

Communications

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Quarterly result and balance sheet of the Swiss National Bank as at 31 March 2005

The financial result of the Swiss National Bank in the first quarter of 2005 was influenced by the higher foreign exchange rates and the increase in the gold price, which in turn led to valuation gains on foreign currency investments and gold holdings. The distributable profit amounted to CHF 2.2 billion compared with CHF 2.9 billion a year earlier.

Given its significant gold holdings and foreign currency investments, the National Bank is exposed to fluctuations in the gold price, interest rates and exchange rates. The resulting valuation gains and losses have an immediate impact on the income statement and they can vary strongly from quarter to quarter. It is for this reason that the quarterly result does not permit any conclusions to be drawn with respect to the expected annual result.

The price per kilogram of gold climbed by 3% in the first quarter. The interest rates in the markets relevant for the National Bank developed unevenly: while the US dollar interest rates moved up, the euro rates fell back slightly. The exchange rates of investment currencies rose across the board – at roughly 6%, the increase in the US dollar was particularly dramatic.

In the first quarter, valuation gains on gold amounted to CHF 0.7 billion, compared with CHF 1.1 billion a year earlier. In addition to this were exchange rate gains on foreign currency investments of around CHF 1.1 billion (previous year: CHF 0.7 billion) and current interest earnings totalling CHF 0.6 billion (CHF 0.6 billion). On balance, the different interest rate changes resulted in only marginal capital losses. Together with other income and other expenses, the quarterly result came to CHF 2.4 billion (CHF 3.1 billion).

In accordance with art. 30 para. 1 of the National Bank Act (NBA), the National Bank shall set up provisions permitting it to maintain the currency reserves at a level necessary for monetary policy. These provisions will be increased in step with the growth of nominal gross domestic product. Based on this assessment method, the allocation to provisions totals CHF 0.8 billion for the year as a whole, or CHF 0.2 billion for the first quarter. The distributable profit remaining after this allocation is CHF 2.2 billion.

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Income statement from 1 January–31 March 2005 (unaudited)

	Item no. under Notes	Q1 2005 CHF millions	Q1 2004 CHF millions	Change CHF millions
Net result from gold	1	653.0	1 106.9	-453.9
Net result from foreign currency investments	2	1 654.7	2 041.2	-386.5
Net result from Swiss franc investments	3	107.7	129.7	-22.0
Net result from other assets		1.2	1.4	-0.2
Gross income		2 416.4	3 279.2	-862.8
Banknote expenses		11.3	8.2	+ 3.1
Personnel expenses		24.4	23.3	+ 1.1
General overheads		11.9	12.0	-0.1
Depreciation on tangible assets		6.4	6.6	-0.2
Net income		2 362.5	3 229.1	- 866.6
Allocated to (-) provisions for the assignment of free assets			- 138.3	+ 138.3
Quarterly result		2 362.5	3 090.8	- 728.3
Contribution to planned allocation to provisions for currency reserves		- 198.7	- 221.3	+ 22.6
Contribution to distributable profit		2 163.8	2 869.4	- 705.6

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Balance sheet as at 31 March 2005 (unaudited)

	31.03.2005	31.12.2004	Change
	CHF millions	CHF millions	CHF millions
Gold holdings	18 910.2	19 485.8	- 575.6
Claims from gold transactions	2 358.6	2 153.4	+ 205.6
Foreign currency investments	63 786.2	60 708.0	+3 078.2
Reserve position in the IMF	2 023.8	2 035.1	- 11.3
International payment instruments	4.1	80.1	- 76.0
Monetary assistance loans	290.8	291.3	-0.5
Claims from Swiss franc repo transactions	22 214.0	24 502.7	-2 288.7
Lombard advances	-	6.6	-6.6
Claims against domestic correspondents	10.6	11.8	-1.2
Swiss franc securities	5 868.0	7 393.6	-1 525.6
Banknote stocks	137.9	144.0	- 6.1
Tangible assets	397.9	393.3	+ 4.6
Participations	96.7	96.7	-
Sundry assets	461.1	606.3	- 145.2
Total assets	116 559.9	117 908.8	-1 348.9
Banknotes in circulation	37 713.9	39 719.3	-2 005.4
Sight deposits of domestic banks	5 604.3	6 541.7	- 937.4
Liabilities towards the Confederation	1 296.2	2 154.8	- 858.6
Sight deposits of foreign banks and institutions	225.5	329.4	- 103.9
Other sight liabilities	216.4	165.0	+ 51.4
Liabilities from Swiss franc repo transactions	-	-	-
Foreign currency liabilities	0.5	0.5	-
Sundry liabilities	304.1	160.9	+ 143.2
Provisions for operating risks	7.4	8.1	- 0.7
Provisions for currency reserves	36 955.7	36 955.7	-
Share capital	25.0	25.0	-
Distribution reserve	10 235.5	10 235.5	-
Annual result for 2004	21 612.9	21 612.9	-
Quarterly result	2 362.5		+2 362.5
Total liabilities	116 559.9	117 908.8	-1 348.9

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Accounting and valuation principles

This unaudited quarterly result covers the period from 1 January to 31 March 2005. The principles applied to the books of account, asset valuation, balance sheet and disclosure are governed by the NBA and the Swiss Code of Obligations and are in compliance with the accounting provisions Swiss GAAP FER 12, with due account being taken of circumstances specific to the National Bank. The accounting and valuation principles remain otherwise unchanged from the 2004 annual result.

Valuation rates

	Year under review			Previous year		
	31.03.2005	31.12.2004	Change	31.03.2004	31.12.2003	Change
	CHF	CHF	In percent	CHF	CHF	In percent
1 USD	1.20	1.13	+ 5.7	1.27	1.24	+ 3.1
1 EUR	1.55	1.54	+ 0.4	1.56	1.56	-
1 GBP	2.25	2.18	+ 3.0	2.34	2.20	+ 6.0
1 kilogram of gold	16 438.35	15 939.44	+ 3.1	17 324.74	16 580.81	+ 4.5

Notes to the quarterly result

Item no. 1: Net result from gold

Breakdown by type	Q1 2005	Q1 2004	Change
	CHF millions	CHF millions	CHF millions
Net result from changes in market value	660.8	1 156.9	- 496.1
Interest income from gold lending transactions	8.9	8.9	-
Net result from hedging transactions	- 16.7	- 58.9	+ 42.2
Total	653.0	1 106.9	- 453.9

The gains in market value for the first quarter of 2005 are attributable to the rise in the gold price by almost CHF 500 per kilogram. In the year-earlier quarter, valuation gains were almost twice as high – a result due to an even more dramatic price increase as well as to the higher gold holdings at the time.

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Item no. 2: Net result from foreign currency investments

Breakdown by type	Q1 2005	Q1 2004	Change
	CHF millions	CHF millions	CHF millions
Interest and capital gain/loss	568.9	1 328.9	- 760.0
Interest expenses	- 0.3	- 6.7	+ 6.4
Dividends and price gain/loss	- 8.4	-	- 8.4
Exchange rate gain/loss	1 097.1	721.5	+ 375.6
Asset management and safe custody account fees	- 2.7	- 2.5	- 0.2
Total	1 654.7	2 041.2	- 386.5

Breakdown by origin	Q1 2005	Q1 2004	Change
	CHF millions	CHF millions	CHF millions
Foreign currency investments	1 574.6	1 979.8	- 405.2
Reserve position in the IMF	69.0	57.8	+ 11.2
International payment instruments	1.8	3.2	- 1.4
Monetary assistance loans	9.5	7.0	+ 2.5
Foreign currency liabilities	- 0.3	- 6.7	+ 6.4
Total	1 654.7	2 041.2	- 386.5

In the first quarter of 2005, the development of capital market rates resulted in minor capital losses, which slightly lowered the current interest income. By comparison, the decline in interest rates in the year-back period had led to capital gains.

Since the beginning of 2005, the National Bank has been investing part of its currency reserves in foreign shares. The resulting dividends and price gains/losses are posted in the corresponding position.

The valuation of foreign currency holdings at current exchange rates resulted in exchange rate gains. These were due in large part to the appreciation of the US dollar. During the same period a year earlier, higher exchange rates had also led to exchange rate gains.

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Item no. 3: Net result from Swiss franc investments

Breakdown by type	Q1 2005	Q1 2004	Change
	CHF millions	CHF millions	CHF millions
Interest and capital gain/loss	111.9	132.7	- 20.8
Interest expenses	- 3.6	- 2.2	- 1.4
Trading and safe custody account fees	- 0.7	- 0.8	+ 0.1
Total	107.7	129.7	- 22.0

Breakdown by origin	Q1 2005	Q1 2004	Change
	CHF millions	CHF millions	CHF millions
Swiss franc securities	80.7	125.9	- 45.2
Swiss franc repo transactions	30.4	5.9	+ 24.5
Other assets	0.1	0.0	+ 0.1
Liabilities towards the Confederation	- 2.0	- 0.6	- 1.4
Other liabilities	- 1.5	- 1.6	+ 0.1
Total	107.7	129.7	- 22.0

Like the previous year, the development of Swiss franc interest rates resulted in capital gains in Swiss franc securities. The figure in the first quarter of 2004, however, was considerably higher.

The higher repo rates led to a marked increase in the income from Swiss franc repo transactions.