

Ladies and Gentlemen

It is our pleasure to present the Swiss National Bank's *Annual Report* for 2018. The first part of the report comprises the accountability report to the Federal Assembly, and provides information about how the 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. It is submitted for approval, first to the Federal Council and then to the General Meeting of Shareholders.

The global economic environment remained robust in 2018, with growth supported by ongoing expansionary monetary policy in the major currency areas and favourable financing conditions. As the year progressed, however, risks relating to protectionist tendencies and political uncertainty in various countries increasingly came to the fore. This was also reflected in developments in the Swiss franc exchange rate. The reduction in the overvaluation, which had taken hold on a trade-weighted basis in mid-2017, came to a halt, and a renewed appreciation against the euro followed over the course of the year.

In Switzerland, the broad-based economic expansion continued. Utilisation of production capacity rose, returning to its long-term average. There was an increase in employment and unemployment declined further. Although growth momentum eased somewhat in the second half of the year, the outlook remained favourable. Inflation increased slightly through to mid-year, above all due to rising oil prices. However, it was consistently within the range the SNB equates with price stability.

The SNB maintained its expansionary monetary policy. This continued to be based on the negative interest rate that banks and other financial market participants pay on their sight deposits at the SNB, and on the SNB's willingness to intervene in the foreign exchange market as necessary. Against the backdrop of a highly valued Swiss franc and the ongoing fragile situation on the foreign exchange market, both of these measures remained essential to ensure appropriate monetary conditions.

The issuance of the new banknote series proceeded as planned. The SNB released the fourth denomination, the 200-franc note, in August 2018, and the process will be completed in 2019 with the issuance of the 1000-franc and 100-franc notes.

With respect to operational matters, significant progress was made on the extensive construction work being undertaken at the SNB's head offices in Berne and Zurich. Staff were able to move back into the offices in the main building in Berne at the end of 2018 following the completion of a three-year renovation project. The alteration work to the Fraumünsterstrasse premises in Zurich is well on track. As regards IT, considerable resources were devoted to bolstering cybersecurity at the SNB.

The SNB's 2018 annual financial statements closed with a loss of CHF 14.9 billion, following a profit of CHF 54.4 billion in the previous year. This result was primarily attributable to the loss on foreign currency positions.

The allocation to the provisions for currency reserves amounts to CHF 5.4 billion. After taking into account the existing distribution reserve of CHF 67.3 billion, the net profit comes to CHF 47 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 billion to the Confederation and the cantons. The distribution reserve after appropriation of profit is CHF 45 billion.

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

Berne and Zurich, 1 March 2019



JEAN STUDER
President of the Bank Council



THOMAS J. JORDAN
Chairman of the Governing Board

