Swiss Banking

PRESS RELEASES 31.08.2017

Banking Barometer 2017: Stability despite unfavourable environment

Basel, August 31, 2017 – 2016 was once again a difficult year for the banks in Switzerland. Regulatory requirements and the rising intensity of competition continued to put pressure on the banks' margins. The low interest rate environment also posed challenges for the banks. Notwithstanding, most banks reported a profit last year, which amounted to CHF 7.9 bn (2015: CHF 15.8 bn, one-off effect resulting from high extraordinary income generated by a big bank). Aggregate operating net income was CHF 62.5 bn (-3.2%), which is slightly below the previous year, and therefore marks the first decline since 2012. The banks continue to consistently fulfil their role as an engine of the economy. The successful future of the banks depends on good framework conditions that increase the international competitiveness of the Swiss financial centre.

- Slight decline in banks' aggregate operating net income to CHF 62.5 bn (-3.2%).
- Annual profit amounted to a total of CHF 7.9 bn in 2016. The banks paid CHF 2.3 bn (+3.2%) in taxes.
- The banks in Switzerland managed total assets of CHF 6,650.8 bn at the end of 2016 (+1.3%).
- With a share of around one-quarter of cross-border asset management, the Swiss banking sector is the global leader in this segment.
- Last year, the banking sector employed 101,382 people (-1.6%) (in full-time equivalents).
- Competitiveness of the banks is under pressure: forward-looking framework conditions are required.

In 2016, the banks in Switzerland reported a total annual profit of just under eight billion Swiss francs. "In an environment where banks have to cope with negative interest rates, strict regulatory requirements and strong international competition, this can be considered a positive result", says Martin Hess, Chief Economist at the Swiss Bankers Association (SBA). "This speaks for the resilience of the banks in Switzerland and their ability to adapt."

An overview of the key figures for the 2016 business year:

- The number of banks decreased from 266 to 261 in 2016. The main reason for this change is the reduction in the number of foreign banks (-4).
- The banks in Switzerland managed total assets of 6,650.8 bn Swiss francs at the end of 2016. Domestic customer assets increased by CHF 119.0 bn (+3.6%) compared to the previous year, while foreign customer assets decreased by CHF 36.0 bn (-1.1%). This corresponds to an overall increase of assets under management of CHF 83.0 bn (+1.3%), which is attributable to domestic customer assets. The share of foreign customer assets is accounting for just under half of total assets under management.
- With a share of around one-quarter of cross-border asset management, the Swiss banking sector is the global leader in this segment.
- Aggregate operating net income was CHF 62.5 bn (-3.2%) and therefore declined for the first time since 2012.
- Aggregate annual profit amounted to CHF 7.9 bn and was thus lower by half than in the previous year (2015: CHF 15.8 bn), but higher than in 2014 (CHF 7.4 bn). Annual profit in 2015 was impacted by high extraordinary income generated by a big bank.
- The banks paid taxes amounting to CHF 2.3 bn (+3.2%).
- The banks continue to consistently perform an important function in the granting of credit. The domestic credit volume was CHF 1,107.5 bn. Compared to 2015, this corresponds to an increase of 2.9 percent. At 2.7 percent, domestic mortgage lending growth was slightly higher in 2016 (2015: +2.6%). The cantonal banks accounted for the largest share of the domestic mortgage market.
- Considering the major challenges faced by the banks, the labour market remains highly robust. The trend in the number of jobs declined slightly in 2016. Staff levels (in full-time equivalents, in Switzerland) fell by 1,660 jobs to 101,382 (-1.6%). A slight rise in the employment trend is emerging for the remainder of 2017; this trend is also confirmed by the most recent KOF Employment Indicator.

Challenges remain

In 2016 and the first half of 2017, the banks once again operated in a highly challenging environment. Financial institutions industry-wide are having difficulty upholding their interest rate margins, which have been shrinking continuously since 2007. As a result, certain areas of business have little room for manoeuvre left. Further to this, Brexit and the political situation in the US continue to create significant uncertainty for the Swiss banks.

Optimal framework conditions

To ensure that Switzerland remains one of the leading global financial centres in future, expedient regulation and optimal framework conditions are essential. The SBA welcomes the fact that the Banking Ordinance, which was amended by the Federal Council, takes into account the needs of new digital business models (new fintech rules). "Of note is the strong trend towards collaboration between fintech companies and banks that has been emerging recently", says Martin Hess. "This allows both sides to benefit from each other: fintech companies offer an ideal framework for developing new business ideas and can implement these faster than established banks. By collaborating with startups, the banks can expand their service offering and realise efficiency gains." It is important that the existing financial services providers are able to participate in the innovative fintech market subject to the same regulatory requirements as new providers. Particularly in the area of money laundering, for example, it would be extremely risky for the Swiss financial centre if the duties to be met by fintech companies were relaxed in the business with private customers.

About the Banking Barometer

The SBA's annual Banking Barometer provides an overview of the key figures and developments in the Swiss banking centre. The study draws on data from the Swiss National Bank (SNB) as well as the results of surveys conducted at member institutions. This media release, the Banking Barometer 2017 and the presentation given by Martin Hess can also be found on our homepage. In addition to the customary content, we have prepared facts and figures relating to the banking and financial sector (including information from the current Banking Barometer) in an attractive and exportable format.

Media Contact

Monika Dunant

Head of Topic Management & Media Relations

+41 58 330 63 95