

## Consolidated financial statements

In autumn 2008, the Swiss National Bank (SNB) established the SNB StabFund Limited Partnership for Collective Investment (stabilisation fund) to take over illiquid assets from UBS as part of the package of measures aimed at strengthening the Swiss financial system. The SNB and the stabilisation fund thereby constitute a group as defined in art. 663e of the Swiss Code of Obligations (CO), and consolidated financial statements are drawn up accordingly.

These statements present supplementary information which is not contained in the annual financial statements of the parent company. In addition to meeting the requirements governing consolidated financial statements under Swiss company law (art. 663g CO), they cover above all business matters that arise from a broader group view, i.e. through the participation in the stabilisation fund companies.

Information that is equally applicable to both the annual financial statements of the parent company and the consolidated financial statements is generally not repeated. The consolidated financial statements are reported in Swiss francs and should be read together with the annual financial statements of the parent company.

# 1 Consolidated balance sheet as at 31 December 2010

In CHF millions

		31.12.2010	31.12.2009	Change
<b>Assets</b>	Item no. in Notes			
Gold holdings		43 349.0	34 757.9	+8 591.1
Claims from gold transactions		638.9	3 427.7	-2 788.8
Foreign currency investments		203 809.6	94 680.2	+109 129.4
Reserve position in the IMF		1 067.7	1 230.8	-163.1
International payment instruments		4 670.3	5 555.9	-885.6
Monetary assistance loans		300.4	348.9	-48.5
Balances from swap transactions against Swiss francs		-	2 671.6	-2 671.6
Claims from Swiss franc repo transactions		-	36 207.9	-36 207.9
Claims against domestic correspondents		-	9.8	-9.8
Swiss franc securities		3 497.4	6 542.7	-3 045.3
Stabilisation fund investments	01	13 961.1	20 652.0	-6 690.9
Banknote stocks		110.9	107.2	+3.7
Tangible assets		356.3	365.2	-8.9
Participations	02	146.1	147.6	-1.5
Other assets		1 666.9	1 432.6	+234.3
<b>Total assets</b>		<b>273 574.6</b>	<b>208 138.1</b>	<b>+65 436.6</b>
Total subordinated claims		-	-	-
Total claims against non-consolidated participations and qualified participations		-	-	-

<b>Liabilities</b>	Item no. in Notes	<b>31.12.2010</b>	<b>31.12.2009</b>	<b>Change</b>
Banknotes in circulation		51 498.0	49 966.2	+1 531.8
Sight deposits of domestic banks		37 950.7	44 992.9	-7 042.2
Liabilities towards the Confederation		5 347.2	6 182.7	-835.5
Sight deposits of foreign banks and institutions		3 779.4	2 640.6	+1 138.8
Other sight liabilities		1 838.8	3 285.6	-1 446.8
Liabilities from Swiss franc repo transactions		13 182.1	-	+13 182.1
SNB debt certificates		107 869.6	27 473.1	+80 396.5
Foreign currency liabilities		1 068.7	1 450.1	-381.4
Counterpart of SDRs allocated by the IMF		4 736.5	5 311.8	-575.3
Other liabilities		2 260.2	882.9	+1 377.3
Operating provisions and other provisions		3.5	5.5	-2.0
Provisions for currency reserves		44 337.1	41 282.2	+3 054.9
Capital		25.0	25.0	-
Distribution reserve		19 032.8	14 634.2	+4 398.6
Consolidated result	04	-19 170.8	9 955.0	-29 125.8
Foreign currency translation differences		-184.2	50.3	-234.5
<b>Total liabilities</b>		<b>273 574.6</b>	<b>208 138.1</b>	<b>+65 436.6</b>
Total subordinated liabilities		-	-	-
Total liabilities towards non-consolidated participations and qualified participations		6.0	2.8	+3.2

**Off-balance-sheet business**  
In CHF millions

	31.12.2010	31.12.2009	Change
	Item no. in Notes		
Liquidity-shortage financing facility	37 486.5	35 946.5	+1 540.0
Irrevocable undertakings	4 591.6	4 926.9	-335.3
Obligations to pay or make additional payments	93.0	104.3	-11.3
Liabilities from long-term rental, maintenance and leasing contracts	16.0	8.3	+7.7
Contingent liabilities from procurement of banknotes	72.7	80.8	-8.1
Other obligations not carried on the balance sheet <sup>1</sup>	1 968.7	3 934.6	-1 965.9
Fiduciary investments	217.0	252.2	-35.2
<b>Derivative financial instruments</b>	<b>03</b>		
Contract volumes	54 520.4	142 582.5	-88 062.1
Positive replacement values	1 612.3	1 418.0	+194.3
Negative replacement values	3 822.5	7 351.9	-3 529.4

1 Refers to contingent liabilities of the stabilisation fund (p. 172).

## 2 Consolidated income statement for 2010

In CHF millions

		2010	2009	Change
	Item no. in Notes			
Net result from gold		5 836.3	7 338.1	-1 501.8
Net result from foreign currency positions		-26 969.3	1 912.3	-28 881.6
Net result from Swiss franc positions		70.9	281.3	-210.4
Net result from stabilisation fund investments	04	3 167.8	-2 101.8	+5 269.6
Net result from stabilisation fund loss protection arrangements	04	-998.6	2 848.8	-3 847.4
Income from participations	02	18.9	12.7	+6.2
Net result, other		5.9	6.0	-0.1
<b>Gross income</b>		<b>-18 868.2</b>	<b>10 297.5</b>	<b>-29 165.7</b>
Banknote expenses		-21.4	-40.7	+19.3
Personnel expenses		-116.4	-117.0	+0.6
General overheads		-126.2	-149.0	+22.8
Depreciation on tangible assets		-38.7	-35.8	-2.9
<b>Consolidated result</b>		<b>-19 170.8</b>	<b>9 955.0</b>	<b>-29 125.8</b>

### 3 Changes in equity (consolidated level)

In CHF millions

	Capital	Provisions for currency reserves	Distribution reserve	Foreign currency translation differences	Consolidated result	Total
<b>Equity as at 1 January 2009</b>	<b>25.0</b>	<b>40 275.3</b>	<b>22 871.7</b>	<b>-16.8</b>	<b>-4 729.1</b>	<b>58 426.1</b>
Endowment of provisions for currency reserves pursuant to NBA		1 006.9			-1 006.9	
Release from distribution reserve			-8 237.5		8 237.5	
Distribution of dividends to shareholders					-1.5	-1.5
Profit distribution to Confederation and cantons					-2 500.0	-2 500.0
Change in foreign currency translation differences				+67.1	-	+67.1
Consolidated result of year under review					9 955.0	+9 955.0
<b>Equity as at 31 December 2009</b>	<b>25.0</b>	<b>41 282.2</b>	<b>14 634.2</b>	<b>50.3</b>	<b>9 955.0</b>	<b>65 946.7</b>
<b>Equity as at 1 January 2010</b>	<b>25.0</b>	<b>41 282.2</b>	<b>14 634.2</b>	<b>50.3</b>	<b>9 955.0</b>	<b>65 946.7</b>
Endowment of provisions for currency reserves pursuant to NBA		3 054.9			-3 054.9	
Allocation to distribution reserve			4 398.6		-4 398.6	
Distribution of dividends to shareholders					-1.5	-1.5
Profit distribution to Confederation and cantons					-2 500.0	-2 500.0
Change in foreign currency translation differences				-234.5	-	-234.5
Consolidated result of year under review					-19 170.8	-19 170.8
<b>Equity as at 31 December 2010 (before appropriation of parent company profit)</b>	<b>25.0</b>	<b>44 337.1</b>	<b>19 032.8</b>	<b>-184.2</b>	<b>-19 170.8</b>	<b>44 039.9</b>

## 4 Notes to the consolidated financial statements as at 31 December 2010

### 4.1 Explanatory notes on business activities

The Swiss National Bank, as an independent central bank, conducts the country's monetary policy. In autumn 2008, as part of its mandate to contribute to financial stability, the SNB set up the SNB StabFund Limited Partnership for Collective Investment (stabilisation fund). The fund then incorporated its own subsidiaries. The purpose of the stabilisation fund is the management and realisation of the illiquid assets acquired from UBS. Information on business activities can be found in the business report (pp. 112–120).

Information on the SNB's staff numbers may be found on p. 108. The stabilisation fund companies do not employ any staff of their own.

The stabilisation fund has mandated UBS to handle the operational management of its assets. Northern Trust, Chicago, serves as custodian. These outsourcing arrangements are governed by contracts.

**Business activity and purpose**

**Number of staff**

**Outsourced business areas**

### 4.2 Accounting and valuation principles

#### General

The consolidated financial statements have been prepared in accordance with the provisions of the National Bank Act (NBA), the Swiss Code of Obligations (CO), the Listing Rules of SIX Swiss Exchange, and the Bank Accounting Guidelines (BAG). The consolidated financial statements give a true and fair view of the financial position, the results of operations and the statement of changes in equity, taking into account the facts and circumstances stated below.

Since the SNB – as the central bank – is in a position to create money autonomously, no cash flow statement was prepared.

The structure and designation of the items in the annual financial statements take into consideration the special character of the business conducted at a central bank.

Owing to its activities as a central bank, the SNB does not present its assets and liabilities or its income and expenses broken down by country or by country group, nor does it make any distinction between domestic or foreign. In addition, it does not present the term structure of its current assets and borrowed capital. Further information on these matters may be found in other SNB publications (cf. in particular the detailed statements with regard to currency reserves and foreign currency investments in the *Monthly Statistical Bulletin*).

**Background**

**Reference to the SNB's  
annual financial statements**

The consolidated financial statements must be read together with the SNB's individual financial statements (pp. 121–160). Detailed explanations on the accounting and valuation principles and on the consolidated balance sheet and income statement are not reiterated if they have already been provided in the notes to the annual financial statements of the parent company.

**Changes from previous year**

The accounting and valuation principles remain unchanged from the previous year.

**Recording of transactions**

The SNB's business transactions are recorded and valued on the day the transaction is concluded (trade date accounting). However, they are only posted on the value date. Transactions concluded by the balance sheet date with a value date in the future are stated under off-balance-sheet transactions.

Stabilisation fund business transactions are posted on the day they are concluded.

**Accrual accounting**

Expenses are recognised in the financial year in which they are incurred, and income in the financial year in which it is earned.

**Tax liability**

Under art. 8 NBA, the SNB is exempt from taxation on profits. Tax exemption applies to both direct federal taxes and cantonal and municipal taxes. The exemption also applies to the stabilisation fund companies incorporated in Switzerland. Those incorporated outside Switzerland are subject to their local taxation legislation.

**Transactions with  
related parties**

The rights of the SNB's shareholders are restricted by law; shareholders cannot exert any influence on financial or operational decisions. Banking services provided to members of the executive management are carried out at normal banking industry conditions. No banking services are provided to members of the Bank Council.



## Balance sheet and income statement

The majority of stabilisation fund investments are securities (securitised loans) entered on the balance sheet at amortised cost. During the entire term of these investments until maturity, the premium and discount are treated as an accrued or deferred item on the balance sheet. The effective interest method is applied.

In addition, the stabilisation fund holds non-securitised corporate loans, which are also entered at amortised cost.

The remainder of the stabilisation fund's investments are in derivative financial instruments as well as a small proportion in real estate and other securities. These securities, plus the derivative instruments, are – in principle – valued and entered in the balance sheet at 'fair value'. The fair value is the price obtained on a liquid and efficient market, or the price ascertained on the basis of a valuation model. Real estate is entered in the balance sheet at the lower of cost or market.

All valuation changes are entered in *net result from stabilisation fund investments*.

Impairment tests are conducted periodically to determine the recoverable value of the assets. Individual value adjustments are made to cover all identifiable losses. They are debited to the income statement and deducted directly from the relevant asset.

The stabilisation fund options comprise the purchase options granted by the SNB and LiPro (LP) AG to UBS, the warrant issued by UBS and the SNB repurchase option. Positive and/or negative replacement values are stated in *other assets* or *other liabilities*. Changes in valuations or in the recognition of the warrant that are reported in the income statement are entered under *net result from loss protection arrangements*.

The LP purchase option grants UBS the option to buy the shares (equity interest) of LiPro (LP) AG in the SNB StabFund Limited Partnership for Collective Investment. Under the GP purchase option, UBS has the option to buy from the SNB its shares (equity interest) in StabFund (GP) AG. The premia received on these options were invested in the SNB StabFund Limited Partnership for Collective Investment, and LiPro (LP) AG and StabFund (GP) AG received shares in exchange. The options are valued using the stabilisation fund's current book values. They represent the share of the stabilisation fund's equity due to UBS if the options are exercised on the balance sheet date. If the stabilisation fund reports a negative net asset value, no value is assigned to the purchase options.

Stabilisation fund investments

Value adjustments

Stabilisation fund options

The warrant, which serves as secondary loss protection, gives the SNB the right to purchase up to 100 million UBS shares at their nominal value of CHF 0.10. It can be exercised if the loan to the stabilisation fund cannot be fully repaid at maturity. A fair value for the warrant is established using generally recognised mathematical finance methods. The warrant is reported under *other assets* and via a compensation account in *other liabilities* so that the SNB's net income is unaffected. If the SNB's loan to the stabilisation fund is not fully covered, the warrant can be exercised via the compensation account, and recognised in the income statement. As soon as the coverage of the outstanding SNB loan is restored, the recognition of the warrant will be reversed in the income statement.

The repurchase option represents the SNB's right to request the repurchase of the stabilisation fund in the case of a change of control at UBS. No replacement value is assigned to the repurchase option. The contract value represents the amount of the loan outstanding on the balance sheet date plus the share capital of StabFund (GP) AG and half of the stabilisation fund equity.

In addition to the SNB, as the parent company, the consolidated financial statements also encompass the companies established in connection with the stabilisation fund in which the SNB has a 100% stake, either directly or indirectly. The SNB StabFund Limited Partnership for Collective Investment constitutes the core of the stabilisation fund together with its two partners, StabFund (GP) AG, the managing partner (general partner) with unlimited liability, and LiPro (LP) AG, a partner with limited liability. The group of reporting entities remains unchanged from the previous year.

#### Reporting entities

## Significant majority interests

Company name, head office	Business activity	Share capital or capital commitment In CHF millions	Equity interest	
			31.12.2010	31.12.2009
StabFund (GP) AG, Berne	Holding of limited partnership shares in SNB StabFund	0.1	100%	100%
LiPro (LP) AG, Berne	Distribution of limited partnership shares in SNB StabFund	0.1	100%	100%
SNB StabFund Limited Partnership for Collective Investment, Berne	Collective investments	0.1	100%	100%

The following options exist in connection with the above-mentioned majority interests:

GP purchase option: the SNB granted UBS the option to take over the share capital of StabFund (GP) AG and, with it, two shares in the SNB StabFund Limited Partnership for Collective Investment.

LP purchase option: LiPro granted UBS the option to take over 5,998 shares in the SNB StabFund Limited Partnership for Collective Investment.

Repurchase option: UBS granted the SNB the right to request the repurchase of the stabilisation fund in the case of a change of control at UBS.

## Significant minority interests

Company name, head office	Business activity	Capital In CHF millions	Equity interest	
			31.12.2010	31.12.2009
Orell Füssli Holding Ltd, Zurich	Bookshop, publishing house, and banknote and security printing	1.96	33%	33%

**Consolidation principles**

The consolidated financial statements are based on the annual accounts of the SNB and the stabilisation fund companies. Entries arising from intra-group transactions as well as intercompany profits are eliminated in preparing the consolidated financial statements. In line with the method of full consolidation, significant majority interests are included in the consolidated financial statements. Capital consolidation is carried out according to the purchase method. Newly established subsidiaries are consolidated once control is transferred to the group.

The participating interest in Orell Füssli Holding Ltd is recognised according to the equity method.

Other participating interests are not considered significant economic interests and are stated at acquisition cost less any value adjustments.

**Consolidation period**

In principle, the calendar year is deemed to be the financial year and the period of consolidation. The financial year for the companies established in 2009 lasted more than one year. They therefore drew up an interim statement as at 31 December 2009 for the purpose of the consolidated financial statements.

**Individual valuation**

Different sub-items summarised in one balance sheet item are, in principle, valued individually.

**Foreign currency translation**

The consolidated financial statements are presented in Swiss francs. Foreign currency transactions are reported at the applicable daily rate. Foreign currency positions are converted on the balance sheet date at the year-end rate, and the difference is recognised in the income statement. Exchange rate movements that occurred between conclusion of the transaction and its settlement are reflected in the income statement.

Foreign currency assets and liabilities of group companies are converted at the rate prevailing on the balance sheet date; items in the income statement are converted at the average rate for the entire period. The difference resulting from the discrepancy between these two conversion rates is directly recognised under equity in the *foreign currency translation differences* item.

## Foreign exchange valuation rates

In CHF	31.12.2010	31.12.2009	Change In percent
1 euro (EUR)	1.2494	1.4853	-15.9
1 US dollar (USD)	0.9327	1.0336	-9.8
100 Japanese yen (JPY)	1.1479	1.1142	+3.0
1 Canadian dollar (CAD)	0.9348	0.9855	-5.1
1 pound sterling (GBP)	1.4529	1.6723	-13.1
1 Australian dollar (AUD)	0.9495	0.9276	+2.4
100 Danish kroner (DKK)	16.7600	19.9600	-16.0
100 Swedish kronor (SEK)	13.9100	14.5000	-4.1
1 Singapore dollar (SGD)	0.7283	0.7371	-1.2

The average exchange rate for the US dollar for 2010 was CHF 1.0421 (2009: CHF 1.0858).

The SNB's business risk and that of the consolidated subsidiaries is assessed by the National Bank. For this purpose, it uses the monitoring and control processes described in the chapter on risk management at the SNB (pp. 155–160). The particular risks faced by the stabilisation fund (p. 172) are summarised in the next paragraph.

**Assessment of risk**

The investment portfolio of the stabilisation fund consists mainly of financial instruments backed by different types of claims (mortgages, loans, etc.). Risks are therefore primarily determined by the uncertainty as to how the value of these claims will develop. Future general economic trends constitute an important risk factor. Since a large proportion of the securities are backed by US residential and commercial mortgages, developments in US real estate prices also play a crucial role.

Information on the SNB's internal control system can be found in the annual financial statements of the parent company (pp. 154–155). Comments on such control systems for the stabilisation fund are on p. 171. In addition to the internal control systems for the individual companies, there is also such a control system for processes that are of relevance for drawing up the consolidated financial statements.

**Internal control system**

## 4.3 Notes on the consolidated income statement and balance sheet

Item no. 01

### Stabilisation fund investments

In CHF millions	31.12.2010	31.12.2009	Change
Sight deposits in various currencies	479.3	682.8	-203.5
Securities (securitised loans) <sup>1</sup>	10 876.8	16 299.6	-5 422.8
Non-securitised loans <sup>2</sup>	2 312.4	3 434.1	-1 121.7
Real estate	37.0	16.0	+21.0
Derivatives transactions	84.3	135.8	-51.5
Other assets	171.3	83.7	+87.6
<b>Total</b>	<b>13 961.1</b>	<b>20 652.0</b>	<b>-6 690.9</b>

1 Of which, CHF 10,393.5 million entered at amortised cost (2009: CHF 15,793.1 million), with a fair value of CHF 11,617.7 million (2009: CHF 15,666.6 million).

2 Fair value CHF 2,471.6 million (2009: CHF 3,736.5 million).

Item no. 02

### Participations and income from participations

In CHF millions	Valued according to equity method <sup>1</sup>	Other participations	Total
Book value as at 1 January 2009	57.0	90.8	147.8
Investments	-	-	-
Divestments	-	-0.0	-0.0
Valuation changes	-0.2	-	-0.2
Book value as at 31 December 2009	56.7	90.8	147.6
Book value as at 1 January 2010	56.7	90.8	147.6
Investments	-	-	-
Divestments	-	-	-
Valuation changes	-1.5	-	-1.5
Book value as at 31 December 2010	55.2	90.8	146.1

1 Orell Füssli Holding Ltd.

Income from participations valued according to the equity method amounts to CHF 0.1 million (2009: CHF 5.0 million). Income from other participations amounts to CHF 18.8 million (2009: CHF 7.8 million).

Outstanding derivative financial instruments are reported in item no. 32 of the SNB's individual financial statements. Under interest rate instruments, the stabilisation fund holds interest rate swaps, and under credit instruments, it holds credit default swaps. In addition, from the group perspective, there is the agreement between LiPro (LP) AG and UBS in the form of the LP purchase option, as well as the SNB's warrant for 100 million UBS shares.

In CHF millions	31.12.2010			31.12.2009		
	Contract value	Replacement value		Contract value	Replacement value	
		Positive	Negative		Positive	Negative
SNB parent company <sup>1</sup>	29 109.8	83.0	63.3	103 343.8	65.7	34.7
Interest rate swaps	4 342.7	42.0 <sup>2</sup>	164.2	2 901.0	27.1 <sup>2</sup>	44.9
Credit default swaps	4 951.3	42.3 <sup>2</sup>	3 077.3 <sup>2,3</sup>	11 013.3	108.7 <sup>2</sup>	7 270.8 <sup>2,3</sup>
LP purchase option	4 318.7	–	517.6	4 318.6	–	–
GP purchase option	1.5	–	0.2	1.5	–	1.4
Warrant	10.0	1 445.0	–	10.0	1 216.4	–
Repurchase option	12 770.3	–	–	20 994.2	–	–
<b>Total for group</b>	<b>55 504.4</b>	<b>1 612.3</b>	<b>3 822.5</b>	<b>142 582.5</b>	<b>1 418.0</b>	<b>7 351.9</b>

1 Cf. item no. 32, SNB parent company financial statements, p. 152, where the GP purchase option, the contract value of the warrant and the repurchase option are stated separately.

2 Already listed under stabilisation fund investments.

3 Offset against deposited cash collateral (pp. 169–170).

## Impact of the stabilisation fund on the consolidated result

In CHF millions	2010	2009	Change
Net result from stabilisation fund investments	3 167.8	-2 101.8	+5 269.6
Interest expenses on SNB loan <sup>1</sup>	-476.9	-660.8	+183.9
Additional income and expense components <sup>2</sup>	-56.0	-86.2	+30.2
<b>Stabilisation fund result</b>	<b>2 634.9</b>	<b>-2 848.8</b>	<b>+5 483.7</b>
Option premia received from UBS (primary loss protection) <sup>3</sup>	-	2 457.0	-2 457.0
Changes in UBS's rights to stabilisation fund equity <sup>4</sup>	-516.3	-	-516.3
Net result from GP and LP purchase options	-516.3	2 457.0	-2 973.3
Net result from warrant (secondary loss protection) <sup>5</sup>	-482.3	391.8	-874.1
<b>Net result from loss protection arrangements</b>	<b>-998.6</b>	<b>2 848.8</b>	<b>-3 847.4</b>
<b>Impact of stabilisation fund on consolidated result</b>	<b>1 636.2</b>	<b>-</b>	<b>+1 636.2</b>

1 In the consolidated financial statements, interest income from the point of view of the SNB and interest expenses from the point of view of the stabilisation fund offset one another.

2 Operating expenses (general overheads); income from participations; net result, other.

3 As a result of the stabilisation fund's negative net asset value, the whole of the premium received on the LP purchase option was reported as income. The option premia received in 2008 and 2009 serve as primary loss protection. They were paid in to the stabilisation fund as equity.

4 If UBS exercises its right to repurchase the stabilisation fund once the SNB loan has been fully repaid.

5 The recognition of the warrant in the income statement was reversed in 2010.



## 5 Report of the Audit Board for the General Meeting of Shareholders

As statutory auditor, we have audited the consolidated financial statements of the Swiss National Bank, which comprise the balance sheet, income statement, statement of changes in equity and notes (pp. 173–188) for the year ended 31 December 2010.

The Bank Council is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting rules for banks and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Bank Council is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

**Bank Council's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We 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 consolidated financial statements are free from material misstatement.

**Auditor's responsibility**

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements for the year ended 31 December 2010 give a true and fair view of the financial position, the results of operations and the statement of changes in equity in accordance with accounting rules for banks and comply with Swiss law.

**Report on other legal requirements**

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and on independence (art. 728 CO, art. 47 NBA and art. 11 AOA), and that there are no circumstances incompatible with our independence.

In accordance with art. 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Bank Council.

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

**PricewaterhouseCoopers Ltd**

**Thomas Romer**  
Audit expert  
Auditor in charge

**Christian Massetti**  
Audit expert

Zurich, 25 February 2011