Swiss Banking

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Banking Barometer 2016: Swiss banks stable, but face significant challenges

Basel, September 01, 2016 – The banks in Switzerland are in solid shape, despite the challenging national and international environment. The operating net income of the banks in Switzerland rose by five percent in 2015 to CHF 64.6 bn, and they provided the economy and private individuals with credit without interruption. Accounting for a 25 percent market share, the Swiss financial centre remains the undisputed leader in global cross-border asset management. Rising regulatory costs, pressure on margins and investments in technological developments are, however, accelerating structural change in the sector, which is also reflected in the key performance indicators: for the 2015/2016 reporting period, the number of banks in Switzerland decreased, as did employment in the banking sector.

The banking sector once again made an important contribution to Switzerland's prosperity in 2015. It accounted for around 6 percent of overall economic value creation in Switzerland. In total, the banks reported an aggregate annual profit of CHF 15.8 bn and operating net income of CHF 64.6 bn. They employed over 103,000 people (in full-time equivalents) and paid income taxes and taxes on earnings of CHF 2.2 bn.

An overview of the key figures for the 2015 business year:

- The number of banks decreased from 275 to 266 in 2015. The reduction in the number of banks primarily affects the foreign-controlled banks (-8).
- At the end of 2015, the banks in Switzerland managed total assets of CHF 6,567.6 bn. Compared to the previous year, domestic customer assets rose by CHF 74.3 bn (+2.3%), while foreign customer assets fell by CHF 162.5 bn (-4.8%). Overall, this corresponds to a reduction in the assets managed in Switzerland of CHF 88.2 bn (-1.3%). This reduction is primarily attributable to currency effects. The share of foreign assets under management is slightly below 50 percent. With a 25 percent market share, the Swiss banking sector remains the undisputed leader in cross-border asset management.
- Aggregate annual profit amounted to CHF 15.8 bn (2014: CHF 7.4 bn), and aggregate net income was CHF 64.6 bn (+5.0%). The banks paid CHF 2.2 bn in taxes (-12.3%).
- Lending by the banks in Switzerland to companies and private individuals is intact. The domestic credit volume was CHF 1,076.4 bn, which represents a moderate 4 percent rise compared to the previous year. At 2.6 percent in 2015, domestic mortgage lending rose less than in the two previous years (2013: +4.2%, 2014: +3.6%). This is likely due in part to the measures introduced by the banks in the mortgage lending segment, including the amendments made to self-regulation.
- The employment trend was affected by ongoing consolidation, and cost savings and efficiency measures in 2015. Staff levels in Switzerland (in full-time equivalents) saw a decrease of 1,012 jobs to 103,041 (-1.0%). The greatest share of this decline in staff levels is attributable to the foreign banks, which reported a reduction of 2,036 jobs or 11.2 percent of staff. A survey conducted by the Swiss Bankers Association (SBA) during the summer of 2016 indicates that the Swiss banking sector has already recorded 3,454 fewer employees (-4.1%) during the first half of this year. In contrast, the Swiss banks hired a net total of over 6,700 people abroad. The outlook for the employment trend for the rest of the year is stable.

Challenges and opportunities

The banks in Switzerland faced numerous challenges in 2015. On the one hand, the continued low interest rate environment and strong competition led to significant pressure on margins. Regulations relating to capital requirements and tax transparency are driving up costs. Further to this, digitalisation had a strong influence on the general banking climate and accelerated structural change in the sector. It is still unclear how conditions will change for the Swiss banks as a result of the UK's decision to leave the EU (Brexit). The fact that most banks are reporting attractive earnings despite this difficult environment speaks to the ability of the Swiss banks to withstand crises as well as to their adaptability. In fact, the financial centre further strengthened its leading international position. For example, in the autumn of 2015, China Construction Bank became the first Chinese bank to receive a Swiss bank licence and opened its first branch in Zurich in January 2016. The SBA, together with other stakeholders, has been working towards establishing a renminbi hub since 2012. This holds significant long-term potential for the Swiss financial centre.

Martin Hess, Chief Economist at the SBA, explains: "Securing EU market access remains essential for further growth. In terms of employment, we are seeing a trend towards building up staff levels abroad; an indicator that the exportability of the financial centre is an issue. This trend must now be reversed through improved framework conditions. We must in particular succeed in finding a way to ensure cost-efficient regulation. The SBA has already developed recommendations for the government and regulatory authorities to this end. In particular, these include an independent regulatory inspection authority and a price tag for regulation."

Further information

The SBA's annual Banking Barometer provides an overview of the key figures and developments in the Swiss banking centre. The study is based on data from the Swiss National Bank (SNB) as well as the results of surveys conducted with member institutions. The study will be presented to the public today at 9.30 a.m. in Zurich. This press release, the Banking Barometer 2016 and the presentation from Martin Hess can be found on our homepage www.swissbanking.org.

Re-launch of www.swissbanking.org

Today, the SBA also re-launched its website www.swissbanking.org. 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. Guidelines, statements and information regarding training, the financial sector and current issues can now be found even more easily and quickly. The new website maintains its adaptive design to ensure that you always find the same content, regardless of whether you access www.swissbanking.org from your PC, tablet, or smartphone. Our online magazine insight is now also available in a new, reader-friendly layout. The next edition of insight will be published on 21 September.

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