



# #gkb2020

## Consolidated Interim Financial Statements.

As at 30 June 2020.

## Group key figures.

(Half-yearly figures are not audited.)

### Balance sheet / Off-balance-sheet

	in CHF million 6/30/2020	in CHF million 12/31/2019	+ / - in %
Client assets <sup>1)</sup>	36,498	36,162	0.9
Loans to clients	20,468	20,079	1.9
Own funds <sup>2)</sup>	2,681	2,707	-1.0

### Headcount

	6/30/2020	12/31/2019	+ / - in %
FTEs (adjusted for part-time positions, apprenticeships at 50 %)	784.5	782.9	0.2

### Income statement

	in CHF million 1st half 2020	in CHF million 1st half 2019	+ / - in %
Operating income	200.2	209.4	-4.4
Operating expenses	94.3	91.5	3.0
Operating result	96.8	103.9	-6.8
Profit before allocation to reserves without minority interests	92.6	96.2	-3.8
Group profit	95.2	100.5	-5.2

### Key figures

	1st half 2020	1st half 2019	+ / - in %
Net new money (in CHF million) <sup>1)</sup>	1,075.6	-32.7	
Operating expense / Operating income (CIR I) <sup>3)</sup>	48.3 %	44.2 %	9.2
Operating expense incl. depreciation / operating income (CIR II) <sup>3)</sup>	51.1 %	47.0 %	8.8
Return on equity (ROE) <sup>2) 4)</sup>	7.0 %	7.5 %	-6.2
Own funds <sup>2)</sup> / PC	1,075.3	1,049.1	2.5

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 document have been rounded. This can lead to a minimal difference to the total amounts.

## Half-Year and Management Report: The Bank generated a very stable result and took a very strong stance.



CEO Daniel Fust and Chairman Peter Fanconi

**Graubündner Kantonalbank can look back on a very challenging first half of 2020. During this turbulent time, the Bank demonstrated its proximity to its clients and its commitment to Graubünden as an economic area. The consolidated profit of CHF 95.2 million was also better than forecast just three months ago. The Supervisory Board ordered the foundation of a “Graubünden pension company” to strengthen the Bank's position in the pension fund and retirement provision market.**

As the bank of the people of Graubünden, GKB is proud of the fact that it discharged its responsibility quickly and effectively. The extraordinary first half has confirmed the Bank's resilience to crisis. It is pleasing that the focal topics for the #gkb2020 anniversary project can still be implemented. GKB can look back on a very demanding first half of 2020. As a team, it demonstrated its proximity to its clients. The Bank explored individual solutions with its SME clients so as to sensibly apply the comprehensive supportive measures. During the stock market turbulence, it joined forces with its investment clients to assess the long-term risks and opportunities. Given this challenging situation, GKB is very satisfied with its performance and result.

### **Consolidated profit: CHF 95.2 million, almost maintained at –5.2% year-on-year**

The operating result (CHF 96.8 million/–6.8%) was adversely affected by the stock market corrections. The interest and risk results netted out. At CHF 95.2 million (–5.2%), consolidated profit was considerably better than expected in April. Thanks to its earnings structure, Privatbank Bellerive AG made the same earnings contribution as in the previous year. The earnings per participation certificate dropped to CHF 37.10, down 3.8% on the previous year.

### **Operating income: earnings diminished by capital market corrections**

Operating income (CHF 200.2 million) dropped slightly owing to the lack of performance fees and the required value adjustments to securities held in the Bank's own portfolio of CHF 9.2 million or 4.4%. Current and future effects of the negative interest rate regime were slightly mitigated by the Swiss National Bank's increase in the amount of exemption. The lockdown in the first half did not lead to higher value adjustments.

### **Margin for fee and commission income still above 30%**

Net fee and commission income fell by 9.9% to CHF 60.0 million (CHF -6.6 million). Commission income from volume- and performance-related fees was affected by market developments in the first half of 2020. The drop in income pushed the margin down to 30.7% (prior-year period: 32.2%). Thus the strategic target of 30% was reached despite the stock market corrections. The investment business performed within the scope of the strategic objectives. Albin Kistler AG once again made an encouraging contribution to growth. The funds issued by GKB are growing in popularity as shown by the total fund volume of CHF 1.7 billion.

### **Increased investment in digitalisation**

Operating expenses (CHF 94.3 million) including payment for the state guarantee were up by +3.0% or CHF 2.8 million on the previous year. This increase is explained by the #gkb2020 anniversary project and higher investments in projects for the digitalisation offensive. At 51.1%, the cost/income ratio II rose slightly year on year (+ 4.1 percentage points). As productivity remains an important topic for the Bank, ongoing investments in digitalisation still have a high priority.

### **Net acquired business volume: CHF +1.45 billion**

At the close of the first half of 2020, the GKB Group posted a business volume of CHF 57.0 billion. Net business volume acquired from clients amounts to CHF 1.45 billion, which translates into net growth of +2.6%. Loans to clients increased by CHF 389.3 million (+1.9%). The mortgage portfolio grew by 1.6% to CHF 17.6 billion. CHF 175.1 million net was paid out in COVID-19 loans. Client assets increased by 0.9% to CHF 36.5 billion despite the negative market performance. The inflow of net new money amounted to CHF 1,075.6 million (+3.0%). The abstention from consumption ordered by the state resulted in substantially higher client deposits.

### **Outlook for 2020: operating profit better than expected in April**

GKB is improving its revised outlook for 2020 based on the interim result. Equity market recovery and the fact that there are no indications of any increase in default risks have a positive impact on expectations, which currently come in at the upper end of the bandwidths communicated in April. Consolidated profit is currently expected to be CHF 170 million and the earnings per participation certificate will likely be around CHF 65.00.

### **Positioning in the pension fund market: foundation of a "Graubünden pension company"**

On 22 July 2020, the Supervisory Board decided for strategic reasons to establish an independent management company for pension solutions. This is a step towards expanding Graubünden's expertise in topics related to pension funds and retirement provision. The objective is to start operations with proven specialists on 1 January 2021. The management of retirement funds is becoming ever more important in the investment business. This decision will strengthen GKB's position as a competent partner for high-performance investment solutions for pension funds, foundations and private individuals.

### **#gkb2020 anniversary: focal topics can be implemented**

The anniversary motto "Setting an example with sustainability in mind" is standing the test and the focal topics are being implemented as planned. Constraints only had to be accepted with regard to presentation. The highlight of the Bank's anniversary celebrations will be the opening of a visitors' centre with a cross-regional bias in autumn. With this visitors' centre, the Bank wants to heighten public awareness of the topics of water and glaciers.

## Group Balance Sheet.

### Assets

	in CHF 1'000 6/30/2020	in CHF 1'000 12/31/2019	+ / - in %
Liquid assets	7,804,244	6,244,201	25.0
Amounts due from banks	296,918	338,286	-12.2
Amounts due from customers	2,820,447	2,701,145	4.4
Mortgage loans	17,647,792	17,377,780	1.6
Trading portfolio assets	79	292	-72.9
Positive replacement values of derivative financial instruments	29,965	25,267	18.6
Financial investments	2,047,762	1,536,064	33.3
Accrued income and prepaid expenses	35,749	28,811	24.1
Non-consolidated participations	17,952	17,952	0.0
Tangible fixed assets	121,427	120,814	0.5
Intangible assets	16,823	20,187	-16.7
Other assets	71,599	98,018	-27.0
<b>Total assets</b>	<b>30,910,757</b>	<b>28,508,818</b>	<b>8.4</b>
Total subordinated claims	10,185	10,185	-

### Liabilities

	in CHF 1'000 6/30/2020	in CHF 1'000 12/31/2019	+ / - in %
Amounts due to banks	3,704,428	3,015,529	22.8
Liabilities from securities financing transactions	1,880,000	1,268,650	48.2
Amounts due in respect of customer deposits	17,940,418	16,696,704	7.4
Negative replacement values of derivative financial instruments	25,897	29,267	-11.5
Cash bonds	6,393	7,624	-16.1
Bond issues and central mortgage institution loans	4,492,280	4,604,280	-2.4
Accrued expenses and deferred income	76,211	84,625	-9.9
Other liabilities	47,681	32,489	46.8
Provisions	17,361	16,462	5.5
Reserves for general banking risks	1,393,900	1,393,900	-
<b>Bank's capital</b>	<b>250,000</b>	<b>250,000</b>	<b>-</b>
Capital reserves	34,801	49,667	-29.9
Retained earnings reserves	920,191	849,143	8.4
Own shares	-10,835	-10,209	6.1
Minority interests in equity	36,789	35,231	4.4
Consolidated profit	95,242	185,457	-48.6
of which, minority interests in consolidated profit	2,683	11,410	-76.5
<b>Total liabilities</b>	<b>30,910,757</b>	<b>28,508,818</b>	<b>8.4</b>

## Consolidated Income Statement.

	in CHF 1'000 1st half 2020	in CHF 1'000 1st half 2019	+ / - in %
Gross result from interest operations	125,865	121,948	3.2
Changes in value adjustments for default risks and losses from interest operations	4,751	2,144	>100
Net result from interest operations	130,616	124,092	5.3
Result from commission business and services	60,049	66,630	-9.9
Result from trading activities and the fair value option	8,017	8,546	-6.2
Other result from ordinary activities	1,482	10,087	-85.3
Operating income	200,164	209,355	-4.4
Personnel expenses	61,103	60,366	1.2
General and administrative expenses	31,665	29,620	6.9
Compensation for cantonal guarantee	1,525	1,538	-0.8
Operating expenses	94,293	91,524	3.0
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	8,943	9,192	-2.7
of which, goodwill depreciation	3,365	3,365	-
Changes to provisions and other value adjustments, and losses	-82	-4,750	-98.3
Operating result	96,846	103,889	-6.8
Extraordinary income	0	2,770	-100.0
Extraordinary expenses	1	0	-
Changes in reserves for general banking risks	0	-2,000	100.0
Taxes	1,603	4,180	-61.7
Consolidated profit	95,242	100,479	-5.2
of which, minority interests in consolidated profit	2,683	6,286	-57.3

## Information on the summarised notes.

### Extraordinary income and expense

No material items were included in extraordinary income and expenses in the first half of 2020.

Extraordinary income in the first half of 2019 (CHF 2.8 million) included gains from sales of three bank properties (CHF 1.9 million) and one other property (CHF 0.9 million).

### Changes in the accounting and valuation principles

From 1 January 2020, GKB is exercising the option to globally recognise the first-time and subsequent creation of risk allowances for credit losses (including the relevant credit limits) for which use of the credit limit is subject to frequent and high fluctuations through the item "Changes in value adjustments for default risks and losses from interest operations" (FINMA Circular 2020/1: Accounting Rules for Banks, margin note 16 et seq.).

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

None.

### Disclosure report

The disclosure report as at 30 June 2020 will be published at the end of August 2020.

Chur, 23 July 2020

## Statement of consolidated Equity Capital.

	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	in CHF 1,000
									Total
Equity on 1.1.2020	250,000	49,667	849,143	1,388,592	5,308	-10,209	35,231	185,457	2,753,188
Prior year's profit carried forward	-	-	174,047	-	-	-	11,410	-185,457	-
Other contributions / other capital paid in	-	-200	200	-	-	-	-	-	0
Acquisition of own shares	-	-	-	-	-	-2,553	-	-	-2,553
Disposal of own shares	-	-	-	-	-	1,927	-	-	1,927
Profit (loss) on disposal of own shares	-	6	-	-	-	-	-	-	6
Dividends and other distributions	-	-14,671	-103,200	-	-	-	-9,853	-	-127,723
Other allocations to (transfers from) the reserves for general banking risks	-	-	-	-	-	-	-	-	-
Change in non-controlling interests	-	-	-	-	-	-	-	-	-
Consolidated profit	-	-	-	-	-	-	-	95,242	95,242
Equity on 30.06.2020	250,000	34,801	920,191	1,388,592	5,308	-10,835	36,789	95,242	2,720,087

# Graubündner Kantonalbank Participation Certificate.

Listed on SIX Swiss Exchange. Sec. No. 134 020. Price: CHF 1,480.00<sup>1</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.

<sup>1</sup> price as at 06/30/2020

## 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 06/30/2020)

Board/Management: 0.1% of PC (per 06/30/2020)

## Board of directors/Management

Chairman of the Bank: Peter Fanconi (since 2014)

Chief Executive Officer: Daniel Fust (since 2019)

No. of BD/EB members 2020: 6/4

## Rating Standard & Poor's

Long term: AA

Outlook: stable

## Key dates

Annual figures 2020: 4 February 2021

Participation certificate holder's meeting: 24 April 2021



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

per PC (adjusted in CHF)	2016	2017	2018	2019	2020 estimation
Equity capital <sup>2)</sup>	968.4	1,011.1	1,039.5	1,079.1	1,100.6
Adjusted net profit	67.3	78.4	81.1	75.9	63.6
Dividend	38.0	40.0	40.0	46.0	40.0
Payout ratio	57.2 %	56.3 %	55.0 %	66.1 %	64.9 %

  

per PC (in CHF)		2017	2018	2019	2020
Price <sup>3)</sup>	High	1,566	1,535	1,505	1,610
	Low	1,398	1,300	1,320	1,350
P/E <sup>4)</sup>	High	20.0	18.9	19.8	22.0
	Low	17.8	16.0	17.4	18.4

<sup>2)</sup> not including intangible assets

<sup>3)</sup> highest/lowest prices on actually paid prices

<sup>4)</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)**



