

Banking Barometer 2018: Growth despite ongoing challenges

- The aggregate operating net income of the banks was CHF 62.5 bn, and thus remained at the same level as for the previous year.
- Gross profit rose by 11.9 percent. The banks paid income taxes and taxes on earnings of CHF 2.2 bn. Aggregate annual profit for the period increased by 24.0 percent to CHF 9.8 bn.
- Assets under management rose by 9.6 percent to CHF 7,292 bn and reached a new post-financial crisis record.
- With a market share of 27.5 percent, Switzerland remains the global leader in cross-border private banking.

Overview

The challenges in the banking sector persisted in 2017. The continuous rise in regulatory costs, the sustained period of negative interest rates as well as the political and legal uncertainties in the wake of Brexit and international trade tensions are characteristic of the current environment. However, the Swiss banks are back on the growth track. The aggregate annual profit of the 253 banks rose to CHF 9.8 bn, increasing by 24 percent compared to the previous year. Assets under management reached CHF 7,292 bn – a new record since the financial crisis.

Basel, 30 August 2018 – The banks continue to make a significant contribution to the success of the Swiss financial centre. They generated an annual profit of almost CHF 10 bn. “Even though the current environment is characterised by uncertainty, the signs are once again pointing towards growth. The performance of the banks is therefore all the more impressive. Also positive are the employment figures expected by the sector. According to our survey, around one-third of the banks surveyed expect the employment situation to improve during the remainder of this year”, says August Benz, Deputy CEO of the Swiss Bankers Association (SBA) and Head Private Banking & Asset Management, commenting on this year’s edition of the Banking Barometer.

Solid net income

The number of banks in Switzerland at the end of 2017 decreased by 8 to a total of 253. This reduction pertains only to foreign banks and their subsidiaries. Aggregate annual profit for the period rose by CHF 1.9 bn (+24.0 %). The aggregate balance sheet total increased by 4.8 percent to CHF 3,249 bn. The lending business remains an important pillar for economic development in Switzerland. Domestic mortgage loans rose by 2.7 percent and therefore remained almost unchanged compared to the previous year. Assets under management reached a new record, with only a negligible change in the share attributable to foreign customers since the commitment to the Automatic Exchange of Information (AEOI) in 2013. Despite stricter regulatory framework conditions and the ongoing low interest rate environment, Switzerland remains the leader in global cross-border private banking. The number of employees in Switzerland (93,554 in full-time equivalents) fell by 7.7 percent at the end of 2017. The main cause of this strong decline is a big bank's transfer of central services from its parent company to intragroup service companies without a banking license due to regulatory requirements. Adjusted for this one-off effect, staff levels declined only slightly compared to the previous year (-0.9 %).

Institutional asset management is a key area of focus. It has strong growth potential and is a pillar of the Swiss financial centre. Assets under management in this industry rose by around 13 percent last year.

Strengthening Switzerland's competitiveness

In order to remain a leading global financial centre, Switzerland requires unrestricted market access to foreign customers. Switzerland therefore strives to ensure the equivalence of its legislation, for example through the adoption of the Financial Services Act (FinSA) and the Financial Institutions Act (FinIA) in June 2018, or the implementation of the AEOI. Uncertainty prevails with regard to the recognition of equivalence of the Swiss stock exchange, which was limited to one year by the European Commission.

Further improvements to the general framework conditions are necessary in the areas of the labour market, the regulatory environment and education, but financial market-specific measures in particular are necessary in order to ensure the competitiveness of the banks in Switzerland. The priorities in this regard are the abolition of stamp duty, a withholding tax reform and improving EU market access. "We need business-friendly, internationally recognised framework conditions. These will set the course for future growth and strengthen Switzerland's advantages as a location," says Martin Hess, Chief Economist of the SBA.

Digitalisation as an opportunity

The ongoing decline in margins and increasing digitalisation will continue to drive the structural realignment in the banking sector. The banks are rising to these challenges and are succeeding in their efforts to develop robustly in this changed environment. The new digital technologies are changing business processes and job profiles in the sector. By adjusting their business models, the banks are taking advantage of the opportunities to innovate and in collaboration with fintech companies, are exploiting the potential for synergies.

Banking Barometer 2018: key figures

Key figures banking industry

	2016	2017	Change YoY
Number of institutions	261	253	-8
Number of employees (in full-time equivalents, domestic)	101,382	93,554	-7.7 %
excluding one-off effect	101,382	100,496	-0.9 %
in CHF bn			
Aggregate operating net income	62.5	62.5	-0.1 %
Interest-earning business	24.1	24.0	-0.6 %
Net income from the commission and services business	20.9	21.7	4.0 %
Net income from trading	6.2	7.7	25.4 %
Other ordinary net income	11.3	9.0	-20.4 %
Gross profit from business operations	16.5	18.5	11.9 %
Income taxes and taxes on earnings paid	2.3	2.2	-3.5 %
Aggregate annual profit (result for the period)	7.9	9.8	24.1 %
Annual profit	11.8	10.3	-12.7 %
Annual loss	3.9	0.5	-87.2 %
Balance sheet total	3,100.8	3,249.4	4.8 %
Lending volume	1,107.5	1,131.1	2.1 %
Assets under management in Switzerland	6,650.2	7,291.8	9.6 %
Assets under management cross-border for private investors	2,213.1	2,276.2	2.8 %
Assets under management institutional	2,987.0	3,386.0	13.4 %
Institutional investors (discretionary mandates and collective investment schemes)	1,970	2,208	12.1 %
Private investors (discretionary mandates, advisory mandates) and advisory mandates for institutionals	1,017	1,178	15.8 %

Sources: SNB, SBA, IFZ/AMP and BCG

About the Banking Barometer

The SBA's annual Banking Barometer provides an overview of the key figures and trends in the Swiss banking centre. It draws on data from the Swiss National Bank (SNB) as well as the results from surveys conducted with member institutions.

About the Swiss Bankers Association (SBA)

As the voice of the banking sector, the Swiss Bankers Association (SBA) represents the interests of the banks vis-à-vis industry, policymakers, the authorities and the general public. We are committed to ensuring scope for entrepreneurial freedom and open markets, and advocate for competitive framework conditions that provide room for development and innovation. The SBA was founded in 1912 and brings together almost 300 institutions and 12,000 individual members.

Further information

This press release in English, German, French and Italian, the Banking Barometer 2018 and the presentation by August Benz and Martin Hess as well as additional facts and figures can be found on our homepage swissbanking.org.

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