

Preface

Ladies and Gentlemen

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

The first part of this year's report – the *99th Annual Report* of the SNB – comprises the Accountability Report for the Federal Assembly (pp. 7–68). This is submitted to the General Meeting of Shareholders for information purposes only, and does not require their approval. It explains in detail how the National Bank has fulfilled its statutory mandate – in particular the conduct of monetary policy – and also describes the economic and monetary developments in the year under review. A summary of the Accountability Report is provided on pages 7–9.

The Business Report, for the attention of the Federal Council and General Meeting of Shareholders, deals with organisational and operational developments at the SNB and its business activities, and includes the Financial Report, which contains the income statement, balance sheet and notes (pp. 70–134).

The SNB was pleased with the outcome of the national vote – held on 24 September – on the people's initiative "National Bank profits for the Old Age and Survivors' Insurance Fund (AHV/AVS)", better known as the Cosa initiative. By clearly rejecting the people's initiative, Swiss voters avoided establishing a link between the funding of a major Swiss social security institution and the profits of the SNB. This would have caused problems in conducting a stability-oriented monetary policy. The existing distribution formula for National Bank profits – two-thirds to the cantons and one-third to the Confederation – thus remains unchanged.

At the end of 2006, the cash office in Lugano was closed, as it no longer had the processing volume required for efficient operations. Nevertheless, the SNB will maintain its presence in Ticino with a delegate for regional economic relations.

The 2006 annual result amounted to CHF 5.0 billion (2005: CHF 12.8 billion). As in the previous year, the rise in the price of gold was the key factor contributing to this positive result. In accordance with the current profit distribution agreement, the amount to be paid out to the Confederation and the cantons for 2006 totals CHF 2.5 billion.

In 2007, the Swiss National Bank is celebrating its centenary. We are happy that this anniversary takes place at a time when Switzerland's economy is in good shape and that we can look back upon a long phase of price stability. We realise that one important reason why we have been able to achieve this goal is that the SNB's stability-oriented policy has, time and again, enjoyed broad public support.

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

Berne and Zurich, 23 February 2007

Hansueli Raggenbass

President of the Bank Council

Jean-Pierre Roth

Chairman of the Governing Board