itopia
corporate information technology

IT Cost Survey for Swiss Banks 2025

Evaluation report based on effective data 2024 and budget figures 2025

Zurich, 28 May 2024

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Key findings 2024

1 – IT costs grew in step with business volume

In 2024, both retail and private banks achieved a lower, and therefore better, IT cost ratio iR_{adj}. However, this is largely due to growth in business volume. The group of returning participants increased their weighted total assets and assets under management by 4.9%, thereby offsetting the rise in IT costs. Operating income, which fell by 1% overall, remains a focus of attention.

2 – Headcount increased at participating banks

The higher business volumes were also achieved with significantly higher staff numbers. Recurring participating institutes together employed 3.5% more staff in banking functions in 2024 compared to 2023. While private banks were able to make a major step forward in terms of employee productivity, retail banks reduced their staff requirements only marginally in relation to their business volume.

3 – With digital transformation, IT becomes a task for the entire bank

In addition to the 6% increase in personnel in the IT departments themselves, banks are increasingly reporting IT-related roles and associated expenses in the specialist departments. The overall management and optimization of IT-related human and financial resources is therefore becoming more challenging.

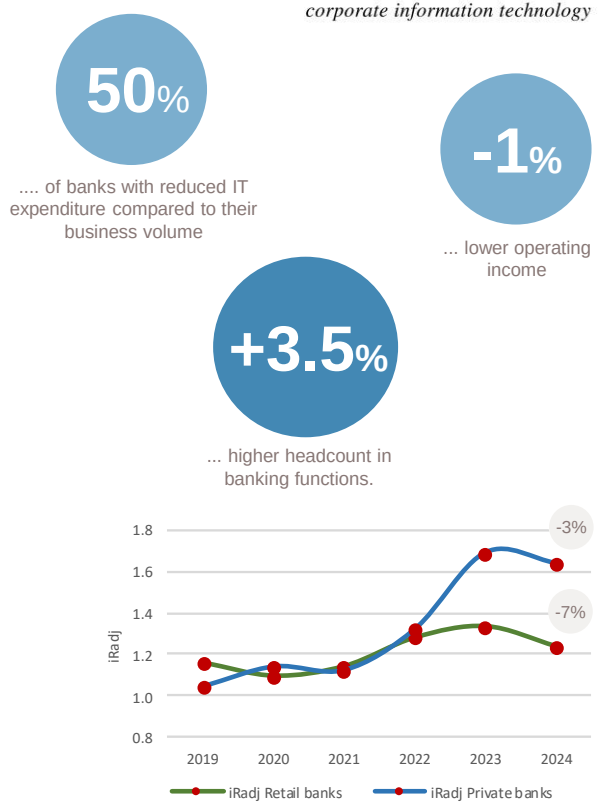


Table of contents

Introduction

itopia IT cost survey

- Conducted on an annual basis since the year 2000, with more than 20'000 data points[1)]
- Participants are smaller (< 300 FTE[2)]) to larger (> 900 FTE) retail and private banks.
- Pragmatic approach: questionnaire with nine bank key figures and a bank complexity profile (self-assessment)

Participants 2024/2025

- 42 banks: 28 retail banks, 14 private banks (previous year: 43 banks: 29 retail banks, 14 private banks)
- High consistency and comparability: ¾ of the participants from 2000 are still taking part today

iR (itopia ratio)

- Main coefficient used in the itopia IT cost survey evaluation report
- Based on IT costs, balance sheet total, and assets under management
- We consider this coefficient to be better than volatile earning-based ratios (e.g. cost/income ratio)

iR_{raw}

$$iR_{raw} = \frac{\text{IT costs}}{1.1 \times (\text{balance sheet total}) + 0.3 \times (\text{assets under management})}$$

iR_{adj}

- The "bank complexity" factor (f_{Bank}) is used to facilitate comparability of banks
- Bank complexity is derived from a profile assessed by the bank itself

$$iR_{adj} = \frac{\text{IT costs}}{1.1 \times (\text{balance sheet total}) + 0.3 \times (\text{assets under management})} \times \frac{1}{f_{Bank}}$$

pR_{adj}

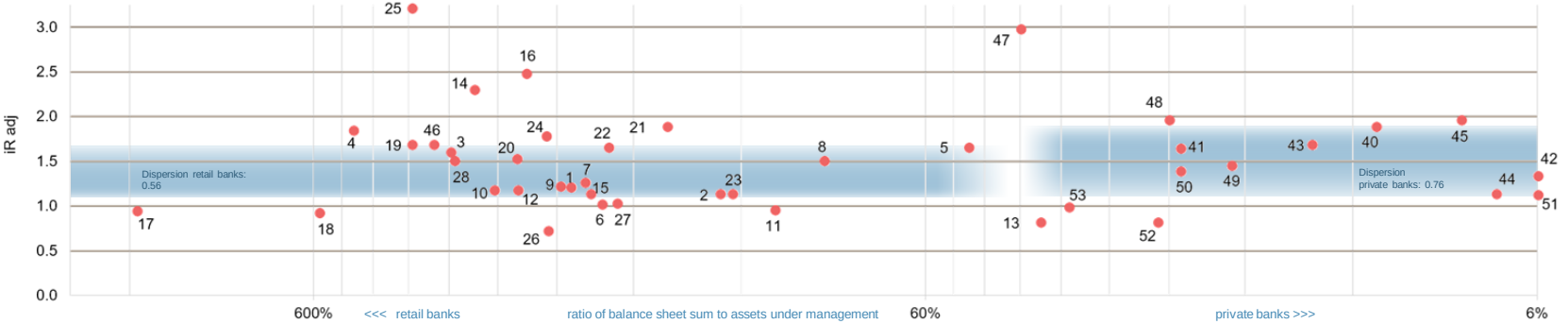
- The Bank's employee productivity is assessed via the ratio pR_{adj}
- This ratio is calculated on the basis of bank employees, total assets, assets under management and bank complexity.

$$pR_{adj} = \frac{\#\text{ bank employees (excl. IT staff)}}{30 \times (\text{balance sheet total}) + 10 \times (\text{assets under management})} \times \frac{1}{f_{Bank}}$$

1) Historical values may vary due to subsequently reported corrections

2) Full-time equivalent

Data basis 2024
IT cost coefficient iR_{adj} grouped by business model



– A bank with an iR_{adj} of 2.0 has 100% higher IT costs than a bank with an iR_{adj} of 1.0.

– Historically, a cost coefficient iR_{adj} of 1.0 was deemed ideal. Since reaching its lowest point in 2017, however, this value has increased alongside the ongoing digital transformation.

– **In 2024, almost half of the participating banks were able to improve their IT cost efficiency.**

– 5 retail banks and 2 private banks achieved an $iR_{adj} < 1.0$, compared to only 5 in total in the previous year.

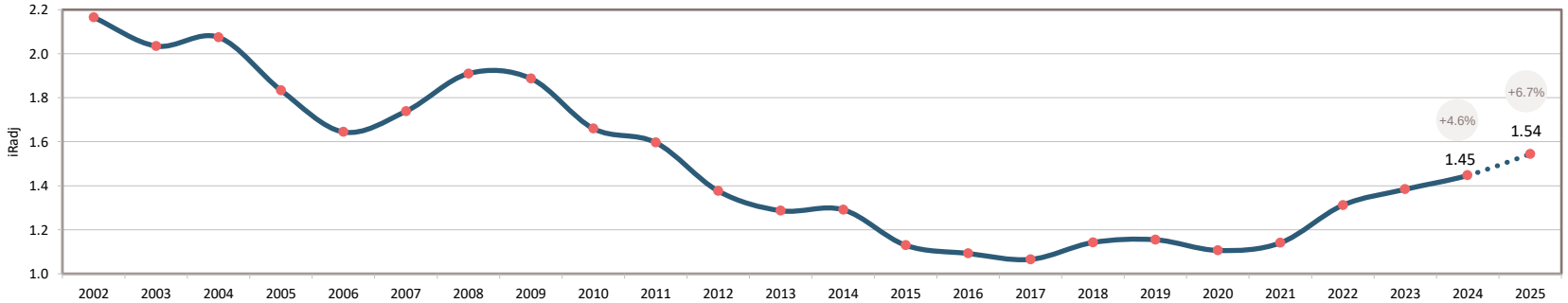
– 8 out of 11 banks of the previous year were again among the most cost-efficient 25%.

– **Only four banks still have an iR_{adj} of more than 2.0 (3 retail banks and 1 private bank)**, compared to 7 in the previous year.

Observation

The recurring participating banks achieved a 4.2% increase in total assets and an 8.3% increase in assets under management.
The average 5.5% increase in absolute IT costs was thus more than offset at many banks.

Development over time 2002 – 2024
IT cost coefficient iR_{adj} – median of all participants



– In 2024**, the median of the iR_{adj}** across all participating banks rose by 4.6% **to 1.45:** However, this is a statistical paradox due to shifts in the group of participants, as the class-specific median 2024 iR_{adj} fell compared to 2023 for both retail and private banks (refer to slides 12 and 13).

– As in the previous year, the **most efficient 25%** of banks are in the range of **0.70 to 1.15** with a median of 0.95: This shows that an iR_{adj} around the long-term ideal value of 1.0 is still achievable.

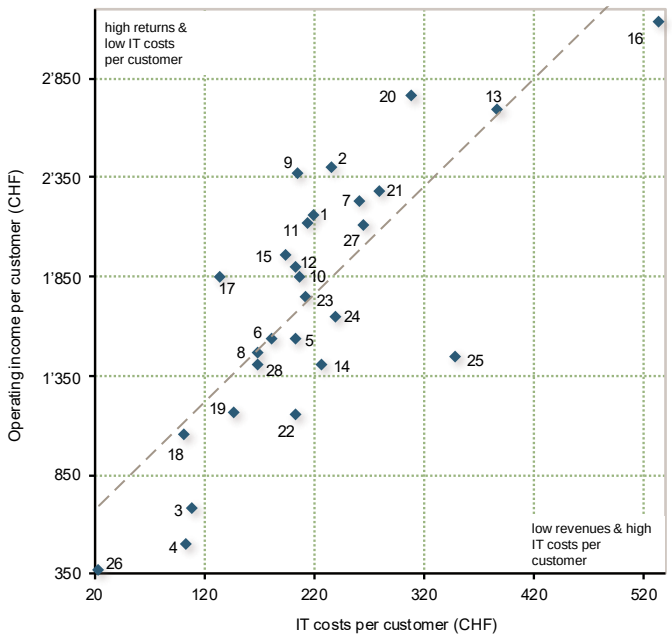
– The forecast quality was significantly lower than in previous years; in spring 2024, an extraordinary increase in the cost coefficient of 14% was expected based on budget values.

– Based on **budgets**, a further increase in the **iR_{adj} to 1.54** is expected in **2025**.

Interpretation

If the rising IT cost coefficient iR_{adj} is interpreted as a consequence of progressing digital transformation, other key figures must also be look at - such as the development of employee productivity or the growth of the customer base.

Data basis 2024
Operating income in relation to IT costs retail banks

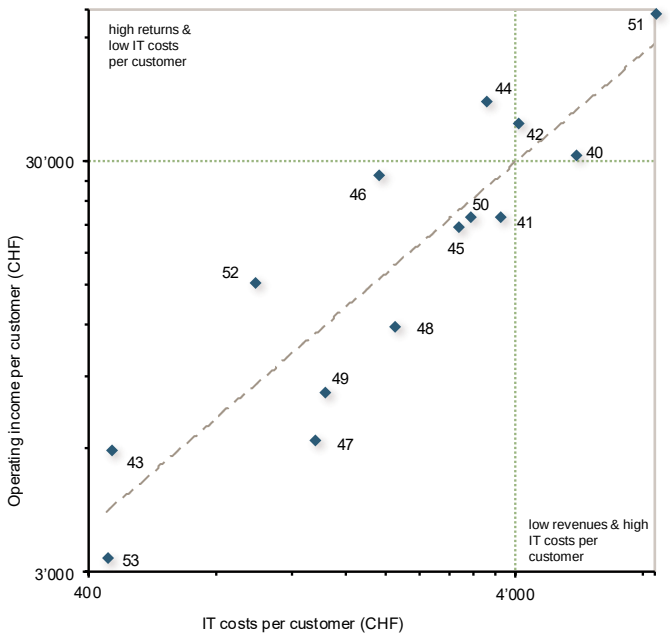


- **25% of retail banks** achieved a **reduction in IT costs per customer.**
- For the **traditional cantonal banks**, the median **IT costs per customer** in 2024 **were CHF 214.**
- While **operating income per customer** across all participating retail banks **increased by 4.3%** last year, the median of **IT expenditure** per customer **rose by 5.1%**.
- Operating income to IT costs per customer remained strongly correlated (r=0.8) in 2024.

Interpretation

The participating retail banks increased their customer base by 1.2% compared to 2023; this roughly corresponds to population growth. From an IT expenditure perspective, especially in a competitive market, it is particularly important to limit the customer segments served and the product range: otherwise, complexity costs can neutralize the benefits of economies of scale.

Data basis 2024
Operating income in relation to IT costs private banks



– The banks participating in this segment **increased their customer numbers by 2.5%** last year. The absolute operating income of recurring participants remained at the previous year's level, raising questions about the quality of this growth.

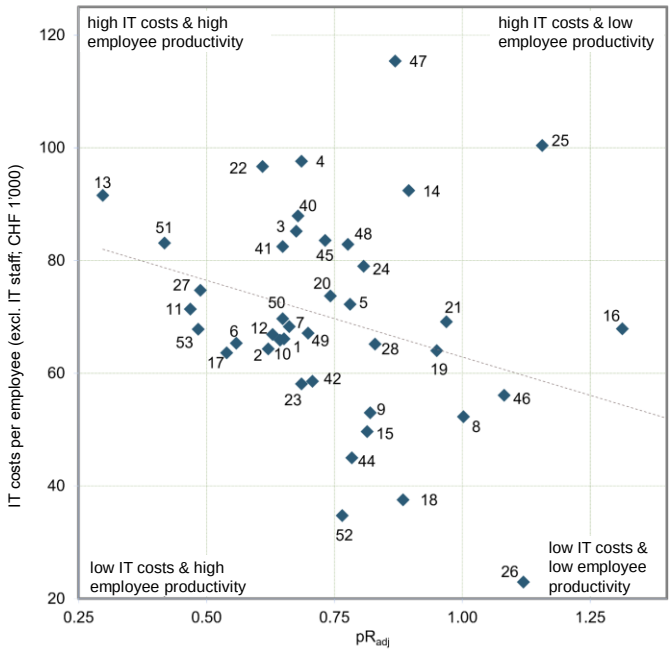
– Total IT costs rose by 5.3%; **only 4 of the 13 private banks that have participated repeatedly reported lower overall IT expenses.**

– Average **IT costs per customer increased at 9 out of 13 banks**, although the extent of the increase varied greatly from bank to bank.

Interpretation

We suspect that there are various institution-specific reasons for the increase in IT costs, such as catch-up effects from digitalization, increased expenditure on IT system lifecycle initiatives, or the chosen customer growth strategy.

Data basis 2024
Productivity pR_{adj} to IT costs per bank employee



Ideally, the effective use of IT leads to improved employee productivity, which more than compensates for the higher IT costs.

– **IT costs per employee:**
Across all banks**, the median decreased compared to 2023**, from CHF 68'290 to CHF 67'900, with the recurring participating banks collectively **employing 3.5% more banking professionals**.

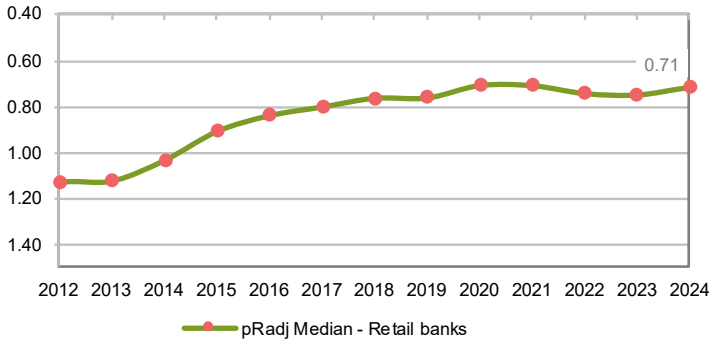
– **Employee productivity (pR_{adj}):**
At the participating banks, **the number of bank employees increased slightly less than the volume of business.** With a median of 0.73, the pR_{adj} is now back at the level of 2022. According to budgets, a further slight improvement would follow in 2025.

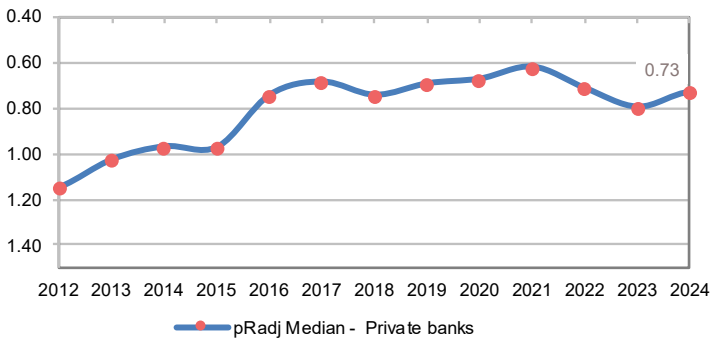
Interpretation

The correlation shown between IT expenditure and employee productivity is limited. The choice of IT projects, their design and the supporting transformation require special attention in order to achieve sustainable efficiency or productivity benefits from IT investments.

Furthermore, strategic business factors influence potential: additional data confirms that larger banks and medium-sized banks with a narrow business focus have an advantage in terms of productivity.

Development over time 2012 – 2024
Employee productivity over time





– Employee productivity measured in terms of total assets and assets under management per bank employee improved **continuously** at **retail banks until 2020.**

– **The median pR_{adj} for retail banks improved slightly** to 0.71 in 2024 (previous year: 0.75) and is now back at the level of 2020 and 2021.

– In the case of **private banks**, employee productivity fluctuates considerably over time.

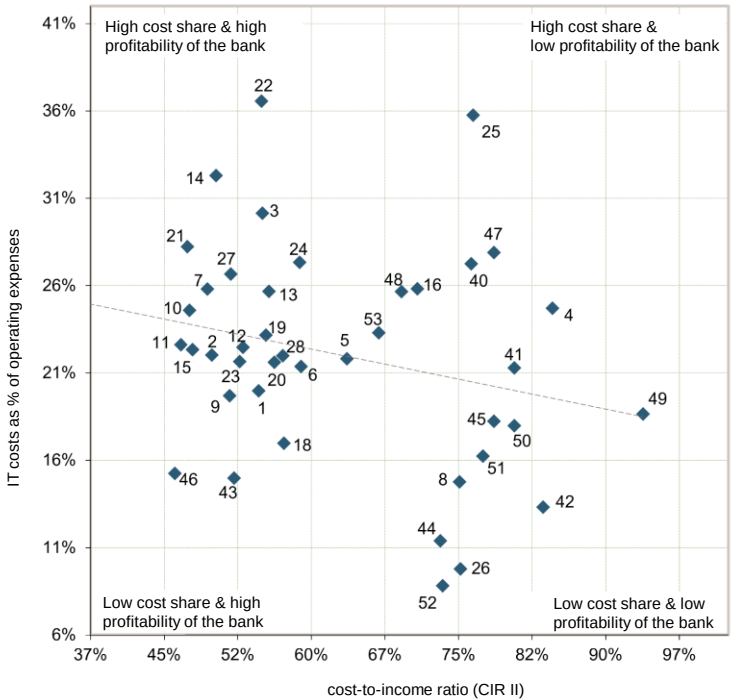
– **The median pR_{adj}** of the private banks **improved significantly** to 0.73, but is still well above the best value of 0.62 in 2021.

Interpretation

With the business strategies currently being pursued, personnel resources are growing in step with business volumes.

There may still be a lack of incentives to implement targeted, large-scale and sustainable initiatives to increase personnel efficiency.

Data basis 2024
IT costs as % of operating expenses in relation to CIR



For participating retail and private banks, IT costs as a proportion of operating expenses fell in 2024**:**

– **for retail banks** from 23 to **22.5%**

– **for private banks** from 20.6 to **18.2%**

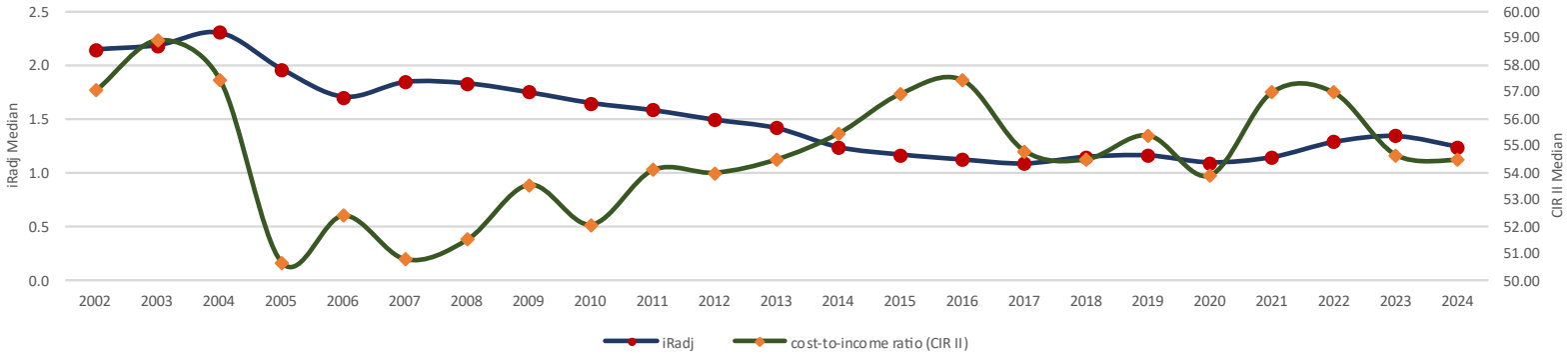
The median cost-to-income ratio CIR II for retail banks remained virtually unchanged at 54.5%, while for private banks it rose from 72.1 to 75.8%.

The IT cost-to-income ratio (IT CIR), which is not shown, changed only slightly in 2024 compared with 2023, rising from 12 to 12.2%.

Interpretation

The trend would confirm decreasing marginal benefits of IT investments, but contradicts basic assumptions of digital transformation. It is possible that the special market situation offered the participating banks a temporary opportunity to expand their business volumes with personnel growth.

Development over time 2002 – 2024
IT cost ratio iR_{adj} & CIR – median retail banks



– The median **IT cost coefficient iR_{adj} for retail banks fell to 1.24 in 2024**, down 7% on the previous year.

– As expected, the cost-to-income ratio CIR II is much more volatile than the IT cost coefficient iR_{adj} . This is due to market-related fluctuations in earnings on the one hand and the inertia of IT investments and IT operating expenses on the other.

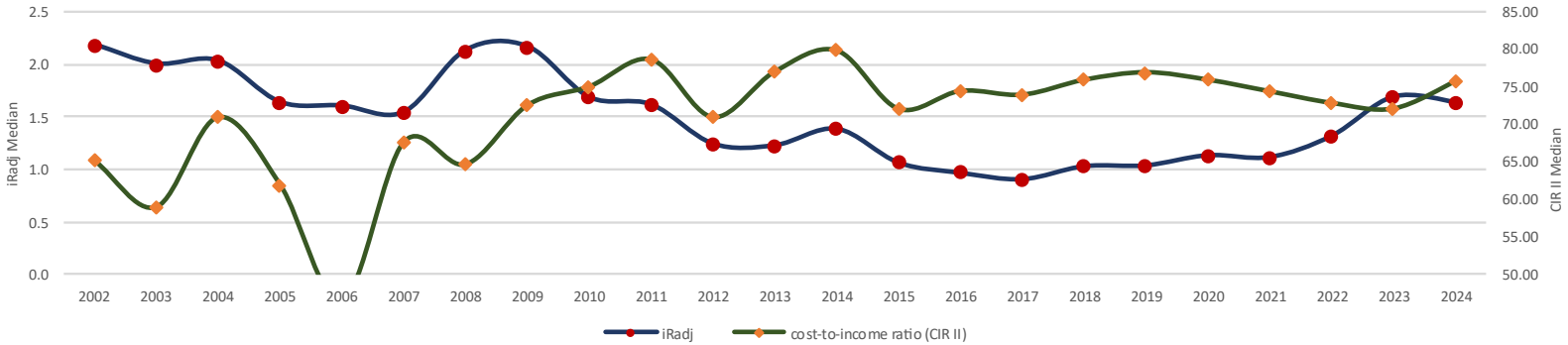
– The IT costs of the retail banks developed below average compared to other expenses, and in the overall situation this helped the institutions to optimize their profitability.

– For the 18 retail banks that announced their **2025 budgets**, the expected average **increase in IT costs is 4%**.

Interpretation

Banking IT is in a comparatively stable phase and IT governance is well established. Ideally, banks will use the current period to prepare for future transformations, e.g. in the direction of AI and core banking system renewal.

Development over time 2002 – 2024
IT cost ratio iR_{adj} & CIR – median private banks



– The median **IT cost coefficient iR_{adj} for private banks fell to 1.64 in 2024**, down 3% on the previous year.

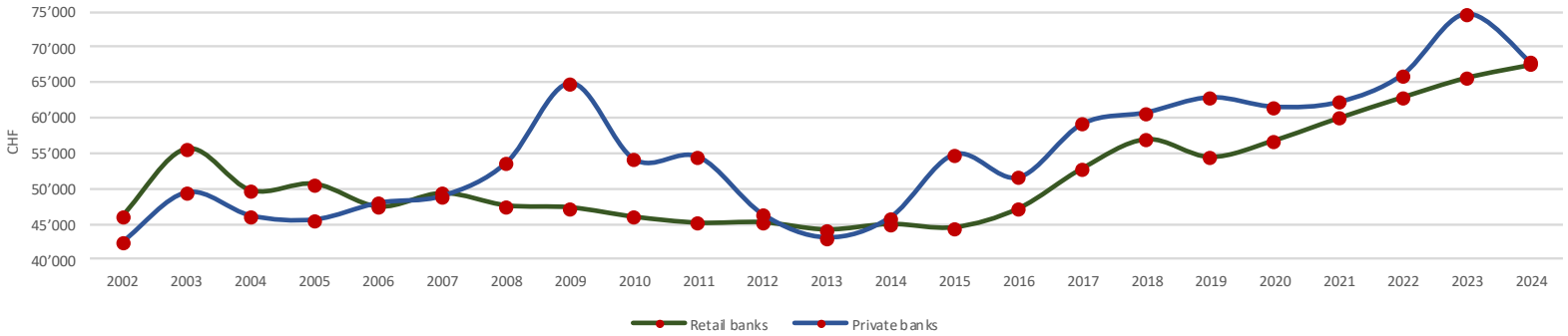
– After a very good year in 2023, the cost-to-income ratio CIR II 2024 of the participating private banks increased by 3.7% to 75.8%, which corresponds to the 2020 figure. The median IT cost-to-income ratio (IT CIR) was only 0.9 basis points higher at 14%.

– Only 6 private banks provided **budget figures** for **2025**. Together, these banks expect **IT costs to rise by 4.4%**, i.e. only slightly above the estimated figure for retail banks.

Note

After the publication of the 2024 report, in-depth cost analyses were carried out at several banks. If banks correct their values, itopia applies them retrospectively and recalculates the statistics. This results in a reduced median for 2023 compared to the 2024 publication.

Development over time 2002 – 2024
IT costs per bank employee – retail & private banks



– IT costs per employee can only be compared if the specific business strategy and the IT operating model or sourcing solution are taken into account. However, comparing company-specific trends with general developments is an important point of reference for governing the IT function.

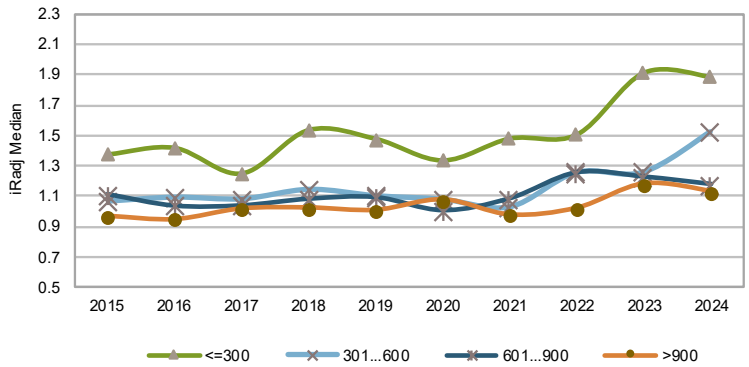
– In **2024**, IT costs per bank employee for both banking segments were roughly the same: **CHF 67’453 for retail banks** and **CHF 67’832 for private banks.**

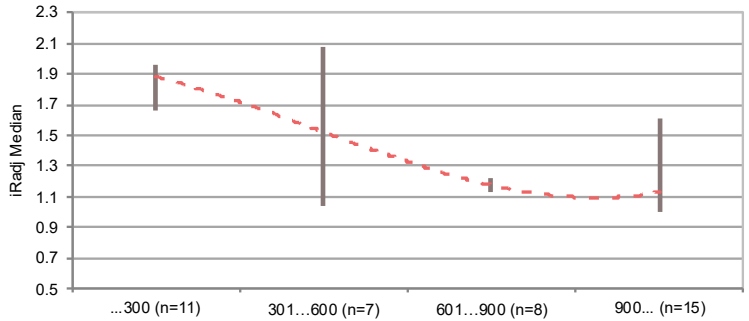
– **Over the last five years, costs per workplace have risen by CHF 13’047 (+24%) for retail banks and by CHF 4’994 (+8%) for private banks**; inflation alone amounted to 6% over the same period.

Observation

Over the last 5 years, costs per workplace have risen significantly at retail banks, while employee productivity pR_{adj} has remained constant. Banks with a rising trend should check whether their IT investments optimally support the company's goals and whether alternative efficiency metrics improved.

Development over time 2015 – 2024
IT cost coefficient iR_{adj} depending on bank size



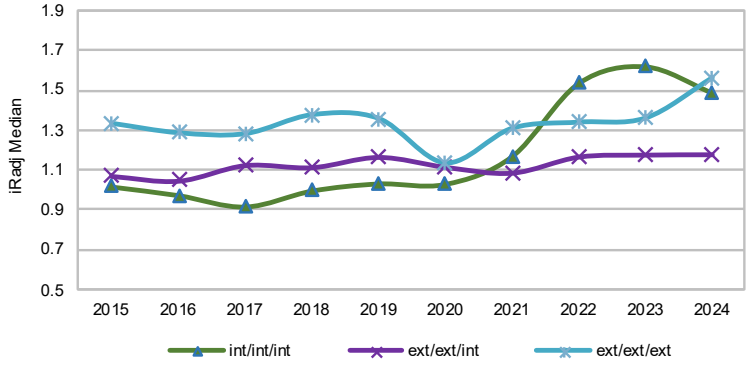


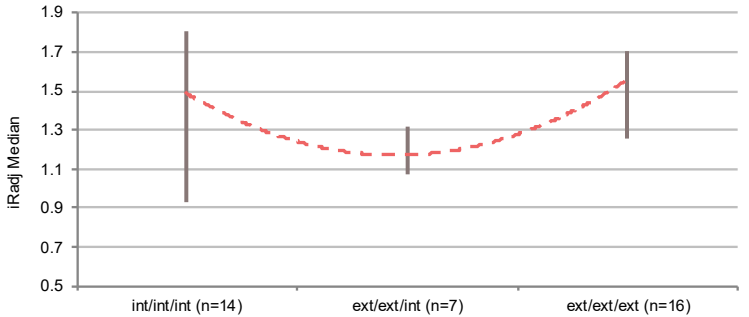
- The **small banks category** (<=300 banking FTEs) was able to keep its **iR_{adj} median** stable **at 1.89**. IT costs in relation to business volume remain the highest compared to other size classes.
- Banks with **301-600 full-time positions** show large dispersion and the the **iR_{adj} of 1.52** is their weakest result in the last 10 years.
- Banks with **601-900 full-time employees** improved their IT cost efficiency and achieved an average **iR_{adj} of 1.18**.
- Banks in the **largest category** (**>900 full-time equivalents**) also achieved greater IT cost efficiency with an **iR_{adj} of 1.13**.

Interpretation

As in previous years, it is clear that banks with a suitable business model and 600 or more employees are able to organize their IT efficiently. However, once a bank reaches 900 employees, choosing efficient strategies and governance models becomes more challenging, as reflected in the high degree of dispersion.

Development over time 2015 – 2024
IT cost coefficient iR_{adj} depending on IT sourcing model





- The diagrams show the influence of the IT sourcing model on IT cost efficiency. A distinction is made between three areas with regard to the provision of the main services relating to the core banking application: (1) Infrastructure operations (ITO), (2) Application operations (AO), (3) Application management (AM),
- The comparison only shows the three predominant combinations:
  - Completely internal provision of IT services (int/int/int)
  - External operation of infrastructure and core banking application (ext/ext/int)
  - Complete outsourcing (ext/ext/ext) of the core banking solution
- The **class of banks with fully internal IT** (**int/int/int**) was able to **improve** its cost coefficients **again iR_{adj}** and the median is now 1.49.
- The group with **fully external services** (**ext/ext/ext**) again has the highest costs compared to its business volume, with an **iRadj of 1.56.**
- Institutions with external **infrastructure and application operation and internal application management** (**ext/ext/int**) were able to **maintain** their **iRadj of 1.17**.

Observation

The provision of IT services on a purely internal basis continues to be the most efficient approach, as demonstrated by the lowest quartile of this group with an iR_{adj} of less than 1.0. This class also includes two institutions with fewer than 150 full-time IT staff. This confirms that economies of scale are not the only factor that drives IT cost efficiency.

Disclosure of IT cost ratios
Banks that have agreed to disclose their data

Bank #	Bank name	Core application	IT procurement policy in relation to core application*) , ext. partner

If the participating bank agrees to the disclosure of its data, the following information will be provided to those banks that have in turn agreed to the disclosure:

Bank number, bank name, core application (package name), IT procurement policy*) , ext. partner

Currently, 16 banks have agreed to exchange their data.

*)

IT sourcing policy	Infrastructure operations	Application operations	Application management
Outsourcing	external	external	external
In-house	internal	internal	internal
IT Operations	internal	external	external
Ext. Applic.Mgmt.	internal	internal	external
Int. Applic.Mgmt.	external	external	internal

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ANNEX: Methodological notes and guidance for understanding the report

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Introduction IT cost coefficient iR_{adj} and data basis, evaluation iR_{adj} grouped according to business model

Introduction iR_{adj}

iR = itopia Ratio

– Main coefficient used in the itopia IT cost survey evaluation report

– Based on IT costs, balance sheet total, and assets under management

– We consider this coefficient to be better than volatile earning-based ratios (e.g. cost/income ratio)

iR_{raw}

$$iR_{raw} = \frac{\text{IT costs}}{1.1 \times (\text{balance sheet total}) + 0.3 \times (\text{assets under management})}$$

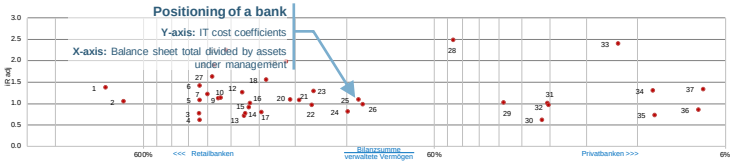
iR_{adj}

– The “bank complexity” factor (f_{Bank}) is used to facilitate comparability of banks

– Bank complexity is derived from a profile assessed by the bank itself

$$iR_{adj} = \frac{\text{IT costs}}{1.1 \times (\text{balance sheet total}) + 0.3 \times (\text{assets under management})} \times \frac{1}{f_{Bank}}$$

Evaluation iR_{adj} grouped by business model



– The sorting criterion on this chart (**X-axis**) is the balance assets divided by assets under management. The horizontal distance is measured in percentages.

– **The Y-axis shows the** IT cost coefficient iR_{adj} . The red dots show the positioning of a bank.

– The **closer two banks are positioned on the X-axis**, the more similar their ratio of balance sheet assets to assets under management and thus also their business model. Deviations on the Y-axis, on the other hand, show different cost structures.
This particularly affects retail banks between 300-400%.

– A bank with an iR_{adj} of 2.0 spends 100% more on IT than an ideal-typical bank with an iR_{adj} of 1.0.

Data basis evaluations with focus on "IT costs"

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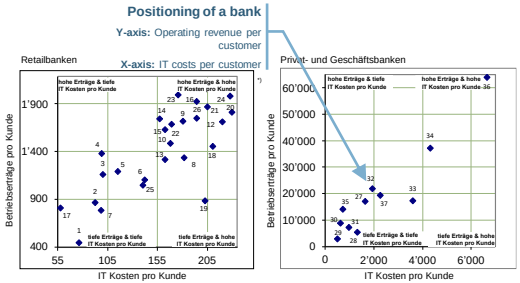
Operating income in relation to IT costs per customer

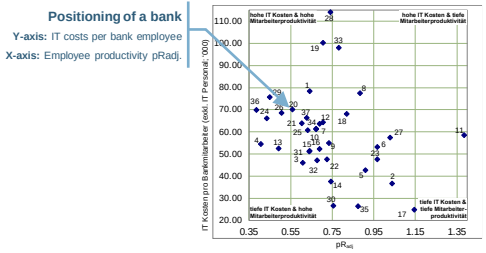


– These charts show the operating income per customer (**Y-axis**) in relation to the bank's IT expenditure (**X-axis**), both per active customer.

– As a rule, attention is paid here to the correlation. This is more or less high, depending on whether they are **retail banks** or **private banks.**

– Ideally, a bank can convert its IT expenditure into at least a proportional increase in business value, in this case operating profit.

IT costs per bank employee in relation to pR_{adj}

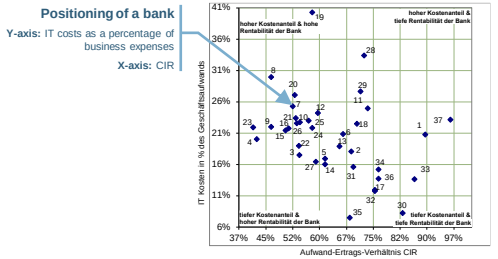


– This chart shows the **IT costs per bank employee** (excl. IT staff) (**Y-axis**) in relation to the **bank's employee productivity, assessed via the ratio pR_{adj} (X-axis**).

$$pR_{adj} = \frac{\#\ \text{bank employees (excl. IT staff)}}{30 \times (\text{balance sheet total}) + 10 \times (\text{assets under management})} \times \frac{1}{f_{Bank}}$$

– The goal is for IT to support employee productivity. Low employee productivity combined with high IT costs indicates that IT investments may not be effectively targeting productivity levers.

IT costs as% of operating expenses in relation to CIR



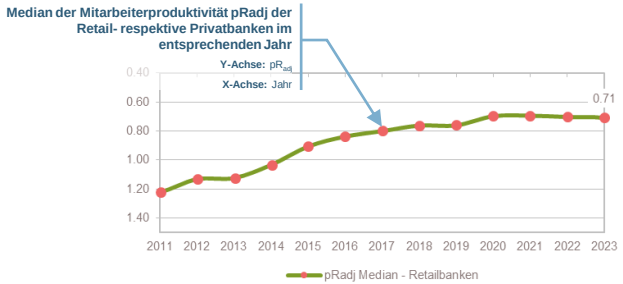
– This chart shows **IT costs as a percentage of operating expenses** (**Y-axis**) in relation to the bank's **cost-income ratio CIR** (**X-axis**).

– Banks that understand how to use IT to tap into new market opportunities have higher IT costs but are profitable.

– Banks that balance all costs well while achieving high profitability are best in class.

Development over time of employee productivity and IT costs as a percentage of operating expenses

Employee productivity retail and private banks

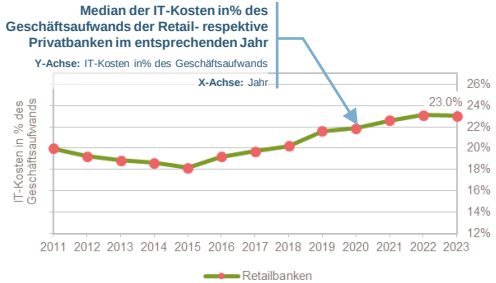


– **Employee productivity pR_{adj} (Y-axis)** is shown as the median of the retail and private banks **over the years** (**X-axis**).

– Lower values represent higher productivity: For ease of reading, the scale for employee productivity (Y-axis) is shown in reverse.

– In particular, the relative development of an individual bank to the median is helpful in assessing the impact of IT investments on employee productivity.

IT costs as% of business expenses



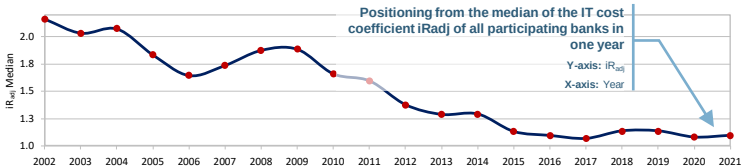
– **IT costs as a percentage of operating expenses (Y-axis)** are shown as a median for retail and private banks **over the years (X-axis).**

– Increasing values show a shift from other production factors (employees, branch network) to digital service provision.

– Due to the higher volatility of personnel costs over the years, the comparison with peer banks is particularly valuable for private banks.

Development over time IT cost coefficient iR_{adj} and IT cost coefficient iRadj & CIR – medians

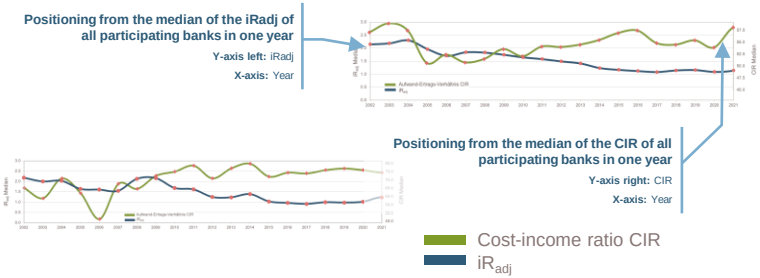
IT cost coefficient iR_{adj} – median of all participants



– The **IT cost coefficient iR_{adj}** (**Y-axis**) is calculated as the median of all participating banks over the years (**X-axis**), with an outlook for the following year based on available budget figures.

– The graph gives an indication of the development of the banks' IT costs over time.

IT cost coefficient iR_{adj} & CIR – median retail banks and private banks



– The charts shows the development of the cost-income ratio CIR (**Y-axis, right**) compared to the development of the itopia IT cost coefficient iR_{adj} (**Y-axis, left**) for retail and private banks. This is also a temporal progression over the years (**X-axis**).

– Due to the lagged effect of IT investment decisions, iR_{adj} is more meaningful than more volatile metrics such as IT costs compared to CIR.

Development of IT costs per bank employee over time

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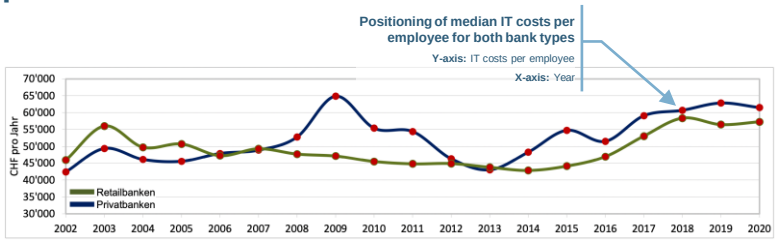
IT costs per bank employee – retail banks & private banks



– The chart shows the development of IT costs per bank employee (**Y-axis**) for the two groups of participating banks over the years (**X-axis**).

Instructions

Development over time iR_{adj} and bank size or IT sourcing policy

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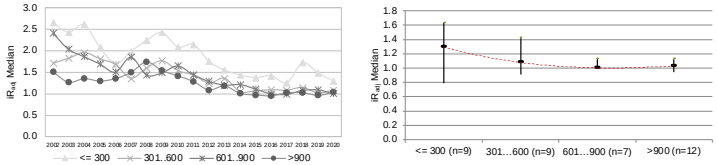
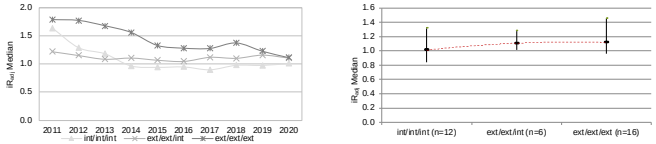
IT cost coefficient iR_{adj} dependent on bank size



– The graphs show the development of the **itopia IT cost coefficient iR_{adj}** for banks of different **size classes** (**y-axis**):
  – Banks with up to 300 full-time employees
  – Banks with 301 to 600 full-time employees
  – Banks with 601 to 900 full-time employees
  – Banks with over 900 full-time employees
– The first graph is a chronological progression over the years (X-axis).
– In the second graph, the focus is on the current evaluation year. The **size classes** are shown on the **X-axis.**

IT cost coefficient iR_{adj} dependent on IT sourcing policy



– The illustrations show the influence of the IT sourcing model on IT cost efficiency.
– Three areas are distinguished, which can be provided internally or externally:
  – Area 1: Infrastructure Operations (ITO)
  – Area 2: Application Operation (AO)
  – Area 3: Application Management (AM)
– The comparison is only made for the three predominant combinations:
  – **Fully internal sourcing of IT** (int/int/int)
  – **External infrastructure and application operation** (ext/ext/int)
  – **Complete outsourcing** (ext/ext/ext) of the core banking solution
– Banks with different IT sourcing policies may be represented in too small a number and are not shown for statistical reasons.
– The first graph is a chronological progression over the years.
– In the second graph, the focus is on the current evaluation year. The **size classes** are shown on the **X-axis.**

Additional explanatory notes

Dispersion measure

– The interquartile range (IQR) is used as the basis for making a statement regarding dispersion. This indicates the range in which the middle 50% of participants lie.

Handling of data modifications

– Newly participating and existing banks can submit retrospective data from previous years to supplement their history:
Such data is only shown in the individual analyses of these banks (so-called one-pagers), but it is not included in updated timeline analyses.

– Banks can correct data retrospectively:
If the correction relates to data points that were used in a published analysis, the timelines are recalculated with corrected data in the following year. This means that the timelines at the time of publication are always based on the data last reported to itopia. In individual cases, for example, the median of earlier years may change compared to the originally published values.

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