Swiss Banking

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Financially sound banks facing economic and political uncertainty

SBA publishes Banking Barometer 2022

- The 239 banks in Switzerland recorded a solid business performance in 2021. The restrictions in place due to the COVID-19 pandemic were gradually eased, causing a pronounced economic recovery and an increase in employment.
- The banks' aggregate net income rose by 1.4% in 2021 to CHF 70.9 bn, its highest level since the financial crisis, as the positive trend on the stock markets bolstered the result from commission business and services.
- The balance sheet total of all banks in Switzerland grew by 3.5% to stand at CHF 3,587.8 bn at the end of the year.
- Assets under management showed a sharp increase of 12.1%, with domestic and foreign customer assets growing at equal rates. Switzerland remained the world leader in cross-border wealth management in 2021.
- The number of people employed in the banking sector rose slightly for the second year in succession, adding 619 full-time equivalents.
- The banks' operating environment was fraught with uncertainty during the first half of 2022, and assets under management fell accordingly. The growth trend in mortgages is stable, while the turnaround in interest rates has led to an improvement in the gross interest margin.
- The number of people employed by the banks grew slightly again, and the SBA's survey shows that the outlook for the rest of the year is positive.

Switzerland's COVID-19 restrictions were gradually eased in 2021, which led to a sharp economic recovery and a fall in the unemployment rate. This in turn improved the business performance of the 239 banks that were operating in Switzerland at the end of the year. Their aggregate net income rose by 1.4% to CHF 70.9 bn.

Commission business and services overtake interest operations as performance driver

The main driver behind the banks' upbeat performance was the result from commission business and services, up 10.9% at CHF 25.5 bn thanks to sharply higher securities prices. This was thus the largest contributor to their net income for the first time since 2015. The result from interest operations, which had been the dominant force in recent years, rose by 0.8%, whereas the result from trading activities fell sharply (by 29.4%) following an exceptional year in 2020.

In terms of profitability, the banks' gross operating profit was 3.1% higher in 2021 thanks to stable operating expenses. The banks paid taxes amounting to CHF 2.6 bn (up 38.8%).

Sharp increase in liquid assets, mortgage loans still largest asset item

The balance sheet total of all banks in Switzerland at the end of 2021 was up a further 3.5% at CHF 3,587.8 bn. On the assets side, liquid assets recorded the best absolute growth, rising by CHF 76 bn or 11.1%. This was due to the Basel III liquidity rules and low interest rates, among other things. Mortgage loans remained the largest asset item on the Swiss banks' balance sheet, accounting for 31.6% of total assets. They rose by 3.4% in 2021 to CHF 1,134.9 bn.

Trend reversal in time deposits despite unchecked growth in sight deposits

Amounts due in respect of customer deposits dominated the liabilities side with a 57.5% share. Their further growth was due to increases of roughly 10% in both sight and time deposits, reflecting a saving rate that remained exceptionally high. However, the growth in time deposits represents a trend reversal compared with the past ten years: between 2011 and 2021, low interest rates caused their share of liabilities to fall from 12% to 7%, whereas that of sight deposits grew from 22.9% to 35.7%.

Sharp increase in assets under management

Assets under management grew by a full 12.1% to CHF 8,830.3 bn in 2021, with domestic and foreign customer assets growing at equal rates. This was driven primarily by a sharp increase in securities holdings in customers' custody accounts at banks (up 14.3%). Over the past ten years, the banks have seen their assets under management increase by 68%, although the share attributable to foreign customers has fallen slightly, partly as a result of the firming Swiss franc.

Number of bank staff rises for second year running

Despite advancing consolidation in the industry, the number of people employed at the 239 banks in Switzerland rose by some 619 full-time equivalents to 90,576.6. However, this still does not necessarily signal a reversal of the long-term downtrend in place since 2013 due to consolidation, more stringent regulation and outsourcing.

Considerable uncertainty in first half of 2022

The banks' operating environment was fraught with uncertainty during the first half of 2022. Increased geopolitical risks (not least due to the war in Ukraine), supply chain disruption, rising inflation rates and the return to more restrictive monetary policy have already caused marked corrections on the stock markets. Assets under management at banks in Switzerland were down 4.4% in the first five months of 2022. The overall balance sheet total grew by 1.3% up to the end of May. On the assets side, amounts due from securities financing transactions and other assets showed the largest increases. Trading portfolios in securities and precious metals, meanwhile, fell sharply. On the liabilities side, the trend reversal in favour of time deposits continued following the interest rate turnaround. Time deposits were up 10.9%, while sight deposits were down 1.4%. The growth trend in mortgages is stable, while the turnaround in interest rates has led to an improvement in the gross interest margin. The number of people employed at banks in Switzerland increased slightly again in the first half of 2022. According to the SBA's employment survey, the banks' short-term outlook is also positive.

Withholding tax reform: the stronger the economic and geopolitical headwind, the more important adopting the reform will be

Swiss companies are finding financing conditions on the Swiss capital market highly problematic as things stand and often look to other countries as a result. Rising interest rates and thus capital costs will accentuate this trend if the Swiss electorate rejects the planned reform of withholding tax on 25 September 2022. Particularly amid such pronounced economic and geopolitical uncertainty, it would benefit Switzerland to regain lost business volume, jobs and tax revenue. The withholding tax reform would strengthen Switzerland's position as a location for business, finance and research.

About the Banking Barometer

The SBA's annual Banking Barometer details the key figures and trends in the Swiss banking sector based on data supplied by the Swiss National Bank (SNB) as well as the results of surveys conducted among the SBA's member institutions. It is once again available as an interactive, reader-friendly web publication. The Banking Barometer will be presented at a media conference in Zurich and online at 9 a.m. today by Martin Hess, Head of Economic and Monetary Policy. All relevant documents, together with additional facts and figures, can be found on our website.

About the Swiss Bankers Association (SBA)

As the umbrella organisation and voice of Swiss banks, the Swiss Bankers Association is committed to ensuring optimal framework conditions for the Swiss financial centre both at home and abroad. The SBA represents the banking industry's interests vis-à-vis the private sector, policymakers, the government and the supervisory authorities. It advocates for open markets, scope for entrepreneurial freedom and a level playing field. As a centre of competence, the SBA propagates banking expertise and actively engages in future topics. It was founded in Basel in 1912, and its membership today comprises around 270 institutions and 12,000 individuals.

Press and media inquiries

Our team is happy to respond to any media inquiries.

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