. Currency-related effects and the outflow of foreign client assets were compensated by the growth posted for domestic clients.

## **Net interest income: negative interest rate environment is a strain**

Income from interest-earning operations (CHF 230.4 million) declined by -2.3% under pressure of negative money and capital market rates. Thanks to the good risk result, interest income was reduced only

**Graubündner Kantonalbank did substantially better than expected after the introduction of negative interest rates, generating an encouraging result again for the 2015 financial year. Group profit rose by +4.4% to CHF 168.2 million. The canton and participation capital holders will profit from an unchanged dividend distribution of CHF 95.0 million.**

slightly by value adjustments of CHF 0.4 million. At 0.27%, the percentage of non-performing loans is still at a historically low level. The surplus of current balance sheet hedges caused by negative interest rates burdened the result. The reduction in income was offset to a large degree by the strong growth posted for loans and the development of mortgage interest rates.

## **Commission and trading business: foreign currency transactions**

Net fee and commission income declined by -5.6% to CHF 106.0 million. The loss of attractive foreign investment portfolios and reduced income from retrocessions could not be compensated. The return to a EUR/CHF market exchange rate resulted in a substantial increase in foreign currency transactions, which had a positive effect on trading income (+7.7%).

## **Operating expenses: compensation for Cantonal guarantee included**

Operating expenses contracted by -1.3 % or CHF -2.2 million. The prior-year result included one-off components of CHF 2.8 million resulting from the restructuring of the employee pension fund foundation. Higher project volumes (investments) led to an increase in administrative expenses. Current costs were reduced. Under the new accounting guidelines, the compensation for the state guarantee (CHF 2.8 million / +5.1%) is now charged to operating expenses. The cost/income ratio II weakened slightly to 50.2% (+0.7 percentage points) as a result of the decline in earnings.

### **Operating result of CHF 179.1 million**

The operating result is reported as CHF 179.1 million (-3.9%). Lower depreciation and amortisation, cost measures and a better risk result could not completely offset the decline in interest and commission income.

### **Group profit: substantial increase of +4.4%**

The Group profit after the allocation to the reserve for general banking risks was up by +4.4% to CHF 168.2 million. In the first half, the Bank realised a gain on the sale of its investment in Swisscanto of CHF 16.8 million. This gain did not have any impact on the Group result as it was taken directly to the reserve for general banking risks and will be used for planned investments in future projects.

### **Equity base: excellent core capital ratio of 18.7%**

GKB's goal is to positively differentiate itself in the market with an above-average equity base. The weighted capital ratio is 18.7% (CET1 ratio) and consists entirely of common equity. Compared to the ratio of 12.8% required by the supervisory authorities, the Bank has large capital reserves.

### **Dividend: CHF 99.8 million for Canton, participation capital holders and public**

Given the good result, the same dividend of CHF 38 will be paid out. The payout ratio is 50.6% for the parent company and falls within the targeted range of 50 to 60%. A total dividend of CHF 95.0 million will be paid to the Canton of Graubünden and the participation capital holders. CHF 2.0 million was again allocated to the contributory fund for non-commercial cultural, charitable, sport, business, tourism and social projects. The Canton of Graubünden will receive CHF 82.9 million (including payment for the Cantonal guarantee), an increase of CHF 0.2 million on the previous year.

### **Outlook for 2016: stable Group profit expected**

In spite of the challenging environment, the Graubündner Kantonbank expects the Group to earn a stable profit. As the difficult economic environment is increasing the credit risks, the operating result is expected to drop to CHF 170 to 175 million. This corresponds to a decline of 3 to 5%. The Bank therefore expects the earnings per share to fall to CHF 67 to 70. The Bank expects the lending business to grow to CHF 500 million in the current year. The inflow of net new money is budgeted at CHF 200 million.

## **Accounting and valuation principles.**

### **Changes from 1 January 2015**

The new Accounting Rules for Banks (ARB) came into effect on 1 January 2015, requiring changes in the structure of the balance sheet and classification within the income statement. Value adjustments are now accounted for under receivables in the balance sheet. Interest income (net) includes the change in value adjustments for credit risks, and operating expenses include the payment for the state guarantee. Instead of gross profit, the operating result is reported, which also includes the value adjustments and write-downs. The previous year's figures were restated in accordance with the new Accounting Rules for Banks.

Chur, 12 February 2016

## Group Balance Sheet.

Assets	31.12.2015	31.12.2014	+/- in %
	in CHF 1,000	in CHF 1,000	
Liquid assets	3,243,516	1,411,157	129.8
Due from banks	615,776	682,314	-9.8
Due from customers	2,981,422	2,503,835	19.1
Mortgage loans	14,538,153	13,673,725	6.3
Trading portfolio assets	88	283	-68.9
Positive replacement values of derivative financial instruments	259,516	214,838	20.8
Financial investments	1,343,860	1,477,985	-9.1
Accrued income and prepaid expenses	27,224	34,764	-21.7
Non-consolidated participations	12,162	19,750	-38.4
Tangible fixed assets	117,982	121,079	-2.6
Other assets	144,294	101,243	42.5
<b>Total assets</b>	<b>23,283,993</b>	<b>20,240,973</b>	<b>15.0</b>
Liabilities	31.12.2015	31.12.2014	+/- in %
	in CHF 1,000	in CHF 1,000	
Due to banks	2,137,966	619,984	244.8
Liabilities from securities financing transactions	435,000	0	100.0
Amounts due in respect of customer deposits	14,992,355	14,439,938	3.8
Negative replacement values of derivative financial instruments	156,245	38,277	308.2
Cash bonds	34,760	44,604	-22.1
Bond issues and central mortgage institution loans	2,971,015	2,641,230	12.5
Accrued expenses and deferred income	70,317	71,234	-1.3
Other liabilities	34,024	29,177	16.6
Provisions	54,727	55,532	-1.4
Reserves for general banking risks	1,334,570	1,309,958	1.9
Bank's capital	250,000	250,000	-
Capital reserve	48,843	47,785	2.2
Retained earnings reserves	563,733	504,532	11.7
Own shares	-1,837	-4,066	-54.8
Minority interests in equity	34,092	31,662	7.7
Consolidated profit 1)	168,183	161,126	4.4
<i>of which, minority interests in consolidated profit</i>	<i>4,004</i>	<i>4,926</i>	<i>-18.7</i>
<b>Total liabilities</b>	<b>23,283,993</b>	<b>20,240,973</b>	<b>15.0</b>

1) The 2014 annual results were amended to reflect compensation for the cantonal guarantee as per FINMA-Circular 2015/1 margin no. A3-113.

## Consolidated Income Statement.

	2015 in CHF 1,000	2014 in CHF 1,000	+/- in %
Net result from interest operations	230,359	235,869	-2.3
Result from commission business and services	105,966	112,198	-5.6
Result from trading activities and the fair value option	22,321	20,732	7.7
Other result from ordinary activities	10,414	11,455	-9.1
<b>Operating income</b>	<b>369,060</b>	<b>380,254</b>	<b>-2.9</b>
Personnel expenses	116,791	119,621	-2.4
General and administrative expenses	55,356	54,902	0.8
Compensation for cantonal guarantee 1)	2,819	2,681	5.1
<b>Operating expenses</b>	<b>174,966</b>	<b>177,204</b>	<b>-1.3</b>
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	10,358	11,633	-11.0
Changes to provisions and other value adjustments, and losses	-4,653	-5,098	-8.7
<b>Operating result<sup>1)</sup></b>	<b>179,083</b>	<b>186,319</b>	<b>-3.9</b>
Extraordinary income	17,199	1,128	>999.9
Extraordinary expenses	464	41	>999.9
Changes in reserves for general banking risks	-24,612	-22,690	8.5
<i>of which, reserves for general banking risks (earmarked)</i>	<i>-16,800</i>	<i>0</i>	<i>100.0</i>
Taxes	3,024	3,590	-15.8
<b>Consolidated profit 1)</b>	<b>168,183</b>	<b>161,126</b>	<b>4.4</b>
<i>of which, minority interests in consolidated profit</i>	<i>4,004</i>	<i>4,926</i>	<i>-18.7</i>

1) From 2015 the compensation for the cantonal guarantee as per FINMA Circular 2015/1 margin no. A3-113 will be booked under operating expense.

## Profit Appropriation of the Parent Company.

	31.12.2015	31.12.2014	+/- CHF
	in CHF 1,000	in CHF 1,000	1,000
Annual profit	163,000	157,181	5,819
Profit carried forward	0	0	0
Distributable profit	163,000	157,181	5,819
Pursuant to the board of directors ruling, profit is to be appropriated as follows:			
Dividend on nominal capital of 38 % (previous year 38 %)	95,000	95,000	0
Compensation for cantonal guarantee 2)	0	2,681	-2,681
Funds for projects with cultural, charitable, sporting or economic purposes in the Canton of Graubünden	2,000	2,000	0
Allocation to voluntary retained earnings reserves	66,000	57,500	8,500
Allocation to statutory retained earnings reserve <sup>1)</sup>	0	0	0
New amount carried forward	0	0	0

1) No allocation to statutory retained earnings reserve, as 50 % of the nominal capital has been achieved.

2) From 2015 the compensation for the cantonal guarantee as per FINMA Circular 2015/1 margin no. A3-113 will be booked under operating expense. There will be no restatement for 2014 in the single-entity financial statements pursuant to FINMA Circular 2015/1 margin no. 30.

# Graubündner Kantonalbank Participation Certificate.

Listed on SIX Swiss Exchange Sec. No. 134 020 Price: CHF 1,759.00<sup>3</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 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 31.12.15)  
Board/Management: 0.1% of PC (per 31.12.15)

## Board of directors/Management

Chairman of the Bank: Peter Fanconi (since 2014)  
Chief Executive Officer: Alois Vinzens (since 2003)  
No. of BD/EB members 2015: 7/4

## Rating Standard & Poor's

Long term: AA  
Outlook: stable

## Key dates

Ex-dividend date: 11 March 2016  
Participation certificate holder's meeting 2016: 19 March 2016  
Half-year figures 2016: 29 Juli 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 <sup>1</sup>	838.9	872.7	906.8	925.7 <sup>2</sup>	955.7 <sup>2</sup>	Price <sup>3</sup> High	1'206	1'237	1'418	1'782
Adjusted net profit <sup>1</sup>	73.0	75.0	72.6	64.4 <sup>2</sup>	68.0 <sup>2</sup>	Low	1'144	1'123	1'170	1'403
Dividend	38.0	38.0	38.0	38.0 <sup>2</sup>	38.0 <sup>2</sup>	P/E <sup>5</sup> High	16.5	16.5	19.5	27.7 <sup>2</sup>
Payout ratio <sup>1</sup>	62.0%	60.8%	59.8%	59.0% <sup>2</sup>	55.9% <sup>2</sup>	Low	15.7	15.0	16.1	21.8 <sup>2</sup>

<sup>1</sup> not including goodwill/intangible assets

<sup>2</sup> estimation ZKB Research

<sup>3</sup> price as at 31.12.2015

<sup>4</sup> highest/lowest prices on actually paid prices

<sup>5</sup> highest/lowest prices of a given year as a ratio of the adjusted net profit of that year

## 10 year performance (including dividend distributions)

