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Clarity on Swiss Private Banks

Niche or global?
As the interest wave ends, it's time to get the core business right

Institute of Management & Strategy
University of St.Gallen

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Content

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Niche or global?

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The past few years have been good to Switzerland's private banks, as the high interest rate environment since 2022 boosted profits and strong financial markets in 2024 boosted assets under management (AuM). This has enabled banks to generate the industry's highest level of AuM since we began our study.

Scratching below the surface reveals a number of sustained challenges, however. The boom from interest income declined significantly in mid-2024, and we face the prospect of even a negative interest environment in Switzerland in the near future. Banks were able to replace lower interest income with higher commission income on the back of strong markets last year. It is this core business around commission income where we believe they must focus their efforts going forward as interest income continues to fall and markets become more challenging.

Considering the core business, a new HSG analysis undertaken for this publication reveals clear insights into which Swiss private banking models are most successful. In short, two business models are both currently profitable and sustainable:

- Large banks with a significant international presence and comprehensive service offering, for a global client base with a wide offering for demanding clients.
- Smaller banks based only in Switzerland with a very focused service offering that do not seek to be active in too many areas.

The HSG analysis concludes clearly that banks must gravitate towards one or the other business model if they are to prosper, or even survive. But of course, transformation comes with challenges, which may be too much for some banks. For those that need to adapt their business model and/or achieve insufficient ROEs, the question is how many will be able to transform and how many will either be acquired or exit the market?

Capital to invest in transformation seems to be plentiful. Switzerland's private banks have distributed around 80% of their net profits to shareholders in the past five years. They still sit on around CHF 38.5bn of regulatory capital and CHF 22bn of excess capital. There is therefore considerable excess capital to either distribute more or to invest. The continued increase in excess capital despite high dividend distribution, however, would suggest a lack of relevant investment and growth opportunities.

In the meantime, consolidation is picking up pace. From 85 Swiss private banks at the start of 2024, we expect fewer than 80 to remain by the end of 2025. Last year also saw the largest Swiss private banking deal for more than a decade as Safra Sarasin acquired Saxo Bank. UBP also made a couple of sizeable acquisitions, including buying Société Générale Private Banking (Suisse).

Overall, we look ahead with optimism following a few years that have put the Swiss private banking industry in a generally strong position, but with numerous significant challenges ahead.

Christian Hintermann
Partner, Financial Services

Pascal Sprenger
Partner, Head of Financial Services,
Member of the Executive Board of Directors

Key messages

A strong year as commissions offset lower interest income

Almost two-thirds of banks reported a worse cost-income ratio last year. Despite the fall in interest income that had ballooned in 2023, 40% of banks are strong and all of these achieved a cost-income ratio below 70%. The number of weak banks with a cost-income ratio above 90% rose by half to 15, however. As the benefit of the interest environment declines and we see potentially negative interest in Switzerland, banks need to focus again on how to grow and develop their core commission business.

Most banks do not cover their cost of equity

Only 31% of banks achieved an RoE that exceeded their cost of equity in 2024. Doing so requires a cost-income ratio well below 80%. Adjusted for the high level of excess capital in the industry, 42 banks exceeded their cost of equity. With the existing high level of excess capital and what seems to be a lack of investment and growth opportunities, banks distributed 80% of net profits to their shareholders over the past five years.

Niche or global: the most successful business models

Two business models are most successful for higher and sustainable profitability. One model is a large bank with a significant international presence and comprehensive service offering. The other is a smaller bank based mainly in Switzerland with a very focused service offering. Most of Switzerland's private banks need to gravitate towards one of these models, and the challenges inherent in such a transformation could lead to further exits.

AuM hit a record high: NNM falls short of expectations

Median AuM growth of 13% last year led to the highest level of industry AuM since we began our study, thanks to positive market performances. The biggest contributor to AuM growth in the past five years was NNM, though at CHF 72bn in 2024, it fell far short of 2021's record CHF 131bn. Six of the eight largest Swiss private banks achieved positive NNM in every one of the past five years. Only 41% of medium-sized banks and 32% of small banks did the same.

As consolidation returns, fewer than 80 banks will remain

While the number of deals is still low, the significant acceleration in consolidation deals follows a few years of stagnation and should lead the number of Swiss private banks to fall from 85 at the start of 2024 to below 80 by the end of this year. Expectations that the first year of additional regulatory requirements would trigger a high number of deals in the independent asset manager space did not materialize.

01

Number of private banks falls as consolidation deals take hold

From 85 banks at the start of 2024, we expect there to be fewer than 80 by the end of 2025 thanks mainly to domestic consolidation. Internationally, larger Swiss private banks continued to streamline and improve their competitive offerings through deals in the UK, Denmark and Brazil, including perhaps the most fascinating deal last year – Safra Sarasin's acquisition of Saxo Bank, which ranked as the largest Swiss private banking deal in the past 10 years.

Outlook

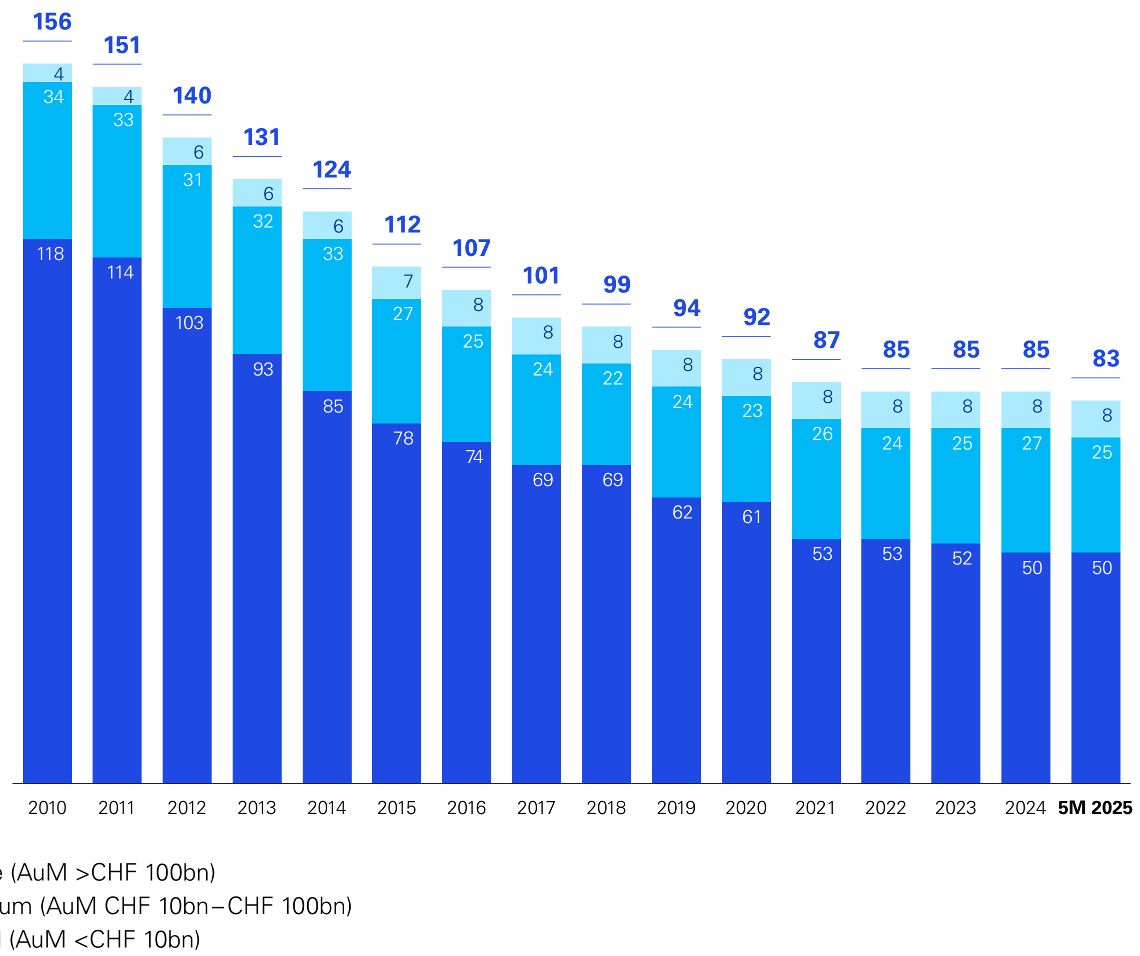
Growing pressure on profitability may trigger more bank sales

The fall in interest rates puts downward pressure on banks' net interest income, and overall margins are expected to remain under pressure. We anticipate this will cause bank owners to reassess their M&A strategies, leading to an uptick in M&A activity over the course of 2025. In brief, we expect larger banks to stand ready on the buy side, with an eye on small and medium-sized banks that may come to market.

Pricing levels are likely to fall, however, due to the significant and growing impact of volatile markets, geopolitical tensions and strong CHF pressure on profitability. As profits have benefited from three years of high interest rates, potential buyers may focus on the challenges banks face in their core commission and AuM business. This poses the question: have some banks missed the best time to sell?

Number of Swiss private banks by AuM size*

2010–5M 2025, excluding UBS



* The business models of five banks have evolved such that private banking is no longer a major business for them. We have therefore removed those five banks from our sample, meaning the total number of private banks is lower than in our previous studies.

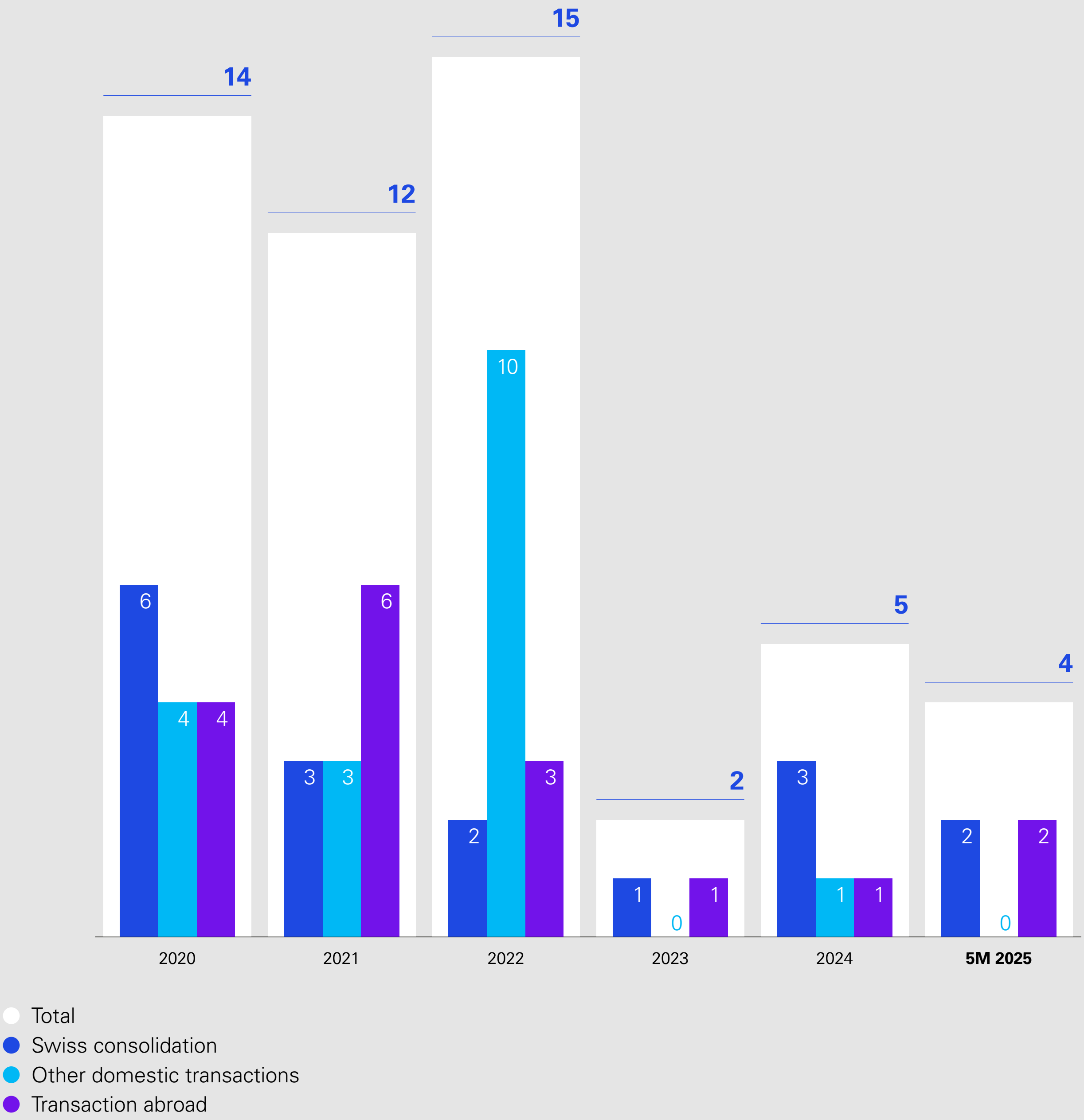
After three stable years, the number of banks will fall below 80

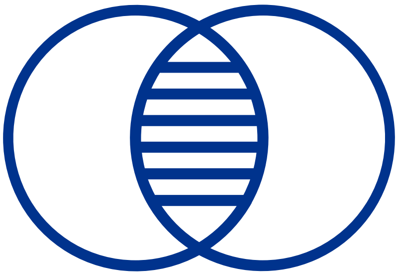
The growing number of announced consolidation deals means we anticipate the number of banks falling to below 80 in the near future. This represents the sharpest drop in the number of private banks since 2021.

This follows the number of Swiss private banks remaining at 85 between 2022 and the end of 2024. It fell to 83 at the end of May 2025 as Société Générale returned its banking license after being acquired by UBP, and BNPP converted its Swiss subsidiary to a branch of the French bank. We do not expect the change from a full banking license to a branch to become a trend in the industry. Generally, we believe most foreign banking groups with Swiss private banking subsidiaries want to offer their customers in Switzerland the possibility of being the client of a Swiss private bank.

Number of announced M&A deals (buyer, target or seller is a Swiss private bank)

2020–5M 2025





Deal activity and consolidation revive in H2 2024 onwards

Following very few deals in 2023, and none in the first half of 2024, activity picked up significantly in the second half of 2024 and the first five months of 2025 with nine deals being announced in ten months.

Consolidation deals in particular saw more activity, with five being announced in the past ten months: Société Générale Private Banking (Suisse) was acquired by UBP; Banque Thaler was acquired by CA Indosuez's subsidiary Indosuez Wealth Management; Cité Gestion was acquired by EFG International; ONE swiss bank was acquired by Arab Bank Switzerland's subsidiary Gonet & Cie; and Vontobel acquired IHAG Privatbank's client book, leading IHAG Privatbank to announce that it will return its banking license.

These deals are testament to larger financial institutions using M&A to enhance operational efficiencies and market positioning. Four of the targets are located in Geneva (only IHAG is in Zurich), and three are small private banks. Some owners of successful small private banks appear to have recognized favorable market conditions and the interest environment as an exit opportunity. With limited acquisition opportunities, prices for good quality targets in the past two years were at the high end of historical price levels.

The Thaler and Cité Gestion deals saw the sale of two successful small private banks. This could indicate that the growing regulatory burden makes it increasingly difficult for even a successful bank to operate. Also, that market conditions were conducive to sell due to high current profitability in Swiss private banking. Did other, less successful small private banks miss this opportunity?

At an international level, larger banking institutions focused on further optimizing their global footprints. These includes UBP's acquisition of SG Kleinwort Hambros in the UK, Julius Bär's divestment of its Brazilian wealth management business, and Safra Sarasin's majority stake acquisition of Saxo Bank. This strategic prioritization is indicative of a broader industry trend towards international repositioning, where banks seek to streamline and improve their competitive offerings by refining their presence in key markets.

The largest deals in a decade

The acquisitions by UBP of Société Générale Swiss and UK business with AuM of CHF 25bn, and Safra Sarasin's acquisition of a majority stake in Saxo Bank with CHF 105bn of client assets, are the largest deals since Safra's acquisition of Sarasin in 2013.

The Safra Sarasin / Saxo Bank deal is particularly interesting due to its many strategic angles, most notably international diversification, client-type diversification (e.g. affluent segment), product diversification (e.g. BaaS, digital investments, trading platforms), and leveraging technology to become an innovation/client experience leader (e.g. integration of technology platform for Safra Sarasin's core business). It is also the largest deal by a private bank in the past 10 years.

Swiss private banking transactions

January 2024 – May 2025

Announced date	Target	Bidder	Seller	AuM CHF bn	Deal type
5 months 2025					
Apr 25	**Banque Thaler SA**	CA Indosuez (Switzerland) SA	Dirk Eelbode, Herinvest SA, Freshwater Bay Management BV	3.1	Share deal
Mar 25	**Saxo Bank A/S** (69.71% stake)	J. Safra Sarasin Group	Zhejiang Geely Holding Group Co Ltd and Mandatum Pankki Oyj	105	Share deal
Feb 25	**Cité Gestion SA**	EFG International AG	Guy Barbey, Laurent Kramer, Sven Blake	7.5	Share deal
Jan 25	**Julius Baer Brasil Gestão de Patrimônio e Consultoria de Valores Mobiliários Ltda.** (Brazilian business)	Banco BTG Pactual	Julius Baer Group	9.0	Share deal
2024					
Dec 24	**MIV Asset Management AG**	J. Safra Sarasin Group	Management	1.9	Share Deal
Nov 24	**ONE swiss bank SA**	Gonet & Cie SA	Pennone family, Jean-Jacques Schraemli, Del Bue family, and others	6.1	Share deal
Sep 24	**IHAG Privatbank (client book)**	Vontobel Holding AG	Bührle and Anda family	3.0	Asset deal
Aug 24	**SG Kleinwort Hambros**	Union Bancaire Privée, UBP SA	Société Générale Group	15.1	Share deal
Aug 24	**Société Générale Private Banking (Suisse) SA**	Union Bancaire Privée, UBP SA	Société Générale Group	10.1	Share deal

- Transaction abroad
- Other domestic transactions
- Swiss consolidation

Little activity involving Swiss Independent Asset Managers (IAMs)

Deal activity involving IAMs fell in 2024, with transactions being mainly smaller players joining forces or executing bolt-on acquisitions. Expectations that the first regulatory audits and related costs beginning in 2024 would trigger considerable deal activity did not materialize.

We saw limited activity involving banks acquiring IAMs. The most prominent deal was the acquisition of a majority stake in Belvoir Capital by PKB Private Bank and subsequent merger with its own wealth management platform, Alasia. The second noteworthy transaction was the sale back of a majority stake in Belvédère Asset Management to former owner, the Marxer family.

Last but not least, it was particularly quiet among private equity firms trying to consolidate the Swiss IAM market compared to other European markets where we still see a lot of deals.

02

The effects of diversification on Swiss private banks' performances

The HSG Institute of Management and Strategy research team analyzed whether and how geographic and product diversification over the 2015–2024 period impacted Swiss private banks' performances. The conclusion was clear: there are two business models that are prerequisites for higher and sustainable profitability. One is to be a large bank with a significant international presence and comprehensive service offering. The other is to be a smaller bank based only in Switzerland with a very focused service offering. You may read a summary of the analysis' key points on the following pages, or access the full analysis, including methodology, here.

Tomi Laamanen is a Chaired Professor of Strategic Management at the University of St.Gallen, Director of the Institute of Management and Strategy and Center of Mergers and Acquisitions. In addition, he is also Academic Director of the Master Program in Strategy and International Management (SIM) and the PhD Program in General Management. Previously, he served as Professor and Head of the Institute of Strategy at Aalto University, Finland. His research focuses on strategic management, with a special emphasis on mergers and acquisitions and acquisition programs.

Be niche or go global: these are the two most successful business models

The banks that are currently performing best fall into two categories. The first is those that expanded their geographic footprint while at the same time broadening product/service offerings to address intensifying competition. This dual diversification allowed them to sustain growth and profitability. Crucially, it was done while maintaining operational efficiency.

The other successful model was the focused, semi-local players in Switzerland. These banks have both limited geographic reach and service offering – typically concentrating mainly on the Swiss market (or a small number of markets) and offering a limited selection of core services. Such boutique banks managed to retain strong profitability.

In order to prosper in the current climate, Swiss private banks must either commit to achieving the scale and breadth needed to compete globally or choose a focused boutique strategy where they can be best-in-class in customer intimacy. Getting this right will be critical as the industry continues to adapt to the post-2024 landscape of global wealth management.

A cautionary tale: banks that did not expand geographically, but still chose to offer a broad array of products/services, underperformed both the more diversified and the more focused banks. Also, those that diversified without strategic clarity or sufficient scale reduced profitability.

Expansion should be pursued selectively and purposefully

The following pages show shifts in the international locations of Swiss private banks. The decision to enter a new country or region must be anchored in a clear business case: following clients, accessing a growing pool of local wealth, or capitalizing on a favorable regulatory environment. Banks must be prepared for the long-term commitment this entails.

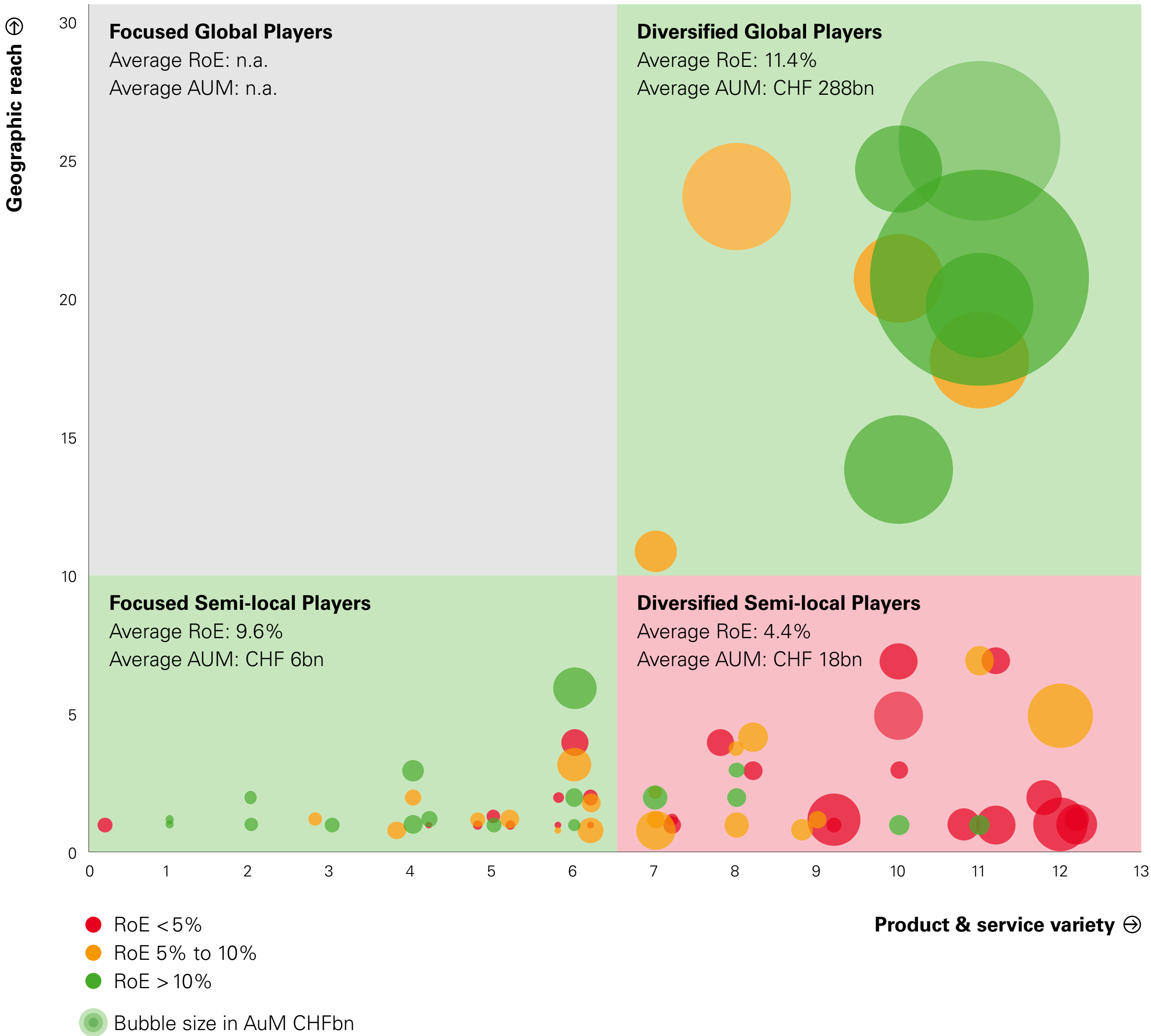
For international banks, scale is needed to justify breadth

Analyzing the joint effects of geographic and product/service diversification shows that scale is needed to justify breadth. This could involve using M&A to gain scale. The Swiss private banking sector has seen substantial consolidation over the past decade, which is likely to continue.

For niche banks, discipline is critical

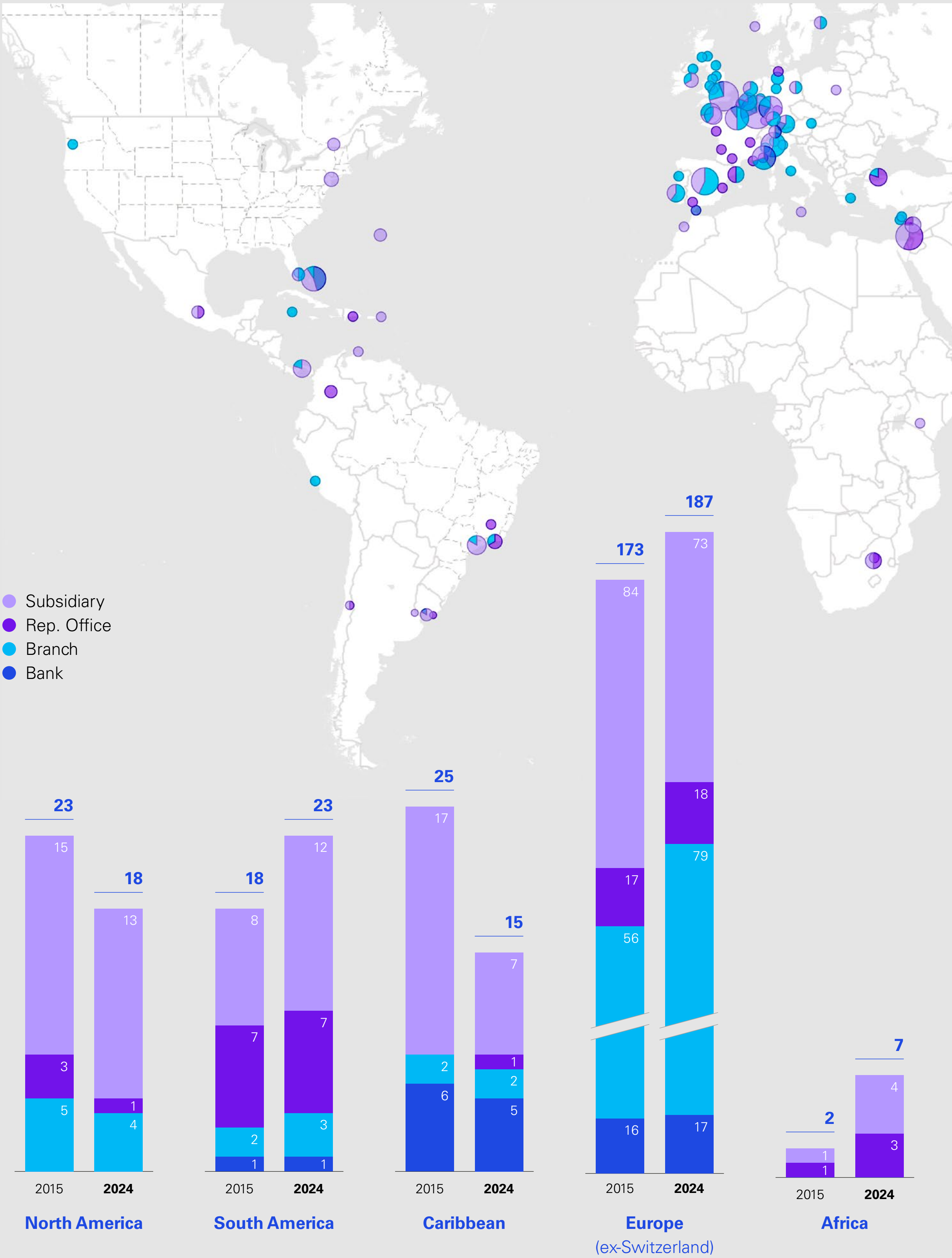
Conversely, for banks that opt for focus, discipline is key in not chasing every growth opportunity. A focused bank can choose to serve only European ultra-high-net-worth clients with entrepreneurial backgrounds, for instance, excelling in investment management and succession planning for family businesses.

Impact of geographic and product / service diversification on profitability
2024



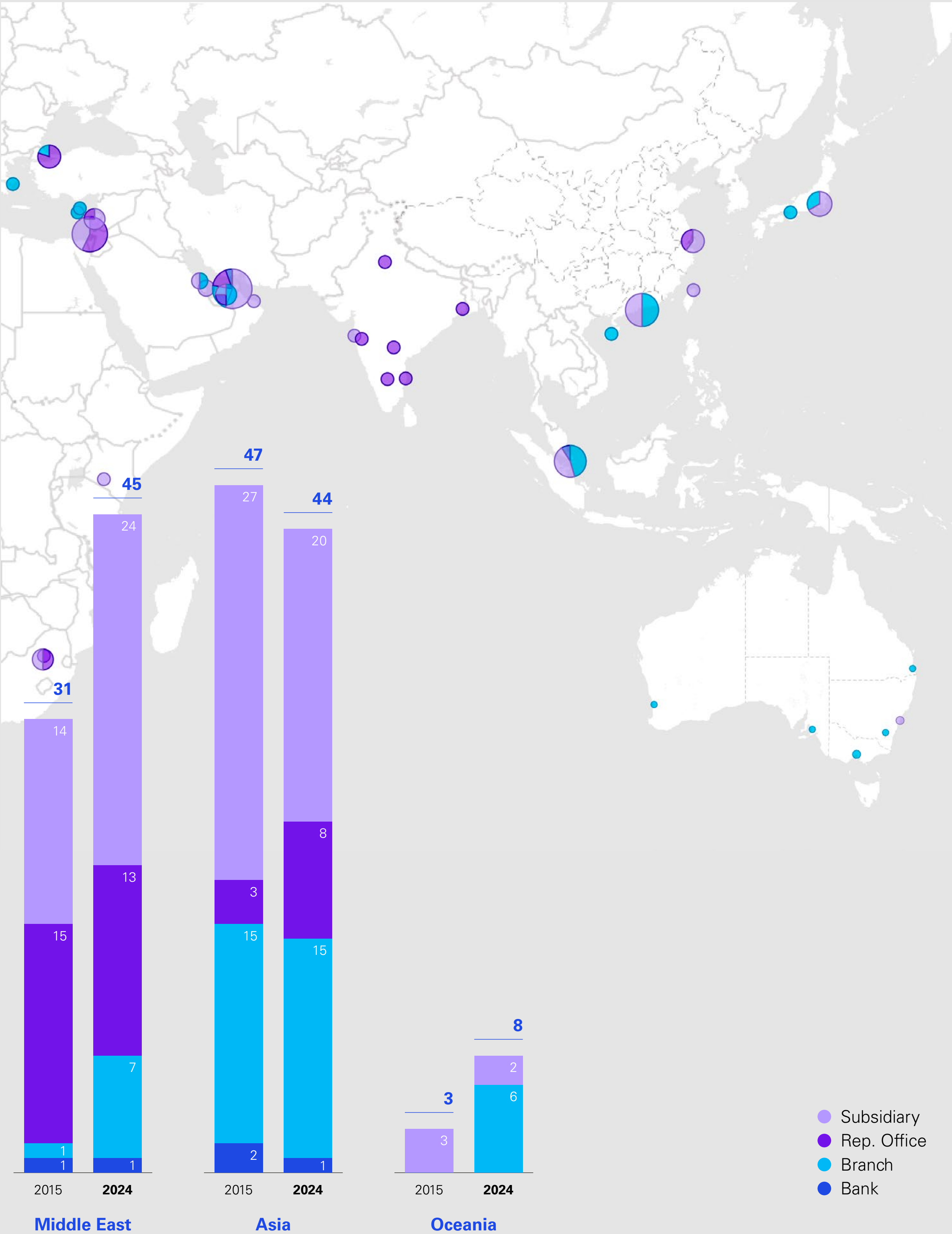
The following pages show the presence of Swiss private banks around the world. Some of the notable shifts between 2015 and 2024 were banks exiting the Caribbean. A significant expansion into the Middle East also took place. Banks' presence in each of Africa and Oceania roughly trebled, albeit off a low base. And while Asia remained relatively stable, the fall in North American locations was offset by an exact same increase in South American locations. The largest presence by far is in Europe, however, which has also grown over the past ten years.

Location of Swiss private banks around the world (Part I)
2024

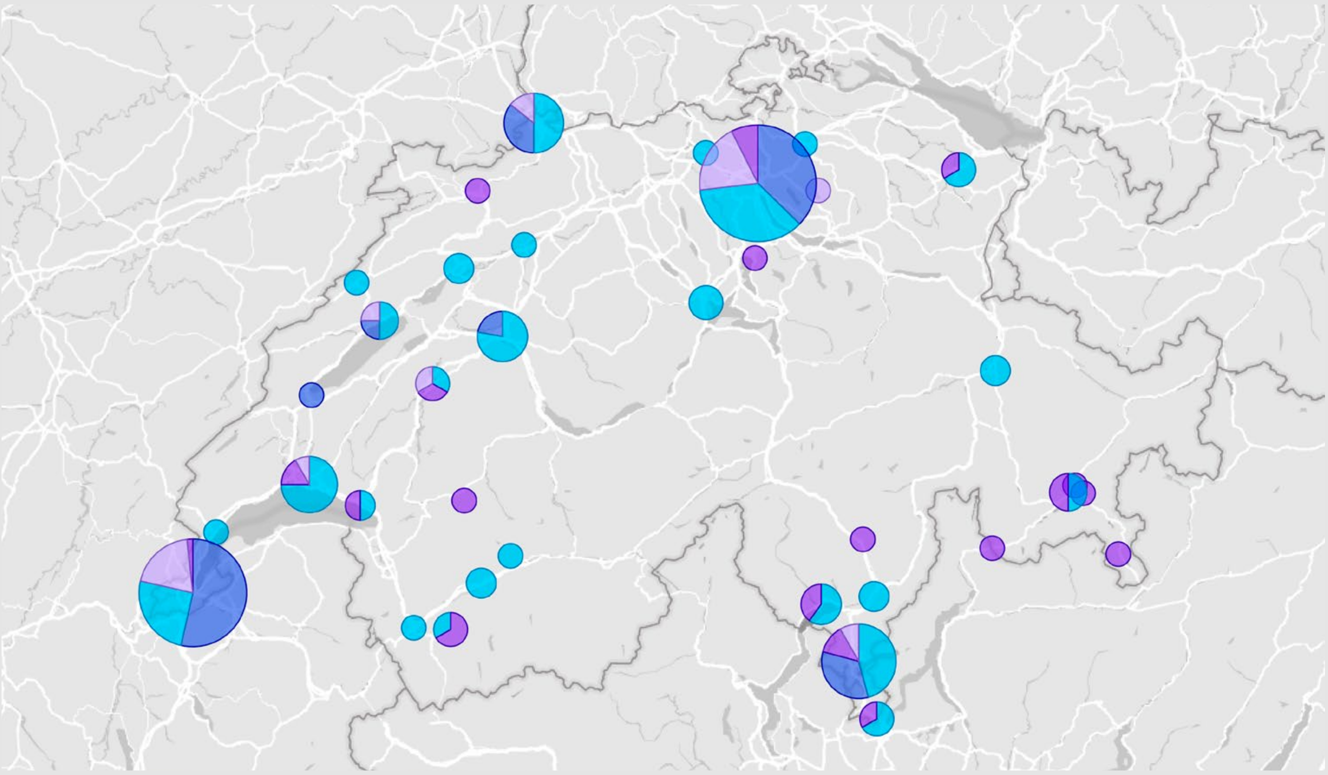


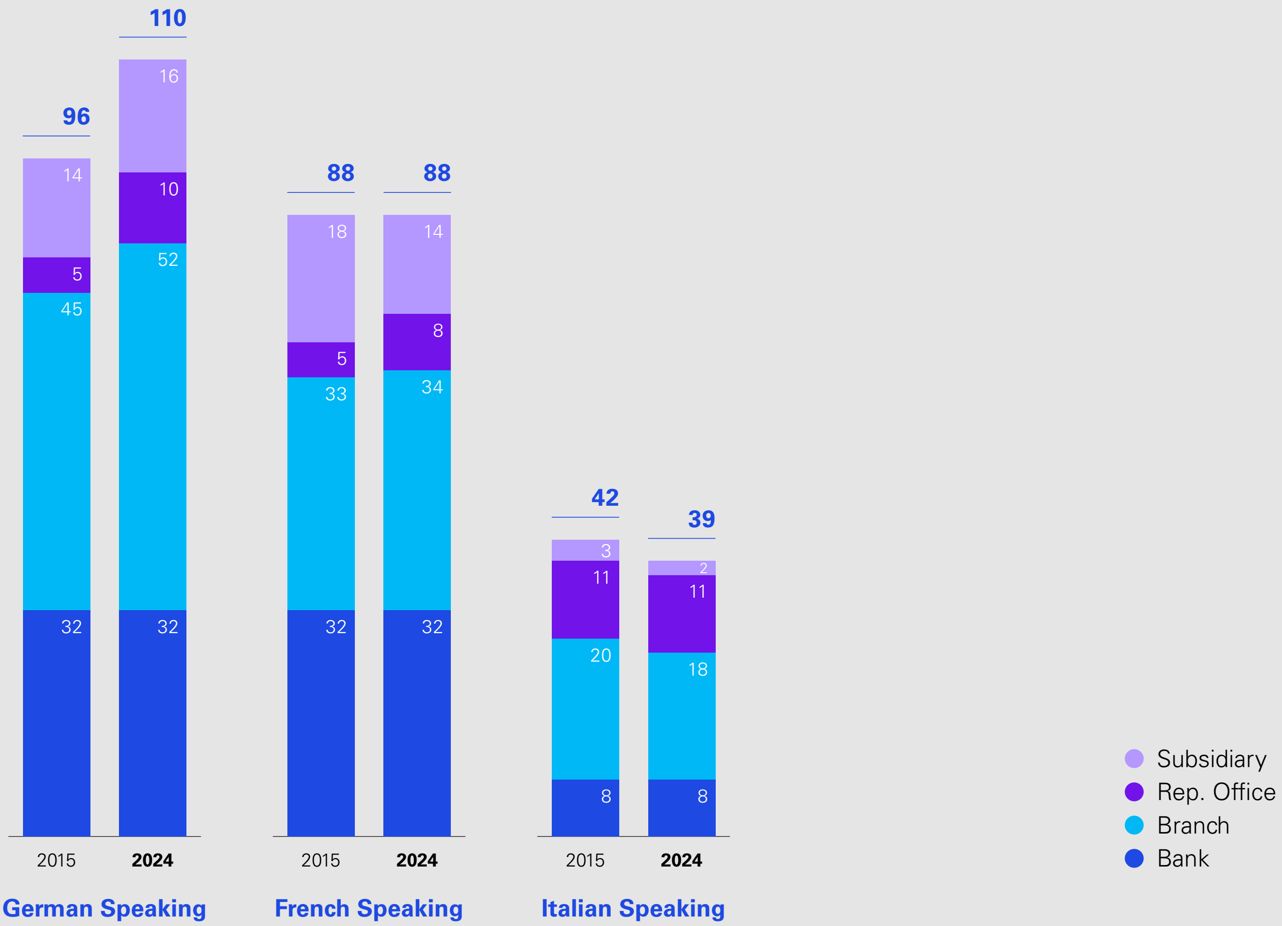
Location of Swiss private banks around the world (Part II)

2024



Location of Swiss private banks in Switzerland
2024





03

Do Switzerland's private banks create shareholder value?

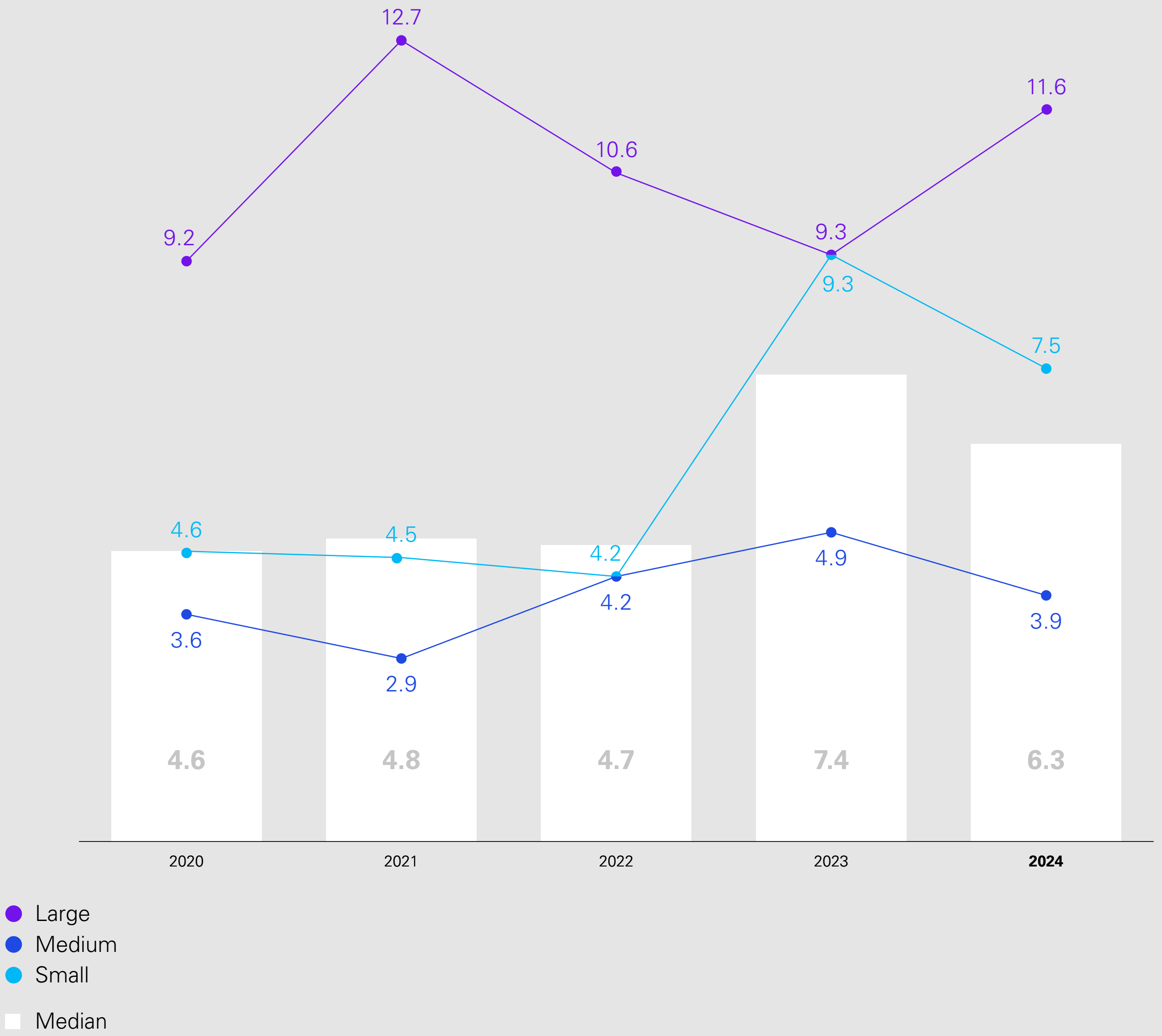
This year for the first time, we decided to analyze whether banks are creating shareholder value. We did so by estimating their individual cost of equity and comparing it to their return on equity (RoE). Only 31% of banks achieved a higher RoE than their cost of equity.

Almost two-thirds of banks reported a decline in RoE in 2024 although the median remains historically strong. Lower interest rates hit small banks the hardest, with a fall in RoE from 9.3% to 7.5% in 2024.

This is a clear sign that many banks may lack the scale to be profitable, or have adopted business models that are not able to generate sufficient profitability and growth. Please see also the strategy section for a discussion around business models. The question for shareholders is whether they are successfully driving efforts to increase profitability, or whether they should be looking to exit the bank.

Median Return on Equity

in %



Median RoE rises

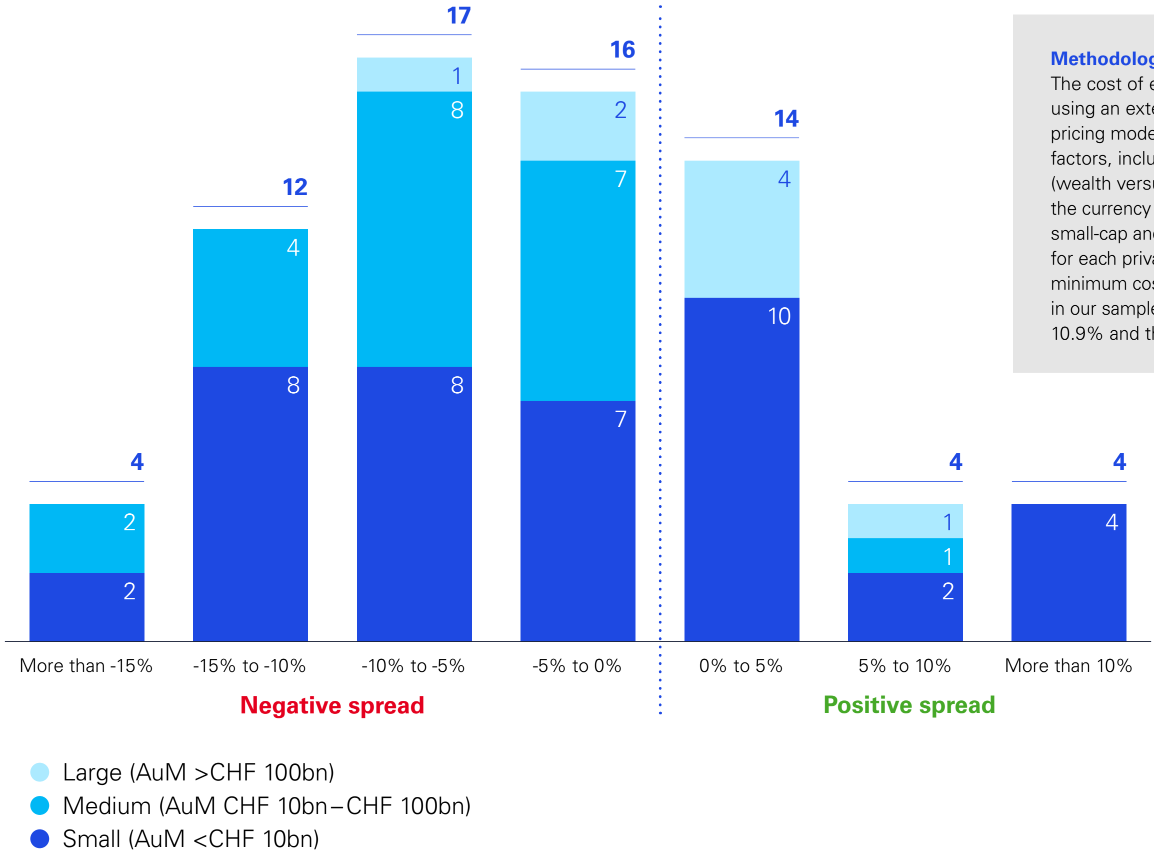
Following years of stagnation below 5%, 2023 saw median RoE rise by nearly two-thirds to 7.4%. Although lower in 2024 at 6.3%, this is still historically strong.

The increase in 2023 was driven by a jump in net interest income at small banks; they are now most impacted by declining interest rates, and have seen RoE fall from 9.3% in 2023 to 7.5% in 2024. A further drop is highly likely as interest rates continued to fall in the second half of 2024 and early 2025.

61% of banks reported a lower RoE in 2024. Twenty-two banks achieved an RoE of above 10%. This included five of the eight large banks. Nine banks were loss making and had a negative RoE.

Large banks' median RoE rose again above 10% from last year's dip which was caused by a large loan loss at one bank. Only one bank has an RoE significantly below 10%.

Number of banks by spread between Cost of Equity and Return on Equity
2024



Methodology
The cost of equity was determined using an extended capital asset pricing model. This considers various factors, including business mix (wealth versus asset management), the currency mix of client assets, and small-cap and country risk premiums for each private bank). In 2024, the minimum cost of equity for the banks in our sample was 8.4%, the average 10.9% and the maximum 13.1%.

Comparing cost of equity to return on equity
To better understand how some banks are able to achieve RoE above their cost of equity and create shareholder value, we performed a new analysis and estimated banks' individual cost of equity and compared it to their return on equity.

Only 31% of the sample had a positive spread and achieved a higher RoE than their cost of equity. Most private banks cannot earn their cost of equity. Over the longer term, one would expect shareholders of such banks consider strategic options. Some banks might become part of future consolidation.

Small banks show huge differences, but 39% have a positive spread. Many of the small banks with a positive spread benefited most from the interest boost. Small banks with a focus on Swiss clients are also in the top group.

Only one medium-sized bank – a family-owned bank with just one location in Switzerland – achieved an RoE above their cost of equity. All subsidiaries of global banks are in this segment, many of which have very low profitability despite strong NNM in 2024. This emphasizes the challenges in this size segment to find the right business and operating model, between the focus of small banks and the full range service offering and international presence of large banks.

High capital base pushes down RoE
Many private banks hold significantly more equity than the required minimum, as shown in the capital section of this study. Banks might hold excess capital to demonstrate stability to clients, as they have no better use for the equity outside the bank or might not be able to reduce capital due to reasons including regulations. Unless a bank plans to use capital for future organic or inorganic growth, reducing capital would be a way to increase RoE.

While we believe it is correct to use total equity to calculate RoE, we calculated the risk-adjusted RoE using a total capital ratio of 15%, or a leverage ratio of 10%, for banks under the small bank regime. The median adjusted RoE using this lower capital level was 13.1% in 2024, which is significantly above the median RoE of 6.3%. Forty-two, or about 60% of banks, would exceed their cost of capital. However, 40% of banks would not even achieve a return above the cost of equity using much lower capital.

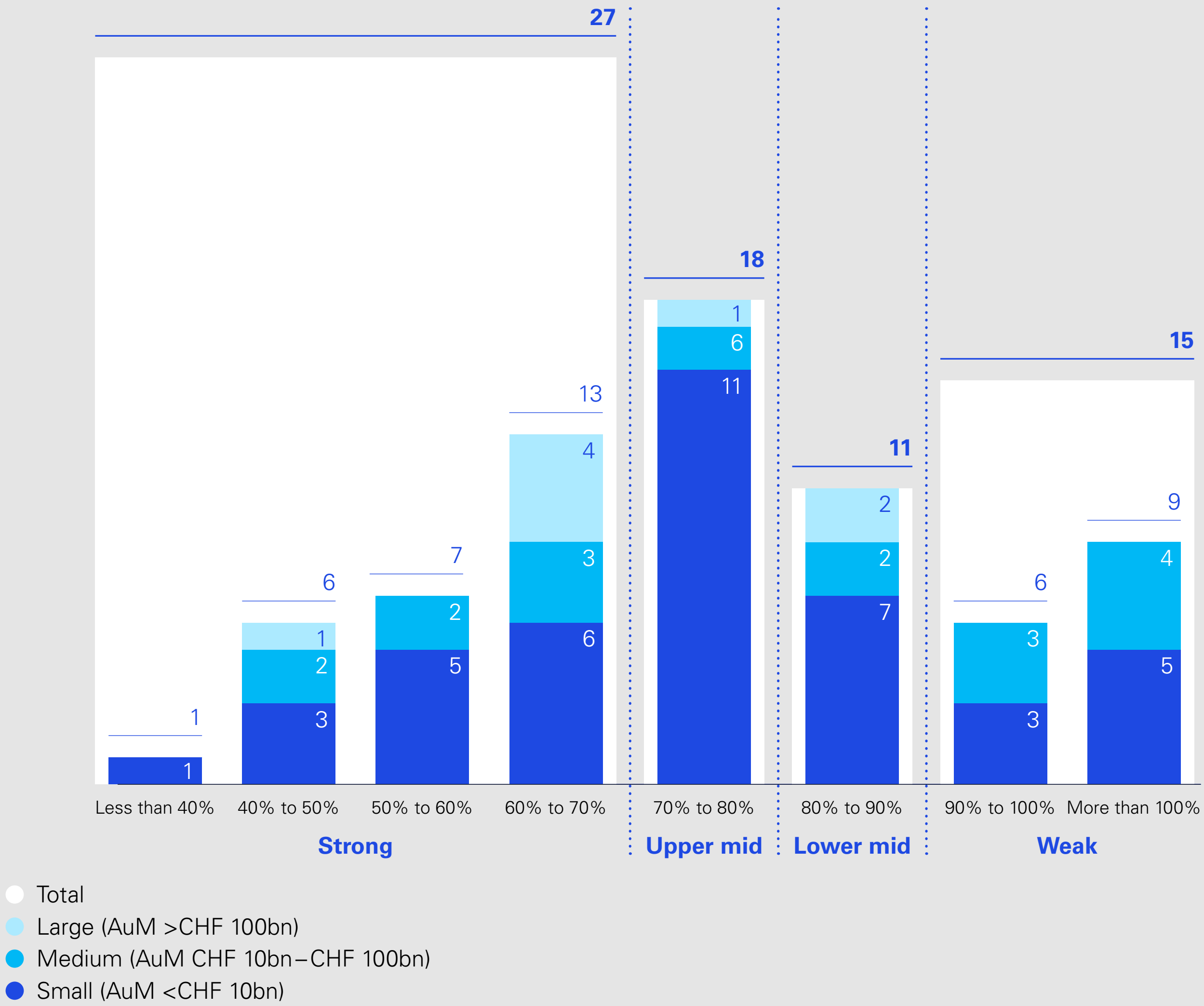
This is a clear indication of how divided the industry remains. A significant group of banks does not have a business and operating model that allows them to achieve reasonable returns even assuming much lower capital.

04

Operating profitability stays close to 2023's historical high

The end of the interest wave began to impact banks' performances last year, with nearly two-thirds of banks reporting a worse cost-income (C/I) ratio than in 2023. Ranging from 37.2% to 119%, C/I ratios continue to vary greatly between banks. Strong banks were the only cluster that managed to lower their C/I in 2024. We observe that a target C/I of well below 80% is necessary for success.

Number of private banks by performance cluster
2024



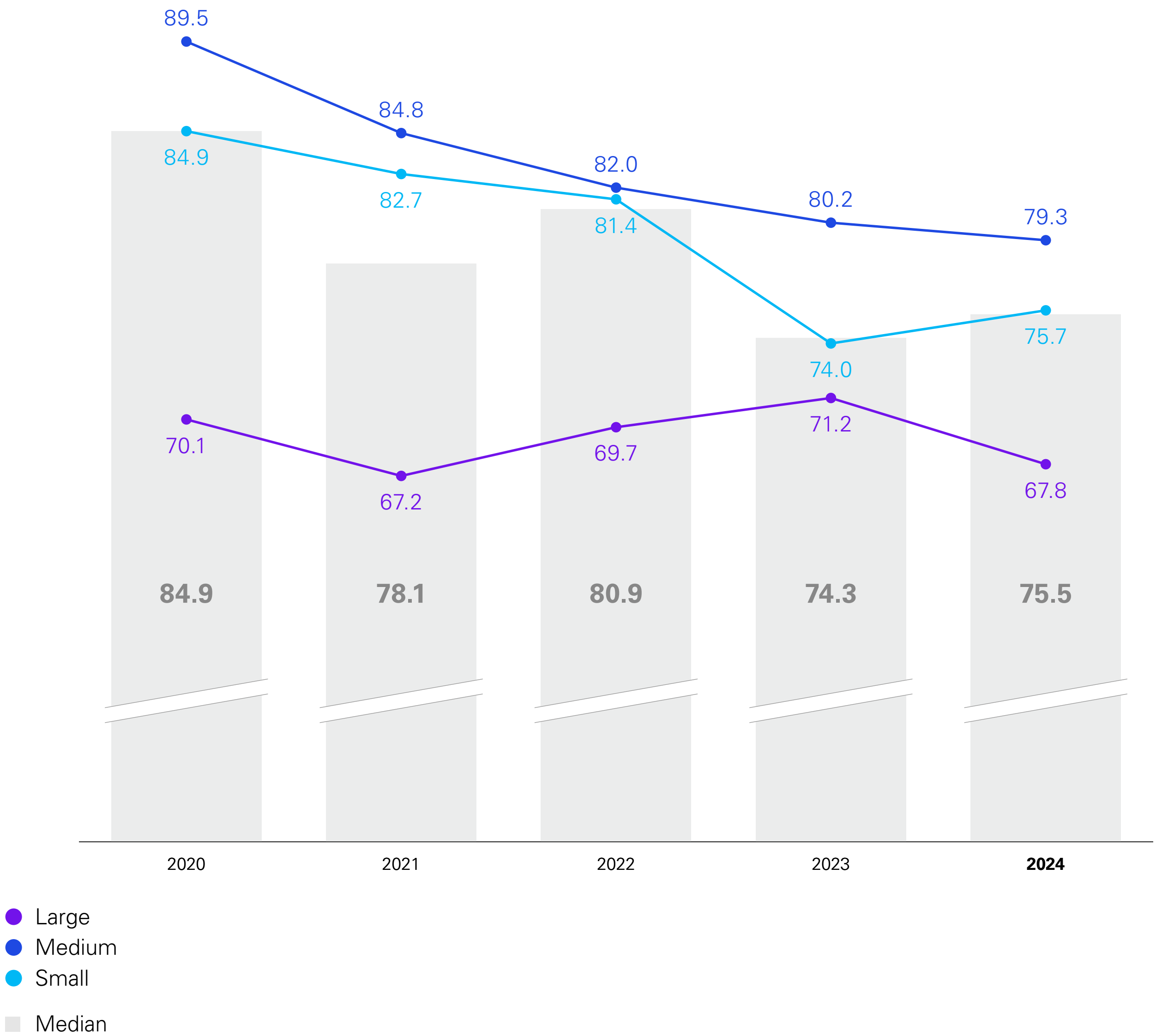
Fewer Upper mid banks and more Weak banks
The distribution of performance clusters remained broadly in line with 2023, which was the strongest year on record. The main changes were that the number of Upper mid banks fell by five, while the number of Weak banks grew by five. Weak banks' C/I rose from 92% to 102%, while that of Upper mid banks increased by 2.1%, and Lower mid banks by 3.3%. This is a sign of the impact of falling interest rates in a positive market environment. Strong banks were the only ones able to further reduce their C/I ratio in 2024, from 61.7% to 58.6%.

Two large banks – Edmond de Rothschild and Lombard Odier – moved down into the Lower mid category with C/I ratios of 80.5% (+3.4%) and 83.1% (+3.6%) respectively, while Vontobel and Julius Baer rejoined the Strong cluster (C/I <70%). Five of the eight large banks are now considered Strong.

The chart shows how widely banks' C/I is spread, ranging from 37.2% to 119%. Small and medium-sized banks are spread across this entire range, while large banks are to be found in the middle of the spectrum.

Measured by performance clusters, industry performance remains strong – with the first negative impacts of a more challenging environment and normalization of the interest situation which might lead to a more significant increase in C/I in 2025.

Median cost-income ratio
in %



C/I rises at two-thirds of banks
Of the 71 banks, 45 – or nearly two thirds – reported a higher C/I in 2024, compared to nearly 80% of banks reporting a lower C/I in 2023. This significant change may not be very visible in the median figures presented, as only small banks' median C/I increased slightly, but it is clear that the tides have turned as the interest wave is over, and this began to impact banks' operating performance in 2024.

Banks that were able to lower their C/I did so by growing revenues. Only six of the 26 banks with a lower C/I in 2024 had reduced costs, and even then, mostly by a few percentage points. Even among the 45 banks with a higher C/I, only seven were able to reduce costs, again just by a few percentage points. It seems that cost reductions or efficiency improvements do not drive performance improvements and are not a primary tool for banks. Despite the potential of digitalization and AI, no significant efficiency improvements were visible for the industry overall in 2024.

Banks should set C/I targets below 80%
While the C/I ratio (calculated before depreciation) is a strong indicator of a bank's performance, it cannot be linked directly to RoE. This is due mainly to very different levels of equity and the costs and expenses below operating profit. However, we observe that banks with a C/I above 80% are unable to achieve an RoE above their cost of equity as presented in the previous chapter. Only two of the 26 banks with a C/I above 80% achieved this. It seems banks should set C/I targets below 80% or even well below that. Private banks that announce their C/I targets generally put them at below 75%, or even below 70%.

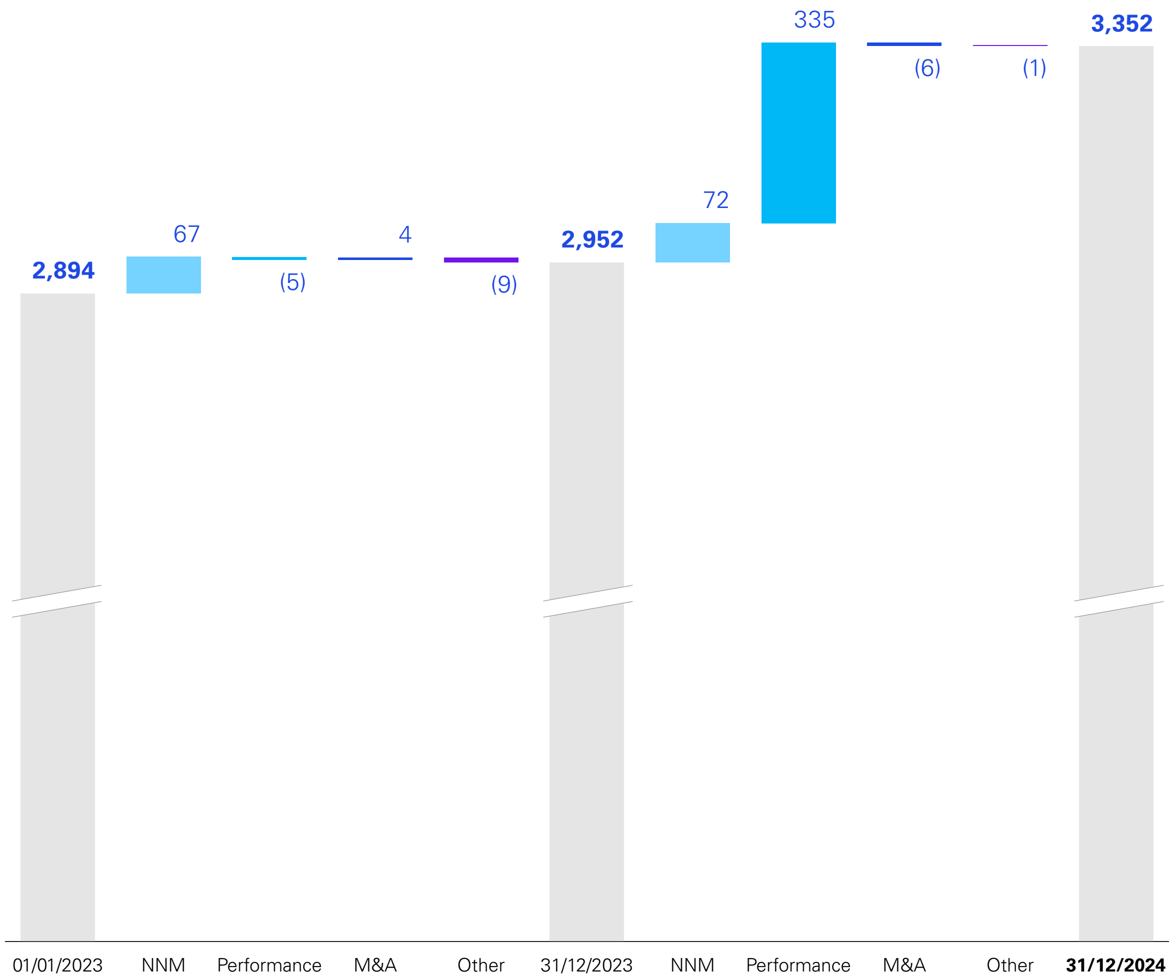
05

AuM driven by market performance

Industry AuM in 2024 was the highest since we first published our report, with banks posting median AuM growth of 13%. Over the past five years, large banks added CHF 390bn to AuM, medium banks CHF 127bn, and small banks CHF 37bn. NNM was the biggest driver of this growth, adding CHF 415bn to industry AuM over the five years. While NNM generation varied significantly by individual bank, the largest banks have fared consistently better, with six out of the eight achieving positive NNM in every one of the past five years.

AuM development

1 January 2023 – 31 December 2024, in CHFbn



Industry AuM hits a new high

Industry AuM was the highest since we began publishing our report. Positive financial markets, combined with a stable CHF/EUR and positive CHF/USD development, led to a record performance impact that added over CHF 335bn to industry AuM. This was higher even than in 2021, which was a record in financial markets where all asset classes were rising.

The median AUM growth of the banks was 13%. Fourteen banks were able to grow AuM by more than 20%, including five medium-sized subsidiaries of global banks. Twenty-two banks grew at less than 10%, which shows the huge disparity between banks' growth trajectories.

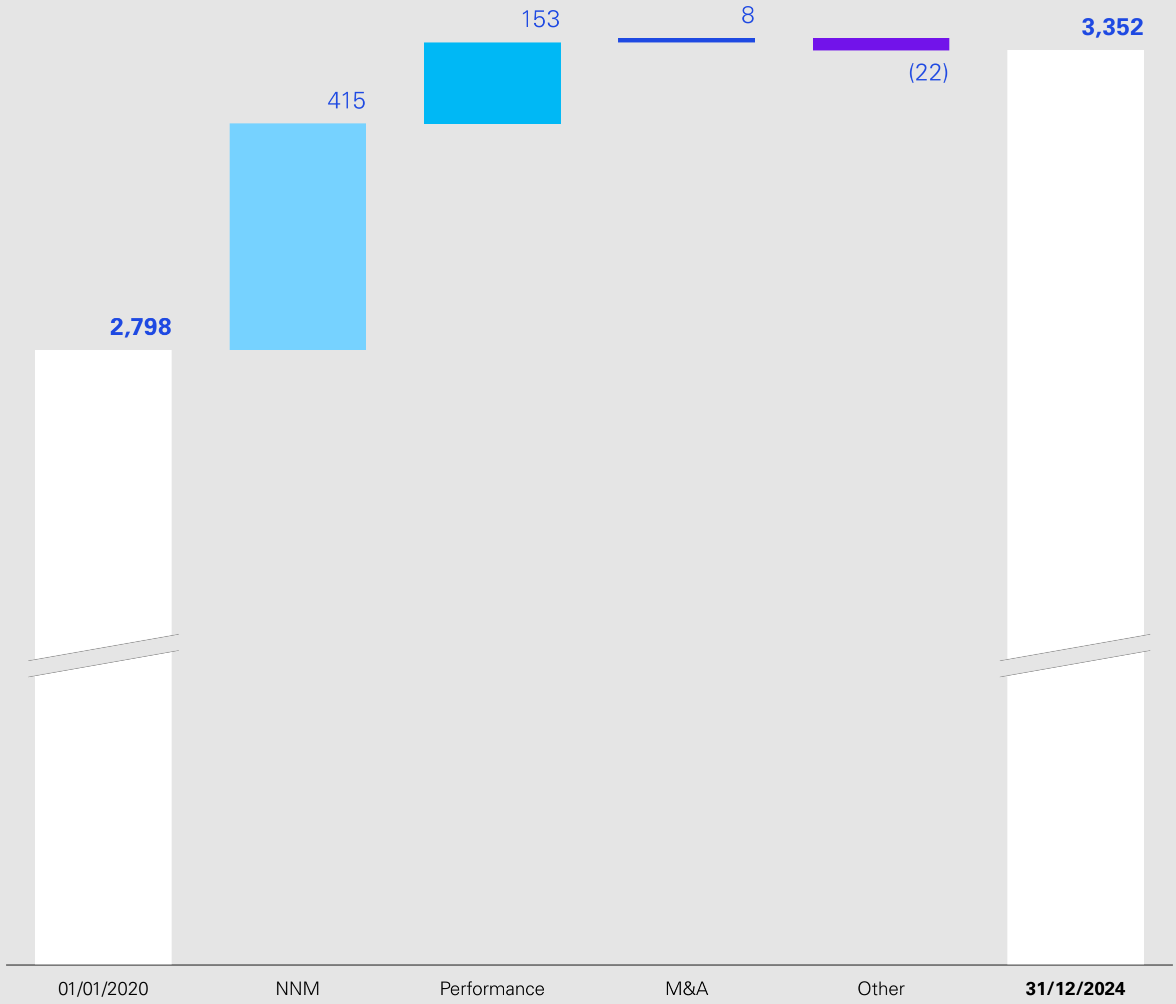
Industry NNM remains low

NNM for the industry remained relatively low, at almost 50% below 2021's record high. This is a story of two halves, however: medium-sized banks grew their AuM from CHF 7.2bn in 2023 to CHF 24.6bn in 2024, while large banks were unable to maintain even 2023's relatively low levels of NNM.

M&A had a negative impact, mainly due to divestments by Julius Bär. Large transactions that were announced recently by Safra and UBP, as well as other smaller deals, mean we expect 2025 and 2026 to see a sizable positive impact on industry AuM for the first time in years.

Aggregated AuM development

1 January 2020 – 31 December 2024, in CHFbn

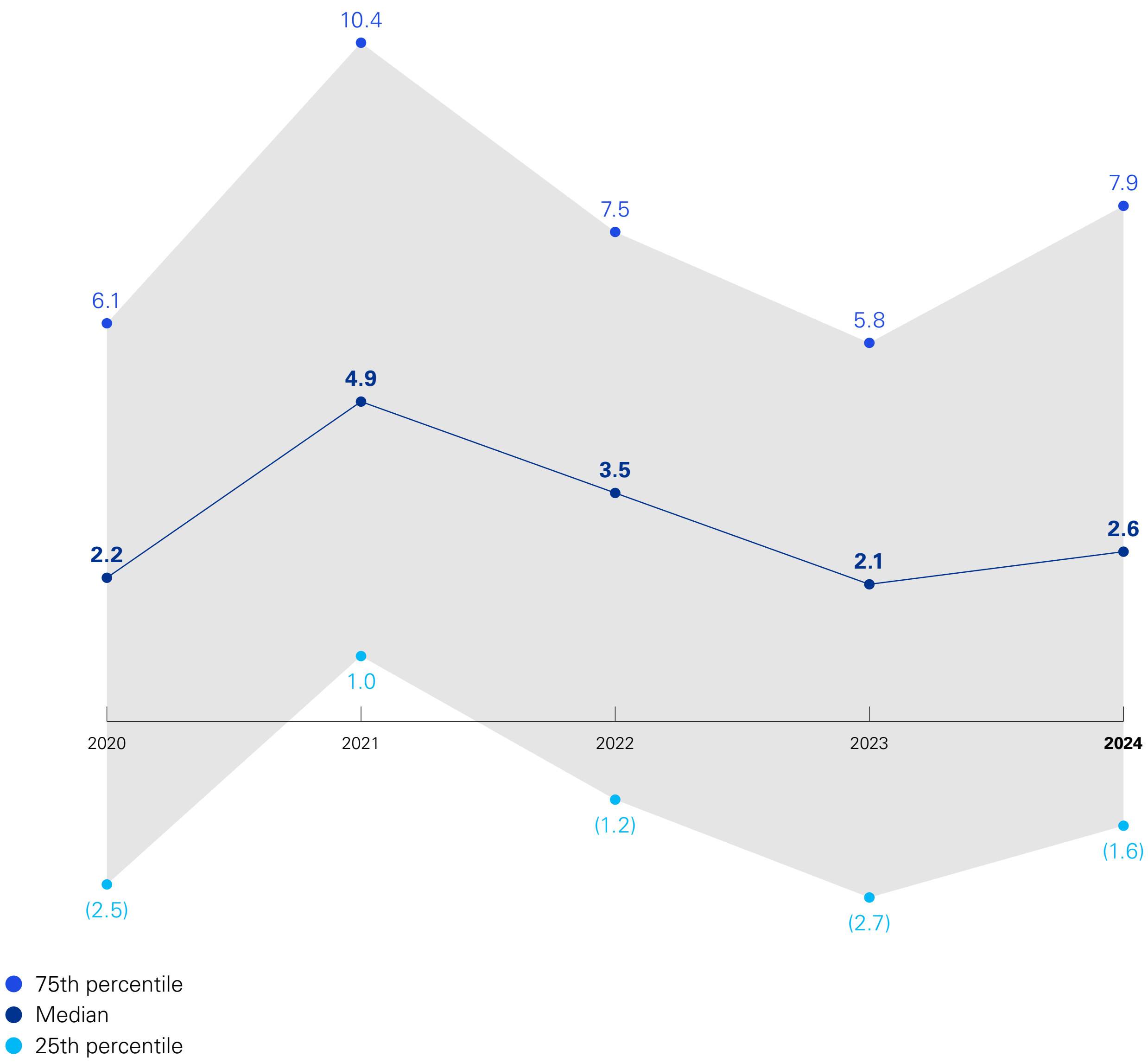


NNM drove the growth in AuM

With the significant year-on-year impact of financials markets and FX, we analyzed the drivers of industry AuM growth over the past five years. While individual years saw performance (including currency movements) often having the greatest impact, huge swings in performance (the largest positive being CHF 335bn in 2024 versus the largest negative being CHF 406bn in 2022) largely balance out. The main driver was NNM, which added CHF 415bn of AuM over past five years. Large banks added CHF 319bn NNM, medium banks CHF 76bn, and small banks CHF 21bn.

Large banks were the only size cluster to suffer a negative impact from M&A, at CHF 18.3bn, or 0.8%, over the past five years due to divestments. This came as small banks added CHF 8bn, or 6%, through acquisitions. This is mainly due to large banks exiting markets to reduce costs and optimize their international set-ups, while small players have used M&A to build scale.

Median NNM growth
in %



NNM varies considerably between banks

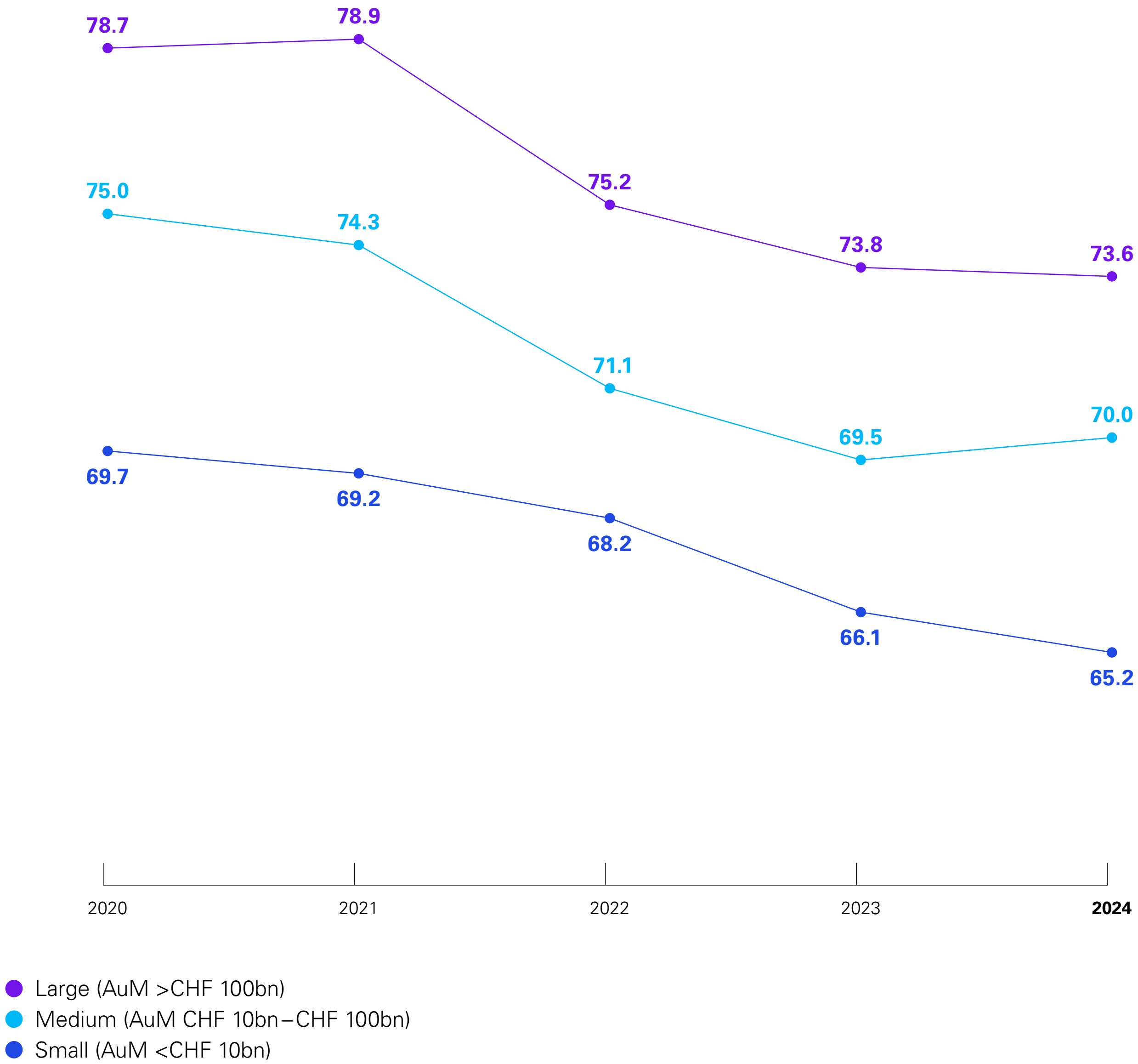
Winning new clients remains a challenge, as median NNM stayed flat at 2.6%. On the assumption that many client transfers would have been taken place by the end of 2024, most banks do not appear to have benefited greatly from the UBS/Credit Suisse merger. Only EFG may have done so, achieving NNM of 6.4% in 2024, which is significantly higher than the previous year and other large banks. The bank's investor presentation notes that 90% of NNM came from newly hired relationship managers.

The number of private banks achieving more than 10% NNM rose to 15 in 2024, compared to only eight in 2023. While many banks at the smaller end of small banks were successful, it is interesting to note that five medium-sized subsidiaries of global banks were also very successful in achieving NNM of more than 10%. At the other end of the spectrum, 22 banks, including one large bank, had negative NNM in 2024. Differences could be due to relationship manager performance, quality, a focus on particular markets, client satisfaction, pricing, and growth strategy.

NNM development has varied wildly between individual banks over the past five years. Only the large banks have been able to achieve positive NNM consistently, six of the eight having positive NNM in every one of the past five years. This was the case for only 41% of medium-sized banks and 32% of small banks. Larger banks may benefit from a broader international footprint, less dependence on individual markets and services, ability to invest more.

Average percentage of clients domiciled outside Switzerland

in %



70% of customer deposits are from offshore clients

In order to determine what approximate percentage of banks' clients are domiciled outside Switzerland ("offshore clients"), we looked at customer deposits as a proxy. The analysis showed around 30% Swiss residents and 70% offshore clients. The proportion of offshore clients has fallen over the years, mostly due to the strong CHF. Only six banks have less than 10% offshore clients. With the exception of one, all are in the strong cluster. As most of these banks are small banks, the average percentage of offshore clients is lower at small banks. Fourteen banks have more than 90% offshore clients. With 45 of the 71 banks having more than 70% offshore clients, this shows the critical importance of these clients for the industry.

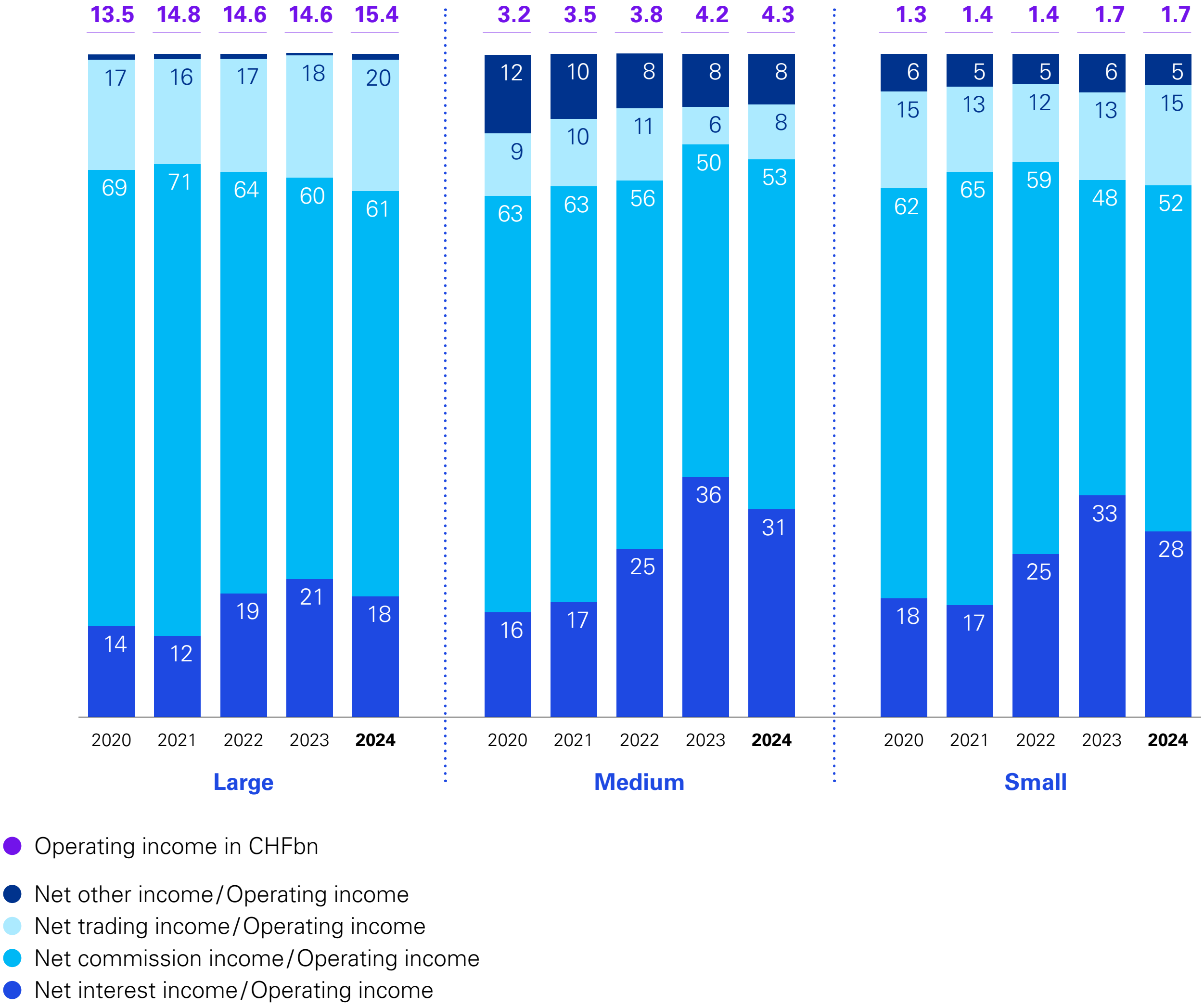
06

Commissions offset lower interest income

Interest income remained high in the first six months of 2024, which, together with strong financial markets enabled banks to sustain their relatively high levels of operating income on the back of increasing AuM. As interest rates began to fall in the second half of 2024, commission income was on the rise, which maintained operating income for the year overall. The picture may look different by the end of 2025 as a further fall in interest rates, a strong CHF and global market volatility kick in.

Composition of operating income

in %



Operating income remains stable

Operating income grew strongly in 2023 across all size clusters and remained relatively stable in 2024 (+4.5% for the industry) despite significantly higher AuM. Small banks saw 0.5% growth and medium-sized banks 2.3% growth. Though the figures appear to show a jump for large banks, this is due to one large bank having a CHF 600m provision in 2023 which reduced interest income; adjusted for this, operating income was stable in 2024 for large banks too.

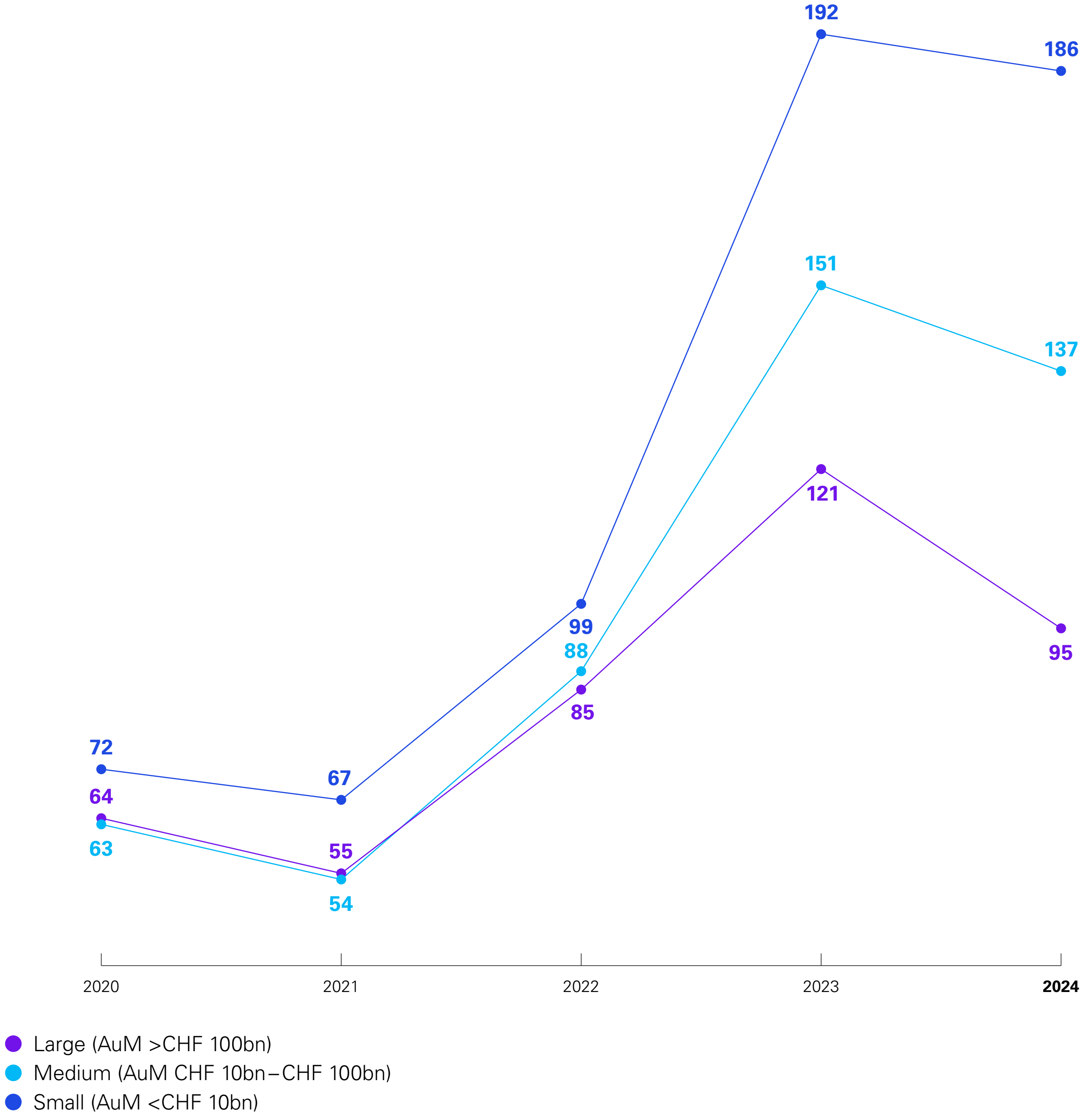
Banks continued to benefit from the high interest environment in the first half of 2024, with exceptionally high net interest income. A decline in interest income in the second half of 2024 due to a drop in CHF und EUR interest rates was compensated for by stronger commission and trading income.

Commission income rose due to a number of factors: AuM volume was up 13.6%, mainly thanks to positive markets. Clients are also holding less cash – median invested AuM increased from 77.7% in 2022 to 81.5% in 2023 and 82.4% in 2024. Higher mandate penetration also played a part, with discretionary mandates growing from 19.2% in 2023 to 21.5% in 2024. There was also no negative foreign exchange impact on commissions.

The median operating income margin began to fall from its high point in 2023 at 89bps to 84bps. 75% of banks reported a decrease in their operating income margin. It declined at small private banks in particular, from 116bps in 2023 to 98bps in 2024.

Banks face substantial downside risks as many of the positive factors mentioned above reversed in 2025, when we see a further significant reduction in interest rates, a very strong CHF, and volatile financial markets due to global economic and political uncertainties.

Net interest margin
in bps



Small banks have lower cost of funding
The chart shows the difference between gross interest income and interest expense over interest-earning assets.

The figures show that small banks continue to benefit from an exceptionally high gross interest margin, which was down only slightly from 2023. Large banks' margins have already fallen back to 2022 levels. Although large and medium banks earned more than 100bps more than small banks on their interest-bearing assets, small banks had much lower cost of funding and therefore a much higher gross result from interest operations.

Small banks appear to continue to have to pay less interest to their clients, which might be related to the fact that large and medium-sized banks have more UHNWI (ultra-high net worth individuals) clients who are in much stronger negotiating positions. In addition, smaller banks benefited from a higher proportion of Swiss-based clients in a lower Swiss interest rate environment.

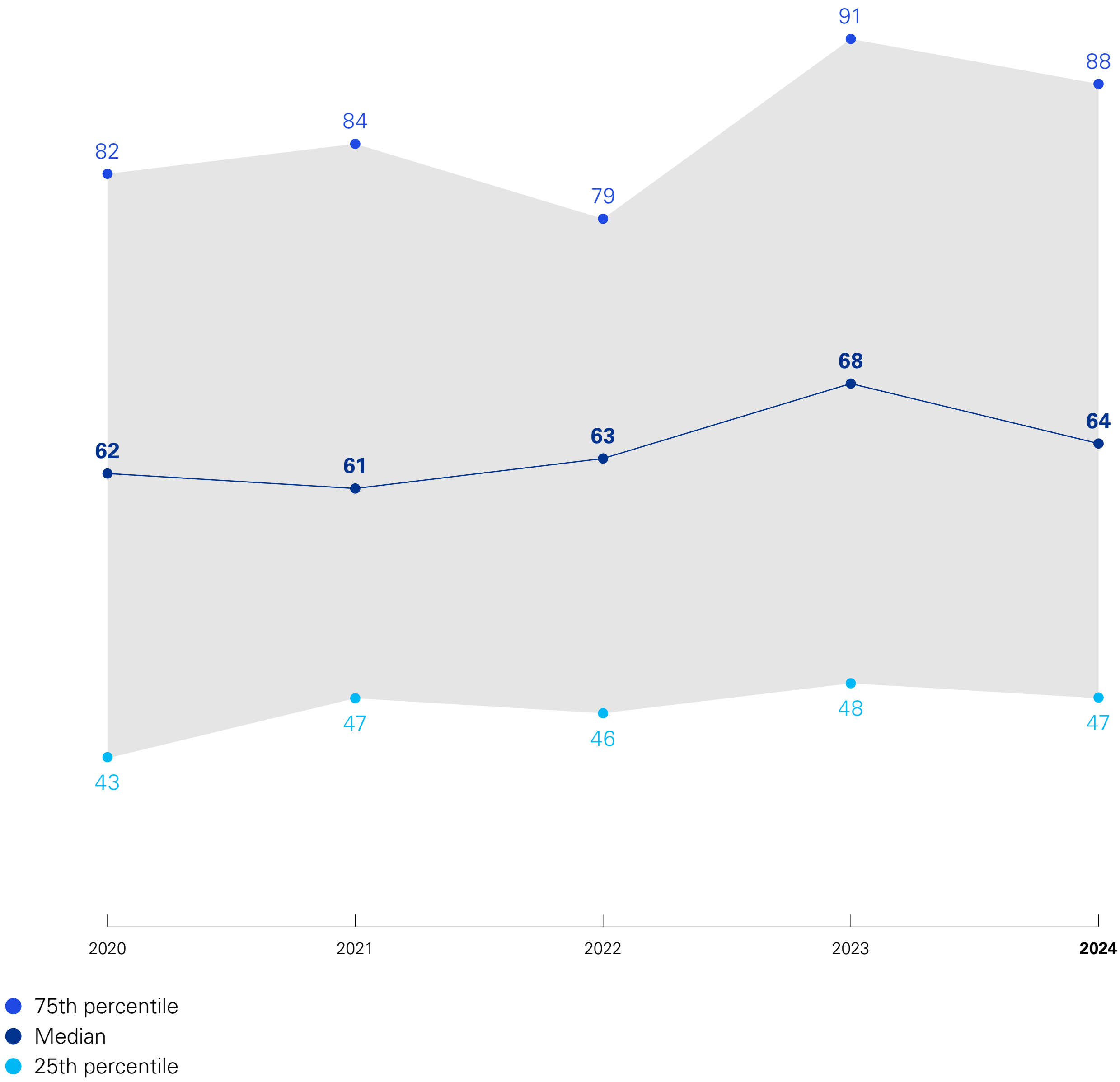
07

Cost increases slow down

Industry operating expenses increased by 3.6%, mainly due to a rise in the number of FTEs. Only 13 banks were able to reduce their operating expenses last year. The median operating expense margin on gross AuM fell from 68bps to 64bps in 2024 driven by the significant growth in AuM being much higher than the increase in operating expenses.

Median operating expense margin

in bps



Higher personnel expenses drive operating expenses up

Industry operating expenses increased by 3.6%, from CHF 14.7bn in FY23 to CHF15.3bn in FY24. This was driven mainly by higher personnel expenses, which grew by CHF 347m or 3.4% due to a rise in the number of FTEs (1,269 to or 3.3%) to 40,048 (average FTEs). General and administration expenses rose at a slightly higher pace (CHF 188m or 4.1%).

Small banks stabilized their costs in FY24 (+3.3%) after a significant increase of 8.1% in FY23, as the number of FTEs and personnel expenses remained stable.

Costs rise the most in French-speaking Switzerland

The median personnel cost per FTE increased slightly to CHF 267k compared to CHF 260k in 2023. Costs of banks in Italian-speaking Switzerland were stable at CHF 187k and in German-speaking Switzerland at CHF 267k, while they rose significantly in the French-speaking part by CHF18k, to CHF 281k.

The median operating expense margin on gross AuM fell from 68bps to 64bps in 2024. This was not due to efficiency gains or cost reductions. Rather, it was driven by the significant growth in AuM being much higher than the increase in operating expenses (13.6% vs 3.6%). Only 13 banks reduced their operating expenses.

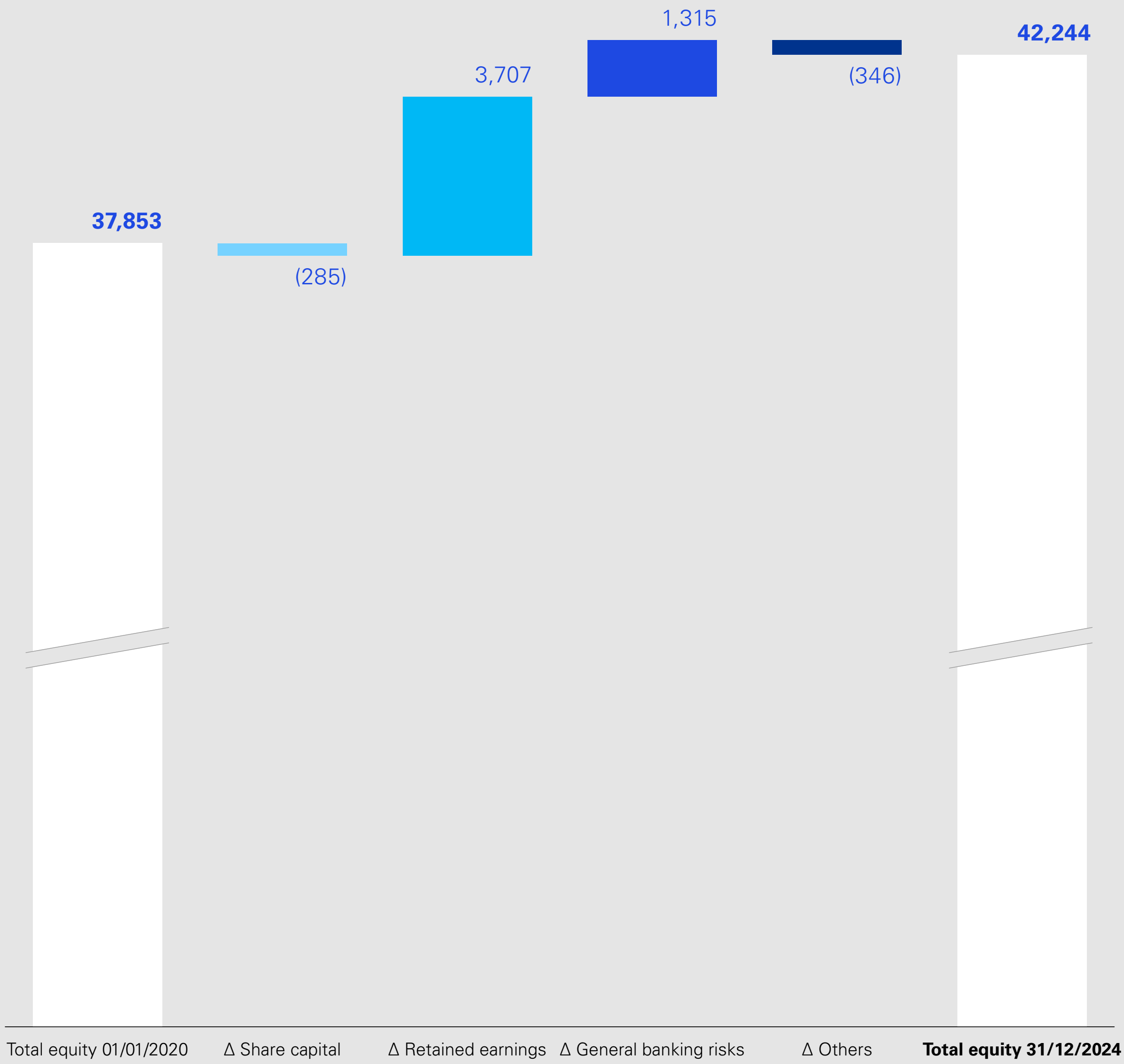
08

Banks hold a significant level of excess capital

Banks have distributed around 80% of net profits to shareholders over the past five years, suggesting a lack of investment and growth opportunities. Profits were otherwise retained and fed high levels of excess capital of CHF22bn. Across size clusters, high profits in the past two years were used to grow general banking reserves, providing a potential buffer for more challenging markets ahead.

Driver of equity movements

1 January 2020 – 31 December 2024



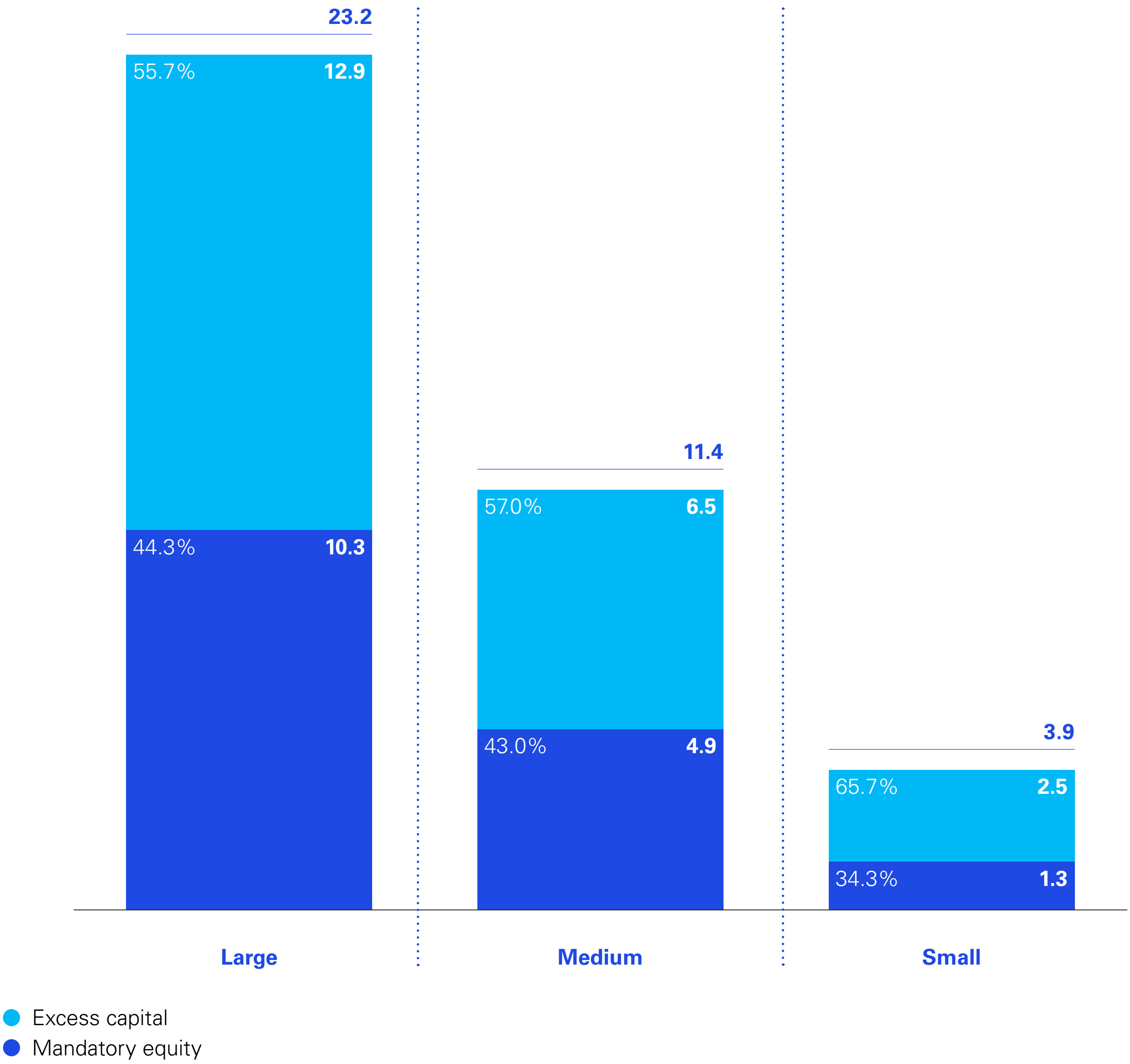
Retained earnings and general banking reserves increase
Private banks' aggregated equity rose by CHF 4.4bn in the past five years to CHF 42.2bn. This is attributable primarily to increases in retained earnings and general banking reserves.

Large banks earned high net profits over this period and were the main contributors to capital growth. Small banks mainly increased their capital and excess capital in 2023 and 2024 as high interest rates boosted profits. A number of banks across size clusters used high profits in 2023 and 2024 to increase general banking reserves, giving them flexibility to release them in more challenging years.

The increase in capital is despite the fact that of the sum of net profits in the past five years of CHF 17.8bn, almost 80% was distributed to shareholders. The largest eight banks had a very high payout ratio – four of about 60–70% and four of about 80%+. Despite the high payouts, capital continued to grow.

A lack of investment opportunities?
With most profits being distributed and no new capital flowing into the industry, this would indicate a lack of investment and growth opportunities. Combined with the high level of excess capital, it is surprising to see banks not distributing at least part of the excess capital on the balance sheet, which is lowering RoE and is not needed to run the business. The level of excess capital provides headroom to distribute profits and even some of the excess capital, even considering regulatory pressure on banks to maintain high levels of capital.

Eligible capital by size
in CHFbn, 2024



Small and medium-sized banks have higher excess capital
Total excess capital was CHF 22bn, which is slightly up on 2020's CHF 19bn. Capital requirements are largely determined by credit risk. In 2024, 57% of the required capital was for credit risk and 31% for operational risks. The shares for market risk and non-counterparty-related risks remained relatively constant at around 10% and 2%, respectively.

Small and medium-sized banks have relatively higher excess capital. With excess capital exceeding the required total capital, one could argue many banks could run businesses twice the size of their current business.

Basis of preparation

Our analysis of the past six years covers 71 Swiss private banks, representing 84% of the private bank population.

Our definition of a Swiss private bank

For the purpose of this study, a private bank is defined as a Swiss bank that holds a full FINMA bank license and for which a significant proportion of its business is private wealth management. There were 85 such private banks as at 31 December 2024.

Only survivor banks are included in our analysis

We have excluded those banks that disappeared before the end of 2024 in order to show only the performance of banks that are still in existence as at the publication date. UBS was excluded due to its size, which would distort the results and make the analysis less meaningful as well as 14 banks whose financial statements are not available.

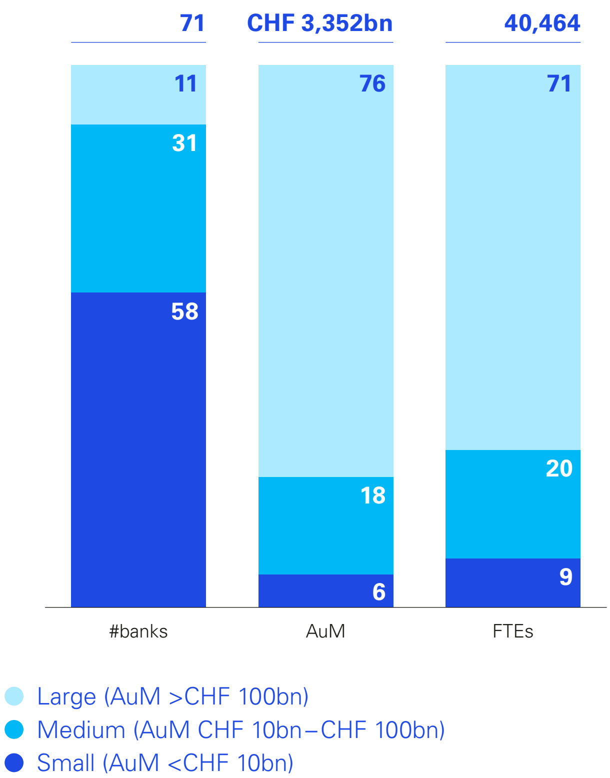
71 banks analyzed for the past five years

We analyzed the annual financial statements of 71 Swiss private banks from 2020 to 2024, examining both the aggregated (by AuM size) and the median perspective. The study also includes analysis and graphs with shorter time periods.

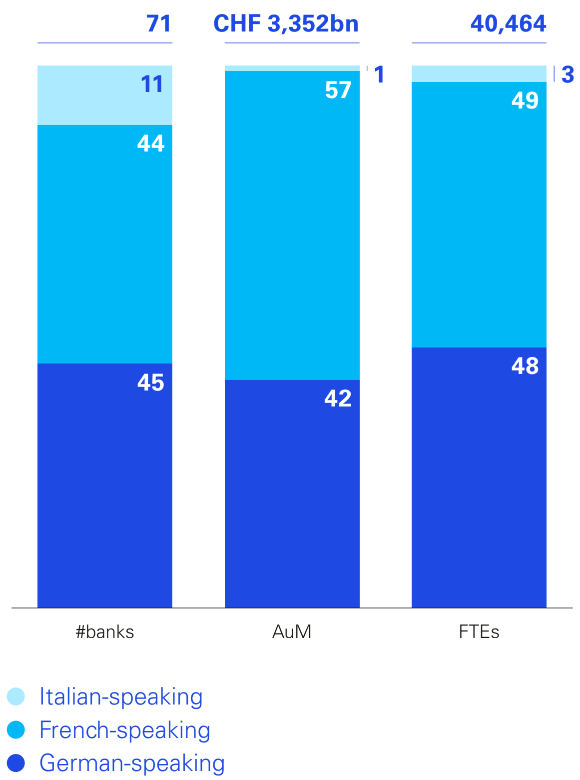
The aggregate perspective sums up individual banks' financial information by level of AuM – Large (AuM >CHF 100bn), Medium (AuM CHF 10-100bn) and Small (AuM <CHF 10bn). It is dominated by the larger banks in each size segment.

The median perspective takes the middle bank's KPI value. It better represents the broader industry, which is dominated by Small and Medium banks (89% of the banks in our sample).

Key statistics by bank size
31 December 2024, in %



Key statistics by region
31 December 2024, in %



For more information on
Clarity on Swiss Private Banks
please contact:

Christian Hintermann
Partner
Financial Services
+41 58 249 29 83
chintermann@kpmg.com

Publisher
KPMG AG
Badenerstrasse 172
CH-8036 Zurich

+41 58 249 31 31

Authors
Christian Hintermann, KPMG AG
Guido Rosenast, KPMG AG

Contributors
Stefan Ruhstaller, KPMG AG
Florian Müller, KPMG AG
Patrick Buzhala, KPMG AG

Authors University of St.Gallen
Prof. Dr. Dr. Tomi Laamanen
Thomas Starck
Joonas Kauto

Concept
Andrea Tam, KPMG AG
Stuart Garforth, ohcomms.co

Design
van Beusekom Gestaltung + Fotografie

Pictures
Geertjan van Beusekom
Getty Images

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