Swiss Banking

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Banking Barometer 2019 - Banks in Switzerland defy challenging environment

Basel, August 29, 2019 – The banks in Switzerland are operating in a challenging business environment: uncertainties relating to economic policy, restrictions to market access and the dynamic transformation of market structures are impacting the framework conditions for these institutions. In light of lower margins and the ongoing digitalisation of the financial sector, it can be expected that the structural realignment in the banking sector will continue in the coming years. However, despite the uncertain environment, the adjustment process and the economic challenges, the banks developed very solidly in 2018. The banks' aggregate operating net income rose by 4.6 percent to CHF 65.3 bn in 2018. Compared to the previous year, the aggregate annual profit of the 248 banks operating in Switzerland rose by 17.3 percent to CHF 11.5 bn. Assets under management decreased by 4.8 percent to CHF 6,943 bn.

The banks continue to make a significant contribution to the success of the Swiss financial centre. They generated an annual profit of over CHF 11 bn. "Even though the business environment continued to be characterised by uncertainties, the banks in Switzerland were able to prove their ability to deliver strong results. The number of domestic employees declined only slightly. According to our survey, three out of five banks expect the employment trend to remain stable in the second half of the year", says August Benz, Deputy CEO of the SwissBankers Association (SBA) and Head Private Banking & Asset Management, commenting on this year's Banking Barometer.

Net income solid

The number of banks operating in Switzerland at the end of 2018 decreased by 5 and totalled 248. This reduction affects the regional banks and savings banks, the foreign banks and the private banks. Annual profit (result for the period) increased by CHF 1.7 bn (+ 17.3 %) to CHF 11.5 bn. The balance sheet total decreased slightly by 0.8 percent to CHF 3,225 bn. The lending business remains an important pillar for Switzerland's economic development. Domestic mortgage loan growth amounted to 3.6 percent last year and was therefore higher than in the previous year (2017: 2.7 %). Assets under management fell by 4.8 percent to a total of CHF 6,943 bn. This was mainly due to share price developments. Switzerland remains the global leader in crossborder wealth management for private customers with a market share of 26.6 percent.

Over 90,000 employees at banking institutions

At the end of 2018, the number of domestic employees (90,660 people in fulltime equivalents) decreased by 1.3 percent. Part of this slight decline can be explained by the fact that jobs were transferred to intragroup entities that are not included in the banking statistics. According to a survey conducted by the SBA, the staff levels at the banks increased slightly in the first half of 2019. The majority of banks surveyed expect the employment situation at their institution to remain flat in the second half of 2019.

This year's Banking Barometer focuses on wealth management and investment management, which continue to be supporting pillars of the Swiss financial centre. Wealth management in Switzerland is experiencing less growth than in other competing locations. However, despite the trend towards even stricter regulation in recent years, it has seen net growth in assets under management. In 2018, the banks in Switzerland managed around CHF 3,700 bn of private assets, of which CHF 2,300 bn are attributable to the crossborder business. In the last five years, assets managed crossborder increased by CHF 300 bn. This applies to all regions of origin.

Political volatility

The banks in Switzerland are facing numerous challenges: tense trade relations between the US and China, the discussions surrounding the relationship with the European Union, the end of the recognition of Swiss stock exchange equivalence by the EU as well as a digital tax planned by the Organisation for Economic Co-Operation and Development (OECD) are all likely to have an impact in the coming months. In order to ensure the competitiveness of the financial centre, the banks in Switzerland require reliable framework conditions. In the current difficult environment, this enables them to increasingly establish themselves in new business segments through their own efforts. “In this period of low interest rates and because of the persistent margin pressure, the banks must focus on business segments that have growth potential, such as sustainable finance”, says Martin Hess, Chief Economist at the SBA.

Financial centre focusing on digitalisation

The banks in Switzerland depend on optimal framework conditions in order to be able to take advantage of the upheavals in the value chain resulting from digitalisation. The Bankers Association is actively committed to ensuring that its members operate in a competitive ecosystem and, for example, supports the banks by publishing guidelines on cloud banking and on account openings for blockchain companies. Innovations that are important for the banks are emerging both in competition and in collaboration with fintech and blockchain companies. Digital assets (e.g. electronic currencies), cloud banking, open banking and artificial intelligence applications are areas that are on the banks' radars.

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