

2018 Annual Results
BCGE - Significant increases in operating profit (+26%) and dividend (+17%)

Geneva, 26 February 2019 – The Banque Cantonale de Genève recorded excellent 2018 results. Operating profit reached CHF 161.3 million, up 25.7%, driven by commercial income and innovation. Net profit also rose sharply to CHF 91.2 million (+11.7%). The bank's competitive position is confirmed by three macro indicators: income exceeding CHF 400 million, mortgage loans (at CHF 11.4 billion, +3.7%) and assets under management and administration (at CHF 26.7 billion, +1.2%). Productivity is at the same level as the leading universal Swiss banks with international activities, with a cost income ratio of 56.7%. Costs are well under control. Current operating expenses have been reduced. This enables the bank to commit more resources to enhance their commercial offer for companies and individuals, including in digital banking. Profitability, expressed by operating profit to equity of 10.5%, is at its highest level compared to peers. The bank finances the economy, mainly in Geneva, with loans of CHF 16.6 billion. For 2019, the bank expects operating profitability to be close to 2018 levels. The dividend of CHF 3.40 proposed to the Annual General Meeting represents an increase of 17.2%.

Main consolidated figures for the financial year 2018

Results, in CHF thousand	31.12.2018	31.12.2017	Variation 2018 vs. 2017	
Operating income	409,423	366,110	43,313	11.8%
Operating expenses	232,025	222,735	9,290	4.2%
Operating profit	161,317	128,299	33,018	25.7%
Net profit	91,159	81,604	9,555	11.7%
ROE (return on equity)	5.9%	5.6%	28 basis points	4.9%
Dividend	6.8% ¹	5.8%	100 basis points	17.2%
Balance sheet volumes, in CHF thousand				
Total assets	23,033,833	22,671,315	362,518	1.6%
Mortgage loans	11,387,669	10,985,361	402,308	3.7%
Assets under management and administration	26,688,019	26,380,457	307,562	1.2%
Shareholders' equity	1,569,922	1,472,199	97,723	6.6%
Tier 1 capital ratio	14.67%	14.03%	64 basis points	4.6%
Ratio of regulatory capital available	15.63%	15.02%	61 basis points	4.1%
Staff (full-time equivalents)	761	748	12 ²	1.6%

¹ Proposal to be submitted to the Annual General Meeting on 30 April 2019.

² Due to rounding (staff numbers have increased from 748.3 to 760.6).

Strong increase in profitability

Operating profit rose by more than CHF 33 million to CHF 161.3 million (+25.7%), while net profit rose sharply (+11.7%) to CHF 91.2 million. Operating income rose by 11.8% to CHF 409.4 million, placing the bank at the top of the league compared to other cantonal banks. Operating expenses were reduced and grew three times more slowly than operating income. The bank is a job creator (+12) with a workforce of 811 employees (or 761 full-time equivalents).

Net interest margin and commissions increased in both the corporate and private client segments. Net interest income grew by 17.6% to CHF 247.2 million. This growth was supported by the increase in lending, private equity activity and an increase in the interest margin to 1.06% (2017: 0.98%). This growth is reflected in good asset liability management (ALM) and low risk costs. However, the commercial interest margin remains under pressure in the mortgage and corporate sector. The share of commissions in turnover (29%) shows a good diversification of revenue sources and risks. The share of income in EUR and USD is increasing steadily and amounts to 30% of turnover, another sign of healthy diversification.

A key player in financing Geneva's economy

In the last three years, the bank has granted more than CHF 2.9 billion in additional loans to companies and private individuals which corresponds to a total of CHF 16.6 billion. Mortgage loans, based on a targeted approach, have moved up to almost CHF 11.4 billion, (+3.7%). Loans to companies and public authorities increased by CHF 508 million. Since 1st January 2018, 448 additional companies have been added to the existing circle of client partners, making a total of 19,797 companies. The share of mortgages in the balance sheet total remains moderate (49.4%), reflecting a healthy diversification of the balance sheet.

Growth in assets under management and administration

Assets under management and administration increased by 1.2% (CHF 308 million) to CHF 26.7 billion. The institutional client segment rose by 2.1% to CHF 12.8 billion. For its part, private clients accounted for a total of CHF 13.9 billion. Private banking activities were boosted with 434 new Best of management mandates. Investment funds increased to CHF 2.6 billion (+2.7%), reflecting the success and wide distribution of the Synchrony brand.

Increase in shareholders' equity

The increase in shareholders' equity over the year was CHF 97.7 million (+6.6 %), bringing it to CHF 1.57 billion. An additional CHF 865 million of shareholders' equity has been created since 2005. BCGE thus belongs to the circle of well-capitalised and sound banks. It is rated A+/Stable/A-1 by Standard & Poor's.

210 new shareholders

The expansion of the shareholder base of private and institutional investors testifies to the bank's reputation and attractiveness. The number of individuals and companies that have joined the ranks of its shareholders is growing strongly (+210 individuals or entities). As at 31 December 2018, the bank had 14,481 registered shareholders (compared with 14,271 at the end of 2017). In addition, there are also several hundred shareholders who have deposited almost 975,000 shares with other institutions. The shareholder base is well diversified (83% of shareholders known to the bank hold between one and fifty shares). 77% of BCGE employees are shareholders, holding 2.5% of the bank's capital.

Stock market capitalisation reaches a record level

The performance of the share price over the course of 2018 (+17 %) reflects the increased interest of investors. There is still considerable upside potential, as the intrinsic value of the share is over CHF 220. The market capitalisation is thus 87% of the net asset value.

Significant increase in dividend

A dividend of CHF 3.40 is to be proposed at the Annual General Meeting, representing an increase of 17.2%. The bank's contribution to the public authorities for the 2018 financial year, in particular in the form of taxes and dividends, amounts to CHF 59 million, up by more than 25%.

Strategic priorities for 2019

The bank is currently working on five strategic priorities, summarised as follows:

- core partner for the regional economy and SMEs,
- key player in the financing of private and social housing in Geneva,
- targeted expansion of private banking in Switzerland and internationally,
- increased market share in asset management and investment funds on the Swiss market and internationally,
- continued digitisation and growth in the acquisition of online business.

Outlook for 2019

The bank intends to further expand its business activities despite a slowdown in the economy. 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 of high added-value business and the loyalty of its client base reaffirm the BCGE's favourable strategic positioning.
- The bank's financial strength makes it a safe and stable custodial address.
- The bank expects low interest rates to persist along with higher market volatility, factors which are likely to affect its interest margin and commission income.
- Lending growth will remain moderate due to the regulations governing capital requirements and the counter-cyclical buffer.
- The bank is stepping up the development of its business areas that are less capital-intensive (private banking, asset management, investment funds, mergers and acquisitions and financial engineering advice).

For the 2019 financial year, the Bank expects overall operating profitability to be close to that of 2018.

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BCGE: Banking solutions made in Geneva

A universal bank since 1816, the BCGE provides high-quality banking services for private, business and institutional clients in Geneva and its surrounding area. BCGE develops the following business lines: everyday banking services, private banking, asset management, investment funds, pension planning, mortgages and lending to the private and public sectors. It runs a trading room and offers financial engineering, business valuation and transmission, private equity and trade finance services. The BCGE Group has 21 branches in Geneva and operates a number of its business lines in Lausanne, Zurich, Lyon, Annecy, Paris, Dubai and Hong Kong. It employs 811 people (of whom 761 are full-time equivalents, as at 31 December 2018). The BCGE is listed on the SIX Swiss Exchange, the Swiss stock exchange (Authorised share no. 35 049 471).