

August 2020

Annual Report 2019 / 2020

Foreword from the Chairman

Dear Reader

Coronavirus has changed the world as we know it. In recent months, plans, strategies, and entire lives and livelihoods have been completely overshadowed by the virus. The effects of the pandemic remain omnipresent, be it in public life, the political arena or the economy. Even in these challenging times, our banks continue to fulfil their role as reliable providers of credit and a stable pillar for the entire economy. Thanks to the close and effective collaboration between our banks, the federal government, the authorities and the Swiss Bankers Association (SBA), it was possible to successfully launch the SME loan programme at the end of March 2020 in order to bridge liquidity bottlenecks at small and medium-sized enterprises. The SBA acted as a key coordinator and moderator for the programme from the outset. It also provided our members, affected SMEs and partner associations with a centralised platform for communication and dialogue.

In March 2020, the federal government, the authorities, banks and the SBA put together the largest aid package in Swiss economic history within a period of just one week. This is an unprecedented achievement in the Swiss financial centre. The speed and quality of delivery were only possible because the different parties know each other well and enjoy relationships built on trust. In other words: we have a way of dealing with each other whereby our word is our bond and we are able to make swift and pragmatic decisions. The general parameters of the programme were defined within a few days – in the faith that the specialists would then agree on the details. As the link between the banks and the authorities, the SBA has proven to be highly effective and its role as a reliable point of contact has been strengthened (see box). The results are impressive: the federal government's loan programme worked immediately. It is also regarded as best practice abroad, and we have received a great deal of recognition and acknowledgement from our members, for which we would like to express our sincere thanks. As the Bankers Association, we are here for you, even in extraordinary times.

The SME loan programme: a look behind the scenes

As expected, when the SME loan programme began at the end of March 2020, demand for loans from the more than 120 participating banks was very high. Reports from our members show that enquiries and applications were generally processed smoothly and that the systems worked effectively. Any difficulties that arose, for example with the loan form, were quickly addressed and resolved in cooperation with the authorities. At the end of the four-month programme, the banks had approved a total of 135'805 loan applications and granted a loan value of almost CHF 16.7 bn to SMEs.

The SBA as a service provider, moderator and platform for dialogue:

- With the launch of the programme, the SBA created a centralised information platform on its website. This contained reports on the programme and a comprehensive Q&A, where members, SMEs, the media and politicians could find answers to a broad range of questions at all times.
- Together with the banks, the Office of the SBA developed so-called “guidelines” for the implementation of the programme at banks and made these publicly available via the information platform. The objective was to create clarity and transparency. The guidelines, which were approved by the Competition Commission (ComCo), continue to serve as an important source of guidance for the banks in implementing

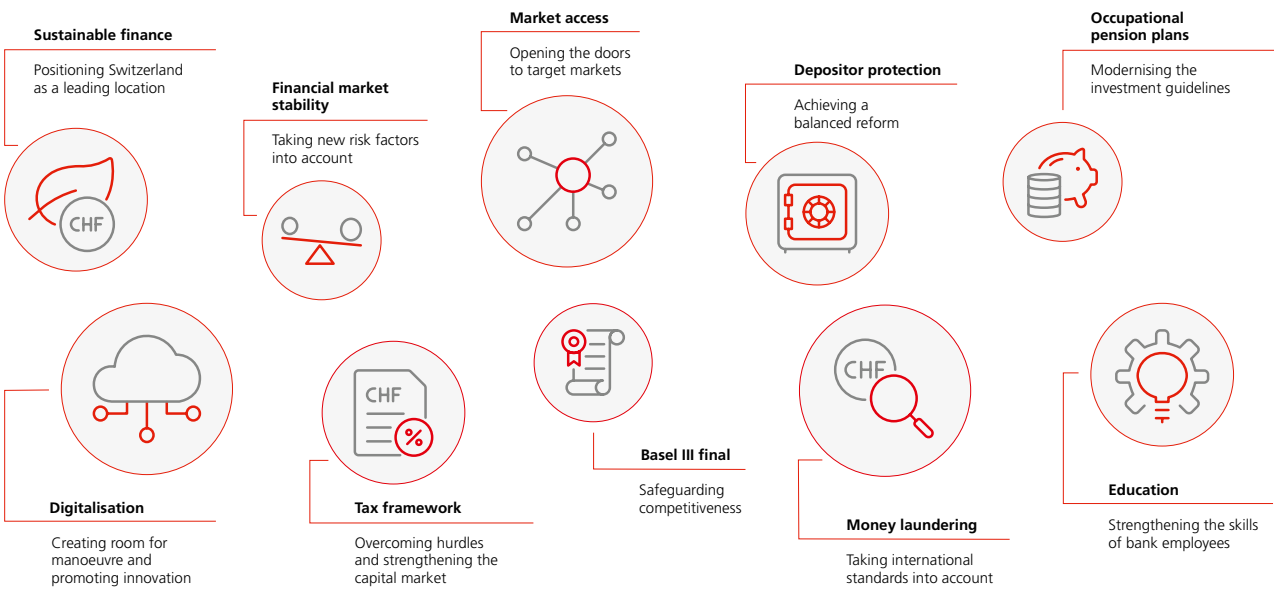
the programme. They supplement the corresponding ordinance, the explanatory notes to the ordinance and other rules issued by the authorities.

- During the initial programme phase, the SBA organised and moderated daily telephone conferences with the members of the Retail Banking and Capital Markets steering committees, the associations of the various bank groups and other interested bank representatives, thus providing a permanent platform for dialogue. This was done with the strong involvement of the banks that had initiated the programme. These evening briefings were one of the keys to the programme's success: problems could be discussed daily and questions could be addressed immediately on an ad hoc basis with a group of around 50 bank representatives and experts from the Office of the SBA.
- The frequent exchanges between the SBA and the authorities made it possible to develop and discuss solutions to current problems on a regular basis. Together with the Retail Banking Steering Committee, the SBA also held various top-level meetings with partner associations to discuss their experiences with the SME loan programme. This dialogue was highly appreciated by all parties. Particularly in turbulent times, strong networks are key to enabling associations to work successfully and represent the concerns of their members.

This year, the SBA's work will focus on the following priorities (see below), although the effects of the corona crisis will also have broad implications here:

«Going digital, acting sustainably»

The Swiss Bankers Association's (SBA) **priorities 2020** for ensuring a strong financial centre



Source: SBA

Financial market stability rests upon four pillars

Security and stability have always been of paramount importance in the context of Switzerland. This holds particularly true for the financial centre. In an increasingly volatile world, **financial market stability** is now more than ever one of the Swiss financial centre's major advantages. This has also become very evident in the ongoing corona crisis, which has not resulted in any stability risks for the banks in Switzerland – partly due to their high capital buffers. In its annual Financial Stability Report, the Swiss National Bank (SNB) attested that both the big banks and the banks with a domestic focus were resilient in the face of crises. But corona has also made it very clear how broad the range of risks to financial stability can be. Last year, we stressed that cyber risks, market shifts and technological developments have created new sources of systemic risk. These risks must be addressed. In recent months, we have therefore consciously initiated and very broadly conducted a discussion on individual risks to the stability of the financial centre. As a result of this and other factors, the work carried out jointly by the sector and the authorities on these stability issues is now well underway.

Digitalisation requires both room for manoeuvre and security

The corona crisis is accelerating trends in digitalisation that were already emerging prior to the crisis. Examples include the rise in cashless transactions with cards or mobile payments and the increase in the number of digital account openings and digital contact with customers via mobile and online banking. The crisis has demonstrated the importance of fully digitalised processes both at the interface with customers and for internal bank processes. The corona crisis has also made it clear that a powerful and secure **digital infrastructure** is key for Switzerland's overall economy to ensure both the nation's ability to innovate and its competitiveness.

A particularly critical success factor for the financial centre is the use of the cloud. The SBA identified the strategic importance of the cloud for banking four years ago and has since held intensive discussions with the sector about the opportunities and challenges it presents. Through the publication of our Cloud Guidelines at the beginning of 2019, and with important information events for users and decision makers, we succeeded in establishing groundbreaking recommendations for migrating to the cloud. Since then, both awareness of the strategic importance of cloud solutions and the demand in this area have increased significantly. The recommendations have been incorporated into the business plans of cloud providers and serve as a guide for consulting firms. Their impact has even extended beyond Switzerland: the recommendations are also being discussed abroad.

Digitalisation is also advancing in other areas: when it comes to the future evolution of the financial sector, open banking is one of the biggest international topics. Switzerland's market-based approach in this area has to date proved successful. It is clear that customers will use a number of different service providers in the future, and banks will play an important role in this context. Their extensive customer base and the trust placed in them give them the opportunity to take on a pioneering role in a cross-sector ecosystem. The SBA is closely monitoring this process. It recognises the significant potential of open banking and therefore actively contributes to the establishment of framework conditions that facilitate corresponding business models and in doing so, increase the competitiveness of Switzerland's financial centre. To this end, we developed an overview together with a working group consisting of bank representatives which was published in July 2020. The goal of this overview is to support the dialogue surrounding the market-driven implementation of open banking in Switzerland. Platforms and marketplaces that develop innovative solutions based on open standardised or proprietary APIs are already emerging. At the same time, certain banks are also developing standardised APIs for specific areas of business.

Success in sustainable finance requires collaboration

Another focus of our work is **sustainability**: sustainable finance represents an opportunity and is a top priority for Swiss banks. The industry is leading the way with its own initiatives in ten areas, as we highlighted in our brochure "Sustainable Finance in Switzerland: from pioneer to a premium international hub", published in June 2020. Among other things, the SBA's "Guideline for the integration of ESG considerations into the advisory process for private clients" will help banks when providing investment advice. At the end of June 2020, the Federal Council published a report and guidelines on sustainability in the financial sector. In these documents, the Federal Council sets out the goal of positioning Switzerland as a leading centre for sustainable financial services. The focus here is on suitable framework conditions which increase the competitiveness of the financial centre and, at the same time, support the sector's proactive efforts to achieve greater sustainability. The Federal Council is therefore supporting the sector's various ongoing initiatives. The economy and politicians are moving in the same direction and are pursuing the same goal when it comes to sustainability. This is in part also thanks to the association's solutions-oriented work.

To exploit the potential that exists in the area of sustainable finance, improved framework conditions are also required in related areas. For example, Swiss financial institutions need adequate **international market access** so that services and financial instruments, especially in the field of sustainable finance, can be exported. In addition, the investment guidelines for **occupational pension funds** must be modernised. The objective here is that when investing sustainably, pension funds would no longer be subject to unnecessary restrictions. Fiscal and bureaucratic hurdles for sustainable financial instruments must also be removed. With the general **abolition of stamp duties** and a **withholding tax reform**, sustainable offerings in particular can become competitive in the international environment.

Education and training are a factor that connects all of these important topics transversally. They are both a prerequisite and the basis for successfully defining our priorities – today and in the future. This year, greater weight was once again given to the topic of education and training both by the Office of the SBA and in the expert commission. The SBA's new education and training strategy is based on two mandates. The first is that our education and training services form the foundation for the work we do. This includes all activities related to the coordination of basic education, final apprenticeship examinations and further training. The second places a strong focus on educational development. This is about anticipating trends today to identify which skills bank employees of the future will need. This is the key

objective in educational development, which involves forward-looking work that is strategically focused on topics that span different competencies.

Committed to appropriate and effective regulation

Another important milestone we reached last year was the launch of the new Ordinance to the Financial Market Supervision Act, which takes into account our members' long-standing call for a clear regulatory process. The new ordinance defines roles and responsibilities, provides for early sector involvement and addresses important issues for us such as commensurability, proportionality and international competitiveness. Looking to the future, it is important in the SBA's view that the new ordinance is properly implemented and applied – also with regard to "Basel III: Final for example. In this case, it was possible to agree on key parameters for implementation together with the authorities prior to the actual introduction of the new requirements. Among other things, these parameters established that Switzerland should not rush ahead to implement the new requirements unilaterally. The aim is instead to wait and see how Basel III is implemented in the other major financial centres. This and the other agreed parameters are important building blocks that must be adhered to during implementation.

The small bank regime marks a major success for our smaller member banks. It introduces proportionality in regulation and has been in force since the beginning of 2020. This is the result of close collaboration between FINMA and the sector, which was coordinated under the lead of the SBA. The new regime for small banks reduces the regulatory burden in many areas. These reductions and simplifications of regulations are both quantitative (e.g. exemption from risk-weighted capital requirements) and qualitative (e.g. with regard to outsourcing, operational risks and governance aspects).

With the partial revision of the Banking Act and the associated **deposit insurance reform**, another regulatory project is now imminent. We consider the need for improvement asserted by the Federal Council to be appropriate: shortening the deadline for pay-outs to depositors to seven working days is in line with international standards and will further strengthen confidence in the financial system. With the proposed measures, the security and stability of the financial centre can be further improved. At the same time, it is crucial in the SBA's view that the revision is cost-neutral in terms of bank capital and liquidity buffers.

Another important matter being addressed by parliament is the current revision of **money laundering provisions**, which are to be adjusted in line with international standards in a way that is commensurate. The SBA supports the Federal Council's proposal, which is in the interests of international conformity and the integrity of Switzerland as a business location.

The extraordinary situation experienced in recent months has also put us to the test as an association. Fortunately, we have seen that our processes are sound and our priorities have long-term relevance. Our way of interacting – especially under difficult conditions – has proved to be appreciative, respectful and forward-looking, because there is more than just one approach to finding solutions in complex situations. Transparency, clarity and dialogue are the keys to success.

We succeeded in following these guiding principles across all bodies and at the Office of the SBA. I would like to sincerely thank all of the employees at our Office and all the bank representatives serving in the SBA's various committees, commissions and working groups. We are shaping our future together and, in doing so, are strengthening our financial centre.



Herbert J. Scheidt, Chairman

SBA management report

General business performance

The Swiss Bankers Association (SBA) is a non-profit organisation and is financed predominantly through membership fees. Starting in 2020, the accounting year ends on 31 March. The financial year was therefore longer than usual, beginning on 1 January 2019 and ending on 31 March 2020. As a result, membership fees increased by one quarter to around CHF 26 m compared with the previous year. At the end of the financial year, the SBA had 268 member institutions with 12,130 individual members. This represents a reduction of 19 member institutions (due to the cessation of banking activities, mergers, etc.) compared with the previous year. However, the number of individual members increased by 480. With an average of 52.5 employees (in full-time equivalents), the SBA's staff levels remained stable during the year under review.

Execution of risk assessment

No new factors were identified during the risk assessment that was conducted. It resulted in only minor, isolated adjustments that were adopted by the Audit Committee on 15 June 2020. The assessment by the SBA based on the information currently available is that there are no material individual risks that could pose an existential threat to the SBA at present or in the near future. The SBA also found that the sum of the individual risks does not threaten its existence.

Research and development activities

The SBA lays the groundwork for numerous issues that are relevant to the industry and are of current and future importance for the financial centre. Through this intensive work, it contributes to the further development of the Swiss financial centre with the objective of increasing its competitiveness and future viability. Over the course of the year, the SBA addressed matters such as digitalisation, open banking, the much debated and controversial low interest rate environment, and sustainable finance, all of which were also widely covered by the media. During the last financial year, the SBA also began to reposition itself in the area of education and training. The current period of change and digitalisation in the banking sector requires a different approach to education and training. Since 2019, the SBA has therefore been systematically adjusting its training and development activities to align them with topics that will be relevant in the future. The main areas of focus here are sustainability fitness, digital readiness and transversal competencies.

Extraordinary events

Developments related to coronavirus have created a variety of challenges for the economy and for small and medium-sized enterprises (SMEs) in particular. In its role as a coordinator between the authorities and the banking sector, the SBA has contributed its expertise to the establishment of COVID-19 bridging loans.

Outlook

The coronavirus has had a significant impact on this year's annual general meetings. In order to protect the health of our members, the SBA has decided not to hold this year's Annual General Meeting with members being physically present. Instead, they can exercise their voting rights in writing.

With the appointment of Oliver Buschan as Head of Retail Banking & Capital Markets (RBCM) in February 2020, the Executive Board is now complete. The integration of the Economic Policy team into RBCM has further strengthened this department.

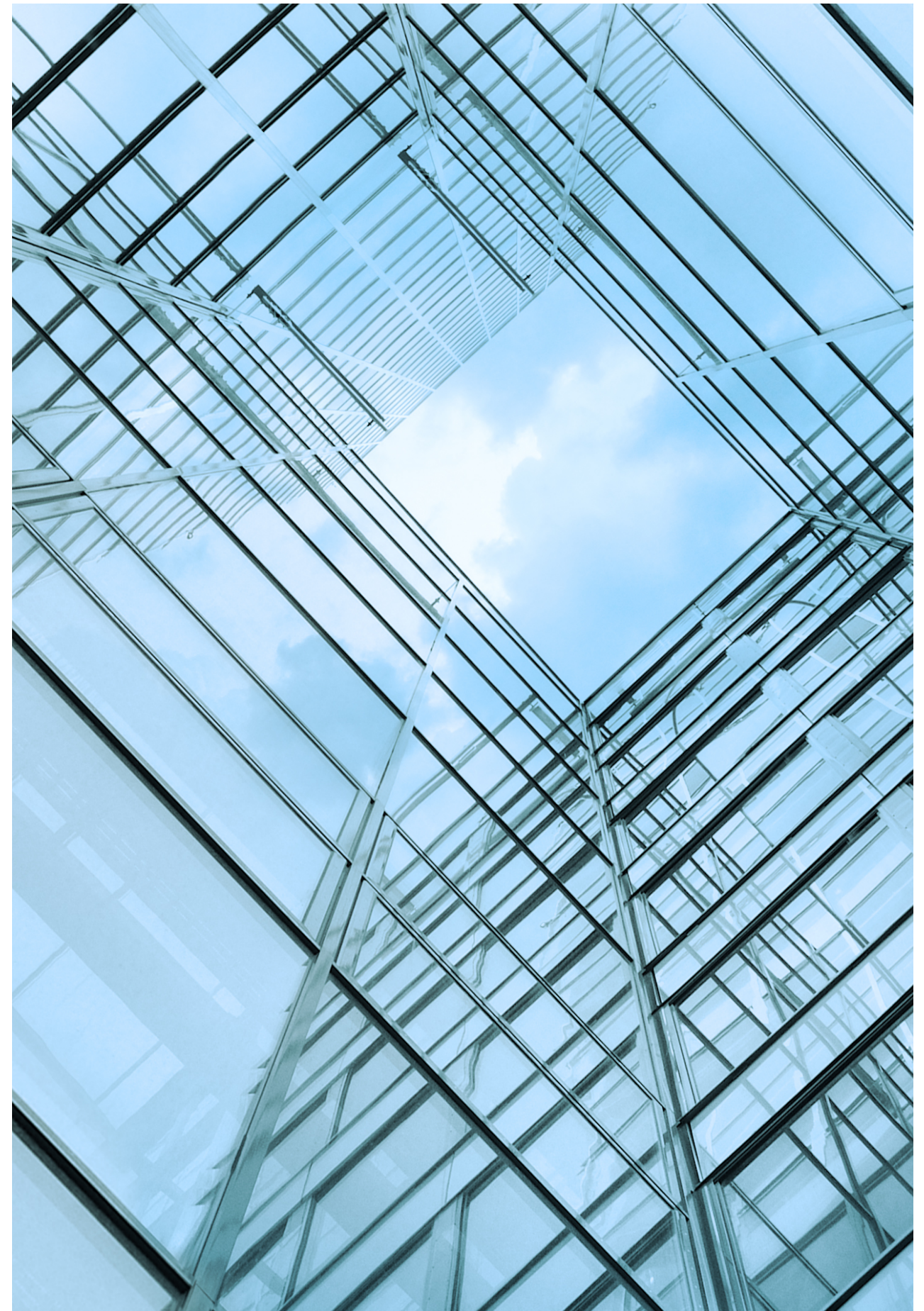
Basel, 19 August 2020



Jörg Gasser
CEO



Melanie Knijff
Head of Operations



Balance Sheet

Assets in CHF	31.03.2020	31.12.2018
Cash and short-term cash equivalents	21,966,221	20,785,697
Trade accounts receivable	196,452	2,410,643
Other short-term receivables	830,033	54,254
Prepaid expenses/accrued income	176,833	101,023
Total current assets	23,169,539	23,351,617
Financial assets	12,935,957	12,599,699
Property, plant and equipment	3,700,001	3,700,001
Total non-current assets	16,635,958	16,299,700
Total Assets	39,805,497	39,651,317

Liabilities in CHF	31.03.2020	31.12.2018
Trade payables	236,249	800,145
Other short-term liabilities	760,279	866,836
Accrued expenses/deferred income	1,083,584	717,898
Short-term provisions	932,000	1,691,000
Total short-term liabilities	3,012,112	4,075,879
Provisions and similar items foreseen in the law	25,800,000	24,600,000
Total long-term liabilities	25,800,000	24,600,000
Total liabilities	28,812,112	28,675,879
Association capital	6,961,000	6,961,000
Reserves	4,032,385	4,014,438
Total equity capital	10,993,385	10,975,438
Total Liabilities	39,805,497	39,651,317

Income statement

Income statement in CHF	1.1.19 – 31.3.20 (15 months)	1.1.18 – 31.12.18 (12 months)
Membership fees	26,137,589	20,885,165
Revenue from sale of goods and services	1,797,988	1,455,015
Total operating income	27,935,577	22,340,180
Goods and services expenses	-9,760,352	-7,929,034
Personnel expenses	-15,848,571	-11,717,489
Other operating expenses	-2,724,807	-2,500,792
Total operating expenses	-28,333,730	-22,147,315
Operating result	-398,153	192,865
Financial expenses (including unrealised losses)	-70,653	-460,660
Financial income (including unrealised gains)	734,102	191,256
Non-operating income	50,303	40,140
Extraordinary, non-recurring or prior-period expenses	-1,287,000	-870,000
Extraordinary, non-recurring or prior-period income	1,013,075	1,125,449
Direct taxes	-23,726	-160,396
Profit for the year	17,948	58,654

Cash flow statement

Cash flow statement in CHF	1.1.19 – 31.3.20 (15 months)	1.1.18 – 31.12.18 (12 months)
Net profit for the period	17,948	58,654
Price changes in financial investments	-139,232	413,156
Change in current assets	1,362,602	2,702,539
Change in liabilities	-304,767	-285,253
Change in provisions	441,000	361,000
Cash flow from operating activities	1,377,551	3,250,096
Investments in non-current assets	-197,027	-56,205
Cash flow from investing activities	-197,027	-56,205
Total cash flow	1,180,524	3,193,891
Balance of cash at beginning of period	20,785,697	17,591,806
Balance of cash at end of period	21,966,221	20,785,697
Total cash flow	1,180,524	3,193,891

Notes

1. Description of the principles used in the preparation of the financial statement

These financial statements of the Swiss Bankers Association, headquartered in Basel, have been drawn up in accordance with the Swiss law, in particular with the article in the Code of Obligations relating to commercial accounting and financial reporting (Art. 957 to 961).

At the Annual General Meeting on 12 September 2019, it was decided that in the future, the financial year will begin on 1 April and end on 31 March. This change took effect on 31 March 2020, meaning that the financial year to which these annual financial statements pertain was longer than usual (1 January 2019 to 31 March 2020).

In preparing the financial statements, the management is required to provide estimates and assessments that could affect the reported amounts of assets and liabilities, but also the expenses and revenues for the reporting period. The management decides at its own discretion how to apply the legal scope for valuation and reporting practices. Pursuant to the principle of prudence, depreciation, value adjustments and reserves that exceed the economically necessary level can be created in the interests of the Association.

In principle, tangible fixed assets are valued at acquisition cost less depreciation and value adjustments. Depreciation of the Association's office premises, with the exception of the land value, is calculated on a straight-line basis. Where indications of overvaluation are present, the book values are reviewed and value-adjusted if necessary.

2. Disclosures, breakdown and explanations of balance sheet and income statement items in CHF

a) Cash and short-term cash equivalents	31.03.2020	31.12.2018
Cash deposits	11,030	11,873
Bank deposits	21,955,191	20,773,824
	21,966,221	20,785,697
b) Financial assets		
Securities at market price	12,731,457	12,395,199
Securities at acquisition cost	204,500	204,500
	12,935,957	12,599,699
c) Property, plant and equipment		
Premises/furniture/IT systems	1	1
Office premises in Basel	3,700,000	3,700,000
	3,700,001	3,700,001
d) Provisions (short and long-term)		
for general risks arising from business operations and to ensure continuity of the Association	26,732,000	26,291,000

3. Explanations of extraordinary, non-recurring or prior-period items included in the income statement in CHF

a) Extraordinary, non-recurring or prior-period expenses	1.1.19 – 31.3.20 (15 months)	1.1.18 – 31.12.18 (12 months)
Short-term provisions	87,000	770,000
Long-term provisions	1,200,000	100,000
	1,287,000	870,000
Additional provisions were created for general risks arising from business activities as well as for ensuring the association's continuity.		
b) Extraordinary, non-recurring or prior-period income	1.1.19 – 31.3.20 (15 months)	1.1.18 – 31.12.18 (12 months)
Release of provisions	846,000	509,000
Extraordinary income	50,000	475,000
Other	117,075	141,449
	1,013,075	1,125,449
Provisions were released to finance various expenses in 2019/20. Extraordinary income is income from the partial liquidation of the US hardship fund.		

4. Additional information

a) Personnel (full-time equivalents)

The average number of employees (full-time equivalents) for the year was over 50 both in the year under review as well as the previous year.

b) Assets pledged to secure own commitments

The assets pledged (financial investments) as collateral for own liabilities total CHF 720,000 (previous year CHF 630,000).

c) Fees paid to the auditors in CHF	1.1.19 – 31.3.20 (15 months)	1.1.18 – 31.12.18 (12 months)
For audit-related services	23,586	22,950
For other services	0	103,431

5. Significant events after the balance sheet date

No material events occurred between the balance sheet date and the approval of the financial statements by the Board of Directors on 25.06.2020 that could affect the information contained in the 2019/20 financial statements or that would have to be disclosed herein.

The COVID-19 virus did not have a material impact on operational activities. However, financial assets are subject to market-related price fluctuations. The performance of financial assets during the period from 01.01.2019 to 25.06.2020 was positive.



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To the General Meeting of Members of

Swiss Bankers Association (Swiss Banking), Basel

Basel, 25 June 2020

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Swiss Bankers Association (Swiss Banking), which comprise the balance sheet, income statement and notes (pages 14 to 21), for the following period, 1 January 2019 to 31 March 2020.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 March 2020 comply with Swiss law and the association's articles of incorporation.



Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 69b civil code in conjunction with article 728 CO) and that there are no circumstances incompatible with our independence.

In accordance with article 69b civil code in conjunction with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.


We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd



Andreas Blumer
(Qualified
Signature)

Licensed audit expert
(Auditor in charge)



Raphael Ritter
(Qualified
Signature)

Licensed audit expert

•SwissBanking

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