



**BCGE Group half-year results
as at 30 June 2018**



PRIX DE L'ÉCONOMIE
GENEVOISE
2017



Summary

Highlights	3
Consolidated balance sheet – BCGE Group	6
Consolidated income statement – BCGE Group	7
Consolidated presentation of the statement of changes in equity – BCGE Group	8
Consolidated restricted note– BCGE Group	
Detail of extraordinary income and expenses	
Balance sheet – Parent company	9
Income statement – Parent company	10

Impressum

Publisher: Banque Cantonale de Genève
Communications & Investor Relations Department
communication@bcge.ch

Only the French version shall be binding

Highlights

Profitability at a record level

The Banque Cantonale de Genève ended its half-year with a growth of 28.8% in its operating profit, which reached a record level of CHF 84.5 million. Net profit was up 10.7% at CHF 52 million. Half-year turnover exceeded the CHF 200 million threshold and rose 13.6% to CHF 208 million. Results increased strongly thanks to the ever more assertive diversification of business lines in Geneva, Switzerland and internationally. The cost/income ratio improved to 55.5%, thanks to product growth and risk control. Profitability improved: return on equity (ROE) rose 22 basis points to 6.9% while the earnings to equity ratio rose 190 basis points to 11.3%. Assets under management and administration rose to CHF 26.7 billion (+1.3% over the six-month period) as did mortgage loans to CHF 11.2 billion (+2.3%). For the full year 2018, the bank forecasts a higher level of operating profitability than in 2017.

- **Strong increase in profitability**

Operating profit reached a record level at CHF 84.5 million (+28.8%), while half-year profit rose to CHF 52.0 million (+10.7%). Operating income increased by 13.6% to CHF 208 million, with all business lines contributing to this marked growth. Net interest income rose by 16.4% to CHF 125.6 million, driven by growth in lending, dynamic ALM management, minimal cost of risk and, in particular this half-year, the private equity business (subsidiary Capital Transmission SA, Geneva).

The gross interest margin increased to above 1% and reached 1.06% (against 0.96% at 31.12.2017). It benefited from the combined effect of higher financing volumes and the gradual rise in interest rates, particularly those in USD. The two-year swap rate in this currency rose from 1.62% in June 2017 to 2.79% in June 2018. The awaited normalisation of rates has begun to materialise.

All business lines contributed to the increase in commissions (+11.6% to CHF 59.8 million). To begin with, it should be noted that the share of commissions in turnover (28.8%) is high compared with comparable banks. Commissions on loans increased by 16.5% thanks to trade finance, which benefited from increases in business volume and commodity prices. New management mandates and investment funds contributed to a 12% increase in securities commissions. Other commissions increased by 6.3%, driven in particular by the mandates carried out by the subsidiary specialising in mergers and acquisitions: Dimension SA, Lausanne. Revenues in EUR and USD amounted to 28.4% of turnover; proof of a beneficial internationalisation of revenue sources. Operating expenses totalled CHF 115.5 million (+5.4%). Personnel expenses reflect the growth of all business lines and the demand for increasingly specialised profiles and skills. The progress in Other operating expenses reflects multipolar innovation (digital onboarding, Avantage service site, Twint, mobile app, etc.) and the creation of new products (investment funds, financing instruments, services for Swiss abroad, etc.).

- **A major player in financing Geneva's economy**

The bank granted more than CHF 2.2 billion in new loans to businesses and individuals in three years, bringing the total to CHF 15.9 billion. Mortgage loans increased by a targeted CHF 11.2 billion (+2.3%). Since 31 December 2017, an additional 309 businesses have joined the ranks of its partner-clients, making a total of 19,658 businesses (legal entities). The share of mortgages in the balance sheet total is moderate (50.4%), reflecting a healthy diversification of the latter.

- **Increase in assets under management and administration**

Assets under management and administration grew by 1.3% in six months (CHF 349 million) to CHF 26.7 billion. The institutional client segment grew by 1% over the same period to CHF 12.6 billion. For its part, private clients totalled CHF 14.1 billion (+1.7%). Private banking activities grew with the addition of 289 new Best of management mandates. Investment funds rose to CHF 2.6 billion (+4%), reflecting the success of the Synchrony Funds brand.

- **Growth in shareholders' equity**

In the first six months, shareholders' equity increased by CHF 45.6 million (+3.1%) bringing it to CHF 1.52 billion. An additional CHF 813 million of shareholders' equity has been created since 2005. BCGE belongs to the circle of well-capitalised and sound banks.

- **High rate of growth in the number of private shareholders**

The bank is delighted to see that its shareholders' base, both private and institutional, continues to expand. The number of individuals and businesses that have joined the ranks of its shareholders is constantly growing (+259 individuals or entities). As at 30 June 2018, the bank had 14,530 registered shareholders (compared to 14,271 at the end of 2017). In addition to these figures, several hundred shareholders have deposited more than 954,000 shares in other institutions. The shareholder base is well diversified (82.8% of the bank's known shareholders hold between one and 50 shares). 85% of employees are shareholders and hold 2.7% of the bank's capital.

Highlights

▪ Rise in BCGE shares

The strong performance of the share price in the first half of 2018 (+12.9%) attests to the attractiveness of the institution to private and institutional investors. Market capitalisation is CHF 1.3 billion. The potential for growth remains significant, for a share price of CHF 185 the intrinsic value of the share is CHF 212.40.

▪ Strategic priorities in 2018

The bank is working on five strategic priorities for the current year, summarised as follows:

- central partner for the regional economy and for businesses,
- selective growth in mortgage finance,
- targeted expansion of private banking in Switzerland and internationally,
- increase of its market share in asset management and investment funds on the Swiss market and internationally,
- improvement in operational productivity.

▪ Outlook for 2018

The bank is accelerating its business expansion in an economic environment in recovery.

- It relies on the diversity of its skills and on the alignment of its business model with the specific features of the Geneva economy.
- The growth in high value-added business and the loyalty of its client base confirm its favourable strategic positioning.
- The bank's financial soundness makes it a safe and stable custodial address.
- The bank expects continued low interest rates and increasing market volatility to affect its interest margin and commission income.
- Lending growth will remain moderate due to regulations governing capital requirements and the counter-cyclical buffer.
- The bank is stepping up the development of business areas that are less capital-intensive (private banking, asset management, investment funds, mergers and acquisitions, financial engineering advice).

For the full year 2018, the bank forecasts a higher level of operating profitability than in 2017.

Highlights

Main consolidated figures for the first half 2018

Results, in CHF thousand	30.06.2018	30.06.2017	Variation 2018 vs 2017	
Operating income	208,037	183,140	24,897	13.6%
Operating income	115,526	109,569	5,957	5.4%
Operating result	84,526	65,616	18,910	28.8%
Six-month profit	52,012	46,976	5,036	10.7%
ROE (return on equity)	6.94%	6.72%	22 basis points	3.4%
Balance sheet and AUM, in CHF thousand	30.06.2018	31.12.2017		
Total assets	22,306,148	22,671,315	(365,167)	(1.6%)
Mortgage loans	11,242,663	10,985,361	257,302	2.3%
Assets under management and administration	26,729,179	26,380,457	348,722	1.3%
Shareholders' equity	1,517,750	1,472,199	45,551	3.1%
Tier 1 capital ratio	14.25%	14.03%	22 basis points	1.6%
Ratio of regulatory capital available	15.22%	15.02%	20 basis points	1.3%
Staff (full-time equivalents)	751	748	3	0.3%

6 Consolidated balance sheet – BCGE Group

Assets	30.06.2018	31.12.2017	Variation	Variation
	CHF thousand	CHF thousand	CHF thousand	en %
Liquid assets	3,441,867	3,435,533	6,334	0.2
Amounts due from banks	737,280	766,360	(29,080)	(3.8)
Amounts due from securities financing transactions	100,000	580,000	(480,000)	(82.8)
Amounts due from customers	4,648,729	4,706,766	(58,037)	(1.2)
Mortgage loans	11,242,663	10,985,361	257,302	2.3
Trading portfolio assets	59,435	55,549	3,886	7.0
Positive replacement values of derivative financial instruments	10,835	15,130	(4,295)	(28.4)
Financial investments	1,684,404	1,749,983	(65,579)	(3.7)
Accrued income and prepaid expenses	34,989	29,919	5,070	16.9
Participations	58,860	61,589	(2,729)	(4.4)
Tangible fixed assets	124,899	129,651	(4,752)	(3.7)
Other assets	162,187	155,474	6,713	4.3
Total assets	22,306,148	22,671,315	(365,167)	(1.6)
Total subordinated claims	18,545	20,953	(2,408)	(11.5)
<i>of which subject to mandatory conversion and / or debt waiver</i>	-	-	-	-
Liabilities	30.06.2018	31.12.2017	Variation	Variation
	CHF thousand	CHF thousand	CHF thousand	in %
Amounts due to banks	2,327,229	2,541,918	(214,689)	(8.4)
Liabilities from securities financing transactions	242,907	482,846	(239,939)	(49.7)
Amounts due in respect of customer deposits	14,471,751	14,548,789	(77,038)	(0.5)
Trading portfolio liabilities	12,946	1,045	11,901	1,138.9
Negative replacement values of derivative financial instruments	6,087	3,962	2,125	53.6
Cash bonds	2,852	4,043	(1,191)	(29.5)
Bond issues and central mortgage institution loans	3,533,255	3,432,055	101,200	2.9
Accrued expenses and deferred income	81,145	84,289	(3,144)	(3.7)
Other liabilities	97,003	86,461	10,542	12.2
Provisions	13,223	13,708	(485)	(3.5)
Reserves for general banking risks	195,000	180,000	15,000	8.3
Bank's capital	360,000	360,000	-	0.0
Statutory capital reserve	317,933	315,949	1,984	0.6
Statutory retained earnings reserve	615,104	558,557	56,547	10.1
Own shares (negative item)	(7,901)	(10,383)	2,482	(23.9)
Currency translation reserve	(14,398)	(13,528)	(870)	6.4
Profit/loss (result of the period)	52,012	81,604	(29,592)	(36.3)
Total liabilities	22,306,148	22,671,315	(365,167)	(1.6)
Total subordinated liabilities	508,390	508,055	335	0.1
<i>of which subject to mandatory conversion and / or debt waiver</i>	308,390	308,200	190	0.1
Off-balance-sheets transactions	30.06.2018	31.12.2017	Variation	Variation
	CHF thousand	CHF thousand	CHF thousand	in %
Contingent liabilities	900,805	747,945	152,860	20.4
Irrevocable commitments	723,352	715,342	8,010	1.1
Obligations to pay up shares and make further contributions	143,958	131,018	12,940	9.9
Credit commitments	175,524	100,827	74,697	74.1

Consolidated income statement – BCGE Group

	30.06.2018	30.06.2017	Variation	Variation
	CHF thousand	CHF thousand	CHF thousand	in %
Result from interest operations				
Interest and discount income	136,948	124,483	12,465	10.0
Interest and dividend income from trading portfolios	37	262	(225)	(85.9)
Interest and dividend income from financial investments	13,590	5,052	8,538	169.0
Interest expense	(29,091)	(25,251)	(3,840)	15.2
Gross result from interest operations	121,484	104,546	16,938	16.2
Changes in value adjustments for default risks and losses from interest operations	4,073	3,352	721	21.5
Subtotal net result from interest operations	125,557	107,898	17,659	16.4
Result from comission business and services				
Commission income from securities trading and investment activities	24,434	21,809	2,625	12.0
Commission income from lending activities	18,406	15,795	2,611	16.5
Commission income from other services	20,566	19,284	1,282	6.6
Commission expense	(3,565)	(3,284)	(281)	8.6
Subtotal result from comission business and services	59,841	53,604	6,237	11.6
Result from trading activities and the fair value option				
Subtotal result from trading activities and the fair value option	14,442	14,352	90	0.6
Other result from ordinary activities				
Result from the disposal of financial investments	2,990	1,251	1,739	139.0
Income from participations	6,922	4,266	2,656	62.3
Result from real estate	499	461	38	8.2
Other ordinary income	3,382	3,405	(23)	(0.7)
Other ordinary expenses	(5,596)	(2,097)	(3,499)	166.9
Subtotal other result from ordinary activities	8,197	7,286	911	12.5
Total operating income	208,037	183,140	24,897	13.6
Operating expenses				
Personnel expenses	(70,639)	(65,518)	(5,121)	7.8
General and administrative expenses	(44,887)	(44,051)	(836)	1.9
Subtotal operating expenses	(115,526)	(109,569)	(5,957)	5.4
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	(8,049)	(7,841)	(208)	2.7
Changes to provisions and other value adjustments, and losses	64	(114)	178	(156.1)
Operating result	84,526	65,616	18,910	28.8
Extraordinary income	-	-	-	-
Extraordinary expenses	-	-	-	-
Changes in reserves for general banking risks	(15,000)	(5,000)	(10,000)	200.0
Taxes	(17,514)	(13,640)	(3,874)	28.4
Profit	52,012	46,976	5,036	10.7

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

in CHF 1'000	Bank's capital	Statutory capital reserve	Statutory retained earnings reserve	Reserves for general banking risks	Currency translation reserve	Own shares (negative item)	Result of the period	Total
Equity at start of current period	360,000	315,949	640,161	180,000	(13,528)	(10,383)		1,472,199
Acquisition of own shares						(3,248)		(3,248)
Disposal of own shares						7,496		7,496
Profit (loss) on disposal of own shares		1,766				(1,766)		-
Currency translation differences					(870)			(870)
Dividends and other distributions		218	(20,880)					(20,662)
Special allocation to the State of Geneva (20% of dividends paid)			(4,176)					(4,176)
Other allocations to (transfers from) the reserves for general banking risks				15,000				15,000
Other allocations to (transfers from) other reserves (round)			(1)					(1)
Profit / loss (result of the period)							52,012	52,012
Equity at end of current period	360,000	317,933	615,104	195,000	(14,398)	(7,901)	52,012	1,517,750

Condensed notes – BCGE Group

- **Highlights**

The chapter Highlights 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

	30.06.2018	30.06.2017
	CHF thousand	CHF thousand
Extraordinary income		
Total	-	-
Extraordinary expenses		
Total	-	-

Balance sheet – Parent company

Assets	30.06.2018	31.12.2017	Variation	Variation
	CHF thousand	CHF thousand	CHF thousand	in %
Liquid assets	3,431,818	3,431,086	732	0.0
Amounts due from banks	1,500,365	1,448,245	52,120	3.6
Amounts due from securities financing transactions	100,000	580,000	(480,000)	(82.8)
Amounts due from customers	3,850,709	3,963,831	(113,122)	(2.9)
Mortgage loans	11,242,663	10,985,361	257,302	2.3
Trading portfolio assets	59,435	55,549	3,886	7.0
Positive replacement values of derivative financial instruments	10,927	15,536	(4,609)	(29.7)
Financial investments	1,667,030	1,730,485	(63,455)	(3.7)
Accrued income and prepaid expenses	32,566	25,517	7,049	27.6
Participations	91,465	91,648	(183)	(0.2)
Tangible fixed assets	124,013	128,866	(4,853)	(3.8)
Other assets	161,532	154,279	7,253	4.7
Total assets	22,272,523	22,610,403	(337,880)	(1.5)
Total subordinated claims	5,493	6,156	(663)	(10.8)
<i>of which subject to mandatory conversion and / or debt waiver</i>	-	-	-	-
Liabilities	30.06.2018	31.12.2017	Variation	Variation
	CHF thousand	CHF thousand	CHF thousand	in %
Amounts due to banks	2,404,160	2,619,485	(215,325)	(8.2)
Liabilities from securities financing transactions	242,907	482,846	(239,939)	(49.7)
Amounts due in respect of customer deposits	14,426,137	14,477,970	(51,833)	(0.4)
Trading portfolio liabilities	12,946	1,045	11,901	1,138.9
Negative replacement values of derivative financial instruments	6,087	3,962	2,125	53.6
Cash bonds	2,852	4,043	(1,191)	(29.5)
Bond issues and central mortgage institution loans	3,533,255	3,432,055	101,200	2.9
Accrued expenses and deferred income	76,444	78,111	(1,667)	(2.1)
Other liabilities	95,447	78,587	16,860	21.5
Provisions	13,223	13,708	(485)	(3.5)
Reserves for general banking risks	195,000	180,000	15,000	8.3
Bank's capital	360,000	360,000	-	0.0
Statutory capital reserve	310,890	310,890	-	0.0
<i>of which tax-exempt capital contribution reserve</i>	<i>180,192</i>	<i>180,192</i>	<i>-</i>	<i>0.0</i>
Statutory retained earnings reserve	553,556	500,500	53,056	10.6
Own shares	(7,815)	(10,224)	2,409	(23.6)
Profit carried forward / loss carried forward	1,369	1,049	320	30.5
Profit/loss (result of the period)	46,065	76,376	(30,311)	(39.7)
Total liabilities	22,272,523	22,610,403	(337,880)	(1.5)
Total subordinated liabilities	508,390	508,055	335	0.1
<i>of which subject to mandatory conversion and / or debt waiver</i>	<i>308,390</i>	<i>308,200</i>	<i>190</i>	<i>0.1</i>
Off-balance-sheets transactions	30.06.2018	31.12.2017	Variation	Variation
	CHF thousand	CHF thousand	CHF thousand	in %
Contingent liabilities	877,064	720,059	157,005	21.8
Irrevocable commitments	633,296	637,628	(4,332)	(0.7)
Obligations to pay up shares and make further contributions	143,958	131,018	12,940	9.9
Credit commitments	175,524	100,827	74,697	74.1

10 Income statement – Parent company

	30.06.2018	30.06.2017	Variation	Variation
	CHF thousand	CHF thousand	CHF thousand	in %
Result from interest operations				
Interest and discount income	126,699	116,468	10,231	8.8
Interest and dividend income from trading portfolios	37	262	(225)	(85.9)
Interest and dividend income from financial investments	4,998	5,052	(54)	(1.1)
Interest expense	(29,053)	(25,130)	(3,923)	15.6
Gross result from interest operations	102,681	96,652	6,029	6.2
Changes in value adjustments for default risks and losses from interest operations	4,919	3,707	1,212	32.7
Subtotal net result from interest operations	107,600	100,359	7,241	7.2
Result from comission business and services				
Commission income from securities trading and investment activities	23,781	21,208	2,573	12.1
Commission income from lending activities	16,430	14,348	2,082	14.5
Commission income from other services	17,996	17,807	189	1.1
Commission expense	(3,565)	(3,284)	(281)	8.6
Subtotal result from comission business and services	54,642	50,079	4,563	9.1
Result from trading activities and fair value option				
Subtotal result from trading activities and the fair value option	14,502	14,372	130	0.9
Other result from ordinary activities				
Result from the disposal of financial investments	2,869	911	1,958	214.9
Income from participations	10,589	10,108	481	4.8
Result from real estate	499	461	38	8.2
Other ordinary income	3,470	3,520	(50)	(1.4)
Other ordinary expenses	(2,223)	(2,097)	(126)	6.0
Subtotal other result from ordinary activities	15,204	12,903	2,301	17.8
Total operating income	191,948	177,713	14,235	8.0
Operating expenses				
Personnel expenses	(65,583)	(61,278)	(4,305)	7.0
General and administrative expenses	(42,125)	(41,916)	(209)	0.5
Subtotal operating expenses	(107,708)	(103,194)	(4,514)	4.4
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	(8,000)	(7,800)	(200)	2.6
Changes to provisions and other value adjustments, and losses	64	(114)	178	(156.1)
Operating result	76,304	66,605	9,699	14.6
Extraordinary income	-	-	-	-
Extraordinary expenses	-	-	-	-
Changes in reserves for general banking risks	(15,000)	(5,000)	(10,000)	200.0
Taxes	(15,239)	(12,029)	(3,210)	26.7
Profit	46,065	49,576	(3,511)	(7.1)



Banque Cantonale de Genève

Head Office: Quai de l'Île 17 – CP 2251 – 1211 Genève 2

Telephone: +41 (0)58 211 21 00

E-mail: info@bcge.ch

www.bcge.ch

Geneva: Quai de l'Île 17 – CP 2251 – 1211 Genève 2

Lausanne: Avenue de la Gare 50 – CP 159 – 1001 Lausanne

Zurich: Lintheschergasse 19 – Postfach 4068 – 8021 Zürich

E-mail: privatebanking@bcge.ch

www.bcge.ch/privatebanking

E-mail: assetmanagement@bcge.ch

www.bcge.ch/assetmanagement

REPRESENTATIVE OFFICES

Dubai: Sheikh Zayed Road, Park Place – 14th Floor
PO Box 102810 – Dubai – UAE

Hong Kong: Unit 1803 18/F Alexandra House – Chater Road 18
Central – Hong Kong – China

SUBSIDIARY OF THE BCGE

Banque Cantonale de Genève (France) SA

Lyon: Place Louis-Pradel 20 – France – 69001 Lyon

Annecy: Avenue Gambetta 46 – France – 74000 Annecy

Paris: Rue de la Baume 5 – France – 75008 Paris

www.bcgef.fr

Capital Transmission SA

Quai de l'Île 17 – CP 2251 – 1211 Geneva 2

www.capitaltransmission.ch

Dimension SA

Rue des Fontenailles 16 – 1007 Lausanne

www.dimension.ch

