



BCGE Group half-year results
as at 30 June 2015

Highlights

BCGE – Operating profit up by more than 11%

Geneva, 11 August 2015 – The Banque Cantonale de Genève has achieved a record operating result in excess of CHF 60 million. Net profit grew by 6% to CHF 45.3 million. The bank has strengthened its competitiveness and confirmed its growth trend with a balance sheet totalling more than CHF 20 billion. Profitability has improved with an operating result on equity of 9.8%. The cost/income ratio, at 60.4%, is at a good level in comparison with banks of the same category. Operating income and expenses have followed a similar increasing pattern. Income came in at CHF 174.2 million, showing good resistance in the face of strong environmental pressures such as negative interest rates, the appreciation of the CHF and the sharp fall in commodity prices. Assets under management and administration have topped the significant CHF 20 billion threshold thanks mainly to the targeted growth strategy adopted in asset management and private banking. Shareholders' equity has risen by 2.1% to CHF 1.26 billion. Looking ahead, the level of profitability forecast by the bank for the full-year 2015 is close to the 2014 figure.

Main consolidated figures for the first half 2015

Results, in CHF '000	30.06.2015	30.06.2014	Variation 2015 vs 2014	
Operating income	174,245	172,917	1,328	0.8%
Operating expenses	105,290	104,095	1,195	1.1%
Operating result	60,810	54,720	6,090	11.1%
Six-month profit (net)	45,259	42,701	2,558	6.0%
	30.06.2015	30.06.2014	Variation 2015 vs 2014	
ROE (return on equity)	7.30%	7.19%	0.11 percentage point	1.5%
Balance sheet and AUM, in CHF '000	30.06.2015	31.12.2014	Variation 2015 vs 2014	
Total assets	20,270,316	17,336,793	2,933,523	16.9%
Mortgage loans	9,764,731	9,503,574	261,157	2.7%
Assets under management and administration	20,799,349	19,847,828	951,521	4.8%
Shareholders' equity	1,261,163	1,235,521	25,642	2.1%
	30.06.2015	31.12.2014	Variation 2015 vs 2014	
Tier 1 capital ratio	12.23%	12.90%	-0.67 percentage point	(5.2%)
Ratio of regulatory capital available	13.61%	14.39%	-0.78 percentage point	(5.4%)
Staff (full-time equivalents)	704	710	-6	(0.9%)

- **Record operating result**

Operating profit reached a record level of CHF 60.8 million, up by CHF 6.1 million, an increase of more than 11%. This performance has been achieved thanks to the constant expansion of business volumes, especially lending, despite negative rates and an economic environment under pressure from the strong franc. First-half profits, or the net result, moved up by 6% to CHF 45.3 million. The fundamental indicators continue their positive trend. The bank has strengthened its competitiveness and confirmed its growth trend. Profitability has improved with a ratio of operating result to equity of 9.8%. The cost/income ratio, at 60.4%, is standing at a good level compared with banks of the same category.

- **Parallel trend of operating income and expenses**

Operating income and expenses have followed a similar increasing pattern. While operating income advanced by 1.3 million (+0.8% to CHF 174.2 million), operating expenses increased by the same amount (+1.1% to CHF 105.3 million). Income sources have resisted the strong pressures present in the economic environment. Expenses meanwhile have been influenced by rapid changes in the banking industry, specifically the many regulations, the changes in consumer habits and the growing needs of the industry in terms of IT security.

Highlights

- **Income on the growth path**
 Income came in at CHF 174.2 million. The net interest margin, which accounts for 55.4% of total income, has been maintained due to dynamic asset and liabilities management (ALM) policy and targeted business growth. The net interest income business result was stable (CHF- 0.1 million) thanks to good credit risk control; customers have enjoyed optimum protection against the effects of negative interest rates (see the SNB announcement dated 15 January). International trading operations moved up by 12.9%, bolstered by substantial foreign exchange volumes.
- **Commission income affected by the economic environment**
 The constraints imposed on Switzerland's financial centre have weighed on commission income, mainly in wealth management. Commissions on loans (-8.6%) have suffered from the fall in commodity prices (-25% in 12 months). The 9% drop in commission income can be partly explained by one-off factors and the slow erosion of brokerage margins and investment products. The other commissions were affected mainly by the lower income generated by credit cards.
- **Targeted operating expenses**
 Total operating expenses increased by 1.1%. Investment in the automation of bank functions remains a major cost item and adapting to the new regulatory environment calls for a higher degree of staff specialisation involving more expensive training programmes.
- **Main contributor to the financing of the Geneva region economy**
 The bank has granted a further CHF 880 million of borrowing facilities to business and private customers in three years. Mortgage lending increased by CHF 261 million (+2.7%). The bank is now serving 18,276 businesses, representing 150 more since the 1st January 2015. To bolster SME financing it has adapted small business loan conditions (-20 basis points on all loan periods, giving an interest rate of 4% for a 3-year loan) as at 1st February 2015.
- **CHF 20 billion of managed and administered funds**
 Assets under management and administration broke through the significant CHF 20 billion threshold (+4.8% at CHF 20.8 billion) mainly as a result of the targeted growth strategy pursued by the asset management and private banking divisions. Institutional customers rose by 12.3% (to CHF 8.6 billion) and private mandates displayed a good level of resistance at CHF 1.2 billion. Private banking activities benefited from the success of the four new BCGE Best of management mandate profiles and an innovative investment fund savings plan. Managed and administered funds for private customers total CHF 12.2 billion. The total asset value of the bank's investment funds moved up to reach CHF 1.4 billion (+6.8% over the first half).
- **Shareholders' equity consistently expanding**
 Shareholders' equity grew by CHF 25.6 million over the half-year (+2.1%), up to CHF 1.26 billion. To accompany its growth, the bank has allocated a further CHF 5 million to the reserve for general banking risks. The consolidated equity coverage ratio now stands at 13.6%, well ahead of the minimum 12% requirement for category III banks. The countercyclical capital buffer and the changes to the Ordinance on Shareholders' Equity (OFR) introduced as from 1st January 2015 mobilised an additional CHF 85 million of shareholders' equity.
- **Number of shareholders tops the 13,000 mark**
 The BCGE continues to widen its shareholder base, both private and institutional, with the number of individual and business customers becoming shareholders constantly increasing, irrespective of the economic and stock market environment. This growing curve is a strong sign of commitment to a business strategy focusing on the real economy and the quality and personalisation of the bank's customer service. As at 30 June 2015, the bank had 13,089 shareholders (compared with 12,839 end-2014), of which 12,697 were private individuals. The body of shareholders is very diverse, with 83.3% of them being known to the bank (not including those who have deposited their securities with other establishments) and who own between one and twenty-five shares. In addition, 654 members of staff (representing 87% of the total workforce) own 2.2% of the bank's capital.
- **The BCGE share has gained 17.6%**
 During the first half the BCGE share rose by 17.6%. Market capitalisation of CHF 906 million represents 72% of equity. The share's intrinsic equity value stands at CHF 355, compared with the market price of CHF 251.75 at 30 June 2015, a gap which confirms the share's upside potential.

Highlights

▪ Strategic priorities for 2015

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

- core partner for the regional economy and for businesses
- selective growth of mortgage lending
- targeted expansion of Swiss and international private banking
- increased market share in asset management and investment fund business
- improvement in operational productivity

Outlook for 2015

- The bank intends to pursue its business expansion despite the ongoing uncertainties of the international financial climate. It is relying on the diversity of its skills and its business model being in tune with the economy of the Geneva region. Business growth and customer confidence confirm 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 can see low rates persisting, a factor which will continue to impact its interest margin. The increase in lending will remain moderate due to capital adequacy regulations and the countercyclical buffer. The bank is stepping up its development of activities that are less equity-consuming (private banking, asset management, funds, mergers and acquisitions, financial engineering advisory services).

The bank estimates that the level of profitability for the full-year 2015 will be similar to that of 2014.

Imprint

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Communication & Investor relations
communication@bcge.ch

Only the French version shall be binding.

Consolidated balance sheet

Assets	30.06.2015	31.12.2014	Variation	Variation
	CHF thousand	CHF thousand	CHF thousand	in %
Liquid assets	3,449,193	881,665	2,567,528	291.2
Amounts due from banks	487,998	596,908	(108,910)	(18.2)
Amounts due from securities financing transactions	365,000	99,000	266,000	268.7
Amounts due from customers	3,948,024	4,047,935	(99,911)	(2.5)
Mortgage loans	9,764,731	9,503,574	261,157	2.7
Trading portfolio assets	74,354	52,206	22,148	42.4
Positive replacement values of derivative financial instruments	75,255	30,662	44,593	145.4
Other financial instruments at fair value	-	-	-	-
Financial investments	1,691,869	1,722,694	(30,825)	(1.8)
Accrued income and prepaid expenses	39,954	25,179	14,775	58.7
Participations	21,421	24,898	(3,477)	(14.0)
Tangible fixed assets	141,444	144,188	(2,744)	(1.9)
Intangible assets	-	-	-	-
Other assets	211,073	207,884	3,189	1.5
Total assets	20,270,316	17,336,793	2,933,523	16.9
Total subordinated claims	3,713	3,574	139	3.9
<i>of which subject to mandatory conversion and / or debt waiver</i>	<i>399</i>	<i>1,800</i>	<i>(1,401)</i>	<i>(77.8)</i>
Liabilities	30.06.2015	31.12.2014	Variation	Variation
	CHF thousand	CHF thousand	CHF thousand	in %
Amounts due to banks	2,521,783	1,013,989	1,507,794	148.7
Liabilities from securities financing transactions	940,385	634,095	306,290	48.3
Amounts due in respect of customer deposits	12,371,092	11,651,512	719,580	6.2
Trading portfolio liabilities	3,235	5,797	(2,562)	(44.2)
Negative replacement values of derivative financial instruments	72,860	84,354	(11,494)	(13.6)
Liabilities from other financial instruments at fair value	-	-	-	-
Cash bonds	9,623	11,837	(2,214)	(18.7)
Bond issues and central mortgage institution loans	2,959,368	2,570,100	389,268	15.1
Accrued expenses and deferred income	70,782	49,347	21,435	43.4
Other liabilities	35,448	52,763	(17,315)	(32.8)
Provisions	24,577	27,478	(2,901)	(10.6)
Reserves for general banking risks	125,000	120,000	5,000	4.2
Bank's capital	360,000	360,000	-	-
Capital reserve	312,707	312,240	467	0.1
<i>of which tax-exempt capital contribution reserve</i>	<i>180,192</i>	<i>180,192</i>	<i>-</i>	<i>-</i>
Retained earnings reserve	448,858	394,304	54,554	13.8
Own shares (negative item)	(10,024)	(13,993)	3,969	(28.4)
Foreign-exchange differences	(20,637)	(13,185)	(7,452)	56.5
Six-month profit	45,259	76,155	(30,896)	(40.6)
Total Liabilities	20,270,316	17,336,793	2,933,523	16.9
Total subordinated liabilities	306,065	304,100	1,965	0.6
<i>of which subject to mandatory conversion and / or debt waiver</i>	<i>107,255</i>	<i>106,555</i>	<i>700</i>	<i>0.7</i>
Off-balance-sheet transactions	30.06.2015	31.12.2014	Variation	Variation
	CHF thousand	CHF thousand	CHF thousand	in %
Contingent liabilities	767,253	654,400	112,853	17.2
Irrevocable commitments	437,644	462,439	(24,795)	(5.4)
Obligations to pay up shares and make further contributions	49,566	49,625	(59)	(0.1)
Credit commitments	89,397	109,155	(19,758)	(18.1)

Consolidated income statement

	30.06.2015	30.06.2014	Variation	Variation
	CHF thousand	CHF thousand	CHF thousand	in %
Result from interest operations				
Interest and discount income	127,286	136,757	(9,471)	(6.9)
Interest and dividend income from trading portfolios	133	7	126	1,800
Interest and dividend income from financial investments	9,923	9,025	898	10.0
Interest expense	(33,738)	(43,822)	10,084	(23.0)
Gross result from interest operations	103,604	101,967	1,637	1.6
Changes in value adjustments for default risks and losses from interest operations	(7,102)	(5,377)	(1,725)	32.1
Subtotal net result from interest operations	96,502	96,590	(88)	(0.1)
Result from commission business and services				
Commission income from securities trading and investment activities	20,902	22,975	(2,073)	(9.0)
Commission income from lending activities	14,444	15,811	(1,367)	(8.6)
Commission income from other services	18,312	19,662	(1,350)	(6.9)
Commission expense	(2,547)	(2,519)	(28)	1.1
Subtotal result from commission business and services	51,111	55,929	(4,818)	(8.6)
Result from trading activities and the fair value option	15,147	13,418	1,729	12.9
Other result from ordinary activities				
Result from the disposal of financial investments	9,245	1,660	7,585	456.9
Income from participations	891	1,688	(797)	(47.2)
Result from real estate	554	444	110	24.8
Other ordinary income	3,648	3,762	(114)	(3.0)
Other ordinary expenses	(2,853)	(574)	(2,279)	397.0
Subtotal other result from ordinary activities	11,485	6,980	4,505	64.5
Operating expenses				
Personnel expenses	(62,766)	(60,297)	(2,469)	4.1
General and administrative expenses	(42,524)	(43,798)	1,274	(2.9)
Subtotal operating expenses	(105,290)	(104,095)	(1,195)	1.1
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	(7,945)	(8,969)	1,024	(11.4)
Changes to provisions and other value adjustments, and losses	(200)	(5,133)	4,933	(96.1)
Operating result	60,810	54,720	6,090	11.1
Extraordinary income	156	174	(18)	(10.3)
Extraordinary expenses	-	(3,257)	3,257	(100.0)
Changes in reserves for general banking risks	(5,000)	-	(5,000)	-
Taxes	(10,707)	(8,936)	(1,771)	19.8
Six-month profit	45,259	42,701	2,558	6.0

Presentation of the statement of equity

	Bank's capital	Capital reserve	Retained earnings reserve	Reserves for general banking risks	Currency translation reserves	Own shares (negative i-tem)	Six-month profit	Total
Equity at start of current period	360,000	312,240	470,459	120,000	-13,185	-13,993		1,235,521
Acquisition of own shares						(1,578)		(1,578)
Disposal of own shares						5,725		5,725
Profit (loss) on disposal of own shares		178				(178)		0
Currency translation differences					(7,452)			(7,452)
Dividends and other distributions		288	(18,000)					(17,712)
Special attribution to "State of Geneva" (20% of dividend)			(3,600)					(3,600)
Other allocations to (transfers from) the reserves for general banking risks				5,000				5,000
Six-month profit							45,259	45,259
Equity at end of current semester	360,000	312,706	448,859	125,000	(20,637)	(10,024)	45,259	1,261,163

Consolidated restricted note

Change in accounting and estimating principles

The BCGE group's accounting and estimating principles were changed on 1st January in accordance with the new FINMA Circular no. 2015/1 "Bank accounting". These changes mainly concern adjustments to the structure of the balance sheet and that of the income statement. The presentation of the BCGE group's half-year results, based on the true and fair view principle, includes the previous year's figures, which have been restated using the new standards.

Highlights

The highlights mentioned in pages 2 to 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 half-year results were compiled.

Detail of extraordinary income and expenses

	30.06.2015	30.06.2014
	CHF thousand	CHF thousand
Extraordinary income		
Participations sales	55	0
Goodwill	99	0
Other	2	174
Total	156	174
Extraordinary expenses		
Non-operating expenses	0	3,257
Other	0	0
Total	0	3,257



Banque Cantonale de Genève

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

Anancy: Avenue Gambetta 46 – France – 74000 Anancy

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

www.bcgef.fr

Capital Transmission SA

Rue de la Tour de l'Île 4 – 1204 Geneva

Dimension SA

Rue des Fontenailles 16 – 1007 Lausanne

www.dimension.ch

