• Swiss Banking

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Positive overall trend and continued upbeat outlook for banks despite lower interest margins

The Swiss Bankers Association (SBA) concludes in its annual Banking Barometer that the banks in Switzerland performed well overall last year. However, their results must be seen in the context of one-time effects relating to the takeover of Credit Suisse by UBS. According to the SBA's Swiss Banking Outlook, prospects for the short to medium term remain positive internationally thanks to monetary policy easing. Key opportunities for the banks lie in the digitalisation of the customer experience.

Banking Barometer:

Pleasing business performance influenced by one-time effects

The aggregate net income of the banks in Switzerland rose by 2.9% to CHF 72.3 bn in 2023, while their annual profit was a record-high CHF 25.9 bn. However, these positive results must be seen in the context of one-time effects relating to the takeover of Credit Suisse by UBS.

Despite very good results from interest operations for domestically oriented banks, interest income across the whole industry declined by a modest 0.7% (CHF 172.4 mn), weighed down by high interest expense at the big banks in connection with the demise of Credit Suisse.

The downtrend in commission business and services continued, with income falling by 6.7% to CHF 21.8 bn. This was due in particular to lower income in securities and investment business as well as on sight deposits. At the same time, the sector's result from trading activities was up 21.3% at CHF 10.9 bn, mainly thanks to high market volatility in 2023.

The banks' assets under management grew by 6.9% last year to CHF 8,391.7 bn, CHF 3,794.4 bn of which came from foreign-domiciled clients and CHF 4,597.3 bn from Swiss-domiciled clients. Switzerland was still the world leader in cross-border wealth management for private clients in 2023, with holdings up 4.8% year-on-year (currency-adjusted) at CHF 2,205.7 bn.

Domestic mortgage loans were also higher, rising by 2.3% to CHF 1,179.2 bn. As in 2023, the cantonal banks had the largest share of the domestic mortgage market, at 39.1%, followed by the big banks on 24.9%.

Headcount rising further

The Swiss banks' domestic headcount also showed a slight increase in 2023. At the end of the year, they employed 93,299 full-time equivalents, 1,280 or 1.4% more than the previous year. The unemployment rate in the financial sector was 2.3%, in line with the average across the economy as a whole. According to the SBA's annual survey, staff numbers at banks in Switzerland were almost unchanged between the end of 2023 and June 2024, with a minimal decline of 0.1% or 38 FTEs. More than half of the institutions polled expect their headcount to stay unchanged in the second half of 2024, while roughly a third believe it will rise.

Swiss Banking Outlook:

Consolidation in net income

The experts surveyed for the Swiss Banking Outlook expect the net income of banks in Switzerland to be unchanged year-on-year in 2024. The result from interest operations is likely to fall as interest rates move lower, although the experts think that this fall can be completely or partially offset by an upward trend in the results from commission business, services and trading activities.

Below-average lending growth

Growth in lending is forecasted by the experts to be below the five-year average for this year, particularly for mortgages, due to contracting supply on the real estate market and an increase in objections and building regulations. They expect growth in other forms of lending to be in line with the multi-year average of about 2% in 2024.

The majority of experts agree that corporate loans will increasingly be offered by non-banks, making competition even more intense and thus further increasing pressure on margins. There is also a widespread consensus that Switzerland's very low interest margins by international standards are structural in nature, which will pose further challenges in interest operations going forward.

Stability as an opportunity for cross-border wealth management

Growth of 5% in cross-border wealth management is forecast for 2024. This is slightly higher than last year. The experts believe that this year's continued growth at a similar level to last year reflects in particular Switzerland's increasing importance as a politically stable safe haven with a solid currency.

Significant earnings potential in digital customer experience

Besides further improvements in the customer experience thanks to digital channels, those surveyed view the pick-up in economic momentum internationally and neutral monetary policy as earnings opportunities for the banks in Switzerland. Risks to income, meanwhile, are seen in particular in the increasing density and complexity of regulation as well as declining interest rates, which will squeeze margins further.

The annual **SBA 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 organisations. The semi-annual **SBA Swiss Banking Outlook**, meanwhile, provides an overview of expected trends in macroeconomic and financial market indicators as well as the Swiss banking industry's future prospects. It is based on a survey of chief economists and chief investment officers at SBA member organisations and thus offers a broadly supported snapshot of the Swiss banking sector.

For more information, please consult the Banking Barometer and the Swiss Banking Outlook.

About the SBA

The SBA is the umbrella association of Switzerland's banks and represents the industry's interests nationally and internationally vis-à-vis the business world, policymakers, the authorities and the general public. 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 265 organisations as well as some 12,000 individuals.

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