

•SwissBanking

August 2017

Annual Report 2016/2017

Foreword from the Chairman

Dear Reader

In the last 12 months, we have organised the Swiss Bankers Association (SBA) along clear strategic areas of focus and aligned ourselves in a business-orientated manner. Our team is complete and we are positioned to act as a think tank for our stakeholder groups and members.

We have a clear ambition for the Swiss financial centre to maintain its leading position. The best prerequisites are already in place today for continued success tomorrow. Switzerland is the world's biggest location for cross-border wealth management. We have an exceptional variety of banks in international comparison, and as Swiss banks, we are interna-

tionally competitive. To ensure we remain successful in future, we must work to achieve the best possible framework conditions today.

The following three principles form the basis for preserving and increasing the appeal of the Swiss financial centre:

- Firstly, **openness**: we stand resolutely for market access and open markets, and are opposed to isolationist tendencies both at home and abroad.
- Secondly, **innovation**: we address industry trends proactively. Keywords here include developments relating to the cloud, how digitalisation is affecting the change in the customer interface, and outsourcing issues against the backdrop of rising industrialisation and efficiency gains.
- Thirdly, **competitiveness as a clear objective of regulation**: there should be no rushing ahead when it comes to implementing international standards, we must keep an eye on what competing financial centres are doing.

Select issues addressed last year:

Greater promotion of the financial centre in Switzerland and abroad

In its 2016 financial market report, the Federal Council formulated the objectives for the further development of the Swiss financial market strategy. In the report, the Federal Council recognises the important role that the financial centre plays for the Swiss economy and commits to promoting Switzerland as a competitive, leading global financial centre. Another welcome development is that according to its strategic goals to be achieved by 2020, the Swiss Financial Market Supervisory Authority FINMA is pursuing similar objectives. Close and intensive collaboration between all financial market participants, business, the authorities and politicians is necessary in order to credibly represent the interests of the financial centre and clearly position the Swiss financial centre at home and abroad.

One good example of how international awareness of the strengths of the financial centre can be further raised is the trip made by a delegation of industry representatives to Beijing, Shanghai, Singapore and Hong Kong over Easter 2017. The delegation was led by Federal Councillor Ueli Maurer, Head of the Federal Department of Finance (FDF). Discussions at the meetings in Beijing and Shanghai centred primarily around issues relating to market access, while in the global financial centres Singapore and Hong Kong, similar interests to Switzerland were expressed when it comes to the development of international standards such as

Basel III/IV and the Automatic Exchange of Information (AEOI). The trip represents a milestone in the efforts of the SBA and the Confederation to better position the Swiss financial centre abroad. In the medium term, such and similar trips will play an important role as a financial market policy tool for Switzerland.

Proposals for the optimisation of occupational pension plans

With the study “The 3rd contributor to occupational pension plans – Proposals for optimisation”, we provided proposals for the optimisation of occupational pension plans and have opened a dialogue in order to contribute to strengthening the Swiss pension system in Switzerland. To date, the returns generated on pension assets, the so-called 3rd contributor, were the most important contributor to our retirement capital. Notwithstanding its substantial contribution of around 40 percent, this fact has as yet not been taken into consideration in the political debate. It is becoming apparent, however, that in future it will not be possible to achieve the current target returns. There is therefore a threat of funding shortfalls and cuts to benefits in the pension system. In the study “The 3rd contributor to occupational pension plans – Proposals for optimisation”, asset management experts from various banks together with the SBA explore how the 3rd contributor can be strengthened in order to avert such an outcome. The study aims to bring momentum into the discussion surrounding occupational pension plans and provides concrete proposals for how to change the framework conditions. Pension funds and politicians are called on to reinforce the 3rd contributor in the interests of active pension plan members. The study also contributes to strengthening Switzerland as a location for asset management.

Fintech and digitalisation

Fintech and digitalisation are not just on our radar, we are actively contributing to the establishment of framework conditions for the banks, which are also part of this structural change. We are doing so by campaigning for the best-possible, modern regulatory environment. The SBA created a fintech group of experts to this end in the summer of 2016. Its members consist of high-ranking representatives from all the banking groups. Among other things, the fintech group of experts monitors seminal fintech developments and analyses the suitability of framework conditions with a view to strengthening the finance industry and ensuring a level playing field for banks. By taking advantage of synergies and coordinating activities with other associations, for example Swiss Fintech Innovations and Swiss Finance Startups, efficient methods of operation are ensured. Through these efforts, the SBA is making an important contribution to the Swiss financial centre of the future.

«The Swiss financial centre is to maintain its leading position. The best prerequisites are already in place today for continued success tomorrow.»

Competitiveness, legal certainty and exportability with FinSA/FinIA

The major legislative project pertaining to the revision of financial market legislation remains in full swing. Over the last few years, the SBA has advocated both scaling down the draft in the interests of the sector and the economy as a whole, and ensuring that the requirements for financial services providers and products do not turn out to be more stringent than in other countries. The Council of States significantly improved and streamlined the bills for FinSA and FinIA, and adopted them in December 2016. As a result, Switzerland will have practicable investor protection. By virtue of the fact that predominantly existing laws will be systematically taken over into one source of law, legal and planning certainty will increase both for investors as well as for the sector. Positive momentum can also be expected in terms of the competitiveness and exportability of the Swiss finance industry. FinSA and FinIA reinforce legal certainty, competitiveness and the reputation of the financial centre. If the National Council is efficient in concluding its further considerations during the 2017 autumn session and FinSA and FinIA are implemented rapidly – at the latest by the beginning of 2019 – an important prerequisite for access to the EU market will have been established. Up-to-date financial legislation is in the interests of all financial services providers and their customers, and therefore a basic prerequisite for a healthy economy.

International exchange of information

After completing its peer review, the Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum) gave Switzerland a “largely compliant” rating on 26 July 2016. This positive evaluation reflects the progress made in recent years in implementing the international standard on the automatic exchange of information upon request.

Switzerland is also on track for the Automatic Exchange of Information (AEOI). Since January 2017, Switzerland has been applying AEOI with 38 states and in 2018 will exchange information with all EU countries and ten other nations for the first time. A further 43 countries are to be added next year. From a Swiss perspective, it must be ensured that confidentiality and data protection are adhered to and the relevant competing financial centres also enter into AEOI with these countries.

The fight against money laundering

In 2012, the Financial Action Task Force (FATF) revised its 40 Recommendations, resulting in a necessary revision of Swiss anti-money laundering mechanisms. The revised Agreement on the Swiss banks’ code of conduct with regard to the exercise of due diligence CDB 16 came into force on 1 January 2016. With the revision of this comprehensive set of rules, the Swiss financial centre responded to the increasing efforts to fight money laundering at the international level and the concomitant regulatory requirements and international standards. In its December 2016 Mutual Evaluation Report, the FATF recognised the quality of the Swiss mechanisms for fighting money laundering and terrorist financing, and the Swiss financial centre achieved an above-average result compared to those countries that had already been reviewed. The FATF also listed certain criticisms relating to legal mechanisms. The SBA expects sound judgement to be applied to any potential amendments to Swiss laws and ordinances, and that any form of “Swiss finish” is dispensed with.

Uniform standard of quality: certification for client advisors

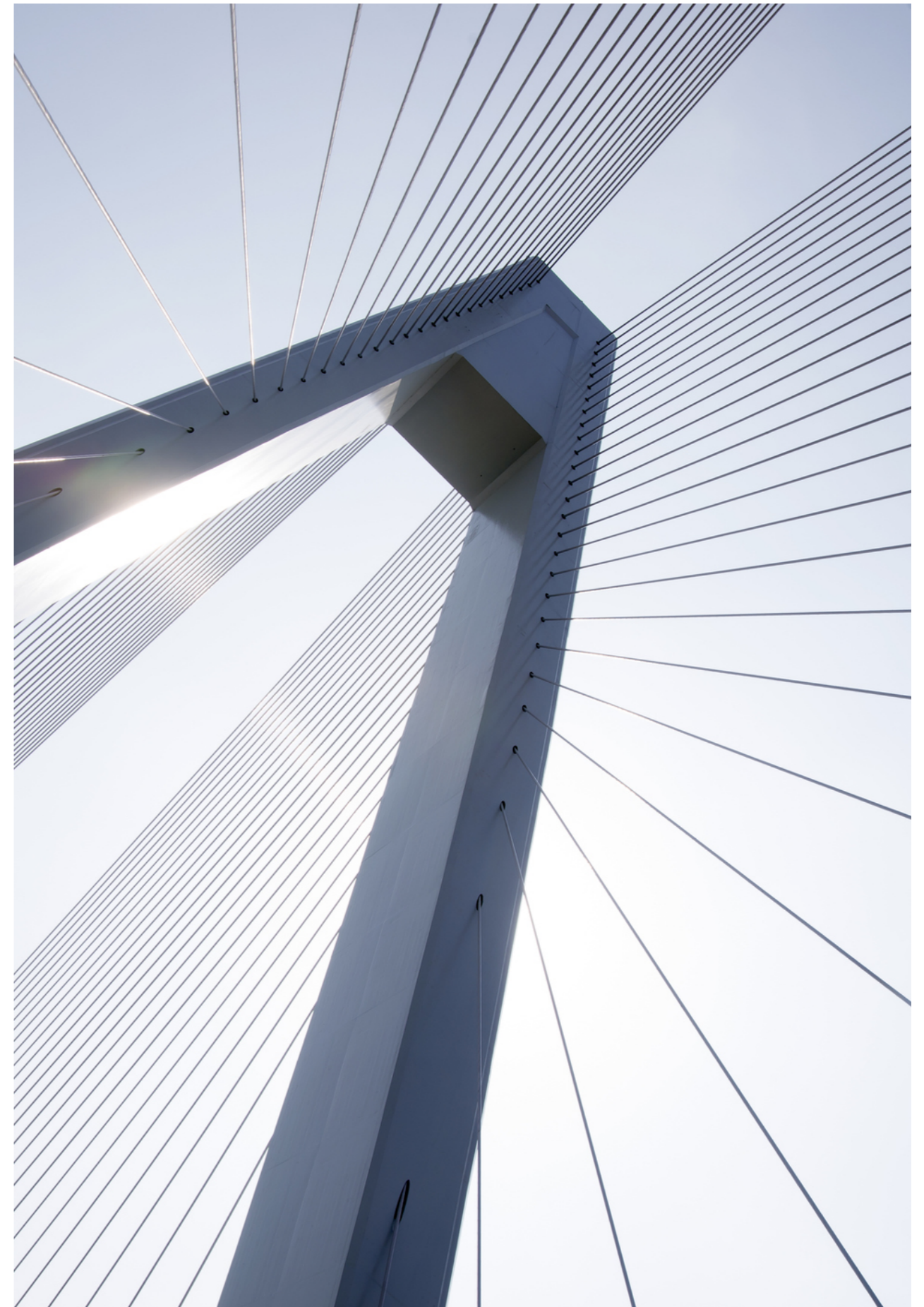
Competent client advisors constitute the core of all successful wealth management. With its recommendation that members certify their wealth management advisors under the Certified Wealth Management Advisor CWMA standard of the Swiss Association for Quality (SAQ), which meets the requirements of the international ISO standard 17024, the SBA in December 2016 declared itself in favour of a common standard as regards content. The additional person certifications for the private and individual client advisory segments, corporate banking and SMEs, as well as affluent client advisors comprehensively cover the spectrum of client advisor profiles and will also be considered for recommendation. Using a common certification standard as a basis, it is possible to effectively and sustainably promote quality, professionalism and excellence among client advisors. And not least of all, a common industry standard allows transparency in terms of the level of training within the Swiss finance industry, which will also serve as an international seal of quality.

Foreword from the Chairman

My first year in office was intensive and varied. I was impressed with the experience and expertise on hand at our office. Thanks to the motivated SBA employees and the tireless efforts of the bank representatives in the committees, commissions and task forces we have successfully completed numerous projects that will advance the financial centre as a whole. My heartfelt thanks go to all the employees at our office and to all those who have dedicated their knowledge and time to the financial centre.



Herbert J. Scheidt, Chairman



SBA management report

General business performance

The Swiss Bankers Association (SBA) is a non-profit organisation financed predominantly through membership fees. Membership fees are determined in line with the budget adopted by the Board of Directors for ongoing business activities. As a result of cost savings arising from the restructuring measures that were introduced, it was possible to reduce membership fees to CHF 22 mn in the year under review. At the end of the business year, the SBA had 293 member institutions with 15,082 members. This corresponds to a decrease of 11 member institutions and 3,009 members compared to the previous year. The SBA's 2016 financial statement is balanced and was closed with a slight operating surplus of CHF 0.1 mn. The SBA employed an average of 57 employees (in full-time equivalents) during the year under review.

Execution of a risk assessment

The risk assessment produced no new factors, resulting in only isolated adjustments that were adopted by the Audit Committee on 3 May 2017. The assessment of the SBA based on the information currently available is that there are no material, individual risks that could pose a threat to the Association's existence at present or in the near future. Nor does the total sum of the individual risks pose a threat to the continuity of the SBA.

Research and development activities

The SBA did not conduct any significant research or development projects during the year under review.

Extraordinary events

All of the reorganisation-related measures resulting from the repositioning of the SBA were completed according to plan in 2016. The restructuring costs incurred as a result amounted to CHF 3.8 mn and were financed by means of the release of the corresponding provisions and reserves. There were no other extraordinary events during the year under review.

Outlook

As a result of its repositioning, the SBA in 2016 organised itself along the four strategic areas Retail Banking, Private Banking, Capital Markets and Asset Management. At the beginning of 2017, the Board of Directors defined the strategic thematic priorities for 2017. To reach the objectives that were set, key competencies within the SBA's strategic areas are being further refined and more closely linked to one another in the day-to-day business, important special-ist competencies are being bundled for the assessment of technical issues, and the competent and effective communication and lobbying in politics and the public are being strengthened. The SBA has also aligned its office in accordance with these competencies and reinforced the Executive Board with the addition of new members.

Basel, 31 August 2017



Claude-Alain Margelisch
CEO



Nicolas Hug
Head Operations

Balance Sheet

Assets in CHF	31.12.2016	31.12.2015
Cash and cash equivalents	18,979,402	22,554,352
Trade accounts receivable	1,595,169	253,666
Other short-term receivables	53,178	114,236
Prepaid expenses/accrued income	29,965	32,244
Total current assets	20,657,714	22,954,498
Financial assets	12,606,598	12,629,354
Property, plant and equipment	3,700,001	3,700,001
Total non-current assets	16,306,599	16,329,355
Total Assets	36,964,313	39,283,853

Liabilities in CHF	31.12.2016	31.12.2015
Trade payables	1,119,488	723,498
Other short-term liabilities	553,559	724,837
Accrued expenses and deferred income	1,109,862	1,296,508
Short-term provisions	91,000	185,000
Total short-term liabilities	2,873,909	2,929,843
Provisions and similar items foreseen in the law	23,220,000	25,600,000
Total long-term liabilities	23,220,000	25,600,000
Total liabilities	26,093,909	28,529,843
Association capital	6,961,000	6,961,000
Reserves	3,909,404	3,793,010
Total equity capital	10,870,404	10,754,010
Total Liabilities	36,964,313	39,283,853

Income statement and cash flow statement

Income statement in CHF	2016	2015
Membership fees	22,395,657	24,960,571
Revenue from sale of goods and services	1,614,530	2,001,029
Total operating income	24,010,187	26,961,600
Goods and services expenses	-8,864,011	-10,554,576
Personnel expenses	-12,544,069	-13,184,506
Other operating expenses	-2,352,085	-2,627,136
Total operating expenses	-23,760,165	-26,366,218
Operating result	250,022	595,382
Financial expenses	-188,990	-107,914
Financial income	267,783	521,573
Extraordinary, non-recurring or prior-period expenses	-2,549,012	-1,355,000
Extraordinary, non-recurring or prior period income	2,566,973	514,112
Direct taxes	-230,382	-155,236
Profit	116,394	12,917

Cash flow statement in CHF	2016	2015
Net profit for the period	116,394	12,917
Price changes in financial investments	141,973	60,790
Change in current assets	-1,278,166	56,835
Change in liabilities	38,066	-193,721
Change in provisions	-2,474,000	832,150
Cash flow from operating activities	-3,455,733	768,971
Investments in non-current assets	-119,217	-152,047
Cash flow from investing activities	-119,217	-152,047
Total cash flow	-3,574,950	616,924
Balance of cash at beginning of period	22,554,352	21,937,428
Balance of cash at end of period	18,979,402	22,554,352
Total cash flow	-3,574,950	616,924

Notes

1. Description of the principles used in the preparation of the financial statement

These financial statements of the Swiss Bankers Association, headquartered in Basel, have been drawn up in accordance with the Swiss law, in particular with the article in the Code of Obligations relating to commercial accounting and financial reporting (Art. 957 to 961).

In preparing the financial statements, the management is required to provide estimates and assessments that could affect the reported amounts of assets and liabilities, but also the expenses and revenues for the reporting period. The management decides at its own discretion how to apply the legal scope for valuation and reporting practices. Pursuant to the principle of prudence, depreciation, value adjustments and reserves that exceed the economically necessary level can be created in the interests of the Association.

In principle, tangible fixed assets are valued at acquisition cost less depreciation and value adjustments. Depreciation of the Association's office premises, with the exception of the land value, is calculated on a straight-line basis. Where indications of overvaluation are present, the book values are reviewed and value-adjusted if necessary.

2. Disclosures, breakdown and explanations of balance sheet and income statement items in CHF

a) a) Cash and cash equivalents	31.12.2016	31.12.2015
Cash deposits	13,050	15,645
Bank deposits	18,966,352	22,538,707
	18,979,402	22,554,352
b) Financial assets		
Securities at market price	12,402,098	12,424,854
Securities at acquisition cost	204,500	204,500
	12,606,598	12,629,354
c) Property, plant and equipment		
Premises/furniture/IT systems	1	1
Office premises in Basel	3,700,000	3,700,000
	3,700,001	3,700,001
d) Provisions (short and long-term)		
for general risks arising from business operations and to ensure continuity of the Association	23,311,000	25,785,000

3. Explanations of extraordinary, non-recurring or prior-period items included in the income statement in CHF

a) Extraordinary, non-recurring or prior-period expenses	2016	2015
Provisions	91,000	1,355,000
Restructuring costs	2,387,412	0
Other	70,600	0
	2,549,012	1,355,000

Restructuring costs are expenses relating to the early retirement of employees (e.g. payments made to employees retirement savings accounts).

b) Extraordinary, non-recurring or prior-period expenses	2016	2015
Release of provisions	2,565,000	440,350
Other	1,973	73,762
	2,566,973	514,112

Provisions were released for the financing of the restructuring costs in 2016.

4. Net release of undisclosed reserves in CHF

	2016	2015
Utilisation of (off balance sheet) employer contribution reserves	1,390,115	0

5. Additional information

a) Personnel (full-time equivalents)

The average number of employees (full-time equivalents) for the year was over 50 both in the year under review as well as the previous year.

b) Assets pledged to secure own commitments

The assets pledged (financial investments) as collateral for own liabilities total CHF 600,000 (as in the previous year).

c) Fees paid to the auditors in CHF	2016	2015
For audit-related services	22,248	27,335
For other services	4,968	0

6. Significant events after the balance sheet date

There were no material events between the balance sheet date and approval of the financial statements by the Board of Directors' Audit Committee on 03.05.2017 that could affect the information contained in the 2016 financial statements or that would have to be disclosed herein.

Report of the Statutory Auditor on the Financial Statements

As statutory auditors we have audited the financial statements of the Swiss Bankers Association (SwissBanking), which comprise the balance sheet, income statement, cash flow statement and notes (pages 12–19), for the year ended 31 December 2016.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with Swiss law and the Association's Articles of Incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating of the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well evaluating of the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2016 comply with Swiss law and the Association's Articles of Incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (Art. 69b of the Swiss Civil Code in conjunction with Art. 728 of the Swiss Code of Obligations) and that there are no circumstances incompatible with our independence.

In accordance with Art. 69b of the Swiss Civil Code in conjunction with Art. 728a para. 1 item 3 of the Swiss Code of Obligations and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We recommend that the financial statements submitted to you be approved.

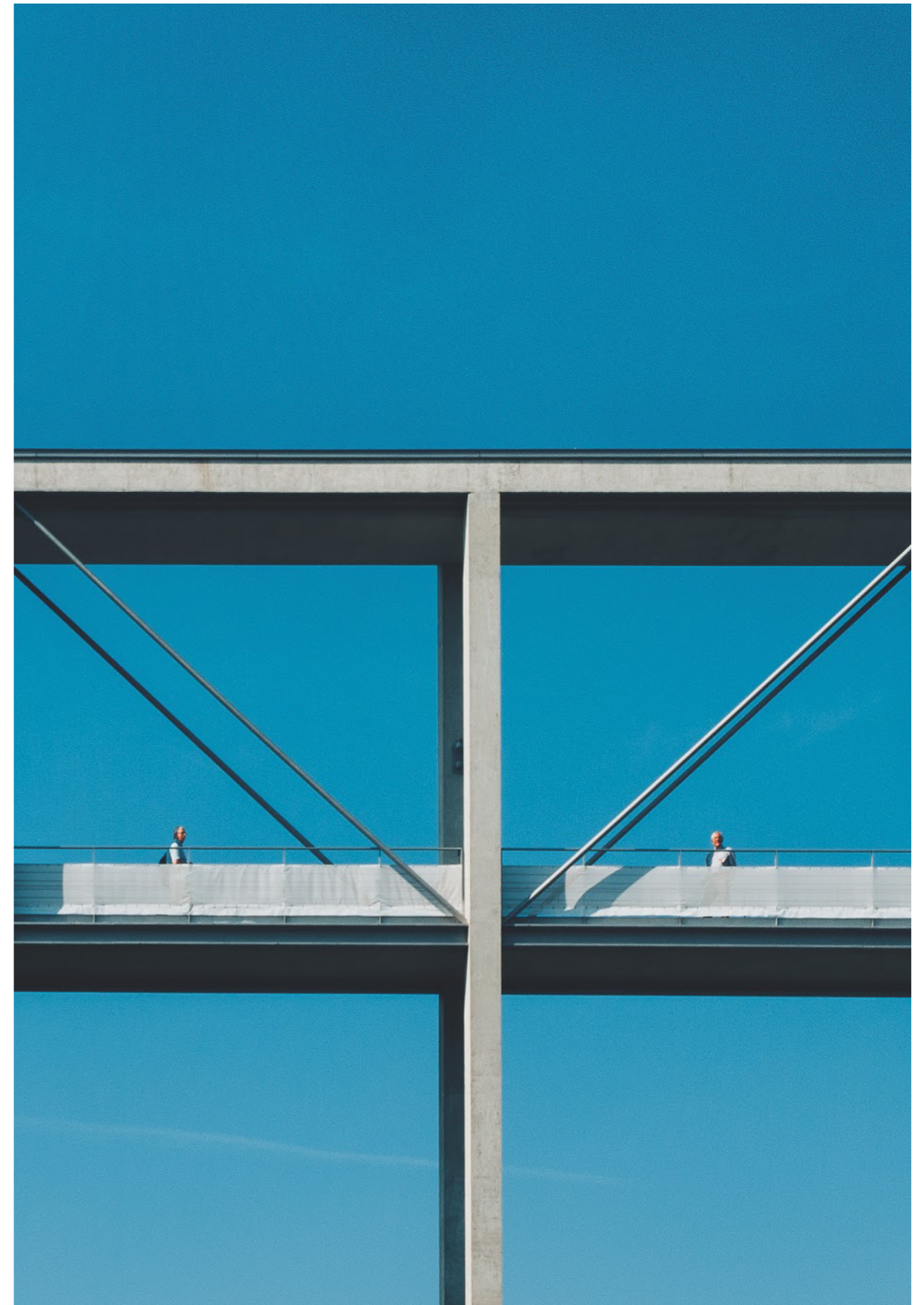
Ernst & Young Ltd.



Stefan Lutz
Licensed audit expert
(Auditor in charge)



Prof. Dr. Andreas Blumer
Licensed audit expert



•SwissBanking

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