



**BCGE Group results
as at 31 December 2018**

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Impressum

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Only the French version shall be binding

Highlights

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

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%.

▪ 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.

Highlights

▪ **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 2018**

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.

Highlights

Main consolidated figures for 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 result	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).

6 Consolidated balance sheet – BCGE Group

Assets	31.12.2018	31.12.2017	Variation	Variation
	CHF thousand	CHF thousand	CHF thousand	in %
Liquid assets	3,410,649	3,435,533	(24,884)	(0.7)
Amounts due from banks	464,007	766,360	(302,353)	(39.5)
Amounts due from securities financing transactions	49,205	580,000	(530,795)	(91.5)
Amounts due from customers	5,215,130	4,706,766	508,364	10.8
Mortgage loans	11,387,669	10,985,361	402,308	3.7
Trading portfolio assets	60,782	55,549	5,233	9.4
Positive replacement values of derivative financial instruments	12,716	15,130	(2,414)	(16.0)
Financial investments	1,883,422	1,749,983	133,439	7.6
Accrued income and prepaid expenses	28,887	29,919	(1,032)	(3.4)
Participations	61,450	61,589	(139)	(0.2)
Tangible fixed assets	121,878	129,651	(7,773)	(6.0)
Other assets	338,038	155,474	182,564	117.4
Total assets	23,033,833	22,671,315	362,518	1.6
Total subordinated claims	25,301	20,953	4,348	20.8
<i>of which subject to mandatory conversion and / or debt waiver</i>	-	-	-	0.0
Liabilities	31.12.2018	31.12.2017	Variation	Variation
	CHF thousand	CHF thousand	CHF thousand	in %
Amounts due to banks	2,526,459	2,541,918	(15,459)	(0.6)
Liabilities from securities financing transactions	481,086	482,846	(1,760)	(0.4)
Amounts due in respect of customer deposits	14,644,276	14,548,789	95,487	0.7
Trading portfolio liabilities	2,379	1,045	1,334	127.7
Negative replacement values of derivative financial instruments	4,277	3,962	315	8.0
Cash bonds	2,540	4,043	(1,503)	(37.2)
Bond issues and central mortgage institution loans	3,411,255	3,432,055	(20,800)	(0.6)
Accrued expenses and deferred income	101,546	84,289	17,257	20.5
Other liabilities	277,603	86,461	191,142	221.1
Provisions	12,490	13,708	(1,218)	(8.9)
Reserves for general banking risks	215,000	180,000	35,000	19.4
Bank's capital	360,000	360,000	-	0.0
Statutory capital reserve	318,299	315,949	2,350	0.7
Statutory retained earnings reserve	615,104	558,557	56,547	10.1
Own shares (negative item)	(13,206)	(10,383)	(2,823)	27.2
Currency translation reserve	(16,434)	(13,528)	(2,906)	21.5
Profit	91,159	81,604	9,555	11.7
Total liabilities	23,033,833	22,671,315	362,518	1.6
Total subordinated liabilities	308,390	508,055	(199,665)	(39.3)
<i>of which subject to mandatory conversion and / or debt waiver</i>	308,390	308,200	190	0.1
Off-balance-sheets transactions	31.12.2018	31.12.2017	Variation	Variation
	CHF thousand	CHF thousand	CHF thousand	in %
Contingent liabilities	889,735	747,945	141,790	19.0
Irrevocable commitments	729,606	715,342	14,264	2.0
Obligations to pay up shares and make further contributions	153,518	131,018	22,500	17.2
Credit commitments	78,989	100,827	(21,838)	(21.7)

Consolidated Income statement – BCGE Group

	31.12.2018	31.12.2017	Variation	Variation
	CHF thousand	CHF thousand	CHF thousand	in %
Result from interest operations				
Interest and discount income	281,949	253,794	28,155	11.1
Interest and dividend income from trading portfolios	64	341	(277)	(81.2)
Interest and dividend income from financial investments	17,848	15,972	1,876	11.7
Interest expense	(57,962)	(53,697)	(4,265)	7.9
Gross result from interest operations	241,899	216,410	25,489	11.8
Changes in value adjustments for default risks and losses from interest operations	5,299	(6,197)	11,496	(185.5)
Subtotal net result from interest operations	247,198	210,213	36,985	17.6
Result from comission business and services				
Commission income from securities trading and investment activities	48,393	45,657	2,736	6.0
Commission income from lending activities	37,352	32,372	4,980	15.4
Commission income from other services	38,466	37,652	814	2.2
Commission expense	(7,499)	(8,781)	1,282	(14.6)
Subtotal result from comission business and services	116,712	106,900	9,812	9.2
Result from trading activities and the fair value option				
Subtotal result from trading activities and the fair value option	29,228	29,778	(550)	(1.8)
Other result from ordinary activities				
Result from the disposal of financial investments	6,622	7,286	(664)	(9.1)
Income from participations	10,576	6,188	4,388	70.9
Result from real estate	1,199	1,151	48	4.2
Other ordinary income	6,799	6,578	221	3.4
Other ordinary expenses	(8,911)	(1,984)	(6,927)	349.1
Subtotal other result from ordinary activities	16,285	19,219	(2,934)	(15.3)
Total operating incomes	409,423	366,110	43,313	11.8
Operating expenses				
Personnel expenses	(144,088)	(134,295)	(9,793)	7.3
General and administrative expenses	(87,937)	(88,440)	503	(0.6)
Subtotal operating expenses	(232,025)	(222,735)	(9,290)	4.2
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	(15,983)	(15,415)	(568)	3.7
Changes to provisions and other value adjustments, and losses	(98)	339	(437)	(128.9)
Operating result	161,317	128,299	33,018	25.7
Extraordinary income	2	48	(46)	(95.8)
Extraordinary expenses	-	-	-	-
Changes in reserves for general banking risks	(35,000)	(20,000)	(15,000)	75.0
Taxes	(35,160)	(26,743)	(8,417)	31.5
Profit	91,159	81,604	9,555	11.7

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

CHF thousand	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						(10,161)		(10,161)
Disposal of own shares						9,469		9,469
Profit (loss) on disposal of own shares		2,131				(2,131)		-
Currency translation differences					(2,906)			(2,906)
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				35,000				35,000
Other allocations to (transfers from) other reserves (round)		1	(1)					-
Profit							91,159	91,159
Equity at end of current period	360,000	318,299	615,104	215,000	(16,434)	(13,206)	91,159	1,569,922

Consolidated restricted note– BCGE Group

▪ Highlights

The highlights mentioned in pages 3 and 4 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

	31.12.2018	31.12.2017
	CHF thousand	CHF thousand
Extraordinary income		
Other	2	48
Total	2	48
Extraordinary expenses	-	-

Balance sheet – Parent company

Assets	31.12.2018	31.12.2017	Variation	Variation
	CHF thousand	CHF thousand	CHF thousand	in %
Liquid assets	3,400,882	3,431,086	(30,204)	(0.9)
Amounts due from banks	1,124,638	1,448,245	(323,607)	(22.3)
Amounts due from securities financing transactions	49,205	580,000	(530,795)	(91.5)
Amounts due from customers	4,431,691	3,963,831	467,860	11.8
Mortgage loans	11,387,669	10,985,361	402,308	3.7
Trading portfolio assets	60,782	55,549	5,233	9.4
Positive replacement values of derivative financial instruments	12,717	15,536	(2,819)	(18.1)
Financial investments	1,853,058	1,730,485	122,573	7.1
Accrued income and prepaid expenses	26,420	25,517	903	3.5
Participations	91,709	91,648	61	0.1
Tangible fixed assets	121,185	128,866	(7,681)	(6.0)
Other assets	337,310	154,279	183,031	118.6
Total assets	22,897,266	22,610,403	286,863	1.3
Total subordinated claims	4,640	6,156	(1,516)	(24.6)
<i>of which subject to mandatory conversion and / or debt waiver</i>	-	-	-	-
Liabilities	31.12.2018	31.12.2017	Variation	Variation
	CHF thousand	CHF thousand	CHF thousand	in %
Amounts due to banks	2,528,845	2,619,485	(90,640)	(3.5)
Liabilities from securities financing transactions	481,086	482,846	(1,760)	(0.4)
Amounts due in respect of customer deposits	14,579,091	14,477,970	101,121	0.7
Trading portfolio liabilities	2,379	1,045	1,334	127.7
Negative replacement values of derivative financial instruments	4,385	3,962	423	10.7
Cash bonds	2,540	4,043	(1,503)	(37.2)
Bond issues and central mortgage institution loans	3,411,255	3,432,055	(20,800)	(0.6)
Accrued expenses and deferred income	96,423	78,111	18,312	23.4
Other liabilities	272,747	78,587	194,160	247.1
Provisions	12,490	13,708	(1,218)	(8.9)
Reserves for general banking risks	215,000	180,000	35,000	19.4
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>	-	0.0
Statutory retained earnings reserve	553,934	500,500	53,434	10.7
Own shares	(13,132)	(10,224)	(2,908)	28.4
Profit carried forward / loss carried forward	1,369	1,049	320	30.5
Profit	77,964	76,376	1,588	2.1
Total liabilities	22,897,266	22,610,403	286,863	1.3
Total subordinated liabilities	308,390	508,055	(199,665)	(39.3)
<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-sheet transactions	31.12.2018	31.12.2017	Variation	Variation
	CHF thousand	CHF thousand	CHF thousand	in %
Contingent liabilities	860,264	720,059	140,205	19.5
Irrevocable commitments	628,451	637,628	(9,177)	(1.4)
Obligations to pay up shares and make further contributions	153,518	131,018	22,500	17.2
Credit commitments	78,989	100,827	(21,838)	(21.7)

10 Income statement – Parent company

	31.12.2018	31.12.2017	Variation	Variation
	CHF thousand	CHF thousand	CHF thousand	in %
Result from interest operations				
Interest and discount income	261,109	236,737	24,372	10.3
Interest and dividend income from trading portfolios	64	341	(277)	(81.2)
Interest and dividend income from financial investments	9,195	9,722	(527)	(5.4)
Interest expense	(58,040)	(53,704)	(4,336)	8.1
Gross result from interest operations	212,328	193,096	19,232	10.0
Changes in value adjustments for default risks and losses from interest operations	6,639	(4,766)	11,405	(239.3)
Subtotal net result from interest operations	218,967	188,330	30,637	16.3
Result from comission business and services				
Commission income from securities trading and investment activities	47,078	44,470	2,608	5.9
Commission income from lending activities	33,278	28,372	4,906	17.3
Commission income from other services	35,025	35,073	(48)	(0.1)
Commission expense	(7,499)	(6,514)	(985)	15.1
Subtotal result from comission business and services	107,882	101,401	6,481	6.4
Result from trading activities and the fair value option				
Subtotal result from trading activities and the fair value option	29,377	29,723	(346)	(1.2)
Other result from ordinary activities				
Result from the disposal of financial investments	5,367	6,946	(1,579)	(22.7)
Income from participations	11,602	11,256	346	3.1
Result from real estate	1,199	1,151	48	4.2
Other ordinary income	7,378	6,968	410	5.9
Other ordinary expenses	(5,291)	(1,786)	(3,505)	196.2
Subtotal other result from ordinary activities	20,255	24,535	(4,280)	(17.4)
Total operating income	376,481	343,989	32,492	9.4
Operating expenses				
Personnel expenses	(134,595)	(125,987)	(8,608)	6.8
General and administrative expenses	(82,734)	(83,844)	1,110	(1.3)
Subtotal operating expenses	(217,329)	(209,831)	(7,498)	3.6
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	(15,755)	(15,124)	(631)	4.2
Changes to provisions and other value adjustments, and losses	(98)	339	(437)	(128.9)
Operating result	143,299	119,373	23,926	20.0
Extraordinary income	2	48	(46)	(95.8)
Extraordinary expenses	-	-	-	-
Changes in reserves for general banking risks	(35,000)	(20,000)	(15,000)	75.0
Taxes	(30,337)	(23,045)	(7,292)	31.6
Profit	77,964	76,376	1,588	2.1



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