



Consolidated Accounts for the Financial Year.

Ending 31 December 2018.



Group key figures.

Balance sheet / Off-balance-sheet

Albin Kistler AG will be fully consolidated with the corresponding effect on the balance sheet and the income statement effective 1 July 2018. Details can be found in the commentary on the consolidated accounts.

	in CHF million 12/31/2018	in CHF million 12/31/2017	+/- in %
Client assets ¹⁾	33,244	29,706	11.9
Net new money ¹⁾	925	235	
Loans to clients	19,697	19,028	3.5
Own funds ²⁾	2,622	2,530	3.6

Headcount

	12/31/2018	12/31/2017	+/- in %
FTEs (adjusted for part-time positions, apprenticeships at 50 %)	781	764	2.2

Income statement

	in CHF 1'000 2018	in CHF 1'000 2017	+/- in %
Operating income	392,238	382,419	2.6
Operating expenses	179,642	170,134	5.6
Operating result	196,101	195,316	0.4
Profit before allocation to reserves without minority interests	198,036	197,914	0.1
Group profit	185,117	180,289	2.7

Key figures

	2018	2017	+/- in %
Operating expense / Operating income (CIR I) ³⁾	46.7 %	45.6 %	2.5
Operating expense incl. depreciation/operating income (CIR II) ³⁾	49.9 %	48.5 %	2.8
Return on equity (ROE) ^{2) 4)}	7.8 %	8.1 %	-3.6
Profit / PC (EPS) ⁴⁾	79.4	79.4	0.1
Own funds / PC ²⁾	1,051	1,014	3.7
Leverage Ratio	9.0 %	9.0 %	-0.2
Core capital ratio (CET-1-ratio / Tier-1-ratio)	18.8 %	18.7 %	0.5

- 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.



CEO Alois Vinzens and Chairman Peter Fanconi

GKB consolidated accounts 2018: the Bank remains on course for growth.

Graubündner Kantonalbank (GKB) once again posted strong growth. With a net profit before reserves of CHF 198.0 million, it achieved another record result in 2018. This growth was driven by the excellent performance of the sales force and the first-time full consolidation of Albin Kistler AG. Privatbank Bellerive AG also posted a record operating result.

Using future scenarios as a basis, GKB is constantly adjusting its strategic focus. Consequently, the Bank's diversification strategy concentrating on the expansion of its investment and asset management business had a positive impact on the result achieved in 2018. GKB posted encouraging growth for all business areas, confirming its position as market leader in Graubünden. At the same time, GKB invested strongly and successfully in innovation projects.

Net interest income: omission of hedging costs compensates for burden of negative interest rates

In spite of lower reversals of value adjustments, earnings from interest-related business (CHF 259.4 million) rose by 2.0% (CHF +5.1 million). Gross interest earnings rose by 2.7%. Growth in loans to clients could no longer compensate for the additional burden of negative interest rates. At 0.2%, the ratio of non-performing loans is still very low in historic terms.

Commission and trading business: strong growth due to Albin Kistler AG

Net fee and commission income improved by 13.7% to CHF 106.5 million (CHF +12.8 million). The first-time full consolidation of Albin Kistler AG made a substantial contribution to the increase in fee and commission income. The strategic initiatives relating to the parent company's investment business also had a positive impact. Investment volume rose substantially and earnings intensity was maintained at a high level. With this annual result, the Bank moved closer to its strategic objective of generating 30% of its earnings from commission income. This ratio improved to 27.7% in the reporting year (previous year: 25.1%).

Other earnings: capital markets weigh on result

Equity market performance weighed on other ordinary earnings (CHF -6.9 million / -47.2%). Securities investments posted a loss of CHF 1.1 million compared to a positive contribution to performance of CHF 3.3 million in the previous year. Income from investments in other companies (CHF -1.4 million compared to the previous year) includes the higher dividend paid by the Aduno Group and the reduced income from the valuation of Albin Kistler AG at equity (full consolidation from 1 July 2018).

Operating expenses: productivity is still very good

Operating expenses including payment for the state guarantee increased by 5.6% or CHF 9.5 million year-on-year. The full consolidation of Albin Kistler AG accounts for CHF 6.1 million of this increase. The remaining cost increase relates to investments in future projects. The cost/income ratio I (without depreciation) was 46.7%. At 49.9% (previous year: 48.5%), the cost/income ratio II is still below 50%.

Operating result: CHF 196.1 million / +0.4 percent

The operating result (CHF 196.1 million) as a measurement of operational performance improved once again (+0.4%). This very encouraging development is explained by the growth posted for the most important sources of income and the reduction in risk positions. The result was burdened by a net goodwill write-down of CHF -10.2 million on the controlling interest in Albin Kistler AG (previous year: CHF -1.0 million).

Consolidated profit: CHF 185.1 million / +2.7 percent

Thanks to the strong operating performance, reported consolidated profit rose to CHF 185.1 million. The bank used the dedicated bank reserves for future investments to finance expenditure of CHF 3.7 million for the Digital Banking 2020 project.

Loans to clients: strong growth of 3.5 percent

Loans to clients increased by 3.5%. First-class mortgages granted to clients in other cantons once again contributed to this above-average growth. More than half of the growth in mortgage loans (+4.2%) was generated in other cantons. This growth overcomes the boundaries of the home market and makes a contribution to diversification.

Client assets: increase of CHF 3.5 billion to CHF 33.2 billion

Client assets of CHF 33.2 billion (+11.9% / CHF +3.5 billion) were boosted by the full consolidation of Albin Kistler AG from 1 July 2018 (+CHF 4.1 billion) and net new money of CHF +0.92 billion. On the other hand, the negative equity market performance in the fourth quarter hurt client assets (CHF -1.4 billion).

Equity base: excellent core capital ratio of 18.8 percent

GKB's goal is to positively differentiate itself in the market by its above-average equity base. The weighted capital ratio (CET 1 ratio) is 18.8% and consists entirely of hard core capital. Compared to the ratio of 12.8% required by the supervisory authorities, the Bank therefore has substantial capital reserves.

Distribution: dividend of CHF 40.00

The excellent result allows the Bank to hold the dividend payment at CHF 40.00. A total dividend of CHF 100.0 million will be paid to the Canton of Graubünden and the participation capital holders. The Canton of Graubünden will receive CHF 87.4 million (including payment for the state guarantee), an increase of CHF +0.1 million on the previous year. CHF 3.2 million will be allocated again to the contributory fund for non-commercial cultural, charitable, sport, business, tourism and social projects.

Outlook for 2019

It can be assumed that net interest income will decline due to persistently negative interest rates. The profit trend does not assume any further reduction in risk positions, and in a stable stock market environment a profit of CHF 175 to 180 million can be expected. On the client side of the business GKB is expecting growth of some CHF 350 million in loans to clients in 2019, and an inflow of some CHF 500 million in new money.

Chur, 8 February 2019

Group Balance Sheet.

Assets

	in CHF 1,000	in CHF 1,000	
	12/31/2018	12/31/2017	+/- in %
Liquid assets	4,101,988	4,215,212	-2.7
Amounts due from banks	778,185	534,894	45.5
Amounts due from customers	2,701,052	2,719,170	-0.7
Mortgage loans	16,995,905	16,308,625	4.2
Trading portfolio assets	414	126	228.6
Positive replacement values of derivative financial instruments	178,772	199,233	-10.3
Financial investments	1,394,101	1,338,354	4.2
Accrued income and prepaid expenses	29,055	26,798	8.4
Non-consolidated participations	17,298	29,014	-40.4
Tangible fixed assets	118,181	117,180	0.9
Intangible assets	26,879	5,184	418.5
Other assets	111,436	118,681	-6.1
Total assets	26,453,267	25,612,471	3.3
Total subordinated claims	10,185	10,000	1.9

Liabilities

	in CHF 1,000	in CHF 1,000	
	12/31/2018	12/31/2017	+/- in %
Amounts due to banks	2,398,144	3,033,175	-20.9
Liabilities from securities financing transactions	865,900	900,000	-3.8
Amounts due in respect of customer deposits	16,519,705	15,807,062	4.5
Negative replacement values of derivative financial instruments	20,527	23,426	-12.4
Cash bonds	12,572	18,833	-33.2
Bond issues and central mortgage institution loans	3,846,485	3,122,420	23.2
Accrued expenses and deferred income	84,487	106,035	-20.3
Other liabilities	30,726	25,638	19.8
Provisions	14,127	27,514	-48.7
Reserves for general banking risks	1,381,026	1,364,723	1.2
Bank's capital	250,000	250,000	-
Capital reserves	49,425	49,224	0.4
Retained earnings reserves	770,503	697,954	10.4
Own shares	-10,539	-9,334	-12.9
Minority interests in equity	35,063	15,512	126.0
Consolidated profit	185,117	180,289	2.7
of which, minority interests in consolidated profit	3,384	2,723	24.3
Total liabilities	26,453,267	25,612,471	3.3

Consolidated Income Statement.

	in CHF 1,000	in CHF 1,000	+/- in %
	2018	2017	
Gross result from interest operations	251,657	245,023	2.7
Changes in value adjustments for default risks and losses from interest operations	7,729	9,265	-16.6
Net result from interest operations	259,386	254,288	2.0
Result from commission business and services	106,502	93,694	13.7
Result from trading activities and the fair value option	18,603	19,759	-5.9
Other result from ordinary activities	7,747	14,678	-47.2
Operating income	392,238	382,419	2.6
Personnel expenses	118,156	112,489	5.0
General and administrative expenses	58,339	54,618	6.8
Compensation for cantonal guarantee	3,147	3,027	4.0
Operating expenses	179,642	170,134	5.6
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	24,152	16,125	49.8
of which, goodwill depreciation	11,903	5,183	129.7
Changes to provisions and other value adjustments, and losses	7,657	-844	>999.9
Operating result	196,101	195,316	0.4
Extraordinary income	7,165	7,055	1.6
Extraordinary expenses	1	8	-87.5
Changes in reserves for general banking risks	-16,303	-20,348	19.9
of which, reserves for general banking risks (earmarked)	3,698	2,293	61.3
Taxes	1,846	1,726	6.9
Consolidated profit	185,117	180,289	2.7
of which, minority interests in consolidated profit	3,384	2,723	24.3

Profit Appropriation of the Parent Company.

	in CHF 1,000 12/31/2018	in CHF 1,000 12/31/2017	+/- CHF 1'000
Annual profit	177,700	178,200	-500
Profit carried forward	0	0	0
Distributable profit	177,700	178,200	-500
Pursuant to the board of directors ruling, profit is to be appropriated as follows:			
Dividend on nominal capital of 40 % (previous year 40 %)	100,000	100,000	0
Funds for projects with cultural, charitable, sporting or economic purposes in the Canton of Graubünden	3,200	3,200	0
Allocation to voluntary retained earnings reserves	74,500	75,000	-500
Allocation to statutory retained earnings reserves ¹⁾	0	0	0
New amount carried forward	0	0	0

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

Graubündner Kantonalbank Participation Certificate.

Listed on SIX Swiss Exchange. Sec. No. 134 020. Price: CHF 1,330.00²

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 12/31/2018)
Board/Management: 0.1% of PC (per 12/31/2018)

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

Ex-dividend date: 8 March 2019
Participation certificate holder's meeting 2019: 4 May 2019
Half-year figures 2019: 25 Juli 2019

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

per PC (adjusted in CHF)		2015	2016	2017	2018	2019
					estimation	estimation
Equity capital ¹⁾		945.4	968.4	1,011.1	1,038.8	1,076.0
Adjusted net profit		68.8	67.3	78.4	76.4	77.6
Dividend		38.0	38.0	40.0	40.0	40.0
Payout ratio		57.9 %	57.2 %	56.3 %	56.0 %	54.3 %

per PC (in CHF)		2015	2016	2017	2018
Price ³⁾	High	1,782	1,860	1,566	1,535
	Low	1,403	1,271	1,398	1,300
P/E ⁴⁾	High	25.9	27.6	20.0	20.1
	Low	20.4	18.9	17.8	17.0

1 not including intangible assets

2 price as at 12/28/2018

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

5 year performance (including dividend distributions)



