The banks in Switzerland 2002

Press release of 4 June 2003

The banks in Switzerland increased their gross profit to Sfr 24.5 billion in 2002 (2001: Sfr 24.1 billion). Higher depreciation of fixed assets and higher valuation adjustments and provisions, however, resulted in a decrease in aggregate annual profit from Sfr 12.5 billion to Sfr 11.9 billion. At the same time, the aggregate annual loss rose from Sfr 0.8 billion to Sfr 2.6 billion, which was largely due to the losses incurred by Banque Cantonale Vaudoise and Credit Suisse First Boston. Total assets and liabilities rose by just over 1% from Sfr 2,227 billion to Sfr 2,252 billion year-on-year. The value of securities portfolios held in custody accounts at domestic bank offices fell by 13.4% and reached Sfr 2,945 billion (2001: Sfr 3,400 billion). The number of staff employed in Switzerland was 104,527 (–2.2%), with a further 13,798 (–2.8%) employed at the banks' offices abroad.

Key figures on the parent companies' business activities

	2001 1)	2002
Bénéfice de l'exercice	12,5	11,9
Perte de l'exercice	0,8	2,6
Somme des bilans	2'227,4	2'251,9
Opérations fiduciaires	407,2	339,4
Excédent de fonds propres 2)	42,4	42,7
Dépôts de titres de la clientèle 3)	3'400	2'945
Nombre d'établissements	369	356
Effectif du personnel 4)	121'065	118'325

1) Due to revisions, values may differ from those published last year
2) Without branches of foreign banks
3) At domestic bank offices, including Swiss National Bank
4) Converted into full-time positions

Profit and loss account

Banks improved their operating results vis-à-vis the previous year. Gross profits rose by 1.7% to Sfr 24.5 billion (2001: Sfr 24.1 billion). This increase was achieved even though earnings from banking operations (before administrative expenses) were 3.2% below their previous year's level. The decline in banking operations reflects the unfavourable economic situation and price falls on the stock markets. The banks were, however, able to more than offset the earnings shortfall by cutting their expenses. For one thing, they trimmed their workforce (–2.3%) and lowered expenses per employee (–2.3), thus reducing personnel expenses by 4.6%. Furthermore, they brought down operating expenses by 9.3%. On the earnings side, net profit from interest-differential business receded by 2.2% compared with the previous year while net profit from commission business was down by about 9% and net dealing income decreased by about 16%.

Depreciation of fixed assets (+45.7%) and valuation adjustments and provisions (+5.8%) recorded significant increases year-on-year. This resulted in a drop in aggregate annual profit by 4.8% from Sfr 12.5 billion to Sfr 11.9 billion and a rise in the aggregate annual loss from Sfr 0.8 billion to Sfr 2.6 billion. While 39 banks reported an annual loss in 2001, 52 did so in 2002.

Balance sheet business

Total assets and liabilities advanced by approximately 1% compared with the previous year. On the assets side, the volume of domestic business was down (–2.0%), whereas on the liabilities side it went up (+1.5%). Foreign business advanced on both sides of the balance sheet. Lending to domestic and foreign customers registered a 0.6% decrease compared with the previous year. The strong expansion of mortgage loans (+3.5%) did not offset the fall in other lendings (–5,6%) caused by the unfavourable economic situation. Sums due to customers in the form of savings and deposits registered a marked increase (+9,6%), which is primarily the result of the interest-rate induced shift away from term deposits. Particularly striking was the increase in "other assets" and "other liabilities" abroad. The main reason for this development was the significant rise in positive and negative replacement values for the derivative transactions included in these items.

Securities held in custody accounts

After having already posted an 8.5% decline in 2001, customer securities portfolios held by domestic banks (parent company, excluding branches abroad) lost 13.4% of their value year-on-year. The fall in equity prices was the main reason for the decline. Institutional investors accounted for 47% of total holdings, private customers for 42%, and corporate customers for 11%. At the expense of the two other investor categories, the proportion of institutional investors went up slightly compared with the previous year. 56% of the securities were foreign-owned – the same figure as in the previous year. The share of securities denominated in Swiss francs remained unchanged at 47.2%. The proportion of euro securities, however, rose from 21.0% to 24.1%. This increase was mainly driven by institutional investors building up their portfolios. The share of the other currencies – particularly the US dollar, the yen and the pound sterling – contracted. This movement was intensified by the depreciation of these currencies against the Swiss franc.

Fiduciary business

Domestic and foreign bank customers held 16.6% fewer fiduciary investments than in the previous year. On the one hand, the drop is attributable to the weaker US dollar, which is the most important investment currency (share: 53%). On the other hand, as a result of falling short-term interest rates, bank customers substituted fiduciary investments – which are primarily placed on the money market – for other investment vehicles.

Employment

Employment in the Swiss banking sector (including branches abroad) receded. At the end of 2002, the banks employed 118,325 persons (converted into full-time positions), i.e. 2,740 less than in the previous year. The workforce at the bank offices in Switzerland was cut from 106,871 in 2001 to 104,527 in 2002. The number of staff abroad went down by just over 400, bringing the total to 13,798 (2001: 14,194). The most significant cuts in absolute numbers were seen at the big banks: they trimmed their domestic workforce by just over 1200 persons (2.7%).