Financial report

1 Income statement for the year 2000

	Notes	2000 Sfr millions	1999 Sfr millions	Change percent
Income from gold	01	−2 159.6	57.8	
Income from				
foreign currency investments	02	3 422.1	372.9	+817.7
reserve position in the IMF	03	87.4	91.4	−4.4
international payment instruments	04	19.0	8.2	+131.7
balance of payments support	05	12.4	16.5	−24.8
Income from				
Swiss franc repo transactions	06	513.2	150.1	+241.9
Lombard advances	07	1.9	0.8	+137.5
claims against domestic correspondents	08	2.4	1.0	+140.0
Swiss franc securities	09	164.8	30.6	+438.6
Other income	10	40.0	30.9	+29.4
Gross income		**2 103.7**	**760.1**	**+176.8**
Interest expenses	11	−336.9	−243.8	+38.2
Banknote expenses	12	−35.0	−43.8	−20.1
Personnel expenses	13	−79.5	−81.3	−2.2
General overheads	14	−93.8	−74.5	+25.9
Depreciation on tangible assets	33	−19.4	−20.9	−7.2
Net income		**1 539.1**	**295.7**	**+420.5**
Exchange rate-related valuation adjustments	15	−1 075.2	4 137.1	
Extraordinary expenses	16	−4.1	−2.3	
Extraordinary income	17	12.8	27.3	
Extraordinary revaluation gain on gold	18	27 700.5		
Aggregate income		**28 173.2**	**4 457.9**	**+532.0**
Allocation to provisions for				
the assignment of free assets	19	−18 860.4		
market and liquidity risks on gold	20	−6 589.9		
market, credit and liquidity risks	21	−1 214.9	−2 949.9	
Annual profit	49	**1 508.0**	**1 508.0**	

2 Balance sheet as of 31 December 2000

in Sfr millions

Assets	Notes	2000	1999
Gold and claims from gold transactions			
gold	22	30 014.4	10 453.2
claims from gold transactions	23	4 710.5	1 485.4
Foreign currency investments[1]	24	50 452.8	54 608.2
Reserve position in the IMF	25	2 078.8	2 677.6
International payment instruments	26	268.5	756.4
Balance of payments support	27	352.4	306.5
Claims from Swiss franc			
repo transactions	28	24 182.0	28 136.0
Lombard advances	29	0.5	1.0
Claims against domestic correspondents	30	276.3	390.8
Swiss franc securities	31	5 409.8	4 884.9
Participations	32	89.5	89.4
Tangible assets	33	537.3	556.7
Sundry assets	34	700.7	467.7
Non paid-up share capital	47	25.0	25.0
		119 098.4	104 838.9

1 of which hedged using forex swaps: 2000: none; 1999: Sfr 7,686.4 million

Liabilities	Notes	2000	1999
Banknotes in circulation	35	35 485.7	37 184.8
Sight deposit accounts of domestic banks	36	6 193.6	9 883.3
Liabilities towards the Confederation			
sight	37	164.7	112.1
time	38	9 888.0	16 749.9
Sight deposits of foreign banks and institutions	39	203.4	214.0
Other sight liabilities	40	161.5	295.4
Liabilities from Swiss franc			
repo transactions	41	–	6.5
Foreign currency liabilities	42	440.2	355.1
Sundry liabilities	43	127.6	266.4
Provisions for			
market, credit and liquidity risks	44	38 893.4	37 678.5
market and liquidity risks on gold	45	6 589.9	
operating risks	44	467.1	470.8
the assignment of free assets	46	18 860.4	
Share capital	47	50.0	50.0
Reserve fund	48	65.0	64.0
Net disposable income – annual profit	49	1 508.0	1 508.0
		119 098.4	104 838.9

3 Notes to the accounts as of 31 December 2000

3.1 Explanatory notes on business activities

The Swiss National Bank, a company limited by shares with head offices in Berne and Zurich, is Switzerland's central bank and the country's sole authorised issuer of banknotes. It is empowered under the Swiss Constitution to conduct monetary and exchange rate policies that are in the country's overall interests. All the transactions which it is permitted to perform are laid down in the National Bank Law. The National Bank has a commercial relationship with banks in Switzerland and abroad, federal agencies, other central banks and international organisations.

The National Bank's obligations towards the economy as a whole take priority over the achievement of profit. The National Bank is the only Swiss institution with authority to autonomously create money. It is not obliged to pay interest on banknotes in circulation or on sight deposits. Consequently, a large part of the income on its assets remains as an earnings surplus. As administrator of Switzerland's currency reserves, however, the National Bank bears substantial market, credit and liquidity risks, even though the assets are judiciously managed. It hedges these risks with appropriate provisions. The provisions also serve to safeguard the pursuit of monetary policy by allowing the National Bank to accumulate sufficient foreign currency reserves. The provisions must grow at least in step with gross national product (see pp. 101ff).

On 31 December 2000, the National Bank employed 575 persons (1999: 600), corresponding to 534.1 full-time posts (1999: 560.7). In addition to its head offices in Berne and Zurich, the National Bank has operating branches in Geneva and Lugano. It also has offices in Basel, Lausanne, Lucerne and St Gallen in order to monitor economic developments in Switzerland's regions.

3.2 Accounting and valuation principles

General principles

Except where stipulated otherwise in the National Bank Law (NBL), the principles applied to the books of account, asset valuation and balance sheet are governed by the Swiss Federal Code of Obligations, due account being taken of circumstances specific to the National Bank (as detailed below). Consequently, the annual financial statements are drawn up in accordance with the Swiss Accounting and Reporting Recommendations (ARR). Owing to the particular nature of its business, the National Bank does not draw up a cash flow statement or publish a mid-year statement.

Changes from the previous year

Since the new Federal law on currency and payment instruments (*Bundesgesetz über die Währung und die Zahlungsmittel*) came into force on 1 May 2000, gold has been stated at its market value rather than at the former parity price of Sfr 4,595.74 per kilogram.

Recording of transactions/ balance sheet entries

All transactions are recorded on the day the transaction is concluded. However, they are only entered in the balance sheet on the value date. Transactions which were concluded in the year under review but which are value-dated in the new year are stated under off-balance-sheet transactions.

Gold and *gold claims from lending transactions, negotiable foreign currency investments* and *Swiss franc securities* are stated at their year-end market prices (including accrued interest). Changes in market value are thus reported in the income statement.

Valuation principles

Claims and liabilities from repo transactions are stated at their nominal value including accrued repo interest. However, only the money side of the transaction is posted to the accounts. In other words, the securities transferred by the borrower to the lender are treated as if they had been pledged as security for the loan.

Derivative financial instruments used to control and hedge interest rate and exchange rate risks on foreign currency investments and USD-related currency risks on gold holdings are stated at their year-end market value. The same applies to *non-performed spot transactions on gold, negotiable foreign currency investments* and *Swiss franc securities*. Positive or negative gross replacement values are posted to the income statement and balance sheet as appropriate. In the case of *forward contracts* and *non-performed spot transactions on non-negotiable instruments*, the contract values are stated under off-balance-sheet transactions.

Participations are stated at cost less required depreciation, or at the market value in the case of non-substantive minority interests in listed companies. Since the participations are insignificant in relation to the core business, consolidated financial statements have not been prepared.

Tangible assets are stated at their acquisition cost less required depreciation.

Other items are stated at their nominal value inclusive of any accrued interest.

Foreign currency items are translated at year-end rates, whereas income from these items is translated at the exchange rates applicable at the time the income was posted to the accounts.

Foreign currency exchange rates and gold price

	2000	1999	Change in percent
Year-end rates			
CHF/USD	1.6353	1.5980	+2.3
CHF/EUR	1.5245	1.6059	−5.1
CHF/JPY	1.4242	1.5653	−9.0
CHF/GBP	2.4464	2.5844	−5.3
CHF/DKK	20.4200	21.5800	−5.4
CHF/CAD	1.0900	1.1004	−0.9
CHF/XDR[1]	2.1433	2.1862	−2.0
Gold price in CHF/kg	14 334.88	4 595.74[2]	

1 XDR: Special Drawing Rights
2 previous parity rate in accordance with the Federal Council resolution of 9 May 1971 on the fixing of the gold parity (rescinded as of 1 May 2000, see p. 44)

3.3 Notes to the income statement

High aggregate income following revaluation of gold

Summary

The extraordinarily high level of aggregate income of Sfr 28,173.2 million results mainly from the change in the basis on which gold holdings are valued. The revaluation on 1 May 2000 produced an extraordinary book profit of Sfr 27,700.5 million. Since then, the price of gold has fallen and led to a marked book loss. Including interest income from gold lending operations and income from transactions to hedge the foreign exchange risk on USD proceeds of gold sales in the future, earnings from gold amounted to Sfr –2,159.6 million.

Lower interest rates on the relevant foreign investment markets produced significant price gains on foreign currency investments compared with the considerable price losses that had been reported in 1999. Together with interest income, earnings rose from Sfr 372.9 million to Sfr 3,422.1 million, while the total of other income items increased from Sfr 329,5 million to Sfr 841.1 million. At Sfr 2,103.7 million, gross income was much higher than the Sfr 760.1 million recorded last year.

Ordinary expenses rose from Sfr 464.3 million to Sfr 564.6 million, due mainly to higher interest expenses for Confederation investments. Net income increased from Sfr 295.7 million to Sfr 1,539.1 million.

The high level of the Swiss franc produced exchange rate-related losses of Sfr 1,075.2 million on foreign currency positions, compared with a profit of Sfr 4,137.1 million in 1999. Together with the balance of extraordinary items of Sfr 8.7 million and the extraordinary Sfr 27,700.5 million revaluation gains on gold mentioned above, aggregate income totalled Sfr 28,173.2 million. The 1999 figure was Sfr 4,457.9 million.

Two new provision items created

Valuation gains on gold (extraordinary revaluation gain, changes in the market value since 1 May 2000 and income from transactions to hedge the foreign exchange risk on the proceeds of gold sales) account for Sfr 25,450.3 million of aggregate income. This sum was used to create two new provisions: Sfr 18,860.4 million was set aside for the planned assignment of the countervalue of gold holdings no longer required for monetary policy purposes (1,300 tonnes before sales began; please refer to item no. 19 in the income statement). Sfr 6,589.9 million has been set aside as a special provision for market and liquidity risks on monetary gold, i.e. the gold still held by the National Bank (approx. 1,290 tonnes, cf. p. 83 item no. 20 in the income statement). Excluding valuation gains on gold, aggregate income stood at Sfr 2,722.9 million. This permitted Sfr 1,214.9 million to be allocated to the provision for market, credit and liquidity risks. Annual profit was Sfr 1,508.0 million.

Income from gold

Item no. 01 in the income statement

This item comprises changes in the market value of gold holdings since the revaluation of 1 May 2000, income from transactions to hedge the foreign exchange risk on USD proceeds of gold sales (forward sales of USD) and interest income from gold lending business. The impact of revaluation at market value on 1 May 2000 is explained under items nos. 18–20 in the income statement.

The fall in the price of gold resulted in a Sfr 2,333.0 million drop in the market value of the National Bank's holdings. This loss was offset by a gain of Sfr 82.8 million from hedging transactions. Gold lending operations yielded income of Sfr 90.6 million, compared with Sfr 57.8 million in 1999. The increase is due primarily to higher interest rates.

	2000 Sfr millions	Change from previous year Sfr millions
Changes in market value	−2 333.0	−2 333.0
of monetary gold	−1 232.9	−1 232.9
of gold from disposable assets	−1 100.1	−1 100.1
Hedging transactions	82.8	+82.8
Gold lending business	90.6	+32.8
Total	−2 159.6	−2 217.4

Income from foreign currency investments

Item no. 02 in the income statement

Income from foreign currency investments (interest and realised and unrealised capital gains and losses) rose by Sfr 3,049.2 million to Sfr 3,422.1 million. Whereas rising interest rates had produced large capital losses in the previous year, the fall in rates on all investment markets in the course of 2000 resulted in significant capital gains. The exchange rate gains or losses resulting from the conversion of foreign currency positions is shown under exchange-rate related valuation adjustments (item no. 15 in the income statement).

Income from other foreign currency items

Items no. 03–05 in the income statement

Overall, the average reserve position in the IMF, international payment instruments and balance of payments support were lower than in the previous year. The slight increase in interest income to Sfr 118.8 million from Sfr 116.1 million in 1999 is attributable to higher earned interest.

Item no. 06
in the income statement

Income from Swiss franc repo transactions

Income from Swiss franc repo transactions amounted to Sfr 513.2 million in 2000 compared with Sfr 150.1 million in 1999. In addition to the slight increase in the average transaction volume, this sharp rise is due mainly to considerably higher interest rates.

Item no. 07
in the income statement

Income from Lombard advances

Income from Lombard advances rose by Sfr 1.1 million to Sfr 1.9 million. Both the average Lombard rate and the average level of borrowing were higher than in 1999.

Item no. 08
in the income statement

Income from claims against domestic correspondents

Despite a lower average position volume, income from claims against domestic correspondents rose by Sfr 1.4 million to Sfr 2.4 million. This increase is attributable to the change in interest conditions that came into effect on 1 April 2000. The discount rate was applied in the first quarter of the year, and the money market rate (the Lombard rate less 200 basis points) in the subsequent quarters.

Item no. 09
in the income statement

Income from Swiss franc securities

Securities income (interest plus realised and unrealised capital gains and losses) rose by Sfr 134.2 million to Sfr 164.8 million. Interest rates rose in the course of 2000 as they did in 1999. Although this increase produced capital losses, as in the previous year, they were lower because the interest rate rise was not as pronounced.

Item no. 10
in the income statement

Other income

	2000 Sfr millions	Change from previous year Sfr millions
Commissions from banking transactions	27.4	+9.7
Income from participations	6.8	+0.4
Income from real estate[1]	5.2	−0.8
Other ordinary income	0.6	−0.1
Total other income	40.0	+9.1

1 Income from real estate stems from the subletting of real estate not currently required and from the buildings in Zurich and Geneva, which serve as spare capacity.

The rise in commissions from banking transactions is a result of higher securities commissions.

Interest expenses

Item no. 11
in the income statement

Interest expenses rose by Sfr 93.1 million as against the previous year and amounted to Sfr 336.9 million. The increase is mostly attributable to higher interest expenses for liabilities towards the Confederation (including Swiss Post). Despite lower average net liabilities, these expenses rose significantly owing to much higher interest rates.

	2000	Change from previous year
	Sfr millions	Sfr millions
Interest expenses for liabilities towards the Confederation	317.6	+76.2
less interest income from onward placements	–	−12.8
Net interest expenses for liabilities towards the Confederation	317.6	+89.0
Interest on depositors' balances	6.4	+0.8
Interest expenses for liabilities from Swiss franc and foreign currency repo transactions	12.8	+3.2
Total interest expenses	336.9	+93.1

Banknote expenses

Item no. 12
in the income statement

Banknote expenses correspond to the cost of producing the banknotes of the eighth issue which entered circulation in 2000.

Personnel expenses

Item no. 13
in the income statement

	2000	Change from previous year	
	Sfr millions	Sfr millions	percent
Wages, salaries and allowances	62.9	−1.4	−2.2
Welfare benefits	11.7	+0.1	+0.9
Other personnel expenses	4.9	+0.4	+8.9
Allocations to the pension fund	–	−1.0	−100.0
Total personnel expenses	79.5	−1.8	−2.2

Other personnel expenses relate primarily to recruitment, training and cafeteria facilities.

Item no. 14
in the income statement

General overheads

	2000	Change from previous year	
	Sfr millions	Sfr millions	percent
Direct expenses for banking operations	41.5	+14.5	+53.7
Premises	13.5	−0.8	−5.6
Furniture and fixtures	9.4	+1.4	+17.5
Other general overheads	29.5	+4.3	+17.1
Total general overheads	93.8	+19.3	+25.9

Direct expenses from banking operations

This item relates to direct costs incurred in connection with banknotes in circulation (including remuneration to agencies) plus commission and charges from the management of financial investments and gold, plus securities commissions retroceded. The latter are the main cause for the increase in this item.

Premises

This item comprises outlays on the maintenance and operation of the Bank's buildings and on rented office accommodation.

Furniture and fixtures

This item comprises expenditure on the maintenance and upkeep of vehicles, machinery, furnishings and computer hardware and software.

Other general overheads

Other general overheads comprise general administrative expenses and third-party consultancy and support expenses plus information retrieval and security outlays.

This item also includes a contribution of Sfr 5.3 million (1999: Sfr 5.4 million) to the operating costs of the Study Center Gerzensee.

Exchange rate-related value adjustments

Item no. 15 in the income statement

The value of foreign currency holdings – which comprise foreign currency investments (basic investments and hedging transactions), the reserve position in the IMF, international payment instruments, balance of payments support and foreign currency liabilities – was subject to the following exchange-rate related value adjustments:

	2000 Sfr millions	1999 Sfr millions
USD	+333.8	+3 164.4
EUR[1]	−1 030.2	−18.4
JPY	−160.8	+278.1
GBP	−119.4	+202.4
DKK	−84.5	−0.3
CAD	+21.2	+40.3
XDR	−35.2	+470.7
Other currencies	−0.1	+0.1
Total	−1 075.2	+4 137.1

1 comprises mark-ups on positions already converted into euros and on positions which are still denominated in the respective euro area currency

Extraordinary expenses

Item no. 16 in the income statement

This item includes expenses of Sfr 2.2 million for the National Bank's Expo.02 project and Sfr 1.7 million in book-value write-downs on the sale of cash processing machines that are no longer required.

Extraordinary income

Item no. 17 in the income statement

The principal components of this item are proceeds in excess of the book value of Sfr 11.9 million from the sale of the premises in Basel, Lausanne, Lucerne and St Gallen.

Extraordinary revaluation gain on gold

Item no. 18 in the income statement

The entry into force of the new Federal law on currency and payment instruments at the beginning of May 2000 relieved the National Bank of its obligation to value its gold holdings at the parity rate of Sfr 4,595.74 per kilogram. As is the case with other negotiable assets, gold has since been stated at its market value.

The revaluation of gold holdings on 1 May at Sfr 15,290.54 per kilogram resulted in a gain of Sfr 27,700.50 million.

Item no. 19
in the income statement

Allocation to the provision for the assignment of free assets

In view of the planned assignment of the countervalue of 1,300 tonnes of gold that is no longer needed for monetary policy purposes, the National Bank created a new item, provision for the assignment of free assets, of Sfr 18,860.4 million. This figure has been set on the basis of the market value of the 1,300 tonnes of gold, i. e. Sfr 19,877.7 million on 1 May 2000, less the Sfr 1,100.1 million loss in the value of gold that has since occurred, plus Sfr 82.8 million in income from transactions to hedge the foreign exchange risk on the proceeds of gold sales.

Item no. 20
in the income statement

Allocation to the provision for market and liquidity risks on gold

As a result of the gold revaluation, a special provision was created for market and liquidity risks on monetary gold, i.e. that portion that remains with the National Bank (approximately 1,290 tonnes). The first-time allocation to this new provision was calculated from the revaluation gain of Sfr 27,700.5 million from the revaluation of the entire gold holdings on 1 May 2000, less the Sfr 19,877.7 million (as at 1 May) countervalue of 1,300 tonnes of gold that are no longer needed for monetary policy purposes. Subsequent changes in the market value of monetary gold were posted to this new provision item. Since 1 May 2000, these changes have amounted to Sfr -1,232.9 million as a consequence of the fall in the gold price. The first ever allocation to this provision was thus Sfr 6,589.9 million for the year 2000.

Item no. 21
in the income statement

Allocation to provision for market, credit and liquidity risks

Income for the year under review allowed for an increase in the provision for market, credit and liquidity risks. However, at Sfr 1,214.9 million, the allocation for 2000 was much lower than in 1999, when Sfr 2,949.9 million was transferred.

3.4 Notes to the balance sheet

Compared with the previous year, the balance sheet total rose by Sfr 14.3 billion to Sfr 119.1 billion. This sharp rise in the total is due to the reporting of gold holdings at their market value, which became official practice as of 1 May 2000. This was partially offset by lower foreign exchange investment positions and lower claims from Swiss franc repo transactions caused by lower year-on-year liquidity requirements on the part of the banks and the general public in the form of sight deposit balances and banknotes (the changeover to the new millennium being a factor in 1999), and the marked reduction in net time liabilities towards the Confederation.

Items no. 22 and 23 in the balance sheet

Gold and claims from gold transactions

The entry into force of the new Federal law on currency and payment instruments relieved the National Bank of its obligation to value its gold holdings at the former parity rate of Sfr 4,595.74 per kilogram (see p. 43). Since the beginning of May, the principle whereby negotiable assets are stated at their market value has also applied to gold. The revaluation on 1 May 2000 of total gold holdings (both physical gold holdings and claims from gold transactions) produced a market value of Sfr 39,605.1 million on the basis of a gold price of Sfr 15,290.54 per kilogram. This resulted in an extraordinary book profit of Sfr 27,700.5 million (cf. item no. 18 in the income statement).

Gold

Physical gold holdings, which are stored at a variety of locations in Switzerland and abroad, declined by 180.7 tonnes compared with 1999. Of this figure, 170.8 tonnes were sold and 9.9 tonnes are accounted for by lending transactions and higher balances on metals accounts.

	2000		**1999**	
	Tonnes	Market value in Sfr millions	Tonnes	Parity value in Sfr millions
Gold ingots	1918.6	27503.0	2099.3	9647.9
Gold coins	175.2	2511.4	175.2	805.3
Total	2093.8	30014.4	2274.5	10453.2

Claims from gold transactions

This item relates principally to secured and unsecured claims from gold lending transactions. Transactions are effected with first-class Swiss and foreign financial institutions. At the end of 2000, there were outstanding claims of over 323.8 tonnes, corresponding to a market value of Sfr 4,685.4 million (including accrued interest) on gold lending transactions.

	2000		1999	
	Tonnes	Market value in Sfr millions	Tonnes	Parity value in Sfr millions
Claims from unsecured gold lending transactions	238.8	3 448.8	242.4	1 140.1
Claims from secured gold lending transactions[1]	85.0	1 236.6	73.3	345.2
Claims on metals accounts	1.8	25.1	0.0	0.0
Total	325.6	4 710.5	315.7	1 485.4

1 secured by the deposit of first-class securities with a market value of Sfr 1,252.7 million

Item no. 24 in the balance sheet

Foreign currency investments

Government paper is mainly denominated in the currency of the country of issue. The debtor category "monetary institutions" refers to investments at the BIS and holdings of World Bank securities. Bank investments are effected with institutions enjoying very high credit ratings.

Foreign currency investments by currency[1]

	2000			Change from previous year	
	millions		percent	millions	
	original currency	Sfr	weighting	original currency	Sfr
USD[2]	12 552.4	20 526.9	40.7	−5 691.2	−8 626.3
EUR[3]	14 596.1	22 251.8	44.1	+2 092.9	+2 173.0
JPY	120 290.5	1 713.2	3.4	+45 433.7	+541.5
GBP	1 201.7	2 939.8	5.8	+466.1	+1 038.8
DKK	9 915.2	2 024.7	4.0	+3 618.7	+665.9
CAD	913.7	996.0	2.0	+55.8	+51.9
Others		0.5	0.0		−0.1
Total		**50 452.8**[4]	**100.0**		**−4 155.4**

1 The breakdown by currency refers to basic investments and does not take currency hedging transactions into account.
2 of which hedged using forex swaps: 2000: none; 1999: Sfr 7,686.4 million
3 comprises positions already converted into euros and positions which are still denominated in the respective euro area currency
4 Of these, non-negotiable investments account for Sfr 10,742.4 million (1999: Sfr 11,282.7 million).

Foreign currency investments by borrower and currency[1]

	2000			Change from previous year	
	millions		percent	millions	
	original currency	Sfr	weighting	original currency	Sfr
Government paper					
USD	6840.9	11186.9	22.2	−3966.4	−6083.1
EUR[2]	11275.3	17189.2	34.1	+1139.8	+912.6
JPY	119491.3	1701.8	3.4	+51835.8	+642.8
GBP	1059.7	2592.5	5.1	+417.9	+933.9
DKK	8677.5	1771.9	3.5	+2500.7	+438.9
CAD	911.2	993.2	2.0	+54.7	+50.7
Total		35435.5	70.2		−3104.2
Monetary institutions					
USD	1286.8	2104.3	4.2	−1946.5	−3062.5
EUR[2]	260.6	397.3	0.8	+90.2	+123.6
JPY	193.9	2.8	0.0	−927.2	−14.7
GBP	128.0	313.1	0.6	+86.8	+206.7
DKK	343.7	70.2	0.1	+324.5	+66.0
CAD	2.3	2.5	0.0	+1.0	+1.1
Others		0.5	0.0		–
Total		2890.7	5.7		−2679.8
Banks					
USD	4424.7[3]	7235.7	14.3	+221.7	+519.3
EUR[2]	3060.1[4]	4665.1	9.2	+862.9	+1136.6
JPY	605.3	8.6	0.0	−5474.9	−86.6
GBP	14.0[5]	34.2	0.1	−38.6	−101.8
DKK	894.0	182.6	0.4	+793.6	+160.9
CAD	0.2	0.2	0.0	+0.1	–
Others		0.1	0.0		–
Total		12126.6	24.0		+1628.4
Total		**50452.8[6]**	**100.0**		**−4155.4**

The holdings stated contain securities used for repo transactions (market value: Sfr 492.2 million) and securities lodged as initial margin with counterparties to futures transactions (market value: Sfr 105.6 million).

1 The breakdown by currency refers to basic investments and does not take currency hedging transactions into account.

2 comprises positions already converted into euros and positions which are still denominated in the respective euro area currency

3 Of this, 63.8% is accounted for by organisations with an indirect government guarantee.

4 Of this, 1.9% is accounted for by organisations with an indirect government guarantee.

5 Of this, 50.5% is accounted for by organisations with an indirect government guarantee.

6 Of this, non-negotiable investments account for Sfr 10,742.4 million (1999: Sfr 11,282.7 million).

Item no. 25 in the balance sheet

Reserve position in the IMF

The reserve position corresponds to the difference between the Swiss quota in the IMF financed by the National Bank and the IMF's Swiss franc credit balance held at the National Bank. It may be likened to a currency reserve position and may be used as such by the National Bank at any time.

	2000 millions		Change from previous year millions	
	XDR	Sfr	XDR	Sfr
Swiss quota with IMF	3 458.5	7 412.5	–	−148.3
less IMF's Swiss franc sight balances at the National Bank[1]	−2 488.6	−5 333.7	−254.9	−450.5
Reserve position in the IMF	969.9	2 078.8	−254.9	−598.8

1 Balance after deduction of accrued interest amounting to XDR 6.2 million (Sfr 13.4 million) on the reserve position.

Item no. 26 in the balance sheet

International payment instruments

Special Drawing Rights (XDR) are interest-yielding sight balances with the IMF. The National Bank has undertaken towards the IMF to purchase XDR against foreign currencies up to a limit of XDR 400 million.

	2000 millions		Change from previous year millions		Undertakings 2000 millions
	XDR	Sfr	XDR	Sfr	XDR
XDR	125.3[1]	268.5	−220.7	−487.9	275.3

1 Including accrued interest.

Item no. 27
in the balance sheet

Balance of payments support

The bilateral credits are medium-term, dollar-denominated credits used for internationally co-ordinated balance of payments assistance in which Switzerland participates by providing a tranche. The dollar-denominated credits to Romania and Bulgaria were repaid and Bulgaria received a new credit, denominated in euros.

The PRGF (Poverty Reduction and Growth Facility, formerly ESAF II – Prolonged Structural Adjustment Facility II) is a trust fund administered by the IMF which finances long-term low-interest credits to needy developing countries. As a result of further withdrawals from this facility, the IMF increased required contributions by XDR 43.0 million in 2000. General Arrangements to Borrow (GAB) and New Arrangements to Borrow (NAB) are special credit mechanisms which can be used to provide the IMF with additional liquidity if its own funds are insufficient. There were no outstanding credits under these arrangements at the end of 2000. The facility and thus the National Bank's undertaking of XDR 1,557.0 million remain unchanged. While the Confederation guarantees interest and principal repayments for the bilateral credits and Switzerland's participation in the PRGF credit account, the National Bank finances Switzerland's contributions to the GABs and NABs without any guarantee from the federal government.

	Outstanding credits 2000 millions		Change from previous year millions		Undertakings 2000 millions
	USD	Sfr	USD	Sfr	USD
Bilateral credits					
Romania	–	–	–7.3	–11.7	–
Bulgaria	–	–	–32.3	–51.7	–
	EUR	Sfr	EUR	Sfr	EUR
Bulgaria	14.3	21.8	+14.3	+21.8	–
	XDR	Sfr	XDR	Sfr	XDR
Credit facilities in conjunction with the IMF					
PRGF (formerly ESAF II)	154.2	330.6	+43.0	+87.4	0.2
Total		**352.4**		**+45.9**	

Item no. 28
in the balance sheet

Claims from Swiss franc repo transactions

Repo transactions, the principal instrument of monetary policy, are used to provide the banking system with liquidity against the repurchase of securities. Claims from repo transactions are secured by securities from either the "SNB Basket" (Swiss franc-denominated bonds of Swiss or foreign borrowers acceptable to the National Bank as security, and money market debt register claims of the Confederation and the cantons) or the "German GC Basket" (euro-denominated German government paper, plus certain World Bank issues).

Item no. 29
in the balance sheet

Lombard advances

Lombard loans are used by the banks as a stopgap for unforeseeable liquidity shortfalls. At the end of 2000, a total of 161 credit lines were outstanding, 3 fewer than at the end of 1999.

Credit lines outstanding, collateral values and drawdowns are summarised below.

	2000 Sfr millions	Change from previous year Sfr millions
Credit lines outstanding at end-year	9 153.8	−127.1
Value of collateral at end-year[1]	9 910.6	−89.1
Yearly average of drawn advances	42.9[3]	+12.5
Maximum drawdown[2]	1 202.0	+188.0

1 market prices less 10–35 %
2 daily peak
3 average of values on working days

Item no. 30
in the balance sheet

Claims against domestic correspondents

647 branches of 66 banks (1999: 710 branches of 78 banks) perform local cash redistribution transactions for the National Bank and cover the cash requirements of federal institutions (Swiss Post, Swiss Federal Railways). In the first quarter of 2000, the claims attracted interest at the previous discount rate. From 1 April 2000 onwards, interest was paid at the Lombard rate less 200 basis points.

Swiss franc securities

These are exchange-listed bonds.

Item no. 31
in the balance sheet

	2000 Sfr millions	% weighting	Change from previous year Sfr millions
Domestic borrowers			
Confederation	1 169.8	21.6	–
Cantons	925.8	17.1	−299.3
Communes	400.6	7.4	−141.2
Mortgage bond institutions	1 059.4	19.6	+50.4
Banks	864.5	16.0	−45.5
Foreign borrowers			
Governments	245.1	4.5	+228.0
Banks	414.1	7.7	+403.1
International organisations	**330.6**	**6.1**	**+329.5**
Total market value[1]	**5 409.8**	**100.0**	**+524.9**
Total nominal value	5 134.6		+637.8

1 year-end prices plus accrued interest

The positions stated contain securities with a market value of Sfr 9.1 million used as margin deposits for Swiss franc repo transactions.

Participations (not consolidated) in Sfr millions

Item no. 32
in the balance sheet

	Value as of 31.12.1999	Investments	Divestments	Changes in the market value	Value as of 31.12.2000
Orell Füssli	27.0	–	–	–	27.0
BIS	61.0	–	–	–	61.0
Others	1.5	–	–	0.0	1.5
Total	89.4	–	–	0.0	89.5

The National Bank holds 33.34% of the share capital of Orell Füssli Holding Ltd, Zurich, whose subsidiary Orell Füssli Security Documents Ltd prints the SNB's banknotes. In 2000, the nominal value of this company's registered share was once again reduced by Sfr 20. A reduction by the same amount took place in 1999. The sum of Sfr 1.3 million which accrued to the National Bank from this transaction was credited to income from participations.

The 3.1% interest in the Bank for International Settlements (BIS) is held for reasons of collaboration on monetary policy.

Other participations include stakes held in Telekurs Holding Ltd., Zurich, Sihl, Zurich (a paper mill) and the SWIFT Society for Worldwide Interbank Financial Telecommunications S.G., La Hulpe (Belgium), plus the shares in the successor to two companies which had been established in connection with the foundation of the Study Center Gerzensee.

Item no. 33
in the balance sheet

Tangible assets

Tangible assets are stated at their historical cost and written down on a straight-line basis over their estimated useful life. Low-value acquisitions of less than Sfr 1,000 are charged directly to general overheads.

This year, the "Specific conversion work" category is reported separately for the first time.

At Sfr 15.5 million (1999: Sfr 17.1 million), the "Sundry tangible assets" item accounted for the greater part of the depreciation figure. A further Sfr 3.9 million (1999: Sfr 3.8 million) of depreciation was accounted for by real estate, including specific conversion work for the National Bank.

The stocks of new banknotes which have not been put into circulation yet are stated at cost. These production costs are charged to the income statement in line with the notes' entry into circulation.

Schedule of assets in Sfr millions

	Banknote stocks	Real estate[1]	Specific conversion work	Fixed assets under construction	Sundry tangible assets[2]	Total
Period of depreciation	as per usage	100 years	10 years	no depreciation	3–12 years	
Historical cost						
Gross value as of beginning of 2000	154.7	347.3	4.3	24.4	88.9	619.5
Additions	41.5	0.5	5.2	11.9	15.9	74.9
Disposals	−35.0	−38.6	–	–	−16.2	−89.7
Reclassified		0.5	9.7	−15.5	5.2	
Gross value as of end of 2000	161.2	309.7	19.2	20.8	93.8	604.7
Cumulative depreciation						
Valuation adjustments as of beginning of 2000		6.8	0.5		55.5	62.8
Additions		3.2	0.7		15.5	19.4
Disposals		−0.9	–		−13.9	−14.8
Reclassified		–	–		–	
Valuation adjustments as of end of 2000		9.1	1.2		57.1	67.4
Net book values						
Net book value as of beginning of 2000	154.7	340.5	3.8	24.4	33.4	556.7
Net book value as of end of 2000	161.2	300.6	18.0	20.8	36.7	537.3

1 The insured value of real estate at end-2000 was Sfr 336.1 million (end-1999: Sfr 403.8 million).

2 The insured value of sundry tangible assets at end-2000 was Sfr 61.0 million (end-1999: Sfr 60.3 million).

Real estate

In the context of the new cash distribution concept, the premises of the branch offices in Basel, Lausanne, Lucerne and St Gallen were sold.

Sundry tangible assets

This category principally includes investments in information technology, machinery, equipment, furnishings and vehicles.

Sundry assets in Sfr millions

	2000	Change from previous year
Coins (including medallions)[1]	373.1	−39.1
Foreign notes	0.1	–
Postal giro accounts	0.0	−0.4
Other accounts receivable	33.0	−2.1
Other cheques and bills of exchange (collection business)	1.5	−4.1
Positive replacement values (forward contracts)[2]	292.9	+278.5
Total	700.7	+233.0

Item no. 34
in the balance sheet

1 Coins comprise the commemorative coins and medallions acquired by Swissmint which are placed in circulation by the National Bank.
2 Positive replacement values correspond to unrealised gains on derivative financial instruments that are not reported in the balance sheet. By far the greater part of this item is derived from foreign currency forward transactions concluded to hedge currency risks (cf. p. 103).

Accruals

Accrued interest on gold claims (Sfr 43.6 million), foreign currency investments (Sfr 959.4 million), the reserve position in the IMF (Sfr 13.4 million), international payment instruments (Sfr 1.5 million), balance of payments support (Sfr 5.9 million), claims from Swiss franc repo transactions (Sfr 22.0 million) and Swiss franc securities (Sfr 150.2 million) is contained in the corresponding balance sheet items.

Banknotes in circulation

Item no. 35
in the balance sheet

This comprises all banknotes held by the general public and the banks. Of the banknotes originating from the sixth issue, which were recalled in May 2000 and are exchangeable at the National Bank until 30 April 2020, a total of Sfr 3.7 billion were still outstanding at the end of the year.

On 4 May 2000, in accordance with the Federal law on currency and payment instruments, the National Bank transferred a total of around Sfr 244 million to the Swiss Fund for Emergency Losses. This amount corresponds to the countervalue of banknotes originating from the second and fifth issues which had not been exchanged by 30 April 2000 and had thus become worthless.

The requirement to secure notes in circulation by means of gold and certain other assets no longer applies with the entry into force of the Federal law on currency and payment instruments as of 1 May 2000.

Item no. 36
in the balance sheet

Sight deposit accounts of domestic banks

The 290 sight deposit accounts (1999: 293) of the 267 banks (1999: 283) do not bear interest. They form the basis on which the National Bank controls monetary policy and facilitate cashless payments within Switzerland. They are also a component of the liquidity which the banks are legally required to hold.

Items no. 37 and 38
in the balance sheet

Liabilities towards the Confederation

The sight deposits of the Confederation (including those of Swiss Post) facilitate the domestic and foreign payments transactions of the Federal Government and its agencies.

Interest ceased to be paid on sight deposits from Swiss Post on 1 November 2000, when Postfinance joined the Swiss Interbank Clearing system (SIC). Also on 1 November 2000, the interest limit on sight deposits held by the Confederation was raised to Sfr 600 million.

Interest at market rate is paid on the time deposits of the Confederation and Swiss Post. At year-end, liabilities towards the Confederation were Sfr 8,168.1 million (1999: Sfr 9,013.9 million), and liabilities towards Swiss Post were Sfr 1,719.9 million (1999: Sfr 7,736.0 million). The National Bank is free to place these funds on the market for monetary management reasons, in which case the Confederation bears the credit risk. No onward placements were made during 2000. Necessary liquidity was made available by means of repo transactions instead.

Item no. 39
in the balance sheet

Sight deposits of foreign banks and institutions

The 210 (1999: 221) accounts are denominated in Swiss francs and do not bear interest. They are held primarily by foreign central or commercial banks.

Item no. 40
in the balance sheet

Other sight liabilities

These comprise accounts held by active and retired employees, liabilities towards pension funds amounting to Sfr 16.2 million (1999: Sfr 12.8 million) and liabilities towards individual non-banks.

Item no. 41
in the balance sheet

Liabilities from Swiss franc repo transactions

As an instrument for regulating the money market, the National Bank may use repos to withdraw liquidity from the market. Such transactions were used in particular at the beginning of 2000 in order to reduce the high level of sight deposits that had been held in connection with the changeover to the new year and new millennium. This item also includes cash margins from Swiss franc repo transactions. There were no outstanding liabilities at the end of the year.

Item no. 42
in the balance sheet

Foreign currency liabilities

This item consists of liabilities from repo transactions aimed at managing foreign currency investments (Sfr 439.5 million) plus sight liabilities towards the Confederation denominated in foreign currencies.

Sundry liabilities in Sfr millions

Item no. 43
in the balance sheet

	2000	Change from previous year
Other liabilities	27.6	−0.9
Negative replacement values (forward contracts)[1]	100.0	−137.9
Total	127.6	−138.8

1 Negative replacement values correspond to unrealised losses on derivative financial instruments that are not reported in the balance sheet. By far the greater part of this item is derived from foreign currency forward transactions concluded to hedge currency risks (see p. 103).

Deferrals

Accrued interest on forward liabilities towards the Confederation (Sfr 43.0 million) and liabilities from foreign currency repo transactions (Sfr 0.7 million) are contained in the corresponding balance sheet positions.

Provisions for market, credit and liquidity risks, and for operating risks

Item no. 44
in the balance sheet

If the effect of the market valuation of gold is factored out, aggregate income was much lower than the previous year. The provision for market, credit and liquidity risks could nonetheless be expanded by Sfr 1,214.9 million. Provisions thus exceed the minimum figure stipulated in the profit calculation concept (see p. 101ff).

Provisions in Sfr millions	Provisions on 31.12.1999	Allocated to provisions	Released from provisions	Provisions on 31.12.2000	Change from previous year
Market, credit and liquidity risks	37 678.5	1 214.9	–	38 893.4	+1 214.9
Operating risks	470.8	–	3.8[1]	467.1	−3.8
Total	38 149.3	1 214.9	3.8	39 360.5	+1 211.2

1 Amounts disbursed to staff taking early retirement as a result of the new cash distribution concept and for the auditing costs of the Fund for Needy Victims of the Holocaust/Shoah.

Market, credit and liquidity risks consist to a large extent of exchange rate risks on foreign currency investments. The interest risks on foreign currency investments and Swiss franc securities are also significant. Credit risks are primarily settlement risks attached to foreign exchange transactions.

Item no. 45
in the balance sheet

Provision for market and liquidity risks on gold

This newly created provision takes account of the market and liquidity risks associated with monetary gold, i.e. the gold still held by the National Bank (approximately 1,290 tonnes). Fluctuations in the market value of monetary gold are allocated to this provision item. However, it is not included in the calculation of residual surplus on provisions in accordance with the profit distribution agreement with the Confederation (cf. p. 101f.). The provision for market and liquidity risks on gold is an important contra entry to those gold holdings that remain with the National Bank. As monetary gold holdings are not available for other public-sector purposes, the contra item may not be included among distributions either. This provision stood at Sfr 6,589.9 million as at year-end.

Item no. 46
in the balance sheet

Provision for the assignment of free assets

This newly created provision reflects the fact that 1,300 tonnes of gold are no longer required for monetary policy purposes, as well as the National Bank's intention to assign the countervalue of this gold for other public-sector purposes in the near future. The provision corresponds to the market value of that part of the 1,300 tonnes of gold that has not yet been sold, plus income from transactions to hedge the foreign exchange risk on the dollar proceeds of gold sales, as well as the income received from sales of gold. This provision stood at Sfr 18,860.4 million as at year-end.

Item no. 47
in the balance sheet

Share capital

The share capital of the National Bank remains unchanged. Totalling Sfr 50 million, it is divided into 100,000 registered shares of Sfr 500 each, of which 50% (Sfr 250) is paid up.

In the year under review, the Bank Committee authorised the transfer of 8,693 shares to new holders. As of 31 December 2000, applications for registration were pending or outstanding for 10,789 shares.

The shares were distributed as follows:

1 055 private shareholders each with	1	share
1 391 private shareholders each with	2–10	shares
460 private shareholders each with	11–100	shares
20 private shareholders each with	101–200	shares
14 private shareholders each with	over 200	shares
2 940 private shareholders with a total of	33 347	shares
26 cantons with a total of	38 981	shares
24 cantonal banks with a total of	14 921	shares
39 other public authorities and institutions with a total of	1 962	shares
89 public-sector shareholders with a total of	55 864	shares
3 029 shareholders with a total of	89 211	shares
Registration applications pending or outstanding for	10 789	shares
Total	100 000	shares

Of the shares registered 63% belonged to cantons, cantonal banks and other public-law bodies and institutions, and 37% were registered in the names of private shareholders; of the latter, 78% were held by private individuals and 22% by legal entities. 2,328 shares (without voting rights) were in foreign ownership; this is equivalent to 2.3% of the share capital.

The price of the National Bank share – which, owing to its legally stipulated maximum dividend of 6%, generally develops along similar lines to a long-term Confederation bond with a 6% coupon – ranged between Sfr 651 and Sfr 855 during the year.

The number of transactions fell by almost 25% year-on-year. The number of pending or outstanding applications for registration declined by 4%.

The following major shareholders held more than 5% of the voting rights, i.e. at least 5.000 registered shares:

	Number of shares		Percentage held	
	2000	Change from previous year	2000	Change from previous year
Canton of Berne	6 630	–	6.63%	–
Canton of Zurich	5 200	–	5.20%	–

Reserve fund

Item no. 48 in the balance sheet

The reserve fund was increased by Sfr 1.0 million (the legally permitted maximum) to Sfr 65.0 million by an allocation from the 1999 annual profit.

Annual profit – calculation and distribution

Item no. 49 in the balance sheet and income statement

The calculation of profit takes due account of the special features of the National Bank's operations. The Bank must be in a position to perform the duties assigned to it by the Constitution without having to yield a profit. Consequently, it does not distribute its entire earnings surplus but allocates funds to provisions which cover economic risks as well as serving the customary business management purposes. The provisions are used primarily as a means of forming currency reserves. These reserves allow the National Bank to intervene on the market in the event of the Swiss franc becoming excessively weak. The currency reserves also make Switzerland's national economy less vulnerable to international crises and thereby ensure confidence in the Swiss franc. The need for currency reserves is growing in line with the size and globalisation of the Swiss economy.

An agreement reached on 24 April 1998 between the National Bank and the Federal Department of Finance regarding the distribution of profits confirmed that provisions should continue to be increased in line with growth in nominal gross national product. The targeted percentage rise is based on the average increase in nominal GNP over the past five years. This avoids the need for subsequent corrections and prevents large fluctuations from year to year.

The residual surplus as specified in art. 27 para. 3 (b) of the National Bank Law is calculated after the other statutory profit distributions have been determined (art. 27 paras. 1–2 and para. 3 (a) NBL). Such a surplus exists if actual provisions exceed the target figure. The agreement with the Finance Department stated that, in order to achieve an even steadier flow of payments, the distributions to the Confederation and cantons were to be fixed in advance – on the basis of earnings forecasts – at Sfr 1.5 billion per annum for the period 1998–2002. These distributions are being paid out of the earnings surpluses for financial years in question and from the residual surplus from actual provisions remaining at the end of 1997. If these surpluses are insufficient for the payment of the agreed distributions, the National Bank is prepared to agree to a temporary drop in provisions below the targeted level so that it can still remit the sum of Sfr 1.5 billion. Provisions may not, however, fall below 60% of the targeted level. If necessary, the distribution may have to be reduced or even suspended altogether during the five-year period.

Target levels of provisions for market, credit and liquidity risks, for operational risks and calculation of the residual surplus and distribution

	Growth in nominal GNP	**Provisions for market, credit and liquidity risks, and for operating risks as at year-end** Sfr millions		**Residual surplus prior to distribution** Sfr millions	**Distribution** Sfr millions
	in percent (average period)[1]	targeted level	actual level prior to distribution[2]		
	(1)	(2)	(3)	(4) = (3) – (2)	(5)
1997	2.9 (1991–95)	25 191.9	34 892.2	9 700.3	600.0
1998	1.8 (1992–96)	25 645.4	36 700.4	11 055.0	1 500.0
1999	1.9 (1993–97)	26 132.7	39 649.3	13 516.6	1 500.0
2000	2.0 (1994–98)	26 655.4	40 860.5	14 205.1	1 500.0
2001	2.6 (1995–99)	27 337.8			

1 The figures for nominal GNP are revised on a continuous basis. The growth rates shown in the table thus differ slightly from the percentages calculated on the basis of the latest available data.

2 The balance sheet item – "Provisions for market, credit and liquidity risks, and for operating risks" – corresponds to this figure less the distribution of Sfr 1.5 billion to the Confederation and the cantons.

3.5 Notes regarding off-balance-sheet business

	2000 Sfr millions	Change from previous year Sfr millions
Outstanding undertakings		
Two-way arrangement (IMF)[1]	590.0	+469.2
General Arrangements to Borrow (GAB) and New Arrangements to Borrow (NAB)[2]	3337.1	−66.7[3]
Poverty Reduction and Growth Facility PRGF (formerly ESAF II)[4]	0.4	−92.4
Substitution undertaking to the Bank for International Settlements (BIS)[5]	–	−234.1
Other off-balance-sheet items		
Additional funding obligation for registered shares of BIS[6]	125.0	−5.2
Documentary credits[7]	8.9	−1.3
Other payment obligations[8]	11.9	−5.4
Fiduciary investments of the Confederation	648.5	+272.7

	Contract value Sfr millions	Gross replacement value Sfr millions	
		positive	negative
Outstanding derivative financial instruments			
Interest rate instruments	**9326.9**	**6.2**	**3.9**
Forward contracts	7688.2	2.0	1.0
Interest rate swaps	264.1	4.0	2.9
Futures	1374.6	0.1	–
Foreign currency	**8459.1**	**286.6**	**96.1**
Forward contracts	8459.1	286.6	96.1
Precious metals	**193.9**	**0.1**	**–**
Forward contracts[9]	193.9	0.1	–
Total, end-2000	**17979.9**	**292.9**	**100.0**
Total, end-1999	9120.2	14.4	237.9

1 National Bank undertaking to purchase Special Drawing Rights against currency up to the agreed maximum of XDR 400 million or to return the Special Drawing Rights in exchange for currency (cf. item 26 in the balance sheet)

2 Credit line totalling XDR 1,557 million (of which a maximum of XDR 1,020 million under GABs) in favour of the IMF for special cases, without a federal guarantee (cf. item 27 in the balance sheet)

3 Change due entirely to exchange rates

4 Limited-term credit undertaking to the IMF's trust fund amounting to XDR 151.7 million (cf. item 27 in the balance sheet and p. 62)

5 As of 12 April 2000, the Banco Central do Brasil repaid all outstanding sums that it had received as part of a balance of payments support package to Brazil from the BIS. The National Bank's substitution undertaking of USD 146.5 million to the BIS has thus expired.

6 BIS shares are only 25% paid up; the additional funding obligation is calculated in gold francs, i.e. is closely related to the gold price. The change is due exclusively to the decline in the gold price.

7 Chiefly in connection with development aid provided by the Confederation (covered by balances earmarked for this purpose)

8 Liabilities from long-term rental and maintenance contracts

9 From spot transactions and gold lending with value dates in the new year

4 Proposals of the Bank Council to the Annual General Meeting of Shareholders

At its meeting of 9 March 2001, the Bank Council accepted the proposal of the Bank Committee to approve the 93rd Annual Report for the year 2000, as presented by the Governing Board, for submission to the Federal Council and the Annual General Meeting of Shareholders.

On 16 March 2001, the Federal Council approved the Annual Report and the annual financial statements pursuant to Article 63 paragraph 2 (i) of the National Bank Law. The Auditing Committee produced its report pursuant to Article 51 paragraph 2 of the National Bank Law on 5 February 2001.

The Bank Council proposes to the Annual General Meeting[1]:

1. that the present Annual Report including annual financial statements be approved;
2. that the statutory bodies entrusted with the Bank's administration be granted discharge;
3. that the net disposable income of Sfr 1,507,998,949.60 be appropriated as follows:

allocation to the reserve fund (Art. 27 para. 1 NBL)	Sfr	1 000 000.––
payment of a dividend of 6% (Art. 27 para. 2 NBL)	Sfr	1 500 000.––
payment to the Federal Finance Administration:		
for the account of the cantons, Sfr 0.80 per capita (Art. 27 para. 3 (a) NBL)	Sfr	5 498 949.60
for the account of the Confederation and cantons (Art. 27 para. 3 (b) NBL)	Sfr	1 500 000 000.––
	Sfr	1 507 998 949.60

1 For the proposal regarding the reappointment of the Auditing Committee, see page 72.

5 Report of the Auditing Committee to the Annual General Meeting of Shareholders

Dear Mr Chairman
Ladies and Gentlemen

As the Auditing Committee, we have audited the books of account and annual financial statements (balance sheet, income statement and notes) of the Swiss National Bank for the year ended 31 December 2000. We confirm that we meet the legal requirements concerning professional competence and independence.

Our audit was conducted in accordance with the Swiss auditing standards promulgated by the profession, which require that an audit be planned and executed in such a way that any significant errors in the annual financial statements can be identified with a reasonable degree of certainty. We examined the individual items and data in the financial statements using analyses and investigations based on spot checks as well as on reports supplied by ATAG Ernst & Young Ltd. We also assessed the application of the accounting principles used, the principal valuation decisions and the presentation of the financial statements as a whole. We believe that our audit provides a reasonable basis for our assessment.

According to our assessment, the annual financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the Swiss Accounting and Reporting Recommendations (ARR). We should, however, point out the particular features (explained in the notes to the accounts) of the accounting methods used by the Swiss National Bank as Switzerland's central bank and note-issuing institution.

We further confirm that the books of account and the annual financial statements as well as the proposals for the appropriation of available earnings comply with the provisions of the National Bank Law and the Swiss Code of Obligations.

We recommend that the financial statements submitted to you be approved.

Berne, 5 February 2001

The Auditing Committee:

Hans Michel
Chairman

Maryann Rohner
Vice-Chairwoman
Certified auditor

Kaspar Hofmann
Chief auditor
Certified auditor