



**BCGE Group half-year results
as at 30 June 2017**

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Impressum

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Only the French version shall be binding

Highlights

Strong increase in profitability

Geneva, 8 August 2017 – The Banque Cantonale de Genève ended its half-year with a growth of 23% in its operating profit which came out at a record level of CHF 65.6 million. Net profit was up 10% at CHF 47 million. All revenue sources played their part in this increase, particularly international activities. The cost/income ratio reached a good level at 59.8%, thanks to the growth in income (CHF 183.1 million, +8.2%) and the control exercised over expenses and risks. Profitability moved up in an ongoing difficult rates context: return on equity gained 25 basis points at 6.7% while the earnings to equity ratio increased by 130 basis points at 9.4%. Assets under bank management and administration rose to CHF 24.6 billion (+6.7%) and mortgage lending was up at CHF 10.6 billion (+2.5%). For the full year 2017, the Bank is forecasting a level of operating profit ahead of that of last year.

- **Strong increase in profitability**

Operating profit reached a record level at CHF 65.6 million (+23%) with half-year net profit up 10% at CHF 47.0 million. Operating income increased by 8.2%, at CHF 183.1 million, with advances being recorded in all business lines. The net interest income rose by 7.5%, at CHF 107.9 million, underpinned by business growth and a practically zero cost of risk. The gross interest margin, at 0.99%, was slightly down, which is to be expected in a low market rates environment. It is worth noting that, after several years of falling rates, we are probably heading towards a slow normalisation which should bolster the restoration of commercial margins.

All commission categories recorded significant increases, advancing in total to CHF 53.6 million (+11.6%). They benefited from the rise in commissions on loans, at CHF 15.8 million (+38%), thanks to trade finance, which saw an expansion of business in the first-half with the acquisition of new clients. Commissions on securities rose by 6%, revitalized by the upturn in the economic environment and by stock market advances. The commissions' share of total income (more than 29%) is high compared with comparable banks. Incomes in EUR and USD represented 26.5% of total income, indicative of the increasing diversification of income sources. Operating expenses totalled CHF 109.6 million (+0.5%), having absorbed, without incurring an overall increase, regulatory and digitalisation costs.

- **Major player in financing Geneva's economy**

The Bank has granted more than CHF 1.6 billion of new business and personal loans in three years. Mortgage lending, based on a targeted approach, has moved up to CHF 10.6 billion (+2.5%). Since 1 January 2017, 146 additional businesses have joined the ranks of its partner-clients, making a total of 18,702 businesses. The mortgage share of the total balance sheet is moderate (50%) compared to the benchmark, this being the result of the policy targeted at diluting exposure to the real estate risk.

- **Expansion of assets under management and administration**

Assets under management and administration gained 6.7% (CHF 1.5 billion) to CHF 24.6 billion. The institutional client segment rose by 9.8% to stand at CHF 11.2 billion. Private client AUMs total CHF 13.4 billion (+4.2%). The private banking business has benefited from substantial inflows from the existing client base, especially in mandates; the range of products has also been enhanced (private equity, share trackers, advisory services for large portfolios). Lastly, the Synchrony investment funds have grown to CHF 2.2 billion (+15.7%). Three funds focused on high dividends have notably been launched, as well as two funds governed by Luxembourg law.

- **Increase in equity**

Over the first half, shareholders' equity expanded by CHF 32.3 million (+2.3%), and now stands at a total of CHF 1.42 billion. An additional CHF 518 million of shareholders' equity has been created since 2008. BCGE is a well-capitalised and sound bank.

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

The BCGE is delighted to see that its shareholder base, both private and institutional, continues to widen, with the number of individual and business clients becoming shareholders increasing sharply (+401 individuals or business structures). As at 30 June 2017, the Bank had 14,212 registered shareholders (compared with 13,811 end-2016). On top of these figures, there are also several hundred shareholders who have deposited more than 906,000 securities with other establishments. The body of shareholders is very diverse (82.8% of shareholders known to the Bank own between one and fifty shares). 84% of BCGE staff own 2.6% of the Bank's capital.

Highlights

▪ Rise in the BCGE share

The transformation of the capital structure (successful introduction of a single registered share and the splitting of its par value in two) on 2 February 2017 helped improve the stock's liquidity and attractiveness on the capital market, offering greater transparency of the shareholder structure. The issuance of two subordinated bonds has also had a positive impact. Share performance over the first half of 2017 (+5.6%) reflects the attractiveness of the Bank for investors. Market capitalisation stands at CHF 1.1 billion. There is still considerable upside potential, as the intrinsic equity value stands at CHF 198.35 and represents 126% of the stock market value.

▪ Strategic priorities for 2017

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

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

▪ Outlook for 2017

The Bank is speeding up its business expansion despite the difficult financial context and intense competition.

- It is relying on the diverse nature of its skills and the alignment of its business model with the specific features of Geneva's economy.
- The growth of high added-value business and the loyalty of its customer base reaffirm its positive strategic positioning.
- The Bank's financial soundness makes it a very safe and stable repository for deposits.
- The Bank expects ongoing low rates and strong market volatility, factors which will affect its interest margin and commission income.
- Lending growth will remain subdued 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, and financial engineering consultancy).

For the full year 2017, the Bank expects operating profitability to be higher than last year.

Highlights

Main consolidated figures for the first half 2017

Results, in CHF thousand	30.06.2017	30.06.2016	Variation 2017 vs 2016	
Operating income	183,140	169,252	13,888	8.2%
Operating expenses	109,569	109,000	569	0.5%
Operating result	65,616	53,360	12,256	23.0%
Six-month profit	46,976	42,710	4,266	10.0%
ROE (return on equity)	6.72%	6.47%	25 basis points	3.8%
Balance sheet and AUM, in CHF thousand	30.06.2017	31.12.2016		
Total assets	21,401,407	21,392,692	8,715	0.0%
Mortgage loans	10,625,716	10,366,470	259,246	2.5%
Assets under management and administration	24,625,035	23,078,096	1,546,939	6.7%
Shareholders' equity	1,418,362	1,386,027	32,335	2.3%
Tier 1 capital ratio	13.71%	12.62%	109 basis points	8.6%
Ratio of regulatory capital available	15.07%	13.21%	186 basis points	14.1%
Staff (full-time equivalents)	740.1	737.6	2.5	0.3%

6 Consolidated balance sheet – BCGE Group

Assets	30.06.2017	31.12.2016	Variation	Variation
	CHF thousand	CHF thousand	CHF thousand	in %
Liquid assets	3,434,929	3,359,672	75,257	2.2
Amounts due from banks	616,046	648,223	(32,177)	(5.0)
Amounts due from securities financing transactions	323,900	-	323,900	-
Amounts due from customers	4,265,811	4,606,629	(340,818)	(7.4)
Mortgage loans	10,625,716	10,366,470	259,246	2.5
Trading portfolio assets	52,903	41,667	11,236	27.0
Positive replacement values of derivative financial instruments	15,655	19,284	(3,629)	(18.8)
Financial investments	1,696,447	1,831,681	(135,234)	(7.4)
Accrued income and prepaid expenses	36,733	44,188	(7,455)	(16.9)
Participations	51,320	23,955	27,365	114.2
Tangible fixed assets	128,548	133,759	(5,211)	(3.9)
Other assets	153,399	317,164	(163,765)	(51.6)
Total assets	21,401,407	21,392,692	8,715	0.0
Total subordinated claims	11,918	1,853	10,065	543.2
<i>of which subject to mandatory conversion and / or debt waiver</i>	-	-	-	-
Liabilities	30.06.2017	31.12.2016	Variation	Variation
	CHF thousand	CHF thousand	CHF thousand	in %
Amounts due to banks	2,225,498	2,349,168	(123,670)	(5.3)
Liabilities from securities financing transactions	457,791	1,031,357	(573,566)	(55.6)
Amounts due in respect of customer deposits	13,809,351	13,233,386	575,965	4.4
Trading portfolio liabilities	14,300	1,068	13,232	1,239.0
Negative replacement values of derivative financial instruments	3,822	19,594	(15,772)	(80.5)
Cash bonds	4,775	5,431	(656)	(12.1)
Bond issues and central mortgage institution loans	3,299,610	3,081,245	218,365	7.1
Accrued expenses and deferred income	67,226	82,732	(15,506)	(18.7)
Other liabilities	85,308	187,203	(101,895)	(54.4)
Provisions	15,364	15,481	(117)	(0.8)
Reserves for general banking risks	165,000	160,000	5,000	3.1
Bank's capital	360,000	360,000	-	0.0
Capital reserve	315,776	314,912	864	0.3
Retained earnings reserve	558,557	503,309	55,248	11.0
Own shares (negative item)	(9,843)	(11,882)	2,039	(17.2)
Foreign-exchange differences	(18,104)	(19,320)	1,216	(6.3)
Result of the period	46,976	79,008	(32,032)	(40.5)
Total Liabilities	21,401,407	21,392,692	8,715	0.0
Total subordinated liabilities	500,610	303,760	196,850	64.8
<i>of which subject to mandatory conversion and / or debt waiver</i>	196,910	108,280	88,630	81.9
Off-balance-sheet transactions	30.06.2017	31.12.2016	Variation	Variation
	CHF thousand	CHF thousand	CHF thousand	in %
Contingent liabilities	696,939	756,917	(59,978)	(7.9)
Irrevocable commitments	684,930	556,224	128,706	23.1
Obligations to pay up shares and make further contributions	128,461	114,151	14,310	12.5
Credit commitments	113,661	123,758	(10,097)	(8.2)

Consolidated income statement – BCGE Group

	30.06.2017	30.06.2016	Variation	Variation
	CHF thousand	CHF thousand	CHF thousand	in %
Result from interest operations				
Interest and discount income	124,483	120,403	4,080	3.4
Interest and dividend income from trading portfolios	262	256	6	2.3
Interest and dividend income from financial investments	5,052	9,137	(4,085)	(44.7)
Interest expense	(25,251)	(24,803)	(448)	1.8
Gross result from interest operations	104,546	104,993	(447)	(0.4)
Changes in value adjustments for default risks and losses from interest operations	3,352	(4,637)	7,989	(172.3)
Subtotal net result from interest operations	107,898	100,356	7,542	7.5
Result from commission business and services				
Commission income from securities trading and investment activities	21,809	20,572	1,237	6.0
Commission income from lending activities	15,795	11,474	4,321	37.7
Commission income from other services	19,284	18,678	606	3.2
Commission expense	(3,284)	(2,692)	(592)	22.0
Subtotal result from commission business and services	53,604	48,032	5,572	11.6
Result from trading activities and the fair value option				
Subtotal result from trading activities and the fair value option	14,352	13,073	1,279	9.8
Other result from ordinary activities				
Result from the disposal of financial investments	1,251	1,770	(519)	(29.3)
Income from participations	4,266	818	3,448	421.5
Result from real estate	461	503	(42)	(8.3)
Other ordinary income	3,405	4,780	(1,375)	(28.8)
Other ordinary expenses	(2,097)	(80)	(2,017)	2,521.3
Subtotal other result from ordinary activities	7,286	7,791	(505)	(6.5)
Operating income	183,140	169,252	13,888	8.2
Operating expenses				
Personnel expenses	(65,518)	(64,998)	(520)	0.8
General and administrative expenses	(44,051)	(44,002)	(49)	0.1
Subtotal operating expenses	(109,569)	(109,000)	(569)	0.5
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	(7,841)	(7,109)	(732)	10.3
Changes to provisions and other value adjustments, and losses	(114)	217	(331)	(152.5)
Operating result	65,616	53,360	12,256	23.0
Extraordinary income	-	6	(6)	(100.0)
Extraordinary expenses	-	(71)	71	(100.0)
Changes in reserves for general banking risks	(5,000)	-	(5,000)	-
Taxes	(13,640)	(10,585)	(3,055)	28.9
Six-month profit	46,976	42,710	4,266	10.0

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	314,912	582,317	160,000	(19,320)	(11,882)		1,386,027
Acquisition of own shares						(1,464)		(1,464)
Disposal of own shares						4,115		4,115
Profit (loss) on disposal of own shares		612				(612)		-
Currency translation differences					1,216			1,216
Dividends and other distributions		251	(19,800)					(19,549)
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				5,000				5,000
Other allocations to (transfers from) other reserves (round)		1						1
Profit / loss (result of the period)							46,976	46,976
Equity at end of current period	360,000	315,776	558,557	165,000	(18,104)	(9,843)	46,976	1,418,362

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

	30.06.2017	30.06.2016
	CHF thousand	CHF thousand
Extraordinary income		
Participations sales	-	4
Goodwill	-	-
Other	-	2
Total	-	6
Extraordinary expenses		
Non-operating expenses	-	-
Other	-	71
Total	-	71

Balance sheet – Parent company

Assets	30.06.2017	31.12.2016	Variation	Variation
	CHF thousand	CHF thousand	CHF thousand	in %
Liquid assets	3,426,292	3,347,718	78,574	2.3
Amounts due from banks	1,177,611	1,158,836	18,775	1.6
Amounts due from securities financing transactions	323,900	-	323,900	-
Amounts due from customers	3,663,111	4,002,172	(339,061)	(8.5)
Mortgage loans	10,625,716	10,366,470	259,246	2.5
Trading portfolio assets	52,903	41,667	11,236	27.0
Positive replacement values of derivative financial instruments	15,750	19,284	(3,534)	(18.3)
Financial investments	1,677,180	1,823,345	(146,165)	(8.0)
Accrued income and prepaid expenses	34,295	42,181	(7,886)	(18.7)
Participations	86,916	70,872	16,044	22.6
Tangible fixed assets	127,644	132,899	(5,255)	(4.0)
Other assets	151,530	316,101	(164,571)	(52.1)
Total assets	21,362,848	21,321,545	41,303	0.2
Total subordinated claims	1,225	13,116	(11,891)	(90.7)
<i>of which subject to mandatory conversion and / or debt waiver</i>	-	-	-	-
Liabilities	30.06.2017	31.12.2016	Variation	Variation
	CHF thousand	CHF thousand	CHF thousand	in %
Amounts due to banks	2,273,931	2,384,873	(110,942)	(4.7)
Liabilities from securities financing transactions	457,791	1,031,357	(573,566)	(55.6)
Amounts due in respect of customer deposits	13,768,032	13,175,330	592,702	4.5
Trading portfolio liabilities	14,300	1,068	13,232	1,239.0
Negative replacement values of derivative financial instruments	3,822	19,594	(15,772)	(80.5)
Cash bonds	4,775	5,431	(656)	(12.1)
Bond issues and central mortgage institution loans	3,299,610	3,081,245	218,365	7.1
Accrued expenses and deferred income	64,329	80,205	(15,876)	(19.8)
Other liabilities	83,738	183,523	(99,785)	(54.4)
Provisions	15,364	15,481	(117)	(0.8)
Reserves for general banking risks	165,000	160,000	5,000	3.1
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	500,317	453,386	46,931	10.4
Own shares (negative item)	(9,676)	(11,647)	1,971	(16.9)
Profit carried forward / loss carried forward	1,049	1,292	(243)	(18.8)
Result of the period	49,576	69,517	(19,941)	(28.7)
Total Liabilities	21,362,848	21,321,545	41,303	0.2
Total subordinated liabilities	500,610	303,760	196,850	64.8
<i>of which subject to mandatory conversion and / or debt waiver</i>	<i>196,910</i>	<i>108,280</i>	<i>88,630</i>	<i>81.9</i>
Off-balance-sheet transactions	30.06.2017	31.12.2016	Variation	Variation
	CHF thousand	CHF thousand	CHF thousand	in %
Contingent liabilities	665,481	724,697	(59,216)	(8.2)
Irrevocable commitments	618,573	504,437	114,136	22.6
Obligations to pay up shares and make further contributions	128,461	114,151	14,310	12.5
Credit commitments	113,661	123,758	(10,097)	(8.2)

10 Income statement – Parent company

	30.06.2017	30.06.2016	Variation	Variation
	CHF thousand	CHF thousand	CHF thousand	en %
Result from interest operations				
Interest and discount income	116,468	113,256	3,212	2.8
Interest and dividend income from trading portfolios	262	256	6	2.3
Interest and dividend income from financial investments	5,052	9,137	(4,085)	(44.7)
Interest expense	(25,130)	(24,764)	(366)	1.5
Gross result from interest operations	96,652	97,885	(1,233)	(1.3)
Changes in value adjustments for default risks and losses from interest operations	3,707	(3,377)	7,084	(209.8)
Subtotal net result from interest operations	100,359	94,508	5,851	6.2
Result from commission business and services				
Commission income from securities trading and investment activities	21,208	20,067	1,141	5.7
Commission income from lending activities	14,348	10,308	4,040	39.2
Commission income from other services	17,807	17,440	367	2.1
Commission expense	(3,284)	(2,692)	(592)	22.0
Subtotal result from commission business and services	50,079	45,123	4,956	11.0
Result from trading activities and the fair value option				
Subtotal result from trading activities and the fair value option	14,372	13,054	1,318	10.1
Other result from ordinary activities				
Result from the disposal of financial investments	911	717	194	27.1
Income from participations	10,108	2,399	7,709	321.3
Result from real estate	461	503	(42)	(8.3)
Other ordinary income	3,520	4,909	(1,389)	(28.3)
Other ordinary expenses	(2,097)	(38)	(2,059)	5,418.4
Subtotal other result from ordinary activities	12,903	8,490	4,413	52.0
Operating income	177,713	161,175	16,538	10.3
Operating expenses				
Personnel expenses	(61,278)	(61,129)	(149)	0.2
General and administrative expenses	(41,916)	(42,055)	139	(0.3)
Subtotal operating expenses	(103,194)	(103,184)	(10)	0.0
Value adjustments on participations, and depreciation and amortisation of tangible fixed assets and intangible assets	(7,800)	(7,250)	(550)	7.6
Changes to provisions and other value adjustments, and losses	(114)	156	(270)	(173.1)
Operating result	66,605	50,897	15,708	30.9
Extraordinary income	-	2	(2)	(100.0)
Extraordinary expenses	-	-	-	-
Changes in reserves for general banking risks	(5,000)	-	(5,000)	-
Taxes	(12,029)	(9,091)	(2,938)	32.3
Six-month profit	49,576	41,808	7,768	18.6



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