



Bellinzona, Thursday 28 February 2019

Press release

2018 financial results



Gratifying results in 2018 for the BancaStato Group

2018 was another year of record results for the BancaStato Group. Significant growth in the operating profit (+4.3%) enabled the Group to further strengthen its capital, by allocating CHF 26 million to reserves for general banking risks. The Group's profit rose sharply (+10%) to over CHF 49.3 million. The Group contributed CHF 38.4 million (+6.3%) to the public purse. Mortgage loans (+6.1%) and total loans to customers continued to grow (+3.5%). The balance-sheet total amounted to CHF 14.3 billion (+5.9%). The inflow of new client assets was substantial (+ CHF 809 million). Efficiency and profitability were positive.

The BancaStato Group posted **excellent results** once again in 2018

The payment to the canton amounted to **CHF 38.4 million, up 6.3%**

Net revenues showed **positive growth** (+6.3%)

Operating expenses **increased** (+8.5%).
Excluding non-recurring items, they are at the same level as last year

The operating profit posted a **healthy increase** (+4.3%)

In light of the excellent operating profit, the Group once again decided to **strengthen its capital**

The Group profit **rose substantially** (+10.0%)

The volume of loans to customers continued **to grow** (+5.8%)

The total amount lent to customers **increased** (+3.5%)

The balance-sheet total **increased** (+5.9%) and now exceeds CHF 14.3 billion

The inflow of new client assets was **substantial (+ CHF 809 million)**, confirming the confidence that the people of Ticino place in the BancaStato Group.

Profitability and efficiency **were positive**

Summary of the 2018 financial results (Group)

BALANCE SHEET (CHF thousands)	31.12.2018	31.12.2017	Change	In %
Mortgage loans	9'369'105	8'832'812	536'293	6.1%
Amounts due from customers and companies*	1'256'472	1'188'076	68'396	5.8%
Amounts due from public agencies**	705'824	687'155	18'669	2.7%
Total amount due from customers	11'331'401	10'708'043	623'358	5.8%
Total amount due to customers	9'417'877	9'103'656	314'221	3.5%
Equity capital	1'186'846	1'017'606	169'240	16.6%
Balance-sheet total	14'321'846	13'526'001	795'845	5.9%

CONTO ECONOMICO (in CHF 1'000)	2018	2017	Change	In %
Net result from interest operations	157'073	137'662	19'411	14.1%
Result from commission business and services	49'281	48'906	375	0.8%
Result from trading activities and the fair value option	15'096	18'291	-3'195	-17.5%
Other ordinary results	300	3'715	-3'415	-91.9%
Net revenues	221'750	208'574	13'176	6.3%
Personnel costs	-91'052	-83'934	-7'118	8.5%
Other operating expenses	-42'090	-38'771	-3'319	8.6%
Operating expenses	-133'142	-122'705	-10'437	8.5%
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-16'071	-16'381	310	-1.9%
Changes to provisions and other value adjustments, and losses	-86	-50	-36	72.0%
Operating result	72'451	69'438	3'013	4.3%
Extraordinary income	4'606	2'553	2'053	80.4%
Extraordinary expenses	-320	-16	-304	1900.0%
Changes in reserves for general banking risks	-26'000	-26'114	114	-0.4%
Taxes	-1'405	-1'027	-378	36.8%
Group profit	49'332	44'834	4'498	10.0%
Allocation to the canton	38'363	36'092	2'271	6.3%

* Including building loans and syndicated loans

** Public agencies are the Cantons, municipalities, *patriziati* (public entities managing collective properties) and public consortia.

Comment on the results

BancaStato Group

Group profit and payment to the canton

2018 was once again a year of record results for the BancaStato Group.

The operating profit rose by CHF 3 million to CHF 72.5 million (+4.3%). The excellent operating result enabled the Group to further strengthen its equity capital by allocating an amount of CHF 26 million (in 2017, this item was CHF 26.1 million, in 2016 it was CHF 24 million, and in 2015 it was CHF 22 million).

Despite this substantial allocation, the Group's profit was up significantly by CHF 4.5 million (+10.0%) to CHF 49.3 million.

The rise also positively affected the payment to the Bank's owner, which increased by CHF 2.3 million (+6.3%) to CHF 38.4 million.

Changes in income statement items

Net income from interest operations - the Group's main revenue item - posted a substantial increase of CHF 19.4 million (+14.1%) to CHF 157.1 million.

The result from commission business and services rose slightly, by CHF 375,000, to CHF 49.3 million (+0.8%), even though 2018 was a difficult year for the financial markets. These difficulties also affected both income from trading activities, which fell by CHF 3.2 million to CHF 15.1 million (-17.5%), and income from ordinary operations, which fell by CHF 3.4 million to CHF 300,000.

Overall, net revenues grew by CHF 13.2 million to CHF 221.8 million (+6.3%).

The increase in operating costs, amounting to CHF 10.4 million (+8.5%), was mainly due to the decision to incorporate into the accounts in full a targeted early retirement scheme, created for the next few years, and the adoption of new versions of banking IT applications.

Adjustments on participations and on depreciation and amortisation amounted to CHF 16.1 million (-1.9%).

The 'extraordinary income' item rose from CHF 2.6 million in 2017 to CHF 4.6 million in 2018 (+80.4%).

Changes in balance-sheet items

Although the BancaStato Group's business encompasses all the customary banking services, its main focus is mortgage lending. At the end of 2018, this balance-sheet item rose by CHF 536.3 million to CHF 9.4 billion (+6.1%).

Amounts due from private individuals and companies were also up, by CHF 68.4 million, and totalled CHF 1.3 billion (+5.8%); amounts due from public bodies also posted growth, increasing by CHF 18.7 million to CHF 705.8 million (+2.7%). These items continued to make a tangible contribution to economic growth in the canton.

The trend in total loans to clients is also very positive; this item posted a rise of CHF 314.2 million to CHF 9.4 billion (+3.5%), further proof of the ever-increasing confidence placed by customers in the cantonal bank.

The Group's balance-sheet total increased by CHF 795.8 million to CHF 14.3 billion (+5.9%).

Changes in assets under management

In a year of turbulence on the stock markets, the volume of assets under management held by the BancaStato Group remained broadly stable at CHF 15.7 billion (+CHF 54 million). The inflow of net new money from customers, totalling CHF 809 million, confirms the attractiveness of BancaStato Group and its growth over the last few years.

Profitability, efficiency and financial strength

Profitability, in terms of return on equity (ROE), continued at the positive levels seen in previous years, at just under 5%.

Excluding non-recurring cost elements, efficiency indicators continued to improve, with the cost/income ratio (ratio of operating costs to net income) at 57.6% and the cost/income II ratio (which also includes depreciation, amortisation and provisions) at 64.8% in 2018.

It should also be noted that Group efficiency is affected by the nature of the cost/income II ratio of Axion Swiss Bank SA (Axion), which, given that it operates in private banking, necessarily has a higher indicator score than that of a predominantly retail and commercial bank like the parent company. Nevertheless, it is important to emphasise that the efficiency of Axion (cost/income II ratio) is among the best in its sector. Again, excluding non-

recurring cost elements, this decreased from 75.7% at end-2017 to 75.0%.

The cost/income II ratio of the parent company also improved, falling from 60.3% in 2017 to 58.8% at end-2018 (excluding non-recurring cost elements).

The Bank's capital adequacy, as determined by the ratio of required capital to available funds, calculated on the basis of Basel II standards, stood at 217.7% (213.9% at the end of 2017), compared with the regulatory requirement of 140%. All the indicators of financial strength laid down by the Bank of International Settlements showed positive values. Core tier 1 (CET1) capital rose from 14.6% to 16.4%; tier 1 was 16.4%, compared with 15.8% the previous year, while tier 2 was 17.4%, compared with 17.1% at the end of 2017.

"Thanks to the work carried out by BancaStato in 2018, the people of Ticino will receive over CHF 38 million, and we are extremely proud of that", said **Fabrizio Cieslakiewicz**, President of the Executive Board. "This amount is a tangible measure of the role that the bank plays in the community. But being the 'Ticino people's bank' does not begin and end with the payment of profits to the canton, important as that is. It is primarily a question of the business model, of real proximity to those who live in Ticino, and of concrete support to the businesses located in the region. The results really encourage us as they show that people are becoming increasingly aware of this. I would also like to stress that the important milestones presented today were achieved thanks to a team - the BancaStato Group - which is compact, prepared and, as also shown by a recent survey, very satisfied."

Lawyer **Marco Tini**, President of the Executive Board of Axion, part of the BancaStato Group, also expressed his great satisfaction: "Axion's original aim was to support BancaStato in the diversification of its income sources, particularly with Swiss and international private banking clients. Again this year, we have far exceeded our targets. Axion's results, in terms of both net profit and new assets acquired, rose sharply: profit even shot up by 73%, compared with 2017, despite the turbulent financial markets. The combination of ever-improving synergies with the parent company and the completion of some major strategic projects in the last few years has paid off, benefiting the whole Group and hence all the people of Ticino.

Public mandate

The owners
of the BancaStato
Group



353'709

residents of Ticino
(Ustat 2017)

Our public mandate is
clear: we work for you.
We promote economic
development and provide
opportunities for you to
invest your savings safely
and profitably.



By choosing BancaStato,
you choose Ticino. Every
year, our profits go to
the public purse: you are
therefore the very people
who benefit.



Presence in the region

BancaStato Group
branches and
agencies



ATMs



Employees



Financial indicators

Equity capital



CHF 1,2
billion

Financial strength



CET1
16,4%

Efficiency



Cost/income II ratio
64,8%
At 31.12.2017
66,7%

Rating

(Moody's: Canton of Ticino)



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Public relations

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Bellinzona,

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Banca dello Stato del Cantone Ticino