



Ladies and Gentlemen

It is our pleasure to present the Swiss National Bank's *Annual Report* for 2020. The first part of the report comprises the accountability report submitted by the Governing Board to the Federal Assembly, and sets out how the SNB has fulfilled its tasks pursuant to art. 5 of the National Bank Act during the past year. The second part comprises the financial report, which provides information on organisational and operational developments as well as the financial result. The financial report is submitted for approval first to the Federal Council and then to the General Meeting of Shareholders.

2020 was dominated by the coronavirus pandemic. Developments in the Swiss and the global economy were shaped by the worldwide spread of coronavirus and the measures taken to contain the pandemic. Following a sharp downturn in the first half of the year, which was unusual even by historical standards, there was a strong recovery in the third quarter. The fall in new infections and the easing of containment measures in the summer led to this recovery, which, however, remained incomplete. Pre-crisis levels were not reached. In the autumn, infection numbers in Europe – including Switzerland – and in the US rose again rapidly, which brought renewed containment measures. This again adversely affected the economy towards the end of the year. Over the course of 2020, inflation in Switzerland fell significantly into negative territory. At the same time, the Swiss franc was repeatedly subject to strong upward pressure owing to its status as a safe haven.

In this situation, expansionary monetary policy continued to be necessary in order to ensure appropriate monetary conditions. The SNB's monetary policy contributed to crisis management via three channels. First, it countered the increased upward pressure on the Swiss franc with stronger interventions in the foreign exchange market, as well as the negative SNB policy rate and negative interest on sight deposits held at the SNB. Strong appreciation would have further impaired the Swiss economy in the crisis. Second, the low level of interest rates created favourable financing conditions for the economy and the public sector. This eased the burden in particular on those companies and institutions that face increased funding needs as a result of the crisis. Third, the SNB supported the supply of credit and liquidity to the economy with further measures to enhance the banks' latitude for lending.

At the forefront of these was the SNB COVID-19 refinancing facility (CRF), set up in March 2020 as part of a joint package of measures with the federal government, the Swiss Financial Market Supervisory Authority (FINMA) and the banks. Via the CRF, the SNB provided the banks with additional liquidity at the SNB policy rate. This contributed to banks being able to grant COVID-19 loans to businesses at an interest rate of 0%. Furthermore, in March the SNB raised the exemption thresholds, thereby reducing the burden on the banking system. In addition, after consulting with FINMA, the SNB submitted a proposal to the Federal Council to deactivate the countercyclical capital buffer. The Federal Council accepted this recommendation on 27 March. Finally, together with other central banks, the SNB participated in the standing swap arrangement with the US Federal Reserve in March to enhance the provision of US dollar liquidity, thereby lessening the strain on the global US dollar funding markets.

The SNB's day-to-day operations were also affected by the pandemic. At times, about 70% of staff were working from home. Units performing critical activities that required on-site presence were split and moved to alternative workplaces. Meetings were held mainly in the form of telephone and video conferences, rather than face to face. This ensured good cooperation internally as well as with external parties, at both national and international level. A key success factor for maintaining the continuity of the SNB's operations was the robust IT infrastructure already in place.

The SNB's 2020 annual financial statements closed with a profit of CHF 20.9 billion, following a profit of CHF 48.9 billion in 2019. The allocation to the provisions for currency reserves amounts to CHF 7.9 billion. After taking into account the distribution reserve of CHF 84.0 billion, the net profit comes to CHF 96.9 billion. This allows a dividend payment of the legally stipulated maximum amount of CHF 15 per share.

In January 2021, the SNB and the Federal Department of Finance decided on a new profit distribution agreement covering the period through to 2025, and that it should already apply to the 2020 financial year. Accordingly, the Confederation and the cantons are entitled to a profit distribution of CHF 6 billion, as the net profit meets the conditions defined in the agreement for a distribution of this amount.

We would like to thank our employees for their hard work and support, which proved particularly valuable during the many challenges of this extraordinary past year.

Berne and Zurich, 26 February 2021



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