



Bellinzona, Friday 9 March 2018

## **Press release**

# **2017 Financial Results**



# 2017 was another excellent year.

BancaStato once again posted excellent results in 2017. The growth in the operating result (+4.4%) enabled the Bank to strengthen its capital once again, with an allocation of CHF 26.1 million to the reserves for general banking risks. Group profit increased by 2.1%. The allocation to the Canton was more than CHF 36 millions (+1.8%). Mortgage loans (+7.4%) and the total amount due to customers continued to grow (+6.0%). The balance sheet showed a positive trend (+3.6%). There was a positive inflow of new client's assets (+CHF 559 millions). Efficiency and profitability were good.

**BancaStato posted excellent results once again in 2017**

**Net revenues grew (1.9%)**

**Operating expenses were higher (+4.8%)**

**The operating result posted a strong increase (+4.4%)**

**Thanks to the strong operating result the Bank was able to bolster its equity capital once again in 2017**

**Profit increased (+2.1%)**

**The volume of loans to clients continues to show a positive trend (+6.3%)**

**The total amount due to customers posted a gain (+6.0%)**

**The balance sheet total grew (+3.6%)**

**The allocation to the Canton showed a positive evolution (+1.8%) and amounted to CHF 36.1 millions**

**The inflow of new client assets amounted to CHF 559 millions**

**Profitability and efficiency were positive**

## Summary of 2017 financial results (parent)

<b>BALANCE SHEET (CHF thousands)</b>	<b>31.12.2017</b>	<b>31.12.2016</b>	<b>Change</b>	<b>In %</b>
Mortgage loans	8,832,812	8,227,790	605,022	7.40%
Amount due from customers and companies*	919,722	909,572	10,150	1.10%
Amounts due from public bodies**	675,396	674,468	928	0.10%
<b>Total amount due from customers</b>	<b>10,427,930</b>	<b>9,811,830</b>	<b>616,100</b>	<b>6.30%</b>
<b>Total amount due to customers</b>	<b>7,981,961</b>	<b>7,528,270</b>	<b>453,691</b>	<b>6.00%</b>
<b>Equity capital (before allocation of profits)</b>	<b>1,026,166</b>	<b>927,357</b>	<b>98,809</b>	<b>10.70%</b>
<b>Balance sheet total</b>	<b>12,613,122</b>	<b>12,172,995</b>	<b>440,127</b>	<b>3.60%</b>
<b>INCOME STATEMENT (CHF thousands)</b>	<b>2017</b>	<b>2016</b>	<b>Change</b>	<b>In %</b>
Total net interest income	129,056	132,058	-3,002	-2.30%
Result from commission business and services	29,050	26,448	2,602	9.80%
Income from trading activities	14,726	13,306	1,420	10.70%
Other ordinary results	8,657	6,332	2,325	36.70%
<b>Net revenues</b>	<b>181,489</b>	<b>178,144</b>	<b>3,345</b>	<b>1.90%</b>
Personnel expenses	-68,529	-64,906	-3,623	5.60%
Other operating expenses	-33,359	-32,345	-1,014	3.10%
<b>Operating expenses</b>	<b>-101,888</b>	<b>-97,251</b>	<b>-4,637</b>	<b>4.80%</b>
Value adjustments on participations and	-7,641	-11,496	3,855	-33.50%
Value adjustments, provisions and losses	80	-385	465	-120.80%
<b>Operating result</b>	<b>72,040</b>	<b>69,012</b>	<b>3,028</b>	<b>4.40%</b>
Extraordinary income	2,545	2,460	85	3.50%
Extraordinary expenses	-16	-42	26	-61.90%
Changes in reserves for general banking risks	-26,114	-24,000	-2,114	8.80%
Taxes	-317	-266	-51	19.20%
<b>Net profit</b>	<b>48,138</b>	<b>47,164</b>	<b>974</b>	<b>2.10%</b>
<b>Allocation to the Canton</b>	<b>36,092</b>	<b>35,443</b>	<b>649</b>	<b>1.80%</b>

\* Including construction loans and syndicated loans

\*\* Public agencies are the Canton, municipalities, patriciate communities and public consortia



# Comment on results

## BancaStato parent company

### Comment on the Evolution of the Main Items of the Income Statement

BancaStato had another record year in 2017 despite the difficult market environment.

The operating result rose 4.4% to CHF 72 millions. As in 2015 and 2016, the Bank took the opportunity to strengthen the level of equity capital with an allocation to the reserves for general banking risks of CHF 26.1 millions, CHF 2.1 millions more than the previous year. Despite this significant allocation, net profit grew 2.1%, from CHF 47.2 millions to CHF 48.1 millions.

The payment to the Bank's owner, Canton Ticino, rose from CHF 35.4 millions to CHF 36.1 millions (+1.8%).

The result from interest operations – the principal revenue item for BancaStato – decreased by CHF 3.0 millions to CHF 129.1 millions (-2.3%) due to the increased need for provisions recorded in 2017 compared with 2016.

The profit from commission business and the provision of services increased from CHF 2.6 millions to CHF 29.1 millions (+9.8%). This was due primarily to the increase in client assets and the good performance of the financial markets.

Trading income grew by CHF 1.4 millions to CHF 14.7 millions (+10.7%).

Other results from ordinary activities improved by 36.7%, increasing from CHF 6.3 millions to CHF 8.7 millions.

Overall, net revenues grew by CHF 3.3 millions to CHF 181.5 millions (+1.9%).

Operating expenses grew by 4.8%, increasing from CHF 97.3 millions to CHF 101.9 millions. This was primarily due to an increase in the cost for managing the informatics system and to non-recurring items for the staff pension fund.

There was a significant decline in the value adjustments on participations and depreciation and amortisation (-33.5%) to CHF 7.6 millions.

The operating result for 2017 therefore grew by 4.4% to CHF 72 millions (CHF 69 millions in 2016).

The item "Extraordinary income" amounted to CHF 2.5 millions (+3.5%).

### Comment on the Evolution of the Main items of the Balance Sheet

Although BancaStato's business extends to all services typically offered by a universal bank, its main activity is mortgage lending. At the end of 2017, mortgage loans amounted to CHF 8.8 billion, an increase of 7.4% compared with the previous year (CHF 8.2 billion). Loans to public entities were virtually unchanged compared with 2016 at CHF 675.4 millions (+0.1%). Loans to private individuals and companies grew by CHF 10.1 millions (+1.1%), increasing to CHF 919.7 millions. These items are tangible signs of BancaStato's significant contribution to the development of the economy in the Canton.

The amount due to customers recorded a strong gain of CHF 453.7 millions to CHF 8 billion (+6.0%), a further confirmation of the positive trend that has been in place for a number of years.

The Bank's balance sheet total grew from CHF 12.2 billion to CHF 12.6 billion (+3.6%).

### Evolution of Assets under Management

Assets under management at the BancaStato Group increased by CHF 926 millions (+9.0%) to more than CHF 11.2 billion. Net new money amounted to CHF 559 millions.

### Profitability, Efficiency and Financial Strength

BancaStato's profitability in terms of Return on Equity (ROE) continued at the positive level seen in 2016 (8.3%).

The efficiency indicator confirms the positive trend that has been in place since 2010. The cost to income ratio dropped from 54.6% in 2016 to 56.1% in 2017 (67.3% in 2010), while cost to income II (which also includes amortisations and provisions) was 60.3% in 2017 (61.3% in 2016 and 76.4% in 2010).

The Bank's capital adequacy, as determined by the ratio of required capital to available funds, calculated on the basis of Basel standards, declined from 201.1% at the end of 2016 to 196.5% at the end of 2017, compared with the 140% required by regulation. All of the indicators for financial strength required by the Bank of International Settlements are positive. Core Tier 1 (CET1) rose from 12.9% to 13.9%, Tier 1 remained at the previous-year level of 15.2%, and Tier 2 fell from 16.1% to 15.7%.

## **Axion Swiss Bank SA**

Net revenues grew from CHF 26.0 millions to CHF 31.1 millions (+19.6%); operating costs rose from CHF 19.9 millions to CHF 22.7 millions (+14.3%). The changes in these items are primarily due to the acquisition of a share of client assets from Société Générale Private Banking (Lugano, Switzerland). Despite the significant write-down of goodwill linked to this operation and the investment in the new joint IT system at BancaStato (Avaloq), net profit was CHF 2.3 millions (+16.2%).

Assets under management at Axion rose from CHF 3.97 billion to CHF 4.38 billion, an increase of CHF 0.4 billion (+10.2%).

## **Consolidated Results**

The Group's profit fell by CHF 0.2 millions (-0.5%) to CHF 44.8 millions; the decrease is due to the greater allocation to the reserves for banking risks, as mentioned earlier. Consolidated costs and income recorded significant growth in all items.

Capital adequacy improved compared with the individual financial statements, with a coverage ratio that decreased from 216.4% (solvency ratio of 17.3%) to 213.9% (solvency ratio of 17.1%). Taking into account the countercyclical capital buffer, the indicator decreased from 207.5% to 205%.

With regard to the minimum liquidity requirements that banks are required to meet, BancaStato easily satisfies the requirements of the banking supervisory authorities on an individual and consolidated level.

# BancaStato in brief

Banca dello Stato del Cantone Ticino was founded in 1915 with the aim of promoting the economic development of the Canton and offering its citizens opportunities for a secure and remunerative investment of their savings. One hundred years have passed since it was founded, and BancaStato has never failed in its important mission, which is solidly anchored in the Law governing the Bank. By virtue of the public mandate entrusted to it, the Bank benefits from a State guarantee in performing its activities.

While at first the Bank dealt primarily with mortgage lending, it has since continued to expand its range of services. As at 31 December 2017, with its staff of 427 in four branches and 16 agencies throughout Canton Ticino, BancaStato is able to provide all the services and products of a universal bank, from individual and company loans to payment transactions, pension funds and wealth management.

In addition, the Bank has a large network of electronic banking services and ATM machines located throughout the Canton.

In a banking world characterised by an increasingly uncertain economic situation, BancaStato presents itself to its clients as a stable, trustworthy and competent partner, with the ability to offer a full range of services normally available at larger banks, while at the same time remaining close to its customers as a firmly rooted partner in Canton Ticino. All of its decision-making and competence centres are located in Canton Ticino. This further assures an understanding of the local culture as well as flexibility and quick decision-making, all of which are fundamental for offering services that match the needs of BancaStato's customers.

BancaStato not only assists in maintaining the productive economy of the Canton by making capital available to small and medium-sized businesses as well as to individuals in Canton Ticino, but also in actively supporting sport clubs, cultural societies and charities.

The Bank also works in cooperation with leading economic, industrial, commercial and artisan associations, while also promoting the organisation of conferences and seminars on important, topical subjects of interest to the entrepreneurs in our Canton.

As a cantonal bank, BancaStato is a member of the Association of Swiss Cantonal Banks (ASCB) and thus benefits from substantial cooperation at the national level. As a result, the Bank is able to provide its customers with a number of particularly interesting and profitable products, such as investment funds and Swisscanto retirement planning schemes. The Bank intends to pursue and further develop such cooperation in order to benefit from the resulting synergies.

In 2010, BancaStato became a group by acquiring Banca UniCredit (Suisse) Bank SA, now called Axion SWISS Bank SA. Over the course of 2013 it obtained complete control of the company.

Confirmation of the importance of BancaStato to the economy of Ticino is the ongoing growth of its balance sheet, which at 31 December 2017 amounted to more than CHF 12.6 billion. Mortgage loans stood at CHF 8.8 billion, while lending to public bodies, corporations and private accounts totalled CHF 1.6 billion.

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# Public Relations

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