



Consolidated Interim Financial Statements.

as at 30 June 2017.

Group Key Figures.

(Half-yearly figures are not audited.)

	30.06.2017 in CHF million	31.12.2016 in CHF million	+/- in %
Balance sheet / Off-balance-sheet			
Client assets 1)	28,837	27,878	+3.4
Loans to clients	18,568	18,046	+2.9
Own funds 2)	2,439	2,429	+0.4
Headcount			
	30.06.2017	31.12.2016	+/- in %
FTEs (adjusted for part-time positions, apprenticeships at 50%)	747.6	765.3	-2.3
Income statement			
	1st half 2017 in CHF 1,000	1st half 2016 in CHF 1,000	+/- in %
Operating income	197,767	178,038	+11.1
Operating expenses	84,167	83,695	+0.6
Operating result	105,420	91,680	+15.0
Profit before allocation to reserves without minority interests	106,114	98,087	+8.2
Group profit	98,663	90,350	+9.2
Key figures			
	1st half 2017	1st half 2016	+/- in %
Net new money 1)	167,037	178,404	-6.4
Operating expense/Operating income without value adjustments interest rates (CIR I)	44.9%	47.7%	-5.9
Operating expense incl. depreciation/operating income (CIR II) 3)	47.1%	49.9%	-5.5
Return on equity (ROE) 2) 4)	8.9%	8.5%	+4.7
Own funds 2)/PC	977.9	943.5	+3.7
Leverage Ratio	9.0%	9.2%	-1.9
Return on equity (ROE) on own funds target of 14.5% CET-1-ratio	11.5%	10.9%	+5.6
Excess capital (basis: 8%/CH standard)	130.2%	129.6%	+0.5
Core capital ratio (CET-1-ratio/Tier-1-ratio)	18.4%	18.4%	+0.3

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) Equity before the appropriation of profits without minority interests

3) without value adjustments interest rates; depreciation excl. goodwill depreciation

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

Half-Year and Management Report – Substantial earnings growth.



Peter Fanconi
Chairman

Alois Vinzens
CEO

The strategic measures and initiatives introduced in recent years are bearing fruit. Graubündner Kantonalbank's successfully launched new equity and bond funds have further strengthened its profitability as well as its positioning in the investment sector. The same is true of the value added parameter. GKB saw growth in all earnings components, without neglecting the cost management side.

Position strengthened on the client side of the business

Client lending rose by CHF 521.9 million (+2.9%), CHF +468.9 million of which can be attributed to mortgages. Mortgage growth in the domestic market contributed +1.2% towards the strong growth of 3.0%. Client assets (CHF +959.6 million / +3.4%) rose on account of successful acquisition activities (new money: CHF +167.0 million) as well as a strong investment performance.

Operating income rose by +11.1%

The prior-year result as well as the budget were exceeded in respect of all earnings components. Operating income increased by 11.1% to reach CHF 197.8 million.

Excellent risk result raises net interest earnings by +7.6%

Net earnings from interest-related business rose by 7.6% year-on-year to reach CHF 131.0 million (CHF +9.3 million). The performance of risk positions enabled the reversal of value adjustments of CHF 10.3 million (prior-year period: CHF 2.6 million), which had a positive impact on interest earnings. The low ratio of non-performing loans (0.22%)

Group profit at Graubündner Kantonalbank (GKB) rose in the first half of 2017 by a robust 9.2 percent in year-on-year terms. All earnings groups recorded positive growth. The excellent risk result on the lending side of the business made a significant contribution to earnings. Costs were kept stable, and the cost/income ratio sank to 47.1%. The earnings forecast for the year as a whole has been raised.

underscores the quality of the loan portfolio. Gross interest earnings rose by +1.3%.

Exploiting the favourable capital markets

Income from commission and service activities rose by 4.3% to CHF 46.5 million (CHF +1.9 million) thanks to the positive performance of stock markets, the contribution made by Privatbank Bellerive AG, the introduction of the GKB consultancy mandate as well as the launch of in-house investment funds.

Earnings contribution from Albin Kistler AG

An increase in securities transactions denominated in foreign currencies had a positive impact on currency earnings and consequently income from trading activities (+28.2%). In addition to mandate clients, consultancy clients also contributed towards the rise in earnings. Other ordinary earnings (CHF +6.2 million) rose due to the realisation of hidden reserves on financial investments in the form of securities as well as income from the 25% stake in Albin Kistler AG (equity consolidation).

Further rise in productivity

Operating expenses, including the state guarantee contribution remained mostly stable (+0.6% / CHF +0.5 million) relative to the previous year. The rise in earnings boosted the cost/income ratio II to 47.1% (-2.8% points), corresponding to an exceptionally high productivity parameter relative to other operators in the sector. Personnel expenses (-0.4% / CHF -0.2 million) declined. The cost of materials includes additional budgeted costs triggered by the digitisation offensive. Settlement of the state guarantee, which is calculated on the basis of the own funds requirement, increased by 3.9% to CHF 1.5 million.

Significant rise in operating income and group profit

Operating income (CHF 105.4 million) rose by 15.0%. Earnings growth in combination with the aforementioned cost management explains the strong profit statement. Provisions (CHF 1.4 million) reduced the result only marginally. Depreciation (CHF 6.8 million) included the amortisation of goodwill on the investment in Albin Kistler AG. Group profit rose to CHF 98.7 million (+9.2%). With a return on equity of 8.9%, profitability comfortably exceeded the strategic minimum objective.

Above-average capital base

GKB reported shareholders' equity (including non-controlling interests) of CHF 2,455.7 million for the first half of 2017. With a core capital ratio (CET 1) of 18.4%, it remains one of the best-capitalised banks. This is also confirmed by the very high leverage ratio of 9.0%.

Outlook – 2017 will strongly outperform the previous year

The excellent first-half result means the formulated outlook for 2017 can be raised. The bank is now expecting operating income to reach CHF 178 to CHF 183 million, and earnings per share of CHF 73.00. The growth objective for client lending has been raised to CHF +675 million.

Information on the summarised notes.

Extraordinary income and expense

The extraordinary income (CHF 3.2 million) primarily includes the earn-out compensation from the sale of the interest in Swisscanto (CHF 3.1 million). GKB also earned a profit of CHF 0.1 million on the sale of a bank property. The extraordinary expenses of CHF 9.0 million exclusively concern the formation of reserves for general bank risks.

Changes in the accounting and valuation principles

None.

Material events after the closing date of the interim financial statements

None.

Chur, 27 July 2017

Group Balance Sheet.

	30.06.2017	31.12.2016	
	in CHF 1,000	in CHF 1,000	+/- in %
Assets			
Liquid assets	3,494,242	3,240,094	+7.8
Amounts due from banks	611,277	789,812	-22.6
Amounts due from customers	2,720,472	2,667,569	+2.0
Mortgage loans	15,847,660	15,378,711	+3.0
Trading portfolio assets	200	268	-25.4
Positive replacement values of derivative financial instruments	218,602	252,988	-13.6
Financial investments	1,311,757	1,300,254	+0.9
Accrued income and prepaid expenses	36,232	25,821	+40.3
Non-consolidated participations	26,760	26,065	+2.7
Tangible fixed assets	117,548	115,946	+1.4
Intangible assets	7,775	10,367	-25.0
Other assets	102,571	109,884	-6.7
Total assets	24,495,096	23,917,779	+2.4
Total subordinated claims	10,000	10,000	-
	30.06.2017	31.12.2016	
	in CHF 1,000	in CHF 1,000	+/- in %
Liabilities			
Amounts due to banks	2,728,772	2,068,552	+31.9
Liabilities from securities financing transactions	300,000	620,000	-51.6
Amounts due in respect of customer deposits	15,686,734	15,332,786	+2.3
Negative replacement values of derivative financial instruments	124,251	30,808	+303.3
Cash bonds	22,849	26,252	-13.0
Bond issues and central mortgage institution loans	3,029,420	3,268,415	-7.3
Accrued expenses and deferred income	77,243	77,687	-0.6
Other liabilities	41,802	20,866	+100.3
Provisions	28,290	27,271	+3.7
Reserves for general banking risks	1,353,375	1,344,375	+0.7
Bank's capital	250,000	250,000	-
Capital reserves	49,204	49,044	+0.3
Retained earnings reserves	697,859	628,938	+11.0
Own shares	-8,451	-9,483	-10.9
Minority interests in equity	15,085	13,776	+9.5
Consolidated profit	98,663	168,492	
<i>of which, minority interests in consolidated profit</i>	<i>1,549</i>	<i>2,371</i>	
Total liabilities	24,495,096	23,917,779	+2.4

Consolidated Income Statement.

	1st half 2017 in CHF 1,000	1st half 2016 in CHF 1,000	+/- in %
Gross result from interest operations	120,750	119,147	+1.3
Changes in value adjustments for default risks and losses from interest operations	10,268	2,577	+298.4
Net result from interest operations	131,018	121,724	+7.6
Result from commission business and services	46,515	44,581	+4.3
Result from trading activities and the fair value option	10,417	8,128	+28.2
Other result from ordinary activities	9,817	3,605	+172.3
Operating income	197,767	178,038	+11.1
Personnel expenses	55,187	55,396	-0.4
General and administrative expenses	27,452	26,829	+2.3
Compensation for cantonal guarantee	1,528	1,470	+3.9
Operating expenses	84,167	83,695	+0.6
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	6,764	3,829	+76.7
<i>of which, goodwill depreciation</i>	2,592	-	+100.0
Changes to provisions and other value adjustments, and losses	-1,416	1,166	-221.4
Operating result	105,420	91,680	+15.0
Extraordinary income	3,229	8,445	-61.8
Extraordinary expenses	8	-	+100.0
Changes in reserves for general banking risks	-9,000	-9,000	-
Taxes	978	775	+26.2
Consolidated profit	98,663	90,350	+9.2
<i>of which, minority interests in consolidated profit</i>	1,549	1,263	+22.6

Statement of consolidated Equity Capital.

	in CHF 1,000								
	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	Total
Equity on 1.1.2017	250,000	49,044	628,938	1,330,449	13,926	-9,483	13,776	168,492	2,445,142
Prior year's profit carried forward	-	-	166,121	-	-	-	2,371	-168,492	-
Acquisition of own shares	-	-	-	-	-	-2,111	-	-	-2,111
Disposal of own shares	-	-	-	-	-	3,143	-	-	3,143
Profit (loss) on disposal of own shares	-	-45	-	-	-	-	-	-	-45
Dividends and other distributions	-	205	-97,200	-	-	-	-1,063	-	-98,057
Other allocations to (transfers from) the reserves for general banking risks	-	-	-	9,000	-	-	-	-	9,000
Consolidated profit	-	-	-	-	-	-	-	98,663	98,663
Equity on 30.06.2017	250,000	49,204	697,859	1,339,449	13,926	-8,451	15,085	98,663	2,455,735

Graubündner Kantonalbank Participation Certificate.

Listed on SIX Swiss Exchange Sec. No. 134 020 Price: CHF 1,544.00²

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

Shareholders

Canton of Graubünden: 84.5% of capital (per 30.06.17)
Board/Management: 0.1% of PC (per 30.06.17)

Board/Management

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

Rating Standard & Poor's

Long term: AA
Outlook: stable

Key dates

Annual figures 2017: 9 February 2018
Ex-dividend date: 9 March 2018
Participation capital holders' meeting 2018: 5 May 2018

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

per PC (adjusted in CHF)	2014	2015	2016	2017(S)	2018(S)	per PC (in CHF)	2014	2015	2016	2017
Equity capital ¹	905.8	945.4	968.4	1,003.9	1,036.7	Price ³ High	1,418	1,782	1,860	1,565
Adjusted net profit	71.6	68.8	67.3	68.2	68.6	Low	1,170	1,403	1,271	1,398
Dividend	38.0	38.0	38.0	38.0	38.0	P/E ⁴ High	19.8	25.9	27.6	22.9
Payout ratio	60.8%	57.9%	57.2%	56.4%	56.0%	Low	16.3	20.4	18.9	20.5

¹ not including goodwill/immaterial ² price as at 30.6.2017 ³ Highest/lowest prices based on actually paid prices

⁴ Highest/lowest prices of a given year as a ratio of the adjusted net profit of that year

10 year performance (including dividend distributions)

