

# The banks in Switzerland 1999 - Preprint

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Like 1998, 1999 was again a very successful business year for the Swiss banks. Gross profit rose by 13.1% (1998: +8.4%) to Sfr 26.3 billion. The annual profits (gross profit less write-downs, valuation adjustments, etc.) increased by 19.6% to Sfr 17.3 billion (1998: Sfr 14.5 billion, 1997: Sfr 6.0 billion). The balance sheet total amounted to Sfr 2,243.8 billion, surpassing the previous year's figure by 9.0% (1998: + 15.5%).

## Survey of development in banking business

	1999 in Sfr bn	1998 in Sfr bn
Annual profits	17.3	14.5
Balance sheet total	2,243.8	2,057.9
Fiduciary business	367.4	331.4
Surplus capital resources <sup>1)</sup>	32.6	31.9
Customer safekeeping accounts	3,522.4	2,964.5
Number of institutions	372	376
Number of staff	119,597	118,687

1) Without branches of foreign banks and private bankers

Brilliant results were achieved in commission business and services, which expanded by 8.7%, and in trading, which soared by 116.9% (1998: +10.1% and -39.3% respectively). Interest income, by contrast - not least due to fiercer competition among the banks and a more risk-sensitive credit policy - only exhibited a slight rise. Expenditure items are characterised by strong growth in personnel expenditure by 26.5% to Sfr 20.9 billion and in taxes by 113.0% to Sfr 3.2 billion. The higher personnel expenditure is probably due mainly to wage increases and bonus payments to staff members. The 0.8% increase in the number of staff hardly made a difference. Valuation adjustments, provisions and losses declined by 28.3% from Sfr 8.4 billion in 1998 to Sfr 6.0 billion.

The banks' total staff in Switzerland again expanded for the first time in ten years, reaching a level of 119,597 persons. Some categories of banks even recorded substantial growth rates: brokerage banks had 23.2% more staff on their payroll than in 1998, private bankers 11.9%, trade banks 9.9%, "Raiffeisen" banks 6.5% and the cantonal banks 1.5%. The big banks, however, continued to trim their workforce both in Switzerland and abroad in the 1999 business year. At the end of the year, they still had 59,362 persons in their employ, i.e. 2.4% less than a year earlier. The proportion of total bank staff accounted for by the big banks thus amounted to 49.6% (1998: 51.2%). The staff cutbacks in the

category "branches of foreign banks" were quite considerable despite the fact that the number of institutions remained unchanged; the staff level fell from 1,609 to 1,124 persons (-30.1%).

At the end of 1999, 372 banks reported to the Swiss National Bank, i.e. 4 institutions less than at the end of the previous year. The process of restructuring and streamlining, which began ten years ago and caused the number of banks to shrink by just over 250, thus slowed down. The number of branch offices operated by the banks, however, declined markedly in 1999. The overall total at the end of 1999 was 2,973 compared with 3,199 in the previous year. Thus the big banks continued to streamline their branch network. At the end of 1999, it still consisted of 665 branch offices (1998: 778). The category "Raiffeisen" banks saw a contraction in the number of institutions from 722 at the end of 1998 to 582. Most other categories of banks exhibited a rising or an equal number of branches.

In the 1999 business year, the following - historical - particularities are worthy of note: in the wake of the introduction of the euro in the eleven countries participating in the Monetary Union, the national currencies of the Monetary Union now have hardly any significance in the banks' balance sheets. As was to be expected, the respective claims and liabilities were rapidly converted into the new European currency. At the end of 1999, the euro's share in the assets and liabilities amounted to approximately 7%. The expansion in liquid funds by 41.1% to Sfr 22.0 billion caused by the year 2000 transition is also likely to have been an exception.

Among the individual lines of business, lending (without mortgage claims) to domestic customers, which expanded by 8.7%, is particularly striking. In the past ten years, this customer segment saw almost uninterrupted negative development. Loans to foreign customers declined slightly by 2%, after having risen steadily in recent years. Mortgage business - primarily transacted with domestic customers - developed much the same as in the previous years; mortgage claims increased by 2.3% to Sfr 508 billion. Interbank business was again very dynamic in the past business year. Claims and liabilities expanded by 24.4% and 19.7% respectively. Claims and liabilities from money market paper (+98.3% and +61.5% respectively), most of them denominated in US dollars, also grew vigorously. Liabilities vis-à-vis customers in the form of sight and time deposits (+16.4% and +14.9%) respectively also recorded remarkably strong growth, while liabilities vis-à-vis customers in the form of savings accounts and special accounts (-0.9% and +2.9% respectively) stagnated.

The growth of foreign assets and liabilities clearly exceeded that of domestic assets and liabilities. The international involvement of the Swiss banking system accordingly continued to strengthen somewhat. Foreign business was again concentrated on the financial centres of Europe, North America and Japan in 1999. Quite impressive is the rise in the banks' credit balances vis-à-vis the United Kingdom by Sfr 5.3 billion to Sfr 107.4 billion. Vis-à-vis the United States the surplus amounted to Sfr 92.9 billion (1998: Sfr 71.2 billion).

At the end of 1999, the banks had customer securities portfolios to the value of Sfr 3,522 billion under their management. This is 18.8% higher than a year ago. Of this total, securities to the amount of Sfr

1,880 billion were accounted for by foreign account holders, and Sfr 1,643 billion by domestic account holders. The sectoral composition of domestic securities holdings shows that loan institutions and the insurance industry (financing institutions [without banks], investment funds, portfolio management companies, insurance companies) account for the biggest share, i.e. 43%, private households and non-financial enterprises for 33% and 19% respectively.

Fiduciary credit balances and liabilities stood at Sfr 367.4 billion at the end of 1999, exceeding the previous year's level by 10.9%. Somewhat surprisingly, a slight decline had been recorded in the previous year. By far the largest part of all fiduciary deposits stemmed from Europe (including Switzerland). Substantial funds also flowed into Switzerland from the Caribbean area and the Middle East. The funds were invested mainly in the financial centres of Luxembourg, the United Kingdom, Belgium, the Netherlands and France.