

Communications

P.O. Box, CH-8022 Zurich
Telephone +41 44 631 31 11
Fax +41 44 631 39 10

Zurich, 29 July 2005

Interim results and balance sheet of the Swiss National Bank as at 30 June 2005

The first half of 2005 yielded extremely positive results for the National Bank – the gold price and US dollar increased substantially, while interest rates declined slightly. This accumulation of favourable market developments led to unusually high valuation gains on foreign currency investments and gold holdings. The distributable profit amounted to CHF 6.7 billion, compared with a loss of CHF 0.9 billion in the first half of 2004. Given that the SNB's financial result is strongly affected by market conditions, the interim figures do not permit any conclusions to be drawn with respect to the 2005 annual result.

The gold price and the US dollar both climbed by 13% in the first half of 2005. The exchange rates of all other investment currencies also moved up. Meanwhile, interest rates in all SNB-relevant investment markets dropped slightly, with a particularly sharp decline in euro interest rates.

The increase in the gold price in the first six months of the year led to valuation gains on gold amounting to CHF 2.7 billion, compared with a loss of roughly CHF 0.9 billion in the year-back period. Current interest earnings on foreign currency investments came to CHF 1.1 billion (CHF 1.2 billion). The SNB also posted capital gains of CHF 0.7 billion (CHF –0.5 billion) and exchange rate gains totalling CHF 2.2 billion (CHF –0.2 billion). Together with other income and expenses, the interim result came to CHF 7.1 billion (CHF –0.4 billion) – before the legally prescribed increase in provisions.

In accordance with art. 30 para. 1 of the National Bank Act (NBA), the National Bank is required to set up provisions permitting it to maintain the currency reserves at a level necessary for monetary policy. These provisions are 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 0.4 billion for the first two quarters. The distributable profit remaining after this allocation is CHF 6.7 billion.

Decisions taken at the 2005 General Meeting of Shareholders have had a marked effect on the balance sheet as at 30 June 2005. The distribution of profit for 2004 totalled CHF 24.0 billion, the payment of which necessitated drawing CHF 3.3 billion from the distribution

29 July 2005

2

reserve. In addition to the ordinary distribution to the Confederation and the cantons of CHF 2.9 billion, a further CHF 21.1 billion was distributed from the proceeds from the gold sales. Starting in mid-May, the latter was paid out in ten weekly tranches. This resulted in a significant decline in foreign currency holdings. Two tranches – amounting to CHF 4.2 billion – were still outstanding as at 30 June 2005. These are entered as a liability under the position *sundry liabilities*.

Press release

29 July 2005

3

Income statement for the period 1 January–30 June 2005 (unaudited)

	Item no. under Notes	Q1-Q2 2005	Q1-Q2 2004	Change
		CHF millions	CHF millions	CHF millions
Net result from gold	1	2 705.3	- 991.7	+3 697.0
Net result from foreign currency investments	2	4 239.0	458.4	+3 780.6
Net result from Swiss franc investments	3	247.9	- 8.4	+ 256.3
Net result from other assets		4.9	5.0	- 0.1
Gross income		7 197.1	- 536.7	+7 733.8
Banknote expenses		19.4	20.7	- 1.3
Personnel expenses		50.0	47.3	+ 2.7
General overheads		22.3	25.0	- 2.7
Depreciation on tangible assets		12.9	13.3	- 0.4
Net income		7 092.5	- 643.1	+7 735.6
Released from (+) provisions for the assignment of free assets			214.1	- 214.1
Quarterly result		7 092.5	- 429.0	+7 521.5
Contribution to planned allocation to provisions for currency reserves ¹		- 397.4	- 442.7	+ 45.3
Contribution to distributable profit²		6 695.2	- 871.6	+7 566.8

1 Half of the fixed annual allocation of CHF 794.7 million (cf. 97th Annual Report 2004, p. 89).

2 Since the amount of distributable profit is dependent on fluctuations in the gold price, exchange rates and interest rates, it is liable to vary from one quarter to the next. For the National Bank, negative market movements reduce profits, while positive developments increase them. Given that market movements cannot be forecast, it makes no sense to draw conclusions as to the end-of-year distributable profit.

29 July 2005

4

Balance sheet as at 30 June 2005 (unaudited)

	30.06.2005	31.12.2004	Change
	CHF millions	CHF millions	CHF millions
Gold holdings	20 497.2	19 485.8	+1 011.4
Claims from gold transactions	2 823.3	2 153.4	+ 669.9
Foreign currency investments	48 793.6	60 708.0	-11 914.4
Reserve position in the IMF	1 899.3	2 035.1	- 135.8
International payment instruments	9.9	80.1	- 70.2
Monetary assistance loans	296.3	291.3	+ 5.0
Claims from Swiss franc repo transactions	25 603.4	24 502.7	+1 100.7
Lombard advances	-	6.6	- 6.6
Claims against domestic correspondents	1.0	11.8	- 10.8
Swiss franc securities	5 786.6	7 393.6	-1 607.0
Banknote stocks	146.7	144.0	+ 2.7
Tangible assets	401.6	393.3	+ 8.3
Participations	126.0	96.7	+ 29.3
Sundry assets	353.2	606.3	- 253.1
Total assets	106 738.2	117 908.8	-11 170.6
Banknotes in circulation	37 628.7	39 719.3	-2 090.6
Sight deposits of domestic banks	5 625.6	6 541.7	- 916.1
Liabilities towards the Confederation	6 391.1	2 154.8	+4 236.3
Sight deposits of foreign banks and institutions	367.6	329.4	+ 38.2
Other sight liabilities	238.9	165.0	+ 73.9
Liabilities from Swiss franc repo transactions	-	-	-
Foreign currency liabilities	0.3	0.5	- 0.2
Sundry liabilities	4 572.1	160.9	+4 411.2
Provisions for operating risks	6.9	8.1	- 1.2
Provisions for currency reserves	37 841.0	36 955.7	+ 885.3 ¹
Share capital	25.0	25.0	-
Distribution reserve	6 948.4	10 235.5	-3 287.1
Annual result for 2004		21 612.9	-21 612.9
Quarterly result	7 092.5		+7 092.5
Total liabilities	106 738.2	117 908.8	-11 170.6

¹ Allocation from the 2004 annual result

29 July 2005

5

Accounting and valuation principles

These interim results, which have not been audited by the statutory auditors, cover the period from 1 January to 30 June 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 Swiss GAAP FER 12 accounting provisions, 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		
	30.06.2005	31.12.2004	Change	30.06.2004	31.12.2003	Change
	CHF	CHF	In percent	CHF	CHF	In percent
1 USD	1.28	1.13	+ 13.4	1.26	1.24	+ 2.0
1 EUR	1.55	1.54	+ 0.4	1.53	1.56	- 2.0
1 GBP	2.31	2.18	+ 5.9	2.28	2.20	+ 3.4
1 kilogram of gold	18 020.55	15 939.44	+ 13.1	15 965.98	16 580.81	- 3.7

Notes to the interim results

Item no. 1: Net result from gold

Breakdown by type	Q1-Q2 2005	Q1-Q2 2004	Change
	CHF millions	CHF millions	CHF millions
Net result from changes in market value	2 702.0	- 946.4	+3 648.4
Interest income from gold lending transactions	20.0	15.6	+ 4.4
Net result from hedging transactions	- 16.7	- 60.9	+ 44.2
Total	2 705.3	- 991.7	+3 697.0

The extraordinary increase in the gold price of roughly CHF 2,100 per kilogram in the first half of 2005 led to very high valuation gains. This contrasts with the same period in 2004, when the value of gold dropped slightly.

29 July 2005

6

Item no. 2: Net result from foreign currency investments

Breakdown by type	Q1-Q2 2005	Q1-Q2 2004	Change
	CHF millions	CHF millions	CHF millions
Interest and capital gain/loss	1 874.4	692.8	+1 181.6
Interest expenses	- 0.3	- 9.9	+ 9.6
Dividends and price gain/loss	124.4		+ 124.4
Exchange rate gain/loss	2 246.3	- 219.4	+2 465.7
Asset management and safe custody account fees	- 5.8	- 5.1	- 0.7
Total	4 239.0	458.4	+3 780.6

Breakdown by origin	Q1-Q2 2005	Q1-Q2 2004	Change
	CHF millions	CHF millions	CHF millions
Foreign currency investments	4 076.3	447.9	+3 628.4
Reserve position in the IMF	140.2	16.1	+ 124.1
International payment instruments	2.6	2.6	-
Monetary assistance loans	20.2	1.8	+ 18.4
Foreign currency liabilities	- 0.3	- 9.9	+ 9.6
Total	4 239.0	458.4	+3 780.6

Current interest earnings and capital gains accounted for half of the returns from foreign currency investments. The capital gains were a result of the decline in capital market rates in all of the SNB-relevant investment currencies. In the year-back period, by contrast, the interest rate increase had led to capital losses.

The revaluation of foreign currency holdings at current exchange rates accounted for the other half of the returns. All investment currencies trended consistently higher in the first six months of the year, with all currencies posting exchange rate gains. These were particularly high in the case of the US dollar. Conversely, minor exchange rate losses were recorded in the year-earlier period.

29 July 2005

7

Item no. 3: Net result from Swiss franc investments

Breakdown by type	Q1-Q2 2005	Q1-Q2 2004	Change
	CHF millions	CHF millions	CHF millions
Interest and capital gain/loss	261.1	- 1.8	+ 262.9
Interest expenses	- 11.7	- 5.1	- 6.6
Trading and safe custody account fees	- 1.4	- 1.5	+ 0.1
Total	247.9	- 8.4	+ 256.3

Breakdown by origin	Q1-Q2 2005	Q1-Q2 2004	Change
	CHF millions	CHF millions	CHF millions
Swiss franc securities	192.8	- 16.1	+ 208.9
Swiss franc repo transactions	66.7	12.8	+ 53.9
Other assets	0.1	0.0	+ 0.1
Liabilities towards the Confederation	- 8.6	- 2.0	- 6.6
Other liabilities	- 3.1	- 3.1	-
Total	247.9	- 8.4	+ 256.3

The fall in interest rates led to capital gains in Swiss franc securities. In 2004, by contrast, increasing interest rates had resulted in capital losses and an overall negative investment result.

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