

Ladies and Gentlemen

It is our pleasure to present the *110th Annual Report*. The first part of the report comprises the accountability report to the Federal Assembly, and provides information about how the Swiss National Bank (SNB) has fulfilled its mandate pursuant to art. 5 of the National Bank Act. The second part comprises the financial report, which provides information on organisational and operational developments as well as the financial result of the SNB. It is submitted for approval, first to the Federal Council and then to the General Meeting of Shareholders.

At global level, the economic recovery gained momentum in 2017. In Europe, too, growth strengthened and sentiment improved significantly. Following subdued growth at the beginning of the year, the Swiss economy picked up pace as well. An improvement was recorded in both production capacity utilisation and the situation on the labour market.

The generally favourable international economic environment led to a noticeable decrease in demand for Swiss franc investments in the second half of the year. The Swiss franc weakened, in particular against the euro. The associated reduction in the Swiss franc's significant overvaluation provided much needed relief for export-oriented industries. Ongoing structural change driven by increasing automation and digitalisation continues to pose major challenges for many industries, however.

The SNB maintained its expansionary monetary policy in 2017. Although inflation rose slightly, remaining throughout the year within the range that the SNB equates with price stability, utilisation of economic capacity was still below the long-term average. Negative interest on sight deposits held by banks and other financial market participants at the SNB as well as the SNB's willingness to intervene in the foreign exchange market if necessary remain essential to ensure appropriate monetary conditions.

The issuance of the new banknote series proceeded as planned. Following the release of the 50-franc note in April 2016, the SNB issued the new 20-franc note in May 2017 and the 10-franc note in October. These denominations were also well received by the public and experts alike. The next denomination, the 200-franc note, will be released in August 2018.

In December 2017, the SNB acquired a majority stake in Landqart AG and in the patent-holding company, landqart management and services. Landqart is the only company worldwide that has the technology and production facilities to manufacture the special paper for the new Swiss banknote series. By taking this step, the SNB is ensuring the continued supply of cash and, hence, the fulfilment of its own statutory mandate.

The SNB's 2017 annual financial statements closed with a profit of CHF 54.4 billion, following a profit of CHF 24.5 billion in the previous year. This positive result was primarily attributable to gains of CHF 49.7 billion on foreign currency positions and CHF 3.1 billion on gold holdings.

The allocation to the provisions for currency reserves amounts to CHF 5 billion. After taking into account the distribution reserve of CHF 20.0 billion, the net profit comes to CHF 69.3 billion. This will permit a dividend payment of CHF 15 per share, the legally stipulated maximum amount, as well as a profit distribution of CHF 2.0 billion to the Confederation and the cantons. The distribution reserve after appropriation of profit is CHF 67.3 billion.

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

Berne and Zurich, 2 March 2018



JEAN STUDER
President of the Bank Council



THOMAS J. JORDAN
Chairman of the Governing Board