

## Communications

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## Interim results of the Swiss National Bank as at 30 June 2010

**The Swiss National Bank (SNB) is reporting a loss of CHF 2.8 billion for the first half of 2010. The result is affected by exchange-rate-related valuation losses on investments in euros. However, the extent of the loss is limited by the rise in the price of gold and earnings on foreign currency investments. The stabilisation fund contributed a profit of CHF 1.3 billion to the result.**

By mid-2010, foreign currency investments had risen by a total of CHF 132 billion to CHF 227 billion. The share of euros in this total rose by CHF 105 billion to CHF 160 billion. As a result, the balance sheet total expanded substantially, particularly in the second quarter of 2010. At CHF 305 billion, it is now around 50% higher than at the beginning of the year.

The strong appreciation of the Swiss franc against the euro resulted in exchange rate losses totalling CHF 14.3 billion. The price of gold had the opposite effect. In the second quarter, especially, it rose significantly, resulting in valuation gains on gold holdings by CHF 6.8 billion.

Since the SNB's results are largely dependent on developments in the gold, foreign exchange and capital markets, strong fluctuations in the results are normal. Consequently, only provisional conclusions with regard to the annual result may be drawn.

### **Valuation losses on foreign currency positions**

Foreign currency positions posted a loss of CHF 11.3 billion, as compared with a profit of CHF 2.4 billion in the year-back period. In the first half of the year, the euro lost 10.7% against the Swiss franc. Movements in other currencies varied. The US dollar, for instance, which is the second investment currency in terms of importance, has risen by 4.7% since the beginning of the year. Overall, exchange-rate-related losses came to CHF 14.3 billion for the first half of 2010. By contrast, interest and dividend income as well as price increases and capital gains amounting to CHF 3.1 billion were recorded.

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### **Revaluation gains on gold holdings**

The SNB still holds 1,040 tonnes of gold in the form of currency reserves. At the close of the half-year, the price per kilo was CHF 43,267, resulting in a valuation gain of CHF 6.8 billion.

### **Profit contribution from Swiss franc positions**

Investments held in Swiss francs and debt certificates issued by the SNB resulted in a profit contribution from Swiss franc positions amounting to CHF 219 million. Net interest income came to CHF 81 million while price gains contributed CHF 153 million. Since the demand for repo transactions declined sharply in the first half of the year, their contribution to profit was minimal, at CHF 3 million. At the end of 2009, outstanding repo transactions had amounted to CHF 36 billion.

### **StabFund loan amount and overall risk reduced**

The stabilisation fund benefited from improved market conditions in the first months of the year and closed with a half-yearly profit of USD 1,862 million. As a result of sales, interest payments as well as repayments, the SNB loan to the StabFund was reduced by USD 4.7 billion to USD 15.6 billion. A number of positions acquired by the StabFund (mainly derivatives) form part of the SNB's overall risk, although no financing has yet been required. The overall risk decreased to USD 19.2 billion.

Owing to the positive result, no more use is currently being made of the secondary loss protection, a conditional option (warrant) to purchase 100 million UBS shares at the nominal value of CHF 0.10 per share, which can be exercised should the loan not be repaid in full. Consequently, the recognition of the warrant at the end of 2009 (CHF 482 million) has been reversed.

As at 30 June, the stabilisation fund holds equity capital amounting to USD 1,443 million. This is available as primary loss protection to cover possible future losses.

The contractual provisions specify that UBS can buy back the stabilisation fund after the SNB loan has been paid in full. UBS would have to pay the SNB a sum of USD 1 billion plus half of the net asset value of the fund in excess of this amount. The other half of this excess amount accrues to UBS. For this reason, as at 30 June, the SNB set up a provision in its consolidated accounts amounting to USD 222 million (CHF 240 million).

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### **Interim result and establishment of provisions**

As at mid-2010, the SNB recorded a half-yearly loss of CHF 2,777 million before allocation to the provisions for currency reserves (same period in 2009: CHF 5,249 million profit).

In accordance with art. 30 para. 1 of the National Bank Act (NBA), the SNB is required to set up provisions permitting it to maintain the currency reserves at the level necessary for monetary policy. A total of CHF 3,902 million is to be allocated for the current financial year as a whole, or CHF 1,951 million for the first half year.

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## Consolidated income statement, 1 January–30 June 2010<sup>1</sup>

In CHF millions	Item no. in Notes	Q1-Q2 2010	Q1-Q2 2009	Change
Net result from gold	1	6 850.6	3 026.7	+3 823.9
Net result from foreign currency positions	2	-11 292.1	2 356.4	-13 648.5
Net result from Swiss franc positions	3	218.7	47.4	+ 171.3
Net result from stabilisation fund investments		2 311.9	-2 798.1	+5 110.0
Net result from loss protection arrangements	4	- 482.3	2 798.1	-3 280.4
Net result from provision for the stabilisation fund	5	- 239.7	-	- 239.7
Income from participations		1.6	5.3	- 3.7
Net result, other		3.6	- 8.3	+ 11.9
<b>Gross income</b>		<b>-2 627.7</b>	<b>5 427.6</b>	<b>-8 055.2</b>
Banknote expenses		- 11.6	- 22.6	+ 11.0
Personnel expenses		- 58.8	- 57.0	- 1.8
General overheads		- 60.3	- 81.1	+ 20.8
Depreciation on tangible assets		- 18.4	- 17.8	- 0.6
<b>Interim result</b>		<b>-2 776.8</b>	<b>5 249.0</b>	<b>-8 025.8</b>
Contribution to the proposed allocation to provisions for currency reserves <sup>2</sup>		-1 950.9	-1 527.5	- 423.4

<sup>1</sup> Unaudited. The external auditors only audit the annual financial statements.

<sup>2</sup> One-half of the fixed annual allocation (CHF 3,901.7 million for 2010. Cf. *2009 Annual Report*, p. 119).

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## Consolidated income statement for the second quarter of 2010<sup>1</sup>

	Q2 2010	Q2 2009	Change
In CHF millions			
Net result from gold	5 581.5	-1 014.3	+6 595.8
Net result from foreign currency positions	-10 419.9	1 044.4	-11 464.3
Net result from Swiss franc positions	107.2	40.3	+ 66.9
Net result from stabilisation fund investments	759.8	-1 083.4	+1 843.2
Net result from loss protection arrangements	-	1 536.7	-1 536.7
Net result from provision for the stabilisation fund	- 239.7	-	- 239.7
Income from participations	1.6	5.3	- 3.7
Net result, other	2.2	- 5.3	+ 7.5
<b>Gross income</b>	<b>-4 207.2</b>	<b>523.7</b>	<b>-4 731.0</b>
Banknote expenses	- 5.1	- 11.2	+ 6.1
Personnel expenses	- 28.4	- 28.7	+ 0.3
General overheads	- 31.6	- 55.4	+ 23.8
Depreciation on tangible assets	- 9.4	- 9.0	- 0.4
<b>Interim result</b>	<b>-4 281.8</b>	<b>419.5</b>	<b>-4 701.3</b>
Contribution to the proposed allocation to provisions for currency reserves <sup>2</sup>	- 975.4	- 763.7	- 211.7

<sup>1</sup> Unaudited. The external auditors only audit the annual financial statements.

<sup>2</sup> One-quarter of the fixed annual allocation (CHF 3,901.7 million for 2010. Cf. 2009 Annual Report, p. 119).

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## Balance sheet as at 30 June 2010<sup>1</sup>

In CHF millions	Item no. in Notes	30.06.2010	31.12.2009	Change
Gold holdings		42 585.9	34 757.9	+7 828.0
Claims from gold transactions		2 432.1	3 427.7	- 995.6
Foreign currency investments		226 657.7	94 680.2	+131 977.5
Reserve position in IMF		1 139.4	1 230.8	- 91.4
International payment instruments		5 408.2	5 555.9	- 147.7
Monetary assistance loans		355.2	348.9	+ 6.3
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		5 636.0	6 542.7	- 906.7
Stabilisation fund investments		18 712.9	20 652.0	-1 939.1
Banknote stocks		102.0	107.2	- 5.2
Tangible assets		357.5	365.2	- 7.7
Participations		147.6	147.6	-
Other assets		1 549.0	1 432.6	+ 116.4
<b>Total assets</b>		<b>305 083.5</b>	<b>208 138.1</b>	<b>+96 945.4</b>

<sup>1</sup> Unaudited. The external auditors only audit the annual financial statements.

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In CHF millions	Item no. in Notes	30.06.2010	31.12.2009	Change
Banknotes in circulation		47 509.3	49 966.2	-2 456.9
Sight deposits of domestic banks		77 839.0	44 992.9	+32 846.1
Liabilities towards the Confederation		18 369.2	6 182.7	+12 186.5
Sight deposits of foreign banks and institutions		5 929.1	2 640.6	+3 288.5
Other sight liabilities		10 871.0	3 285.6	+7 585.4
SNB debt certificates		73 286.2	27 473.1	+45 813.1
Foreign currency liabilities		3 282.9	1 450.1	+1 832.8
Counterpart of special drawing rights allocated by IMF		5 257.5	5 311.8	- 54.3
Other liabilities		1 850.8	882.9	+ 967.9
Provisions for operating risks and other provisions	5	243.5	5.5	+ 238.0
Provisions for currency reserves		44 337.1	41 282.2	+3 054.9
Capital		25.0	25.0	-
Distribution reserve <sup>1</sup>		19 032.8	14 634.2	+4 398.6
Consolidated result 2009		-	9 955.0	-9 955.0
Foreign currency translation differences		26.8	50.3	- 23.5
Interim result		-2 776.8		-2 776.8
<b>Total liabilities</b>		<b>305 083.5</b>	<b>208 138.1</b>	<b>+96 945.4</b>

<sup>1</sup> The distribution reserve only changes once a year, as part of the profit appropriation. It is taken from the annual result of the Swiss National Bank (individual financial statement), minus the legally prescribed allocation to the provisions for currency reserves. Since the SNB's results depend heavily on fluctuations in the gold price, exchange rates and interest rates, only provisional conclusions on the level of the end-of-year distribution reserve are possible.

## Valuation rates

	Year under review			Previous year		
	30.06.2010	31.12.2009	Change	30.06.2009	31.12.2008	Change
	CHF	CHF	In percent	CHF	CHF	In percent
1 USD	1.0818	1.0336	+ 4.7	1.0832	1.0658	+ 1.6
1 EUR	1.3263	1.4853	- 10.7	1.5251	1.4895	+ 2.4
100 JPY	1.2203	1.1142	+ 9.5	1.1246	1.1734	- 4.2
1 GBP	1.6212	1.6723	- 3.1	1.7911	1.5595	+ 14.9
1 kilogram of gold	43 267.16	36 687.03	+ 17.9	32 544.60	29 640.32	+ 9.8

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## Notes to the interim results

### Item no. 1: Net result from gold

<b>Breakdown by type</b>	<b>Q1-Q2 2010</b>	<b>Q1-Q2 2009</b>	<b>Change</b>
In CHF millions			
Net result from changes in market value	6 844.0	3 020.8	+3 823.2
Interest income from gold lending transactions	6.6	5.9	+ 0.7
<b>Total</b>	<b>6 850.6</b>	<b>3 026.7</b>	<b>+3 823.9</b>

### Item no. 2: Net result from foreign currency positions

<b>Breakdown by origin</b>	<b>Q1-Q2 2010</b>	<b>Q1-Q2 2009</b>	<b>Change</b>
In CHF millions			
Foreign currency investments	-10 525.8	2 605.5	-13 131.3
Reserve position in IMF	- 55.9	11.9	- 67.8
International payment instruments	- 0.3	8.8	- 9.1
Monetary assistance loans	- 2.9	10.7	- 13.6
SNB debt certificates	-1 165.2	1 048.9	-2 214.1
Foreign currency liabilities	- 70.3	- 40.1	- 30.2
Other foreign currency investments	528.4	-1 289.2	+1 817.6
<b>Total</b>	<b>-11 292.1</b>	<b>2 356.4</b>	<b>-13 648.5</b>

<b>Breakdown by type</b>	<b>Q1-Q2 2010</b>	<b>Q1-Q2 2009</b>	<b>Change</b>
In CHF millions			
Interest income	1 899.2	1 314.8	+ 584.4
Price gain/loss on interest-bearing paper and instruments	2 112.7	- 278.7	+2 391.4
Interest expenses	- 32.9	- 62.4	+ 29.5
Dividend income	134.5	123.5	+ 11.0
Price gain/loss on equity securities and instruments	-1 056.6	230.6	-1 287.2
Exchange rate gain/loss	-14 341.6	1 030.9	-15 372.5
Asset management, safe custody account and other fees	- 7.3	- 2.3	- 5.0
<b>Total</b>	<b>-11 292.1</b>	<b>2 356.4</b>	<b>-13 648.5</b>



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## Item no. 3: Net result from Swiss franc positions

<b>Breakdown by origin</b>	<b>Q1-Q2 2010</b>	<b>Q1-Q2 2009</b>	<b>Change</b>
In CHF millions			
Swiss franc securities	237.2	32.5	+ 204.7
Swiss franc repo transactions	3.3	25.9	- 22.6
Other assets	0.0	0.3	- 0.3
Liabilities towards the Confederation	- 1.1	- 5.5	+ 4.4
SNB debt certificates	- 17.5	- 2.0	- 15.5
Other sight liabilities	- 3.3	- 3.8	+ 0.5
<b>Total</b>	<b>218.7</b>	<b>47.4</b>	<b>+ 171.3</b>

<b>Breakdown by type</b>	<b>Q1-Q2 2010</b>	<b>Q1-Q2 2009</b>	<b>Change</b>
In CHF millions			
Interest income	90.6	94.4	- 3.8
Price gain/loss on interest-bearing paper and instruments	152.6	- 32.6	+ 185.2
Interest expenses	- 10.0	- 11.3	+ 1.3
Trading, safe custody account and other fees	- 14.5	- 3.1	- 11.4
<b>Total</b>	<b>218.7</b>	<b>47.4</b>	<b>+ 171.3</b>

## Item no. 4: Net result from loss protection measures

The loss protection is made up of the financing contribution from UBS, used as equity capital (primary loss protection totalling an equivalent of CHF 4,320 million at the end of 2009), and the warrant for the remaining losses (secondary loss protection, CHF 482 million of which was recognised at the end of 2009).

The warrant – a conditional option to purchase 100 million UBS shares at the nominal value of CHF 0.10 per share – can be exercised if the SNB's loan to the stabilisation fund is not repaid in full. Since the primary loss protection once again covers the stabilisation fund's accumulated loss in full, the recognition of the warrant to the amount of CHF 482 million at year-end was reversed in the income statement.

Consequently, the warrant can again be fully utilised for future stabilisation fund losses that are not covered by the fund's equity capital.

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## Item no. 5: Net result from provision for the stabilisation fund

The contractual provisions specify that UBS can buy back the stabilisation fund after the SNB loan has been paid in full. UBS would have to pay the SNB a sum of USD 1 billion plus half of the net asset value of the fund in excess of this amount. The other half of this excess amount accrues to UBS. For this reason, the SNB has set up a provision in its consolidated accounts. If the stabilisation fund's net asset value declines in future, this provision will be reduced or liquidated. If the net asset value continues to grow, the provision will be increased accordingly.