

Media conference Banking Barometer 2017



Welcome

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Presentation

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Overview

Swiss banks steadfast and well-equipped for structural change

- Uncertain political and economic environment; low interest rates
- Competitiveness under pressure; business models and competition between locations
- Digitalisation presents opportunities and risks; higher competitive intensity

- Decline in net income and profits
- Rise in assets under management
- Number of banks and staff levels falling

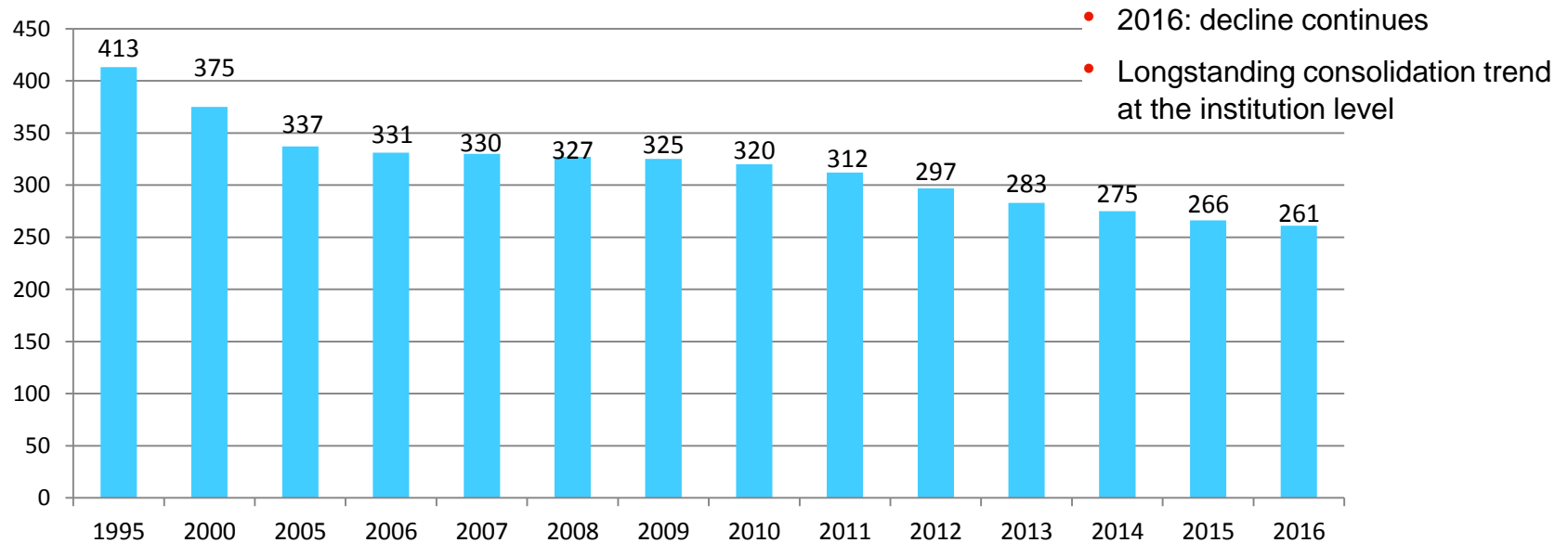


Contents

- **Structure of the banking sector**
- Net income
- Balance sheet business
- Wealth management
- Employment



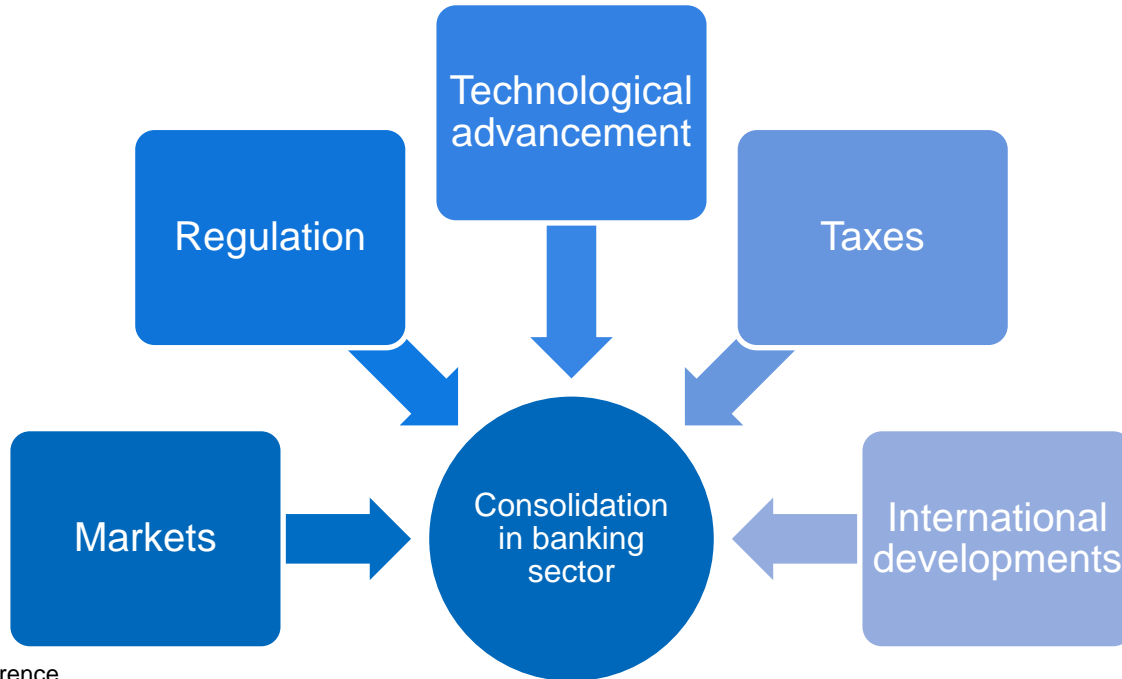
Trend in the number of banks in Switzerland



Reduction in the number of banks comparable at international level

Reduction in number of banks	Germany	France	UK	Switzerland
2007-2016	-17.0%	-46.3%	-11.5%	-21.1%
Number of banks year-end 2016	1702	445	355	261

Structure of the banking centre





Regulation: fitness program is necessary

- Requirements for big banks that come into force in 2019 largely met.
- Banks with domestic focus robust.
- Regulatory costs biggest challenge for profitability and investment priorities.
No general need for deregulation, but need for regulation that is comparable at the international level.
- Leading financial centre requires leading environment (regulation: expedient, effective, cost-efficient)
- Competitive regulation also an objective of the authorities (Federal Council growth report, Federal Council financial market report, Advisory Board report, ...) and is currently being discussed in Parliament.



Technological advancement: efficiency and new offerings

- Intensification of competition: made possible by technology and necessary due to market situation. Strengthening of the sector through industrialisation.
- Back end: efficiency gains through reduced vertical integration, integrated IT
Front end: improved contact with customers through new services, speed
- No global financial centre without innovative tech segment. Without first- rate framework conditions, jobs and value creation will be moved abroad. Innovation-friendly approach in Switzerland imperative.
- Authorities recognising signs of the times. (Fintech desk FINMA, importance of digitalisation in Federal Council's Financial Market Report, Federal Council report on the digital economy, SECO's digital test).

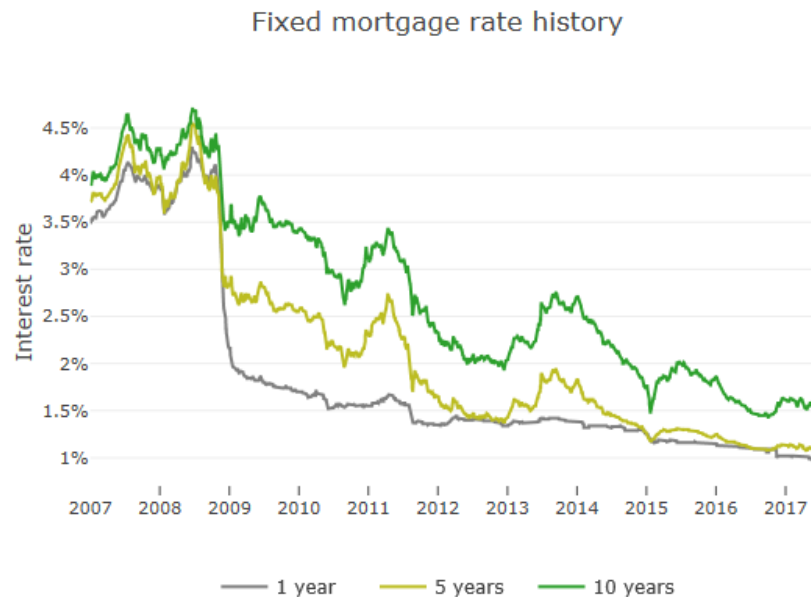
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Markets: low interest rate environment

- Stock exchanges currently rising, global economy improving. However: low volatility, longer-term risks remain, low long-term interest rates.
- Margin pressure resulting from increasing competitive intensity. However: good supply of credit.
- Rise in negative interest rate payments to SNB
2016: CHF 1,523.2 m;

First half of 2017: CHF 970.3 m





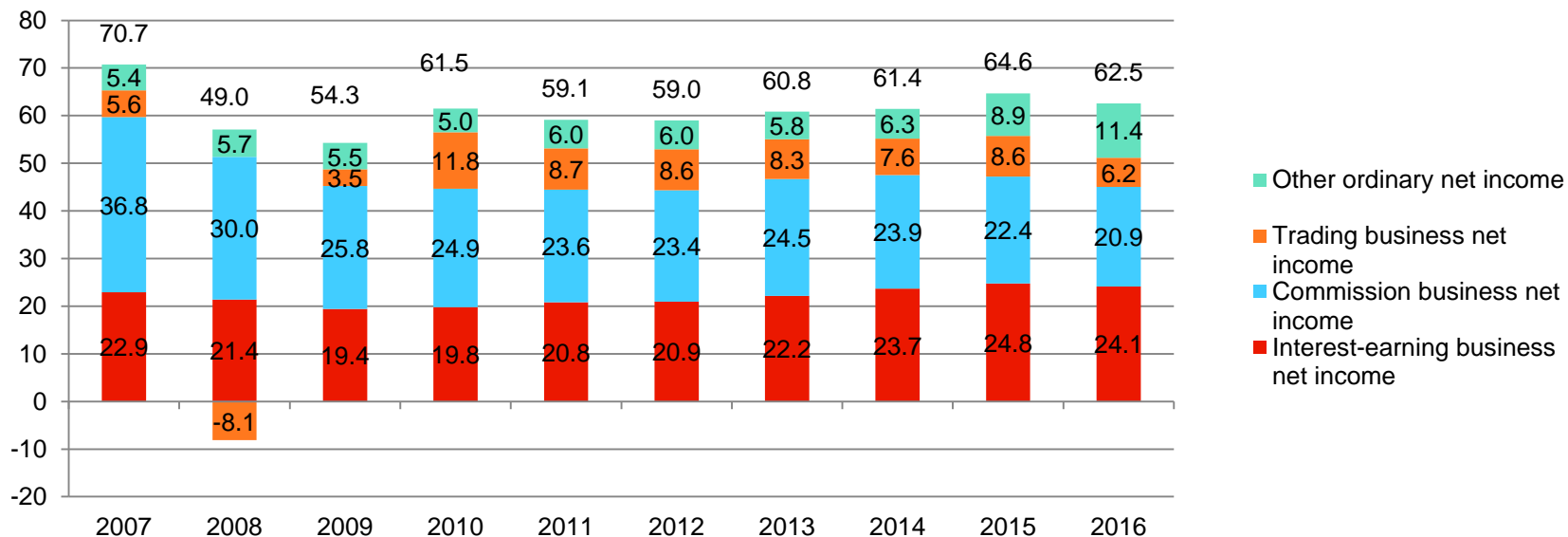
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Net income by banking activity

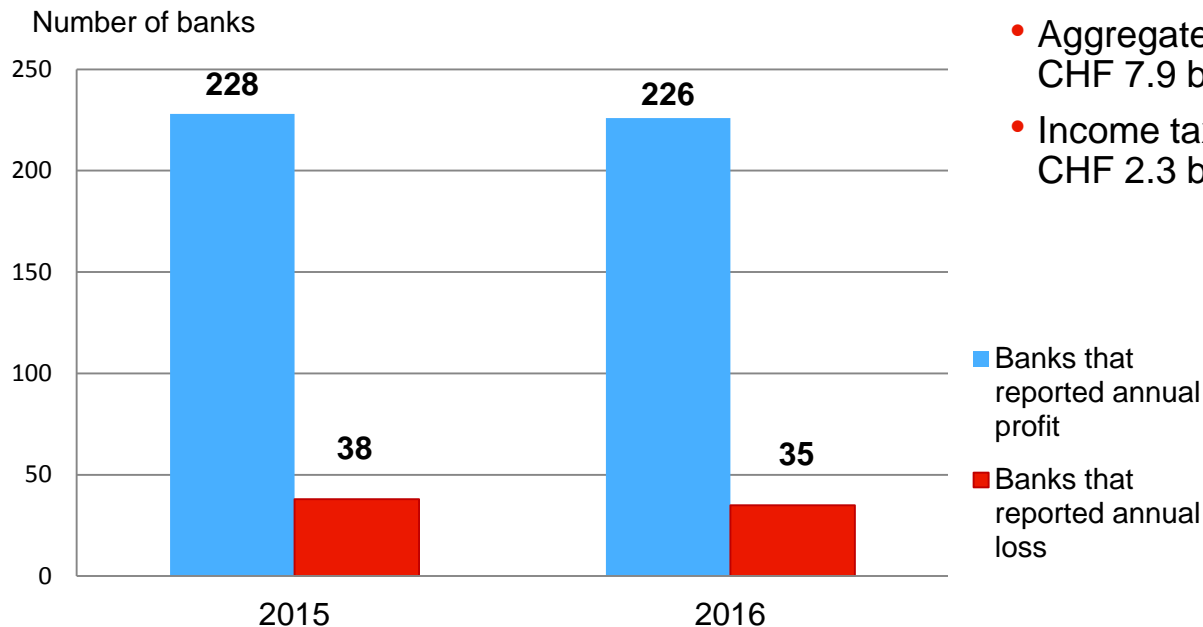
In CHF bn.



Trend net income

		2016	(2015)
Net income		-3.2%	(+5.0%)
Operating expenses		+2.8%	(+10.7%)
Personnel expenses		+0.6%	(+4.4%)
Administrative expenses		+5.7%	(+20.8%)
Gross profit		-16.8%	(-5.7%)

Annual profit



- Aggregate annual profit 2016: CHF 7.9 bn (2015: CHF 15.8 bn)
- Income taxes and taxes on earnings 2016: CHF 2.3 bn (2015: CHF 2.2 bn)

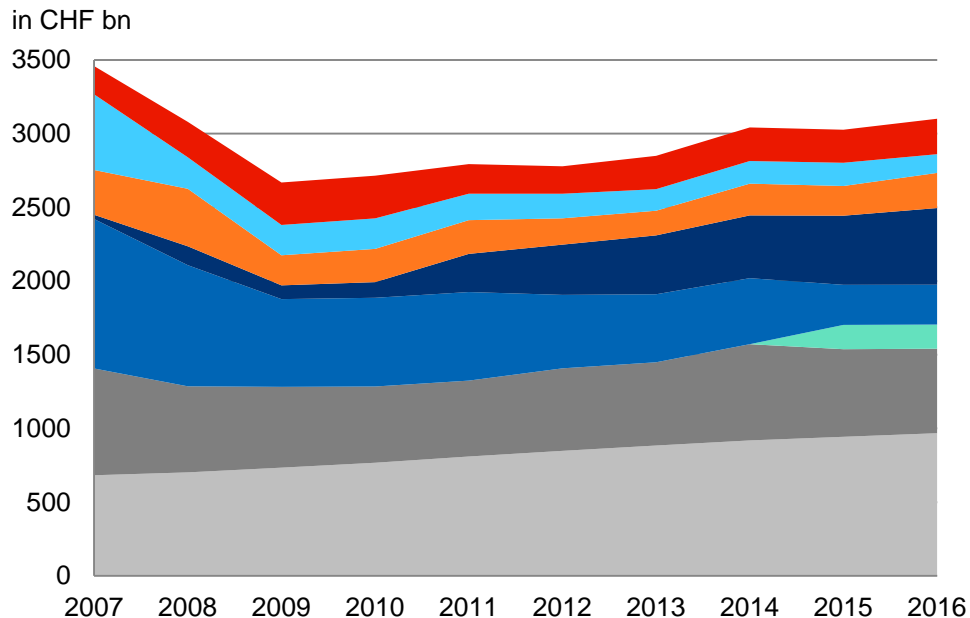


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Balance sheet total – breakdown of assets



- Rise in aggregate balance sheet total
- Strong increase in liquid assets and mortgage loans since financial crisis
- Decrease in loans to banks

- Amounts due from securities financing transactions
- Securities and precious metals
- Other assets
- Liquid Assets
- Bank loans
- Amounts due from securities financing transactions
- Customer loans
- Mortgage loans

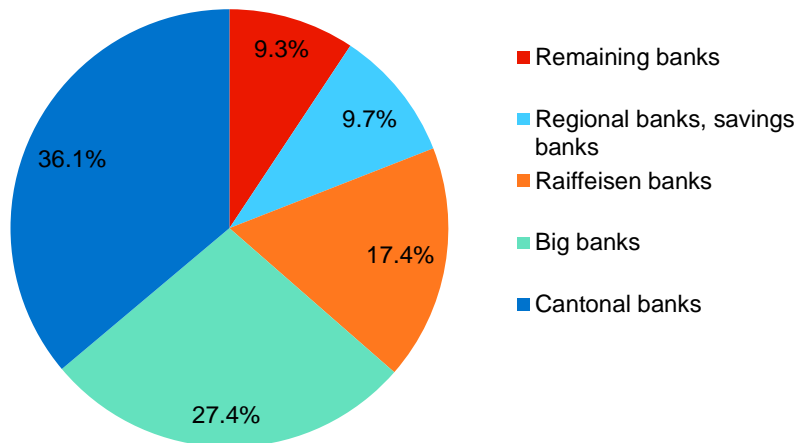
Aggregate balance sheet total – balance sheet total by bank group

in CHF bn	Balance sheet		Development	Share total 2016
	2015	2016		
Big banks	1,424.2	1,454.8	2.1 %	46.9 %
Cantonal banks	537.4	553.2	2,9 %	17.8 %
Foreign banks	333.7	323.5	-3.0 %	10.4 %
Stock exchange banks	210.1	226.3	7.7 %	7.3 %
Raiffeisen banks	202.4	215.3	6.3 %	6.9 %
Other banks	198.6	205.7	3.6 %	6.6 %
Regional banks, savings banks	113.1	116.1	2.7 %	3.7 %
Private bankers	6.7	5.9	-11.9 %	0.2 %
Total	3,026.2	3,100.8	2.5 %	100.0 %



Mortgage loans

Domestic mortgage loans	2011	2012	2013	2014	2015	2016
Change	5.2%	4.6%	4.2%	3.6%	2.6%	2.7%





Mortgage lending

- Mortgage loans 2016: CHF 949.3 bn.
- Moderate growth in domestic mortgage loans.
Measures in the mortgage lending business taking effect.
- SNB Financial Stability Report 2017
Domestic banks are in solid position

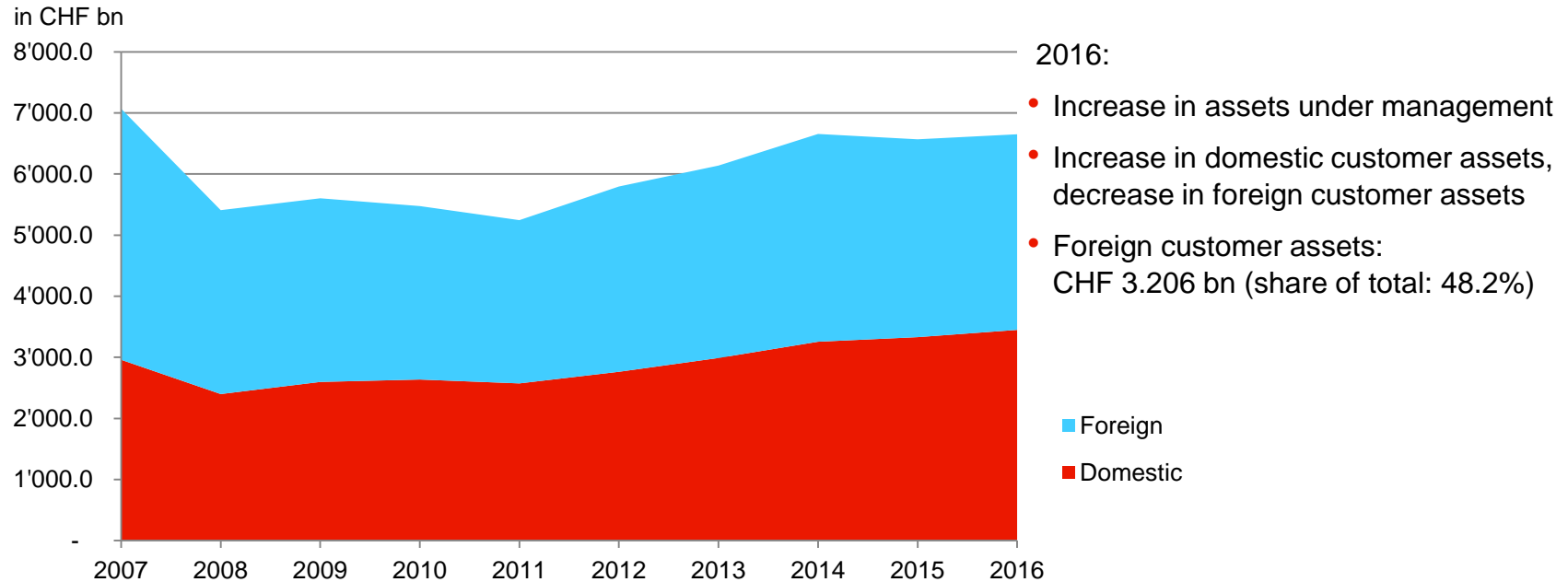


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Assets under management in Switzerland by customer origin



**“With 24% of assets
managed cross-border,
Switzerland remains the
global leader.”**



Wealth management

- Combined, Hong Kong and Singapore manage approx. 20%. BCG expects them to grow 7% and 8% p.a. respectively until 2021 (Switzerland: 3%).
- Global private financial assets growing 6% per annum (2016: USD 166.5 tn; 2021: USD 223.1 tn).
- Switzerland's participation below average. Consolidation in the wealth management segment.
- Innovations relevant for Swiss private banking, e.g. digital banking, crowd investing, robo-advice, sustainable investments.
- EU market access remains key for growth (recognition of equivalence).
- Promotion of Swiss financial centre: sharpening profile and reputation by means of professional promotion, e.g. industry delegation with Federal Councillor Maurer to Beijing, Shanghai, Singapore, Hong Kong (April 2017).



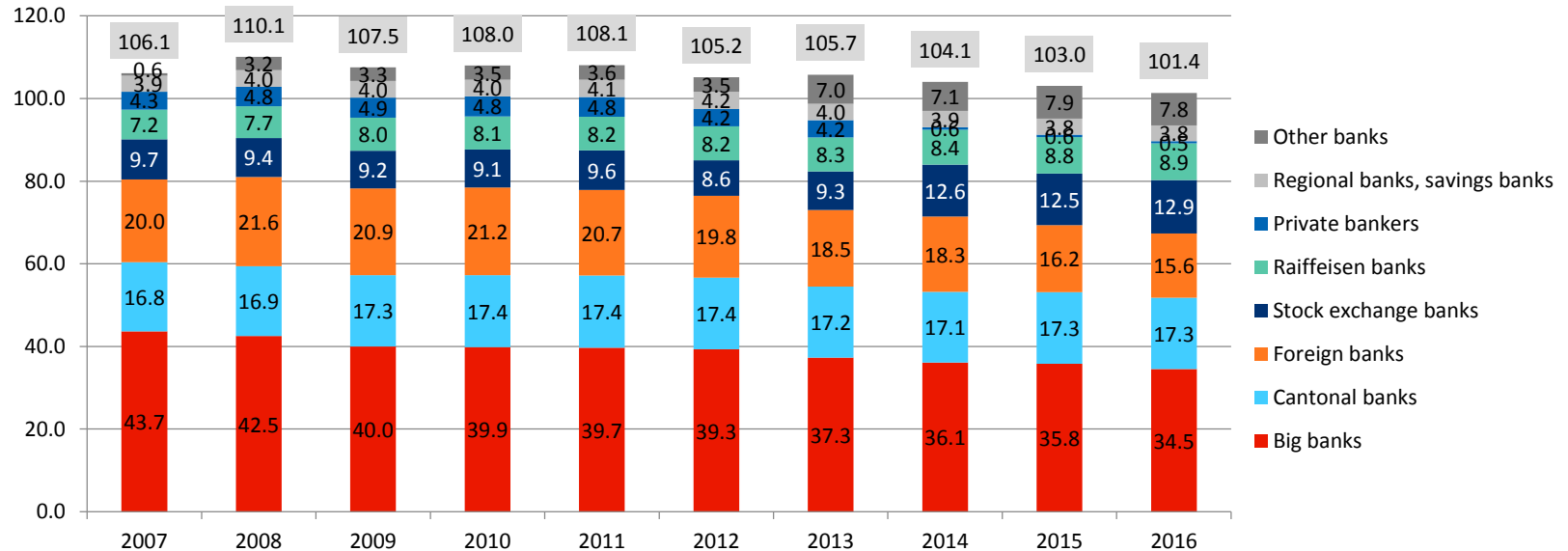
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Domestic employment levels by bank group

in thousands FTE





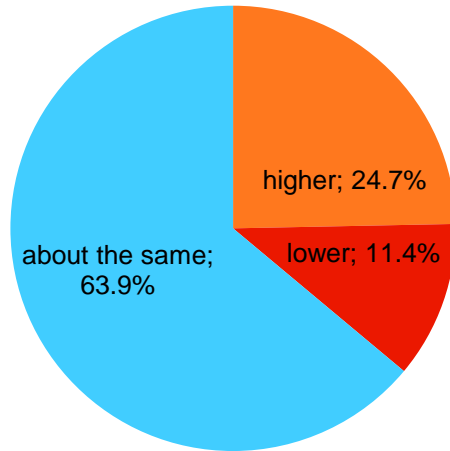
Domestic employment trend in the first half of 2017

In full-time equivalents	31 Dec. 2016	30 June 2017	Trend in first half of 2017			
			Change total	Change in %	Incoming	Outgoing
Domestic	88,006	87,035	-971	-1.10%	4,243	5,214

- At the same time: slight increase in number of jobs abroad (net: +283)
- Job profiles changing as a result of industrialisation



Expected employment trend in the second half of 2017



- expectation of flat employment trend high

Expected employment trend for the second half of 2017

Total	Retail banking	Private banking	Institutional asset management	Trading business	Logistics and operations (back office)
					

- Employment flat in almost all areas of business
- Pessimistic outlook for business area logistics and operations

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Thank you.