

«The Banks in Switzerland», 2003 edition

Press release of 17 June 2004

Summary and key statistics

At CHF 12.9 billion, the profits posted by Switzerland's banks in 2003 were +8.4% higher than in the previous year.¹ The aggregate figure for 2002 had been adversely affected by above-average depreciation and valuation adjustments, especially at the cantonal banks and big banks. With interest rates remaining low, there were further switches from time deposits to savings accounts. However, the total figure for aggregate assets and liabilities remained virtually unchanged. The volume of securities held in customer safekeeping accounts at domestic bank offices rose by 11.8%, due among other things to the incipient recovery on the equity markets. The number of persons employed by the banks declined again as in the previous year, the total falling to 112,915 full-time positions. The decrease in headcounts primarily affected employment within Switzerland.

	2002 I)	2003	
Profit (CHF m)	11,878	12,878	(+8.4%)
Loss (CHF m)	2,618	108	(-95.9%)
Gross operating profit (CHF m)	24,469	21,401	(-12.5%)
Total assets and liabilities (CHF bn)	2,252	2,237	(-0.7%)
Securities holdings in custody accounts II) (CHF bn)	2,945	3,293	(+11.8%)
Fiduciary assets and liabilities (CHF bn)	339	310	(-8.7%)
Excess of equity III) (CHF m)	42,734	39,993	(-6.4%)
Number of banks	356	342	(-3.9%)
Number of employees IV)	118,325	112,915	(-4.6%)

I) Figures may have been revised since their inclusion in last year's publication.

II) Deposited with domestic bank offices (including Swiss National Bank).

III) Excluding private banks and branches of foreign banks.

IV) Employees of banks in Switzerland and of their branches abroad (full-time equivalents).

Profit and loss account

Aggregate annual earnings rose by CHF 1.0 billion from the previous year (+8.4%) to CHF 12.9 billion. At the cantonal banks and the big banks in particular, this increase was due mainly to relatively low depreciation and valuation adjustments. In the previous year, depreciation and valuation adjustments in these banking groups were unusually high, thus impacting adversely on annual earnings. Aggregate annual losses decreased from CHF 2.6 billion to CHF 0.1 billion (-95.9%). A total of 34 banks posted a loss for the year (2002: 52).

By contrast, gross operating profit declined sharply from CHF 24.5 billion to CHF 21.4 billion (-12.5%). This was due primarily to the results of the big banks, whereas most other banking groups were able to improve their operating results. Moreover, the different categories of banks did not exhibit any clear common trend in respect of individual earnings components. Net dealing income in particular was boosted by the recovery now taking hold of the equity markets and by the signs of a cyclical upswing. Owing to a sharp drop in trading income at one big bank, however, the aggregate figure for net dealing income at all banks fell significantly (-45.2%). At most banks, income from commission business and services also benefited from the macroeconomic environment. On an aggregate basis, however, it dropped by 1.2%. By contrast, net profits from interest-differential business climbed sharply (+5.7%), though this figure too was shaped by the result posted by a single big bank. On the expenditure side, personnel expenses dropped only slightly (-1.1%) despite lower staff numbers. The continuation of cost-cutting measures resulted in a further fall in other operating expenses (-8.4%).

Balance sheet business

The aggregate assets and liabilities of the banks in Switzerland showed little change from the previous year. With interest rates remaining low, the volume of mortgage loans surged again by 6.0%, though growth in domestic mortgage business was rather lower (4.2%). Other loans, however, continued to fall (-12.7%). Switching from time deposits to savings accounts – a development already observable in 2002 – continued during the past year: liabilities vis-à-vis customers in the form of savings and investments increased by 8.7%. Exchange rate fluctuations versus the major foreign currencies (especially the US dollar and the euro) had a significant impact on individual balance sheet items.

Securities holdings in custody accounts

The recovery on the equity markets significantly affected the volume of securities managed in custody accounts at domestic bank offices – i.e. banks exclusive of branches abroad. The value of these holdings rose by CHF 348 billion to CHF 3,293 billion (+11.8%). As in the previous year, 47.9% of custody assets were accounted for by institutional investors, 41.3% by private individuals and 10.8% by commercial investors. At 46.6%, the proportion of Swiss franc securities was virtually unchanged. Nor was there any significant change in the breakdown by currencies: the percentage of euro-denominated securities edged up from 24.1% to 25.5% while the share of assets in US dollars eased from 22.8% to 21.6%. This development was influenced to a large extent by the appreciation of the euro and the depreciation of the US dollar versus the Swiss franc. As in the past, other currencies played a relatively minor role.

Fiduciary business

2003 saw a further fall in the value of fiduciary deposits held for resident and foreign bank customers (-8.7%). The persistently low interest rates for short-term deposits made this type of investment unattractive. The decline was also influenced by the depreciation of the US dollar, though its share of total fiduciary deposits (51.0%) remained the largest of any currency.

Equity

All banks fulfilled the equity requirements in the year under review. The banks' aggregate excess of equity, i.e. total eligible equity minus required equity, decreased from CHF 42.7 billion to CHF 40.0 billion. Required equity declined by CHF 0.7 billion while eligible equity decreased by CHF 3.4 billion. The reduction in eligible equity was due partly to a reduction of capital at one of the big banks.

Employment

At the end of 2003, headcounts in the Swiss banking sector were again lower than a year previously. In terms of full-time equivalents, staff numbers decreased by 5,410 to 112,915 (4.6%). The decline in the number of persons employed – by 5,067 to 99,460 (-4.8%) – was accounted for mainly by domestic operations. In the year under review, only the Raiffeisen banks increased the number of staff employed in Switzerland. Employment abroad decreased by 343 to 13,455 positions (-2.5%).

1) The term "bank", as used in the publication "The Banks in Switzerland", refers to banks at the corporation level, i.e. the parent company plus dependent branch offices in Switzerland and abroad. In the Systemic Stability Report that is published concurrently, the same term refers to banking groups. This distinction may result in apparent discrepancies.