Banking Barometer 2024

Economic trends in the Swiss banking industry

August 2024

Swiss Banking

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Executive Summary

Part I: The Swiss banking sector

Switzerland is in a dynamic economic environment influenced by global macroeconomic and geopolitical developments. Measures to strengthen financial stability and the regulatory framework and promote digital innovation are key to securing the Swiss financial centre's competitiveness over the long term.

Rising employment in banking sector despite modest economic growth

The Swiss economy posted modest growth in 2023. Gross domestic product (GDP) was up 1.3% against a backdrop of slowing global growth and muted international demand. The Swiss Banking Outlook 2024 forecasts a similarly restrained rate of 1.2% for the end of 2024. The Swiss National Bank (SNB) has responded to easing inflation by lowering its policy rate in two steps during the first half of 2024, to 1.25%. The unemployment rate remained low, albeit with a slight rise in the second half of 2023, while the number of people employed in the banking sector rose by 1.4% over the year as a whole.

Robust international financial system and continued development of "too big to fail" rules

The global financial markets were dominated in 2023 by high interest income and the collapse of several US banks as well as Credit Suisse. In spite of these challenges, the international financial system showed itself to be in robust shape. Switzerland's domestically oriented banks improved their profitability thanks to higher interest rates, and the takeover of Credit Suisse by UBS immediately stabilised the situation at the embattled bank as well as in the Swiss and international financial system. The Federal Council then analysed the regulations for systemically important banks and came up with several proposed measures to develop the "too big to fail" rule set. These include expanding the provision of liquidity by the SNB and introducing a public liquidity backstop.

Internationally coordinated regulation enhances Switzerland's appeal

Switzerland's banking and financial market regulation plays a key role in the Swiss financial centre's attractiveness and competitiveness. According to the Swiss Finance Institute (SFI), Switzerland is among the world's leading financial centres in terms of regulation and constantly adapts its rules. The "Basel III Final" regulatory reform project aims to make capital adequacy regulations more risk-sensitive and introduce a minimum capital threshold where internal models are used. However, the Federal Council's decision to implement it from the start of 2025 weakens the Swiss financial centre's competitiveness relative to its main international financial rivals. Relevant core markets such as the European Union (EU), the United Kingdom (UK) and the United States (US) will not be rolling out the final Basel III standards, or at least significant parts of them, until a later date. Another reform currently in the pipeline concerns the Federal Act on the Transparency of Legal Entities (TLEA), which is intended to help in combating money laundering. In line with a long-term strategy on implementing international guidelines, Swiss banks adhere strictly to sanctions imposed by Swiss, international and supranational bodies.

Improved market access through international agreements

The Federal Council has finalised the negotiating mandate on deepening bilateral relations with the EU and signed a financial services agreement with the UK. These measures should improve access to both the EU's single market and the UK market, thereby strengthening the Swiss financial centre's competitiveness. Ongoing efforts with regard to Switzerland's relations with China, which were most recently bolstered by a meeting of ministers on the subject of financial markets in Beijing in April 2024, underscore the importance Switzerland attaches to international presence and market access.

Innovation boost from digital financial services

In digital financial services, projects such as the digital Swiss franc and open finance are laying the foundations for new and innovative business models. The launch of a blockchain-based deposit token should simplify the trading and settlement of digital assets as well as payment transactions. From August 2024, the biggest retail banks will be obliged to process instant payments, allowing funds to be transferred in real time. Meanwhile, work is ongoing on an electronic identity (e-ID) to increase security and build trust in digital transactions.

Preserving an attractive tax framework

An attractive tax framework is essential to the Swiss financial centre's competitiveness. Switzerland introduced the minimum tax on the profits of multinational enterprises proposed by the Organisation for Economic Co-operation and Development (OECD) in January 2024. The United Nations, meanwhile, is working on a plan to redistribute global tax revenues that could restrict Switzerland's tax sovereignty. The Crypto Asset Reporting Framework (CARF) enters into force in January 2026 and is designed to improve tax transparency with regard to digital assets. In view of these developments, Switzerland faces the challenge of striking a balance between complying with international tax standards and maintaining the competitiveness of its financial centre.

Part II: Consolidated trend in Switzerland's banks

The Swiss banks' overall performance in 2023 was positive. Aggregate net income rose by 2.9% to CHF 72.3 bn, with the cantonal and stock exchange banks posting especially strong increases. The annual profit for the sector as a whole was a record CHF 25.9 bn, but the income figures were heavily influenced by one-time effects related to the takeover of Credit Suisse by UBS.

One-time effects among big banks weighing on aggregate interest income

While the domestically oriented banks achieved particularly good results in interest operations, the big banks suffered a sharp fall. Interest income across the sector as a whole rose by an impressive 86.3% or CHF 40.2 bn. Overall, however, the result from interest operations was down CHF 172.4 mn due to high interest expenses relating to the demise of Credit Suisse. The result from trading activities was a full 21.3% higher year-on-year in what was a volatile year for the stock markets. Meanwhile, the downtrend in commission business and services continued with a fall of 6.7% on the back of lower income from securities and investment business. Assets under management were up 6.9% at CHF 8,391.7 bn, comprising CHF 3,794.4 bn from foreign-domiciled customers and CHF 4,597.3 bn from Swiss-domiciled customers.

The end result of all of these developments is a 2.9% increase in aggregate net income. The bank's operating profit for the year rose to CHF 25.9 bn due to extraordinary income in connection with the takeover of Credit Suisse by UBS. This represents an all-time high, but it was heavily influenced by UBS's negative goodwill from the takeover. The banks paid corporate taxes totalling CHF 3.2 bn, up 52.2% on the prior year.

Stabilisation in liquid assets, other asset items mostly lower

The aggregate balance sheet total of all banks in Switzerland contracted by 4.9% in 2023 to CHF 3,177.0 bn, with the big banks hit hardest. Mortgage loans were up slightly and remained the largest asset item, making up 37.8% of the total. Liquid assets, which had fallen sharply in 2022, stabilised and showed a 2.4% increase. Both this stabilisation and the smaller decline in sight deposits with the SNB can be attributed to higher headline interest rates and the resulting higher opportunity cost of holding liquidity. At the same time, amounts due from foreign customers and banks fell significantly.

Time deposits posting further growth on liabilities side

On the liabilities side, amounts due in respect of customer deposits were down in 2023, mainly due to a 23.8% fall in sight deposits. Some of this money was rotated into time deposits, which showed a 50.2% increase as customers increasingly favoured long-term investments following the turnaround in interest rates. However, some of the fall in sight deposits was caused by uncertainty surrounding Credit Suisse and its takeover by UBS. The CHF 22.4 bn drop in amounts due to banks was mainly due to declines outside Switzerland. The changes on the liabilities side reflect the banks' efforts to adapt to the new interest rate environment and the associated customer preferences.

Number of staff at banks in Switzerland rising further

The employment situation at Swiss banks was stable in 2023, with the number of staff rising slightly. Overall, the banks in Switzerland employed 93,299 full-time equivalents at the end of 2023, 1,280 more than the previous year. The unemployment rate in the financial sector held steady at 2.3%, in line with the Swiss average. In spite of the challenges posed by the takeover of Credit Suisse by UBS, the Swiss banking sector proved robust on the job front.

According to an SBA survey, Swiss banks' domestic headcount remained stable during the first half of 2024. The 1.3% fall in the total number of staff was entirely due to developments abroad. According to SECO, the financial sector unemployment rate rose to 2.6% compared with the end of 2023. The banks surveyed have a cautiously optimistic view of the employment outlook for the second half of the year. UBS was not included in the forecast. While 7.6% of the banks expect their headcount to fall, 36.2% expect it to rise. The majority – 56.2% – expect no change. The number of banks experiencing recruitment difficulties due to a lack of qualified specialists remains doggedly high. According to the survey, retail banking, wealth management and logistics have the best prospects for employment growth in the second half of 2024.

Figure 1

The structure of the Swiss banking sector at the end of 2023

Group of banks	2022	2023	Additions	Reclassifications	Removals
Cantonal banks	24	24	0	0	0
Big banks	4	4	0	0	0
Regional and savings banks	59	58	0	–1	0
Raiffeisen banks	1	1	0	0	0
Foreign banks	86	89	1	2	0
Private bankers	5	5	0	0	0
Stock exchange banks	38	40	0	2	0
Other banking institutions	18	15	0	–3	0
Total	**235**	**236**	**1**	**0**	**0**

Table: Swiss Bankers Association · Source: Swiss National Bank

Moderate growth and stabilisation in first half of 2024

The economic trend remained moderately positive in the first half of 2024. The Swiss Banking Outlook 2024 predicts GDP growth of 1.2%. Inflation remained moderate and stable in the first half of 2024, and the SNB lowered its policy rate to 1.25% before the other leading central banks cut their rates. The aggregate balance sheet total of all banks in Switzerland rose by 2.9% to CHF 3,380.8 bn. Amounts due from banks and trading portfolios were higher, whereas liquid assets and financial investments were slightly lower. Amounts due in respect of customer deposits and amounts due to banks were up, but bonds were down. Assets under management exceeded CHF 9,000 bn for the first time ever, rising by 8.0% to CHF 9,069 bn. This was helped by the positive stock market trend, which caused securities holdings to increase by 7.7%. Amounts due to customers excluding sight deposits were up 9.5%, reflecting the trust customers place in Swiss banking and, according to the SNB, the effects of adjustment to the new balance sheet structure in the wake of the Credit Suisse takeover.

Figure 2

Swiss banking sector: key figures

	2022	2023	Change YoY
No. of institutions	**235**	**236**	**1**
Number of staff (full-time equivalents in Switzerland)	**92,019**	**93,299**	**1.4%**
in CHF bn			
Aggregate net income	**70.3**	**72.3**	**2.9%**
Result from interest operations	24.5	24.3	−0.7%
Result from commission business and services	23.3	21.8	−6.7%
Result from trading activities	9	10.9	21.4%
Other result from ordinary activities	13.4	15.3	13.8%
Gross profit	**26.8**	**27.2**	**1.5%**
Taxes paid on revenue and profits	**2.1**	**3.2**	**52.1%**
Result of the period (annual profit/loss)	**6.5**	**25.9**	**298.5%**
Annual profits	8.4	30.4	261.9%
Annual losses	1.9	4.5	136.8%
Balance sheet total	**3,339.7**	**3,177**	**−4.9%**
Lending volume	**1,337.1**	**1,362**	**1.9%**
Assets under management in Switzerland	**7,846.8**	**8,391.7**	**6.9%**
Cross-border assets under management for private customers	**2,104.2**	**2,205.7**	**4.8%**

Note: Asset prices in national currency at end of 2023 converted to Swiss francs.

Table: Swiss Bankers Association · Source: Swiss National Bank, Boston Consulting Group

The editorial deadline for the Banking Barometer 2024 was August 16, 2023.

1. Economic policy environment

Economic developments

The Swiss economy saw modest growth in 2023. Inflation stabilised, while unemployment remained low. The global economic picture is set to improve in 2024.

2023 saw modest growth in the Swiss economy. Overall, gross domestic product (GDP) expanded by a below-average 1.3%. The economic environment was dominated by a slowdown in global growth and subdued international demand, along with a monetary policy tightening in response to persistently high inflation. For the Swiss industry, 2023 was a difficult year. The service sector made the biggest contribution to growth. Unemployment rose in the second half, but is still below the comparatively low pre-COVID figure. The economic trend in the first quarter of 2024 mirrored that in 2023, with the performance of the industrial and service sectors continuing to diverge. The State Secretariat for Economic Affairs (SECO) is once again forecasting below-average growth of 1.1% in Swiss GDP for 2024, with capital spending down while consumption remains relatively stable.

The global economic outlook has improved compared with last year, but depends on a wide range of factors. The conflicts in Ukraine and the Middle East continue to pose significant geopolitical risks to economic performance. However, a potential loosening of monetary policy abroad could have a positive impact on demand for Swiss goods.[1]

As consumer inflation hit an average of 2.8%, breaching the SNB's upper limit for the first time since the financial crisis, the central bank responded in June 2022 by signaling an interest rate turnaround. It hiked its policy rate in a number of steps, to 1.75% in June 2023. Inflation fell steadily during 2023, and stood at just 1.2% in January 2024, mainly due to lower price increases for energy sources and industrial goods. The same trend was observed in food prices.[2] This prompted the SNB to lead the way among major central banks, cutting its policy rate by 25 basis points to 1.5% in March this year. As a result, the CHF depreciated temporarily against the USD and EUR, benefiting Swiss exporters. The SNB reacted to falling inflationary pressure by lowering its policy rate by a further quarter-point to 1.25% in June, thus continuing its monetary easing.

In view of doggedly high inflation seen in 2022, the US Federal Reserve (Fed), the European Central Bank (ECB) and other central banks raised their benchmark interest rates in a number of steps from the second quarter of the year and onwards. Since the end of July 2023, the federal funds rate range has remained at 5.25% to 5.5%. The Fed also started scaling back its bond portfolio in June 2022.[3] The ECB progressively raised its main refinancing operations (MRO) rate to 4.5% by September 2023. It is also in the process of reducing the portfolio acquired under the Asset Purchase Programme (APP), with a view to reducing the money supply. Reinvestment of principal payments from maturing securities ceased in August 2023. The ECB also plans to reduce its portfolio from the Pandemic Emergency Purchase Programme (PEPP) by an average EUR 7.5 billion per month, starting in the second half of 2024. In June this year, the ECB followed the SNB in reversing its interest rate stance, cutting its MRO rate by 25 basis points to 4.25%. It cited

[1] SECO (2024). Konjunkturtendenzen spring & summer 2024.
[2] SECO (2023/24). Konjunkturtendenzen winter 2023/2024 and summer 2024.
[3] Fed (2022/23). FOMC Statement and Implementation Note issued on 15 June 2022 and 26 July 2023.

easing inflation as the reason for this move, though the figure is still above its 2% target. The Fed, meanwhile, is sticking to its restrictive monetary policy for the time being.

Figure 3

Real gross domestic product, seasonally adjusted

Change compared with prior-year quarter in %

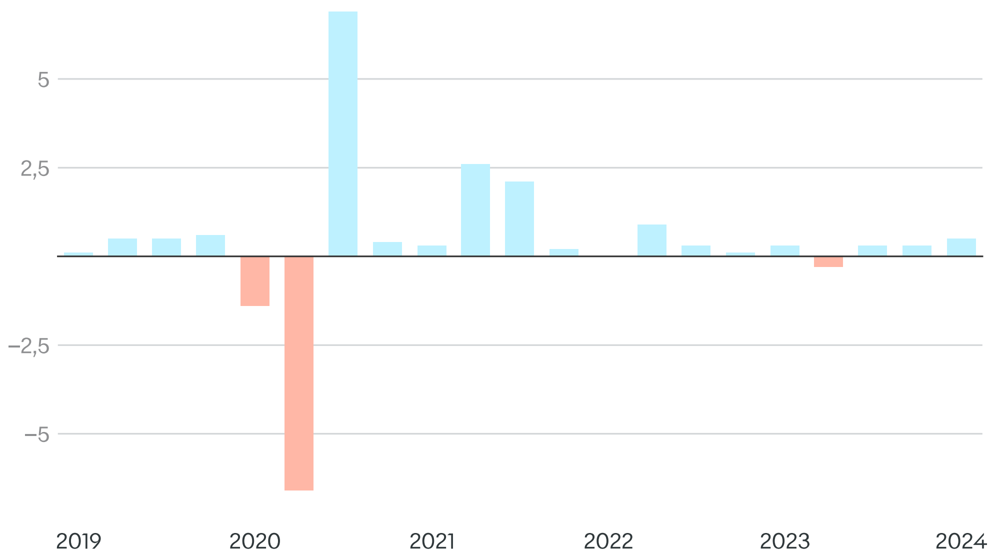


Chart: Swiss Bankers Association · Source: State Secretariat for Economic Affairs

Figure 4

Unemployment rate, not seasonally adjusted

In %

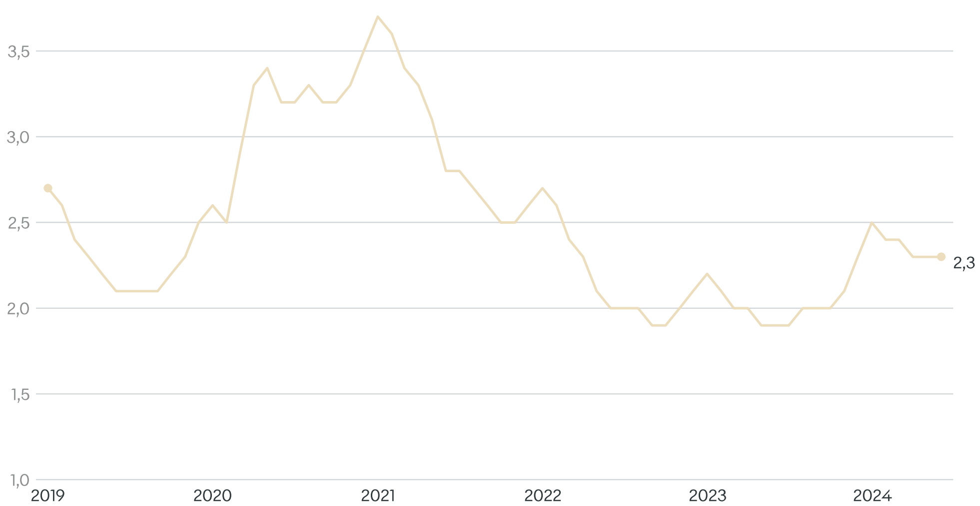


Chart: Swiss Bankers Association · Source: State Secretariat for Economic Affairs

Figure 5

SNB policy rate and inflation

In %

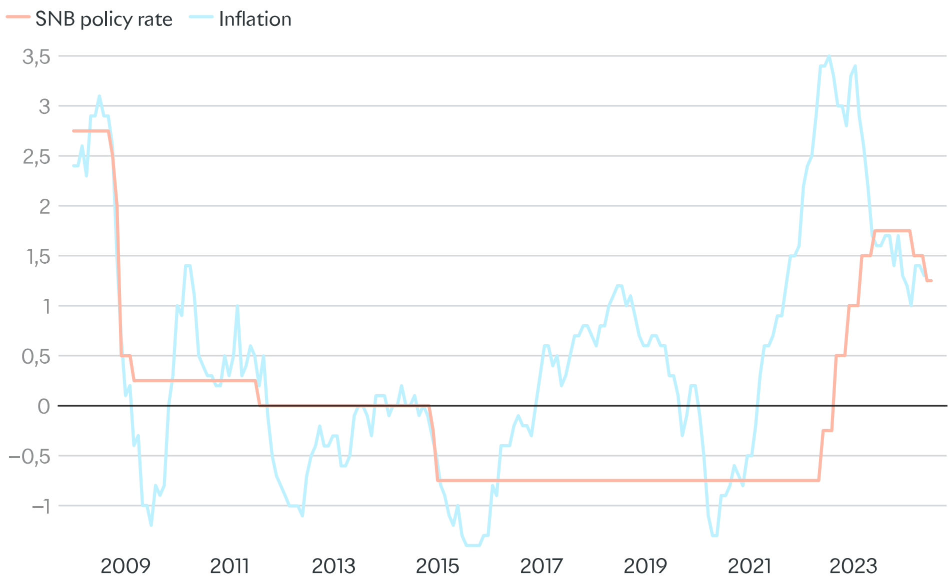
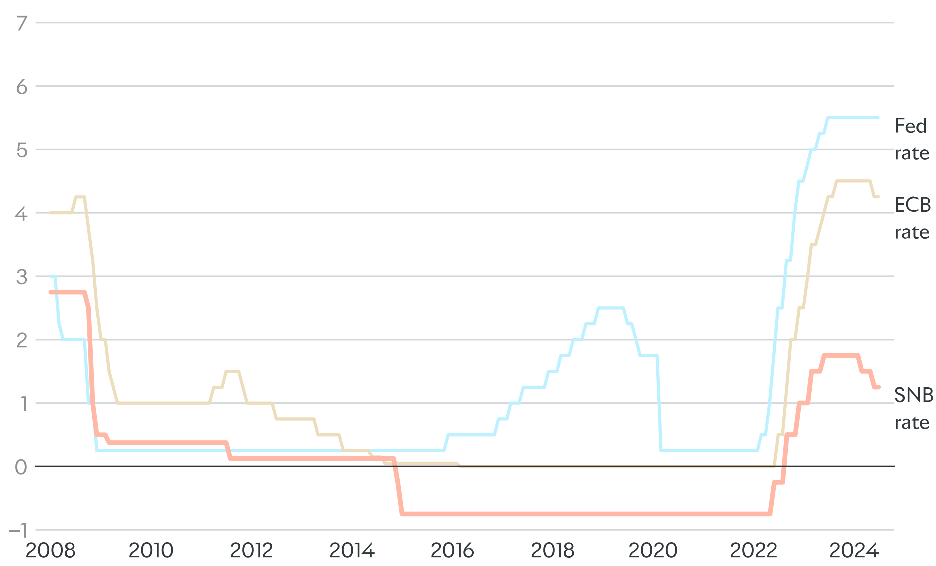


Chart: Swiss Bankers Association · Source: Swiss National Bank, Federal Statistical Office

Figure 6

Headline interest rates 2008–2024

In %



Note: From 3 January 2000 to 13 June 2019, the SNB set a target range for the three-month LIBOR in CHF. The SNB policy rate applies from 13 June 2019.

Chart: Swiss Bankers Association · Source: European Central Bank (2024), US Federal Reserve (2024), Swiss National Bank (2024)

Financial stability

Globally, developments in the banking sector were dominated by high interest income and the collapse of US banks and Credit Suisse. Generally, however, the international financial system appears robust, and the short-term risks have waned.

The central banks' abandonment of years of low interest rate policy caused interest margins to rise, with the corresponding impact on results in lending business. On the other hand, it presented big challenges for some banks. In the US, valuation corrections linked to the interest rate turnaround helped tip a number of banks into insolvency during 2023.

Overall, though, the international financial system has proved resilient in the face of the turnaround, and the near-term risks to the system have declined. The substantial fall in the prices of commercial real estate could negatively impact some banks' mortgage business in the short term. Continued geopolitical tensions and potential cyber attacks present an ongoing risk to macrofinancial stability.[4]

In Switzerland, a series of developments led to the takeover of Credit Suisse by UBS in March 2023. The takeover, along with the additional actions taken by the authorities, immediately stabilised the situation at Credit Suisse and across the financial system. The concerted approach proved expedient and effective at boosting confidence in financial institutions.

Following the takeover of Credit Suisse by UBS, the Federal Council conducted an in-depth evaluation of the regulation of systemically important banks and published its results in a report on banking stability in April 2024. The report concludes that many of the measures introduced to increase financial stability have generally proved their worth. However, it puts forward almost 30 measures to further enhance the TBTF regulations. To avoid fragmentation and prevent a deluge of regulation, the SBA believes it to be vital for the Federal Council to prioritise the measures according to their effectiveness and restrict their scope. At the heart of the reform should be the expansion of liquidity provision by the SNB, the introduction of the public liquidity backstop for systemically important banks, and targeted adjustments relating to remuneration and responsibility.

Regulation

Regulation of the banks and financial markets plays a key role in the attractiveness and competitiveness of the Swiss financial centre, which is a global leader in terms of its regulatory framework.

As regards capital adequacy regulations, "Basel III final" is expected to come into force in Switzerland at the start of 2025, marking the completion of a central regulatory project for the banking sector. The main purposes of the reform package are to make capital adequacy regulations more risk-sensitive and to introduce a new minimum capital threshold where internal models are used. Overall, the approach adopted by Switzerland is effective, pragmatic and appropriate. According to the SFI, Switzerland is among the world's leading financial centres in terms of regulation and constantly adapts its rules. However, the Federal Council's decision to implement Basel III from the start of 2025 weakens the Swiss financial centre's

[4] IMF (2024) Global Financial Stability Report.

competitiveness relative to its main international rivals. Relevant core markets such as the EU, UK and US will not be rolling out the final Basel III standards, or at least significant parts of them, until a later date.

As part of the Swiss implementation of "Basel III final", the SBA has also updated its guidelines on mortgage loans. The stricter rules on own funds and amortisation for investment properties introduced in 2019 have been lifted, as "Basel III final" substantially increases the risk weighting for residential investment property financing. Additionally, (i) housing cooperatives have been included in the guidelines, (ii) the requirement in Basel III final for an independent valuation has been clarified, and (iii) an obligation to check the plausibility of creditworthiness and affordability has been introduced. The amended guidelines have been recognised by FINMA as a minimum standard under supervisory law, and enter into force simultaneously with the revised Capital Adequacy Ordinance and the associated FINMA ordinance.

The Federal Act on the Transparency of Legal Entities and the Identification of Beneficial Owners (TLEA) is designed to toughen up the anti-money laundering regime in line with international standards. At the centre of the Federal Council dispatch published in May 2024 is the introduction of an electronic register of the beneficial owners of legal entities. In particular, specific activities associated with the structuring and formation of legal entities are also to be brought within the scope of the Anti-Money Laundering Act (AMLA), and those entrusted with carrying them out made subject to due diligence obligations for advisers.

Swiss banks maintain strict compliance with the sanctions imposed by Swiss, international and supranational bodies. Implementation has proven highly complex in some cases. Switzerland and its financial centre want a sanctions policy that is effective and compliant with the rule of law. The country pursues a long-term and optimally coordinated strategy to implement international guidelines in this field, and brings its views to bear in international discussions on the topic.

FINMA plans to issue a circular setting out in detail its requirements for the management of nature-related financial risks by banks and insurers. For banks, the focus is on increased credit risks resulting from climate change and other natural events. A consultation on this subject took place in spring 2024, in which the sector argued for a more strongly principles-based approach (geared to materiality), improved alignment with international standards, and greater proportionality. The circular is expected to enter into force on 1 January 2025 (with transition periods).

Market access

With the adoption of its negotiating mandate, the Federal Council has taken an important step towards advancing bilateral relations with the European Union (EU). Meanwhile, the financial services agreement between Switzerland the United Kingdom has been signed.

Since opting not to sign the institutional framework agreement between Switzerland and the EU in May 2021, the Federal Council has repeatedly affirmed its resolve to continue with the bilateral approach. A new package for negotiations with the EU aims to anchor institutional elements in the individual single market agreements by means of a vertical approach. The Federal Council no longer sees the horizontal approach (in which all institutional issues are governed by one framework agreement) as an option.

Exploratory talks with the EU were conducted on this basis, and the negotiating mandate with the EU was adopted in March 2024, following consultation with Parliament and the social and economic partners.

However, financial market regulation is not part of the negotiations between Switzerland and the EU on institutional matters. For this reason, the Federal Council wishes to resume the regulatory dialogue on financial issues with the EU swiftly, in order to discuss topics such as cross-border wealth management – in particular the institution-specific approach – and the outstanding EU decisions on the equivalence of Swiss regulation. Improved access to the EU single market is vital to the Swiss financial centre, helping to preserve jobs and support value creation in Switzerland. The SBA welcomes the adoption of the negotiating mandate and the resumption of dialogue on financial market regulation.

In December 2023, following intensive negotiations, Switzerland and the United Kingdom (UK) signed a comprehensive agreement on financial services. The agreement is based on the principle of mutual recognition of financial market regulation and the supervisory regime, which the sector regards as expedient. It lays the foundation for measures to open up markets in the areas of banking and securities services, asset management, insurance and stock exchanges. The UK is one of the most important export markets for Swiss financial institutions when it comes to cross-border wealth management. The agreement improves legal certainty for banks in Switzerland and enables them to meet the cross-border banking needs of high-net-worth individuals even better than they do already.

April 2024 saw the second China-Switzerland financial market meeting at ministerial level in Beijing. It was attended by the Governor of the People's Bank of China and representatives of the Chinese regulatory authorities, along with Switzerland's State Secretary for International Finance and representatives of the SNB, FINMA and both countries' private sectors. A strengthened international presence is of great importance to the Swiss financial sector. It will facilitate access to strategically important regions as well as future and growth markets, creating opportunities to discuss market access issues and regulatory harmonisation on an equal footing and move to deepen financial market cooperations.

Digital finance

Technology-based digital infrastructures, such as a digital Swiss franc and open finance, pave the way for new business models to keep the Swiss financial sector innovative and competitive in the years ahead. Increased resilience to cyber attacks is key.

A group of banks coordinated by the SBA has launched a project to introduce a digital Swiss franc based on tokenised deposits, laying the groundwork for new and innovative financial services in Switzerland. Operating on a blockchain, the deposit token is intended to enable or simplify trading and settlement of digital assets, payment transactions in "Industry 4.0", and peer-to-peer applications in a CHF financial ecosystem. A digital Swiss franc issued by regulated banks as a public good is a transformative step towards the future of banking in Switzerland and will, it is hoped, make a key contribution to the nation's competitiveness and innovative power going forward.

From August 2024, the biggest banks will be obliged to offer instant payments, with all other banks to follow from November 2026. These payments are settled in real time via Swiss Interbank Clearing (SIC) which, among other things, reduces the counterparty risk. Equally, the short settlement time poses challenges for individual institutions, especially when it comes to complying with legal requirements (e.g.

verifying the recipient and checking for sanctions) and operational implementation, given the need for permanent availability, including at weekends.

The introduction of an E-ID supports the further development of digital services by offering security and trustworthiness in online business relationships, improving efficiency, and enhancing protection against identity fraud in the payment process. The Federal Council proposal published in November 2023 envisages an E-ID issued by the federal government. The intention is to guarantee optimum protection of personal data thanks to concepts such as self-sovereign identity (SSI), privacy by design, data minimisation and decentralised data storage. For the general public and companies, use of the E-ID is to be free of charge and voluntary, while the Swiss authorities will be obliged to accept it as valid proof of identity. It is not expected to be introduced before 2026.

Major advances in generative artificial intelligence (AI) have transformed areas such as text and image creation almost overnight. The substantial benefits of the relevant applications are being discussed in great detail, as are the associated risks and the need for regulation of AI. In its Risk Monitor 2023, FINMA highlights particular challenges arising from the use of AI on the Swiss financial market as regards governance, robustness, explainability and equal treatment. It plans to monitor the use of AI in the institutions it supervises.

The cyber resilience of the Swiss financial centre is crucial to the deployment of innovative technologies. Cyber attacks on banks are a risk to financial stability and can negatively impact the economy as a whole. Outsourcing of services is a particular risk factor: it accounted for more than half of all cyber attacks reported to FINMA in 2022 and 2023. It is essential for institutions to impose clear requirements regarding cyber security on the providers they outsource to, and review them regularly.

The Cyber Security Ordinance is currently going through the consultative process. It contains the implementing provisions for the section of the revised Information Security Act (ISA) concerning the obligation to report cyber attacks on critical infrastructures, and also governs organisational aspects relating to cyber security. The Ordinance is scheduled to come into force together with the revised ISA on 1 January 2025.

April 2022 saw the creation of the Swiss Financial Sector Cyber Security Centre (Swiss FS-CSC), an association committed to bolstering cyber resilience and promoting cooperation between financial institutions and the authorities. It carried out its first operational cyber exercise in November 2023, involving around 100 cyber security specialists from banks, insurance companies and the authorities, followed by a strategic cyber exercise in May 2024. The focus was on responding to the unavailability of an important third-party provider impacting one or more Swiss financial institutions.

Another example of Swiss banks' technological innovation is the multibanking initiative for retail clients launched by the SBA in spring 2023. The idea is to give customers the ability to view and manage accounts with multiple banks via a central login. The initiative is being put into practice by individual institutions, with the SBA providing support with regard to clarifying the remaining legal issues. The Federal Council has also spoken out in favour of the multibanking initiative, which it regards as a clear commitment to open finance on the part of the banking sector. It therefore sees no reason to intervene with regulation on this subject, but it will be following the progress of implementation efforts with interest.

Taxation

An attractive tax environment and internationally accepted compliance rules are essential locational advantages for the financial sector. While taxation of banks' own activities is a central issue, another is regulations to ensure that customers meet their tax obligations.

The Organisation for Economic Co-operation and Development (OECD) has drawn up new rules on taxing the profits of multinational enterprises. The first step is a minimum tax of 15% to be applied to their profits worldwide. In Switzerland, the domestic component of the tax came into force on 1 January 2024. By contrast, around three quarters of the 140 countries that have committed to the OECD minimum tax have indicated that they will not implement it until after 2024. The SBA believes that it would have been better for Switzerland to align the timing of introduction more closely with other economically important countries, so as not to put itself at a disadvantage in international tax competition.

The UN has recently joined the OECD in turning its attention to tax policy issues. It empowered itself to expand its role in international tax policy back in December 2022 and has since been working on a redistribution of global tax revenues, starting with cross-border services. This would allow the customer's country to tax income from services even if those services are not provided in the country concerned ("source state taxation").[5] A vote on the proposal in the Committee of Experts on International Cooperation in Tax Matters is scheduled for October 2024. As a major export service sector, banks in Switzerland would be seriously affected. The proposal would further curtail Switzerland's sovereignty in tax matters as well as its attractiveness as a location.

The market for digital assets has expanded greatly over recent years. More and more banks in Switzerland are enabling their customers to invest in them directly. Digital assets can be traded and held without the involvement of regulated financial intermediaries and, as such, are not always covered by automatic exchange of information (AEOI). This makes it more difficult for states to assess the associated tax liabilities. Against this backdrop, in June 2023 the OECD declared an additional AEOI specially for digital assets, known as the Crypto Asset Reporting Framework (CARF), to be a global minimum standard, with member states essentially obliged to implement it.

Implementation of the CARF in Switzerland is planned for January 2026. The Federal Council has drawn up a draft bill to this effect, which was opened up for consultation in August 2024. When the CARF comes into force in Switzerland, providers of crypto services will have to document their customers in accordance with the CARF rules, and file a report with the Federal Tax Administration on customers domiciled abroad. This will make digital assets subject to the same tax transparency as traditional assets have been since the introduction of AEOI.[6]

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[5] https://financing.desa.un.org/sites/default/files/2024-03/CRP.%2011%20UN%20Model%20Coordinators%20Report%20.pdf
[6] https://www.swissbanking.ch/en/news-and-positions/news/insight-1-24-en-what-the-new-crypto-aeoi-means-for-banks

2. Net income

Swiss banks posted a positive overall performance in 2023, with aggregate net income up 2.9% year-on-year. Factoring in the extraordinary income from the takeover of Credit Suisse by UBS, the banking sector recorded an annual profit of CHF 25.9 bn.

The net income of all banks in Switzerland was CHF 72.3 bn in 2023, an increase of 2.9% year-on-year. This is due to sharp rises in net income at the cantonal banks (up 17.6%) and stock exchange banks (up 20.4%). There were improvements in the result from trading activities (up 21.3%) and the other result from ordinary activities (up 13.9%). The result from trading activities is probably attributable to a successful year on the stock markets. The pleasing figures for the sector as a whole in 2023 should be viewed in the context of numerous one-time effects – both positive and negative – related to the integration of Credit Suisse into UBS. Despite very good results from interest operations for domestically oriented banks, the interest income of banks in Switzerland overall declined by a modest 0.7%, mainly due to high interest expense at the big banks. The latter's contribution to aggregate net income declined by a substantial 6.2 percentage points, while the share attributable to the cantonal and stock exchange banks saw the clearest growth.

Statistical reporting levels

This publication is based on data provided by the Swiss National Bank (SNB) compiled from the individual financial statements of banks (parent companies) as required by law. In the case of the big banks and internationally active banks in particular, these statements deviate from the group financial statements. The SNB distinguishes between three perspectives in its published data: domestic office, parent company and group.

2.1 Trends in 2023

Net income by banking activity

Aggregate net income comprises the results from interest operations, commission business and services, and trading activities as well as the other results from ordinary activities. The 2.9% growth in aggregate net income in 2023 was largely due to improvements in the result from trading activities and other results from ordinary activities.

As in 2022, the result from interest operations was the biggest single contributor to net income, accounting for 33.3% of the total despite a slight fall of 0.7%. Following the SNB's interest rate turnaround in 2022, the policy rate rose to 1.75% in 2023. The impact of the rate hikes on interest expense and interest income is clear to see. With interest margins and lending volumes both up, banks in Switzerland recorded a very good result from interest operations overall, despite a slight drop caused by one-time effects linked to the takeover of Credit Suisse by UBS. Interest income rose by CHF 40.2 bn (86.3%), while interest expense was up CHF 40.4 bn (182.8%).

The high interest expense was due to banks' higher refinancing costs and, in particular, the rise in interest paid on customer deposits. The boost to interest income was attributable to loans to customers, and also to income on the banks' sight deposits with the SNB, which climbed from CHF 0.8 bn at the end of 2022 to CHF 7.4 bn at the end of 2023 on the back of interest rate rises.

The result from commission business and services declined once again, by 6.7%. Having peaked at CHF 25.5 bn in 2021, it has now fallen back to CHF 21.8 bn, while its share of net income has declined from 35.9% to 30.1%. As in 2022, the decrease was caused by a drop in commission income from securities trading and investment activities, together with declining fees in deposit business.

Figure 7

Aggregate net income by banking activity

In CHF bn

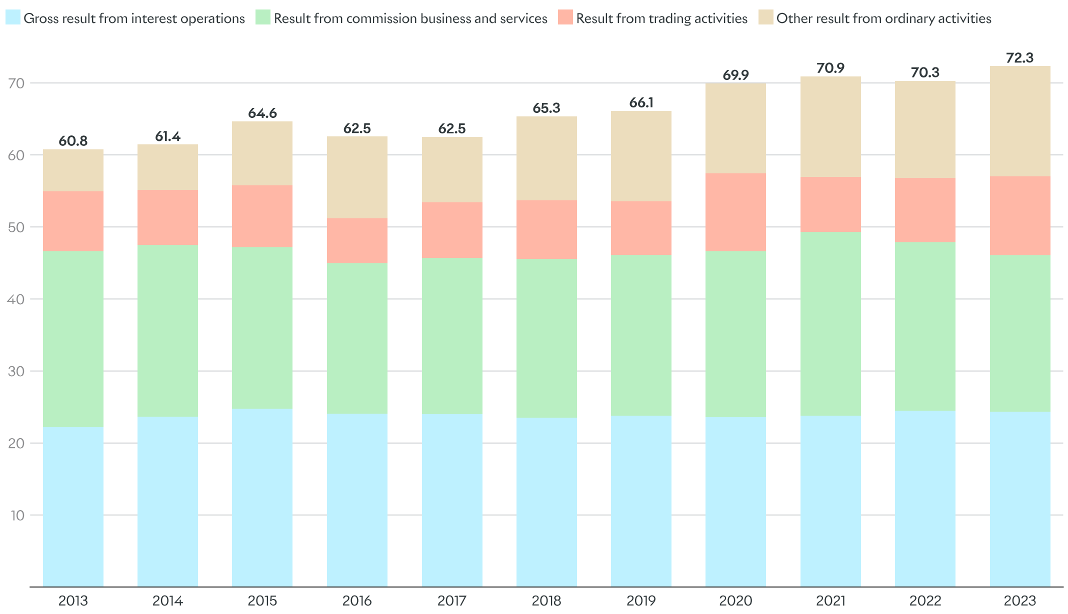


Chart: Swiss Bankers Association · Source: Swiss National Bank

The biggest relative increase in 2023 was in the result from trading activities, which rose to CHF 10.9 bn, back at the level seen in 2020 and up 21.3% compared with 2022. One important reason for this is the increased market volatility seen in 2023.

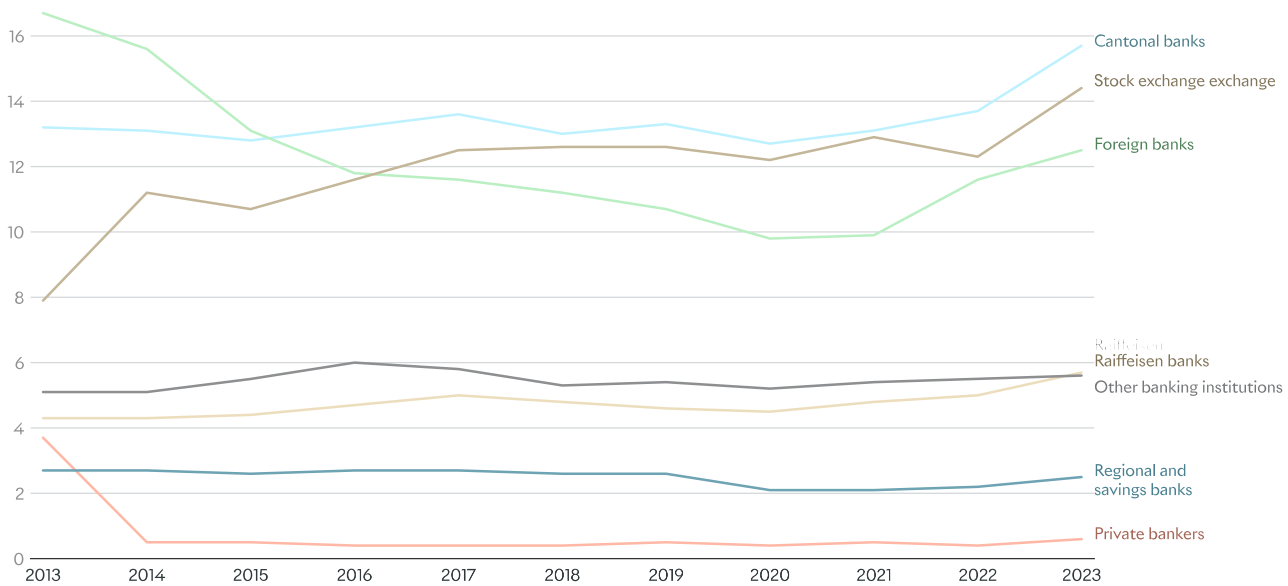
Net income by bank category

With the exception of the big banks, all bank categories saw their aggregate net income rise year-on-year in 2023. This is reflected in their share of total net income, with the big banks down by 6.2 percentage points and the cantonal and stock exchange banks in particular up.

The cantonal and stock exchange banks recorded especially large year-on-year growth in their share of net income. The cantonal banks climbed by 2.0 percentage points to 15.7%, reflecting a growth in net income of CHF 1,703.6 mn, mainly thanks to a jump in the result from interest operations, up 26.8% or CHF 1,582.4 mn year-on-year.

Figure 8

Net income (shares by bank category, excluding big banks)
In %



Note: The big banks contribute a much larger share of net income than the other categories – it has fluctuated between 43% and 53% since 2012. They have thus been omitted from the chart in order to provide a clearer picture of the trends among the other categories

Chart: Swiss Bankers Association · Source: Swiss National Bank

The stock exchange banks also saw their share of net income rise, by 2.1 percentage points, though unlike at the cantonal banks, this was due to the other result from ordinary activities, which stood at CHF 1,145.3 mn in 2023, back in positive territory and massively up on a loss of CHF 142.1 mn a year earlier. The result from commission business and services, which accounts for roughly half of the stock exchange banks' net income, stagnated while the result from interest operations rose by CHF 516 mn (24.8%). Overall, the stock exchange banks' net income was up CHF 1,759.8 mn (20.4%).

The regional and savings banks, Raiffeisen banks, foreign banks and private bankers all recorded net income growth in excess of 10%. Strikingly, in all cases the largest contributor was the improved result from interest operations. The Raiffeisen banks, for example, which generate around three quarters of their net income from this business, saw their total net income rise by CHF 547.3 mn, with the lion's share attributable to a CHF 529.9 mn (20.6%) increase in the result from interest operations. The regional and cantonal banks likewise posted an increase of more than 20%. This is due to the improved net interest margin following the interest rate hikes, combined with higher income from interest on sight deposits at the SNB as part of the latter's interest rate policy. The proportion of overall net income attributable to interest operations is much higher at the domestically oriented banks than the big banks, underscoring its importance to the former.

Figure 9

Net interest margin of domestically oriented banks

In %

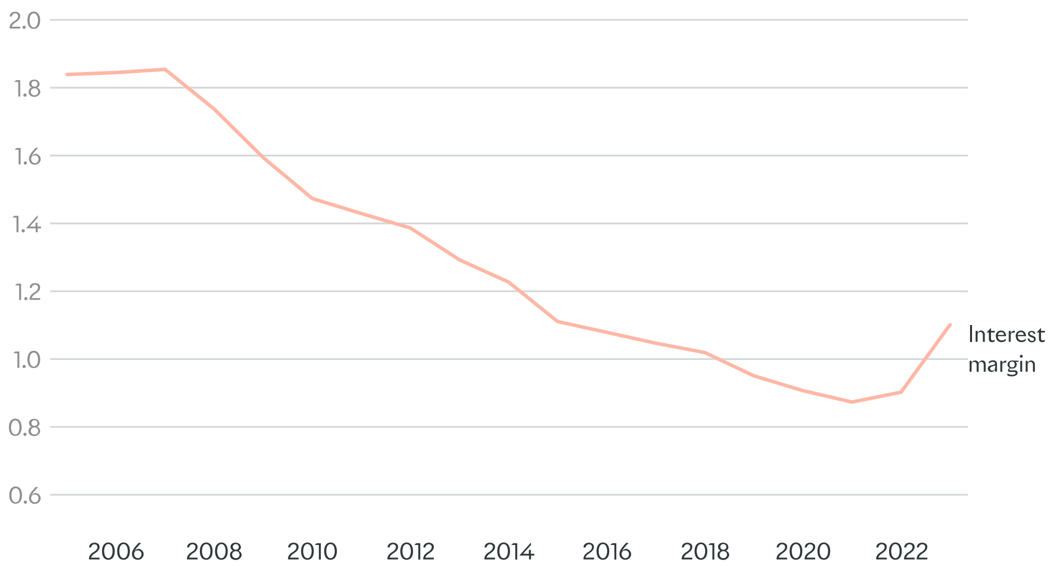


Chart: Swiss Bankers Association · Source: Swiss National Bank

Despite the positive performance in interest operations for most bank categories, the result from interest operations edged down by 0.7% overall. This was due to the sharp drop in this figure at the big banks – probably caused mainly by one-time effects related to the takeover of Credit Suisse by UBS (not shown) – down 52.5% from CHF 8,089.5 mn in 2022 to CHF 3,841.2 mn in 2023. As a consequence, the big banks' share of the overall result from interest operations at Swiss banks declined from 33.0% to 15.8% over the same period. In spite of strong growth in trading activities (up 39.7%) and the other result from ordinary activities (up 4.9%), the big banks saw their net income fall by CHF 3,448.9 mn (10.0%), this being compounded by the result from commission business and services. Their share of total net income thus slipped back from 49.2% to 43.0%.

Statistical effects of allocation to bank categories

The SNB allocates individual banks to the various categories at its own discretion. The composition of the categories can change over time as a result of mergers, spin-offs, newly formed banks and other structural changes. In 2022, for example, the foreign-controlled bank Degroof Petercam Suisse SA was taken over by the stock exchange bank Gonet & Cie SA. Consequently, this business is now allocated to the category of stock exchange banks rather than foreign banks in the statistics. However, this reallocation has no discernible impact on the proportions of these categories. A large number of banks in the "private bankers" category changed their legal form in 2014 and now belong to the "stock exchange banks" and "other banking institutions" categories. At the time, this caused structural disruptions to the statistics for the "private bankers" and "stock exchange banks" categories. Following the acquisition of Credit Suisse Group AG by UBS Group AG on 12 June 2023, the "big banks" category now comprises institutions of just one group. This means that for confidentiality reasons, from 30 June 2023 onwards, certain data on the "big banks" category can no longer be published. In the course of migrating the accounting standards and account structure previously applied by Credit Suisse entities into those of the UBS entities, there were adjustment effects in the banking statistics data as at 30 April 2024.

Looking back over a ten-year period, the stock exchange banks' share of total net income grew steadily between 2013 and 2021, before falling back for the first time in 2022, then rising sharply to 14.4% in 2023. The cantonal banks' share also jumped in 2023, to 15.7%, after remaining constant over the previous decade. The private bankers' contribution fell from 3.7% to 0.6% over the same period, that of the foreign banks from 16.7% to 12.5%. The latter's decline is due to a changed environment in the wake of the financial crisis and the fact that some banks have cut their international activities back to specific fields of business as part of restructuring programmes, which has led to shifts within a group or sales of business units. However, foreign banks' share of net income has been rising again since 2021. The big banks' share has been steadily falling since 2020, from over half of net income to 43.0% in 2023. This highlights the structural change in the Swiss banking landscape which was underscored by the Credit Suisse takeover.

Annual profit and taxes

Gross operating profit rose by 1.5% year-on-year to CHF 27.2 bn. After value adjustments and taxes, and including the extraordinary income of CHF 18.3 bn from the UBS takeover of Credit Suisse, the annual profit of banks in Switzerland stood at CHF 25.9 bn.

The small (2.9%) increase in aggregate net income translated into a gross operating profit of CHF 27.2 bn in 2023, CHF 0.4 bn (1.5%) higher than in 2022. Operating expenses, comprising personnel and administrative expenses, rose by 3.8%. The growth in personnel expenses reflects the increase in banks' headcount. After deduction of depreciation, amortisation, value adjustments and provisions, the Swiss banks' operating result was CHF 11.7 bn (up 39.5%), despite gross operating profit remaining broadly in line with the previous year. The main reason for this pleasing result is the sharp (approximately 36%) year-on-year decline in depreciation and amortisation, which had been very high in 2022 because of Credit Suisse.

The extraordinary income of CHF 18.7 bn is noticeably high. No less than CHF 18.3 bn of this is attributable to the big banks and, in large part, to the UBS takeover of Credit Suisse, with the key factor being one-time negative goodwill of USD 29 bn. After deduction of extraordinary expenses, the Swiss banks posted an extraordinary net income of CHF 17.6 bn. The banks paid CHF 3.2 bn in taxes, CHF 1.1 bn (52.2%) more than the previous year. This adds up to an annual profit (result of the period) of CHF 25.9 bn, though this cannot be compared with previous years. Adjusting for the big banks' extra-ordinary net income to enable a like-for-like comparison, the figure is around CHF 7.6 bn, 16.7% higher than the CHF 6.5 bn recorded in 2022.

Figure 10

Breakdown of result of the period for banks in Switzerland as at end-2023

In CHF bn

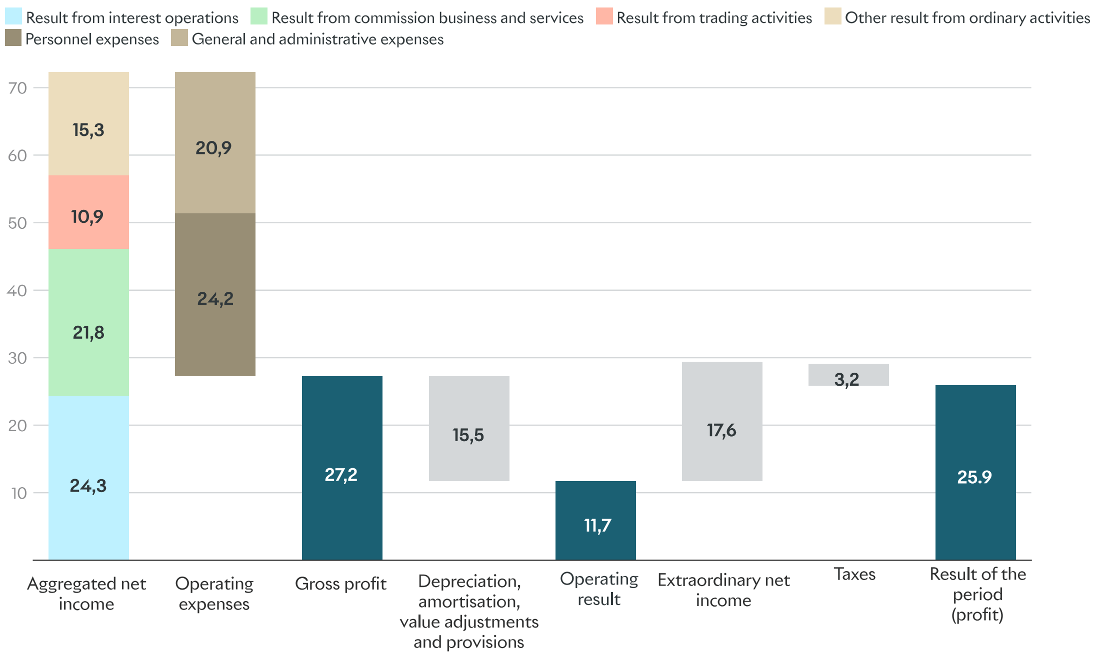


Chart: Swiss Bankers Association · Source: Swiss National Bank

2.2 Waning inflationary pressure and moderate growth dominate first half of 2024 in Switzerland

The economic environment for Swiss banks is improving slightly. The sector's consensus forecast for GDP growth in 2024 is 1.2%. Declining inflation is making life noticeably easier for the Swiss economy. The SNB has responded by lowering its policy rate in two steps during the first half of 2024, to 1.25%. Geopolitical uncertainties remain.

The international economic trend in the first half of 2024 is comparable to that seen in 2023. In response to persistent uncertainty surrounding inflation expectations and high geopolitical risks, central banks in the industrialised nations have become more cautious in their monetary policy easing, compared with their stance at the end of the first quarter. Economic growth in the industrialised nations remains muted, with a figure of 1.7% predicted for the full year.

For Switzerland, the Swiss Banking Outlook 2024 predicts modest GDP growth of 1.2% for the year. The SNB has lowered its policy rate, to 1.25% in July, in response to waning inflationary pressure at home. The number of corporate bankruptcies in Switzerland reached a high after the first half of the year, up 9.4%. At present, nine firms a day are going under. That said, the number of new companies being set up remains high.

Growth in real estate prices slowed further in the first months of 2024 in reaction to higher interest rates. Prices for owner-occupied properties continued to rise, albeit at a slower rate, while those for residential investment properties stagnated. The most recent interest rate cuts have not yet fed through into property prices. This is consistent with the Swiss Banking Outlook 2024 forecast of below-average growth in mortgage loans for 2024.

Both the euro and the US dollar appreciated slightly against the Swiss franc in the first half of 2024. The EUR was trading at CHF 0.95 at the end of July, and the USD at CHF 0.88.

Following price gains in 2023, the Swiss Market Index (SMI) posted a further sharp rise in the first half of 2024. It stood at around 12,317 points at the end of July, up 10.6% on the end of 2023. The SBA's sector outlook is optimistic for the SMI going forward, forecasting a rise of 12% for 2024 as a whole. Exchanges outside Switzerland posted an even more positive performance in the first months of the year, with the broad-based US S&P 500 index, for example, up around 16%. This is largely attributable to better-than-expected quarterly numbers from US companies and hopes of interest rate cuts. However, the Swiss franc's continuing strength cancelled out some of the price gains on foreign stocks.

The Swiss Banking Outlook 2024 expects the aggregate net income of banks in Switzerland to stagnate in 2024 compared with 2023. The financial market experts surveyed are predicting a slight contraction in interest margins in response to lower headline interest rates, but also growth in investment and securities business. The Swiss Banking Outlook 2024 consequently predicts an improvement in the result from commission business and services as a result of increased trading volumes, along with higher income from trading activities. By contrast, growth in mortgage lending is expected to remain slight over the rest of 2024.

3. Balance sheet

The aggregate balance sheet total of all banks in Switzerland contracted by 4.9% in 2023. This trend, which has been ongoing for some years, is mainly driven by the big banks and largely caused by shifts in customer funds.

The balance sheet total of banks in Switzerland declined again in 2023, by 4.9% from CHF 3,339.7 bn to CHF 3,177.0 bn. Mortgage loans remained the largest item by far on the asset side, with liquid assets the only other item to grow compared with 2022, up 2.4%. The remaining asset items fell back, notably amounts due from customers (mainly abroad) and banks, down CHF 77.4 bn and CHF 37.1 bn respectively. On the liabilities side, there was a clear continuation in the trend of sharp declines in sight deposits (down 23.8%) and increases in time deposits (up 50.2%). Despite this shift, amounts due in respect of customer deposits fell by 4.9%. There was a large drop at the big banks, which can be traced back to outflows of customer assets following the Credit Suisse takeover. The volume of domestic lending edged up once again, by 1.9%, thanks to domestic mortgage loans, which increased by 2.3% to a new high of CHF 1,179.2 bn. Other loans, both secured and unsecured, saw a slight decline of 1.0%. As in 2022, the cantonal banks had the largest slice of the domestic mortgage market, at 39.1%, followed by the big banks at 24.9%.

3.1 Trends in 2023

Balance sheet trends by bank category

The aggregate balance sheet total of all banks in Switzerland fell by 4.9% in 2023. The big banks were especially hard hit, accounting for almost 65% of the decline. By contrast, the Raiffeisen banks saw an increase of 5.9%, making them one of the few bank categories to witness positive growth. The cantonal banks' balance sheet total fell by a minimal 0.5%. The big banks still held on to the largest share of the aggregate balance sheet total with 40.0%, compared with 41.2% in 2022 and 44.0% in 2021.

Figure 11

Balance sheet total by bank category

In CHF bn

Group of banks	2022	2023	Change	Share
Cantonal banks	760.6	756.9	–0.5%	23.8%
Big banks	1,376.0	1,269.4	–7.7%	40.0%
Regional and savings banks	120.2	120.5	0.3%	3.8%
Raiffeisen banks	280.6	297.1	5.9%	9.4%
Foreign banks	315.1	281.8	–10.6%	8.9%
Private bankers	7.4	5.4	–26.6%	0.2%
Stock exchange banks	250.1	226.8	–9.3%	7.1%
Other banking institutions	229.7	218.9	–4.7%	6.9%
Total	**3,339.7**	**3,177.0**	**–4.9%**	**100.0%**

Chart: Swiss Bankers Association · Source: Swiss National Bank

Assets

Mortgage loans remain the largest asset item, making up 37.8% of the total, a further increase year-on-year. Liquid assets stabilised in 2023 after a sharp drop in 2022, and recorded the largest relative growth on the asset side, up 2.4%. Amounts due from customers and banks were the biggest contributors to the decline in overall assets.

Domestic and foreign mortgage loans rose CHF 25.7 bn year-on-year in 2023, from CHF 1,174.5 bn to CHF 1,200.2 bn. Higher interest rates led to slower growth compared with 2022, but demand for real estate continues to be high. Mortgage loans thus remained one of the largest asset items for banks in Switzerland last year, accounting for some 37.8% of the total. Their share rose due to an increase in the loan volume while balance sheets were being shortened as a consequence of a decline in almost all the other asset items. Liquid assets, the second most important asset item on Swiss banks' balance sheets, were the only other category to record growth, up CHF 12.6 bn or 2.4%. This followed a sharp drop of CHF 226.5 bn in 2022 corresponding to a marked decline in banks' sight deposits at the SNB. Both appeared to stabilise in 2023: liquid assets recorded modest positive growth, while banks' sight deposits at the SNB fell by 3.1%, markedly less than in 2022. The growth in liquid assets is probably due in part to higher liquidity requirements at Credit Suisse at the beginning of the year. The decline in sight deposits can be explained by higher benchmark interest rates and the resulting increase in the opportunity cost of holding liquidity.

Figure 12

Breakdown of assets

In CHF bn

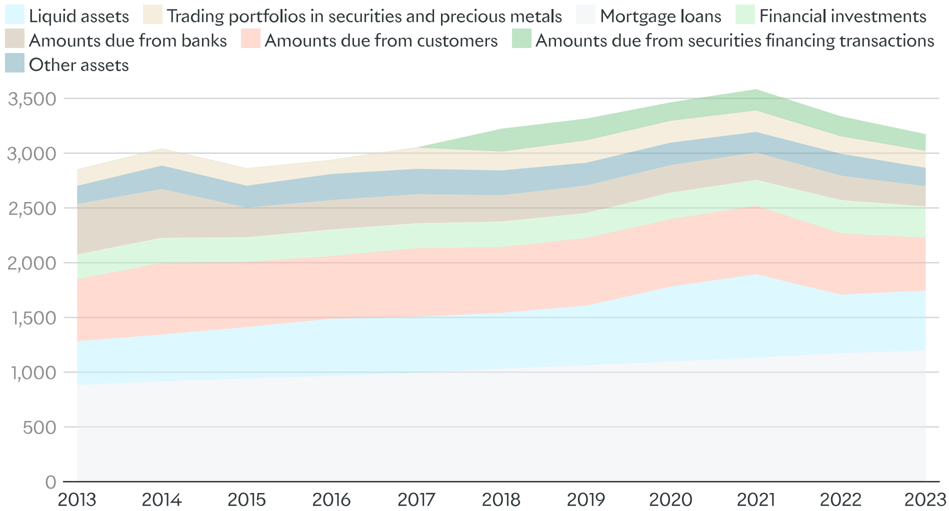


Chart: Swiss Bankers Association · Source: Swiss National Bank

Figure 13

Development of assets

In CHF bn

Position	2022	2023	Change	Share
Liquid assets	534.1	546.7	2.4%	17.2%
Trading portfolios in securities and precious metals	162.3	157.7	–2.8%	5.0%
Mortgage loans	1,174.5	1,200.2	2.2%	37.8%
Financial investments	301.8	281.4	–6.8%	8.9%
Amounts due from banks	223.9	186.8	–16.5%	5.9%
Amounts due from customers	559.7	482.2	–13.8%	15.2%
Amounts due from securities financing transactions	182.7	152.3	–16.6%	4.8%
Other assets	200.8	169.6	–15.5%	5.3%
Balance sheet total	**3,339.7**	**3,177.0**	**–4.9%**	**100.0%**

Chart: Swiss Bankers Association · Source: Swiss National Bank

Amounts due from customers fell by CHF 77.4 bn or 13.8% in 2023. Noticeably, the overall decline was almost entirely attributable to amounts due from customers abroad, which dropped by CHF 75.6 bn (20.2%). This fall was mainly in evidence at the big banks, and may be due to companies establishing a second banking relationship abroad following the takeover of Credit Suisse. Amounts due from other banks likewise fell, by CHF 37.1 bn or 16.5%, because of a 19.5% drop in amounts due from foreign banks and a CHF 14.4 bn (13.4%) decline in amounts due from domestic banks. Amounts due from securities financing transactions were also down 16.6% in 2023. Financial investments likewise declined, after rising sharply in 2022: they were down 6.8%, with domestic financial investments decreasing by 13.7% and those abroad stabilising, up 0.2%. The balance sheet shortening is largely attributable to the big banks. Domestically oriented banks either extended their balance sheets (in the case of the Raiffeisen banks), or kept them constant (as with the regional banks). Only the cantonal banks reduced their balance sheet totals, which contracted by 0.5%.

Breakdown of assets over time

The breakdown of assets has changed substantially over the past decade. Liquid assets rose sharply between 2013 and 2021, from CHF 399.4 bn to CHF 760.6 bn. There were two reasons for this: firstly, the SNB's interventions to bolster the franc by buying foreign currency and thus increasing its counterparties' sight deposits in CHF; and secondly, low interest rates, which meant that with the opportunity cost of holding cash minimal, banks placed large sums in sight deposits with the SNB. Liquid assets saw their first sharp decline in 2022 (down 29.8%) following interest rate hikes, before stabilising in 2023 (up 2.4%).

There was also a trend reversal in amounts due from customers, which rose steadily from CHF 564.7 bn in 2013 to CHF 626.6 bn in 2021, but have since fallen back by 23.0% up to 2023, largely because of changes in amounts due from customers abroad. Amounts due from banks made up 16.2% of total assets in 2013 but just 5.9% in 2023. Banks have been deliberately scaling back this asset item in order to reduce interdependencies with other institutions.

Domestic and foreign mortgage loans rose continually, from CHF 844.0 bn in 2013 to CHF 1,200.2 bn in 2023, boosting their share of total assets from 31.0% to 37.8% at the same time. Years of low interest rates led to a rise in property sales and prices. Despite the negative impact of the current interest rate turnaround, demand for real estate remains high, with shortage of supply and a very low level of construction activity continuing to support prices.

Domestic lending volume

The volume of domestic lending increased by around 1.9% in 2023. Mortgage loans, most of which are granted to private households, make up the bulk of the Swiss lending business with a share of 86.6%.

The volume of outstanding domestic loans came to CHF 1,362.0 bn in 2023, with CHF 182.8 bn attributable to secured and unsecured loans to customers (corporate, public-sector and consumer loans) and CHF 1,179.2 bn to mortgage loans. Overall domestic lending was up 1.9% in 2023, slightly below the average for the last five years. In total, mortgage loans have risen by CHF 309.4 bn since 2013, with their share of domestic lending up from 83.2% to 86.6%.

Figure 14

Domestic lending volume

In CHF bn

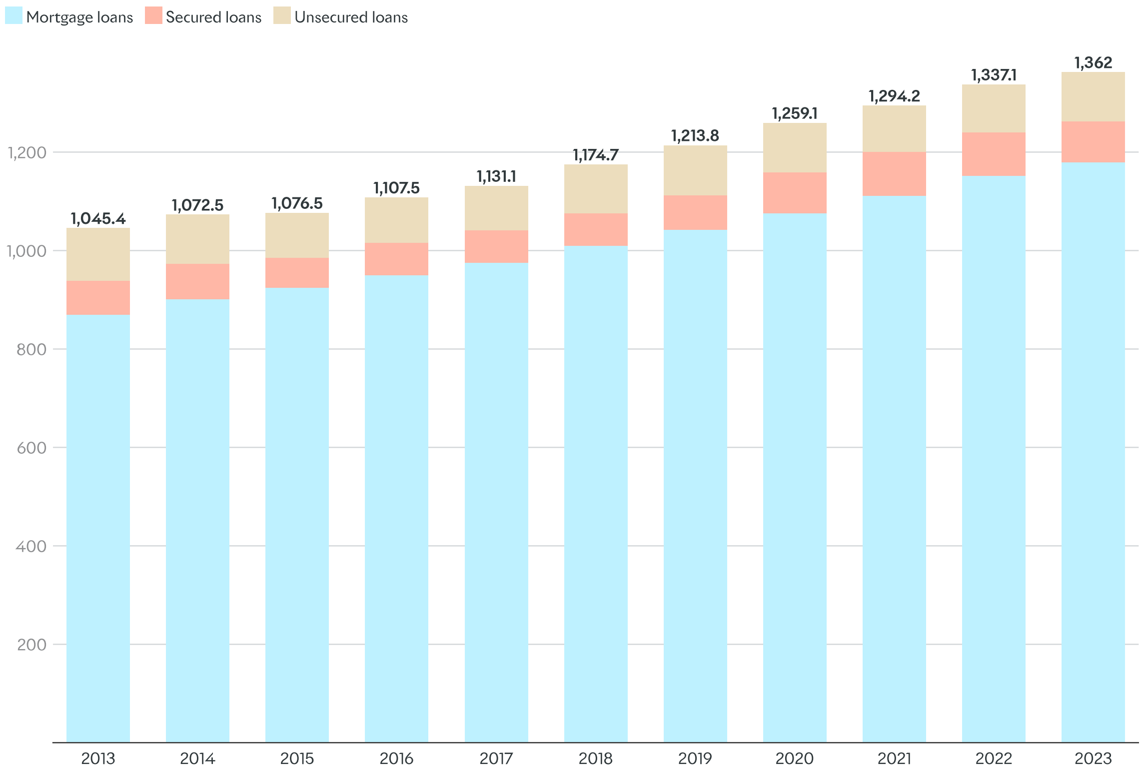
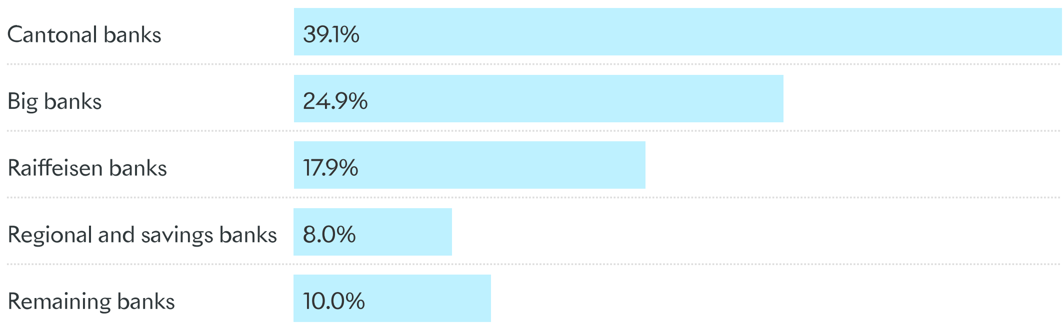


Chart: Swiss Bankers Association · Source: Swiss National Bank

Total outstanding mortgage loans increased by 2.2% in 2023, to CHF 1,200.2 bn. The vast majority of this figure (CHF 1,179.2 bn) was attributable to domestic customers. Fixed-rate mortgages accounted for 73.4%, down 3.6 percentage points year-on-year. According to the Federal Office for Housing, the average interest rate on outstanding domestic mortgage loans rose from 1.33% to 1.72% in 2023. Consequently, growth in mortgage loans was below average compared with recent years. In a multi-year comparison, mortgages with a term of more than five years have become more popular, with their share rising steadily from 22.5% in 2013 to 27.1% in 2022. This was followed in 2023 by a marked fall to 24.7% as a result of interest rate hikes and growth in variable-rate new mortgages. In terms of volume, 58.7% of all new mortgages were granted to private households at the end of 2023, this figure having been mostly above 66% up to the end of 2022. During this period, the volume of owner-occupied residential properties for which new mortgages were granted to private households fell by 4.3%, while the volume of residential properties rented out by private households dropped by 5.1%. By contrast, the volume of residential properties rented out by companies rose by 6.3%.

Figure 15

Shares of domestic bank mortgage market in 2023



Note: The total may be above or below 100% due to rounding effects.

Chart: Swiss Bankers Association · Source: Swiss National Bank

The cantonal banks' overall share of the domestic mortgage loan market was 39.1% at the end of 2023, slightly higher than the previous year's figure. The big banks were in second place, with 24.9%. In recent years, the cantonal and Raiffeisen banks in particular have increased their shares of the domestic mortgage loan market, whereas the big banks and the regional and savings banks have lost out. This trend continued in 2023, with the big banks falling by 1.2 percentage points while the cantonal and Raiffeisen banks gained 1 percentage point.

Broken down by lending group, 94.3% of domestic mortgage loans were categorised as senior in 2023. This group comprises mortgages covering up to two thirds of the property's market value. The high proportion of senior mortgages suggests that lenders are continuing to pursue cautious lending policies. The SBA revised its Guidelines on minimum requirements for mortgage loans in 2019, introducing stricter rules for investment properties.

Figure 16

New mortgage loan originations

In CHF bn per quarter, loan size

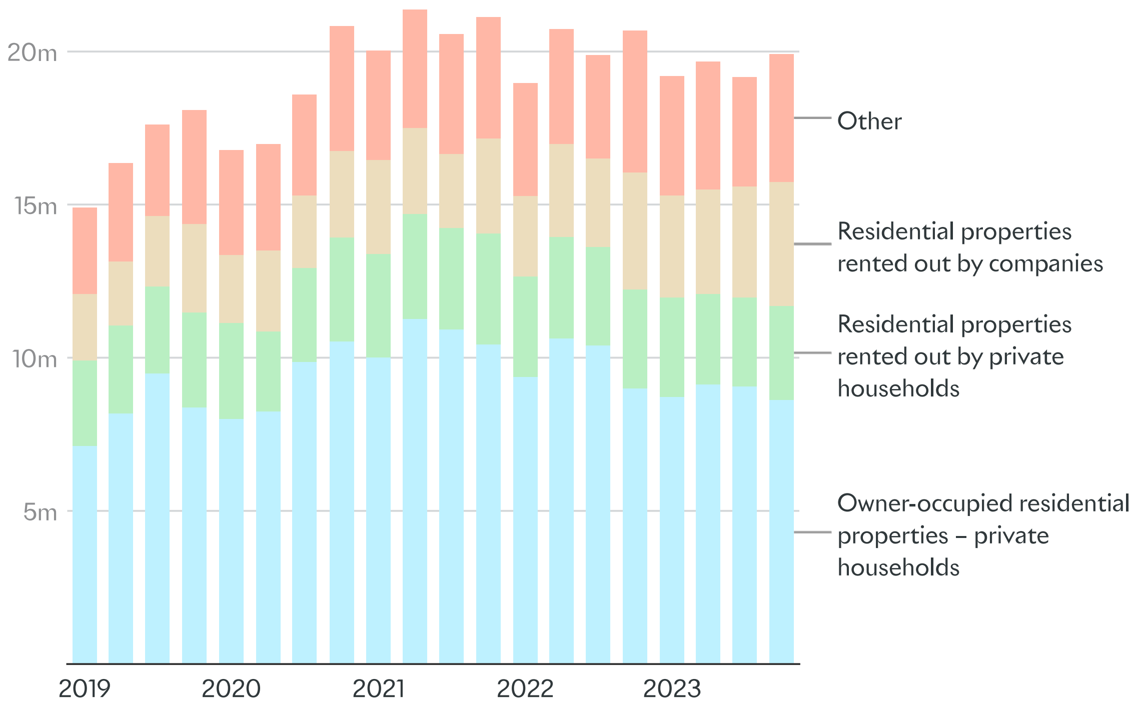


Chart: Swiss Bankers Association · Source: Swiss National Bank

Liabilities

In 2023, more than half of liabilities consisted of amounts due in respect of customer deposits. Time deposits were up 50.2%, a sharp increase year-on-year, set against falls in sight deposits (down 23.8%) and most of the other liability items. This trend reflects a shift by customers towards long-term investments in response to the interest rate turnaround.

The balance sheet item "amounts due in respect of customer deposits" – comprising sight deposits, time deposits and other customer deposit liabilities – fell by CHF 91.9 bn, or 4.9% in 2023. This item made up 56.6% of the balance sheet total at the end of last year. The decline was due to a sharp (23.8%) drop in sight deposits, which the strong growth of CHF 165.2 bn (50.2%) in time deposits was not sufficient to cancel out. It can be partially explained by a rotation into time deposits in response to higher interest rates and probably also by uncertainty leading to outflows of customer funds from Credit Suisse. The most noticeable drop in recent years has been in sight deposits from abroad, as a result of which domestic assets have risen as a proportion of the total since 2021, from 59.8% to 73.6%.

Figure 17

Breakdown of liabilities

In CHF bn

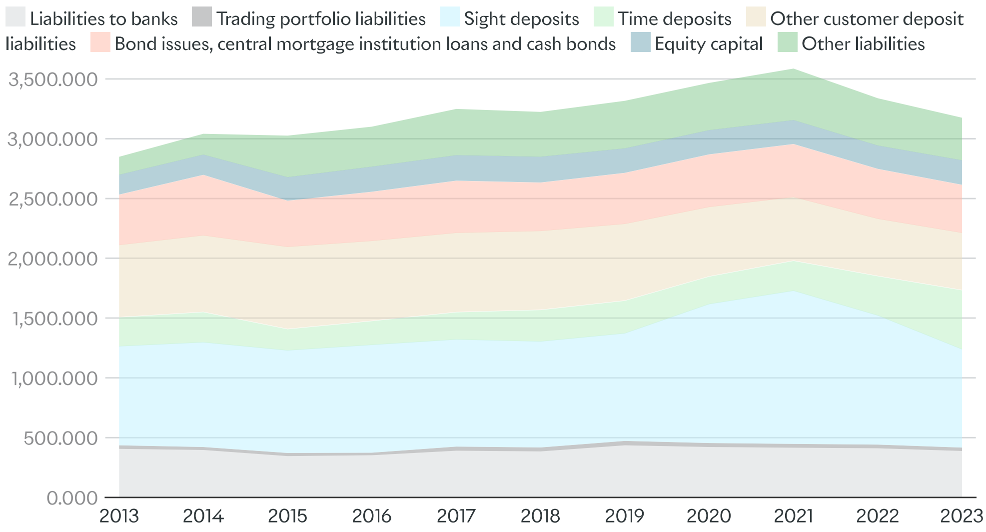


Chart: Swiss Bankers Association · Source: Swiss National Bank

Figure 18

Development of liabilities

In CHF bn

Position	2022	2023	Change	Share
Liabilities to banks	410.3	388.0	−5.4%	12.2%
Trading portfolio liabilities	31.2	28.0	−10.2%	0.9%
Sight deposits	1,080.7	823.9	−23.8%	25.9%
Time deposits	329.2	494.3	50.2%	15.6%
Other customer deposit liabilities	478.6	478.4	−0.1%	15.1%
Bond issues, central mortgage institution loans and cash bonds	416.9	401.4	−3.7%	12.6%
Equity capital	196.6	206.0	4.8%	6.5%
Other liabilities	396.2	357.0	−9.9%	11.2%
Total liabilities	**3,339.7**	**3,177.0**	**−4.9%**	**100.0%**

Chart: Swiss Bankers Association · Source: Swiss National Bank

Amounts due to banks fell by CHF 22.4 bn in 2023, mainly due to a CHF 55.1 bn drop in amounts due to foreign banks. By contrast, amounts due to domestic banks grew by around CHF 32.7 bn. The main contributor was the big banks, which were up CHF 37.0 bn. The cantonal banks saw declines in amounts due to banks both abroad and in Switzerland. Trading portfolio liabilities were CHF 3.2 bn lower at CHF 28.0 bn. Bond issues, central mortgage institution loans and cash bonds were down by CHF 15.5 bn, primarily on the back of a CHF 22.4 bn drop in foreign bond issues and central mortgage institution loans, set against a modest increase of CHF 4.2 bn in the domestic figure. The decline in the foreign figure is due to the big banks, since they are the only ones to hold foreign bonds and central mortgage institution loans.

Breakdown of liabilities over time

The proportion of liabilities accounted for by amounts due to banks fell from 14.3% in 2013 to 12.2% in 2023. As with the assets side, this shows that banks' interdependencies, particularly with other banks in Switzerland, have been reduced over time. Having dropped sharply over the last two years, sight deposits rose once again, to CHF 823.9 bn, almost on a par with the 2013 figure of CHF 827.2 bn. They remain the largest liability item, accounting for 25.9% at the end of 2023.

Time deposits made up 15.6% in 2023, up from 9.9% in 2022 and almost twice as high as in 2013, having mostly been below 10% in the intervening years. Low interest rates made time deposits less attractive than sight deposits, leading in many cases to a rotation out of the former and into the latter. This trend has reversed since 2022 on account of the interest rate turnaround, with large-scale shifts back into time deposits.

3.2 Balance sheet growth in the first half of 2024

Swiss banks' aggregate balance sheet total grew by 2.9% in the first half of 2024, making up for the decline seen in 2023. On the asset side, amounts due from banks, amounts due from securities financing transactions and trading portfolios in securities and precious metals saw strong gains, while liquid assets and financial investments slipped back. As regards liabilities, bonds, central mortgage institution loans and cash bonds fell, while amounts due to banks and trading portfolio liabilities rose sharply.

The aggregate balance sheet total of banks in Switzerland increased by 2.9% to CHF 3,380.8 bn in the first five months of 2024, making up for the sharp decline in 2023. One main reason for this is probably the further rise in the capital markets, which is reflected in an 11.4% growth in trading portfolios in securities and precious metals and an 8.6% increase in amounts due from securities financing transactions. Another is the effect of adjustments to the banking statistics due to the migration of the accounting standards and account structure previously applied by Credit Suisse entities into those of the UBS entities. This has led to strong (24.5%) growth in amounts due from banks.

Mortgage loans moved upwards in the first months of 2024, increasing by CHF 15 bn or 1.2%. Although higher interest rates put the brakes on demand for property, it remained strong thanks to sound household budgets and an increasing willingness to pay. Liquid assets fell by a further 3.8%, continuing the marked reduction seen over recent years.

The increase in Swiss banks' liabilities is largely due to growth in amounts due in respect of customer deposits (up CHF 73.7 bn or 4.0%) and amounts due to banks (up CHF 79.5 bn or 17.8%), but also to statistical effects related to the Credit Suisse takeover, such as differing valuations of transferred assets. Nevertheless, the return to growth following a decline in 2023 underscores that banks in Switzerland remain in robust shape even after Credit Suisse's demise. Trading portfolio liabilities also rose, by 15.6%. The only substantial falls were in bonds, central mortgage institution loans and cash bonds, which fell by CHF 55.2 bn or 14.6% in the first half of the year. Here again, though, a likely cause is adjustment effects in the banking statistics.

Having dropped sharply since 2021, sight deposits stabilised somewhat in the first half of 2024, declining by an, in comparison to previous years, moderate 2.5%. Time deposits saw further strong growth, up 15.2% or CHF 76.9 bn, illustrating their continued attractiveness as interest rates remain positive despite the most recent rate cuts.

4. Assets under management

Assets under management at banks in Switzerland rose by 6.9% year-on-year in 2023, to CHF 8,391.7 bn. This reflects both increased enthusiasm for bonds and the recovery of the equity markets. However, the record-high figure seen in 2021 remained out of reach.

Assets under management for customers resident in Switzerland rose by CHF 395.1 bn in 2023, those of foreign-domiciled customers by CHF 149.8 bn. This led to solid growth of 6.9% in total assets under management at Swiss banks, driven mainly by the recovery in securities holdings, which were up 5.2%, recouping around a third of the loss seen in 2022. Securities holdings account for the bulk of assets under management, at around 86%. Smaller items, such as fiduciary liabilities and amounts due to customers excluding deposits, also rose in 2023, up 10.7% and 20.4% respectively. The breakdown of custody account holdings by currency was unchanged from a year earlier. The Swiss franc remained the dominant investment currency with a share of more than 50%. Overall, assets under management rose progressively after 2013 before experiencing a decline in 2022, half of which was then made up in 2023.

4.1 Trends in 2023

Assets under management for domestic and foreign customers

Assets under management at banks in Switzerland grew by 6.9% in 2023, to CHF 8,391.7 bn. Assets of both domestic and foreign customers rose, with around two thirds of the increase accounted for by growth in their securities holdings in bank custody accounts.

Figure 19

Assets under management in Switzerland by customer origin

In CHF bn

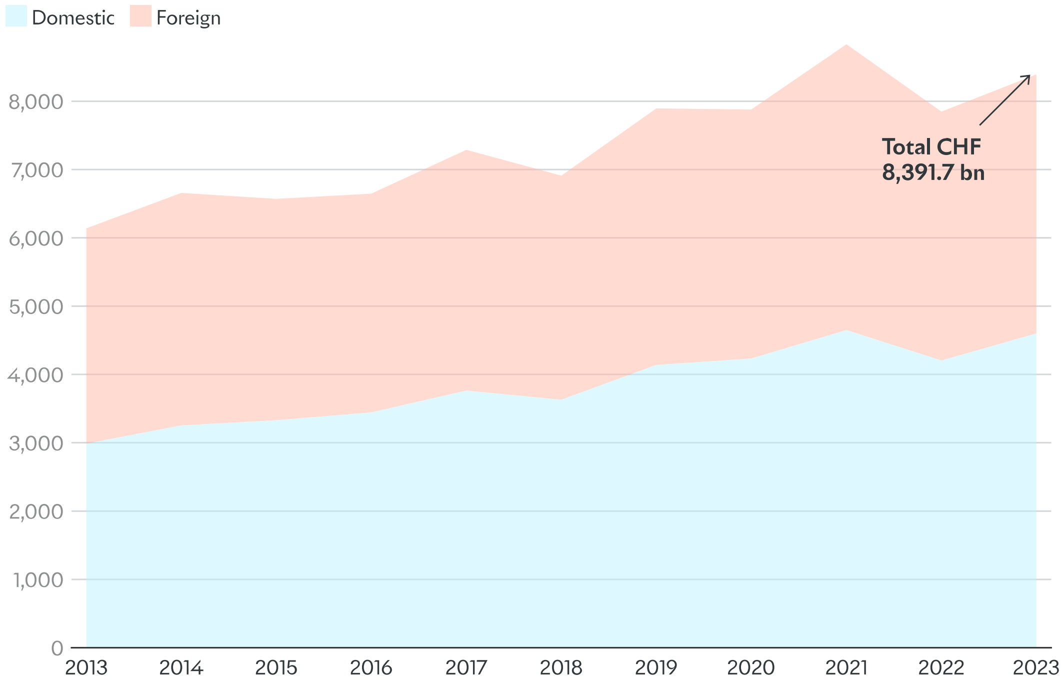


Chart: Swiss Bankers Association · Source: Swiss National Bank

Assets under management comprise securities holdings in bank custody accounts (CHF 7,195.4 bn), amounts due to customers excluding sight deposits (CHF 972.7 bn), and fiduciary liabilities (CHF 223.6 bn). Securities holdings grew by around CHF 358.3 bn year-on-year, mainly thanks to renewed enthusiasm for bonds and the recovery of the equity markets. The SMI gained some 4% in 2023, after shedding 17% in 2022. Amounts due to customers excluding sight deposits also saw marked growth, as did fiduciary deposits, their totals rising by 20.4% and 10.7% respectively.

Securities holdings make up by far the largest component of assets under management, at around 86%, and were also the biggest driver of growth in 2023. Looking back over the longer term, assets under management at banks in Switzerland have grown substantially overall. They dropped sharply in the wake of the 2008 financial and economic crisis, with securities holdings in bank custody accounts especially hard hit as share prices plummeted. Between 2013 and 2021, however, assets under management clawed their way back from CHF 6,138.0 bn to CHF 8,833.2 bn, before dropping to CHF 7,846.8 bn in 2022 as a consequence of the negative market performance. However, the growing appeal of bonds due to higher interest rates and the stock market recovery in 2023 meant that half of these losses were recouped in 2023, pushing assets under management back up to CHF 8,391.7 bn.

The standout feature over the longer-term perspective is the fall in the proportion of assets belonging to foreign-domiciled customers, from 51.3% in 2013 to 45.2% in 2023. There are a number of reasons for this, chief among them the currency effect. Foreign customers hold a much higher proportion of their assets in euros and US dollars than their domestic counterparts. Since asset shares are calculated in Swiss francs, the assets of foreign customers decline relative to those of Swiss-based customers if the franc strengthens. Despite their shrinking share, foreign customers' assets under management have risen by CHF 645.1 bn or 20.5% in absolute terms since 2013.

Figure 20

Composition of assets under management at the end of 2023

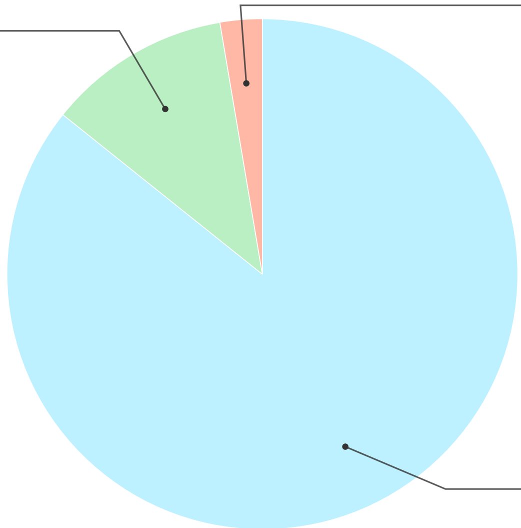


Chart: Swiss Bankers Association · Source: Swiss National Bank

Switzerland was still the world leader in cross-border wealth management for private clients in 2023, with holdings of CHF 2,205.7 bn, representing an increase of 4.8% compared to the previous year (adjusted for exchange rates).

Securities holdings

Securities holdings account for the largest share of assets under management. Share prices rose sharply in 2023, especially in the tech indices, undeterred by the central banks' monetary policy tightening in response to rising inflation, coupled with geopolitical risks. The combination of high interest rates and a bullish stock market boosted bond and equity holdings, leading to a 5.2% increase in securities holdings overall.

The main reason for the 5.2% rise in customers' securities holdings in 2023 was the positive stock market trend, which defied high levels of global inflation, the central banks' more restrictive monetary policy response, and ongoing geopolitical uncertainties. The SMI gained 408 points (4%) over the course of the year. Tech indices performed markedly better, with the Nasdaq-100 posting historically high growth of 53.8%. Technological innovations, notably in artificial intelligence, sent some tech stocks skyrocketing. Securities holdings are broken down into the "equities", "units in collective investment schemes", "bonds" and “other” categories. Rising share prices are partially mirrored in equity holdings, which rose by 4.1% in 2023 to CHF 2,776.6 bn, though this is still far short of the CHF 3,375.7 bn they achieved in the record-breaking year of 2021. Bonds recorded even higher growth, gaining CHF 146.1 bn (12.3%) year-on-year to CHF 1,331.3 bn. This corresponds to 40.1% of the total figure. Bonds have thus returned to favour in times of higher interest rates and insecurity, bucking the negative trend seen since 2019. Over the last decade, however, it is equities that have driven the performance of securities holdings. They added 33.4% between 2013 and 2023, while bonds managed just 4.2%. Today, equity holdings account for the largest portion of securities holdings, at 38.6%.

Like bonds, the Swiss franc was also back in demand in 2023, appreciating strongly over the course of the year to gain 5.7% against the euro and 9.9% against the US dollar. This trend underscores the franc’s role as a safe haven in times of global uncertainty and higher inflation.

Figure 21

Securities holdings in bank custody accounts by category

In CHF bn

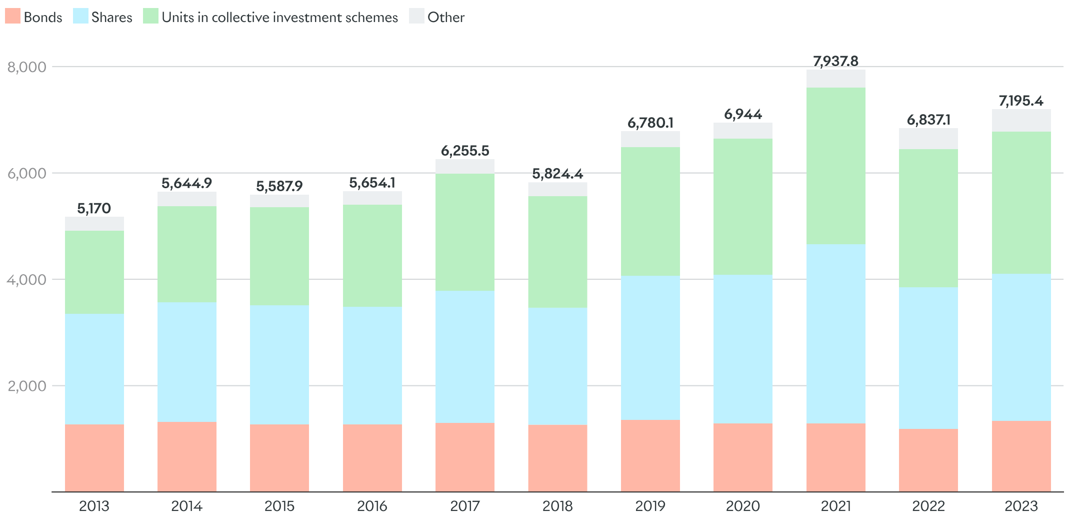


Chart: Swiss Bankers Association · Source: Swiss National Bank

Custody account holdings by currency

The breakdown of custody account holdings by currency was stable relative to 2022, with more than half denominated in Swiss francs at the end of 2023. One quarter were in US dollars, with the euro and other currencies accounting for somewhat less than 20% between them.

The Swiss franc share of securities holdings in customer accounts rose slightly in 2023, to 53.4%, maintaining its position as the most important investment currency. Only minor changes were observed in the other currencies: the US dollar share rose by 0.2 percentage points year-on-year, while the euro remained stable. Around two thirds of the Swiss franc holdings were held by Swiss-based investors, while for both the dollar and the European single currency the reverse was true, with roughly two thirds being foreign-held in each case.

Figure 22

Custody account holdings by currency, end of 2023

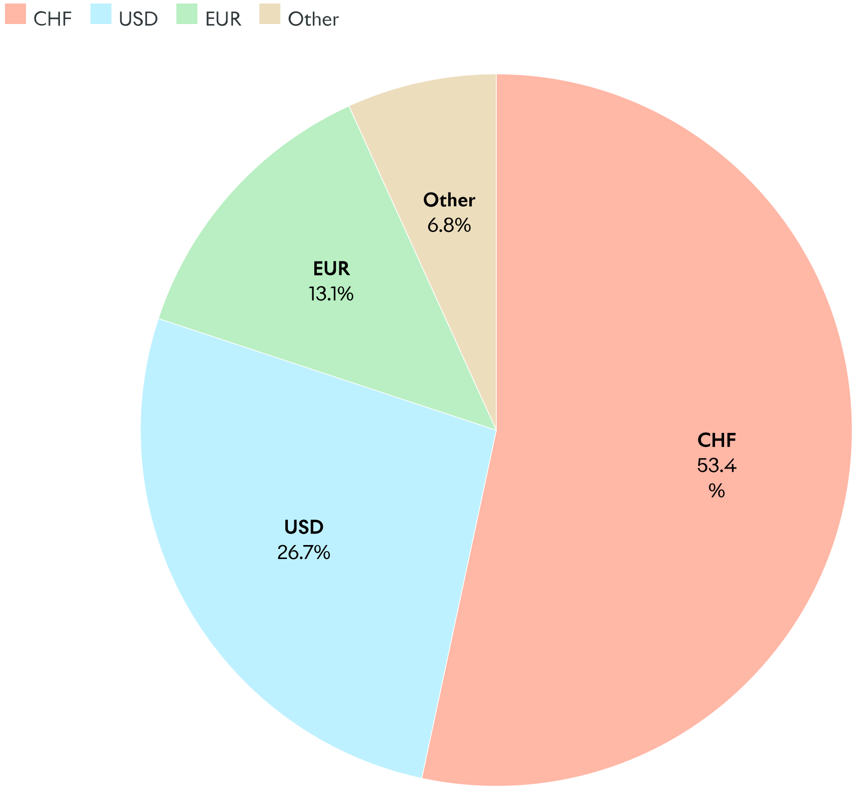


Chart: Swiss Bankers Association · Source: Swiss National Bank

4.2 Marked rise in assets under management in first half of 2024

Assets under management at banks in Switzerland rose by an impressive 8.0% in the first months of 2024, exceeding CHF 9,000 bn for the first time in mid-year. This was largely due to positive developments in equities, which were the main factor in the 7.7% rise in securities holdings.

Declining inflationary pressure and the recovery of the equity markets in the first months of 2024 were also reflected in assets under management at banks in Switzerland, which rose by 8.0% to top CHF 9,000 bn for the first time at the end of May. The assets of both Swiss-domiciled and foreign-domiciled customers have risen sharply thanks to the upbeat stock market trend and the resulting expansion of securities holdings, which rose by CHF 555 bn or 7.7%. Amounts due to customers excluding sight deposits were up CHF 94 bn or 9.5% in the first months of 2024. The increase was driven by domestic customers (up CHF 78 bn or 10.8%), with slightly weaker growth of CHF 16 bn or 5.9% for foreign customers. Fiduciary liabilities, meanwhile, rose by CHF 20 bn or 9.0%. Assets under management posted further substantial growth following the completed takeover of Credit Suisse in 2023, assisted by positive market developments. This reflects the robustness of the Swiss banking centre and customers' continuing trust in it.

5. Number of staff at banks in Switzerland

The banks employed 93,299 people (full-time equivalents) in Switzerland at the end of 2023, an increase of 1,280 compared with 2022. Financial sector unemployment stood at 2.3%, on a par with the economy as a whole but slightly up year-on-year.

5.1 Trends in 2023

The number of people employed in the banking sector continues to rise, and was up 1.4% by the end of 2023, at 93,299. The unemployment rate in the financial sector was precisely in line with the Swiss average, at 2.3%.

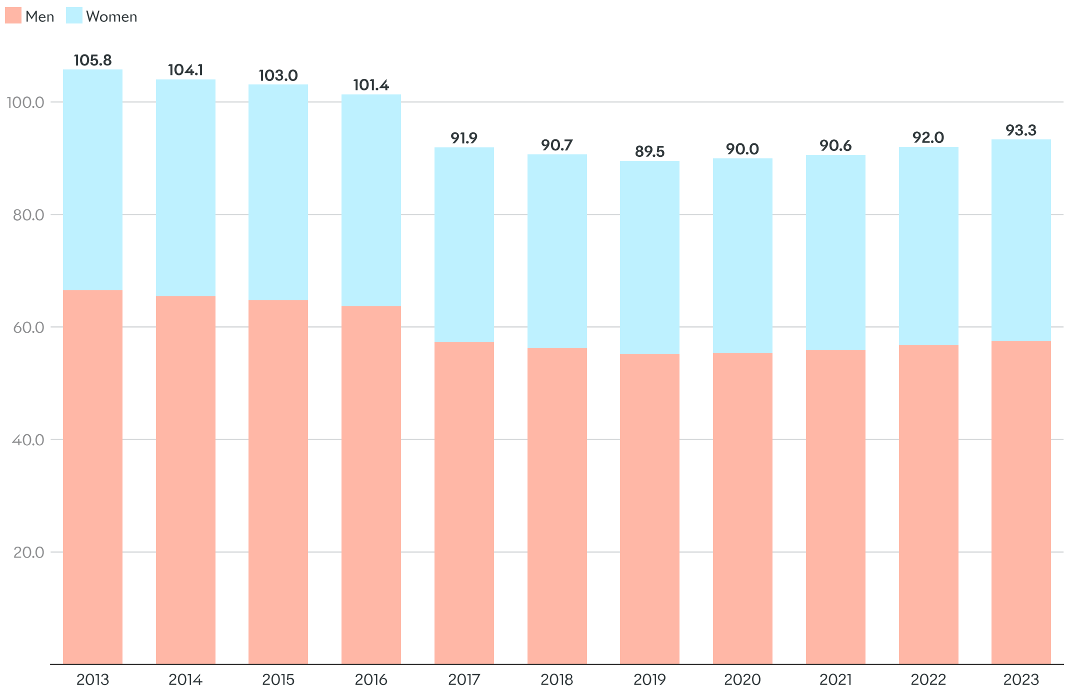
The banks employed 93,299 people (full-time equivalents) in Switzerland in 2023, up 1,280 or 1.4% year-on-year. The number of staff in the banking sector thus increased for the fourth year in succession, surpassing the level seen in 2017, although that figure had been preceded by a gradual decline. According to the State Secretariat for Economic Affairs (SECO), unemployment in the financial sector averaged 2.3% in December 2023, matching the economy as a whole. In total, 2,752 banking sector workers were registered unemployed at the end of the year, an increase of 370 compared with 2022.

The increase of 1,280 vindicates the positive forecast contained in last year's SBA employment survey of Swiss banks. More than half of the banks polled expected headcount to remain stable, with a little over a third predicting a rise. Despite the takeover of Credit Suisse by UBS, employment in the Swiss banking sector remains robust. The increased headcount also led to a year-on-year rise of CHF 1.4 bn in personnel expenses. As regards the gender distribution, the proportion of female bank employees was stable compared with 2022 at 38.4% (35,827 FTEs). There were 563 new female and 717 new male members of staff. Looking back over the last decade, the proportion of female employees has risen slightly but remained essentially unchanged overall.

Figure 23

Number of staff at banks in Switzerland (domestic)

In thousands of full-time equivalents



Note for 2017: One-off effect from the reallocation of staff to an intra-group service company of a big bank.

Chart: Swiss Bankers Association · Source: Swiss National Bank

5.2 Domestic headcount stable following Credit Suisse takeover

Headcount at domestic banks remains stable, down just 0.1% in the first half of 2024. The decline of 1.3% in the overall figure is almost entirely due to a continuing negative trend abroad. The outlook for the remainder of the year is cautiously positive.

According to the SBA's annual survey of headcount at banks in Switzerland, staff numbers were almost unchanged between the end of 2023 and June 2024, with a minimal decline of 0.1% or 38 FTEs. Abroad, staff numbers fell markedly over the same period, with a gain of 2,924 FTEs more than offset by 5,369 departures, leading to a net fall of 2.9%. The reduction in headcount at Swiss banks abroad seen in 2023 has thus continued.

Figure 24

Total change in headcount in Switzerland and abroad

In full-time equivalents	Trend in the first half of 2024			
	Total change	Change in %	Joined	Left
Domestic	**-38**	**-0.1%**	**3953**	**-3991**
Foreign	-2,445	-2.9%	2,924	-5,369

Note: number of responses: 115; number of banks polled: 211. The headcount in the SBA survey does not match the SBA statistics. The difference is due in part to the SBA survey's response rate. The 115 responses represent 90% of the balance sheet total of banks in Switzerland.

Table: Swiss Bankers Association · Source: Survey of the Swiss Bankers Association (2024)

Estimates for the rest of the year cautiously positive

In the SBA survey, 105 of the 211 banks surveyed offered their forecast for headcount in the remainder of 2024. Rather more than half expect it to stay unchanged, while roughly a third believe it will rise. Around one in ten think it will fall. This assessment is slightly lower than the predictions for 2023 they made a year ago. The proportion of banks expecting staff numbers to fall has risen slightly for the first time since 2019. However, the overall view is essentially optimistic from a multi-year perspective. Around 92% of respondents still expect headcount to stay the same or increase over the rest of 2024. The figure predicting a rise has only been higher on two occasions during the previous ten years.

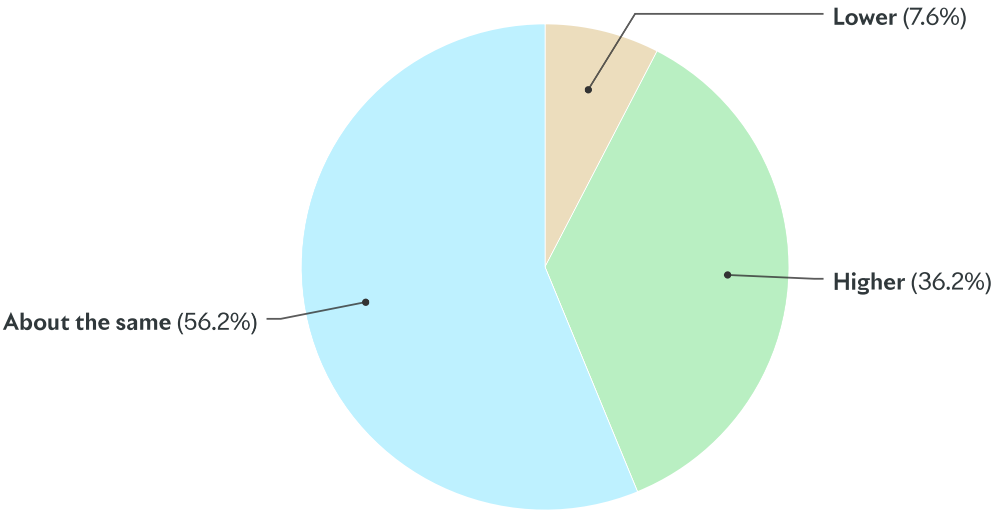
Like last year's, this year's survey figures on expected headcount in Switzerland must be viewed with caution, since the views of UBS following the acquisition of Credit Suisse were deliberately excluded from the results. It remains to be seen how far any job losses at the big banks can be made up by other Swiss banks over the longer term.

The labour market index for the banking sector backs up the results of the SBA survey. The number of vacant positions is slightly down, as is the number of employees, while the number of registered unemployed rose slightly between the first and second quarters of 2024. As regards expectations, however, the index is still positive. Here too, banks planning to increase headcount in the next quarter remain in the majority. The proportion of banks experiencing recruitment difficulties due to a lack of qualified specialists is consistently high, at 40%.

Figure 25

Expected employment trend in second half of 2024

Percentages refer to all responses

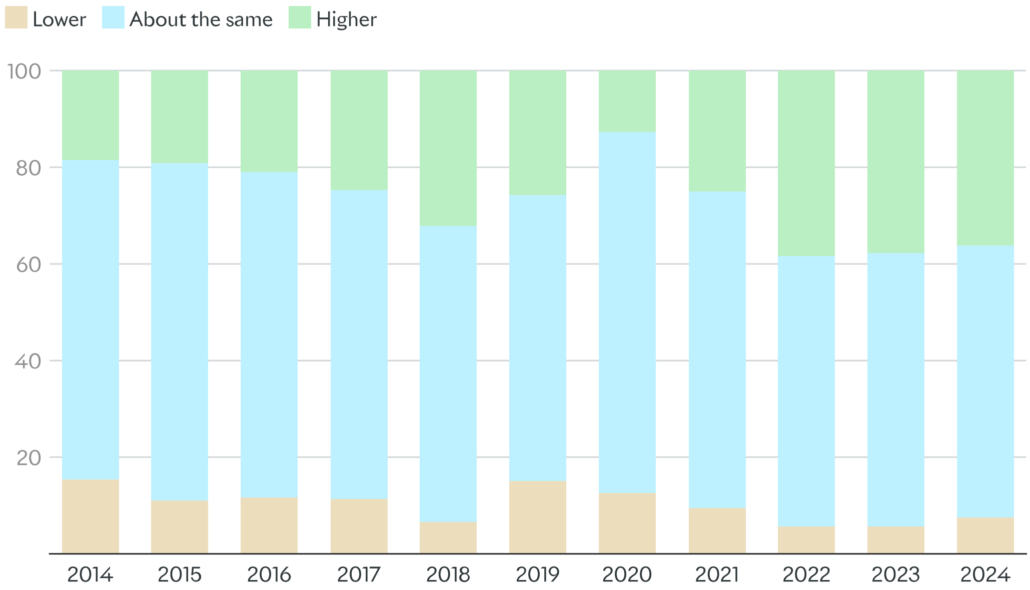


Note: number of responses: 105; Number of banks surveyed: 211

Chart: Swiss Bankers Association · Source: Survey of the Swiss Bankers Association (2024)

Figure 26

Survey results on employment expectations for second half of the year
Percentages refer to all responses



Note: number of responses: 105; Number of banks surveyed: 211. The total may be above or below 100% due to rounding effects.

Chart: Swiss Bankers Association · Source: Surveys of the Swiss Bankers Association (2024)

Headcount growth or stability expected in the various business areas

In addition to the general trend, the banks were also asked about the expected employment trend in individual areas of business. Analysis of the responses reveals a generally positive assessment in retail banking, wealth management and logistics, where most banks expect staff numbers to rise or stabilise. By contrast, around 90% expect headcount to remain unchanged in institutional asset management and trading activities. Overall, these estimates point to slightly more muted expectations than in 2023, while remaining optimistic overall. Although predictions differ across the various areas of business, the banks believe headcount will be stable or positive overall.

Figure 27

Employment trend in second half of 2024

Total	Retail Banking	Wealth Management	Institutional Asset Management	Trading Activities	Logistics + Operations (Back office)
→ (↗)	→ (↗)	→ (↗)	→	→	→ (↗)

Note: number of responses: 105; Number of banks surveyed: 211

Chart: Swiss Bankers Association · Source: Survey of the Swiss Bankers Association (2024)

Financial sector unemployment rises in first half of 2024

According to SECO, unemployment in the financial sector stood at 2.3% at the end of 2023, in line with the average for all sectors. Financial sector unemployment has risen to 2.6% in June 2024, compared with an unchanged 2.3% for the Swiss economy as a whole on the same date. The labour market index for the banking sector confirms this deviation from the broader economy. Staff remain in shorter supply in banking than in other sectors. The JOBSTAT job statistics published by the federal government recorded 5,800 vacancies across the financial sector as a whole in the first quarter of 2024.

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