



dialogue

the Banque Cantonale de Genève magazine | Spring 2018

BCGE:
successful rehabilitation

A kaleidoscope of events
to (re)discover the painter
Ferdinand Hodler

Intercommunal financial
equalisation in Geneva



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Big portfolios, big dilemmas

Blaise Goetschin
CEO

Big portfolios are either institutional (pension funds, foundations, corporate war-chests) or private (family offices or succession-planning structures).

Nearly all these sizeable fortunes pursue long-term aims, so they have far-off or practically infinite investment horizons. The bodies responsible for these financial mastodons have to make choices that are, at one and the same time, crucial and difficult. Crucial – because their consequences may be far-reaching. Difficult – because finance is a human science with no off-the-shelf answers to the big dilemmas. Below, I have set out six questions put to us most frequently by their managers or beneficiaries.

Who has to decide about the strategic allocation?

The person or body with ultimate responsibility for management. Strategic allocation, by which is meant the mix of assets between the main classes (cash, bonds, equities and miscellaneous), contributes between 70% and 80% of the total return. Asset allocation is thus a cornerstone choice for portfolio strategists. Formal and ultimate responsibility rests with the committee, especially in the case of pension funds. So, it is preferable for that committee to retain this prerogative and, by doing so, save on consultants' fees in this particular area. To that end, the committee must number experienced professionals among its members.

What is the ideal split between bonds and equities?

Plenty of shares. There is no scientific reply to this eternal question. From our point of view, portfolios with long-term investment horizons should have nearly three-quarters of their assets in equities, working on the principle that equities are the most profitable asset class in the long term, both on the basis of empirical findings (historical returns) and for economic considerations (added value is created by businesses). Such a significant choice is also influenced by the pittance of bond yields seen for the past ten years. Tracking an index or seeking refuge of the mean among the herd of other investors will not provide any adequate shelter. The subject must be discussed, and decisions made.

What about investing in private equity?

Yes! For around 10% of the portfolio. Unlisted equities which lack liquidity are components of the equities asset class in their own right. Excessively stringent stock-exchange regulations have led many excellent companies to refrain from seeking a public listing. Private equity gives access to these rare pearls. Expectations of returns of around 10%, net of fees, in this asset class are reasonable.

What place should be accorded to real estate?

Moderate. Direct or indirect real-estate ownership can be equated to bonds (fixed income). That being so, it is inversely proportional to interest rates and has very high potential volatility. Property-market crises are frequent and violent. You need to proceed in an orderly fashion. Work out, first, the total proportion of bonds held in the portfolio, then the relative share of real estate in the bond category. This should not exceed one half of the fixed-income position. Note also that shares already include a substantial element of commercial or industrial property – this is part of the business assets. Last but not least, real estate must be diversified by type and geographical exposure. The position should consist essentially of indirect investments to guarantee good liquidity.

Are 'ethical' investment products necessary?

It is up to them to prove that to be the case. Another crucial choice is to know whether returns takes priority over all else or whether other goals can and must be sought. There should be no question of salving our consciences or wanting to be seen to be following fashion! The crux of the matter is to know whether the beneficiaries have entrusted the portfolio managers with a further mission. If the answer is 'Yes', then investment products which screen their assets effectively without proving too harmful to performance must then be identified. As requirements on transparency, governance rules and good tax conduct have become massively more stringent in recent years for businesses in almost every country, the gap between good and bad practice has considerably narrowed. Products claiming to be ethical must demonstrate they are being managed efficiently and justify their additional costs if they want to be accepted by the most exacting managers.

Does shareholder activism enhance portfolio performance?

There is little evidence of this. Activism in its purest and least risky form consists in 'voting with your feet' and simply selling any holding in the business or institution open to criticism. Building up ownership of particular securities in support of a theory may be justified in a few cases, but that strategy carries a twofold risk of failure: that of failing to achieve the expected target while at the same time reporting a negative return on the position. Harassing management with no real prospect of success is not productive either, to the extent that it may distract managers from their central task of furthering the business. Excessive activism has already been followed by a swing in the opposite direction in the United States.

Owing to the complexity and vast array of strategic choices, many major investors have come to be surrounded by a phalanx of intermediaries and have sometimes let core decisions slip out of their direct sphere of influence. I hope that this contribution of mine might encourage them to wrest back control.

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Geneva economic dashboard

Economic situation for the current year and forecasts

Forecasts

Macroeconomy	GDP		Inflation		Unemployment rate	
	2018	2019	2018	2019	2018	2019
Switzerland	2.1%	1.8%	0.8%	0.7%	3.0%	2.9%
Geneva	2.4%	2.0%	0.8%	0.7%	5.1%	5.0%
Eurozone	2.6%	2.2%	1.6%	1.8%	7.8%	7.6%
United States	2.6%	2.2%	2.5%	2.4%	3.9%	3.9%

Official interest rates	3 months	12 months	18 months
Switzerland	-0.75%	-0.75%	-0.50%
Eurozone	0.00%	0.00%	0.00%
United States	2.00%	2.50%	2.75%

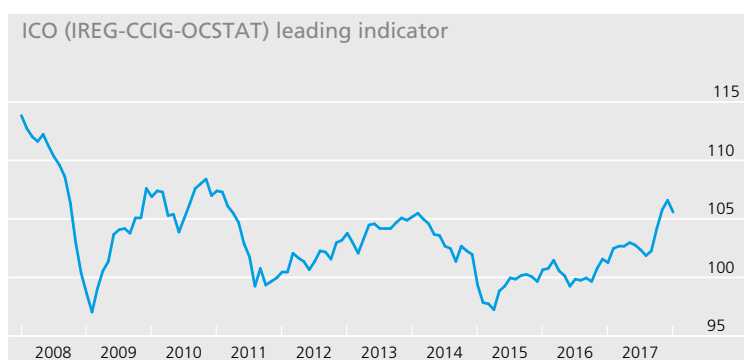
10-year interest rates	3 months	12 months	18 months
Switzerland	0.1%	0.5%	0.7%
Eurozone	0.6%	1.2%	1.7%
United States	2.9%	3.1%	3.0%

Forex and oil	3 months	12 months	18 months
EUR/CHF	1.17	1.20	1.20
USD/CHF	0.98	0.96	0.96
EUR/USD	1.20	1.25	1.25
Crude oil – Brent (USD/barrel)	65	65	65

Source: Thomson Reuters & BCGE

Promising outlook

Will 2018 be another prosperous year? A spirit of optimism is certainly abroad, and the economic climate round the world is improving strongly. This is true both in developed countries and in emerging and developing nations. Switzerland, whose economy is heavily dependent on exports, is benefiting from this uptrend. Favourable conditions seem likely to extend into 2018. Geneva, where the recovery only began in earnest in late 2017, in other words much later than in the rest of the country, is likely to see its growth gap to the rest of Switzerland narrowing. It can be expected to benefit from an economic climate that is as clement as elsewhere in Switzerland. GDP is expected to post growth of 2.1% in 2018.

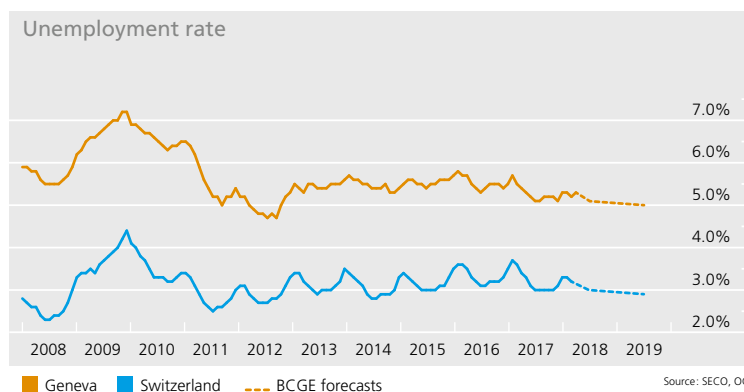


NB: The ICO (formerly LPO) leading indicator is an index projecting the state of the Canton of Geneva's economy in three to six months' time. This statistical series was completely revised at the start of 2017.

Source: IREG - UNIGE, HEG

Encouraging signs on the jobs market

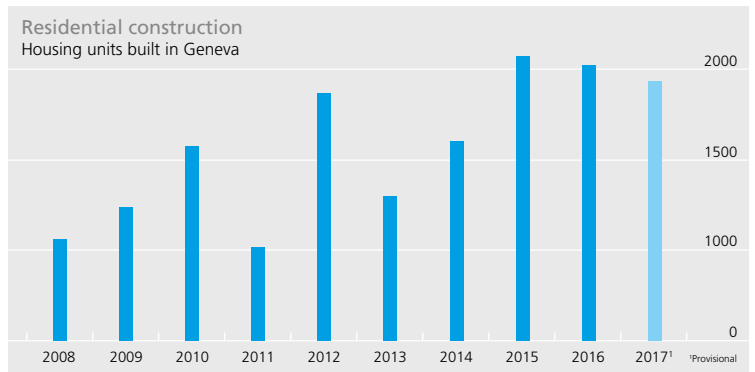
Many encouraging factors can be identified on the labour market. First, employment is still growing. Expressed in full-time equivalents, the total number of jobs rose in the four quarters of 2017, posting 2.2% growth over the year as a whole. Second, the total payroll for the canton also progressed (+2.6% in nominal terms, +1.9% in real terms) after a small decline in 2016 (-0.5% or -0.3% in real terms). Unemployment continued to fall in the early part of 2018. At the end of February, around 12,000 were unemployed, with 15,800 jobseekers, both these figures being lower than before. Similarly, the number of new jobless claimants (fewer than 1,900) is one of the lowest of recent years.



Source: SECO, OCE

More housing units on the market now

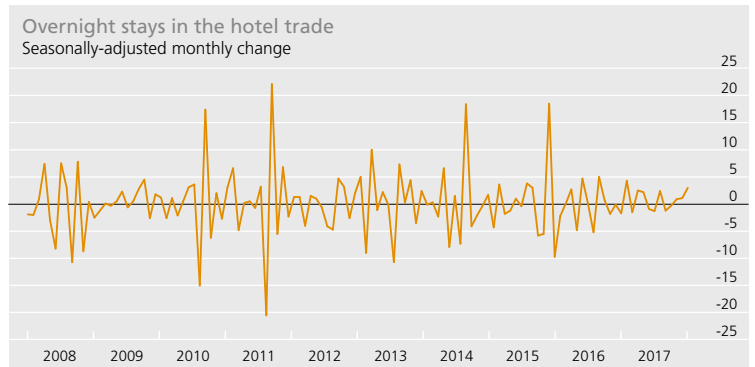
1,990 is the number of new residential units added in Geneva in 2017. Admittedly, this number falls short of the figure for 2016 (2,164), but is still well above the annual average for the 2000-2016 period, which did not even reach the 1,500 mark. The future looks encouraging for those wishing to secure a residential property: for the first time in nearly 40 years, we have topped the threshold of 5,000 housing units under construction. To these 5,129 properties must be added 2,591 new building starts and 2,739 building permits. Once again, these figures are higher than those reported since the beginning of the century (1,514 and 1,738, respectively).



Source: Geneva Cantonal Office of Statistics (OCSTAT) – Property statistics

More than three million overnight hotel stays in Geneva

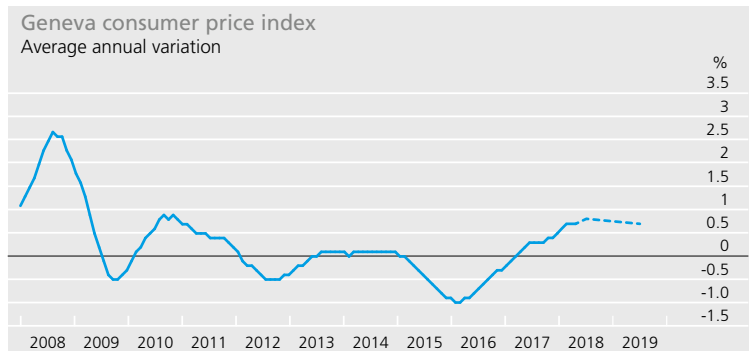
For the first time in its history, hotels in Geneva passed the 3 million overnight stays mark. More specifically, 3,054,435 overnight stays were recorded at the 125 hotels registered in the canton. With the number of available beds standing at around 15,700, establishments in Geneva achieved precisely two-thirds occupancy. Compared to the previous year, hoteliers reported 126,200 extra overnight stays, i.e. a 4.3% increase. This growth is accounted for by both Swiss guests (+5.4%) and others from abroad (+4.1%). Despite the Swiss franc's strength, more than four out of five guests come from beyond Switzerland's borders. And they travel long distances: over half of all our foreign visitors live on a continent other than Europe.



Source: OCSTAT

First increase in goods prices for 6 years

After falling for two consecutive years, the Geneva consumer price index advanced in 2017. Average annual price rises amounted to 0.7% (0.5% Swiss-wide), vs. -0.2% in 2016 and -0.9% in 2015. Interestingly enough, after falling for six successive years, goods prices rose (+0.4%), while prices of services also continued to climb (+0.8%). The steep increase in oil and petroleum product prices (+9.2%) in fact explains the main thrust of the rise: if they are stripped out of the calculations, the index rose by just 0.4% on an annual average.

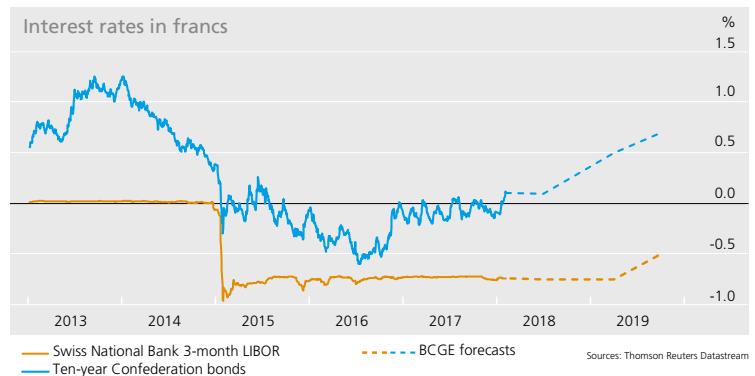


--- BCGE forecasts

Source: Swiss Federal Statistical Office/OCSTAT – Consumer price index

Negative rates to persist until 2019

The Swiss National Bank is expected to prolong its expansionary monetary policy, despite the slightly higher inflation rate forecast for 2018. However, it will continue to mirror the European Central Bank trend. Three-month rates are set to remain stable, though still negative, at around -0.75% in Switzerland and -0.4% in the eurozone. As monetary policies are expected to revert to normal in the coming months, negative rates are forecast to continue at least until 2019. Ten-year interest rates are likely to rise in the coming months, as they start to reflect expected normalisation of monetary policies in 2019; the rise in Switzerland will probably be from 0.1% to 0.5%, whereas normalisation in Europe would justify a return to 1.2%. Mortgage rates are unlikely to vary in the immediate future, but a slight upturn can no longer be ruled out over the next 12 to 18 months.



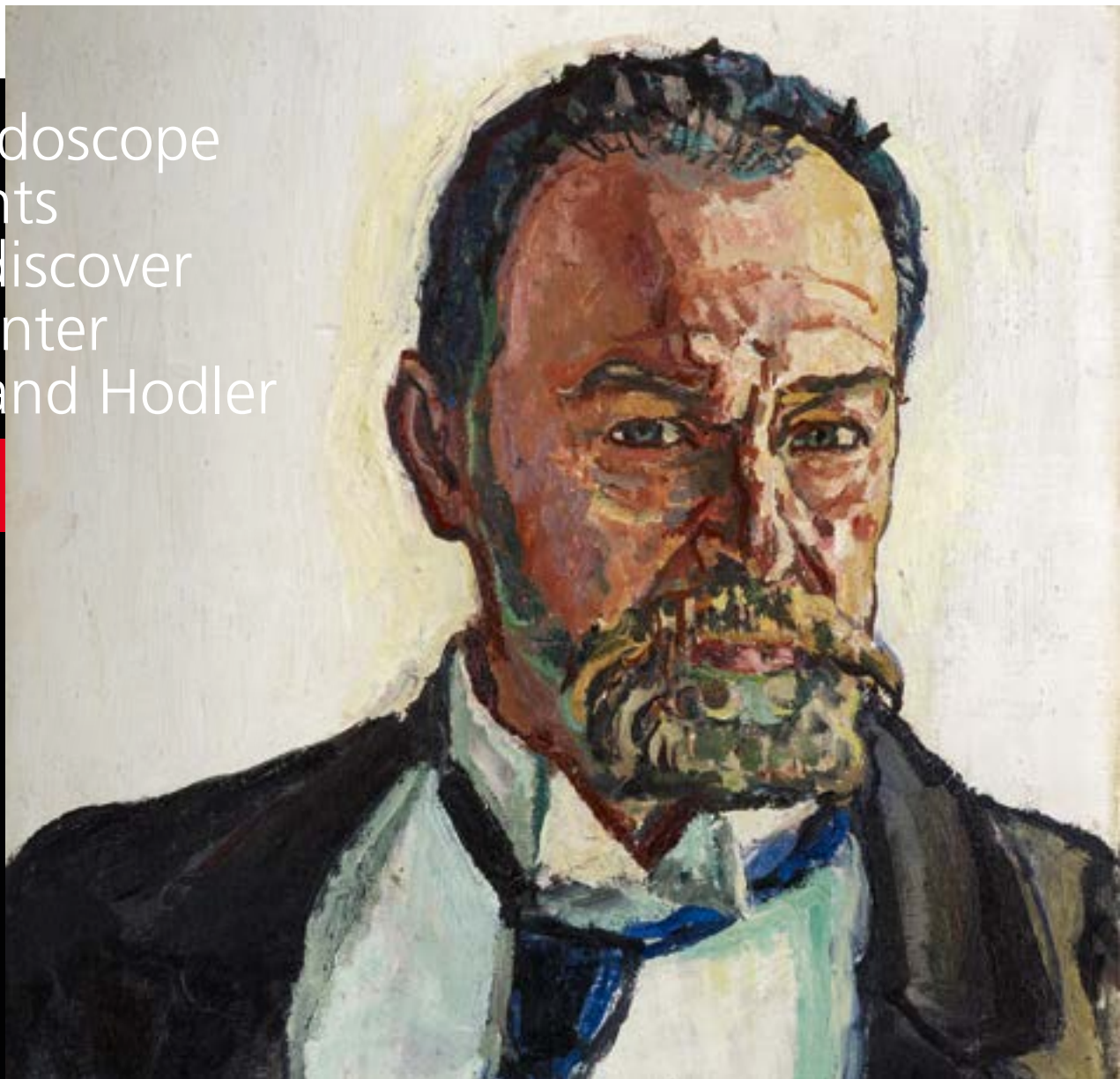
— Swiss National Bank 3-month LIBOR
— Ten-year Confederation bonds

--- BCGE forecasts

Sources: Thomson Reuters Datastream

BCGE Asset Management

A kaleidoscope
of events
to (re)discover
the painter
Ferdinand Hodler



To mark the 100th anniversary of his death, exhibitions, lectures, concerts and other events are being organised to celebrate the painter who spent nearly 50 years of his life in Geneva. Something to suit everyone.

Self-Portrait,
oil on canvas,
painted in 1916
© MAH Geneva

People think they know Hodler. But before this year of celebrations, how many of us in fact knew that this painter, born in Berne, wrote most of his texts about art in French? Or that, as an adolescent, he spent three years working in a painting 'factory' for English tourists, producing views of mountains and Lake Thun? Or that, after walking to Geneva at the age of 19, with just a few pennies to his name, he went on to amass a genuine fortune thanks to his canvasses? Or that, as an adult, he was even regarded, alongside Cézanne, as the greatest landscape painter of his day? You will have an opportunity to discover all these details and many more besides in the next few months. One hundred years after his death, Geneva is pulling out all the stops to celebrate the painter who spent nearly 50 years in the city at the western tip of Lake Geneva, where he died on 19 May 1918.

"King of the Selfie"

Seldom can an artist have been the focus for so much attention: with many exhibitions, lectures and concerts, as well as multi-sensory experiences, musical creations and a vast collaborative project entitled "Hodler, King of the Selfie", which has seen the construction of a giant digital mosaic reconstituting one of the painter's many self-portraits. There is something for every audience and every taste, so different and interdisciplinary are all these events. That was the stated intention of the Geneva Museum of Art and History (MAH), whose five sites will be hosting works by the painter, his mentor (Barthélemy Menn) and others whom he in turn inspired. The MAH, which has one of the world's largest collections dedicated to this painter, has chosen this year to place Hodler under the banner of accessibility, in every sense of the term, so as to further popularise this great Swiss artist. In particular, the MAH has endeavoured to give a non-specialist audience the opportunity to discover him.

With this in mind, the events appeal to our different senses: a multisensory space, tactile visits a chance to admire the exhibition with a purely melodic audio guide to create a dialogue between music and painting; then there is a physical approach to the work for small children. A partnership between the MAH and the Jaques-Dalcroze Institute allows children to approach Hodler through rhythm and movement. This collaboration makes good sense, not only because the two men were close friends or the Geneva streets bearing their names meet at a crossroads: the painter's works are also coloured by rhythm and musicality. Students from the Geneva Haute École de Musique have produced five artistic creations inspired by the painter's work, himself a passionate music lover and owner of many instruments.

“Despite the painter's tough beginnings, he was never an *artiste maudit* – an accursed artist – and did not live in abject poverty. On the contrary, receipts for the sale of some of his canvasses prove that he earned a very good living.”



Night. This work painted by Hodler in 1889-1890 was banned from an exhibition in the Musée Rath at the time. Today, it figures in the catalogue of the Hodler // Parallelism exhibition which is being held in this same museum. © Kunstmuseum Berne.

His nudes were censored

Although Hodler is best known for his landscapes, it would be wrong to assume he only painted works of that kind. A good example is his painting “*Le Bûcheron*” (The Woodcutter), which Christoph Blocher had hung in his Swiss Federal Councillor's office (interestingly enough, while the painter told us very little about his own political views, contemporary witnesses say he had a social conscience and cherished an egalitarian vision of the world; he was also a pacifist and signed a manifesto condemning the bombardment of Reims Cathedral by German artillery in 1914, as a result of which he was boycotted in Germany). And, although he was censored in Geneva, it was not – as you will readily imagine – because of a landscape depicting the lake. In 1891, the then mayor, Théodore Turretini, had prohibited the hanging at the Musée Rath of “*Night*”, considered to be obscene because of the naked forms portrayed in the painting (Hodler had represented himself being woken from his slumbers by the phantom of death, surrounded by sleepers, men and women, lying around together, with both his wife and mistress among those portrayed). 127 years on, this work is one of the paintings on show in the self-same museum.

Auction prices running into several millions

This censorship at the time also had a good side, because it helped to attract attention to the artist and his works. In any case, this was not the only occasion on which his paintings caused controversy. The same thing happened in Zurich in 1897. In other words, Hodler experienced both scandal and success.

Despite the painter's tough beginnings, he was never an *artiste maudit* – an accursed artist – and did not live in abject poverty. On the contrary, receipts for the sale of some of his canvasses prove that he earned a very good living. Today, he is one of the most highly rated Swiss painters. Last year, one of his paintings (of Lake Thun) fetched the highest price on the Swiss art market when it was sold at auction for 4.2 million francs. However, that

price-tag was still well short of the record for a Hodler painting (over 10 million was paid a few years before for his view of Lake Geneva from Saint-Prex). Finally, we owe the fact that all these exhibitions can be staged to loans made by institutions and collectors. One of the main sources is the Archives Jura Brüscheweiler, named after the art historian who dedicated his life to the study of Hodler. Founded in 2014 after his death, these archives possess documentation estimated to run to over 80,000 items (sketches, manuscripts, letters, photos, press cuttings, objects, furniture, etc.), which make an essential contribution to the biography and understanding of the artist's work. So important in fact that the Canton of Geneva has ranked them as being of public interest. ■

Aline Yazgi

Catalogue of events

Here is a detailed catalogue of the events around Hodler in Geneva and the surrounding districts:

- Museum of Art and History, permanent rooms: *Hodler in his Intimacy*. Focuses on his portrait paintings (women, friends, patrons, self-portraits) and less familiar works, such as trees standing on their own, which are regarded as indirect self-portraits.
- Until 8 July 2018 – Cabinet d'arts graphiques: exhibition about the Geneva painter Barthélemy Menn, Ferdinand Hodler's master. “I owe everything to Menn”, Hodler once said.
- Until 3 June 2018 – Pully Art Museum, with Archives Jura Brüscheweiler: *Hodler and Lake Geneva*. Some fifty paintings, several of which have not been on show for decades.
- Until 19 August 2018 – Musée Rath: *Hodler // Parallelism*. A selection of one hundred paintings illustrating the theme of parallelism, the theory developed by the painter according to which nature is rigorously organised.
- 21 September 2018-29 April 2019 – Martin Bodmer Foundation: *Ferdinand Hodler – Unpublished Documents*. In partnership with Archives Jura Brüscheweiler.
- From 28 September 2018 – Museum of Art and History: *Hodler and the Swiss Mercenary: from Myth to Reality*.
- 28 September 2018-24 February 2019 – Maison Tavel: *The Spirit of Hodler in Genevan Painting*.
- 5 November 2018-26 May 2019 – Library of Art and Archaeology: *Ferdinand Hodler in Books and on the Internet*.
- Concerts will place the artist in his cultural context. The next events are scheduled on 30 September 2018 at the Temple de la Madeleine and, on 11 November 2018, at the MAH.
- Artists' rendez-vous (every first Sunday of the month from April to November, at several venues): for the first time, these will be monographic, focusing in 2018 on Hodler's work.

Boccard Parcs et Jardins has a long history



Landscaping of Richemont's administrative head office at Bellevue.

Founded in 1862, the Boccard firm, which specialises in the layout and maintenance of parks and gardens, is one of the 15 oldest family businesses in the Canton of Geneva. Representing the fourth generation, Jean-Marc Boccard took over the reins of the family business in 1974, perpetuating the values dear to his predecessors: the quest to achieve excellence, constant dedication in working for the city and on professional bodies, special emphasis placed on the diversity of employees, in terms of both their origins and their expertise and training.

The story of a passion

Georges Boccard, who founded the business, was born in 1834 at Juvigny. After studying at the School of Exterior Decoration in Versailles, he cooperated on establishing many parks on the Côte d'Azur and in Austria. In 1861, when Savoy was annexed by France, he chose, like many families of the region, to settle in Geneva, to which he felt the closest affinity. Before reaching the age of 30, Georges Boccard had already completed a prestigious venture: laying out parkland at the Château de Pregny.

Subsequent generations carried on this tradition, shaping over the years a reputation founded on expertise constantly enriched by shared skills, know-how and new techniques. Today's owner, Jean-Marc Boccard, has been immersed in this exciting profession since his early years. After business and management studies, his integration into the business first as an accountant and later as managing director, was a foregone conclusion given his talents and family DNA.



Hundred-year-old weeping cedar tree, cultivated and planted on Quai Wilson by Boccard Parcs et Jardins for the City of Geneva.

“A fundamental new trend is arriving in our cities: roof gardens, whose role in conserving heat will be crucial in years to come.”

Seasonal activities and an international clientele

Established at La Petite-Grave, near Cartigny, the business has specialised in creating, laying out and upgrading parks and gardens of every size. Jean-Marc Boccard points out that design and construction account for 80% of the firm's activity, the remaining 20% being maintenance work. The seasonal nature of the work – with the main planting done in spring and autumn – requires good management of the business portfolio, constant adjustment to market needs and perfect mastery of planning. Boccard's clientele is made up of private individuals, big international companies, construction firms, property developers and architects as well as local authorities (Canton, Communes and City of Geneva). Boccard is mainly active in Geneva and in the western Lake Geneva area, but sometimes also works on projects abroad, especially in France and the UK.

Valuing its staff

The firm has 80 employees who are architects-landscape artists, horticultural technicians, gardeners, mechanics and masons. This basic staff complement sometimes rises to 100 given the seasonal nature of the work. Jean-Marc Boccard points out that the business has always pursued a strategy designed to guarantee full employment for its staff who are the custodians of the company's expertise. Loyal, dedicated and imbued with the values of the business, some of them have been working for the company for over 30 years. This great stability is important because the landscaping profession requires a relationship of trust with clients who are very sensitive to this intangible heritage. Keen to pass on its expertise, the company permanently employs six apprentices. According to Jean-Marc Boccard, the diversity of personnel, their origins (French- and German-speaking parts of Switzerland, Italy, Spain, Portugal and France), skills and training have always been contributory factors to the company's success.

Large-scale projects

The Boccard company's many achievements include external landscaping for Rolex at Les Acacias and Plan-les-Quates, for the administrative head office of the Richemont Group at Bellevue, in cooperation with the prominent French architect Jean Nouvel, and work on the primary school at Chandieu in the Vermont district of the city. The landscaper has also worked on many public parks including the ILO Park on the right bank of the lake and the Gros-Chêne Park in Onex. It has also been entrusted with the planting of trees along the tram tracks for the Cornavin Station-CERN line. Boccard works in close cooperation with the City of Geneva which has launched a policy of replanting and renewing its heritage of trees whose emotional and ecological value is enormous. As Jean-Marc Boccard points out, the City of Geneva has inherited many large parks where the trees were planted 150 years ago. To ensure their permanent survival, they must be constantly maintained and new plantings scheduled.

A traditional profession with a promising future

While the landscaping profession has direct links with nature and the living world, it nevertheless remains open to innovative technologies. Innovations touch upon the very heart of the business. For example, the company now uses a system to control levels of soil humidity, thus permitting adequate water supply to vegetation. Jean-Marc Boccard points to the arrival of a significant new trend in our cities: roof gardens, whose role in conserving heat will be crucial in years to come. The business is working on completion of one such garden for the Implenia company at Pont-Rouge.

Boccard's CEO describes landscaping as a traditional profession with outstanding prospects. He reminds us that it is a key player in favour of ecology, respect for nature and biodiversity. By enhancing our environment, it contributes to protection of the exceptional quality of life in our region. The company intends to do everything possible to continue this impressive mission for a long time to come. ■

Marie-Christine Lany



Bellevue, 5,000 inhabitants by 2023?

Bellevue’s local council is building forty new housing units on a 3,780 m² plot of land opposite the Tuileries railway station and close to an all-new district that will be home to the headquarters of the Geneva private bank Lombard Odier and 290 apartments. Construction work on the site of the future Chemin des Carrons (currently the first stretch of the Chemin des Tuilots) began at the end of September, and the forty housing units are due to be handed over by the end of 2019.

Bellevue in numbers

Population: 3,363 inhabitants
Proportion of cantonal population: 0.7%
Land area: 438 ha
Proportion of cantonal territory: 1.7%
Income: 19.4 million
Expenditure: 16.4 million

Local council

Mayor: Bernard Taschini
Deputy Mayor: Daniel Fabbi
Administrative Councillor: Jean Daniel Viret

A project qualifying for the Energy City label

Bernard Taschini, Bellevue’s dynamic mayor, explains that the local council purchased the land around ten years ago, initially with a view to building a day nursery. Faced with the overwhelming need for new housing and the priority given to locating the amenity for small children at the heart of the village, the local council decided to reassign the plot of land for construction of a building with 40 apartments. The project by the Carouge firm of BCRarchitectes, winners of the architectural competition launched in 2014, con-

“This project comprises 40 front-to-rear, one- to four-bedroomed apartments, featuring a fine south-west-facing loggia, plus a communal events room.”



vinced the judging panel with its perfect respect for the complex nature of the site and the constraints of density and scale. BCRarchitectes also placed emphasis on soft mobility at ground level by providing direct access to the underground car park from Route des Romelles. The building with two upper floors over a ground floor respects the exacting constraints to qualify for the Minergie label compliant with the environmental policy of Bellevue local council, which was awarded the Energy City label in 2006. As part of the Confederation’s SuisseEnergie programme, this rewards use of renewable energies, environmentally-friendly mobility, sustainable resource management, improvement of the quality of life and climate protection. Dedicated to the cause of sustainable development, Bellevue Administrative Council hopes to qualify in two years’ time for the highest distinction of the GOLD European Energy Award®: this certifies that the local council has achieved better than 75% implementation of the relevant measures.

A communal apartment for the elderly

This project comprises 40 front-to-rear, one- to four-bedroomed apartments, featuring a fine south-west-facing loggia, plus a communal events room. The inter-generational aspect has not been forgotten either, because the originality of the project resides in the provision of a communal apartment with eight residential units for the elderly. They will have their own flat with a good floor space of between 43 m² and 48 m² (bedroom, living room and kitchen corner) and a shared space of 60 m² to meet up around activities organised by facilitators. In future, the local council plans to build sheltered accommodation for senior citizens, a medically-equipped facility designed to postpone for as long as possible the need for admission to a residential nursing or care home.



Objective and transparent tenant-selection criteria

These accommodation units will be built and managed by the Fondation de la commune de Bellevue which already manages 100 apartments. It was set up in 1995 for the purpose of providing low-cost rented accommodation for those living in Bellevue. Keen to allocate apartments as transparent and as objectively as possible, the Foundation has stipulated four priority criteria: strong links with the locality either through living or working there; sufficient occupancy rate to prevent units being allocated that are bigger than really needed; means-testing and help for lower-income tenants to meet rental costs; waiting lists that take account of the date of initial registration and any previous rejections. A three-member Allocation Committee representing the different political tendencies has been given the task of examining the applications, reserving for itself some room to manoeuvre for basing the assessment on social and human criteria.

Impressive population growth

The real-estate market in Bellevue has been boosted by news of the Lombard Odier private bank moving its global head office to this local authority. Bernard Taschini points out that the locality has listed projects for a good 400 housing units. According to council estimates, the population may well grow from 3,400 to 5,000 inhabitants by 2023. To match this impressive population growth, the Administrative Council is looking into increasing the number of day-nursery places and has made provision for four extra classes in the village school. ■

Marie-Christine Lang

Bellevue in brief

From time immemorial, the local authority territory and, above all, its proximity to traffic on the lake have attracted industry and a human population (bronze age remains discovered at Le Vengeron, relics from Roman times, etc.). In the 14th century, the Château de Vengeron was built by the Tavel family. Other suzerains including the Barons of La Bastie-Beauregard controlled much of Bellevue land. In the 18th century, three tile works and a pottery were built to make use of the clay-rich soil. This region on the right bank of the lake attached to the Pays de Gex was occupied by forces from Savoy, France and Austria for centuries before becoming part of the new Canton of Geneva in 1816. In the immediate ensuing boom, the Bellevue countryside was transformed into a residential area while the farming land gave way to big properties. New transport links were established with the railway, the steamship and later the tram. In 1855, the Bellevue local district was created after it was split off from the locality of Collex.

Complete redesign of the Florissant branch

Keen to maintain a privileged relationship with its clients, BCGE is currently converting its branches into welcoming contemporary premises with an emphasis on personalised reception and incorporation of new digital tools. One example: the Florissant branch at 66 Route de Florissant has been refurbished following major works. It reopened on 12 March.



Arnaud Perrier
Florissant
Branch Manager

Enhanced digital banking services

Space in the branch has been fully restructured, with the creation of a central reception area, modernisation of the automatic teller machines, and installation of a bright, user-friendly advisory zone. The old machines have been replaced by three new ones that are available seven days a week for 20 hours out of 24. Francs and euros can be withdrawn, and banknotes in both currencies paid into client accounts. Routine transactions are therefore fast, easy and performed at no cost to clients, as is the case with all cantonal banking machines in Switzerland.

“This renovation is part of a series of projects that will see most BCGE branches being refurbished to adapt the Bank’s services to satisfy constantly-evolving client needs.”

A team of six employees serving clients

The branch is served by a team of six, comprising a branch manager, his deputy, a female adviser on financing, a client adviser who is an expert on banking services, a female client adviser and a female reception adviser. Through their extensive banking experience and complementary areas of expertise, these staff members are able to provide rigorous and professional support and assistance for clients dealing with investment, pensions and routine management matters as well as mortgage or business financing transactions.

A high-tech, customer-friendly branch

Customers have access to an open, bright and welcoming space. When they arrive in the branch, an interactive terminal enables clients to report their arrival to their advisers to shorten waiting times and make the process smoother. While waiting for the adviser to arrive, clients can consult BCGE brochures on a self-service tablet or undertake routine transactions. The client will then be welcomed by their adviser in a quiet and comfortable room equipped with a computer and tablet. This modern branch is located at the very heart of the Florissant district in line with the bank’s strategy of geographical accessibility with a network of 21 branches throughout the canton.

BCGE: successful rehabilitation

After weathering a particularly challenging period in its history, Banque Cantonale de Genève has gone on to become a leading light in the Swiss banking industry once again. It has regained its ability to fulfil its statutory mission of supporting Geneva's economy.

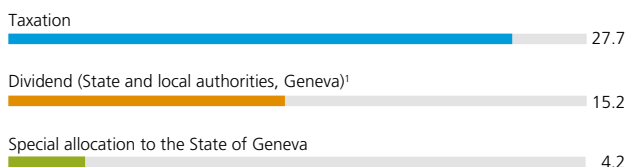


Christophe Weber
Chief of Staff & Planning

Contributions made by BCGE to public authorities increased by 9.3%

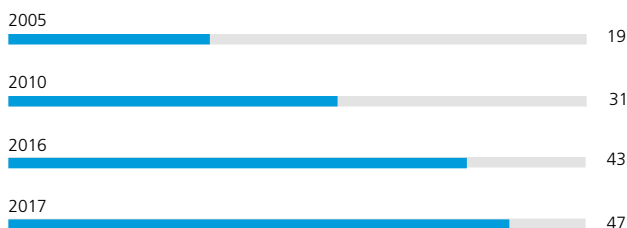
47 million francs in value were distributed to public authorities in 2017; 385 million francs have been transferred to them in the past ten years.

Breakdown of the 2017 contribution to public authorities (consolidated figures – BCGE group) in millions of francs



¹ Proposal to the AGM on 2 May 2018

Contributions distributed to public authorities
In millions of francs



The State of Geneva gave the bank substantial support in 2000. The economic damage that the State had to shoulder has been gradually offset by steady and regular growth in the Bank's profitability. Now that the rehabilitation process has been completed, the Bank distributes dividends, pays tax and is repaying the outstanding balance of the Fondation de valorisation's expenses. Moreover, its value is growing year on year in terms of both net shareholders' equity and market capitalisation. The mechanisms that lay behind the successful outcome of the rescue plan are twofold: a transparent arrangement, respectful of all shareholders, and repair of the economic damage wrought.

A transparent arrangement respectful of all shareholders

Setting-up of the Fondation de valorisation des actifs (an asset-realisation fund) for those bad and doubtful debts taken on by BCGE enabled the Bank to dispose of them in the best possible conditions and in complete transparency. The Foundation completed its mission in 2011 and was then wound up. As a result, BCGE gave a conditional undertaking to repay all expenses and costs generated by this entity. The total outstanding stood at 371 million francs¹ in 2009; this has been repaid each year in compliance with the provisions of the Articles of Association, which link this payment to the dividend by a fixed percentage in order to respect the interests of all the other 14,270 shareholders², including the City of Geneva, local councils and the State of Geneva Pension Fund (CPEG), to name only the largest. The Bank has thus reimbursed 60.8 million francs³ in this way since its restructuring in 2000.

¹ Decree of 21 October 2011.

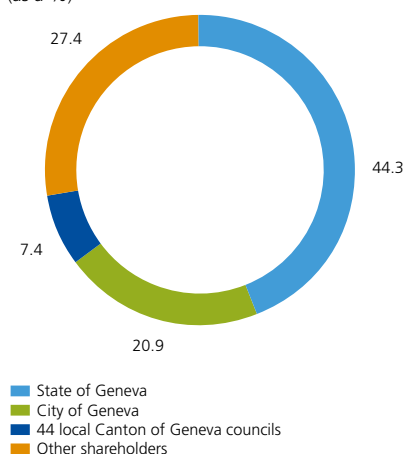
² As at 31 December 2017.

³ Subject to approval of the dividend by the AGM on 2 May 2018.



“Geneva averted a banking shipwreck in 2000. The cantonal bank has become a dependable and profitable business. Since then, it has rebuilt its value and wholly fulfilled its role in supporting the economy of Geneva and its region.”

Capital allocation
(as a %)



Repairing the economic damage

The State had to cover, firstly, the costs of the Foundation – knowing, as we saw earlier, that these would be recouped in full in due course – and, secondly, a capital loss of 1.9 billion francs¹, comprising the difference between the value of the bad/doubtful loans and the value achieved by the Foundation in realising pledged assets. As to this second aspect of the economic damage, the State has seen its assets rebuilt by growth in the value of its stake in the Bank.

The Bank’s market capitalisation on the stock exchange rose from 616 million francs² in 2001 to nearly 1.2 billion³ by 2017. This capital gain of 564 million brought an increase of 250 million in the value of the stake owned by the State.

Turning to shareholders’ equity, the Bank has advanced from equity worth 653 million⁴ on 31 December 2001 to 1.5 billion⁵ as of 31.12.2017, i.e. an increase of 834 million, from which the State of Geneva has benefited to the tune of 369 million.

Summary

The State of Geneva invested 2.3 billion francs¹ to restructure its bank. As things now stand, the Bank has grown from zero or even negative value at the time of the crisis to 1.5 billion⁵ in terms of shareholders’ equity; it has distributed 368 million francs to public authorities since 2000, including over 47 million⁵ in 2017.

At the same time, the Bank has fulfilled its mission of contributing to the economy of Geneva and its region since the year 2000. As of 31 December 2017, financing amounting to 16 billion francs⁵ have been granted to economic agents in Geneva (231,917 clients⁵, including 19,349 businesses⁵). Today, BCGE employs some 800 people. BCGE is a genuine universal bank, with funds under management or administration equivalent to 24.6 billion francs⁵ and an acknowledged presence in many areas of finance.

The past is now well and truly behind us. Political and legal investigations have been conducted into former governance of the Bank. External auditors have provided substantial compensation.

Conclusion

Geneva averted a banking shipwreck in 2000. The cantonal bank has become a dependable and profitable business. Since then, it has rebuilt its value and wholly fulfilled its role in supporting the economy of Geneva and its region.

This success is founded on a balanced concept resting on three supporting cornerstones:

- Professional governance independent of the bank and a dynamic strategy taking account of all the interests of Geneva’s economy.
- Transparent rehabilitation mechanisms, including the ‘bad bank’ foundation and its listing on the stock exchange.
- A joint contribution by public authorities and by individual and institutional shareholders towards constructing a robust bedrock of equity, enabling growth to be achieved.

In the space of a few years, the damage has been fully repaired while respecting the interests of all stakeholders, be they public or private shareholders, clients, employees and the tax authorities.

www.bcge.ch

www.bcge.ch/bcge-prejudiciable-impraticable#.

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2017 Annual Results, 27 February 2018.

HOCHEGGER Jeffrey. *Genfer KB will wachsen, Finanz & Wirtschaft*.
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www.fuw.ch/article/gender-kantonalbank-steigert-gewinn/.

¹ Decree of 21 October 2011.

² Share price on 31 December 2001.

³ Share price on 31 December 2017.

⁴ BCGE Annual Report 2001.

⁵ Press release: 2017 Annual Results



avantageservice.ch innovative platform: a giant step towards the bank's digitalisation

In December 2017, Banque Cantonale de Genève launched its *avantageservice.ch* web platform, installing a new high-end banking facility designed for private clients of the personal-finance-type living in Switzerland. This highly secure and innovative solution has already been welcomed by users, who stress just how fast and easy the processes are to use.



Christian Hamm
Head of the Marketing Department

Prestige partners

This platform has integrated the best technologies developed with the assistance of such prestige partners, as Emakina, Swisscom, Appway, SERIAL and Network Effects. This is a crucial new phase in Banque Cantonale de Genève's digitalisation process. The Bank is deploying its strategy in this field while pursuing a strict line of conduct: selective adoption of useful and secure new technologies, the straightforwardness and cost-effectiveness of the services, and greater emphasis on personal contact.

Extended range of online services

The Advantage service loyalty programme focuses on a range of services accessible by a secure digital click procedure. This range includes the savings account, online mortgage loans, personal pension plans, investment funds and asset-management mandates. This highly competitive plan for excellence enables up to 2% additional interest to be earned on savings accounts. The new platform now gives private clients access to a comprehensive account-opening process, combining transparency with simplicity, at a secure bank.

A new nationwide distribution channel

The Advantage service programme, with its community of over 33,000 members at present, benefits in this way from a new distribution channel with nationwide access. Banque Cantonale de Genève is meeting the mounting need for online solutions for clients who are familiar with new technologies and now have access to a particularly ergonomic, fast and secure tool accessible in three languages (French, German and English).

Proven algorithms at the service of advisers and their clients

Clients interested in this new concept can subscribe online or contact their advisers at the Bank's many branches. This innovative solution does not aim to reduce the number of client advisers, but rather to support them by using proven algorithms to propose a transparent offer that is fast and easy to use.

"This does not signify the emergence of an anonymous robot bank; we aim to be a bionic bank, extending its advisers' human capacities and skills by using a technology that assists them."

Blaise Goetschin, BCGE CEO

Intercommunal financial equalisation in Geneva: a tool going beyond straightforward redistribution of income among local authorities

	Number of additional centimes	Privileged share rate (%)
Aire-la-Ville	50	80
Anières	33	20
Avully	51	80
Avusy	50	80
Bardonnex	43	78
Bellevue	41	35
Bernex	48	80
Carouge	39	27
Cartigny	43	75
Céligny	33	27
Chancy	51	80
Chêne-Bougeries	34	26
Chêne-Bourg	46	78
Choulex	44	48
Collex-Bossy	46	80
Collonge-Bellerive	30	20
Cologny	31	20
Confignon	47	80
Corsier	35	28
Dardagny	48	80
Genève	45.5	28
Genthod	25	20
Grand-Saconnex	44	46
Gy	46	75
Hermance	42	61
Jussy	42	64
Laconnex	44	69
Lancy	47	58
Meinier	42	71
Meyrin	44	41
Onex	50.5	80
Perly-Certoux	43	57
Plan-les-Ouates	36	20
Pregny-Chambésy	32	28
Presinge	41	37
Puplinge	46	77
Russin	40	53
Satigny	39	28
Soral	46	80
Thônex	44	62
Troinex	40	58
Vandœuvres	31	20
Vernier	50	78
Versoix	45.5	78
Veyrier	38	49

In Switzerland, mechanisms exist, either between cantons or at local-authority level, to enable disparities in financial resources to be mitigated between public authorities. The aim is to empower even the less well-off areas to undertake the tasks incumbent on them. As each canton has its own specific features, *Dialogue* decided to look at the intercommunal financial equalisation scheme for Geneva. The subject is all the more topical as the Grand Council recently adopted a strengthened version of this tax-sharing mechanism which took effect on 1st January.

Intercommunal financial equalisation for Geneva is expressed at different levels according to Alain Rütsche, Managing Director of the Association of Genevan Local Authorities (ACG). At the level of private individuals, each 'natural person' domiciled in the canton and pursuing a dependent activity there contributes part of his local-council tax to the local authority in which he lives and another portion to the local authority in which he works. Equalisation is reflected in the fact that the lower the financial capacity of the local authority of domicile, the higher the local-council tax proportion reverting to it will be. This 'privileged share' varies between 20% and 80%, meaning that a 'poor' local authority will receive up to 80% of its taxpayers' local-council tax-bill (while the local authority where the relevant person works receives just 20% by way of a 'residual share'); conversely, a 'rich' local authority may receive a minimum of 20%, with the remaining 80% going to the local authority in which the person is employed¹. Companies and firms (known as 'legal entities') pay 80% of their local-council taxes to the local authority where they conduct their business and 20% to a fund from which these resources are re-allocated among the various local authorities based on their financial capacity: the least well-off receive proportionately more than prosperous localities.

Significant redistributive function

Despite the significant redistributive function of these mechanisms, the gap in resources between local authorities (measured by comparing the values of one taxation point per inhabitant) remains very wide, with a figure ranging from one to six². To remedy this and thanks to the spirit of solidarity prevailing between local authorities, the ACG secured from the canton in 2009 adoption of the Law to strengthen intercommunal financial equalisation and develop intercommunity (LRPFI). Unlike the basic system stipulated in the General Law on public taxation, which has a direct impact on taxpayers, the LRPFI puts mechanisms in place that only apply to local councils. They relate primarily to the allocation between local authorities of a percentage³ of tax receipts of all the local authorities (after equalisation), ensuring amounts received by the most well-off localities are more than proportional and that, conversely, redistribution to the least well-off councils is also more than proportional. Amounts shared out in this way will total 26.5 million francs in 2018.

1 More specifically, the percentage applies to the local-council tax rate.

2 Meaning in practice that, for an identical tax rate, the most well-off local authority could potentially receive tax revenues six times higher tax per inhabitant than the least well-off

locality. However, this gap is not reflected in reality, as prosperous localities generally apply the lowest tax rates.

3 This rate will rise from 1.5% to 2% in 2019.

4 This number will rise from an additional 0.5 centimes to 0.6 centimes in 2019.

5 More specifically, 17.5 million francs go to intercommunal projects and 5.5 million to localities with the lowest financial capacity to help them finance their loan interest payments.

A central city

In parallel, recognition of the central role played by the City of Geneva which finances many cultural and sports facilities used by the population from the rest of the canton means that it qualifies – over and above the equalisation payment from natural persons described earlier – for a share-out equivalent to a portion of one additional centime⁴ paid by each of the other local authorities. On this basis, the City of Geneva will receive 10.3 million francs from other local authorities in 2018. But the LRPF also makes provision for two additional mechanisms: a contribution by all localities to the financing of day-nursery places and financial backing for intercommunal projects. As expanding day-nursery places is a priority, each local authority will receive annually 10,000 francs per day-nursery place provided as a contribution towards the average total cost of 35,000 francs of each such place. In 2018, each local council pays an additional 1.49 centimes into the common funding pot, enabling 5,490 day-nursery places to be financed at a total cost of 54.9 million francs.

Financing intercommunal projects

Last but not least, in 2018, the financing of intercommunal expenditure seeking to encourage intercommunal projects and assist ventures financed by a single local authority while being of benefit to inhabitants of the whole canton requires each local council to contribute an additional 0.63 centimes, making a total sum of 23 million francs⁵. And our discussion partner goes on to conclude that, even if the system is admittedly perfectible, it does have the enormous advantage of providing help for local councils facing financing difficulties while contributing to a share of the expenditure made by the City of Geneva for the benefit of the region as a whole, promoting the creation of day-nursery places and foster-

ing the development of intercommunal synergies in the provision of public services. All this is being achieved without, as happens in other cantons, very wide resultant disparities between total taxes paid by taxpayers in the different local authorities. ■

Marie Christine Lang

“The system has the enormous advantage of providing help for local councils facing financing difficulties.”



Comparison between taxes paid by a taxpayer domiciled in a local authority with the lowest tax rate and another living in the local authority with the highest tax rate, assuming that the relevant person works in the same locality (City of Geneva).

In francs	Local authority of domicile	
	at the lowest tax rate (25 additional centimes) ¹	at the highest tax rate (51 additional centimes) ²
Direct federal tax	1,554	1,554
Cantonal taxes	11,205	11,205
Tax in the local authority of domicile (privileged share)	427	3,487
Tax in the local authority of employment (residual share): 45.5 additional centimes	3,111	778
Total tax	16,297	17,024
Difference between taxpayers		+727

Assumptions made:

unmarried taxpayer; taxable income equivalent to the gross Geneva median salary rounded up to the lower tens of thousands (7,145 francs per month in 2014, i.e. 80,000 francs per year, source OCSTAT); no taxable wealth.

¹ Privileged share of 20%

² Privileged share of 80%

Appointment to the Executive Board



Pierrette Jaton Klopfenstein
Head of the Geneva Division



Claude Bagnoud
Head of Public Authorities
& Group Participations business unit

Pierrette Jaton Klopfenstein, currently Head of the Centre Sector comprising the Ile, Eaux-Vives, Pâquis, Plainpalais and Jonction branches, has been appointed a member of the Executive Board, taking over from Claude Bagnoud as Head of the Geneva Division on 1st April 2018. The Geneva Division is dedicated entirely to all Genevans, both private individuals and SMEs. It groups together the 21 branches spread over four sectors, online and digital banking, the Pension Advisory Centre and activities for the financing of small businesses and the professions, as well as private banking for Swiss clients. Pierrette Jaton Klopfenstein holds an HEC Business Degree from the University of Lausanne; aged 47, she is a Swiss national and has been working with BCGE since 2003. "Pierrette Jaton Klopfenstein has taken on major challenges within the group. She is highly versatile with an ability to galvanise her teams in the service of change; those are essential qualities to lead our retail banking activities forward

towards the new digital order", Blaise Goetschin, BCGE Group CEO, points out.

Claude Bagnoud wanted to give a more specialised slant to his professional career and focus on a business unit comprising the Geneva and Swiss public bodies, group participations, personal finance and workout. These are strategic areas of business for the bank, calling for technical skills and experience which Claude Bagnoud has acquired during the course of his long career with BCGE. In the words of Blaise Goetschin, Group CEO, "Claude Bagnoud has been an artisan of the complete transformation of the cantonal bank since 2001. He is a well-informed, consistent and perspicacious banker. He will place these qualities at the service of the heads of public bodies in Geneva and elsewhere in Switzerland, enabling them to access the most innovative and economical financial solutions".



Capital Transmission SA, a Geneva player in investment capital, celebrates a successful first decade

Virginie Fauveau
Director of Capital Transmission SA

For 10 years now, Capital Transmission, an investment capital company and wholly-owned BCGE subsidiary, has been financing expansion of mature and profitable businesses with a view to endowing them with sustainable added value. With a net profit of 4.1 million francs, this company makes a major contribution to the group's financial success and enables it to expand its business in terms of services to SMEs.

During 2017, Capital Transmission worked alongside managers-acquirers of two business units, arranging additional equity funding for them. For example, selling subsidiaries of a Zug-based historical group enabled the business concerned to become a European leader in personnel placement and training. In parallel, Capital Transmission took part in a management buy-in and a management buy-out, enabling the two groups supported by it to permanently safeguard their future development.



Divestments from Capital Transmission's portfolio also progressed, in particular through acquisition of a stake by a Swiss strategic investor on very favourable terms, together with full repayment of two mezzanine loans.

As at 31 December 2017, Capital Transmission's portfolio comprised ten investments totalling just under 24 million francs. In 2018, the subsidiary's financial resources were increased from 50 to 75 million francs, proof of its sound financial health and growth prospects.

Dubai: a dynamic, fast-expanding office



Mario Al-Jebouri
Head of the Dubai
Representative Office

The team at BCGE's Dubai representative office has been enlarged with the arrival of new members: Massimo Cangini, previously Head of the Independent Portfolio Managers unit in Geneva, has joined the Dubai office as Senior Representative Officer. Alongside him, and in keeping with customary local practice, a Dubai staff member Ghazala Abbas, has also joined the team as a Senior Representative Officer, headed up by Dubai's Office Director, Mario Al-Jebouri.

In November 2017, the office held its biennial event which brought together nearly 150 prestigious guests at the Jumeirah Summerset Beach Club. In parallel and as is the custom, BCGE's Chairman and Executive Board members paid a courtesy visit to the Central Bank of the United Arab Emirates in Abu Dhabi. The directors held talks on the



respective situations of their financial and monetary centres. BCGE's visit was also an opportunity for interaction with the Swiss Ambassador and Consul working in the region to share the latest political and economic news. The visit to Masdar City, the planned city project aiming to be one of the most ecological anywhere and currently being developed some 17km

south of Abu Dhabi, greatly impressed the BCGE officials. Some members of the Geneva delegation extended their tour to Oman, a regional hub that benefits from stability and legal certainty conducive to free trade. The United Arab Emirates, partners of Switzerland, belong to the frontier markets that the bank wishes to develop in coming years.

Foundation for cultural, social and sports support

The "Patrimoine" Real Estate Foundation had been set up by Caisse d'épargne de la république et canton de Genève and Banque hypothécaire du canton de Genève (these two banks merged in 1994 to form BCGE) for the purpose of supporting cultural, social and sports activities of public interest in the Canton of Geneva and in its region. For this purpose, the Foundation had acquired various property assets previously owned by its founders. Management of these properties generates the funds which, after making interest payments and the usual redemption of loans and credits, on the one hand, and covering the costs of maintenance and normal depreciation of the buildings, on the other, enable net income on the assets to be disbursed for the Foundation's purpose. As part of its supportive work in 2017, the Foundation assisted in particular Swiss sailor, Alan Roura, who came 12th in the Vendée Globe single-handed round-the-world yacht race which he completed for the first time on the eve of his 24th birthday. It also funded Paloma Mello-Héritier, a Swiss junior synchronised swimming hopeful, various charities, live shows and performances, and a craft firm rewarded for its efforts in providing apprenticeships. François Kirchoff and Patrick Senger, Executive Director and Deputy Executive Director of BCGE, respectively, represent the Bank on the Foundation's Board alongside Lucien Lazzarotto, attorney-at-law, its Chairman, and two architects, Serge Vuarraz and Bénédicte Montant. In years to come, the Foundation plans to provide increased support for cultural, social and sports activities of public interest in the Canton of Geneva and in its region.



Paloma Mello-Héritier
Swiss junior synchronised swimming hopeful

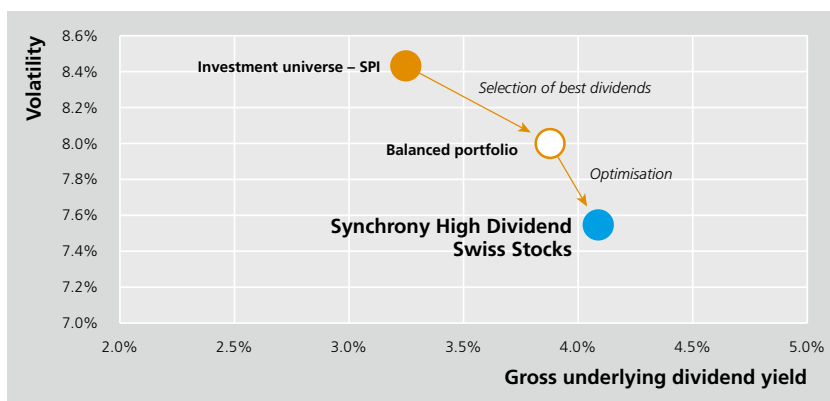
Synchrony High Dividend Stocks, equities delivering yield

What are the best investments for delivering a yield? For a long time, bonds were the answer, but today they offer no more than very low and sometimes even negative returns. Switzerland is the perfect example of this phenomenon. At present, a quarter of all investment-grade bonds denominated in Swiss francs have a negative yield to maturity. Worse still, yields on 97% of bonds in this same universe are less than or equal to 1%. The conclusion is perfectly clear: worthwhile yield can no longer be found in that quarter.



Bruce Crochat
Institutional Manager

In this environment, why not treat dividends on equities as a source of yield? Although risk on invested capital is substantially higher, equities do now offer very attractive yields, especially compared to bonds. Dividends on the Swiss market today yield 3.2% more than the Swiss Confederation's ten-year bond and 2.8% more than the index of investment-grade bonds denominated in francs. Launched on 15 June 2017, the Synchrony High Dividend Swiss Stocks Fund incorporated under Swiss law has the clear aim of exploiting this yield differential and offering what we consider to be the finest dividends on the Swiss market. To date, two other funds incorporated under Luxembourg law have been launched on the same theme with the same investment process, but they are focused on Europe and the United States: Synchrony (LU) High Dividend Europe Stocks and Synchrony (LU) High Dividend US Stocks.



Two-stage investment process

The investment process is broken down into two phases. The first involves applying a quantitative model, developed in-house, to arrive at pinpointing the best dividends: a high yield of course, but above all sustainable and growing returns. Sustainability of the dividend is preferred to actual yield levels. The second phase of the process consists in fundamental analysis of the businesses, with a focus on quality and ability to go on paying the dividend in future. The outcome of this process is a short-list of 20 to 30 convictions-based stocks. They include companies the likes of Nestlé, Novartis or Roche which have never cut their dividends. The portfolio structure is then optimised to meet a dual goal: maximise dividend yield and minimise volatility.

Thanks to stock-picking and this optimisation process, the portfolio created in this way delivers a higher yield than the market average, matched by lower volatility. The Synchrony High Dividend Swiss Stocks Fund posts an underlying dividend yield of 4.1%, whereas the Swiss equity market offers just 3.2% (on the SPI). The comparison with yields on bonds denominated in Swiss francs is even more favourable since the 10-year Confederation bond produces a yield of just 0.1%. Turning to the other regions, the Synchrony (LU) High Dividend Europe Stocks fund offers a yield of 4.5% and its North American counterpart 3.8%. ■

“The portfolio created in this way delivers a higher yield than the market, matched by lower volatility.”

The village of Aigues-Vertes

Founded in 1961 on the initiative of handicapped children's parents, Aigues-Vertes is a non-profit institution recognised as being in the public interest. Its structure, the only one of its kind in the Canton of Geneva, takes the form of a village located in the Bernex district of the canton, at the heart of an outstanding natural environment of 21.5 hectares on the banks of the River Rhône.

The pedagogical aim of the Fondation Aigues-Vertes is rooted in the pursuit of a personal life project.

That essential priority goal opens up new perspectives for those living with learning difficulties, enabling them to play a part in society.

The village of Aigues-Vertes can accommodate 137 resident villagers and 20 outside members. There are 69 places in its workshops. Just under 250 professionals help the smooth running of this village community.

**Support our Foundation
by making a donation, go to
www.aigues-vertes.ch**

Aigues-Vertes



Record turnover and higher dividend

BCGE has reported excellent results for 2017. The financial year closed with operating profit just under 16% higher at a record figure of CHF 128.3 million. Net profit was also up, at CHF 81.6 million. This strong progress has been underpinned by all the income streams, in particular international business operations.



H el ene De Vos Vuadens
Head of Communications and
Investor Relations

Strong profitability growth

The cost/income ratio stood at a commendable 60.8% thanks to income growth (CHF 366.1 million, +4.8%), while expenses and risks were kept well under control. Profitability continued to advance against a tough interest-rate backdrop. Return on equity (RoE) reached a high 5.6%, while the operating earnings to equity ratio came out at 8.9%. Assets managed and administered by the Bank reached CHF 26.4 billion. For 2018, the Bank expects to achieve operating profitability close to the 2017 figure.

A major player in financing the Geneva economy

The Bank has granted over CHF 2.1 billion by way of additional business and personal loans in the last three years. Mortgage lending, geared to a targeted approach, rose to just under CHF 11 billion (+6%). Since 1st January 2017, 793 additional businesses have joined the ranks of its partner-clients, making a total of 19,349 firms. The share of the total balance sheet accounted for by mortgages remains moderate (48%) compared to the benchmark, as a result of the policy geared to scaling-back exposure to real-estate risk.

Increase in equity and more shareholders

Shareholders' equity expanded by CHF 86.2 million over the full year (+6.2%) and now stands at CHF 1.47 billion. An additional CHF 767 million of shareholders' equity has been created since 2005. BCGE belongs to the group of well-capitalised and sound banks. Broadening of the Bank's shareholding ownership base, both private and institutional, bears testament to its robust health and attractiveness. The number of individuals and business clients who have joined the ranks of its shareholders rose strongly (+460 individuals or entities). As of 31 December 2017, the Bank had 14,271 registered shareholders (compared with 13,811 at end-2016). To these figures should be added in particular several hundred shareholders who have deposited more than 985,000 shares in custody with other establishments. The shareholding structure remains well-diversified (82.9% of shareholders known to the Bank own between one and fifty shares). 82% of BCGE staff are shareholders, owning 2.5% of the Bank's capital.

Market capitalisation reaches a new record

Conversion of the capital structure (successful introduction of a single registered share and halving of its par value) on 2 February 2017 helped to boost both the liquidity and attractiveness of the share on the capital market, while giving shareholders the benefit of greater transparency. The issue of two subordinated loans also had a positive influence. The share's performance over 2017 (+10%) confirmed our Bank's appeal to investors. There is still considerable upside potential, as the share's net asset value stands at CHF 207, representing 126% of its value quoted on the stock market.

Increased dividend

A dividend of CHF 2.90 is to be proposed to the AGM, a 5.5% increase on last year's. The value contribution to public authorities, in particular in taxes and dividends, reached CHF 47 million, up 9%.



Focus on two studies

Scientific publications in Switzerland 2006-2015 – A bibliometric analysis of scientific research in Switzerland.

Few people realise that Switzerland is a champion of scientific publishing. With some 173,000 articles published over the 2011-2015 period, Switzerland is one of the 20 countries that publishes the most research articles. In *per capita* terms, it even ranks as the world's number one. It stands out not only in terms of its quantity, but also heads the rankings of the most frequently quoted publications in relation to the country's population.

More than one quarter of Swiss publications relate to 'Life Sciences', a field followed closely by 'Clinical Medicine' and 'Physics, Chemistry and Earth Sciences'.

MAYE Isabelle, SABO Müfit, 2018. *"Scientific publications in Switzerland 2006-2015 – A bibliometric analysis of scientific research in Switzerland"*. Secretariat of State for Education, Research and Innovation SERI.

<https://www.sbf.admin.ch/sbfi/fr/home/services/publications/recherche-et-innovation.html>.



Artificial Intelligence for the Real World

Artificial intelligence (AI) can look forward to a promising future. However, for the time being, the most ambitious projects are running into major obstacles or even failing. The authors of a study published in the *Harvard Business Review* therefore recommend adopting an approach by specialisation rather than one based on technology, and suggest aiming for incremental improvements instead of radical transformation. In other words, we must see how AI can improve human activities and not replace them.

What are the benefits of AI for businesses? More than half the 250 managers questioned for the study wish to use AI to improve their products and 36% to optimise their internal operations. Just 22% say that they are using AI to cut staff numbers.

DAVENPORT Thomas and RONANKI Rajeev, *Artificial Intelligence for the Real World* Harvard Business Review January-February 2018.

<https://hbr.org/2018/01/artificial-intelligence-for-the-real-world>.



A book worth reading

I am trying to understand... The hidden codes of nature

The scientific writer Joël de Rosnay, known for his bestsellers and exceptional sense of anticipation, introduces us to a universe undergoing exponential evolution with which we are confronted in many fields, notably in economics. The author wishes to draw our attention to the risks engendered by the speed of these developments and, above all, the emerging interdependence between artificial intelligence, robotics, human work and changes to the 'Internet's DNA'. Joël de Rosnay questions the miracle of the universe and man and his future. Thanks to the preponderant role of artificial intelligence, smartphones and social networks, he predicts the emergence of an "enhanced collective intelligence", that of "hyper-humanism" which will give pride of place to values of generosity, benevolence, solidarity, love, empathy and tolerance if man is able to combine his own intelligence with artificial intelligence and robots. ■

de ROSNAY Joël, 2016.
Je cherche à comprendre... Les codes cachés de la nature.
Published by Les Liens qui Libèrent.



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