

Check against delivery.

Speech by Herbert J. Scheidt, Chairman SBA

The key to a strong economy: competitive banks and a stable financial centre

Esteemed Members of the Press

Welcome to our annual media conference. I am very pleased to see so many of you here today, and appreciate your interest in the Bankers Association and the work we do.

The corona crisis: our economy can rely on the banks

Our Swiss banks supported their customers during the corona crisis and were at their side at all times. Swiss banks were able to help numerous companies directly by providing liquidity from the corona loan programme in a swift and straightforward manner. Our colleagues at the individual banks demonstrated enormous commitment and worked tirelessly at the peak of the crisis. I would like to take this opportunity to thank them once again for their efforts. The emergency aid provided was possible because our banks have an extensive network and are therefore close to their customers throughout Switzerland. Our banks have once again demonstrated that they are a stable pillar of the economic system that can be relied on, especially in times of crisis. And as the latest figures show, they will continue to support their customers as a trusted partner in the future. We will present these figures to you in detail in our Banking Barometer 2020, which will be published shortly. But I would like to talk about the most important ones today:

- 1. The operating result of Swiss banks is stable and solid thanks to outstanding service and high-quality products:** The overall operating result at our banks increased once again in 2019, namely by 1.1% to CHF 66 bn. It should be noted that last year, they again had to pay negative interest to the Swiss National Bank. This amounted to approximately CHF 1.9 bn. The adjustment of the exemption threshold only came into effect in November 2019. The financial burden that negative interest placed on banks therefore remained at the same level as in previous years and resulted in a reduction in the operating result by an average of almost 3%.
- 2. We recorded strong growth of 13.8% in assets under management:** Assets under management in Switzerland rose to CHF 7,900 bn in 2019. That is twice Germany's GDP. Due to the global outbreak of the corona pandemic, financial markets experienced a sharp decline in March 2020. However, as a result of rapid interventions by major central banks, the markets and therefore also assets under management largely recovered in the second quarter.

- 3. Switzerland is by far the world's most important location for cross-border wealth management:** With a volume of CHF 2,300 bn as at the end of 2019 and a market share of 25%, the Swiss financial centre remains the global leader in this industry. Of note is its clear lead over Hong Kong, which ranks second with CHF 1,800 bn. Compared to Singapore and the US, which rank third and fourth, the cross-border assets managed in Switzerland are more than twice and almost three times as high, respectively.
- 4. Swiss banks are a reliable provider of credit to the Swiss economy:** Lending to companies and private individuals remains intact in Switzerland. The total domestic loan volume increased by 3.3% in 2019. This growth spanned all segments, including mortgages as well as personal and corporate loans. In 2020, this has further increased as a result of the corona loan programme. In total, the volume of the loans granted reached CHF 16.8 bn and was distributed between over 136,000 SMEs throughout Switzerland. The loans were granted by the big banks, cantonal banks, Raiffeisen banks and the regional banks. This is proof that all the banking groups are firmly established in the Swiss market.

The SBA is working on recommendations for dealing with insolvency risks

The loan programme is an unprecedented effort to support the Swiss economy. Very swiftly and thanks to the great personal contribution of all those involved at our banks, the authorities and the Swiss Bankers Association, affected companies received urgently needed liquidity starting from the second week of the lockdown. The programme achieved its goals, as confirmed by the considerable thanks we received for it.

It is now important to look ahead:

1. The programme should be incorporated into ordinary law without material changes to ensure legal certainty for all those involved.
2. Another lockdown must be avoided at all costs provided this is reasonable from an epidemiological standpoint.

People in Switzerland are concerned about the drastic drop in GDP and the negative consequences thereof. Based on a recent KOF survey, 14% of companies currently feel that their survival is at risk. Our sector is also providing support in this area. Together with our members, we are currently working on recommendations on how banks should deal with the possible insolvency of companies. Insolvencies or bankruptcies should be avoided wherever possible by ensuring the best possible coordination between the banks supplying the loans and SMEs. This gives companies time to implement the necessary restructuring and recovery measures – and therefore to safeguard valuable jobs.

The Bankers Association is a highly effective association for its members and the public Ladies and Gentlemen, it is in a crisis that the efficacy of our banks and an association such as the Bankers Association becomes particularly clear.

As an association, we were the central coordinating body between the relevant authorities and the participating banks, both for the development and implementation of the programme. Our experts are also playing an important role in the recommendations I mentioned for insolvency risks. These are just two examples of our efficacy as an association. Today, the Bankers Association is a recognised and sought-after point of reference for politicians and the administration, as well as stakeholders within the sector. This is important when it comes to quickly developing target-oriented and forward-looking solutions for our members and the financial centre.

But what are the success factors behind the strong capabilities that our association has today? Over the last four years, we have made significant changes and modernised the Association. In particular, what sets us apart today is:

1. A high level of agility thanks to strongly motivated employees with a clear vision. Our employees have significant practical experience, a strong network and outstanding communication skills.
2. Effectiveness thanks in equal parts to considerable expertise and a practical approach. This is appreciated and actively sought after by our members and federal politicians.
3. A focus on goals and a good understanding of concerns at the political level. The crisis in particular has shown how important it is for associations to serve as a central point of contact for the sector. This makes it possible to receive necessary clarifications and make decisions quickly.

Thanks to these competencies, we are able to create entrepreneurial room for manoeuvre and reduce the regulatory burden on our banks. In doing so, we are shaping the future of our financial centre.

- One example is the new FINMA ordinance, which came into force at the beginning of the year. With this ordinance, we can represent the interests of the sector and table important matters such as competitiveness or proportionality in regulatory projects at an early stage. This ordinance is an important achievement, as it enables the sector to conduct a dialogue with the regulator on equal terms.
- Another achievement is the small bank regime, in which 64 banks are currently participating. This regime has been in effect since the beginning of 2020, and means that proportionality, which had been an important concern, is now a key element in banking regulation. Under the new regime, the regulatory burden on smaller, secure banks has been reduced, for example by exempting them from risk-weighted capital requirements.
- As an association, we have over the last four years developed particular expertise in topics relating to digitalisation. It was already clear to me when I took office four years ago that we had to become a true centre of expertise in this area if we wanted to be relevant to our sector. Thanks to our strong commitment, we have succeeded in doing so. Our guidelines on cloud banking are widely used and with the overview of open banking, we are giving our banks the desired guidance on further developing their digital business models.

Open markets and stability are important for prosperity and security

Ladies and Gentlemen, some of the greatest contributors to our nation's prosperity are stability, security and our very successful export industry. Banks play an important role in this context. If we want to ensure our prosperity remains intact, we require free market access. The "termination initiative" would result in Switzerland being cut off from the European single market, as it would trigger the guillotine clause for the termination of the Bilateral Agreements I. This would have a disastrous impact on the entire Swiss economy. It is for all of these reasons that we reject the termination initiative, and we do so emphatically.

I am pleased to say that we have had some success with regard to market access in recent months. I am referring in particular to the Memorandum of Understanding between Switzerland and the UK. Jörg Gasser will tell you more about this after my presentation.

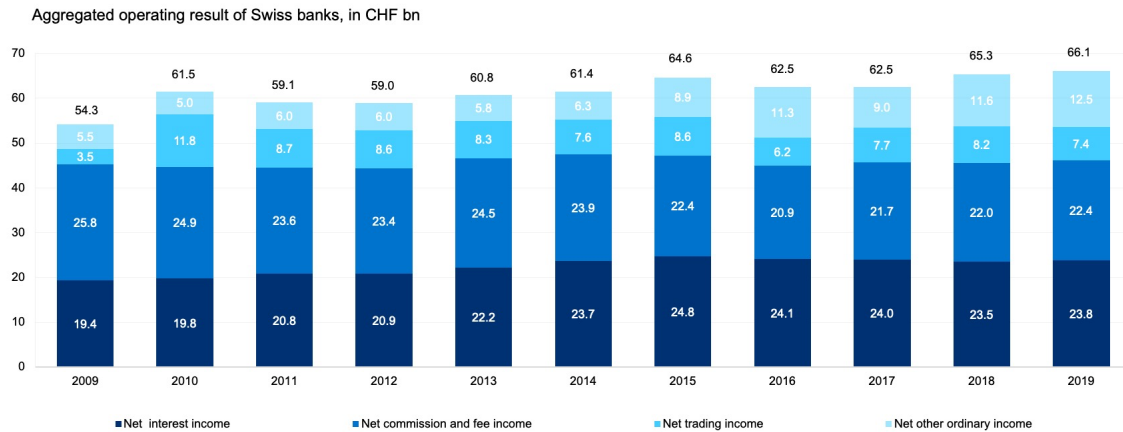
The corona crisis has clearly shown us the importance of functioning and stable markets. Capital and liquidity requirements for banks are no longer sufficient to ensure financial market stability. We need a broader and therefore new understanding of financial market stability, as it rests upon a number of important pillars. I would like to mention just a few:

- Pandemics also pose significant risks for financial market stability. The drastic falls on global financial markets caused by coronavirus made it necessary for major central banks to intervene swiftly and systematically. This underscores the important role that central banks play today in ensuring financial market stability.
- The corona crisis led to a further significant acceleration in the digitalisation of the economy and financial markets. But this also gives rise to greater cyber risks. Strengthening cybersecurity is of particular importance, especially for financial market stability. Over the last 12 months, we succeeded, together with the Federal Council, the SNB and FINMA, in further systematising and improving the security mechanism. We expressly welcome this progress.
- Stability is and remains a key factor when it comes to the trust of customers and depositors. We therefore also support the upcoming partial revision of the Banking Act, which will focus on deposit protection. By selectively strengthening the existing system for deposit insurance, we will be increasing deposit protection and therefore the stability of the financial centre. The Federal Council has proposed a coverage threshold of 1.6%, which is twice as high as in the EU. This is a clear commitment from our banks to stability and security.
- The last pillar I would like to mention relates to the considerable climate risks we face. These can and must be reduced, and the financial centre must make a significant contribution to the transition to a more sustainable economy. Our CEO Jörg Gasser will provide you with more details about our work in this area.

Thank you very much for your attention.

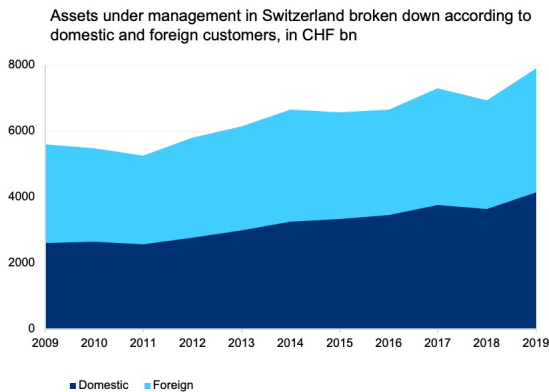
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Aggregated operating result of Swiss banks is solid

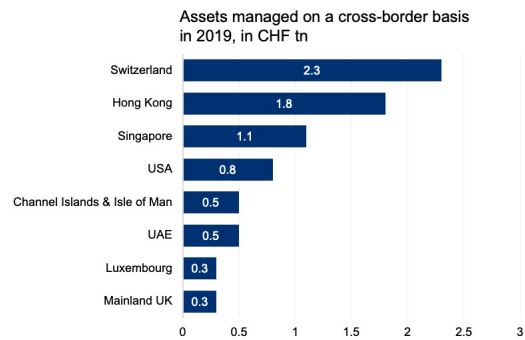


Aggregate net income comprises the results from interest operations, commission business and services, and trading activities as well as the other result from ordinary activities.
Source: SNB

Switzerland – strong in wealth management and the leader in the cross-border business



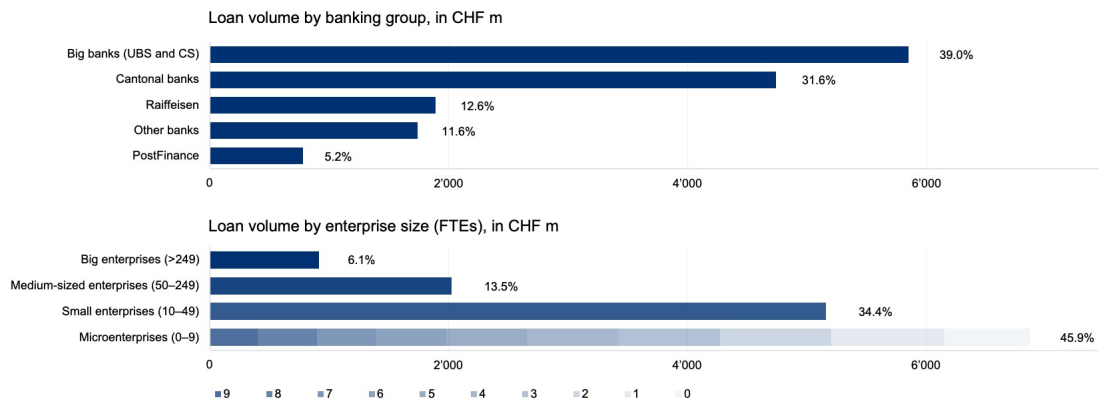
Assets under management are composed of the securities holdings in customer custody accounts, liabilities to customers not including sight deposits and fiduciary liabilities.
Source: SNB



Assets of private individuals managed on a cross-border basis in the respective booking centres.
Source: BCG

SME loan programme – the banks are a pillar of the economy

As at 25.06.2020



Source: <https://covid19.easygov.swiss/>