

# The banks in Switzerland 2000 - Preprint\*

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The banks in Switzerland again showed a very successful performance in the business year 2000. The aggregate annual profits of the parent companies rose by 12.7% to Sfr 19.5 (1999: 17.3) billion. Compared with the previous year, the balance sheet total declined by 5.3% from Sfr 2,243.8 billion to Sfr 2,124.9 billion. The decrease is due entirely to a changed recording method with respect to securities lending and borrowing, which is now included in off-balance sheet business. Again due to a changed accounting method compared with 1999, the income statement is also more difficult to interpret. Domestic bank offices had customer securities portfolios totalling Sfr 3,716 billion under their management, i.e. 8.1% more than at the end of 1999. Noteworthy is the marked rise in the number of employed persons. For the first time since 1989, the number of banks also increased.

	2000 in Sfr bn	1999 in Sfr bn
Annual profit	19,5	17,3
Balance sheet total	2'124,9	2'243,8
Fiduciary business	411,6	367,4
Surplus capital resources <sup>1)</sup>	48,7	32,7
Customer safekeeping accounts <sup>2)</sup>	3'716,0	3'437,0
Number of institutions	375	372
Number of staff	124'998	119'597

1) Without branches of foreign banks and private banks

2) at domestic bank offices

\*Due to revisions, the data for 1999 may deviate from the previously published figures.

Interest income rose by 24.0 (1999: 2.2) % to Sfr 23.7 billion. The big banks even recorded 32.7% growth. A large part of this growth, however, is attributable to a new accounting method of UBS. To make it easier to compare its results with those of other banking institutions, the bank now enters interest and dividend income from trading portfolios under interest-related operations. Income from trading expanded by 16.5 (116.9) % compared with 1999, while income from participations declined. Growth in commission business and services accelerated markedly from 8.7% in 1999 to 22.3% in 2000. Operating expenditure increased by 13.3% to Sfr 37.5 billion. The banks' personnel expenditure totalled Sfr 24.1 billion, i.e. 15.2 (26.5) % more than in the previous year. General overheads rose by 10.0 (7.1) % to Sfr 13.4 billion. Due to the good business results, the banks have to deliver Sfr 3.8 billion in taxes, which is higher by 19.8% than in 1999.

The banks paid out Sfr 8.5 billion of the annual profit to the holders of shares and participations (1999: Sfr 9.1 billion), allocated Sfr 8.6 (6.3) billion to the reserves and carried Sfr 2.1 (1.7) billion forward to the new account.

Total staff rose by 5,401 from 119,597 in 1999 to 124,998. Part of the increase - approximately 1,000 employed persons - however, is due to a statistical change since the central institution of the association of Raiffeisen (cooperative) banks now figures under the group of Raiffeisen banks and is no longer listed in banking statistics as an institution with a special scope of business. The business results of the central institution are now consolidated and published together with the results of the other institutions of the group of Raiffeisen banks. Staff numbers expanded in all groups of banks with the exception of the big banks, which recorded a decline of 0.4% in the parent companies, and the institutions engaged in small-loan business. Two-digit growth rates were recorded by the following banks: private banks 20.3%, brokerage banks 14.0%, Raiffeisen banks 10.6% (adjusted for the regrouping effect) and the branches of foreign banks 10.6%. The cantonal banks had 4.3% more employees on their payroll than in 1999. The banks increased their staff numbers both in Switzerland and abroad.

At the end of 2000, 375 banks reported to the National Bank. On balance, this is three institutions more than at the end of the previous year. A higher number of institutions were registered among brokerage banks and in the groups of foreign-controlled banks and their branches. The categories trade banks, regional banks and savings banks diminished by three institutions each. The number of branches operated by the banks contracted again in the year under review, from 2,973 to 2,902 at the end of 2000. Notably the big banks and the group of Raiffeisen banks streamlined their branch networks.

In contrast to previous years, the banks entered borrowed and lent securities (securities lending) in the books under off-balance sheet business. Securities lending and borrowing is transacted mainly by the big banks and, at the end of 1999, accounted for approximately 10% of the combined balance sheet total of all the banks. In particular the balance sheet positions claims and liabilities vis-à-vis banks and loans to foreign customers and time deposits of customers are affected by the changed accounting method. Lending to domestic customers and mortgage claims, however, are hardly affected by this change. The level of both positions increased slightly, by 2.9% and 1.5% respectively (1999: 8.7% and 2.3% respectively). The big banks witnessed a decline in both types of lending business. Liabilities vis-à-vis customers in the form of savings and investments diminished markedly by 8.8% and 2.7% respectively (-0.9% and +2.9% respectively) as a result of the changed interest rate structure. Liabilities from money market paper shrank considerably - by 25.2 (+61.5) %. The Swiss franc accounted for a slightly larger share of total assets and liabilities. Euro-denominated liabilities expanded by a little more than 10% compared with a year earlier. Claims denominated in euros, by contrast, showed hardly any change from the previous year.

At the end of 2000, domestic bank offices held customer securities portfolios to the value of Sfr 3,716 billion. This is 8.1% higher than a year ago. Sfr 2,056 (1999: 1,847) billion were attributable to foreign account holders and Sfr 1,661 (1,591) billion to domestic account holders. Approximately 45% each of total securities holdings were accounted for by personal customers and institutional investors and some 10% by commercial customers. Around half of total securities holdings were denominated in Swiss francs, of which approximately 20% each in euros and US dollars and the remaining 10% in different currencies. The share of total holdings accounted for by securities denominated in euros had still amounted to 17% in 1999.

At the end of 2000, fiduciary credit balances and liabilities exceeded the year-earlier level by 12.1 (10.9) % and amounted to Sfr. 411.6 billion. Domestic customers increased their fiduciary deposits by an above-average 19.5% to Sfr 75.5 billion. This amount represents a share of 18.3% of total fiduciary investments.