



Consolidated Accounts for the Financial Year.

Ending 31 December 2019.

 Banca Chant

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#gkb2020



Graubündner
Kantonalbank

Group key figures.

Balance sheet / Off-balance-sheet

	in CHF million	in CHF million	+/- in %
	12/31/2019	12/31/2018	
Client assets ¹⁾	36,162	33,244	8.8
Net new money ¹⁾	184	925	
Loans to clients	20,079	19,697	1.9
Own funds ²⁾	2,707	2,622	3.2

Headcount

	12/31/2019	12/31/2018	+/- in %
FTEs (adjusted for part-time positions, apprenticeships at 50 %)	783	781	0.2

Income statement

	in CHF 1'000	in CHF 1'000	+/- in %
	2019	2018	
Operating income	415,346	392,238	5.9
Operating expenses	188,625	179,642	5.0
Operating result	201,826	196,101	2.9
Profit before allocation to reserves without minority interests	186,920	198,036	-5.6
Group profit	185,457	185,117	0.2

Key figures

	2019	2018	+/- in %
Operating expense / Operating income (CIR I) ³⁾	46.0 %	46.7 %	-1.6
Operating expense incl. depreciation/operating income (CIR II) ³⁾	49.6 %	49.9 %	-0.6
Return on equity (ROE) ^{2) 4)}	7.2 %	7.8 %	-8.9
Profit / PC (EPS) ⁴⁾	75.0	79.4	-5.6
Own funds / PC ²⁾	1,086	1,051	3.2
Leverage Ratio	8.9 %	9.0 %	-0.8
Core capital ratio (CET-1-ratio / Tier-1-ratio)	20.9 %	18.8 %	11.4

- 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 Daniel Fust and Chairman Peter Fanconi

GKB posts a strong result – distribution of CHF 115 million in its anniversary year.

Graubündner Kantonalbank (GKB) generated a very good result in the 2019 financial year. The consolidated profit was maintained, while productivity was boosted further. In addition to its annual result, which exceeded expectations, the Bank is also presenting an additional anniversary dividend of CHF 15.0 million to mark the start of its 150-year anniversary.

In recent years, various strategic initiatives have been successfully launched and implemented. GKB operates from a position of strength with respect to efficiency, the utilisation of potential, growth and diversification via its holdings. The Bank has succeeded in maintaining its consolidated profit at a very good level and increasing productivity. The participation strategy with majority holdings in Albin Kistler and Privatbank Bellerive has paid off. A higher earnings contribution from these holdings fully offset the reduced interest income.

Net interest income: negative interest environment weighs on result

Income from interest-earning operations (CHF 251.6 million) fell by 3.0%, primarily as a consequence of the negative interest rate policy. In the client lending business, growth almost compensated for the margin erosion. In terms of client deposits, the negative market interest continued to be passed on to existing clients on a very limited basis.

Commission income: strong earnings contribution from Albin Kistler

Net fee and commission income improved by 26.0% to CHF 134.2 million (CHF +27.7 million). The impressive earnings growth can primarily be explained by the full consolidation of a record result from Albin Kistler over an entire year. The positive performance of the equity markets, which was above average, lent support to the strategic expansion steps in the investment business: the investment volume and earnings intensity increased significantly. The Bank exceeded its strategic objective of generating 30% of its earnings from commission income. This ratio improved to 32.7% in the reporting year (previous year: 27.7%).

Other earnings: equity markets lead to increased income

Equity market performance boosted other ordinary earnings (CHF +4.7 million / +61.2%). Key drivers of this result included the Bank's own financial investments in securities, which made a positive earnings contribution of CHF 5.1 million (previous year: CHF -1.1 million).

Operating expenses: further rise in productivity

Operating expenses including payment for the state guarantee increased by 5.0% or CHF 9.0 million year-on-year. The full consolidation of Albin Kistler over an entire year accounts for the majority of this increase with CHF +8.6 million. Excluding special factors, operating expenses were below the prior-year level. The cost/income ratio I (without depreciation and amortisation) was 46.0%. At 49.6% (previous year: 49.9%), the cost/income ratio II is still below 50%. This clearly underlines the Bank's cost discipline and efficiency.

Operating result: consolidated operating profit increased to CHF 201.8 million

As a measure of operating success, the operating result was +2.9% higher than in the prior year (CHF 196.1 million) at CHF 201.8 million. The majority holding in Albin Kistler made a much greater contribution than in the previous year. This allowed for the lower earnings from interest income and the risk business to be offset.

Consolidated profit: CHF 185.5 million / +0.2 percent

The reported consolidated profit (including minority interests) was maintained at a high level (CHF 185.5 million / +0.2%). The greater importance of the investment business allowed GKB to utilise the tailwind on the capital markets. At CHF 186.9 million (CHF -11.1 million), the consolidated profit prior to allocations to reserves failed to match the prior-year result as expected.

Loans to clients: growth driven by business in other cantons

Loans to clients increased by 1.9%. The lower growth can be explained by the declining momentum in residential construction in the canton of Graubünden. First-class mortgages in other cantons made a good contribution to diversification in the loan portfolio.

Client assets: increase of CHF 2.9 billion to CHF 36.2 billion

Client assets of CHF 36.2 billion (+8.8% / CHF +2.9 billion) were primarily influenced by the market performance. The reported net cash development of CHF +184.3 million (previous year: CHF +924.6 million) remained significantly below the previous year. With the broader burden of negative interest rates on new money and high account balances, the Bank deliberately accepted weaker growth.

Equity base: excellent core capital ratio of 20.9 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 20.9% and consists entirely of common equity. Compared to the ratio of 12.9% required by the supervisory authorities, the Bank therefore has substantial capital reserves.

Dividend of CHF 40.00 plus anniversary dividend of CHF 6.00

The pleasing result allows the Bank to maintain the ordinary dividend payment at CHF 40.00. As a token of gratitude and appreciation to the canton and the participation certificate holders, a special dividend of CHF 6.00 will be distributed from the reserves in the Bank's anniversary year. This anniversary dividend is not subject to tax for private individuals. A total of CHF 115.0 million will be paid to the Canton of Graubünden and the participation capital holders via the ordinary dividend and the special dividend. The Canton of Graubünden will receive CHF 100 million (including the special dividend and payment for the state guarantee), an increase of CHF +12.5 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 2020

The Bank expects, taking account of the economic environment, that it will be possible to maintain the consolidated profit at the current level. If the equity markets perform in line with the historic average, the earnings per share will reduce slightly to around CHF 72.50.

Setting an example in the Bank's anniversary year

GKB is celebrating its 150-year anniversary this year under the motto "Setting an example for the future with sustainability in mind". The Bank is saying thank you with various projects on the topics of water, nature and sustainability as well as its greater commitment in the areas of culture and business. Current information on the GKB anniversary can be found at gkb2020.ch or on social media with the hashtag #gkb2020.

Chur, 7 February 2020

Group Balance Sheet.

Assets

	in CHF 1,000	in CHF 1,000	
	12/31/2019	12/31/2018	+/- in %
Liquid assets	6,244,201	4,101,988	52.2
Amounts due from banks	338,286	778,185	-56.5
Amounts due from customers	2,701,145	2,701,052	0.0
Mortgage loans	17,377,780	16,995,905	2.2
Trading portfolio assets	292	414	-29.5
Positive replacement values of derivative financial instruments	25,267	178,772	-85.9
Financial investments	1,536,064	1,394,101	10.2
Accrued income and prepaid expenses	28,811	29,055	-0.8
Non-consolidated participations	17,952	17,298	3.8
Tangible fixed assets	120,814	118,181	2.2
Intangible assets	20,187	26,879	-24.9
Other assets	98,018	111,436	-12.0
Total assets	28,508,818	26,453,267	7.8
Total subordinated claims	10,185	10,185	-

Liabilities

	in CHF 1,000	in CHF 1,000	
	12/31/2019	12/31/2018	+/- in %
Amounts due to banks	3,015,529	2,398,144	25.7
Liabilities from securities financing transactions	1,268,650	865,900	46.5
Amounts due in respect of customer deposits	16,696,704	16,519,705	1.1
Negative replacement values of derivative financial instruments	29,267	20,527	42.6
Cash bonds	7,624	12,572	-39.4
Bond issues and central mortgage institution loans	4,604,280	3,846,485	19.7
Accrued expenses and deferred income	84,625	84,487	0.2
Other liabilities	32,489	30,726	5.7
Provisions	16,462	14,127	16.5
Reserves for general banking risks	1,393,900	1,381,026	0.9
Bank's capital	250,000	250,000	-
Capital reserves	49,667	49,425	0.5
Retained earnings reserves	849,143	770,503	10.2
Own shares	-10,209	-10,539	3.1
Minority interests in equity	35,231	35,063	0.5
Consolidated profit	185,457	185,117	0.2
of which, minority interests in consolidated profit	11,410	3,384	237.2
Total liabilities	28,508,818	26,453,267	7.8

Consolidated Income Statement.

	in CHF 1,000	in CHF 1,000	
	2019	2018	+/- in %
Interest and discount income	238,220	248,715	-4.2
Interest and dividend income from trading portfolios	47	53	-11.3
Interest and dividend income from financial investments	7,692	8,052	-4.5
Interest expense	-503	5,163	-109.7
Gross result from interest operations	246,462	251,657	-2.1
Changes in value adjustments for default risks and losses from interest operations	5,114	7,729	-33.8
Net result from interest operations	251,576	259,386	-3.0
Commission income from securities trading and investment activities	123,128	93,281	32.0
Commission income from lending activities	1,888	1,731	9.1
Commission income from other services	20,068	20,209	-0.7
Commission expense	10,849	8,719	24.4
Result from commission business and services	134,235	106,502	26.0
Result from trading activities and the fair value option	17,047	18,603	-8.4
Result from the disposal of financial investments	2,115	3,794	-44.3
Income from participations	2,607	4,308	-39.5
Result from real estate	4,296	4,568	-6.0
Other ordinary income	3,611	353	922.9
Other ordinary expenses	140	5,276	-97.3
Other result from ordinary activities	12,488	7,747	61.2
Operating income	415,346	392,238	5.9
Personnel expenses	123,379	118,156	4.4
General and administrative expenses	62,252	58,339	6.7
Compensation for cantonal guarantee	2,994	3,147	-4.9
Operating expenses	188,625	179,642	5.0
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	21,627	24,152	-10.5
of which, goodwill depreciation	6,729	11,903	-43.5
Changes to provisions and other value adjustments, and losses	-3,268	7,657	-142.7
Operating result	201,826	196,101	2.9
Extraordinary income	3,832	7,165	-46.5
Extraordinary expenses	3	1	200.0
Changes in reserves for general banking risks	-12,873	-16,303	21.0
of which, reserves for general banking risks (earmarked)	2,627	3,698	-29.0
Taxes	7,325	1,846	296.9
Consolidated profit	185,457	185,117	0.2
of which, minority interests in consolidated profit	11,410	3,384	237.2

Profit Appropriation of the Parent Company.

	in CHF 1,000 12/31/2019	in CHF 1,000 12/31/2018	+/- CHF '000
Annual profit	172,264	177,700	-5,436
Profit carried forward	0	0	0
Distributable profit	172,264	177,700	-5,436
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	69,064	74,500	-5,436
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.

Distribution from tax-exempt capital contribution reserves.

Anniversary dividend

To mark the 150th anniversary of GKB, the Supervisory Board has decided to pay a special dividend of 6% on nominal capital in addition to the ordinary dividend. This additional distribution of CHF 15 million will be made from the tax-exempt contribution reserves.

Graubündner Kantonalbank Participation Certificate.

Listed on SIX Swiss Exchange. Sec. No. 134 020. Price: CHF 1,485.00¹

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.

¹ price as at 12/30/2019

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 12/31/2019)
Board/Management: 0.1% of PC (per 12/31/2019)

Board of directors/Management

Chairman of the Bank: Peter Fanconi (since 2014)
Chief Executive Officer: Daniel Fust (since 2019)
No. of BD/EB members 2019: 7/4

Rating Standard & Poor's

Long term: AA
Outlook: stable

Key dates

Ex-dividend date: 6 March 2020
Participation certificate holder's meeting 2020: 25 April 2020
Half-year figures 2020: 23 July 2020

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

per PC (adjusted in CHF)		2016	2017	2018	2019	2020
					estimation	estimation
Equity capital ²⁾		968.4	1,011.1	1,039.5	1,077.1	1,115.1
Adjusted net profit		67.3	78.4	81.1	72.4	73.6
Dividend		38.0	40.0	40.0	40.0	40.0
Payout ratio		57.2 %	56.3 %	55.0 %	57.1 %	55.9 %

per PC (in CHF)		2016	2017	2018	2019
Price ³⁾	High	1,860	1,566	1,535	1,505
	Low	1,271	1,398	1,300	1,320
P/E ⁴⁾	High	27.6	20.0	18.9	20.8
	Low	18.9	17.8	16.0	18.2

²⁾ not including intangible assets

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)



