

Financial Report

1 Income statement and appropriation of profit for 2007

In CHF millions

		2007	2006	Change
	Item no. in Notes			
Net result from gold	01	6 446.8	4 204.0	+2 242.8
Net result from foreign currency investments	02	1 338.2	820.0	+518.2
Net result from Swiss franc investments	03	427.1	229.3	+197.8
Net result from other assets	04	26.3	24.6	+1.7
Gross income		8 238.4	5 277.9	+2 960.4
Banknote expenses		-34.3	-38.3	+4.0
Personnel expenses	05, 06	-110.7	-105.6	-5.1
General overheads	07	-65.8	-57.6	-8.2
Depreciation on tangible assets	16	-32.0	-31.1	-0.9
Annual result		7 995.5	5 045.3	+2 950.2
Allocation to provisions for currency reserves		-751.0	-888.6	+137.6
Distributable annual profit		7 244.5	4 156.7	+3 087.8
Allocated to distribution reserve		-4 743.0	-1 655.2	-3 087.8
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 (in accordance with the agreement of 5 April 2002)		2 500.0	2 500.0	-

2 Balance sheet as at 31 December 2007

In CHF millions

		31.12.2007	31.12.2006	Change
Assets	Item no. in Notes			
Gold holdings	08	30 531.8	29 190.2	+1 341.6
Claims from gold transactions	09	4 243.7	3 030.3	+1 213.4
Foreign currency investments	10	50 586.3	45 591.9	+4 994.4
Reserve position in the IMF	11	406.0	557.3	-151.3
International payment instruments	27	281.7	330.8	-49.1
Monetary assistance loans	12, 27	273.1	236.6	+36.5
Claims from repo transactions in US dollars	13	4 517.4	-	+4 517.4
Claims from repo transactions in Swiss francs	26	31 025.4	27 126.9	+3 898.5
Claims against domestic correspondents		11.0	5.1	+5.9
Swiss franc securities	14	4 130.7	4 907.6	-776.9
Banknote stocks	15	126.9	125.0	+1.9
Tangible assets	16	344.8	358.5	-13.7
Participations	17, 28	136.8	129.6	+7.2
Other assets	18, 30	311.3	223.6	+87.7
Total assets		126 926.9	111 813.5	+15 113.4

		31.12.2007	31.12.2006	Change
Liabilities	Item no. in Notes			
Banknotes in circulation	19	44 258.6	43 182.2	+1 076.4
Sight deposits of domestic banks		8 672.9	6 716.0	+1 956.9
Liabilities towards the Confederation	20	1 077.0	1 056.2	+20.8
Sight deposits of foreign banks and institutions		644.1	421.7	+222.4
Other sight liabilities	21	169.1	163.2	+5.9
Liabilities from Swiss franc repo transactions		615.0	–	+615.0
Other term liabilities	13	4 608.0	–	+4 608.0
Foreign currency liabilities	22	1 127.6	1.8	+1 125.8
Other liabilities	23, 30	72.5	81.9	–9.4
Provisions for operating risks	24	8.6	11.1	–2.5
Provisions for currency reserves		39 524.3	38 635.7	+888.6
Share capital	25	25.0	25.0	–
Distribution reserve		18 128.7	16 473.4	+1 655.3
Annual result ¹		7 995.5	5 045.3	+2 950.2
Total liabilities		126 926.9	111 813.5	+15 113.4

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 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
Equity capital as at 1 January 2007	25.0	38 635.7
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		
Annual result of the year under review		
Equity capital as at 31 December 2007 (before appropriation of profit)	25.0	39 524.3
Proposed appropriation of profit		
Endowment of provisions for currency reserves pursuant to the NBA		751.0
Allocation to distribution reserve		
Distribution of dividends to the shareholders		
Profit distribution to the Confederation and the cantons		
Equity capital after appropriation of profit	25.0	40 275.3

Distribution reserve	Annual result (net profit)	Total
6 948.4	12 821.2	57 635.6
	-794.7	
9 525.0	-9 525.0	
	-1.5	-1.5
	-2 900.0	-2 900.0
	5 045.3	5 045.3
16 473.4	5 045.3	60 179.5
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
	7 995.5	7 995.5
18 128.7	7 995.5	65 673.5
	-751.0	
4 743.0	-4 743.0	
	-1.5	-1.5
	-2 500.0	-2 500.0
22 871.7	-	63 172.0

4 Notes to the accounts as at 31 December 2007

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 were no substantial changes to the accounting and valuation principles compared with the previous year, except for the addition of the new transactions (repos in US dollars and foreign exchange options). The asset capitalisation threshold for tangible assets and investments in buildings which result in an increase in value was adjusted.

Cash flow statement

As a central bank, the National Bank can autonomously create money at any time. It therefore does not prepare a cash flow statement.

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 30. 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. Transactions with members of the SNB's executive management and the Bank Council are concluded at market conditions.

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. Gold holdings are stored at various locations in Switzerland and abroad. These holdings are stated at market value. Valuation gains and losses and sales proceeds 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 may be effected both on a secured and unsecured basis. The gold price risk remains with the National Bank. Gold loans are 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 instruments, bonds and equity securities) as well as credit balances (sight deposit accounts, call money, time deposits and repos) 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, dividends and exchange rate gains and losses are stated in *net result from foreign currency investments*.

The management of foreign currency investments also includes securities lending transactions. Securities lent by the SNB from its own portfolio are secured by collateral in the form of securities. The SNB 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*.

Repos in foreign currency concluded for investment purposes are also reported in this balance sheet item.

Summary

Gold holdings

Claims from gold transactions

Foreign currency investments

Reserve position in the IMF

The reserve position in the International Monetary Fund (IMF) consists of 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*.

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 400 million SDRs 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. After repayment of the monetary assistance loan to Bulgaria, claims currently still outstanding include loans under the Poverty Reduction and Growth Facility (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. *Off-balance-sheet transactions*).

Claims from repo transactions in US dollars

The repo transactions in US dollars reported in this balance sheet item were concluded in concert with other central banks. They are fully backed by collateral eligible for SNB repos and are stated at their year-end nominal value inclusive of accrued interest.

Claims and liabilities from repo transactions in Swiss francs

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

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 recorded in *net result from Swiss franc investments*.

Claims against domestic correspondents

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

Swiss franc securities

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*.

Banknote stocks

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, software and sundry tangible assets are stated in *general overheads*. Investment in buildings resulting in an increase in value are capitalised from an amount of CHF 100,000. For sundry tangible assets, the capitalisation threshold is CHF 20,000. 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.

Tangible assets

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	
IT 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*.

Participations

The National Bank does not hold any material participating interests which are subject to either proportionate consolidation or consolidation according to Swiss GAAP FER 30. 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, foreign exchange options, futures and interest rate swaps to manage its currency reserves. They are used to steer market positioning with regard to shares, interest rates and currencies (cf. also *Risks posed by financial instruments*, p. 123 et seq.). Derivative financial instruments are stated at market value, whenever possible. If no market value is available, a 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*. 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 from the current series as well as from 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*.

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

Sight deposits of foreign banks and institutions

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

Other sight liabilities

This balance sheet item contains additional term liabilities in Swiss francs. They are stated at their nominal value inclusive of accrued interest. Interest expenses are recorded in *net result from Swiss franc investments*.

Other term liabilities

Foreign currency liabilities comprise sight liabilities 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 reported in *net result from foreign currency investments*.

Foreign currency liabilities

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.

Provisions for operating risks

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 economic growth. 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 National Bank's 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 annual profit distributions are fixed in advance for a certain period in an agreement concluded between the Confederation and the National Bank. The distribution reserve contains profits that have not yet been distributed (cf. p. 94).

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% of the insured salary (depending on the employee's age) 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

Fiduciary transactions

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 shown in the notes under *off-balance-sheet transactions* and are stated at nominal value inclusive of accrued interest.

Liquidity-shortage financing facility

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.

Irrevocable undertakings

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.

Foreign currency exchange rates and gold price

Valuation rates

	31.12.2007 CHF	31.12.2006 CHF	Change In percent
1 US dollar (USD)	1.1277	1.2202	-7.6
1 euro (EUR)	1.6557	1.6086	+2.9
1 British pound (GBP)	2.2586	2.3911	-5.5
100 Danish kroner (DKK)	22.2000	21.5800	+2.9
1 Canadian dollar (CAD)	1.1445	1.0502	+9.0
100 Japanese yen (JPY)	1.0109	1.0251	-1.4
1 Special Drawing Right (SDR)	1.7820	1.8369	-3.0
1 kilogram of gold	30 328.47	24 938.72	+21.6

4.2 Notes to the income statement and balance sheet

Item no. 01

Net result from gold

In CHF millions	2007	2006	Change
Net result from changes in market value ¹	6 433.3	4 188.4	+2 244.9
Interest income from gold lending transactions	13.5	15.6	-2.1
Total	6 446.8	4 204.0	+2 242.8

¹ Including valuation gains/losses from the sale of gold.

Net result from foreign currency investments

Item no. 02

Breakdown of net result by type	2007	2006	Change
In CHF millions			
Interest income and capital gain/loss	2 013.7	757.7	+1 256.0
Dividend income and price gain/loss	89.5	620.7	-531.2
Interest expenses	-31.4	-0.8	-30.6
Exchange rate gain/loss	-723.0	-546.1	-176.9
Asset management and safe custody account fees	-10.6	-11.5	+0.9
Total	1 338.2	820.0	+518.2

Breakdown of net result by origin	2007	2006	Change
In CHF millions			
Foreign currency investments	1 367.4	812.0	+555.4
Reserve position in the IMF	-3.7	-1.0	-2.7
International payment instruments	1.0	7.7	-6.7
Monetary assistance loans	4.9	2.1	+2.8
Foreign currency liabilities	-31.4	-0.8	-30.6
Total	1 338.2	820.0	+518.2

Breakdown of net result by currency	2007	2006	Change
In CHF millions			
USD	-21.4	-501.3	+479.9
EUR	1 380.4	1 161.0	+219.4
GBP	11.2	360.9	-349.7
DKK	51.9	53.2	-1.3
CAD	152.7	-13.1	+165.8
JPY	-226.4	-236.6	+10.2
SDR	0.4	7.4	-7.0
Other	-10.5	-11.5	+1.0
Total	1 338.2	820.0	+518.2

Breakdown of exchange rate gain/loss by currency	2007	2006	Change
In CHF millions			
USD	-1 074.1	-1 137.7	+63.6
EUR	609.9	711.4	-101.5
GBP	-269.0	231.3	-500.3
DKK	35.1	41.7	-6.6
CAD	91.4	-76.4	+167.8
JPY	-83.3	-299.8	+216.5
SDR	-33.1	-16.5	-16.6
Other	0.0	-0.0	+0.0
Total	-723.0	-546.1	-176.9

Item no. 03

Net result from Swiss franc investments

Breakdown by type	2007	2006	Change
In CHF millions			
Interest income and capital gain/loss	466.2	256.1	+210.1
Interest expenses	-36.1	-23.7	-12.4
Trading and safe custody account fees	-3.0	-3.0	+0.0
Total	427.1	229.3	+197.8

Breakdown by origin	2007	2006	Change
In CHF millions			
Swiss franc securities	-8.7	-10.3	+1.6
Swiss franc repo transactions	469.5	263.3	+206.2
Other assets	0.1	0.1	+0.0
Liabilities towards the Confederation	-26.8	-17.4	-9.4
Other sight liabilities	-6.9	-6.3	-0.6
Total	427.1	229.3	+197.8

Item no. 04

Net result from other assets

	2007	2006	Change
In CHF millions			
Commission income	14.4	19.4	-5.0
Commission expenses	-14.0	-16.8	+2.8
Income from participations	18.4	17.0	+1.4
Income from real estate	4.2	4.3	-0.1
Other income ¹	3.3	0.7	+2.6
Total	26.3	24.6	+1.7

¹ Includes, inter alia, book profit from the sale of the bank premises in Lugano. Cf. p. 116, item 16.

Item no. 05

Personnel expenses

	2007	2006	Change
In CHF millions			
Wages, salaries and allowances	85.8	81.5	+4.3
Social insurance	17.7	17.2	+0.5
Other personnel expenses ¹	7.2	6.9	+0.3
Total	110.7	105.6	+5.1

¹ Including reorganisation costs of CHF 0.9 million (2006: CHF 1.6 million). Cf. p. 118, item 24.

Remuneration for the Bank Council In CHF thousands	2007		
	Fixed annual remuneration	Remuneration for meetings ¹	Total remuneration ¹
Hansueli Raggenbass, President ^{2, 3}	130.0	2.5	132.5
Ruth Lüthi, Vice-President (until 30 April 2007) ^{2, 3}	20.0	2.5	22.5
Eveline Widmer-Schlumpf, Vice-President from 1 May 2007 ^{2, 3}	53.3	–	53.3
Ueli Forster ²	40.0	–	40.0
Serge Gaillard (until 31 January 2007) ⁵	3.3	–	3.3
Konrad Hummler ⁵	40.0	5.0	45.0
Armin Jans ⁴	40.0	7.5	47.5
Franz Marty ⁴	40.0	7.5	47.5
Marina Masoni (until 30 June 2007)	20.0	–	20.0
Fritz Studer ⁴	40.0	7.5	47.5
Alexandre Swoboda ^{3, 5}	40.0	5.0	45.0
Daniel Lampart (from 1 May 2007) ⁵	26.7	2.5	29.2
Jean Studer (from 1 May 2007)	26.7	–	26.7
Laura Sadis (from 1 July 2007)	20.0	–	20.0
Total	540.0	40.0	580.0

1 In accordance with SNB regulations; for Committee meetings that are not held on the same day as meetings of the Bank Council. Participation in the Bank Council committees is compensated at a rate of CHF 2,500 per meeting. Special assignments are compensated at a rate of CHF 2,500 per day or CHF 1,250 per half-day.

2 Member of the Compensation Committee.
3 Member of the Nomination Committee.
4 Member of the Audit Committee.
5 Member of the Risk Committee.

Remuneration for Executive Management ¹ In CHF thousands	2007						
	Salaries	Lump-sum allowance for official duties	Employer contributions to pension plans and Old Age and Survivors' Insurance Fund ²	Miscellaneous ³	Regular remuneration	One-off pension plan buy-ins/buy-outs ⁵	Total remuneration
Three members of the Governing Board	1 799.0	69.6	579.0	73.3	2 520.9	844.2	3 365.0
Jean-Pierre Roth, Chairman ⁴	599.7	24.0	211.7	9.7	845.0	–	845.0
Philipp M. Hildebrand	599.7	22.8	134.5	9.7	766.6	–	766.6
Thomas Jordan (as of 1 May 2007)	399.8	15.2	74.3	22.2	511.5	394.3	905.8
Niklaus Blattner (until 30 April 2007)	199.9	7.6	158.6	31.7	397.7	449.9	847.6
Three alternate members of the Governing Board	1 046.6	43.2	304.6	15.0	1 409.4	–	1 409.4
Total	2 845.6	112.8	883.6	88.3	3 930.2	844.2	4 774.4

1 All remuneration is specified in SNB regulations.

2 Staff pension fund schemes under the defined benefit system.

3 General Abonnement travel card, leaving, long-service and anniversary gifts.

4 In addition, remuneration in the amount of CHF 48,000 for serving on the BIS Board of Directors.

5 Buy-ins (new hires) and buy-outs (in the case of early retirement) by the SNB.

Like all employees, members of executive management are entitled to preferential interest rates (up to a limited amount) on any

a) balance on their SNB staff account. The interest advantage may not exceed CHF 6,000.

b) mortgage loan granted by pension fund schemes. The interest advantage may not exceed CHF 5,000.

No additional remuneration as defined in art. 663b^{bis} para. 1 Swiss Code of Obligations was paid.

Of the members of the Bank Council and the Enlarged Governing Board, Philipp M. Hildebrand, Vice-Chairman of the Governing Board, held five SNB shares and Dewet Moser, Member of the Enlarged Governing Board, held one SNB share, both as of 31 December 2007.

Item no. 06**Employee benefit obligations¹**

Share of actuarial surplus of pension plans ²	31.12.2007	31.12.2006	Change
In CHF millions			
Overfunding in accordance with Swiss GAAP FER 26	140.8	150.4	-9.6
SNB's share of actuarial surplus	-	-	-

1 Pension funds do not have any employer contribution reserves.

2 Any overfunding is used in favour of the insured.

Employee benefit expenses	2007	2006	Change
In CHF millions			
Employer contributions	11.8	11.5	+0.3
Change in share of actuarial surplus	-	-	-
Employee benefit expenses as part of personnel expenses	11.8	11.5	+0.3

Item no. 07**General overheads**

In CHF millions	2007	2006	Change
Premises	10.3	14.0	-3.7
Maintenance of mobile tangible assets and software	10.8	8.8	+2.0
Consulting and other third-party support	14.8	7.8	+7.0
Administrative expenses	16.3	12.9	+3.4
Operating contributions ¹	7.7	8.1	-0.4
Other general overheads	5.9	6.0	-0.1
Total	65.8	57.6	+8.2

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

Item no. 08**Gold holdings**

Breakdown by type	31.12.2007		31.12.2006	
	Tonnes	CHF millions	Tonnes	CHF millions
Gold ingots	915.1	27 753.0	1 010.5	25 201.0
Gold coins ¹	91.6	2 778.8	160.0	3 989.2
Total ²	1 006.7	30 531.8	1 170.5	29 190.2

1 Decline due to remelting of non-standard formats into ingots.

2 Total gold holdings also include lent gold shown under item no. 09.

Claims from gold transactions

Item no. 09

	31.12.2007		31.12.2006	
	Tonnes	CHF millions	Tonnes	CHF millions
Claims from secured gold lending ¹	138.4	4 240.7	119.5	3 027.6
Claims on metal accounts	0.1	3.0	0.1	2.8
Total	138.5	4 243.7	119.6	3 030.3

¹ Secured by collateral eligible for repo transactions with a market value of CHF 4,222.2 million (2006: 3,127.7 million).

Foreign currency investments

Item no. 10

Breakdown by investment type	31.12.2007	31.12.2006	Change
In CHF millions			
Sight deposits and call money	628.2	826.1	-197.9
Time deposits	926.5	1 209.2	-282.7
Reverse repos	1 117.8	-	+1 117.8
Money market instruments	712.9	1 103.3	-390.4
Bonds ¹	41 547.9	37 698.1	+3 849.8
Equities	5 652.9	4 755.2	+897.7
Total	50 586.3	45 591.9	+4 994.4

¹ Of which CHF 83.3 million (2006: CHF 123.1 million) lent under securities lending operations.

Breakdown by borrower category	31.12.2007	31.12.2006	Change
In CHF millions			
Governments	33 672.7	28 632.3	+5 040.4
Monetary institutions ¹	987.9	1 377.4	-389.5
Corporations	15 925.7	15 582.2	+343.5
Total	50 586.3	45 591.9	+4 994.4

¹ BIS, central banks and multilateral development banks.

Breakdown by currency ¹	31.12.2007	31.12.2006	Change
In CHF millions			
USD	15 608.6	14 959.4	+649.2
EUR	23 047.6	21 435.7	+1 611.9
GBP	5 989.9	4 588.3	+1 401.6
DKK	1 276.1	1 303.8	-27.7
CAD	1 166.4	1 003.6	+162.8
JPY	3 497.0	2 300.6	+1 196.4
Other	0.7	0.6	+0.1
Total	50 586.3	45 591.9	+4 994.4

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. 123 et seq.

Item no. 11**Reserve position in the IMF**

	31.12.2007	31.12.2006	Change
In CHF millions			
Swiss quota in the IMF ¹	6 162.9	6 352.8	-189.9
less: IMF's Swiss franc sight balances at the National Bank	-5 756.9	-5 795.5	+38.6
Total	406.0	557.3	-151.3

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

Item no. 12**Monetary assistance loans**

	31.12.2007	31.12.2006	Change
In CHF millions			
Bilateral loan to Bulgaria	-	23.2	-23.2
PRGF credit facility	45.4	62.4	-17.0
Interim PRGF credit facility ¹	227.7	151.1	+76.6
Total	273.1	236.6	+36.5

¹ For undrawn loan
commitments, cf. p. 120,
item no. 27.

Item no. 13**Claims from repo transactions in US dollars**

	31.12.2007 Assets	31.12.2007 Liabilities
In CHF millions		
Claims from repo transactions in US dollars ¹	4 517.4	
Positive replacement value ²	97.2	
Other term liabilities ³		4 608.0
Foreign currency liabilities ⁴		6.6
Total	4 614.6	4 614.6

¹ US dollar repo transaction (maximum of USD 4 billion) offered by the Swiss National Bank to enable its counterparties to gain easier access to US dollar liquidity.
² Resulting from the swap agreement with the US Federal Reserve Bank.
³ Swap agreement with the US Federal Reserve Bank.
⁴ Accrued interest on behalf of the US Federal Reserve Bank. This transaction does not affect the SNB's net result.

Swiss franc securities

Item no. 14

Breakdown by borrower category	31.12.2007	31.12.2006	Change
In CHF millions			
Governments	2 016.1	2 583.6	-567.5
Corporations	2 114.5	2 324.0	-209.5
Total	4 130.7	4 907.6	-776.9

Breakdown of the <i>Governments</i> borrower category	31.12.2007	31.12.2006	Change
In CHF millions			
Swiss Confederation	1 220.4	1 630.9	-410.5
Cantons and municipalities	608.6	748.8	-140.2
Foreign states	187.1	203.9	-16.8
Total	2 016.1	2 583.6	-567.5

Breakdown of the <i>Corporations</i> borrower category	31.12.2007	31.12.2006	Change
In CHF millions			
Domestic mortgage bond institutions	491.1	699.5	-208.4
Other domestic corporations ¹	68.4	121.5	-53.1
Foreign corporations ²	1 555.1	1 503.1	52.0
Total	2 114.5	2 324.0	-209.5

1 International organisations headquartered in Switzerland.
2 Banks, international organisations and other corporations.

Banknote stocks

Item no. 15

In CHF million	Banknote stocks
Position as at 1 January 2006	137.6
Additions	23.2
Disposals	-35.9
Position as at 31 December 2006	125.0
Position as at 1 January 2007	125.0
Additions	31.8
Disposals	-29.9
Position as at 31 December 2007 ¹	126.9

1 Of which CHF 24.7 million in advance payments.

Item no. 16

Tangible assets

	Land and buildings ¹	Fixed assets under construction	Software	Sundry tangible assets ²	Total
In CHF millions					
Historical cost					
1 January 2007	435.9	2.6	21.4	73.5	533.4
Additions	8.8	0.0	7.8	7.0	23.6
Disposals ³	-6.2		-6.2	-19.1	-31.6
Reclassified	2.6	-2.6			
31 December 2007	441.0	0.0	23.0	61.5	525.4
Cumulative value adjustments					
1 January 2006	112.6		9.3	53.0	174.9
Scheduled depreciation	17.3		7.4	7.3	32.0
Disposals	-1.1		-6.2	-19.0	-26.3
Reclassified					
31 December 2007	128.8		10.5	41.3	180.6
Net book values					
1 January 2007	323.3	2.6	12.1	20.5	358.5
31 December 2007	312.2	0.0	12.5	20.1	344.8

1 Insured value: CHF 358.2 million (2006: CHF 374.5 million).

2 Insured value: CHF 83.3 million

(2006: CHF 83.3 million).

3 Land and buildings: property in Lugano; sundry tangible assets: hardware and cash machines.

The sale of the property in Lugano (cf. Premises, p. 88 and p. 110, item no. 04) attracted bids which were well

above the base price of CHF 6.4 million. The winning bid came from Wegelin & Co., Private Bankers, St Gallen,

whose Managing Partner, Konrad Hummler, is a member of the SNB Bank Council.

Item no. 17

Participations (not consolidated)

	Orell Füssli ¹	BIS ²	Other	Total
In CHF millions				
Equity participation	33%	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
Book value as at 1 January 2007	38.7	90.2	0.6	129.6
Investments	-	-	-	-
Divestments	-	-	-	-
Valuation changes	7.2	-	-	7.2
Book value as at 31 December 2007	46.0	90.2	0.6	136.8

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.

Other assets

Item no. 18

In CHF millions	31.12.2007	31.12.2006	Change
Coins ¹	144.3	169.1	-24.8
Foreign banknotes	1.0	0.6	+0.4
Other accounts receivable	12.1	14.1	-2.0
Prepayments and accrued income	3.3	5.2	-1.9
Cheques and bills of exchange (collection business)	0.8	0.3	+0.5
Positive replacement values ²	149.8	34.4	+115.4
Total	311.3	223.6	+87.7

1 Commemorative coins acquired from Swissmint destined for circulation.
2 Unrealised gains on financial instruments and on outstanding spot transactions (cf. p. 122, item no. 30).

Banknotes in circulation

Item no. 19

Breakdown by issue	31.12.2007	31.12.2006	Change
In CHF millions			
8 th issue	42 751.5	41 586.2	+1 165.3
6 th issue ¹	1 507.1	1 596.0	-88.9
Total	44 258.6	43 182.2	+1 076.4

1 Exchangeable at the SNB until 30 April 2020.

Liabilities towards the Confederation

Item no. 20

In CHF millions	31.12.2007	31.12.2006	Change
Sight liabilities	74.9	53.3	+21.6
Term liabilities	1 002.1	1 002.8	-0.7
Total	1 077.0	1 056.2	+20.8

Other sight liabilities

Item no. 21

In CHF millions	31.12.2007	31.12.2006	Change
Sight deposits of non-banks	11.4	8.0	+3.4
Deposit accounts ¹	157.7	154.7	+3.0
Cheque liabilities ²	0.1	0.5	-0.4
Total	169.1	163.2	+5.9

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 15.5 million on 31 December 2007 (2006: CHF 17.1 million).

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

Item no. 22**Foreign currency liabilities**

	31.12.2007	31.12.2006	Change
In CHF millions			
Sight liabilities	3.2	1.8	+1.4
Liabilities from repo transactions ¹	1 117.7	–	+1 117.7
Other foreign currency liabilities	6.6	–	+6.6
Total	1 127.6	1.8	+1 125.8

¹ Relating to the management of foreign currency investments.

Item no. 23**Other liabilities**

	31.12.2007	31.12.2006	Change
In CHF millions			
Other liabilities	6.3	5.7	+0.6
Accrued liabilities and deferred income	6.6	5.8	+0.8
Negative replacement values ¹	59.6	70.4	–10.8
Total	72.5	81.9	–9.4

¹ Unrealised losses on financial instruments and on outstanding spot transactions (cf. p. 122, item no. 30).

Item no. 24**Provisions for operating risks**

	Provisions due to reorganisation	Other provisions	Total
In CHF millions			
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
Book value as at 1 January 2007	10.2	0.9	11.1
Formation	0.8	0.2	1.0
Release	–3.5	–	–3.5
Write-back	0.0	–	0.0
Book value as at 31 December 2007	7.6	1.0	8.6

Shares

	2007	2006
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	1 400	1 280
Market capitalisation in CHF	140 000 000	128 000 000
Annual high in CHF	1 520	1 430
Annual low in CHF	1 260	1 037
Average daily trading volume in number of shares	33	44

¹ Listed in the main segment of the Swiss stock exchange (SWX).

Breakdown of share ownership

	Number of shares	In percentage of shares registered
2,180 private shareholders with a total of	31 658	36.8¹
of which 1,883 shareholders with 1–10 shares each		
of which 269 shareholders with 11–100 shares each		
of which 8 shareholders with 101–200 shares each ²		
of which 20 shareholders with over 200 shares each ²		
79 public-sector shareholders with a total of	54 269	63.2
of which 26 cantons with a total of	38 981	
of which 24 cantonal banks with a total of	14 257	
of which 29 other public authorities and institutions with a total of	1 031	
Total 2,259 registered shareholders with a total of³	85 927⁴	100
Registration applications pending or outstanding for	14 073	
Total shares	100 000	

¹ 13.8% are legal entities and 23.0% private individuals.

² Voting rights are limited to 100 shares.

³ In 2007, 5,930 shares were transferred to new holders (2006: 8,038). The number of shareholders decreased by 34.

⁴ 6,791 shares are in foreign ownership.

Principal shareholders

	31.12.2007		31.12.2006	
	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%
Canton of Vaud	3 401	5.40%	3 401	3.40%
Canton of St Gallen	3 002	3.00%	3 002	3.00%

4.3 Notes regarding off-balance-sheet business

Liquidity-shortage financing facility

Item no. 26

Details on the liquidity-shortage financing facility	31.12.2007	31.12.2006	Change
In CHF millions			
Credit undertaking ¹	33 696.5	12 101.5	+21 595.0
of which drawn down	0.0	13.0	-13.0
of which not drawn down	33 696.5	12 088.5	+21 608.0

¹ Increase due to extension of credit lines.

Item no. 27

Irrevocable undertakings

Overview: undrawn credit lines provided to the IMF	31.12.2007	31.12.2006	Change
In CHF millions			
International payment instruments (two-way arrangement)	433.2	404.9	+28.3
Interim PRGF	217.8	308.2	-90.4
General Arrangements to Borrow (GAB) and New Arrangements to Borrow (NAB)	2 744.2	2 828.8	-84.6
Total	3 395.1	3 541.8	-146.7

¹ Undertaking to purchase Special Drawing Rights against currency up to 400 million SDRs or to return the Special Drawing Rights in exchange for currency, without federal guarantee (cf. p. 104).
² Change due entirely to exchange rates.

Overview in detail: international payment instruments (two-way arrangement ¹)	31.12.2007	31.12.2006	Change
In CHF millions			
Credit undertaking	712.8	734.7	-21.9 ²
of which drawn down	279.6	329.9	-50.3
of which not drawn down	433.2	404.9	+28.3

¹ Limited-term credit undertaking to the IMF's trust fund amounting to 250 million SDRs (cf. p. 114, item no. 12) with federally guaranteed repayment of principal and payment of interest.
² Change due entirely to exchange rates.

Overview in detail: interim PRGF ¹	31.12.2007	31.12.2006	Change
In CHF millions			
Credit undertaking	445.5	459.2	-13.7 ²
of which drawn down	227.7	151.1	+76.6
of which not yet drawn down	217.8	308.2	-90.4

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

Overview in detail: General Arrangements to Borrow (GAB) and New Arrangements to Borrow (NAB) ¹	31.12.2007	31.12.2006	Change
In CHF millions			
Credit undertaking	2 744.2	2 828.8	-84.6 ²
of which drawn down	-	-	-
of which not drawn down	2 744.2	2 828.8	-84.6

Other obligations not carried on the balance sheet

Item no. 28

In CHF millions	31.12.2007	31.12.2006	Change
Additional funding BIS ¹	115.1	118.6	-3.5
Liabilities from long-term rental, maintenance and leasing contracts	10.0	17.3	-7.3
Total	125.0	135.9	-10.9

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

Assets pledged or assigned as collateral for SNB liabilities

Item no. 29

In CHF millions	31.12.2007	31.12.2006	Change
Foreign currency investments in USD	22.6	32.5	-10.0
Foreign currency investments in EUR	155.5	89.7	+65.8
Foreign currency investments in GBP	1 119.5	-	+1 109.7
Securities in CHF	657.6	-	+657.6
Total ¹	1 955.1	122.2	+1 681.1

¹ Collateral lodged in connection with repo and futures transactions.

Item no. 30

Outstanding derivative financial instruments¹

In CHF millions	31.12.2007		31.12.2006			
	Contract value	Replacement value	Contract value	Replacement value	Positive	Negative
		Positive	Negative		Positive	Negative
Interest rate instruments	21 749.7	41.1	38.5	29 588.1	22.3	22.0
Repo transactions in CHF ²	15 802.0	–	–	18 592.0	–	–
Forward contracts ¹	1 122.5	4.2	2.8	1 771.5	2.6	7.7
Interest rate swaps	2 251.8	36.5	34.9	2 856.1	18.7	13.4
Futures	2 573.4	0.5	0.8	6 368.6	1.1	0.9
Foreign exchange	2 905.7	108.3	21.0	5 144.3	11.7	48.4
Forward contracts ¹	2 885.7	108.3	20.9	5 144.3	11.7	48.4
Options	19.9	–	0.1	–	–	–
Precious metals	31.7	0.0	0.0	74.5	–	–
Forward contracts ³	31.7	0.0	0.0	74.5	–	–
Equities/indices	353.7	0.3	0.1	753.2	0.4	0.0
Forward contracts ¹	3.1	0.1	0.0	0.0	0.0	0.0
Futures	350.6	0.3	0.1	753.2	0.4	0.0
Total	25 040.8	149.8	59.6	35 560.1	34.4	70.4

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

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

3 From spot sales with value date in the new year.

Item no. 31

Fiduciary investments

In CHF millions	31.12.2007	31.12.2006	Change
Fiduciary investments of the Confederation	521.7	386.9	+134.8

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's Risk Committee, i. e. 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 in the Accountability Report for the Federal Assembly.

**Risks faced by
the National Bank**

Risk control process

Balance sheet by currency

In CHF millions	CHF	Gold	USD	EUR	Other	Total
Gold holdings		30 532				30 532
Claims from gold transactions		4 201	43			4 244
Foreign currency investments			15 609	23 048	11 930	50 586
Reserve position in the IMF					406	406
International payment instruments					282	282
Monetary assistance loans					273	273
Claims from repo transactions in US dollars			4 517			4 517
Claims from repo transactions in Swiss francs	31 025					31 025
Swiss franc securities	4 131					4 131
Other	729		109	2	90	931
Total assets as per balance sheet	35 885	34 733	20 278	23 050	12 981	126 927
Total liabilities as per balance sheet	-125 777		-27	-3	-1 119	-126 927
Foreign exchange derivatives (net) ¹	4 609		-6 109	1	1 583	86
Net exposure as at 31.12.2007	-85 283	34 733	14 142	23 048	13 446	86
Net exposure as at 31.12.2006	-78 901	32 174	12 200	21 906	12 577	-45

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

Market risk

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

Gold and foreign currency risk

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. The risk of exchange rate fluctuations against the Swiss franc is not hedged. Accordingly, forward foreign exchange transactions and foreign exchange options are not used to hedge the exchange rate risk, but to achieve strategic or tactical positioning in investment currencies. Gold and the US dollar represent the most important risk factors with respect to investments as they account for a large proportion of total reserves and are very prone to fluctuations.

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 the 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 longer the duration. The longer the duration, the higher the exchange rate losses in the event of a rise in interest rates.

Interest-bearing investments Position as at 31 December	2007			2006		
	Duration In years	Market value CHF millions	PVBP ¹ CHF millions	Duration In years	Market value CHF millions	PVBP ¹ CHF millions
Gold lending		4 241			3 028	
Investments in CHF ²	5.0	4 131	2	5.4	4 908	3
Investments in USD	4.1	13 583	6	4.1	12 768	6
Investments in EUR	3.9	20 895	8	4.2	19 300	8
Investments in other currencies	4.3	7 783	4	4.2	6 733	3

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

² Excluding repos.

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 2007, CHF 5,653 million (2006: CHF 4,755 million) were invested in shares. In addition, the SNB held a contract volume of CHF 351 million (2006: CHF 753 million) in equity index futures for the purpose of tactical fine-tuning.

One way of estimating the total market risk of assets is by calculating the Value-at-Risk (VaR, cf. explanations in the Accountability Report). The VaR calculated with respect to the composition of assets at the end of 2007 amounted to CHF 9.4 billion (2006: CHF 7.1 billion), or about 7.9% of assets. This means that from a statistical point of view only one year in twenty, at the most, would see a loss of more than CHF 9.4 billion. The major part of the risk 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.

Total market risk

Credit risk results from the possibility that counterparties or 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 business (OTC) with banks. Credit risk in OTC business originates from short-term investments, 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 2.6 billion (2006: CHF 3.1 billion). For borrowers in the bond market, a minimum rating of "investment grade" is required. The rating allocation for investments is shown in the Accountability Report for the Federal Assembly. 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, i.e. in euros and US dollars. Liquidity risk is reassessed periodically.

Liquidity risk