



BCGE Group half-year results
as at 30 June 2016



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Only the French version shall be binding

First-half business activity

Operating profitability stable as business grows

Geneva, 9 August 2016 – The Banque Cantonale de Genève has confirmed its competitiveness and its pace of growth in what has been a difficult economic environment. Assets under management and administration have increased by 3.6% to CHF 22.5 billion, as have mortgage loans, up 2% to CHF 10.2 billion. Operating profit delivered a high figure (CHF 53.4 million) while net profit fell back slightly to CHF 42.7 million. Profitability, expressed in terms of return on equity (ROE), remained high at 6.5%. Shareholders' equity rose by 1.6% to CHF 1.34 billion. For the full-year, the bank is forecasting a level of operating profit close to the 2015 figure.

▪ Operating profitability stable

Operating profit has held up at a high level (CHF 53.4 million), despite negative rates, the drop in commodity prices and a difficult stock market environment. Net profit, on the other hand, receded slightly to CHF 42.7 million.

Profitability, expressed in terms of ROE (return on equity), remains high at 6.5%, given the current level of the risk-free rate. The cost/income ratio (64.4%) is similar to that of same category banks.

▪ Income robust thanks to the diversification of business offers

The net interest margin rose by 4% (CHF 3.9 million) to CHF 100.4 million, mainly thanks to the increase in the levels of business and to sound asset and liabilities management (ALM). The income interest margin of 1.07% has held up in a low rates environment (margin the same as at the end of first half 2015). Commission income has been influenced by the economic context and fell back to CHF 48 million. Within this item, commissions on loans recorded a one-off decline due to the drop in commodity prices and the reduction in the amounts guaranteed. Commissions on securities showed good resilience thanks to the development of private banking and asset management together with new investment products. The other commissions increased, reflecting the overall expansion of the retail banking division.

International trading operations returned to a more normal level (CHF 13.1 million) due to the stabilisation of the Swiss franc-euro exchange rate. In total, operating income showed a one-off fall of 2.9% at CHF 169.3 million. Income in foreign currencies (euros and dollars) totalled CHF 37.4 million, equating to 22% of the total income figure (international business).

▪ Operating expenses influenced by new business activities and by the changing face of the banking industry

Operating expenses amounted to CHF 109.0 million (up 3.5%). They were influenced by the development of new products and substantial technology adaptations which the bank had agreed to. Specifically, these included:

- investment in bank computerisation and digitalisation
- security costs in relation to risk prevention (physical attacks and cybercrime)
- expenses linked to new financial and tax regulations

The bank created 17 new positions during the first half of 2016 taking the total number of employees up to 737 (in full-time equivalents).

▪ Core partner for Geneva-based businesses

The bank has granted more than CHF 1.14 billion in additional lending to business and private clients over the last three years. Mortgage loans now exceed the CHF 10 billion mark (up 2.0%). Since 1st January 2016, 63 more businesses have joined the ranks of its partner clients, taking the total to 18,458 businesses.

▪ Significant rise in managed and administered funds

Managed and administered funds rose by 3.6% (CHF 774 million) to CHF 22.5 billion. Funds invested by institutional clients increased by 6.4% to reach the CHF 10 billion mark. Funds under management and administration for private clients now total CHF 12.5 billion. The private banking business has benefited from substantial inflows from the existing client base and from the extension of the product range (private equity, share trackers); at the same time, the investment fund savings plan has consolidated its success. Meanwhile, the Synchrony investment funds have advanced to CHF 1.69 billion (up 9%).

First-half business activity

▪ Growth of shareholder's equity

Over the first half, shareholders' equity expanded by CHF 20.8 million (up 1.6%) and now stands at a total of CHF 1.34 billion. An additional CHF 452 million of shareholders' equity has been created since 2007. The BCGE belongs to the circle of banks which is well capitalised and secure (Standard & Poor's rating: A+/A-1/Stable, last rating dated 14.12.2015).

▪ High rate of growth in the number of private shareholders

The BCGE continues to widen its shareholder base, both private and institutional, with the number of individual and business customers becoming shareholders increasing sharply, by 545 people or business structures. As at 30 June 2016, the bank had 13,791 registered shareholders (compared with 13,246 end-2015), of which 13,413 were private individuals (these figures do not include shareholders who have deposited their securities with other establishments). The body of shareholders is very diverse (82.8% of shareholders known to the bank own between one and twenty-five shares). 83% of BCGE staff own 2.5% of the bank's capital.

▪ BCGE share has risen sharply and the introduction of the single registered share is going ahead

The BCGE share moved up sharply during the first half (increase of 11.8%). Market capitalisation now stands at CHF 1.05 billion. Furthermore, there is still considerable upside potential as the intrinsic equity value stands at CHF 377 and represents 129% of the stock market value.

The Annual General Meeting on 26 April 2016 ratified the change to the capital structure with a view to introducing a single registered share.

▪ Strategic priorities for 2016

The bank is following five strategic priorities for the current year:

- core partner for the regional economy and for businesses
- selective growth of mortgage lending
- targeted expansion of Swiss and international private banking
- increase its market share in asset management and investment funds
- drive up operational productivity

▪ Outlook for 2016

The bank intends to speed up its business expansion despite the uncertainties of the national and international financial context. It is drawing on the diversity of its skill base and the fact that its business model is in tune with the specificities of the Geneva region economy. The growth of high added-value business activities and the loyalty of its clients consolidate the BCGE's favourable strategic positioning.

The bank's financial soundness, as demonstrated by its rating, makes it a safe and stable deposit address. The bank is fully aware that negative rates and high market volatility are ongoing factors which are likely to have an impact on its interest margin and commission income. The increase in lending will remain moderate due to capital adequacy regulations and the countercyclical buffer. The bank is stepping up the development of its less equity-consuming activities (private banking, asset management, funds, mergers and acquisitions, financial engineering advisory services).

For the 2016 full year, the bank is expecting the level of operating profitability to be similar to that of 2015.

▪ Previous year

There were several extraordinary events in H1 2015. Together with the other cantonal banks, the Bank sold its minority shareholding in Swisscanto to Zürcher Kantonalbank, which generated a capital gain of CHF 7.7 million. The Bank is developing its consultancy corporate services offering, having purchased the company Dimension SA.

First-half business activity

Main consolidated figures for the first half 2016

Results, in CHF thousand	30.06.2016	30.06.2015	Variation 2016 vs 2015	
Operating income	169,252	174,245	(4,993)	(2.9%)
Operating expenses	109,000	105,290	3,710	3.5%
Operating result	53,360	60,810	(7,450)	(12.3%)
Six-month profit	42,710	45,259	(2,549)	(5.6%)
ROE (return on equity)	6.47%	7.30%	-83 basis points	(11.4%)

Balance sheet and AUM, in CHF thousand	30.06.2016	31.12.2015		
Total assets	20,389,648	20,016,211	373,437	1.9%
Mortgage loans	10,162,074	9,966,068	196,006	2.0%
Assets under management and administration	22,540,541	21,766,549	773,992	3.6%
Shareholders' equity	1,339,974	1,319,193	20,781	1.6%
Tier 1 capital ratio	12.85%	13.36%	-51 basis points	(3.8%)
Ratio of regulatory capital available	13.83%	14.37%	-54 basis points	(3.8%)
Staff (full-time equivalents)	737.4	720.5	16.9	2.3%

Consolidated balance sheet – BCGE Group

Assets	30.06.2016	31.12.2015	Variation	Variation
	CHF thousand	CHF thousand	CHF thousand	en %
Liquid assets	2,903,735	3,417,235	(513,500)	(15.0)
Amounts due from banks	679,706	349,460	330,246	94.5
Amounts due from securities financing transactions	1,000	199,660	(198,660)	(99.5)
Amounts due from customers	4,251,540	3,745,110	506,430	13.5
Mortgage loans	10,162,074	9,966,068	196,006	2.0
Trading portfolio assets	49,307	71,246	(21,939)	(30.8)
Positive replacement values of derivative financial instruments	22,923	22,930	(7)	(0.0)
Financial investments	1,856,350	1,856,245	105	0.0
Accrued income and prepaid expenses	39,681	29,578	10,103	34.2
Participations	25,656	25,972	(316)	(1.2)
Tangible fixed assets	134,155	136,846	(2,691)	(2.0)
Other assets	263,521	195,861	67,660	34.5
Total assets	20,389,648	20,016,211	373,437	1.9
Total subordinated claims	6,028	6,563	(535)	(8.2)
<i>of which subject to mandatory conversion and / or debt waiver</i>	<i>699</i>	<i>2,040</i>	<i>(1,341)</i>	<i>(65.7)</i>
Liabilities	30.06.2016	31.12.2015	Variation	Variation
	CHF thousand	CHF thousand	CHF thousand	in %
Amounts due to banks	1,890,858	1,907,096	(16,238)	(0.9)
Liabilities from securities financing transactions	852,865	747,977	104,888	14.0
Amounts due in respect of customer deposits	13,193,462	12,732,334	461,128	3.6
Trading portfolio liabilities	18'668	624	18,044	2,891.7
Negative replacement values of derivative financial instruments	22,815	25,674	(2,859)	(11.1)
Cash bonds	6,977	8,523	(1,546)	(18.1)
Bond issues and central mortgage institution loans	2,931,589	2,959,144	(27,555)	(0.9)
Accrued expenses and deferred income	67,635	66,393	1,242	1.9
Other liabilities	53,617	237,109	(183,492)	(77.4)
Provisions	11,188	12,144	(956)	(7.9)
Reserves for general banking risks	150,000	150,000	-	-
Bank's capital	360,000	360,000	-	-
Capital reserve	314,240	312,781	1,459	0.5
Retained earnings reserve	503,310	448,859	54,451	12.1
Own shares (negative item)	(11,672)	(12,071)	399	(3.3)
Foreign-exchange differences	(18,614)	(18,587)	(27)	0.1
Result of the period	42,710	78,211	(35,501)	(45.4)
Total Liabilities	20,389,648	20,016,211	373,437	1.9
Total subordinated liabilities	305,435	307,430	(1,995)	(0.6)
<i>of which subject to mandatory conversion and / or debt waiver</i>	<i>108,635</i>	<i>109,940</i>	<i>(1,305)</i>	<i>(1.2)</i>
Off-balance-sheet transactions	30.06.2016	31.12.2015	Variation	Variation
	CHF thousand	CHF thousand	CHF thousand	in %
Contingent liabilities	636,661	488,314	148,347	30.4
Irrevocable commitments	437,328	500,930	(63,602)	(12.7)
Obligations to pay up shares and make further contributions	89,556	62,538	27,018	43.2
Credit commitments	100,518	29,310	71,208	242.9

Consolidated Income statement – BCGE Group

	30.06.2016	30.06.2015	Variation	Variation
	CHF thousand	CHF thousand	CHF thousand	in %
Result from interest operations				
Interest and discount income	120,403	127,286	(6,883)	(5.4)
Interest and dividend income from trading portfolios	256	133	123	92.5
Interest and dividend income from financial investments	9,137	9,923	(786)	(7.9)
Interest expense	(24,803)	(33,738)	8,935	(26.5)
Gross result from interest operations	104,993	103,604	1,389	1.3
Changes in value adjustments for default risks and losses from interest operations	(4,637)	(7,102)	2,465	(34.7)
Subtotal net result from interest operations	100,356	96,502	3,854	4.0
Result from commission business and services				
Commission income from securities trading and investment activities	20,572	20,902	(330)	(1.6)
Commission income from lending activities	11,474	14,444	(2,970)	(20.6)
Commission income from other services	18,678	18,312	366	2.0
Commission expense	(2,692)	(2,547)	(145)	5.7
Subtotal result from commission business and services	48,032	51,111	(3,079)	(6.0)
Subtotal result from commission business and services	13,073	15,147	(2,074)	(13.7)
Other result from ordinary activities				
Result from the disposal of financial investments	1,770	9,245	(7,475)	(80.9)
Income from participations	818	891	(73)	(8.2)
Result from real estate	503	554	(51)	(9.2)
Other ordinary income	4,780	3,648	1,132	31.0
Other ordinary expenses	(80)	(2'853)	2,773	(97.2)
Subtotal other result from ordinary activities	7,791	11,485	(3,694)	(32.2)
Operating expenses				
Personnel expenses	(64,998)	(62,766)	(2,232)	3.6
General and administrative expenses	(44,002)	(42,524)	(1,478)	3.5
Subtotal operating expenses	(109,000)	(105,290)	(3,710)	3.5
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	(7,109)	(7,945)	836	(10.5)
Changes to provisions and other value adjustments, and losses	217	(200)	417	(208.5)
Operating result	53,360	60,810	(7,450)	(12.3)
Extraordinary income	6	156	(150)	(96.2)
Extraordinary expenses	(71)	-	(71)	
Changes in reserves for general banking risks	-	(5,000)	5,000	(100.0)
Taxes	(10,585)	(10,707)	122	(1.1)
Six-month profit	42,710	45,259	(2,549)	(5.6)

Consolidated presentation of the statement of changes in equity – BCGE Group

CHF thousand	Bank's capital	Capital reserve	Retained earnings reserve	Reserves for general banking risks	Currency translation reserves	Own shares (negative item)	Result of the period	Total
Equity at start of current period	360,000	312,781	527,070	150,000	(18,587)	(12,071)		1,319,193
Acquisition of own shares						(5,803)		(5,803)
Disposal of own shares						7,344		7,344
Profit (loss) on disposal of own shares		1,142				(1,142)		-
Currency translation differences					(27)			(27)
Dividends and other distributions		317	(19,800)					(19,483)
Special allocation to the State of Geneva (20% of dividends paid)			(3,960)					(3,960)
Other allocations to (transfers from) the reserves for general banking risks				-				-
Profit / loss (result of the period)							42,710	42,710
Equity at end of current period	360,000	314,240	503,310	150,000	(18,614)	(11,672)	42,710	1,339,974

Condensed notes – BCGE Group

▪ Accounting and valuation principles

The accounting and valuation principles followed by the BCGE Group comply with the FINMA circular "2015/1 Accounting – Banks". The presentation of the closure of the BCGE Group's accounts complies with the principle of a true and fair view. No change has been made since last year and no adjustments have been posted to the previous period's accounts.

▪ First-half business activity

The chapter *First-half business activity* mentioned in pages 3 to 5 contain information regarding the economic factors that have influenced the results under review and their variations compared to the previous year.

▪ No significant event has occurred since the results were compiled.

Detail of extraordinary income and expenses

	30.06.2016	30.06.2015
	CHF thousand	CHF thousand
Extraordinary income		
Participations sales	4	55
Goodwill	-	99
Other	2	2
Total	6	156
Extraordinary expenses		
Non-operating expenses	-	-
Other	71	-
Total	71	-

Balance sheet – Parent company

Assets	30.06.2016	31.12.2015	Variation	Variation
	CHF thousand	CHF thousand	CHF thousand	in %
Liquid assets	2,897,580	3,412,298	(514,718)	(15.1)
Amounts due from banks	1,204,524	812,983	391,541	48.2
Amounts due from securities financing transactions	1,000	199,660	(198,660)	(99.5)
Amounts due from customers	3,643,734	3,175,889	467,845	14.7
Mortgage loans	10,162,074	9,966,068	196,006	2.0
Trading portfolio assets	49,307	70,460	(21,153)	(30.0)
Positive replacement values of derivative financial instruments	22,933	22,930	3	0.0
Financial investments	1,844,991	1,846,994	(2,003)	(0.1)
Accrued income and prepaid expenses	36,895	27,137	9,758	36.0
Participations	74,042	73,675	367	0.5
Tangible fixed assets	133,211	135,867	(2,656)	(2.0)
Other assets	262,331	195,115	67,216	34.4
Total assets	20,332,622	19,939,076	393,546	2.0
Total subordinated claims	17,423	17,958	(535)	(3.0)
<i>of which subject to mandatory conversion and / or debt waiver</i>	699	2,040	(1,341)	(65.7)
Liabilities	30.06.2016	31.12.2015	Variation	Variation
	CHF thousand	CHF thousand	CHF thousand	in %
Amounts due to banks	1,922,575	1,916,290	6,285	0.3
Liabilities from securities financing transactions	852,865	747,977	104,888	14.0
Amounts due in respect of customer deposits	13,143,246	12,683,915	459,331	3.6
Trading portfolio liabilities	18,668	624	18,044	2,891.7
Negative replacement values of derivative financial instruments	22,815	25,685	(2,870)	(11.2)
Cash bonds	6,977	8,523	(1,546)	(18.1)
Bond issues and central mortgage institution loans	2,931,589	2,959,144	(27,555)	(0.9)
Accrued expenses and deferred income	65,625	64,678	947	1.5
Other liabilities	51,829	234,964	(183,135)	(77.9)
Provisions	11,166	11,915	(749)	(6.3)
Reserves for general banking risks	150,000	150,000	-	-
Bank's capital	360,000	360,000	-	-
Statutory capital reserve	310,890	310,890	-	-
<i>of which tax-exempt capital contribution reserve</i>	180,192	180,192	-	-
Statutory retained earnings reserve	452,599	401,917	50,682	12.6
Own shares (negative item)	(11,322)	(11,498)	176	(1.5)
Profit carried forward / loss carried forward	1,292	1,309	(17)	(1.3)
Result of the period	41,808	72,743	(30,935)	(42.5)
Total Liabilities	20,332,622	19,939,076	393,546	2.0
Total subordinated liabilities	305,435	307,430	(1,995)	(0.6)
<i>of which subject to mandatory conversion and / or debt waiver</i>	108,635	109,940	(1,305)	(1.2)
Off-balance-sheet transactions	30.06.2016	31.12.2015	Variation	Variation
	CHF thousand	CHF thousand	CHF thousand	in %
Contingent liabilities	606,375	463,633	142,742	30.8
Irrevocable commitments	377,455	442,574	(65,119)	(14.7)
Obligations to pay up shares and make further contributions	89,556	62,538	27,018	43.2
Credit commitments	100,518	29,310	71,208	242.9

Income statement – Parent company

	30.06.2016	30.06.2015	Variation	Variation
	CHF thousand	CHF thousand	CHF thousand	in %
Result from interest operations				
Interest and discount income	113,256	120,613	(7,357)	(6.1)
Interest and dividend income from trading portfolios	256	133	123	92.5
Interest and dividend income from financial investments	9,137	9,923	(786)	(7.9)
Interest expense	(24,764)	(33,711)	8,947	(26.5)
Gross result from interest operations	97,885	96,958	927	1.0
Changes in value adjustments for default risks and losses from interest operations	(3,377)	(6,637)	3'260	(49.1)
Subtotal net result from interest operations	94,508	90,321	4,187	4.6
Result from commission business and services				
Commission income from securities trading and investment activities	20,067	20,327	(260)	(1.3)
Commission income from lending activities	10,308	13,091	(2,783)	(21.3)
Commission income from other services	17,440	17,191	249	1.4
Commission expense	(2,692)	(2,544)	(148)	5.8
Subtotal result from commission business and services	45,123	48,065	(2,942)	(6.1)
Result from trading activities and the fair value option	13,054	15,006	(1,952)	(13.0)
Other result from ordinary activities				
Result from the disposal of financial investments	717	8,902	(8,185)	(91.9)
Income from participations	2,399	2,211	188	8.5
Result from real estate	503	554	(51)	(9.2)
Other ordinary income	4,909	3,768	1,141	30.3
Other ordinary expenses	(38)	(2,853)	2,815	(98.7)
Subtotal other result from ordinary activities	8,490	12,582	(4,092)	(32.5)
Operating expenses				
Personnel expenses	(61,129)	(59,590)	(1,539)	2.6
General and administrative expenses	(42,055)	(40,503)	(1,552)	3.8
Subtotal operating expenses	(103,184)	(100,093)	(3,091)	3.1
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	(7,250)	(7,891)	641	(8.1)
Changes to provisions and other value adjustments, and losses	156	(137)	293	(213.9)
Operating result	50,897	57,853	(6,956)	(12.0)
Extraordinary income	2	2	-	-
Extraordinary expenses	-	-	-	-
Changes in reserves for general banking risks	-	(5,000)	5,000	(100.0)
Taxes	(9,091)	(9,330)	239	(2.6)
Six-month profit	41,808	43,525	(1,717)	(3.9)



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