

Preface

Ladies and Gentlemen

In accordance with art. 7 para. 2 of the National Bank Act (NBA), the Swiss National Bank submits an annual Accountability Report to the Federal Assembly in which it outlines how it has fulfilled its mandate as defined in art. 5 NBA. Furthermore, pursuant to art. 7 para. 1 NBA, the SNB submits its Business and Financial Report to the Federal Council for approval, before presenting it, together with the Audit Board's report, to the General Meeting of Shareholders for subsequent approval.

The first part of this year's report – the *100th Annual Report* of the SNB – comprises the Accountability Report for the Federal Assembly (from page 7). This is submitted to the General Meeting of Shareholders for information purposes only, and does not require their approval. It explains in detail how the National Bank has fulfilled its statutory mandate – in particular the conduct of monetary policy – and also describes the economic and monetary developments in the year under review. A summary of the Accountability Report is provided on page 7 et seq.

The Business Report, for the attention of the Federal Council and General Meeting of Shareholders, deals with organisational and operational developments at the SNB, as well as its business activities in the narrower sense, and includes the Financial Report, which contains the income statement, balance sheet and notes.

In 2007, the SNB celebrated its centenary. It marked the occasion by organising several events, publishing a commemorative publication and a number of periodicals containing historical time series, and launching an economics training programme. The official ceremony, with many guests from Switzerland and abroad, took place in Zurich in June.

A review of the 2007 economic year gives a somewhat mixed picture. On the one hand, economic developments in Switzerland were extremely favourable, as they were in the rest of Europe, with pleasing growth figures and a rise in employment. On the other hand, turbulence in the US mortgage market spread to most major international financial markets unexpectedly fast and vigorously in the second half of the year. This resulted in large write-downs at many banks and financial institutions that are active in the US mortgage market. The uncertainty as to which institutions were affected, and to what extent, resulted in a loss of confidence and disruptions on the international money markets. This clouded the economic outlook, above all in the US. It is not yet possible to arrive at a reliable assessment of the extent to which the international economy – and thus Switzerland – will be affected.

The turmoil on the financial markets prompted a number of central banks, including the Swiss National Bank, to take special measures to secure the supply of liquidity on money markets.

The Swiss National Bank's 2007 annual result for the Swiss National Bank amounted to CHF 8.0 billion (2006: CHF 5.0 billion). In accordance with the current profit distribution agreement, the amount to be paid out to the Confederation and the cantons for 2007 again totals CHF 2.5 billion.

We wish to thank the bank authorities as well as our employees for their valuable support over the past year.

Berne and Zurich, 29 February 2008

Hansueli Raggenbass

President of the Bank Council

Jean-Pierre Roth

Chairman of the Governing Board