



Differences relative to the stabilisation of UBS, Swiss and Axpo, and to COVID-19 credits

Background

On 16 and 19 March 2023, the Federal Council decided on various measures to prevent the imminent failure of the globally active and systemically important Credit Suisse, and thereby avert a financial crisis and extremely severe damage to the Swiss financial centre and the entire economy. In the Federal Council's view, the package of measures for the takeover of Credit Suisse by UBS enabled this goal to be achieved under the prevailing circumstances, while keeping the cost for the state and taxpayers as low as possible. This factsheet explains the differences between this and past state interventions.

UBS rescue in 2008

The crisis at Credit Suisse was fundamentally different from that experienced by UBS in 2008. At that time, UBS had substantial, but clearly identifiable and segregable, risk positions on the asset side of its balance sheet, and losses on these threatened the stability of the bank. UBS was bailed out during the international financial crisis, when numerous financial institutions around the world were rescued or stabilised using taxpayers' money.

The UBS rescue plan provided for the transfer of CHF 45.9 billion of the bank's illiquid assets to the StabFund, a stabilisation fund controlled by the Swiss National Bank (SNB). At the same time, the federal government strengthened UBS's capital base with CHF 6 billion, thereby providing significant relief to its balance sheet. Ultimately, however, the bailout of UBS cost taxpayers nothing. After having taken a considerable risk on the bank, the federal government sold its stake in summer 2009 and made a profit of CHF 1.2 billion. As for the SNB, it sold the StabFund to UBS at the end of 2013 and made a profit of USD 3.76 billion.

Credit Suisse's problems were different from those at UBS. Clients and investors had lost confidence in Credit Suisse, triggering a veritable run on the bank, which was also confronted with major resistance from central counterparties. Credit Suisse thus found itself in an acute crisis of confidence, which posed an immediate threat to the bank's liquidity situation in particular.

Unlike at UBS in 2008, there was no promising solution foreseeable at Credit Suisse, whereby individual assets could have been wound up in a stabilisation fund.

Axpo rescue mechanism in 2022

Due to the massive price increases on energy markets following the outbreak of the war in Ukraine, Axpo was faced with a liquidity shortage, which endangered Switzerland's energy supply. For this reason, Axpo requested temporary liquidity support from the Federal Council at the end of August 2022. As part of a rescue mechanism for systemically important power companies (CHF 10 bn guarantee credit), Axpo was

provided with a CHF 4 billion credit facility. The rescue mechanism is for a limited period up to the end of 2026. Axpo has not drawn on the credit facility to date. Like the public liquidity backstop (PLB), this is a form of temporary liquidity assistance (bridging). Unlike the PLB, however, the liquidity and the loan were granted directly by the federal government.

The loan to Axpo is subordinated and subject to strict conditions (e.g. dividends are prohibited while loans or interest payments are outstanding). The risk of losses for the Confederation is deemed to be acceptable due to the power companies' high level of profitability. Half of any losses on loans will be borne by the cantons.

Aviation rescue mechanism in 2020

The COVID-19 pandemic decimated demand for air travel. Consequently, Swiss and Edelweiss were in danger of experiencing temporary liquidity shortfalls. Since the aviation industry is an economically critical infrastructure and a prolonged interruption to Switzerland's international connections would have entailed substantial economic losses, the federal government supported Swiss and Edelweiss financially. This support was likewise subject to strict conditions, such as a ban on dividends.

Overall, a guarantee credit of CHF 1.875 billion was granted, i.e. CHF 1.275 billion to secure the loans to Swiss airlines and CHF 600 million to support aviation-related businesses at the national airports.

In 2020, Swiss/Edelweiss received a CHF 1.5 billion credit facility from the banks already involved, and 85% of this, i.e. CHF 1.275 billion, was secured with a federal surety. The credit facility was for a maximum period of 7 years. There was a risk of losses for the Confederation, but it was considered acceptable due to the contract structure, the collateral provided (e.g. share pledge) and a supervisory concept.

Swiss/Edelweiss repaid the credit ahead of schedule in May 2022. No loss was incurred by the Confederation.

SR Technics received a bank loan of CHF 120 million, 60% of which benefited from a federal guarantee. The loan matured at the end of 2023.

COVID-19 credits in 2020

During the COVID-19 crisis, the federal government supported the economy and businesses with so-called COVID-19 credits, among other things, to tide them over their temporary liquidity problems.

Businesses received bank loans of up to 10% of their annual turnover and no more than CHF 20 million quickly and without complications. The federal government provided banks with a 100% guarantee for amounts up to CHF 0.5 million, and an 85% guarantee for amounts above that threshold.

Overall, credits totalling around CHF 17 billion were granted for a maximum term of 10

years. CHF 6.5 billion has been repaid so far. Sureties amounting to just over CHF 600 million have been utilised to date.

There is still a risk of losses for the Confederation. Due to the difficult situation caused by the pandemic, this risk was deemed to be acceptable. It was estimated in the dispatch that between 10% and 20% of the credits would not be repaid and that the federal surety would thus be utilised. However, this is not yet a definitive loss for the Confederation, as it will seek an individual solution for each business concerned via guarantee organisations. It will not be possible to determine the amount of the actual losses until the credit programme has come to an end and the receivables management process has been completed.