

Financial Report

1 Income statement and appropriation of profit for 2006

In CHF millions

		2006	2005	Change
	Item no. in Notes			
Net result from gold	01	4 204.0	7 456.9	-3 252.9
Net result from foreign currency investments	02	820.0	5 327.3	-4 507.3
Net result from Swiss franc investments	03	229.3	296.1	-66.8
Net result from other assets	04	24.6	13.2	+11.4
Gross income		5 277.9	13 093.5	-7 815.6
Banknote expenses		-38.3	-39.7	+1.4
Personnel expenses	05, 06	-105.6	-106.2	+0.6
General overheads	07	-57.6	-49.1	-8.5
Depreciation on tangible assets	15	-31.1	-77.3	+46.2
Annual result		5 045.3	12 821.2	-7 775.9
Allocation to provisions for currency reserves		-888.6	-794.7	-93.9
Distributable annual profit		4 156.7	12 026.5	-7 869.8
Allocated to (-) distribution reserve		-1 655.2	-9 525.0	+7 869.8
Total distribution of profit		2 501.5	2 501.5	-
of which				
Payment of a dividend of 6%		1.5	1.5	-
Distribution of profit to the Confederation and the cantons (Agreement of 5 April 2002)		2 500.0	2 500.0	-

2 Balance sheet as at 31 December 2006

In CHF millions

		31.12.2006	31.12.2005	Change
Assets	Item no. in Notes			
Gold holdings	08	29 190.2	25 066.0	+4 124.2
Claims from gold transactions	09	3 030.3	2 984.2	+46.1
Foreign currency investments	10	45 591.9	46 585.5	-993.6
Reserve position in the IMF	11	557.3	1 079.8	-522.5
International payment instruments	27	330.8	78.9	+251.9
Monetary assistance loans	12, 27	236.6	270.2	-33.6
Claims from Swiss franc repo transactions	26	27 126.9	26 198.6	+928.3
Claims against domestic correspondents		5.1	5.3	-0.2
Swiss franc securities	13	4 907.6	5 729.1	-821.5
Banknote stocks	14	125.0	137.6	-12.6
Tangible assets	15	358.5	355.5	+3.0
Participations	16, 28	129.6	122.3	+7.3
Other assets	17, 30	223.6	375.2	-151.6
Total assets		111 813.5	108 988.2	+2 825.3

Liabilities	Item no. in Notes	31.12.2006	31.12.2005	Change
Banknotes in circulation	18	43 182.2	41 366.5	+1 815.7
Sight deposits of domestic banks		6 716.0	5 852.7	+863.3
Liabilities towards the Confederation	19	1 056.2	3 126.3	-2 070.1
Sight deposits of foreign banks and institutions		421.7	483.9	-62.2
Other sight liabilities	20	163.2	189.9	-26.7
Liabilities from Swiss franc repo transactions		-	-	-
Foreign currency liabilities	21	1.8	230.8	-229.0
Other liabilities	22, 30	81.9	90.7	-8.8
Provisions for operating risks	23	11.1	11.7	-0.6
Provisions for currency reserves		38 635.7	37 841.0	+794.7
Share capital	24	25.0	25.0	-
Distribution reserve		16 473.4	6 948.4	+9 525.0
Annual result ¹		5 045.3	12 821.2	-7 775.9
Total liabilities		111 813.5	108 988.2	+2 825.3

1 Before allocation to provisions for currency reserves.

3 Changes in equity capital

In CHF millions

	Share capital	Provisions for currency reserves
Equity capital as at 1 January 2005	25.0	36 955.7
Endowment of provisions for currency reserves pursuant to the NBA		885.3
Released from distribution reserve		
Distribution of dividends to the shareholders		
Profit distribution to the Confederation and the cantons		
Distribution of proceeds from the sale of 1,300 tonnes of gold		
Annual result of the year under review		
Equity capital as at 31 December 2005 (before appropriation of profit)	25.0	37 841.0
Equity capital as at 1 January 2006	25.0	37 841.0
Endowment of provisions for currency reserves pursuant to the NBA		794.7
Allocation to distribution reserve		
Distribution of dividends to the shareholders		
Profit distribution to the Confederation and the cantons		
Annual result of the year under review		
Equity capital as at 31 December 2006 (before appropriation of profit)	25.0	38 635.7
Proposed appropriation of profits		
Endowment of provisions for currency reserves pursuant to the NBA		888.6
Allocation to distribution reserve		
Distribution of dividends to the shareholders		
Profit distribution to the Confederation and the cantons		
Equity capital after appropriation of profits	25.0	39 524.3

Distribution reserve	Annual result (net profit)	Total
10 235.5	21 612.9	68 829.1
	-885.3	
-3 287.1	3 287.1	
	-1.5	-1.5
	-2 900.0	-2 900.0
	-21 113.2	-21 113.2
	12 821.2	12 821.2
6 948.4	12 821.2	57 635.6
6 948.4	12 821.2	57 635.6
	-794.7	
9 525.0	-9 525.0	
	-1.5	-1.5
	-2 500.0	-2 500.0
	5 045.3	5 045.3
16 473.4	5 045.3	60 179.5
	-888.6	
1 655.2	-1 655.2	
	-1.5	-1.5
	-2 500.0	-2 500.0
18 128.7	-	57 678.0

4 Notes to the accounts as at 31 December 2006

4.1 Accounting and valuation principles

General

Basic principles

The present Financial Report has been drawn up in accordance with the provisions of the National Bank Act (NBA), the Swiss Code of Obligations (SCO) and – with due account being taken of circumstances specific to the National Bank – in compliance with the Swiss GAAP FER accounting principles. The Financial Report gives a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER.

As a company listed in the main segment of the Swiss stock exchange SWX, the National Bank would be obliged to present its accounts in accordance with the International Financial Reporting Standards (IFRS) or the United States Generally Accepted Accounting Principles (US GAAP). Citing art. 27 NBA, the National Bank requested to be exempted from this obligation. By letter of 5 November 2004, the SWX granted the exempt status.

Changes from previous year

There was no change to the accounting and valuation principles compared with the previous year.

Cash flow statement

The National Bank does not prepare a cash flow statement. Since the National Bank can autonomously create money as a central bank, such a statement is not meaningful.

Interim reporting

The National Bank publishes quarterly interim results in accordance with Swiss GAAP FER 12.

Segment information

The National Bank operates exclusively as a central bank. For this reason, the Financial Report does not include any segment information.

Consolidated financial report

The National Bank does not hold any material participating interests which are subject to consolidation according to Swiss GAAP FER 2. Therefore, it does not draw up a consolidated financial report.

Recording of transactions

Business transactions are recorded and valued on the day the transaction is concluded (trade day accounting). However, they are only posted on the value date. Transactions completed by the balance-sheet date with a value date in the future are stated under off-balance-sheet transactions.

Accrual reporting

Expenses are recognised in the financial year in which they are incurred, and income in the financial year in which it is earned.

Profit tax

Pursuant to art. 8 NBA, the National Bank is exempt from profit taxes. Tax exemption applies to both direct federal taxes and cantonal and municipal taxes.

Transactions with related parties

The rights of the National Bank's shareholders are restricted by law; for this reason, they cannot exert any influence on financial and operative decisions. No material transactions are concluded with members of the SNB's executive bodies or the Bank Council.

Balance sheet and income statement

Gold and negotiable financial instruments are stated in the balance sheet at market value or fair value. Tangible assets are stated at their acquisition cost less required depreciation. Other items are stated at their nominal value inclusive of accrued interest. Foreign currency items are translated at year-end rates. Income and expenses in foreign currency are translated at the exchange rates applicable at the time the income/expenses was/were posted to the accounts. All valuation changes are reported in the income statement.

Physical gold holdings consist of gold ingots and gold coins. The latter are mainly smelted down and cast as bars. Gold holdings are stored at various locations in Switzerland and abroad. These holdings are stated at market value. Valuation gains and losses are reported in *net result from gold*.

In managing its investment portfolio, the National Bank lends a part of its gold holdings to first-class domestic and foreign financial institutions. The National Bank receives interest on the gold loaned. Gold lending transactions are effected both on a secured and unsecured basis. The gold price risk remains with the National Bank. Gold lent is entered in the balance sheet under *claims from gold transactions* and stated at market value inclusive of accrued interest. The valuation result and interest are stated in *net result from gold*.

In *foreign currency investments*, negotiable securities (money market paper, bonds and shares) as well as credit balances (sight deposit accounts, call money, time deposits and repos) denominated in foreign currency are recorded. Securities, which make up the bulk of the foreign currency investments, are stated at market value inclusive of accrued interest. The credit balances are stated at their nominal value inclusive of accrued interest. Gains and losses from revaluation at market value, interest earnings and exchange rate gains and losses are stated in *net result from foreign currency investments*.

Securities lending transactions are concluded as part of the management of foreign currency investments. Securities lent by the SNB from its own portfolio are secured by collateral. It receives interest on the securities loaned. Loaned securities remain in the *foreign currency investments* item and are disclosed in the notes to the accounts. Interest income from securities lending is stated in *net result from foreign currency investments*. The National Bank does not engage in securities borrowing.

The *reserve position in the International Monetary Fund (IMF)* comprises the Swiss quota less the IMF's sight balances at the National Bank. The quota is Switzerland's portion of the IMF capital financed by the National Bank. It is denominated in Special Drawing Rights (SDRs), which are the IMF's currency. A part of the quota was not transferred to the IMF, but remained in a sight deposit account. The IMF can dispose of these assets for its transactions at any time. The income from interest on the reserve position as well as the exchange rate gains and losses from revaluation of the Special Drawing Rights are stated in *net result from foreign currency investments*.

Summary

Gold holdings

Claims from gold transactions

Foreign currency investments

Securities lending

Reserve position in the IMF

International payment instruments

Claims from two-way arrangements with the IMF are stated in *international payment instruments*. The National Bank has committed itself to purchase up to SDR 400 million against foreign currency. These sight deposits attract interest at market conditions. Interest earnings and exchange rate gains and losses are stated in *net result from foreign currency investments*.

Monetary assistance loans

In the context of international cooperation, Switzerland may participate in the IMF's internationally coordinated, medium-term balance-of-payments aid in the form of a credit tranche. Alternatively, it may grant bilateral monetary assistance loans to countries with balance of payments problems. In addition to a bilateral monetary assistance loan, currently outstanding claims include loans under the Poverty Reduction and Growth Facility (PRGF, including the interim PRGF). This is a fiduciary fund administered by the IMF which finances long-term loans at reduced interest rates to poor developing countries. The Confederation guarantees the interest and principal repayments both on the bilateral loans and on Switzerland's participation in the PRGF credit account (including the interim PRGF). These loans are stated at their nominal value inclusive of accrued interest. Interest earnings and exchange rate gains and losses are stated in *net result from foreign currency investments*. General Arrangements to Borrow (GAB) and New Arrangements to Borrow (NAB), which are intended for special circumstances and are not guaranteed by the Confederation, have not been used. Therefore, they are only listed under irrevocable undertakings (cf. section "off-balance-sheet transactions").

Claims and liabilities from Swiss franc repo transactions

Repo transactions in Swiss francs are the National Bank's major monetary policy instrument. Repo transactions are used to provide the banking system with liquidity or to withdraw liquidity from it. Claims from repo transactions are fully backed by securities from the SNB General Collateral Basket. Claims and liabilities from repo transactions are stated at their nominal value inclusive of accrued interest. Interest earnings and expenses are stated in *net result from Swiss franc investments*.

Claims against domestic correspondents

On behalf of the National Bank, domestic correspondents perform local cash redistribution transactions and cover the cash requirements of federal agencies and enterprises associated with the federal government (Swiss Post and Swiss Federal Railways). This results in short-term claims of the National Bank which attract interest at the call money rate. These claims are stated at their nominal value inclusive of accrued interest. Interest earnings are stated in *net result from Swiss franc investments*.

Swiss franc securities

Swiss franc securities are made up exclusively of negotiable bonds. They are stated at their nominal value inclusive of accrued interest. Valuation gains/losses and interest earnings are stated in *net result from Swiss franc investments*.

Banknote stocks

Freshly printed banknotes which have not yet been put into circulation are capitalised at their acquisition cost and stated in banknote stocks. At the time a banknote first enters into circulation, its acquisition cost is charged to *banknote expenses*.

Tangible assets comprise land and buildings, fixed assets under construction, and sundry tangible assets. Software is also included in the tangible assets. For materiality reasons, software is not shown separately under intangible assets in the balance sheet, but only disclosed in the notes to the accounts. Day-to-day maintenance expenses for real estate and sundry tangible assets are stated in *general overheads*. The minimal value for capitalisation is CHF 1,000. Acquisitions below this amount are charged directly to *general overheads*. Tangible assets are stated at their acquisition cost less required depreciation. Depreciation is always carried out on a straight-line basis.

Period of depreciation

Land and buildings	
Land	no depreciation
Buildings (building structure)	50 years
Conversions (technical equipment and interior finishing work)	10 years
Fixed assets under construction	no depreciation
Software	3 years
Sundry tangible assets	
Hardware	3 years
Machinery and equipment	5–10 years
Furnishings	5 years
Motor vehicles	6–12 years

The recoverable value is checked periodically. If this results in a decrease in value, an impairment loss is recorded. Scheduled and unscheduled depreciations are reported in the income statement under *depreciation on tangible assets*.

Profits and losses from the sale of tangible assets are stated in *net result from other assets*.

Minority interests in excess of 20% qualify as an associated company and are valued according to the equity method. The remaining minority interests in companies in which the National Bank exercises no material influence or non-essential majority interests are valued at acquisition cost less required value adjustments. The entire income from participations is stated in *net result from other assets*.

**Derivative
financial instruments**

The National Bank uses foreign currency forward transactions, futures and interest rate swaps to manage its currency reserves. All derivative financial instruments are stated at market value. Official prices are applied, if available. If not, fair value is established in accordance with generally recognised financial mathematical methods. Valuation changes are recorded in the income statement and stated in *net result from foreign currency investments*. Unrealised gains and losses (positive and/or negative replacement values) are stated in *other assets* or *other liabilities*.

**Accrued expenses and
deferred income**

The National Bank does not state accrued expenses and deferred income as separate positions in its balance sheet. For materiality reasons, they are reported in *other assets* or *other liabilities* and disclosed in the notes to the accounts.

Banknotes in circulation

The *banknotes in circulation* item shows the nominal value of all the banknotes issued in the current series as well as in recalled, still exchangeable series.

**Sight deposits
of domestic banks**

Sight deposits of domestic banks in Swiss francs form the basis on which the National Bank controls monetary policy. They also facilitate cashless payments in Switzerland. These sight deposits are non-interest-bearing accounts which are stated at their nominal value.

**Liabilities towards
the Confederation**

The National Bank holds a sight deposit account for the Confederation which bears interest at the call money rate. Interest is payable for amounts up to a maximum of CHF 200 million. Moreover, the Confederation may place time deposits with the National Bank at market rates. The liabilities towards the Confederation are stated at their nominal value inclusive of accrued interest. Interest expenses are recorded in *net result from Swiss franc investments*.

**Sight deposits of foreign
banks and institutions**

The National Bank holds sight deposit accounts for foreign banks and institutions which facilitate payment transactions in Swiss francs. These sight deposits do not bear interest and are stated at their nominal value.

Other sight liabilities

Sight deposits of non-banks, accounts of active and retired staff members and of the SNB's pension funds as well as liabilities in the form of bank cheques drawn on the National Bank but not yet cashed are stated in *other sight liabilities*. They are stated at their nominal value inclusive of accrued interest. Interest expenses are stated in *net result from Swiss franc investments*.

Foreign currency liabilities

Foreign currency liabilities comprise liabilities towards the Confederation and repo transactions related to the management of foreign currency investments. They are stated at their nominal value inclusive of accrued interest. Interest expenses and exchange rate gains and losses are stated in *net result from foreign currency investments*.

**Provisions for operating
risks**

Provisions for operating risks comprise reorganisation and other provisions pursuant to Swiss GAAP FER 23. The bulk of reorganisation provisions are financial obligations to staff members taking early retirement as a result of reorganisation.

Art. 30 para. 1 NBA stipulates that the National Bank set up provisions permitting it to maintain the currency reserves at a level necessary for monetary policy. In so doing, it must take into account economic developments in Switzerland. Under the profit distribution agreement concluded between the Federal Department of Finance (FDF) and the SNB on 5 April 2002, the provisions for currency reserves must expand in line with the growth in nominal gross domestic product. These special-law provisions are equity-like in nature and are incorporated in the table "Changes in equity capital". The allocation is made as a part of the profit appropriation.

Provisions for currency reserves

With the exception of the dividend which – pursuant to the NBA – shall not exceed 6% of the share capital, the Confederation and the cantons are entitled to the total remaining profit after adequate provisions for currency reserves have been set aside. To achieve a steady flow of payments in the medium term, the profit distributions are fixed in advance in an agreement concluded between the Confederation and the National Bank. The distribution reserve contains the as yet non-distributed profits (cf. p. 84).

Distribution reserve

The National Bank's pension plans comprise two staff pension fund schemes under the defined benefit system. Contributions are made by the National Bank and the employees. Ordinary employee contributions are 7% or 7.5% (depending on the employee's age) of the insured salary and those of the SNB 14% or 15%. In accordance with Swiss GAAP FER 16, any share of actuarial surplus or deficit is shown on the asset side or reported as a liability.

Pension fund

Off-balance-sheet transactions

Contingent liabilities are obligations entered into in the past as a result of contracts, laws or implied actions. A resultant future outflow of funds is possible, but will probably not materialise. The maximum amount owed from contingent liabilities is stated in the notes under off-balance-sheet transactions.

Contingent liabilities

Fiduciary transactions encompass investments which the National Bank makes in its own name but on the basis of a written contract exclusively for the account of and at the risk of the Confederation. These transactions are stated in the notes under off-balance-sheet transactions at nominal value inclusive of accrued interest.

Fiduciary transactions

The liquidity-shortage financing facility is a credit line for banks to bridge unexpected liquidity bottlenecks. Liquidity can be drawn by way of special-rate repo transactions. The maximum credit lines available are stated in the notes under off-balance-sheet transactions.

Liquidity-shortage financing facility – credit lines

Irrevocable undertakings include credit arrangements the National Bank has granted to the International Monetary Fund in the context of international cooperation. The maximum of resulting liabilities are stated in the notes under off-balance-sheet transactions.

Irrevocable undertakings

Foreign currency exchange rates and gold price

Valuation rates	31.12.2006	31.12.2005	Change
	CHF	CHF	In percent
1 US dollar (USD)	1.2202	1.3152	-7.2
1 euro (EUR)	1.6086	1.5561	+3.4
1 British pound (GBP)	2.3911	2.2687	+5.4
100 Danish kroner (DKK)	21.5800	20.8600	+3.5
1 Canadian dollar (CAD)	1.0502	1.1324	-7.3
100 Japanese yen (JPY)	1.0251	1.1195	-8.4
1 Special Drawing Right (SDR)	1.8369	1.8810	-2.3
1 kilogram of gold	24 938.72	21 692.03	+15.0

4.2 Notes to the income statement and balance sheet

Item no. 01

Net result from gold

In CHF millions	2006	2005	Change
Net result from changes in market value	4 188.4	7 438.7	-3 250.3
Interest income from gold lending transactions	15.6	34.9	-19.3
Net result from hedging transactions ¹	-	-16.7	+ 16.7
Total	4 204.0	7 456.9	-3 252.9

¹ Foreign currency forward transactions concluded to hedge proceeds from gold sales in US dollars.

Item no. 02

Net result from foreign currency investments

Breakdown of net result by type In CHF millions	2006	2005	Change
Interest and capital gain/loss	757.7	2 090.9	-1 333.2
Dividend income and price gain/loss	620.7	741.7	-121.0
Interest expenses	-0.8	-1.0	+0.2
Exchange rate gain/loss	-546.1	2 507.3	-3 053.4
Asset management and safe custody account fees	-11.5	-11.6	+0.1
Total	820.0	5 327.3	-4 507.3

Breakdown of net result by origin	2006	2005	Change
In CHF millions			
Foreign currency investment	812.0	5 138.1	-4 326.1
Reserve position in the IMF	-1.0	160.6	-161.6
International payment instruments	7.7	4.0	+3.7
Monetary assistance loans	2.1	25.7	-23.6
Foreign currency liabilities	-0.8	-1.0	+0.2
Total	820.0	5 327.3	-4 507.3

Breakdown of net result by currency	2006	2005	Change
In CHF millions			
USD	-501.3	2 574.4	-3 075.7
EUR	1 161.0	1 413.3	-252.3
GBP	360.9	530.9	-170.0
DKK	53.2	127.6	-74.4
CAD	-13.1	281.3	-294.4
JPY	-236.6	221.6	-458.2
SDR	7.4	189.6	-182.2
Other	-11.5	-11.4	-0.1
Total	820.0	5 327,3	-4 507.3

Breakdown of exchange rate gain/loss by currency	2006	2005	Change
In CHF millions			
USD	-1 137.7	1 916.8	-3 054.5
EUR	711.4	143.5	+567.9
GBP	231.3	192.1	+39.2
DKK	41.7	11.8	+29.9
CAD	-76.4	205.6	-282.0
JPY	-299.8	-107.0	-192.8
SDR	-16.5	144.5	-161.0
Other	-0.0	0.0	-0.0
Total	-546.1	2 507.3	-3 053.4

Net result from Swiss franc investments

Breakdown by type	2006	2005	Change
In CHF millions			
Interest and capital gain/loss	256.1	324.3	-68.2
Interest expenses	-23.7	-25.3	+1.6
Trading and safe custody account fees	-3.0	-2.9	-0.1
Total	229.3	296.1	-66.8

Breakdown by origin	2006	2005	Change
In CHF millions			
Swiss franc securities	-10.3	184.0	-194.3
Swiss franc repo transactions	263.3	137.3	+126.0
Other assets	0.1	0.2	-0.1
Liabilities towards the Confederation	-17.4	-19.3	+1.9
Other sight liabilities	-6.3	-5.9	-0.4
Total	229.3	296.1	-66.8

Net result from other assets

	2006	2005	Change
In CHF millions			
Commission income	19.4	14.5	+4.9
Commission expenses	-16.8	-11.6	-5.2
Income from participations	17.0	6.0	+11.0
Income from real estate	4.3	3.7	+0.6
Other ordinary income	0.7	0.6	+0.1
Total	24.6	13.2	+11.4

Personnel expenses

Item no. 05

	2006	2005	Change
In CHF millions			
Wages, salaries and allowances	81.5	77.9	+3.6
Social insurance	17.2	16.9	+0.3
Other personnel expenses ¹	6.9	11.4	-4.5
Total	105.6	106.2	-0.6

¹ Including reorganisation costs of CHF 1.6 million (2005: CHF 5.6 million, cf. p. 108, item no. 23).

Compensation of SNB bodies	2006	2005	Change
In CHF thousands			
Members of the Bank Council ¹	604	584	+20
of which for the President of the Bank Council	138	130	+8
of which for the Vice-President of the Bank Council	65	60	+5
Three members of the Governing Board ²	1 816	1 774	+42
of which for the Chairman of the Governing Board ³	606	592	+14
of which for the Vice-Chairman of the Governing Board	605	591	+14
Three alternate members of the Governing Board ²	1 093	1 050	+43

¹ Fixed annual compensation payment plus attendance allowances. The figures reported in the *2005 Annual Report* (2005: CHF 722,000; 2004: 659,000)

also included expenses for the different Regional Economic Councils.
² Salaries and lump-sum compensation for representation expenses.

³ In addition, remuneration in the amount of CHF 47,000 (2006) and CHF 45,000 (2005) for serving on the BIS Board of Directors

Employee benefit obligations¹

Item no. 06

Share of actuarial surplus of pension plans ²	31.12.2006	31.12.2005	Change
In CHF millions			
Overfunding in accordance with Swiss GAAP FER 26	150.4	127.5	+22.9
SNB's share of actuarial surplus	-	-	-

Employee benefit expenses	2006	2005	Change
In CHF millions			
Employer contributions	11.5	11.3	+0.2
Change in share of actuarial surplus	-	-	-
Employee benefit expenses as part of personnel expenses	11.5	11.3	+0.2

¹ Pension funds do not have any employer contribution reserves.

² Overfunding (actuarial surplus) is not used in favour of the employer but in favour of the insured.

Item no. 07**General overheads**

In CHF millions	2006	2005	Change
	Premises	14.0	11.5
Maintenance of mobile tangible assets and software	8.8	7.5	+1.3
Consulting and other third-party support	7.8	5.1	+2.7
Administrative expenses	12.9	12.5	+0.4
Operating contributions ¹	8.1	7.0	+1.1
Other general overheads	6.0	5.5	+0.5
Total	57.6	49.1	+8.5

¹ Mainly contributions towards the Study Center Gerzensee (a Swiss National Bank foundation).

Item no. 08**Gold holdings**

Breakdown by type	31.12.2006		31.12.2005	
	Tonnes	CHF millions	Tonnes	CHF millions
Gold ingots	1 010.5	25 201.0	980.3	21 265.7
Gold coins	160.0	3 989.2	175.2	3 800.3
Total	1 170.5	29 190.2	1 155.5	25 066.0

Item no. 09**Claims from gold transactions**

	31.12.2006		31.12.2005	
	Tonnes	CHF millions	Tonnes	CHF millions
Claims from unsecured gold lending	–	–	10.9	237.8
Claims from secured gold lending ¹	119.5	3 027.6	123.5	2 743.9
Claims on metal accounts	0.1	2.8	0.1	2.4
Total	119.6	3 030.3	134.6	2 984.2

¹ Secured by collateral eligible for repo transactions with a market value of CHF 3,127.7 million (2005: 2,857.8 million).

Foreign currency investments

Item no. 10

Breakdown by investment type	31.12.2006	31.12.2005	Change
In CHF millions			
Sight deposits and call money	826.1	1 265.8	-439.7
Time deposits	1 209.2	595.2	+614.0
Money market instruments	1 103.3	2 648.8	-1 545.5
Bonds ¹	37 698.1	38 408.6	-710.5
Equities	4 755.2	3 667.0	+1 088.2
Total	45 591.9	46 585.5	-993.6

1 Of which CHF 123.1 million (2005: CHF 71.7 million) lent under securities lending operations.

Breakdown by borrower category	31.12.2006	31.12.2005	Change
In CHF millions			
Governments	28 632.3	31 988.7	-3 356.4
Monetary institutions ¹	1 377.4	1 675.5	-298.1
Corporations	15 582.2	12 921.2	+2 661.0
Total	45 591.9	46 585.5	-993.6

1 BIS, central banks and multilateral development banks.

Breakdown by currency ¹	31.12.2006	31.12.2005	Change
In CHF millions			
USD	14 959.4	16 281.8	-1 322.4
EUR	21 435.7	21 570.2	-134.5
GBP	4 588.3	4 816.9	-228.6
DKK	1 303.8	2 002.6	-698.8
CAD	1 003.6	1 045.7	-42.1
JPY	2 300.6	867.5	+1 433.1
Other	0.6	0.7	-0.1
Total	45 591.9	46 585.5	-993.6

1 No account being taken of foreign exchange derivatives. For a breakdown by currency, including foreign exchange derivatives, cf. Risks posed by financial instruments, p. 113.

Reserve position in the IMF

Item no. 11

	31.12.2006	31.12.2005	Change
In CHF millions			
Swiss quota in the IMF ¹	6 352.8	6 505.4	-152.6
less: IMF's Swiss franc sight balances at the National Bank	-5 795.5	-5 425.6	-369.9
Total	557.3	1 079.8	-522.5

1 SDR 3,458.5 million; change due entirely to exchange rates.

Item no. 12**Monetary assistance loans**

	31.12.2005	31.12.2004	Change
In CHF millions			
Bilateral loan to Bulgaria	23.2	22.4	+0.8
PRGF credit facility	62.4	166.7	-104.3
Interim PRGF credit facility ¹	151.1	81.2	+69.9
Total	236.6	270.2	-33.6

¹ For undrawn loan commitments, cf. p. 111, item no. 27.

Item no. 13**Swiss franc securities**

Breakdown by borrower category	31.12.2006	31.12.2005	Change
In CHF millions			
Governments	2 583.6	3 261.3	-677.7
Corporations	2 324.0	2 467.8	-143.8
Total	4 907.6	5 729.1	-821.5

Breakdown of the <i>Governments</i> borrower category	31.12.2006	31.12.2005	Change
In CHF millions			
Swiss Confederation	1 630.9	1 876.4	-245.5
Cantons and municipalities	748.8	916.8	-168.0
Foreign states	203.9	468.1	-264.2
Total	2 583.6	3 261.3	-677.7

Breakdown of the <i>Corporations</i> borrower category	31.12.2006	31.12.2005	Change
In CHF millions			
Domestic banks	-	19.1	-19.1
Domestic mortgage bond institutions	699.5	787.6	-88.1
Other domestic corporations ¹	121.5	135.8	-14.3
Foreign corporations ²	1 503.1	1 525.2	-22.1
Total	2 324.0	2 467.8	-143.8

¹ International organisations headquartered in Switzerland.

² Banks, international organisations and other corporations.

Banknote stocks

Item no. 14

In CHF millions	Banknote stocks
Position as at 1 January 2005	144.0
Additions	31.3
Disposals	-37.6
Position as at 31 December 2005	137.6
Position as at 1 January 2006	137.6
Additions	23.2
Disposals	-35.9
Position as at 31 December 2006 ¹	125.0

1 Of which CHF 23.4 million in advance payments.

Tangible assets

Item no. 15

In CHF millions	Land and buildings ¹	Fixed assets under construction ²	Software	Sundry tangible assets ³	Total
Historical cost					
1 January 2006	410.7	15.0	22.6	66.3	514.7
Additions	14.1	2.6	7.0	10.5	34.2
Disposals	-0.8	-	-8.2	-6.4	-15.4
Reclassified	11.9	-15.0	-	3.1	
31 December 2006	435.9	2.6	21.4	73.5	533.4
Cumulative value adjustments					
1 January 2006	97.9		10.1	51.2	159.2
Scheduled depreciation	16.2		7.4	7.5	31.1
Disposals	-0.8		-8.2	-6.4	-15.4
Reclassified	-0.7		-	0.7	
31 December 2006	112.6		9.3	53.0	174.9
Net book values					
1 January 2006	312.8	15.0	12.5	15.1	355.5
31 December 2006	323.3	2.6	12.1	20.5	358.5

1 Insured value: CHF 374.5 million (2005: CHF 374.5 million).
 2 Renovation projects at the Zurich head office.
 3 Insured value: CHF 83.3 million (2005: CHF 83.3 million).

Item no. 16

Participations (not consolidated)

In CHF millions	Orell Füssli ¹	BIS ²	Other	Total
Equity participation	33%	3%		
Book value as at 1 January 2005	35.1	60.9	0.6	96.7
Investments	–	29.3	–	29.3
Divestments	–	–	–	–
Valuation changes	–3.7	–	–	–3.7
Book value as at 31 December 2005	31.4	90.2	0.6	122.3
Book value as at 1 January 2006	31.4	90.2	0.6	122.3
Investments	–	–	–	–
Divestments	–	–	–	–
Valuation changes	7.3	–	–	7.3
Book value as at 31 December 2006	38.7	90.2	0.6	129.6

1 Orell Füssli Holding Ltd, whose subsidiary Orell Füssli Security Documents Ltd produces Switzerland's banknotes.

2 The interest in the Bank for International Settlements (BIS) is held for reasons of monetary policy collaboration. The securities purchased

in 2005 stem from newly issued shares the BIS had repurchased from private investors in 2001.

Item no. 17

Other assets

In CHF millions	31.12.2006	31.12.2005	Change
Coins ¹	169.1	211.1	–42.0
Foreign notes	0.6	0.7	–0.1
Other accounts receivable	14.1	42.9	–28.8
Prepayments and accrued income	5.2	7.1	–1.9
Cheques and bills of exchange (collection business)	0.3	1.2	–0.9
Positive replacement values ²	34.4	112.3	–77.9
Total	223.6	375.2	–151.6

1 Commemorative coins acquired from Swissmint destined for circulation.
2 Unrealised gains on derivative financial instruments and on outstanding spot transactions (cf. p. 112, item no. 30).

Banknotes in circulation

Item no. 18

Breakdown by issue	31.12.2006	31.12.2005	Change
In CHF millions			
8 th issue	41 586.2	39 654.8	+1 931.4
6 th issue ¹	1 596.0	1 711.8	-115.8
Total	43 182.2	41 366.5	+1 815.7

1 Exchangeable at the National Bank until 30 April 2020.

Liabilities towards the Confederation

Item no. 19

	31.12.2006	31.12.2005	Change
In CHF millions			
Sight liabilities	53.3	67.2	-13.9
Term liabilities	1 002.8	3 059.0	-2 056.2
Total	1 056.2	3 126.3	-2 070.1

Other sight liabilities

Item no. 20

	31.12.2006	31.12.2005	Change
In CHF millions			
Sight deposits of non-banks	8.0	19.6	-11.6
Deposit accounts ¹	154.7	169.8	-15.1
Cheque liabilities ²	0.5	0.5	-
Total	163.2	189.9	-26.7

1 These mainly comprise accounts of active and retired employees, and liabilities towards SNB pension schemes. Current account liabilities

towards the latter amounted to CHF 17.1 million on 31 December 2006 (2005: CHF 16.8 million).

2 Bank cheques drawn on the National Bank but not yet cashed.

Foreign currency liabilities

Item no. 21

	31.12.2006	31.12.2005	Change
In CHF millions			
Sight liabilities towards the Confederation	1.8	0.3	+1.5
Liabilities from repo transactions ¹	-	230.6	-230.6
Total	1.8	230.8	-229.0

1 Relating to the management of foreign currency investments.

Item no. 22**Other liabilities**

	31.12.2006	31.12.2005	Change
In CHF millions			
Other liabilities	5.7	6.4	-0.7
Accrued liabilities and deferred income	5.8	6.2	-0.4
Negative replacement values ¹	70.4	78.2	-7.8
Total	81.9	90.7	-8.8

¹ Unrealised losses on derivative financial instruments and on outstanding spot transactions (cf. p. 112, item no. 30).

Item no. 23**Provisions for operating risks**

	Provisions due to reorganisation	Other provisions	Total
In CHF millions			
Book value as at 1 January 2005	7.5	0.7	8.1
Formation	5.6	0.3	5.9
Release	-2.2	-0.1	-2.4
Write-back	-	-0.0	-0.0
Book value as at 31 December 2005	10.9	0.8	11.7
Book value as at 1 January 2006	10.9	0.8	11.7
Formation	1.6	0.1	1.7
Release	-2.3	-	-2.3
Write-back	-	-	-
Book value as at 31 December 2006	10.2	0.9	11.1

Shares

	2006	2005
Share capital in CHF	25 000 000	25 000 000
Nominal value in CHF	250	250
Number of shares	100 000	100 000
Symbol/ISIN ¹	SNBN / CH0001319265	
Closing price on 31 December in CHF	1280	1130
Market capitalisation in CHF	128 000 000	113 000 000
Annual high in CHF	1430	1205
Annual low in CHF	1037	914
Average daily trading volume in number of shares	44	83

1 The SNB share is listed in the main segment of the Swiss stock exchange (SWX).

Breakdown of share ownership

	Number of shares	In percentage of shares registered
2,213 private shareholders with a total of	31 625	36.7¹
of whom 1,908 shareholders with 1–10 shares each		
of whom 277 shareholders with 11–100 shares each		
of whom 11 shareholders with 101–200 shares each ²		
of whom 17 shareholders with over 200 shares each ²		
80 public-sector shareholders with a total of	54 515	63.3
of which 26 cantons with a total of	38 981	
of which 24 cantonal banks with a total of	14 473	
of which 30 other public authorities and institutions with a total of	1 061	
Total 2,293 shareholders with a total of³	86 140⁴	100
Registration applications pending or outstanding for	13 860	
Total shares	100 000	

1 12.3% are legal entities and 24.4% private individuals.

2 Voting rights are limited to 100 shares.

3 In 2006, 8,038 shares were transferred to new holders (2005: 24,481). The number of shareholders decreased by 96.

4 5912 shares are in foreign ownership.

Principal shareholders

	31.12.2006		31.12.2005	
	Number of shares	Equity participation	Number of shares	Equity participation
Canton of Berne	6 630	6.63%	6 630	6.63%
Canton of Zurich	5 200	5.20%	5 200	5.20%

4.3 Notes regarding off-balance-sheet business

Item no. 25

Contingent liabilities

	31.12.2006	31.12.2005	Change
In CHF millions			
Other contingent liabilities	–	0.3	–0.3

Item no. 26

Liquidity-shortage financing facility – credit lines

Overview: undrawn credit lines under the liquidity-shortage financing facility	31.12.2006	31.12.2005	Change
In CHF millions			
Lombard advances ¹	–	699.3	–699.3
Liquidity-shortage financing facility	12 088.5	10 229.5	+1 859.0
Total	12 088.5	10 928.8	+1 159.7

¹ Since 1 January 2006, the Lombard facility has no longer been available and has been completely replaced by the liquidity-shortage financing facility.

Overview in detail: liquidity-shortage financing facility	31.12.2006	31.12.2005	Change
In CHF millions			
Credit undertaking	12 101.5	10 229.5	+1 872.0
of which drawn down	13.0	–	+13.0
of which not drawn down	12 088.5	10 229.5	+1 859.0

Irrevocable undertakings

Item no. 27

Overview: undrawn credit lines provided to the IMF In CHF millions	31.12.2006	31.12.2005	Change
International payment instruments (two-way arrangement)	404.9	673.7	-268.8
Interim PRGF	308.2	390.3	-82.1
General Arrangements to Borrow (GAB) and New Arrangements to Borrow (NAB)	2 828.8	2 896.7	-67.9
Total	3 541.8	3 960.7	-418.9

Overview in detail: international payment instruments (two-way arrangement ¹) In CHF millions	31.12.2006	31.12.2005	Change
Credit undertaking	734.7	752.4	-17.7 ²
of which drawn down	329.9	78.7	+251.2
of which not drawn down	404.9	673.7	-268.8

1 Undertaking to purchase Special Drawing Rights against currency up to SDR 400 million without a federal guarantee (cf. p. 94).
2 Change due entirely to exchange rates.

Overview in detail: interim PRGF ¹ In CHF millions	31.12.2006	31.12.2005	Change
Credit undertaking	459.2	470.2	-11.0 ²
of which drawn down	151.1	79.9	+71.2
of which not drawn down	308.2	390.3	-82.1

1 Limited-term credit undertaking to the IMF's trust fund amounting to SDR 250 million (cf. p. 104, item no. 12) with federal guarantee.
2 Change due entirely to exchange rates.

Overview in detail: General Arrangements to Borrow (GAB) and New Arrangements to Borrow (NAB) ¹ In CHF millions	31.12.2006	31.12.2005	Change
Credit undertaking	2 828.8	2 896.7	-67.9 ²
of which drawn down	-	-	-
of which not drawn down	2 828.8	2 896.7	-67.9

1 Credit lines totalling SDR 1,540 million (of which a maximum of SDR 1,020 million in the context of the GAB) in favour of the IMF for special cases, without a federal guarantee (cf. p. 94).
2 Change due entirely to exchange rates.

Other obligations not carried on the balance sheet

Item no. 28

In CHF millions	31.12.2006	31.12.2005	Change
Additional funding BIS ¹	118.6	121.5	-2.9
Liabilities from long-term rental, maintenance and leasing contracts	17.3	25.9	-8.6
Total	135.9	147.4	11.5

1 The BIS shares are 25% paid up. The additional funding obligation is stated in Special Drawing Rights.

Item no. 29

Assets pledged or assigned as collateral for SNB liabilities

	31.12.2006	31.12.2005	Change
In CHF millions			
Foreign currency investments in USD	32.5	35.7	-3.2
Foreign currency investments in EUR	89.7	66.9	+22.8
Foreign currency investments in GBP	-	231.0	-231.0
Securities in CHF	-	11.3	-11.3
Total¹	122.2	345.0	-222.8

1 Collateral lodged in connection with repo and futures transactions.

Item no. 30

Outstanding derivative financial instruments¹

In CHF millions	31.12.2006			31.12.2005		
	Contract value	Replacement value		Contract value	Replacement value	
		Positive	Negative		Positive	Negative
Interest rate instruments	29 588.1	22.3	22.0	29 866.9	70.6	37.9
Repo transactions in CHF ²	18 592.0	-	-	13 727.0	-	-
Forward contracts ¹	1 771.5	2.6	7.7	2 053.5	5.7	2.8
Interest rate swaps	2 856.1	18.7	13.4	7 130.1	64.9	35.1
Futures	6 368.6	1.1	0.9	6 956.3	0.1	0.1
Foreign exchange	5 144.3	11.7	48.4	5 289.9	40.9	40.1
Forward contracts ¹	5 144.3	11.7	48.4	5 289.9	40.9	40.1
Precious metals	74.5	-	-	237.5	-	-
Forward contracts ³	74.5	-	-	237.5	-	-
Equities/indices	753.2	0.4	0.0	836.1	0.7	0.2
Forward contracts ¹	0.0	0.0	0.0	1.8	0.0	0.0
Futures	753.2	0.4	0.0	834.2	0.7	0.2
Total	35 560.1	34.4	70.4	36 230.4	112.3	78.2

1 Including spot transactions with value date in the new year.

2 Only repo transactions with value date in the new year.

3 From gold lending transactions with value date in the new year.

Item no. 31

Fiduciary investments

	31.12.2006	31.12.2005	Change
In CHF millions			
Fiduciary investments of the Confederation	386.9	621.6	-234.7

4.4 Risks posed by financial instruments

The National Bank's activities in the financial markets are based on its statutory mandate. Asset management is governed by the primacy of monetary policy and is carried out in accordance with the criteria of security, liquidity and performance. When implementing its monetary and investment policies, the SNB enters into a variety of financial risks, with its risk profile being determined by the risk on investments.

The National Bank uses a multiple-stage investment and risk control process to manage and limit its risks. This process is overseen by the Bank Council. The Governing Board defines the strategic guidelines. Compliance with these guidelines is monitored on a daily basis. The Governing Board and the Bank Council's Risk Committee receive quarterly reports informing them about investment activities and the associated risks. A detailed description of the risk control process may be found on pages 53–54 of the Accountability Report for the Federal Assembly.

The main risk to investments are market risk, i.e. risks related to the gold price, exchange rates, share prices and interest rates. These risks are managed primarily through diversification.

The National Bank holds currency reserves in the form of foreign currency and gold, thereby ensuring that it has room for manoeuvre in its monetary policy at all times. Consequently, the risk of exchange rate fluctuations against the Swiss franc is not hedged. Gold and the US dollar represent the most important risk factors with respect to investments because they account for a large proportion of total reserves and are very prone to fluctuations.

Risks faced by the National Bank

Risk control process

Market risk

... gold and foreign currency risk

Balance sheet by currency

In CHF millions	CHF	Gold	USD	EUR	Other	Total
Gold holdings		29 190				29 190
Claims from gold transactions		2 984	47			3 030
Foreign currency investments			14 959	21 436	9 197	45 592
Reserve position in the IMF					557	557
International payment instruments					331	331
Monetary assistance loans				23	213	237
Claims from Swiss franc						
repo transactions	27 127					27 127
Swiss franc securities	4 908					4 908
Other	827		4	11		842
Total assets as per balance sheet	32 862	32 174	15 010	21 470	10 299	111 813
Total liabilities as per balance sheet	-111 762		-48	-3		-111 813
Foreign exchange derivatives (net) ¹	-1		-2 762	439	2 278	-45
Net exposure as at 31.12.2006	-78 901	32 174	12 200	21 906	12 577	-45
Net exposure as at 31.12.2005	-75 805	27 985	13 137	22 047	12 687	51

¹ Delivery claims and delivery obligations from foreign exchange spot and forward transactions.

... interest rate risk

Movements in market interest rates affect the market value of fixed income financial investments. The longer the maturity of a fixed income investment, the higher its interest risk. Interest rate risks are limited through the specification of benchmarks and management guidelines. Various means, including the use of derivative instruments such as interest rate swaps and futures, are used to manage these risks. The effect of interest rate fluctuations is calculated with a measure referred to as the "price value of one basis point" (PVBP), which shows the impact on valuation of a simultaneous rise of one basis point (0.01 percentage points) in the yield curves for all investment currencies. If PVBP is positive, a loss is recorded. Duration is a measure of the average capital utilisation time, and thus is another indicator of interest rate risk. The longer the residual maturity of investments and the lower the coupon rates, the higher the duration.

Interest-bearing investments Position as at 31 December	2006		2005		2006		2005	
	Duration In years	Market value CHF millions	PVBP ¹ CHF millions	Duration In years	Market value CHF millions	PVBP ¹ CHF millions	Duration In years	Market value CHF millions
Gold lending		3 028			2 982			
Investments in CHF ²	5.4	4 908	3	5.1	5 729	3		
Investments in USD	4.1	12 768	6	3.6	14 393	5		
Investments in EUR	4.2	19 300	8	4.0	20 016	8		
Investments in other currencies	4.2	6 733	3	4.1	6 577	3		

1 Change in market value per basis point of parallel shift in the yield curve.

2 Excluding repos.

... and share price risk

Investments in shares are made in order to optimise the risk/return profile. A passive equity investment strategy is used, in which broad-based indices are replicated. At the end of 2006, CHF 4,755 million (2005: CHF 3,667 million) were invested in shares. In addition, the SNB held a contract volume of CHF 753 million (2005: CHF 836 million, including open forward contracts) in equity index futures for the purpose of tactical fine-tuning.

Total market risk

One way of estimating the total market risk of assets is by calculating the Value-at-Risk (VaR, cf. explanations on page 58 of the Accountability Report). The VaR calculated with respect to the composition of assets at the end of 2006 amounted to CHF 7.1 billion (2005: CHF 6.1 billion), or about 6.5% of assets. In other words, only one year in twenty, at the most, would see a loss of more than CHF 7.1 billion. The major part of the VaR originates from gold price and exchange rate risks. Share price and interest rate risks are less significant. The VaR is only a rough guide to the risks posed by assets. Additional parameters as well as periodic supplementary analyses, such as stress and scenario analyses, are also used for risk assessment.

Credit risk results from the possibility that counterparties or other issuers of securities will fail to meet their obligations. The National Bank incurs credit risk through its investments in securities and through over-the-counter (OTC) business with banks. Credit risk in OTC business originates from deposits, derivatives contracts (the amounts at risk are the replacement values) and from gold lending. In addition, there are credit risks due to commitments to the IMF that are not guaranteed by the Confederation.

Default risk: credit risk

The SNB controls its credit risk with respect to counterparties by means of a system of limits that restricts the aggregated exposure for all types of business. An above-average rating is required for counterparties, and the vast majority are rated AA or similar. Also, certain transactions are secured by collateral. At the end of the year, the National Bank's total unsecured exposure with respect to the international banking sector amounted to some CHF 3.1 billion (2005: CHF 3.4 billion). For borrowers in the bond market, a minimum rating of "investment grade" is required. The rating allocation for investments is shown on page 58 of the Accountability Report. In total, credit risks were an insignificant part of the total risk.

The country risk arises from the possibility that a country may hinder payments by borrowers domiciled in its sovereign territory or block the right to dispose of assets held there. In order to avoid entering into any unbalanced country risks, the SNB endeavours to distribute assets among a number of different depositories and countries.

... and country risk

National Bank liquidity risks relate to the danger that, should investments in foreign currencies need to be sold, this can only be done partially or subject to considerable price concessions. The restricted marketability of the investments may be due to technical or market disruptions, or to regulatory changes. The SNB ensures a high level of liquidity for its foreign currency reserves by holding a large number of liquid government bonds in the major currencies, EUR and USD. Liquidity risk is reassessed periodically.

Liquidity risk