



# Consolidated Accounts for the Financial Year.

Ending 31 December 2017.



## Group key figures.

	31.12.2017 in CHF million	31.12.2016 in CHF million	+/- in %
<b>Balance sheet / Off-balance-sheet</b>			
Client assets 1)	29,706	27,878	6.6
Net new money 1)	235	309	-24.0
Loans to clients	19,028	18,046	5.4
Own funds 2)	2,530	2,429	4.2
<b>Headcount</b>			
FTEs (adjusted for part-time positions, apprenticeships at 50%)	764.2	765.3	-0.1
<b>Income statement</b>			
	2017 in CHF 1,000	2016 in CHF 1,000	+/- in %
Operating income	382,419	355,497	7.6
Operating expenses	170,134	174,371	-2.4
<i>Operating expenses excl. EPFF single contributions</i>	170,134	168,905	0.7
Operating result	195,316	156,547	24.8
<i>Operating result excl. EPFF single contributions</i>	195,316	162,013	20.6
Profit before allocation to reserves without minority interests	197,914	175,926	12.5
<i>Profit before allocation to reserves without minority interests excl. EPFF single contributions</i>	197,914	181,392	9.1
Group profit	180,289	168,492	7.0
<b>Key figures</b>			
	2017	2016	+/- in %
Operating expense/Operating income (CIR I) 3)	45.6%	49.0%	-7.0
Operating expense incl. depreciation/operating income (CIR II) 3)	48.5%	51.8%	-6.3
<i>Cost-Income-Ratio II excl. EPFF single contributions 3)</i>	48.5%	50.2%	-3.4
Return on equity (ROE) 2) 4)	8.1%	7.5%	8.3
<i>Return on equity (ROE) excl. EPFF single contributions 2) 4)</i>	8.1%	7.8%	4.9
Profit 4)/PC (EPS)	79.4	70.5	12.5
Own funds 2)/PC	1,014.4	974.0	4.1
Leverage Ratio	9.0%	9.1%	-1.5
Core capital ratio (CET-1-ratio/Tier-1-ratio)	18.7%	18.5%	0.8

EPFF single contributions: one-time contribution to the employee pension fund foundation (EPFF) of CHF 5.5 million.

- 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 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

## GKB consolidated accounts 2017: Record profit and higher dividend.



**Alois Vinzens**  
CEO

**Peter Fanconi**  
Chairman

In a friendly market environment, Graubündner Kantonalbank with its excellent positioning managed to post a record result. Shareholders will share in the encouraging profit growth through a dividend increase. With this result, GKB further strengthened its freedom of action. The Bank wants to use this positive momentum to invest in further measures to prepare for upcoming market changes, and specifically for the implementation of the “Digital Banking 2020” strategy.

### **Operating result: Increase of 24.8%**

Operating income (CHF 195.3 million) as a measure of operating performance rose substantially by 24.8%. Earnings growth in all segments, the reduction in risk positions and good cost management explain this very strong performance. Depreciation includes the depreciation of goodwill on the investment in Albin Kistler AG of CHF 5.2 million. The prior-year figure included an initial adjustment of the value of this investment.

### **Consolidated profit:**

**CHF 180.3 million / +7.0 percent**

Thanks to the strong operating performance, reported consolidated earnings rose to CHF 180.3 million. The bank used the dedicated bank reserves for future investments to finance the expenditure of CHF 2.3 million for the “Digital Banking 2020” strategy.

**At CHF 197.9 million, Graubündner Kantonalbank (GKB) posted its best operating result ever in 2017. The increase in business volume by CHF 2.8 billion underlines the bank's good positioning in the market. The Canton of Grisons and participation capital holders can look forward to a higher dividend.**

### **Net interest income: Reduction of risk positions**

Earnings from interest-related business increased by 6.1% year-on-year to reach CHF 254.3 million (CHF +14.7 million). The encouraging decline in risk positions enabled the reversal of impairments of CHF 9.3 million (prior-year period: CHF -0.2 million). The ratio of non-performing loans dropped to a marginal 0.17%. The growth in interest income was supported by the risk result as well as the increase in gross interest income of +2.2%. Strong lending growth had a positive impact on interest income.

### **Commission and trading business: Strategic focus**

Net fee and commission income, already at a high level, improved by +4.3% to CHF 93.7 million. The expansion in mandate volume and issue of own funds as well as higher commission income posted by Privatbank Bellerive AG made a material contribution to the excellent result. The good environment also led to an increase in foreign currency transactions, which had a positive effect on trading income (+12.0%).

### **Other earnings:**

#### **Earnings contribution from Albin Kistler AG**

Other ordinary earnings (CHF +6.2 million) rose thanks to the more active investment strategy applied to securities investments (CHF +3.5 million) and the income from the 25% stake in Albin Kistler AG (equity valuation).

### **Operating expenses:**

#### **Substantial rise in productivity**

Operating expenses, including the state guarantee contribution fell 2.4% or CHF 4.2 million relative to the previous year. Prior-year operating expenses included a one-off contribution to the employee pension fund. Adjusted for the higher contribution paid to the pension fund, operating expenses remained more or less constant. The cost/income ratio II improved to 48.5% thanks to stable costs and higher income.

#### **Loans to clients: Strong growth of 5.4%**

Client lending increased by 5.4%. This above-average growth was achieved with first-class mortgages granted to clients in other cantons. Two-thirds of mortgage growth (+6.0%) was generated in other cantons. This compensated for the limits on growth imposed by the home market without having to assume higher risk.

#### **Client assets: Increased by CHF 1.8 billion to almost CHF 30 billion**

Thanks to the excellent capital market performance, assets under management increased by CHF 1.6 billion. In addition to the strong growth in value, GKB acquired new money of CHF 234.9 million. Total client assets rose to CHF 29.7 billion (+6.6%).

#### **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% (CET-1 ratio) 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.

### **Dividend: Dividend increased to CHF 40.00**

The record result for 2017 allowed the bank to increase its dividend by CHF 2.00 to CHF 40.00. A total dividend of CHF 100 million (CHF +5.0 million) will be paid to the Canton of Grisons and the participation capital holders. The Canton of Grisons will receive CHF 87.3 million (including payment for the state guarantee), an increase of CHF +4.3 million on the previous year. CHF 3 million (CHF +1 million) was allocated to the contributory fund for non-commercial cultural, charitable, sport, business, tourism and social projects.

### **Outlook for 2018**

Graubündner Kantonbank expects another good result for the current year. Business performance does not imply any further reduction in risk positions, and in a stable stock market environment, a profit of CHF 170 to 175 million can be expected. On the client side of the business, GKB is expecting growth of some CHF 400 million in 2018 for client lending, and an inflow of new money of some CHF 450 million.

Chur, 9 February 2018

## Group Balance Sheet.

	31.12.2017	31.12.2016	
<b>Assets</b>	in CHF 1,000	in CHF 1,000	+/- in %
Liquid assets	4,215,212	3,240,094	30.1
Amounts due from banks	534,894	789,812	-32.3
Amounts due from customers	2,719,170	2,667,569	1.9
Mortgage loans	16,308,625	15,378,711	6.0
Trading portfolio assets	126	268	-53.0
Positive replacement values of derivative financial instruments	199,233	252,988	-21.2
Financial investments	1,338,354	1,300,254	2.9
Accrued income and prepaid expenses	26,798	25,821	3.8
Non-consolidated participations	29,014	26,065	11.3
Tangible fixed assets	117,180	115,946	1.1
Intangible assets	5,184	10,367	-50.0
Other assets	118,681	109,884	8.0
<b>Total assets</b>	<b>25,612,471</b>	<b>23,917,779</b>	<b>7.1</b>
Total subordinated claims	10,000	10,000	-
<b>Liabilities</b>	31.12.2017	31.12.2016	
	in CHF 1,000	in CHF 1,000	+/- in %
Amounts due to banks	3,033,175	2,068,552	46.6
Liabilities from securities financing transactions	900,000	620,000	45.2
Amounts due in respect of customer deposits	15,807,062	15,332,786	3.1
Negative replacement values of derivative financial instruments	23,426	30,808	-24.0
Cash bonds	18,833	26,252	-28.3
Bond issues and central mortgage institution loans	3,122,420	3,268,415	-4.5
Accrued expenses and deferred income	106,035	77,687	36.5
Other liabilities	25,638	20,866	22.9
Provisions	27,514	27,271	0.9
Reserves for general banking risks	1,364,723	1,344,375	1.5
Bank's capital	250,000	250,000	-
Capital reserves	49,224	49,044	0.4
Retained earnings reserves	697,954	628,938	11.0
Own shares	-9,334	-9,483	1.6
Minority interests in equity	15,512	13,776	12.6
Consolidated profit	180,289	168,492	7.0
<i>of which, minority interests in consolidated profit</i>	<i>2,723</i>	<i>2,371</i>	<i>14.8</i>
<b>Total liabilities</b>	<b>25,612,471</b>	<b>23,917,779</b>	<b>7.1</b>

## Consolidated Income Statement.

	2017	2016	
	in CHF 1,000	in CHF 1,000	+/- in %
Gross result from interest operations	245,023	239,763	2.2
Changes in value adjustments for default risks and losses from interest operations	9,265	-203	>999.9
Net result from interest operations	254,288	239,560	6.1
Result from commission business and services	93,694	89,809	4.3
Result from trading activities and the fair value option	19,759	17,637	12.0
Other result from ordinary activities	14,678	8,491	72.9
<b>Operating income</b>	<b>382,419</b>	<b>355,497</b>	<b>7.6</b>
Personnel expenses	112,489	117,109	-3.9
General and administrative expenses	54,618	54,314	0.6
Compensation for cantonal guarantee	3,027	2,948	2.7
<b>Operating expenses</b>	<b>170,134</b>	<b>174,371</b>	<b>-2.4</b>
<i>Operating expenses excl. EPFF single contributions</i>	<i>170,134</i>	<i>168,905</i>	<i>0.7</i>
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	16,125	25,442	-36.6
<i>of which, goodwill depreciation</i>	<i>5,183</i>	<i>15,683</i>	<i>-67.0</i>
Changes to provisions and other value adjustments, and losses	-844	863	-197.8
<b>Operating result</b>	<b>195,316</b>	<b>156,547</b>	<b>24.8</b>
<i>Operating result excl. EPFF single contributions</i>	<i>195,316</i>	<i>162,013</i>	<i>20.6</i>
Extraordinary income	7,055	23,257	-69.7
Extraordinary expenses	8	0	>999.9
Changes in reserves for general banking risks	-20,348	-9,805	-107.5
<i>of which, reserves for general banking risks (earmarked)</i>	<i>2,293</i>	<i>2,874</i>	<i>-20.2</i>
Taxes	1,726	1,507	14.5
<b>Consolidated profit</b>	<b>180,289</b>	<b>168,492</b>	<b>7.0</b>
<i>of which, minority interests in consolidated profit</i>	<i>2,723</i>	<i>2,371</i>	<i>14.8</i>

## Profit Appropriation of the Parent Company.

	31.12.2017	31.12.2016	+/- CHF
	in CHF 1,000	in CHF 1,000	1,000
Annual profit	178,200	167,700	10,500
Profit carried forward	0	0	0
Distributable profit	178,200	167,700	10,500
Pursuant to the board of directors ruling, profit is to be appropriated as follows:			
Dividend on nominal capital of 40 % (previous year 38 %)	100,000	95,000	5,000
Funds for projects with cultural, charitable, sporting or economic purposes in the Canton of Graubünden	3,200	2,200	1,000
Allocation to voluntary retained earnings reserves	75,000	70,500	4,500
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 1,400.00<sup>2</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.

## Capital structure

Endowment and participation cap.: CHF 250 million  
750,000 PC at CHF 100 nom.  
CHF 175,000,000 endow. cap.

## Shareholders

Canton of Graubünden: 84.5% of capital (per 31.12.17)  
Board/Management: 0.1% of PC (per 31.12.17)

## Board of directors/Management

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

## Rating Standard & Poor's

Long term: AA  
Outlook: stable

## Key dates

Ex-dividend date: 9 March 2018  
Participation certificate holder's meeting 2018: 5 May 2018  
Half-year figures 2018: 26 Juli 2018

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

per PC (adjusted in CHF)	2014	2015	2016	2017	2018	per PC (in CHF)	2014	2015	2016	2017
Equity capital <sup>1</sup>	905.8	945.4	968.4	1'011.9	1'048.3	Price <sup>3</sup>	High	1'418	1'782	1'860
Adjusted net profit	71.6	68.8	67.3	75.2	72.0	Low	1'170	1'403	1'271	1'398
Dividend	38.0	38.0	38.0	38.0	38.0	P/E <sup>4</sup>	High	19.8	25.9	27.6
Payout ratio	60.8%	57.9%	57.2%	54.6%	53.4%	Low	16.3	20.4	18.9	18.6

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

<sup>2</sup> price as at 29.12.2017

<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)

