

Communications

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Interim results of the Swiss National Bank as at 30 September 2010

The Swiss National Bank (SNB) is reporting a loss of CHF 8.5 billion for the first three quarters of 2010. This is mainly attributable to exchange rate losses on foreign currency positions. However, earnings on foreign currency investments as well as valuation gains on gold and the stabilisation fund all had a positive impact on the result.

The main investment currencies lost considerable ground against the Swiss franc, with the euro trading 10.3% lower on the balance sheet date than at end-2009 and the US dollar declining 5.4% in the same period. The appreciation of the Swiss franc led to exchange rate losses totalling CHF 21.2 billion. By contrast, the valuation gain on the gold holdings amounting to CHF 4.6 billion, as well as the CHF 6.6 billion earnings from foreign exchange investments and the CHF 1.2 billion earnings from the stabilisation fund, all had a positive impact on the result.

The SNB result depends largely on developments in the gold, foreign exchange and capital markets. Consequently, strong fluctuations are normal and it is only possible to make provisional conclusions with regard to the annual result.

Valuation losses on foreign currency positions

A loss totalling CHF 14.7 billion was recorded on foreign currency positions (year-earlier period: profit of CHF 3.1 billion). The exchange rate-related losses amounting to CHF 21.2 billion were partly offset by interest and dividend income as well as price gains totalling CHF 6.6 billion.

Appreciation gain on gold

The SNB still holds 1,040 tonnes of gold in the form of currency reserves. At the end of the quarter, the price per kilo was CHF 41,071, resulting in a valuation gain of CHF 4.6 billion.

12 November 2010

2

Profit contribution from Swiss franc positions

Overall, investments and liabilities in Swiss francs gave rise to a profit contribution of CHF 201 million.

Interest earnings and price gains on Swiss franc investments amounting to CHF 288 million were reduced by expenses of CHF 87 million, particularly on debt certificates issued in Swiss francs (outstanding amount as at end-September: CHF 101.8 billion) and repurchase transactions.

Stabilisation fund continues to be positive

The first three quarters of 2010 were positive overall for the stabilisation fund. As at the end of the third quarter of 2010, the overall risk for the SNB has fallen to CHF 17.5 billion (USD 17.9 billion). On the balance sheet date, the SNB loan to the stabilisation fund still totalled CHF 14.3 billion (USD 14.7 billion). The stabilisation fund capital amounts to CHF 1,309 million (USD 1,340 million) and 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 value of any net fund assets in excess of this amount. The other half of this excess amount would accrue to UBS. For this reason, the SNB has set up (from a consolidated perspective) a provision as at 30 September 2010 amounting to CHF 166 million (USD 170 million).

Interim result and establishment of provisions

As at end-September 2010, the SNB recorded a loss of CHF 8,461 million before allocation to the provisions for currency reserves (year-earlier period: CHF 6,891 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. An allocation of CHF 3,902 million for the year 2010 as a whole, or CHF 2,926 million for the first three quarters, is planned.

12 November 2010

3

Consolidated income statement, 1 January–30 September 2010¹

In CHF millions	Item no. in Notes	Q1-Q3 2010	Q1-Q3 2009	Change
Net result from gold	1	4 569.5	3 817.9	+ 751.6
Net result from foreign currency positions	2	-14 680.0	3 065.3	-17 745.3
Net result from Swiss franc positions	3	200.9	238.3	- 37.4
Net result from stabilisation fund investments		2 293.9	-2 663.5	+4 957.4
Net result from loss protection arrangements	4	- 482.3	2 663.5	-3 145.8
Net result from provision for the stabilisation fund	5	- 165.9	-	- 165.9
Income from participations		20.4	13.0	+ 7.4
Net result, other		4.3	4.3	+ 0.0
Gross income		-8 239.2	7 138.8	-15 378.0
Banknote expenses		- 16.6	- 32.6	+ 16.0
Personnel expenses		- 86.7	- 85.4	- 1.3
General overheads		- 90.3	- 102.7	+ 12.4
Depreciation on tangible assets		- 28.2	- 26.7	- 1.5
Interim result		-8 461.0	6 891.4	-15 352.4
Contribution to the proposed allocation to provisions				
for currency reserves ²		-2 926.3	-2 291.2	- 635.1

¹ Unaudited. The external auditors only audit the annual financial statements.

² Three-quarters of the fixed annual allocation (CHF 3,901.7 million for 2010. Cf. *2009 Annual Report*, p. 119).

12 November 2010

4

Consolidated income statement for the third quarter of 2010¹

	Q3 2010	Q3 2009	Change
In CHF millions			
Net result from gold	-2 281.1	791.2	-3 072.3
Net result from foreign currency positions	-3 388.0	708.8	-4 096.8
Net result from Swiss franc positions	- 17.8	190.9	- 208.7
Net result from stabilisation fund investments	- 18.0	134.6	- 152.6
Net result from loss protection arrangements	0.0	- 134.6	+ 134.6
Net result from provision for the stabilisation fund	73.8	-	+ 73.8
Income from participations	18.8	7.7	+ 11.1
Net result, other	0.7	12.6	- 11.9
Gross income	-5 611.5	1 711.2	-7 322.8
Banknote expenses	- 4.9	- 10.0	+ 5.1
Personnel expenses	- 27.9	- 28.4	+ 0.5
General overheads	- 30.0	- 21.6	- 8.4
Depreciation on tangible assets	- 9.8	- 8.9	- 0.9
Interim result	-5 684.2	1 642.4	-7 326.6
Contribution to the proposed allocation to provisions			
for currency reserves ²	- 975.4	- 763.7	- 211.7

¹ Unaudited. The external auditors only audit the annual financial statements.

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

12 November 2010

5

Consolidated balance sheet as at 30 September 2010¹

In CHF millions	Item no. in Notes	30.09.2010	31.12.2009	Change
Gold holdings		4 1896.3	34 757.9	+7 138.4
Claims from gold transactions		827.4	3 427.7	-2 600.3
Foreign currency investments		216 822.5	94 680.2	+122 142.3
Reserve position in IMF		1 121.9	1 230.8	- 108.9
International payment instruments		5 114.2	5 555.9	- 44 1.7
Monetary assistance loans		335.4	348.9	- 13.5
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		3 523.8	6 542.7	-3 018.9
Stabilisation fund investments		15 989.9	20 652.0	-4 662.1
Banknote stocks		108.8	107.2	+ 1.6
Tangible assets		354.8	365.2	- 10.4
Participations		147.6	147.6	-
Other assets		1 824.6	1 432.6	+ 392.0
Total assets		288 067.1	208 138.1	+79 929.0

¹ Unaudited. The external auditors only audit the annual financial statements.

12 November 2010

6

In CHF millions	Item no. in Notes	30.09.2010	31.12.2009	Change
Banknotes in circulation		47 118.1	49 966.2	-2 848.1
Sight deposits of domestic banks		35 277.2	44 992.9	-9 715.7
Liabilities towards the Confederation		7 215.4	6 182.7	+1 032.7
Sight deposits of foreign banks and institutions		5 131.0	2 640.6	+2 490.4
Other sight liabilities		6 168.8	3 285.6	+2 883.2
Liabilities from Swiss franc repo transactions		18 635.2	-	+18 635.2
SNB debt certificates		105 024.7 ²	27 473.1	+77 551.6
Foreign currency liabilities		1 423.0	1 450.1	- 27.1
Counterpart of special drawing rights allocated by IMF		4 978.6	5 311.8	- 333.2
Other liabilities		2 072.5	882.9	+1 189.6
Provisions for operating risks and other provisions	5	169.5	5.5	+ 164.0
Provisions for currency reserves		44 337.1	41 282.2	+3 054.9
Capital		25.0	25.0	-
Distribution reserve ¹		19 032.8	14 634.2	+4 398.6
Consolidated result for 2009			9 955.0	-9 955.0
Foreign currency translation differences		- 80.9	50.3	- 131.2
Interim result		-8 461.0		-8 461.0
Total liabilities		288 067.1	208 138.1	+79 929.0

¹ 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 statements), minus the legally prescribed allocation to the provisions for currency reserves. Since the SNB's result depends 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.

² Of which, SNB debt certificates in Swiss francs: CHF 101,766.9 million.

Valuation rates

	Year under review			Previous year		
	30.09.2010	31.12.2009	Change	30.09.2009	31.12.2008	Change
	CHF	CHF	In percent	CHF	CHF	In percent
1 USD	0.9774	1.0336	- 5.4	1.0403	1.0658	- 2.4
1 EUR	1.3326	1.4853	- 10.3	1.5188	1.4895	+ 2.0
100 JPY	1.1696	1.1142	+ 5.0	1.1603	1.1734	- 1.1
1 GBP	1.5408	1.6723	- 7.9	1.6616	1.5595	+ 6.5
1 kilogram of gold	41 071.35	36 687.03	+ 12.0	33 304.27	29 640.32	+ 12.4

12 November 2010

7

Notes to the interim results

Item no. 1: Net result from gold

Breakdown by type	Q1-Q3 2010	Q1-Q3 2009	Change
In CHF millions			
Net result from changes in market value	4 560.1	3 810.9	+ 749.2
Interest income from gold lending transactions	9.4	7.0	+ 2.4
Total	4 569.5	3 817.9	+ 751.6

Item no. 2: Net result from foreign currency positions

Breakdown by origin	Q1-Q3 2010	Q1-Q3 2009	Change
In CHF millions			
Foreign currency investments	-13 209.2	3 377.7	-16 586.9
Reserve position in IMF	- 72.8	- 18.4	- 54.4
International payment instruments	- 7.8	1.6	- 9.4
Monetary assistance loans	- 21.2	2.0	- 23.2
SNB debt certificates	- 530.8	1 864.2	-2 395.0
Foreign currency liabilities	- 49.6	85.7	- 135.3
Other foreign currency investments	- 788.4	-2 247.5	+1 459.1
Total	-14 680.0	3 065.3	-17 745.3

Breakdown by type	Q1-Q3 2010	Q1-Q3 2009	Change
In CHF millions			
Interest income	3 365.6	1 939.3	+1 426.3
Price gain/loss on interest-bearing paper and instruments	3 004.1	427.7	+2 576.4
Interest expenses	- 53.5	- 94.7	+ 41.2
Dividend income	197.1	156.6	+ 40.5
Price gain/loss on equity securities and instruments	11.7	966.6	- 954.9
Exchange rate gain/loss	-21 196.1	- 317.8	-20 878.3
Asset management, safe custody account and other fees	- 8.9	- 12.3	+ 3.4
Total	-14 680.0	3 065.3	-17 745.3

12 November 2010

8

Item no. 3: Net result from Swiss franc positions

Breakdown by origin	Q1-Q3 2010	Q1-Q3 2009	Change
In CHF millions			
Swiss franc securities	280.6	228.9	+ 51.7
Swiss franc repo transactions	- 2.7	30.6	- 33.3
Other assets	0.0	0.3	- 0.3
Liabilities towards the Confederation	- 3.8	- 6.4	+ 2.6
SNB debt certificates	- 68.2	- 9.5	- 58.7
Other sight liabilities	- 4.9	- 5.7	+ 0.8
Total	200.9	238.3	- 37.4

Breakdown by type	Q1-Q3 2010	Q1-Q3 2009	Change
In CHF millions			
Interest income	117.2	144.1	- 26.9
Price gain/loss on interest-bearing paper and instruments	171.1	120.5	+ 50.6
Interest expenses	- 53.5	- 14.2	- 39.3
Trading, safe custody account and other fees	- 33.9	- 12.1	- 21.8
Total	200.9	238.3	- 37.4

Item no. 4: Net result from loss protection arrangements

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

The warrant – a conditional option to purchase 100 million UBS shares at a 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 now fully covers the stabilisation fund's accumulated loss again, the recognition of the warrant to the amount of CHF 482 million at year-end has been 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.

12 November 2010

9

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 would accrue 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.