

Preface

Ladies and Gentlemen

In accordance with art. 7 para. 2 of the National Bank Act (NBA), the Swiss National Bank (SNB) submits an annual accountability report to the Federal Assembly in which it outlines how it has fulfilled its mandate as defined in art. 5 NBA. Furthermore, pursuant to art. 7 para. 1 NBA, the SNB submits its financial report to the Federal Council for approval, before presenting it, together with the Audit Board's report, to the General Meeting of Shareholders for approval and attention, respectively.

The first part of the SNB's *102nd Annual Report* comprises the accountability report to the Federal Assembly (cf. pp. 6 et seq.). This is submitted to the General Meeting of Shareholders for information purposes only, and does not require their approval. It describes the economic and monetary developments in 2009 and explains in detail how the National Bank has fulfilled its statutory mandate – in particular the conduct of monetary policy and the SNB's contribution to the stability of the financial system. A summary of the accountability report is provided on pp. 8 et seq.

In 2009, governments and central banks were again confronted with substantial challenges. Following shocks to the financial system in autumn 2008, the global economy was threatened by severe crisis. Authorities responded by implementing extensive measures aimed at stabilising the financial markets and the economy. This decisive intervention played a significant role in ensuring the economic downturn was less pronounced than initially anticipated. From the first quarter onwards, confidence began to return to financial markets, which was reflected in rising share prices and falling risk premia. Bolstered by a vigorous increase in government demand and an exceptionally expansionary monetary policy, from mid-year onwards the economic situation also began to improve, initially in the emerging economies of Asia and in Europe, and slightly later in the US.

By the end of 2009, the global economy was on the road to recovery. The level of uncertainty, however, remained high, and estimates for the economic outlook in 2010, while optimistic, were cautious. Governments and central banks foresee new challenges ahead. On the one hand, it is important that monetary and fiscal support measures be scaled back without jeopardising economic recovery. On the other, the courses of action envisaged in 2009 to improve stability in global financial systems must be coordinated and implemented.

The second part of the *Annual Report* comprises the financial report for the attention of the Federal Council and the General Meeting of Shareholders (cf. pp. 100 et seq.). It includes the business report, which deals with organisational and operational developments at the National Bank as well as the bank's financial results. The financial report also includes the annual financial statements of the SNB (parent company), containing the balance sheet, income statement and notes, the financial information on the stabilisation fund (pp. 163–172), and the legally prescribed consolidated financial statements (pp. 173–186).

In 2009, the annual financial statements of the SNB (parent company) closed with a profit of CHF 10.0 billion, following a loss in the previous year of CHF 4.7 billion. The year-on-year improvement was mainly due to substantial valuation gains on gold.

Since 2007, the monetary measures associated with combating the financial and economic crisis have resulted in a strong expansion in the SNB balance sheet. As a consequence, risks have also risen. The Swiss National Bank is required by the Federal Constitution to put aside sufficient monetary reserves from its profits. To this end, under terms stipulated by the NBA, the SNB sets up provisions (i. e. equity capital). In 2009, the SNB doubled its allocation to provisions for currency reserves. By doing so, the National Bank aims to further strengthen its equity capital and thereby ensure its capacity to act, even in difficult times.

Despite these provisions, the SNB is able to meet its commitment under the profit distribution agreement and pay out CHF 2.5 billion to the Confederation and cantons and increase the distribution reserve by CHF 4.4 billion to CHF 19 billion.

At 31 December 2009, taking into account the UBS equity contribution, the stabilisation fund showed a loss of approximately CHF 400 million. This is covered by the SNB's option for 100 million UBS shares at nominal value. The consolidated annual profit thus corresponded to that of the SNB (parent company).

We wish to thank the bank authorities as well as our employees for their substantial efforts and valuable support over the past year.

Berne and Zurich, 26 February 2010

Hansueli Raggenbass
President of the Bank Council

Philipp M. Hildebrand
Chairman of the Governing Board