

Communications

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Annual result of the Swiss National Bank for 2009

In 2009, the annual financial statements of the SNB (parent company) closed with a profit of CHF 10.0 billion, following a loss of CHF 4.7 billion in the previous year. The main reasons for the improvement were substantial valuation gains amounting to CHF 7.3 billion on gold holdings and interest income on foreign currency positions.

Since the establishment of the stabilisation fund in October 2008, the Swiss National Bank (SNB) has reported consolidated financial statements which include the annual financial statements of both the parent company and the stabilisation fund. Taking into account the UBS equity contribution, the stabilisation fund showed a loss of approximately USD 400 million at 31 December 2009. This was fully covered by the SNB option for 100 million UBS shares at nominal value.

Due to the primary loss protection for the stabilisation fund, the consolidated financial statements closed with the same result as for the parent company, that is, with a profit of CHF 10.0 billion.

Parent company result dominated by gold price increase and high interest income on foreign currency positions

In the course of the year, the price of gold rose to CHF 38,958 per kilogram and closed at CHF 36,687 (2008: CHF 29,640) on the balance sheet date. A valuation gain of CHF 7,329 million was therefore recorded on the SNB holdings of 1,040 tonnes of gold.

Foreign currency positions contributed CHF 2,573 million to the parent company result. Exchange rate-related losses were again recorded, but at CHF 1,808 million they were markedly less pronounced than the year before (CHF -4,665 million). Interest income amounted to CHF 3,263 million (2008: CHF 2,270 million) and the price gains on equity-type securities came to CHF 1,163 million (2008: CHF -2,929 million). A significant proportion of interest income, CHF 661 million, came from the SNB loan to the stabilisation fund.

The net result from Swiss franc investments amounted to CHF 281 million (2008: CHF 551 million). Due to the low interest rates, repo transactions contributed only CHF 35 million

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to the result, as against CHF 575 million the year before. Income on securities came to CHF 272 million (2008: CHF 195 million).

Stabilisation fund – SNB loan reduced and contingent liabilities cut

In April 2009, the transfer of troubled and illiquid assets from UBS to the stabilisation fund was completed. By then, the majority of value adjustments had already been carried out. In the year under review, these totalled USD 5,641 billion, while, in the previous year, value adjustments on the positions already transferred at that time came to CHF 966 million. From the second quarter of 2009, the market situation for the stabilisation fund's investments improved.

The net result for securities and non-securitised loans amounted to USD 3,053 million. Almost half of this amount, i.e. USD 1,432 million, was attributable to interest income, while the remaining CHF 1,621 million was accounted for by effective interest.

For 2009, the stabilisation fund recorded a total loss of USD 2,624 million (2008: USD 1,691 million).

At the end of 2009, the stabilisation fund owned assets valued at USD 20.0 billion. These took the form of securities, loans or real estate. In individual cases, position losses resulted either in the acquisition of the associated collateral or, in the case of derivatives, the underlying assets.

Sales, together with income from interest and amortisation of transferred securities and loans, made it possible to repay part of the SNB loan. USD 20.3 billion was still outstanding at the end of 2009. Contingent liabilities decreased to USD 3.8 billion. Consequently, the overall risk for the SNB amounted to USD 24.1 billion at the end of the year.

After applying the primary loss protection (UBS financing contribution used as equity capital), an over-indebtedness of USD 418 million resulted. In this respect, the SNB issued a subordination agreement covering its loan.

Consolidated result not affected by stabilisation fund

The consolidated financial statements combine the stabilisation fund statements, which are drawn up in US dollars, with those of the parent company. Reciprocal relationships, such as the stabilisation fund's interest expenses for the SNB loan and the corresponding interest entry in the parent company accounts are eliminated in the consolidated statements. Essentially, this affects the following items: loan to the stabilisation fund (parent company) and stabilisation fund investments (consolidated statements); other assets and liabilities (purchase option in consolidated statements); net result from foreign currency positions (parent company) and net result from stabilisation fund investments (consolidated statements); and general overheads.

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The SNB loan to the stabilisation fund remained fully covered, thanks to the secondary loss protection, a conditional option (warrant) to purchase 100 million UBS shares at the nominal value of CHF 0.10 per share. If the SNB loan is not paid back in full, the SNB can exercise this purchase option.

At the end of 2009, the value of the option amounted to CHF 1,216 million. Of this, CHF 392 million was used in 2009 as loss protection (2008: CHF 90 million); thus the total used now amounts to CHF 482 million. Consequently, the stabilisation fund did not affect the SNB's consolidated result.

Appropriation of profit

The distributable profit remaining after the allocation of CHF 3,055 million (2008: CHF 1,007 million) to the provisions for currency reserves amounts to CHF 6,900 million, of which CHF 2,500 million will be remitted to the Confederation and the cantons in accordance with the profit distribution agreement. In addition, the annual dividend of CHF 1.5 million will be paid to the shareholders. The remaining CHF 4,399 million will be used to increase the distribution reserve to CHF 19,033 million.

The comprehensive financial report will be published on 8 April 2010 as part of the SNB *Annual Report*.

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Parent company income statement for 2009

In CHF millions	Item no. in Notes	2009	2008	Change
Net result from gold	1	7 338.1	- 698.8	+8 036.9
Net result from foreign currency positions	2	2 573.1	-4 375.2	+6 948.3
Net result from Swiss franc positions	3	281.3	550.8	- 269.5
Net result, other		23.3	23.2	+ 0.1
Gross income		10 215.8	-4 500.0	+14 715.8
Banknote expenses		- 40.7	- 33.6	- 7.1
Personnel expenses		- 117.0	- 107.9	- 9.1
General overheads		- 67.3	- 53.8	- 13.5
Depreciation on tangible assets		- 35.8	- 33.7	- 2.0
Annual result		9 955.0	-4 729.1	+14 684.1
Allocation to provisions for currency reserves ¹		-3 054.9	-1 006.9	-2 048.0

¹ In accordance with the Bank Council resolution of 4 December 2009.

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Parent company balance sheet as at 31 December 2009

In CHF millions	31.12.2009	31.12.2008	Change
Gold holdings	34 757.9	27 521.2	+7 236.7
Claims from gold transactions	3 427.7	3 340.4	+ 87.3
Foreign currency investments	94 680.2	47 428.8	+47 251.5
Reserve position in IMF	1 230.8	724.7	+ 506.0
International payment instruments	5 555.9	244.5	+5 311.4
Monetary assistance loans	348.9	326.3	+ 22.6
Claims from US dollar repo transactions	-	11 670.9	-11 670.9
Balances from swap transactions against Swiss francs	2 671.6	50 421.4	-47 749.8
Claims from Swiss franc repo transactions	36 207.9	50 320.6	-14 112.7
Claims against domestic correspondents	9.8	11.1	- 1.3
Swiss franc securities	6 542.7	3 596.7	+2 946.0
Loan to stabilisation fund	20 994.1	15 248.0	+5 746.0
Banknote stocks	107.2	136.5	- 29.3
Tangible assets	365.2	382.8	- 17.5
Participations	147.8	148.0	- 0.3
Other assets	216.1	2 800.6	-2 584.5
Total assets	207 263.8	214 322.6	-7 058.8

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In CHF millions	31.12.2009	31.12.2008	Change
Banknotes in circulation	49 966.2	49 160.8	+ 805.4
Sight deposits of domestic banks	44 992.9	37 186.2	+7 806.8
Liabilities towards the Confederation	6 182.7	8 803.7	-2 621.0
Sight deposits of foreign banks and institutions	2 640.6	3 799.8	-1 159.2
Other sight liabilities	3 286.0	1 383.8	+1 902.2
SNB debt certificates	27 473.1	24 424.9	+3 048.2
Other term liabilities	-	29 414.5	-29 414.5
Foreign currency liabilities	1 450.1	420.1	+1 030.0
Counterpart of special drawing rights allocated by IMF	5 311.8	-	+5 311.8
Other liabilities	58.5	1 279.8	-1 221.3
Provisions for operating risks	5.5	6.2	- 0.7
Provisions for currency reserves ¹	41 282.2	40 275.3	+1 006.9
Share Capital	25.0	25.0	-
Distribution reserve ¹	14 634.2	22 871.7	-8 237.5
Annual result ²	9 955.0	-4 729.1	+14 684.1
Total liabilities	207 263.8	214 322.6	-7 058.8

¹ The provisions for currency reserves and the distribution reserve form part of the profit appropriation, which is performed after the General Meeting.

² Before allocation to provisions for currency reserves.

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Valuation rates

	Year under review			Previous year		
	31.12.2009	31.12.2008	Change	31.12.2008	31.12.2007	Change
	CHF	CHF	In percent	CHF	CHF	In percent
1 USD	1.0336	1.0658	- 3.0	1.0658	1.1277	- 5.5
1 EUR	1.4853	1.4895	- 0.3	1.4895	1.6557	- 10.0
100 JPY	1.1142	1.1734	- 5.0	1.1734	1.0109	+ 16.1
1 GBP	1.6723	1.5595	+ 7.2	1.5595	2.2586	- 31.0
1 kilogram of gold	36 687.03	29 640.32	+ 23.8	29 640.32	30 328.47	- 2.3

Notes to the parent company annual financial statements

Item no. 1: Net result from gold

Breakdown by type	2009	2008	Change
In CHF millions			
Net result from changes in market value	7 329.4	- 711.4	+8 040.8
Interest income from gold lending transactions	8.8	12.6	- 3.9
Total	7 338.1	- 698.8	+8 036.9

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Item no. 2: Net result from foreign currency positions

Breakdown by origin	2009	2008	Change
In CHF millions			
Foreign currency investments	2 332.9	-4 124.9	+6 457.8
Reserve position in IMF	- 29.1	- 36.6	+ 7.5
International payment instruments	- 0.7	- 6.2	+ 5.5
Monetary assistance loans	- 0.5	- 14.5	+ 14.0
SNB debt certificates	1 969.5	-	+1 969.5
Foreign currency liabilities	107.5	- 357.5	+ 465.0
Other foreign currency investments	-1 806.5	164.4	-1 970.9
Total	2 573.1	-4 375.2	+6 948.3

Breakdown by type	2009	2008	Change
In CHF millions			
Interest income	3 262.9	2 269.8	+ 993.1
Price gain/loss on interest-bearing paper and instruments	- 96.5	1 163.4	-1 259.9
Interest expenses	- 122.3	- 359.2	+ 236.9
Dividend income	189.4	151.0	+ 38.4
Price gain/loss on equity securities and instruments	1 163.1	-2 928.5	+4 091.6
Exchange rate gain/loss	-1 807.7	-4 664.9	+2 857.2
Asset management, safe custody account and other fees	- 15.9	- 6.8	- 9.1
Total	2 573.1	-4 375.2	+6 948.3

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Item no. 3: Net result from Swiss franc positions

Breakdown by origin	2009	2008	Change
In CHF millions			
Swiss franc securities	272.2	195.3	+ 76.9
Swiss franc repo transactions	35.2	574.7	- 539.5
Other assets	0.3	0.1	+ 0.2
Liabilities towards the Confederation	- 7.0	- 193.0	+ 186.0
SNB debt certificates	- 12.2	- 17.8	+ 5.6
Other sight liabilities	- 7.3	- 8.5	+ 1.2
Total	281.3	550.8	- 269.5

Breakdown by type	2009	2008	Change
In CHF millions			
Interest income	194.0	708.2	- 514.2
Price gain/loss on interest-bearing paper and instruments	119.8	82.4	+ 37.4
Interest expenses	- 17.0	- 234.3	+ 217.3
Trading, safe custody account and other fees	- 15.5	- 5.4	- 10.1
Total	281.3	550.8	- 269.5

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Stabilisation fund income statement for 2009 (in US dollars)

In USD millions	Item no. in Notes	2009	2008 As of 1 October	Change
Net result from securities and non-securitised loans	4	3 052.6	316.8	+2 735.8
Net result from derivatives transactions		110.6	-	+ 110.6
Net result from assets not yet transferred		-	- 889.6	+ 889.6
Financing costs		- 586.4	- 14.6	- 444.8
Gross income		2 576.8	- 714.4	+3 291.2
Foreign tax expenditure (-) and income (+)		- 0.3	-	- 0.3
Operating expenses		- 80.2	- 10.4	- 69.8
Operating income		2 496.3	- 724.8	+3 221.1
Net valuation result		-5 641.3	- 965.8	-4 675.5
Realised earnings		521.2	-	+ 521.2
Net income		-2 623.8	-1 690.6	- 933.2

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Stabilisation fund balance sheet as at 2009 (in US dollars)

In USD millions	Item no. in Notes	31.12.2009	31.12.2008	Change
Bank deposits		660.6	584.7	+ 75.9
Securities (securitised loans)		15 769.7	14 640.3	+1 129.4
Non-securitised loans		3 322.5	-	+3 322.5
Real estate		15.5	-	+ 15.5
Subtotal investments		19 107.7	14 640.3	+4 467.4
Interest rate derivatives		26.2	-	+ 26.2
Credit derivatives	5	105.2	-	+ 105.2
Subtotal derivatives		131.4	-	+ 131.4
Prepayments and accrued income		49.3	0.1	+ 49.2
Other assets	5	31.8	-	+ 31.8
Total assets		19 980.9	15 225.2	+4 755.7
Interest rate derivatives		43.5	-	+ 43.5
Contractual agreements		-	889.6	- 889.6
Accrued expenses and deferred income		43.0	129.9	- 86.9
Other liabilities		11.2	-	+ 11.2
SNB Loan		20 281.9	14 255.1	+6 026.8
Deferred management fees		19.3	0.8	+ 18.6
Subtotal commitments		20 398.9	15 275.4	+5 123.5
Equity capital				
Paid-in equity		3 896.3	1 640.5	+2 255.8
Result carried over from previous period		-1 690.6	-	-1 690.6
Result for current period		-2 623.8	-1 690.6	- 933.2
Subtotal equity capital		- 418.0	- 50.1	- 367.8
Total liabilities		19 980.9	15 225.2	+4 775.7

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Notes to the stabilisation fund financial statements

Item no. 4: Net result from securities and non-securitised loans

In USD millions	2009	2008 As of 1 October	Change
Interest payments	1 431.5	286.6	+1 144.9
Effective interest	1 621.1	30.2	+1 590.9
Total	3 052.6	316.8	+2 735.8

The effective interest is the amount allocated periodically to the book value of a position acquired at discount in such a way that the book amount of the financial asset corresponds to the repayment value at maturity.

Item no. 5: credit derivatives

The stabilisation fund has acquired credit derivatives both as protection buyer and protection seller.

Claims as protection buyer (positive replacement values) are stated as credit derivatives in the assets.

At the balance sheet date, potential liabilities from credit derivatives amounted to USD 7,034.5 million, and the associated collateral to USD 7,041.2 million. As the collateral is held by the counterparty entitled to exercise claims based on the derivatives transaction, these amounts were offset against each other.

Collateral not used to cover the liabilities as protection seller (USD 6.8 million) are stated under *other assets*.

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Consolidated income statement for 2009

In CHF millions	Item no. in Notes	2009	2008	Change
Net result from gold		7 338.1	- 698.8	+8 036.9
Net result from foreign currency positions		1 912.3	-4 363.8	+6 276.1
Net result from Swiss franc positions		281.3	550.8	- 269.5
Net result from stabilisation fund investments	6	-2 101.8	-1 953.5	- 148.3
Net result from loss protection arrangements	6	2 848.8	1 953.5	+ 895.3
Income from participations		12.7	21.9	- 9.2
Net result, other		6.0	1.7	+ 4.3
Gross income		10 297.5	-4 488.2	+14 785.6
Banknote expenses		- 40.7	- 33.6	- 7.1
Personnel expenses		- 117.0	- 107.9	- 9.1
General overheads		- 149.0	- 65.6	- 83.4
Depreciation on tangible assets		- 35.8	- 33.7	- 2.0
Consolidated result		9 955.0	-4 729.1	+14 684.1

Consolidated balance sheet as at 31 December 2009

In CHF millions	31.12.2009	31.12.2008	Change
Gold holdings	34 757.9	27 521.2	+7 236.7
Claims from gold transactions	3 427.7	3 340.4	+ 87.3
Foreign currency investments	94 680.2	47 428.8	+47 251.5
Reserve position in IMF	1 230.8	724.7	+ 506.0
International payment instruments	5 555.9	244.5	+5 311.4
Monetary assistance loans	348.9	326.3	+ 22.6
Claims from US dollar repo transactions	-	11 670.9	-11 670.9
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Claims from Swiss franc repo transactions	36 207.9	50 320.6	-14 112.7
Claims against domestic correspondents	9.8	11.1	- 1.3
Swiss franc securities	6 542.7	3 596.7	+2 946.0
Stabilisation fund investments	20 652.0	16 227.1	+4 425.0
Banknote stocks	107.2	136.5	- 29.3
Tangible assets	365.2	382.8	- 17.5
Participations	147.6	147.8	- 0.3
Other assets	1 432.6	3 407.7	-1 975.1
Total assets	208 138.1	215 908.5	-7 770.4

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In CHF millions	31.12.2009	31.12.2008	Change
Banknotes in circulation	49 966.2	49 160.8	+ 805.4
Sight deposits of domestic banks	44 992.9	37 186.2	+7 806.8
Liabilities towards the Confederation	6 182.7	8 803.7	-2 621.0
Sight deposits of foreign banks and institutions	2 640.6	3 799.8	-1 159.2
Other sight liabilities	3 285.6	1 383.7	+1 901.9
SNB debt certificates	27 473.1	24 424.9	+3 048.2
Other term liabilities	-	29 414.5	-29 414.5
Foreign currency liabilities	1 450.1	420.1	+1 030.0
Contractual agreements	-	948.1	- 948.1
Counterpart of special drawing rights allocated by IMF	5 311.8	-	+5 311.8
Other liabilities	882.9	1 934.4	-1 051.5
Provisions for operating risks and other provisions	5.5	6.2	- 0.7
Provisions for currency reserves	41 282.2	40 275.3	+1 006.9
Capital	25.0	25.0	-
Distribution reserve	14 634.2	22 871.7	-8 237.5
Consolidated result	9 955.0	-4 729.1	+14 684.1
Foreign currency translation differences	50.3	- 16.8	+ 67.1
Total liabilities	208 138.1	215 908.5	-7 770.4

Notes to the consolidated financial statements

Item no. 6: Income from the stabilisation fund's investments and from loss protection measures

The significant value adjustments on investments at the end of 2008 and during the first half of 2009 could not be offset by current earnings. The acquired assets therefore recorded a loss – accumulated since October 2008 – of CHF 4,055 million.

The loss protection is made up of UBS's financing contribution used as equity capital (primary loss protection totalling a cumulative CHF 4,320 million) and the use of the warrant for the remaining losses (secondary loss protection totalling a cumulative CHF 482 million). The loss protection covers losses from the investments themselves as well as all other expenses (loan interest, operating expenses) incurred by the stabilisation fund.

Overall, the SNB's consolidated result has remained unaffected by the stabilisation fund.