

Banks held up well in pandemic year

SBA publishes Banking Barometer 2021

- The 243 banks in Switzerland achieved solid business results in 2020, overcoming the economic difficulties associated with the COVID-19 pandemic.
- Their aggregate net income rose by 5.8% to CHF 69.9 bn, thanks in particular to a 46.7% increase in the result from trading activities.
- The balance sheet total of all banks in Switzerland grew by 4.5% to stand at CHF 3,467.3 bn at the end of the year.
- Assets under management ended 2020 virtually unchanged compared with the previous year at CHF 7,878.7 bn. With a market share of 24%, Switzerland is the global leader in cross-border wealth management.
- Employment in the banking sector rose slightly last year (by 414 full-time equivalents) for the first time in more than a decade.
- As the economy recovered from the pandemic in the first half of 2021, the banks also saw their business improving.

The Swiss economy has withstood the pandemic well to date, as have the 243 banks that were operating in Switzerland at the end of 2020. They have presented solid results. Aggregate net income rose by 5.8% to CHF 69.9 bn. This was helped significantly by a 46.7% year-on-year increase in the result from trading activities due to higher market volatility in 2020, which led to more trading by customers. The result from interest operations fell by 0.9% against a backdrop of low interest rates, while the result from commission business and services was up around 3%.

Mortgage loans as largest asset item

At the end of 2020, the balance sheet total of all banks was up 4.5% year-on-year at CHF 3,467.3 bn. The largest asset item was mortgage loans, which, at CHF 1,098.0 bn, made up 31.7% of total assets. As in the previous ten years, the banks increased their mortgage lending further in 2020 (by 3.1%). The Swiss National Bank increased the threshold factor for exempting sight deposit account balances from negative interest in order to strengthen the banks' role as suppliers of credit. The banks' liquid assets, meanwhile, showed a significant increase of 26.1%.

Sharp rise in sight deposits due to low interest rates and high saving rates

Amounts due in respect of customer deposits rose by a further 8.7% in 2020 and dominate the liabilities side of the banks' balance sheets with a 56.9% share. There is a marked shift behind this overall increase: sight deposits were up almost 30% due to an unusually high saving rate, rotations and statistical effects, whereas time deposits fell by around 16% as a result of negative interest rates.

COVID-19 pandemic: banks as reliable partners for Swiss SMEs

During the early phase of measures to deal with the pandemic, the banks in Switzerland ensured that the companies affected were supplied with liquidity by launching and implementing COVID-19 bridging credits quickly. This helped to cushion the economic impact of the restrictions.

The banks granted a total of some 139,000 loans under the programme with an overall volume of CHF 17.1 bn. Almost a quarter of Switzerland's approximately 590,000 SMEs thus took advantage of the programme. The average loan amounts were roughly CHF 100,000 for COVID-19 credits and CHF 2.7 mn for COVID-19 plus credits. Of the CHF 17.1 bn drawn down, 14,000 credits with a total value of CHF 3.0 bn have already been repaid in full (source: <https://covid19.easygov.swiss> – figures as at 16 August 2021).

The Swiss National Bank's quarterly talks with companies in all parts of the country indicate that lending in Switzerland has continued to function smoothly since the start of the pandemic. According to the Federal Statistical Office, the number of corporate and private bankruptcies in 2020 was 6.6% lower than in the previous year.

Following the success of the emergency measures put in place in 2020 in conjunction with the federal and cantonal governments, the banks are prepared to keep living up to their role with regard to the national economy through the forecast upswing in 2021.

Assets under management unchanged year-on-year

Assets under management ended 2020 virtually unchanged compared with the previous year at CHF 7,878.7 bn. Domestic customers' assets under management grew by CHF 93.2 bn, while those of foreign-domiciled customers declined by CHF 108.0 bn. With a market share of 24%, Switzerland is the global leader in cross-border wealth management.

Staff numbers rising during pandemic

The number of people employed by the banks rose slightly in 2020 for the first time in a decade, adding 414 full-time equivalents. According to an SBA survey, the banks' headcount rose further by around 1% in the first half of 2021, with the number of foreign jobs growing faster (by 1.8%) than the number of domestic jobs (0.2%). However, this does not necessarily signal a reversal of the long-term trend in banking sector employment.

Economic recovery in first half of 2021

As the economy recovered from the pandemic, monetary policy remained expansionary, and stock markets performed well, the banks' assets under management grew by 6.9% in the first five months of 2021. The balance sheet total grew by 3.0% in the same period, with amounts due from securities financing transactions and amounts due from banks showing the largest increases on the assets side. Mortgage loans appear to be matching last year's growth in 2021. On the liabilities side, customers' sight deposits increased further, as did amounts due to banks. As mentioned above, the SBA survey revealed an increase of around 1%

in the number of staff during the first half of the year. Whether this positive trend in banking business can persist in the second half of the year depends to a great extent on how the pandemic situation develops going forward.

About the Banking Barometer

The SBA's annual [Banking Barometer](#) details the key figures and trends in the Swiss banking sector based on data supplied by the Swiss National Bank (SNB) as well as the results of surveys conducted among member institutions. It is available for the first time as an interactive, reader-friendly web publication. The Banking Barometer will be presented to the media in an online event at 9.30 a.m. today by Martin Hess, Head of Economic and Monetary Policy, and Thomas Rühl, Head of Research. All relevant documents, together with additional facts and figures, can be found on our [website](#).

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