

Banking in transition – future prospects for banking in Switzerland

Basel, 12 September 2011 – In a joint study the Swiss Bankers Association (SBA) and The Boston Consulting Group (BCG) investigate the outlook for Swiss banks going forward. Bank revenues could rise by more than CHF 10 billion by 2015.

Against the backdrop of a rapidly changing financial industry worldwide, the purpose of the study was to deliver findings on which business areas have the best prospects for development. For banks, the study presents potential areas of action that can be taken into consideration for strategic planning. Claude-Alain Margelisch, CEO of the SBA, underscores the importance of the study: "The global economy is undergoing rapid change, banks are facing new regulatory requirements, and Asia's financial markets are developing quickly. The study provides a snapshot of the current situation and a detailed investigation of important business areas, giving banks reliable forecasts of how the industry will unfold going forward. The study gives an optimistic view of the future. It shows that the outlook for the Swiss banking centre is good, despite all the challenges."

Swiss banks generated 6.7 percent of the country's GDP in 2010. Thus banks are one of the most important economic sectors in Switzerland. Banks posted total revenues of CHF 58.6 billion, with private banking contributing CHF 25.4 billion, the major part of that. The results of the study, which is based on a proven model of BCG, indicate that by 2015, revenues in all five examined business areas (private banking, retail and corporate client business, asset management, and investment banking) will rise by CHF 5.3 billion to CHF 64 billion. Thus the banking sector looks set to keep pace with growth in the Swiss economy overall. If the banks target growth areas in particular, they will be able to generate additional revenues of CHF 4.8 billion. The expansion of private banking in the emerging markets and the commodities trade financing were identified as promising areas going forward. In addition, there should be a stronger emphasis in the future on developing Switzerland into a leading asset management location.

The pressure on gross margins will rise, however, due to greater client price sensitivity and new business models. Banks are also facing higher costs, partly because of stricter regulatory requirements, and also because of the need to continually raise the level of quality of the products and services offered. In addition, there are political, economic and regulatory uncertainties. Financial market regulation also presents major challenges. Switzerland has been tackling these challenges with quick, pragmatic approaches, such as with respect to "Too Big To Fail". For the future of the financial market, the focus must be on policies that foster a competitive environment. After all, stable, supportive conditions as well as predictable regulatory developments are a prerequisite for a prosperous banking sector. Competitive disadvantages such as limited access to foreign markets could hold back growth. The stamp duty also creates disadvantages. The SBA has long called for abolishing this tax.

The results of the study are not influenced substantially by short-term market developments, such as current movements in interest rates and exchange rates. The position of

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Switzerland as a professional banking centre, both international and local, for client-oriented, innovative and discreet banking services can and must be further strengthened.

Media information

You can download the complete study at www.swissbanking.org. The study will be presented in detail today at a press conference at Hotel Widder in Zurich at 10 a.m.

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