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## Consolidated interim accounts of BCGE Group

At 30 June 2013

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## BCGE – Profits move up to CHF 36.8 million (+0.8%)

Half-year results (in CHF)

The Banque Cantonale de Genève (BCGE) has consolidated its positions in what is a complex economic and regulatory environment. The combination of ongoing low rates with contained lending has resulted in profitability indicators stabilising at a good level. The bank has recorded a rise in net profit at CHF 36.8 million while gross profit at CHF 65.4 million reflects the moderate growth in its credit business. Shareholders' equity has increased by 2% to CHF 1.1 billion. The bank is making progress in terms of competitiveness: assets under management and administration have risen to an all-time high of CHF 19.1 billion. The improvement in productivity is underpinned by a 6% reduction in expenses. Estimated profitability for the full year 2013 is at the same level as for 2012.

### Profit with a quality profile

Net profit rose by 0.8% to CHF 36.8 million. Gross profit was influenced by the moderate growth in lending and fell back to CHF 65.4 million (against CHF 70.2 million at 30 June 2012). Economic profit (result before extraordinary items and taxes) remains at a high level in terms of return on capital at CHF 42.2 million, mainly reaping the rewards of expenses discipline.

### Consolidation of profitability indicators

The main profitability indicators have consequently consolidated their positions over the first half of the year. The bank has progressed especially in terms of competitiveness. Productivity has been improved mainly by the reduction in expenses. The bank's profitability remains stable and the outlook is positive.

### Very diversified revenue

Income of CHF 167.1 million reflects contained growth in the volume of lending due

to the bank's cautious policy and maximum utilisation of available equity. Interest income (CHF 102.6 million) reflects the persistently low interest rate levels. Commissions reveal contrasting results, showing a reduction for lending and an increase for wealth management. International trading operations (foreign exchange in particular) have increased (+13.6%).

### Interest income resists well in the face of rates' volatility

Interest income reflects the markets' fluctuations with volumes being constrained. The BCGE promotes a cautious long-term policy and maintains as a priority the quality of risk and margin. The interest margin has held up, at 1.32% (against 1.37 at 31.12.2012) thanks to a targeted growth in lending and efficient ALM management. At 30 June 2013, the BCGE group balance sheet totalled CHF 16.5 billion (stable compared with December 2012).

### BCGE, constant partner for the Genevan economy

As a main source of financing for the canton's economy, the bank has granted CHF 1.3 billion of additional borrowing facilities to private and business customers in 3 years. Mortgages show a slight increase (+1.7%) of CHF 155 million, whereas customer loans have risen by CHF 125 million (+3.2%) in what remains an uncertain economic climate.

### Contrasting evolution of commission revenues

During the first half, commission-generating business activities (CHF 48.8 million) evolved differently. Commissions on loans reflect a slowdown in the growth of Global commodity finance (prudence with respect to the business cycle risk and equity funding regulations).

Securities commissions are stable, with an encouraging increase in revenues from private banking management mandates.

### **Growth in assets under management and administration**

Assets under management and administration advanced by CHF 400 million to CHF 19.1 billion over the first half 2013. Management mandates and investment funds recorded good performances. BCGE customers are attached to capital preservation and generally opt for safe investment profiles. Private banking activities are adapting rapidly to the structural changes in the sector. The on-line trading solution, BCGE 1816, is enjoying strong growth, now totalling CHF 125 million of deposits and 2,500 customers.

### **Reduction in operating expenses**

Total operating expenses (payroll and other expenses) fell by CHF 6.4 million to CHF 101.7 million. The effectiveness of savings programmes and the reduction in IT costs (hosting and applications) undertaken in recent years are delivering positive results.

### **Equity fully committed to the economy**

The bank's equity was strengthened by CHF 22 million to stand at CHF 1.1 billion at 30 June 2013. This takes the total additional equity constituted since the introduction of Basle II (2006) to CHF 294 million. At the end of the 1st half 2013, the bank's consolidated equity coverage stands at 12.9%, hence above the 12% requirement for category III banks.

### **Substantial rise in BCGE share value**

Since 2008 the share has resisted the financial crisis well and is following an upward curve (+41% at CHF 243.70). Market capitalisation of CHF 877 million represents 79.2% of

equity. Book value per share exceeds CHF 310. The BCGE share has climbed by CHF 37 in 6 months (+17.7% at 30.06.2013) offering excellent performance compared with similar bank stocks (Swiss Performance Index and SWX BANKS Index).

### **BCGE Investment Funds: CHF 892 million**

At 30 June 2013, the 37 in-house funds amount to a total of CHF 892 million of assets under management (CHF 756 million at 31.12.12). These funds have generated excellent levels of performance. In order to ensure European distribution of its products, the bank launched the BCGE Synchrony (LU) Funds, a Luxembourg-based umbrella fund comprising six sub-funds (two bond funds, three asset allocation funds and a fund of funds in European shares, aimed at BCGE France). The BCGE also changed the name of its BCGE Rainbow Fund range. The new umbrella, entitled BCGE Synchrony (CH) Funds, received FINMA approval with entry into force as from 28 June 2013 (the change of name in no way alters the nature of the product, nor the management of the various funds included).

### **35% of BCGE investments managed in accordance with "SRI" criteria**

For several years now the BCGE has been developing a responsible and sustainable investment concept in order to promote investor acceptance of environmental, societal and corporate governance issues (ESG or SRI) in the traditional analytical and management process. As at today, 35% of the BCGE's investment instruments are managed in accordance with «SRI» criteria, one of the highest percentages in Switzerland. The total of SRI assets represents CHF 967 million out of the CHF 2,753 million of funds managed by BCGE Asset Management. The bank's SRI management is targeted equally

at institutional customers through mandates, and private customers (investment funds or tailored mandates), as well as pension-planning investors (Fondation BCGE Epargne 3) and "libre-passage" (Fondation de libre passage BCGE).

### **Heightened security of the BCGE Netbanking system**

Aware of the increased security risks inherent in the use of on-line banking technologies, the BCGE attaches particular importance to the security of its systems. It regularly notifies its customers about their risks, giving recommendations, and is constantly enhancing the security of its on-line IT platforms. In this respect, the bank has implemented a payment transaction validation system using a security code (payment signature) on the Netbanking on-line platform. Some payments can also be activated by means of a security code received on the customer's mobile phone.

### **BCGE helps Geneva-based businesses focussing on Asia**

The BCGE supports numerous Genevan companies which are interested in setting up or developing their business in Asia. This has been formalised in the "BCGE Asian Desk", a forum for exchanges between Swiss and Asian entrepreneurs wishing to share their experiences, their methods and their know-how. Through this channel, the bank has organised and participated in Sino-Swiss events both in Geneva and in China, bringing together representatives of Swiss and Asian firms (Geneva Chamber of Commerce and Industry, Department of the Economy, political and economic representatives). The BCGE Asian Desk facilitates the strengthening and development of many business contacts between Genevan and Swiss businesses with the BCGE teams

based in Geneva and Hong Kong, as well as a network of external experts.

### **Strategic priorities for 2013**

The bank is focusing on four priority strategic issues which can be summarised as follows:

- key partner for the regional economy and for businesses
- selective growth of mortgage lending
- targeted growth in private banking
- improvement in operational productivity.

### **Outlook for 2013**

Against a hesitant economic backdrop, the bank will pursue its commercial development. Business growth and customer confidence confirm the BCGE's appropriate strategic positioning. The bank's financial soundness, as demonstrated by its rating (A1/A-1/Stable confirmed by Standard & Poor's on 3 July 2012), augurs well for its business model. The bank foresees sustained low interest rates, a factor which will continue to impact its interest margin. The increase in lending will remain subdued due to equity funding regulations. The bank will step up the development of business areas that are less equity consuming. Estimated profitability for the full year 2013 is at the same level as for 2012.

*English translation of the French official version.*

## Review report

English translation of  
French official  
version

To the Board of Directors of  
**Banque Cantonale de Genève**, Geneva

In accordance with the terms of our engagement, we have reviewed the consolidated interim accounts for Banque Cantonale de Genève Group comprising of balance sheet and income statement for the period from January 1 to June 30, 2013.

These consolidated interim accounts are the responsibility of the Board of directors whereas our responsibility is to issue a report on these consolidated interim accounts based on our review.

We conducted our review in accordance with the Swiss Auditing Standard 910 (SAS 910) *Review Engagements*. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the consolidated interim accounts are free of material misstatements. A review is limited primarily to inquiries of the Group's personnel and analytical procedures applied to consolidated financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim accounts (balance sheet and income statement) do not give a true and fair view of the financial position and the results of operations of Banque Cantonale de Genève Group in accordance with accounting rules for banks and Swiss law.

### Deloitte SA



Myriam Meissner  
Licensed audit expert  
Auditor in charge



Thierry Aubertin  
Licensed audit expert

Geneva, August 8, 2013

MME/THA/nvi

# BCGE Group balance sheet

## Consolidated

		30.06.2013	31.12.2012	Variation
		in CHF 1'000	in CHF 1'000	in CHF 1'000
6 Group balance sheet and income statement	<b>ASSETS</b>			
	Cash	1,081,538	1,238,485	(156,947)
	Money-market instruments	187,722	163,854	23,868
	Due from banks	289,122	340,612	(51,490)
	Due from clients	4,047,173	3,922,599	124,574
	Mortgages	9,226,135	9,070,985	155,150
	Securities and precious metals trading portfolios	47,085	32,491	14,594
	Financial investments	1,178,511	1,253,876	(75,365)
	Investments consolidated by equity method	21,208	19,918	1,290
	Fixed assets	172,354	181,241	(8,887)
Intangible assets	144	432	(288)	
Accrued income and prepaid expenses	32,382	34,414	(2,032)	
Other assets	178,603	213,743	(35,140)	
<b>Total assets</b>	<b>16,461,977</b>	<b>16,472,650</b>	<b>(10,673)</b>	
	<b>LIABILITIES</b>			
Money-market instruments	820	666	154	
Due to banks	1,160,514	1,379,430	(218,916)	
Due to clients on savings and deposit accounts	4,895,700	4,910,668	(14,968)	
Due to clients, other	6,433,094	6,168,091	265,003	
Medium-term notes (cash bonds)	16,664	22,252	(5,588)	
Bonds and mortgage-backed bonds	2,582,915	2,601,885	(18,970)	
Accrued expenses and deferred income	63,114	71,152	(8,038)	
Other liabilities	188,652	223,659	(35,007)	
Valuation adjustments and provisions	12,650	9,095	3,555	
Reserve for general banking risks	85,000	85,000	-	
Share capital	360,000	360,000	-	
Capital reserve	312,246	311,738	508	
Retained earnings	340,783	293,215	47,568	
Treasury shares	(15,095)	(18,345)	3,250	
Foreign-exchange differences	(11,830)	(12,864)	1,034	
Net profit for the year	<b>36,750</b>	<b>67,008</b>	<b>(30,258)</b>	
<b>Total liabilities</b>	<b>16,461,977</b>	<b>16,472,650</b>	<b>(10,673)</b>	
	<b>OFF-BALANCE-SHEET OPERATIONS</b>			
Contingent liabilities	658,132	567,466	90,666	
Irrevocable commitments	431,104	386,198	44,906	
Commitments to subscribe and pay further sums	54,669	55,009	(340)	
Commitments resulting from deferred payments	43,147	21,886	21,261	
Financial derivatives				
▪ Positive replacement values	33,749	28,159	5,590	
▪ Negative replacement values	159,446	210,727	(51,281)	
▪ Underlying amounts	5,476,071	4,374,342	1,101,729	
Fiduciary operation	54,209	61,673	(7,464)	

# BCGE Group income statement

Consolidated

	30.06.2013 in CHF '000	30.06.2012 in CHF '000	Variation in CHF '000
<b>INTEREST INCOME AND EXPENSES</b>			
Interest and discount income	141,034	150,692	(9,658)
Interest and dividends from trading portfolios	62	14	48
Interest and dividends from financial investments	11,956	9,764	2,192
Interest expenses	(50,481)	(54,811)	4,330
<b>Net interest income</b>	<b>102,571</b>	<b>105,659</b>	<b>(3,088)</b>
<b>COMMISSION AND FEE INCOME</b>			
Commission income from lending	16,249	19,930	(3,681)
Commission income from trading, securities and deposits	21,385	21,531	(146)
Commission income from other services	14,967	15,735	(768)
Commission expenses	(3,862)	(3,623)	(239)
<b>Total commission and fee income</b>	<b>48,739</b>	<b>53,573</b>	<b>(4,834)</b>
<b>Net result of trading operations</b>	<b>13,549</b>	<b>11,928</b>	<b>1621</b>
<b>OTHER ORDINARY RESULTS</b>			
Income from sale of financial investments	1,196	2,518	(1,322)
Income from investments	598	1,127	(529)
<i>of which consolidated by the equity method</i>	<i>598</i>	<i>1,127</i>	<i>(529)</i>
Real estate income	697	538	159
Other ordinary income	3,841	3,962	(121)
Other ordinary expenses	(4,121)	(959)	(3,162)
<b>Other ordinary income, net</b>	<b>2,211</b>	<b>7,186</b>	<b>(4,975)</b>
<b>Net operating income</b>	<b>167,070</b>	<b>178,346</b>	<b>(11,276)</b>
<b>OPERATING EXPENSES</b>			
Payroll expenses	(59,862)	(60,919)	1,057
Other operating expenses	(41,836)	(47,188)	5,352
<b>Net operating expenses</b>	<b>(101,698)</b>	<b>(108,107)</b>	<b>6,409</b>
<b>Gross profit</b>	<b>65,372</b>	<b>70,239</b>	<b>(4,867)</b>
Depreciation of fixed assets	(9,955)	(16,450)	6,495
Valuation adjustments, provisions and losses	(13,254)	(8,582)	(4,672)
<b>Result before extraordinary items and taxes</b>	<b>42,163</b>	<b>45,207</b>	<b>(3,044)</b>
Extraordinary income	127	22,000	(21,873)
Extraordinary expenses	-	(19,598)	19,598
Taxes	(5,540)	(11,159)	5,619
<b>Net profit</b>	<b>36,750</b>	<b>36,450</b>	<b>300</b>

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