



Ladies and Gentlemen

It is our pleasure to present the Swiss National Bank's *Annual Report* for 2019. The first part of the report comprises the accountability report to the Federal Assembly, and sets out how the SNB has fulfilled its tasks pursuant to art. 5 of the National Bank Act during the past year. The second part comprises the financial report, which provides information on organisational and operational developments as well as the financial result. The financial report is submitted for approval first to the Federal Council and then to the General Meeting of Shareholders.

Global economic growth weakened in 2019. The slowdown affected most large economies, and was particularly pronounced in the industrial sector. Risks and uncertainty resulting from the ongoing trade dispute between the US and China, as well as political imponderables, were key contributory factors. Against this backdrop, the Swiss franc once again appreciated on a trade-weighted basis over the course of the year.

Economic growth was weaker in Switzerland, too, compared with 2018. With the exception of the pharmaceuticals industry, activity in most industries in the manufacturing sector was subdued. Nevertheless, employment increased again slightly and unemployment fell. Inflation declined, but remained within the range that the SNB equates with price stability.

The SNB maintained its expansionary monetary policy. This continued to be based on the negative interest rate that the SNB imposes on sight deposits held by banks and other financial market participants at the SNB, and on its willingness to intervene in the foreign exchange market as necessary. Against the backdrop of a highly valued Swiss franc and the ongoing fragile situation on the foreign exchange market, both these measures remained essential to ensure appropriate monetary conditions.

Having previously used the target range for the three-month Libor in its monetary policy strategy, the SNB replaced this with the SNB policy rate in June 2019. This change had no impact on its monetary policy stance. Furthermore, with effect from 1 November, the SNB adjusted the basis for calculating negative interest, which led to a significant rise in exemption thresholds overall. With this adjustment the SNB reduced the burden imposed on the banking system to what is necessary for monetary policy purposes, while at the same time ensuring it still had room for manoeuvre in a global environment of persistently low interest rates.

The issuance of the new banknote series was completed in 2019 with the issue of the 1000-franc and 100-franc denominations. The new banknotes have been positively received by the public and are proving a success in the area of payments.

On the operational level, extensive construction work at the two head offices in Berne and Zurich has now been concluded. In Berne, following several years of renovations, all staff have been able to move back into the main building and the public counter has reopened. In Zurich, the conversion of the Fraumünsterstrasse premises has been completed. The SNB Forum, which occupies the ground floor and opened in October, offers an information centre for visitors as well as facilities for SNB conferences and events. As regards IT, the focus continued to be on guaranteeing cybersecurity.

The SNB's 2019 annual financial statements closed with a profit of CHF 48.9 billion, following a loss of CHF 14.9 billion in 2018. This result was primarily attributable to the profit on foreign currency positions.

The allocation to the provisions for currency reserves amounts to CHF 5.9 billion. After taking into account the distribution reserve of CHF 45.0 billion, the net profit comes to CHF 88.0 billion. This allows a dividend payment of the legally stipulated maximum amount of CHF 15 per share. According to the profit distribution agreement between the SNB and the Federal Department of Finance (FDF) for the 2016–2020 period, the Confederation and the cantons are entitled to a distribution of CHF 2 billion as the distribution reserve exceeds CHF 20 billion.

In view of the high level of the distribution reserve, the SNB and the FDF concluded a supplementary agreement in February 2020. This provides for the distribution of an additional CHF 2 billion for 2019. The total distribution to the Confederation and the cantons therefore amounts to CHF 4 billion. The distribution reserve after appropriation of profit stands at CHF 84.0 billion.

We would like to thank our employees for all their hard work and valuable support over the past year.

Berne and Zurich, 28 February 2020



BARBARA JANOM STEINER  
President of the Bank Council



THOMAS J. JORDAN  
Chairman of the Governing Board