

Communications

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

The Swiss National Bank posted very positive interim results on the back of unusually favourable market movements in the first nine months of 2005, with the development of the gold price, exchange rates and interest rates leading to high valuation gains.

The National Bank's distributable profit amounted to CHF 9.3 billion as at 30 September 2005, compared with CHF 1.9 billion a year earlier. Given that the SNB's results are largely dependent on developments in the gold, foreign exchange and capital markets, strong fluctuations are normal. Thus, only provisional conclusions regarding the annual result may be drawn.

Unusually high valuation gains on gold ...

Roughly one-fifth of the SNB's assets are held in gold. Since the beginning of the year, the gold price per kilogram increased by 24% from CHF 15,900 to CHF 19,700, resulting in valuation gains of CHF 4.9 billion on the National Bank's gold holdings (CHF 0.1 billion).

... and on foreign currency investments

Foreign currency investments account for approximately half of the National Bank's total assets, which largely comprise bonds, money market paper and a small percentage of shares. The return on these investments amounted to CHF 4.9 billion in the first nine months of the year (CHF 2.3 billion). In addition to the interest and dividend income, this figure also included capital gains on bonds and exchange rate gains on shares, which can be sourced back to the slight interest rate drop observable in most markets since the beginning of the year and to the broadly favourable stock market climate. Before taking the exchange rate influences into consideration, the investment result amounted to CHF 2.5 billion (CHF 2.1 billion). A further CHF 2.4 billion in valuation gains (CHF 0.2 billion) resulted from exchange rate developments – the bulk of which came from the US dollar, which climbed by 14% since the beginning of the year.

Interim results and distributable profit

Together with other income and expenses, the interim result came to CHF 9.9 billion (CHF 2.5 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

28 October 2005

2

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 0.6 billion for the first three quarters. After this allocation, the amount of the contribution to the distributable profit is CHF 9.3 billion (CHF 1.9 billion).

Distribution of proceeds from gold sales completed

The special distribution of the proceeds from the gold sales totalling CHF 21.1 billion, which commenced in mid-May, was completed in the third quarter. Together with the ordinary profit distribution, a total of CHF 24 billion was paid out to the Swiss Confederation and the cantons. The profits were distributed from the 2004 annual result and were deducted from the distribution reserve. The distribution was reflected on the asset side of the balance sheet through a distinct decrease in foreign exchange investments and Swiss franc securities, which were sold in order to facilitate the distribution.

28 October 2005

3

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

| | Item no. under Notes | Q1-Q3 2005 CHF millions | Q1-Q3 2004 CHF millions | Change CHF millions |
|--|-------------------------|----------------------------|----------------------------|------------------------|
| Net result from gold | 1 | 4 876.6 | 90.8 | +4 785.8 |
| Net result from foreign currency investments | 2 | 4 855.0 | 2 334.5 | +2 520.5 |
| Net result from Swiss franc investments | 3 | 296.3 | 167.4 | + 128.9 |
| Net result from other assets | | 12.9 | 12.3 | + 0.6 |
| Gross income | | 10 040.9 | 2 605.1 | +7 435.8 |
| Banknote expenses | | 29.0 | 29.9 | - 0.9 |
| Personnel expenses | | 74.9 | 71.2 | + 3.7 |
| General overheads | | 33.2 | 37.6 | - 4.4 |
| Depreciation on tangible assets | | 19.5 | 20.0 | - 0.5 |
| Net income | | 9 884.2 | 2 446.5 | +7 437.7 |
| Released from (+) provisions for the assignment of free assets | | | 99.6 | - 99.6 |
| Quarterly result | | 9 884.2 | 2 546.0 | +7 338.2 |
| Contribution to planned allocation to provisions for currency reserves ¹ | | - 596.0 | - 664.0 | + 68.0 |
| Contribution to distributable profit² | | 9 288.2 | 1 882.1 | +7 406.1 |

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

2 Since the amount of the contribution to 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, only provisional conclusions as to the end-of-year distributable profit may be drawn.

28 October 2005

4

Balance sheet as at 30 September 2005 (unaudited)

| | 30.09.2005 | 31.12.2004 | Change |
|--|-------------------|-------------------|----------------------|
| | CHF millions | CHF millions | CHF millions |
| Gold holdings | 22 522.9 | 19 485.8 | +3 037.1 |
| Claims from gold transactions | 2 960.3 | 2 153.4 | + 806.9 |
| Foreign currency investments | 45 583.8 | 60 708.0 | -15 124.2 |
| Reserve position in the IMF | 1 542.9 | 2 035.1 | - 492.2 |
| International payment instruments | 4.8 | 80.1 | - 75.3 |
| Monetary assistance loans | 280.3 | 291.3 | - 11.0 |
| Claims from Swiss franc repo transactions | 22 004.8 | 24 502.7 | -2 497.9 |
| Lombard advances | - | 6.6 | - 6.6 |
| Claims against domestic correspondents | 2.2 | 11.8 | - 9.6 |
| Swiss franc securities | 5 763.3 | 7 393.6 | -1 630.3 |
| Banknote stocks | 147.4 | 144.0 | + 3.4 |
| Tangible assets | 401.1 | 393.3 | + 7.8 |
| Participations | 126.0 | 96.7 | + 29.3 |
| Sundry assets | 349.4 | 606.3 | - 256.9 |
| Total assets | 101 689.1 | 117 908.8 | -16 219.7 |
| Banknotes in circulation | 37 194.8 | 39 719.3 | -2 524.5 |
| Sight deposits of domestic banks | 5 784.7 | 6 541.7 | - 757.0 |
| Liabilities towards the Confederation | 3 242.7 | 2 154.8 | +1 087.9 |
| Sight deposits of foreign banks and institutions | 356.2 | 329.4 | + 26.8 |
| Other sight liabilities | 246.4 | 165.0 | + 81.4 |
| Liabilities from Swiss franc repo transactions | - | - | - |
| Foreign currency liabilities | 0.4 | 0.5 | - 0.1 |
| Sundry liabilities | 159.0 | 160.9 | - 1.9 |
| Provisions for operating risks | 6.4 | 8.1 | - 1.7 |
| 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 | 9 884.2 | | +9 884.2 |
| Total liabilities | 101 689.1 | 117 908.8 | -16 219.7 |

¹ Allocation from the 2004 annual result

28 October 2005

5

Accounting and valuation principles

These unaudited interim results cover the period from 1 January to 30 September 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 | | |
|--------------------|-------------------|------------|------------|---------------|------------|------------|
| | 30.09.2005 | 31.12.2004 | Change | 30.09.2004 | 31.12.2003 | Change |
| | CHF | CHF | In percent | CHF | CHF | In percent |
| 1 USD | 1.29 | 1.13 | + 14.3 | 1.26 | 1.24 | + 2.0 |
| 1 EUR | 1.56 | 1.54 | + 0.8 | 1.55 | 1.56 | - 0.3 |
| 1 GBP | 2.27 | 2.18 | + 4.2 | 2.27 | 2.20 | + 2.8 |
| 1 kilogram of gold | 19 697.93 | 15 939.44 | + 23.6 | 16 710.90 | 16 580.81 | + 0.8 |

Notes to the interim results

Item no. 1: Net result from gold

| Breakdown by type | Q1-Q3 2005 | Q1-Q3 2004 | Change |
|--|----------------|--------------|-----------------|
| | CHF millions | CHF millions | CHF millions |
| Net result from changes in market value | 4 866.1 | 126.5 | +4 739.6 |
| Interest income from gold lending transactions | 27.3 | 22.5 | + 4.8 |
| Net result from hedging transactions | - 16.7 | - 58.2 | + 41.5 |
| Total | 4 876.6 | 90.8 | +4 785.8 |

Since the beginning of the year, the price of gold has climbed by roughly CHF 3,800 per kilogram, leading to very high new valuation gains. The gold price in the year-back period had, on balance, increased only slightly.

28 October 2005

6

Item no. 2: Net result from foreign currency investments

| Breakdown by origin | Q1-Q3 2005 | Q1-Q3 2004 | Change |
|-----------------------------------|----------------|----------------|-----------------|
| | CHF millions | CHF millions | CHF millions |
| Foreign currency investments | 4 680.4 | 2 307.9 | +2 372.5 |
| Reserve position in the IMF | 149.3 | 29.5 | + 119.8 |
| International payment instruments | 3.1 | 3.2 | - 0.1 |
| Monetary assistance loans | 22.7 | 4.1 | + 18.6 |
| Foreign currency liabilities | - 0.6 | - 10.2 | + 9.6 |
| Total | 4 855.0 | 2 334.5 | +2 520.5 |

| Breakdown by type | Q1-Q3 2005 | Q1-Q3 2004 | Change |
|--|----------------|----------------|-----------------|
| | CHF millions | CHF millions | CHF millions |
| Interest and capital gain/loss | 1 962.4 | 2 165.8 | - 203.4 |
| Interest expenses | - 0.6 | - 10.2 | + 9.6 |
| Dividends and price gain/loss | 528.5 | | + 528.5 |
| Exchange rate gain/loss | 2 373.5 | 186.3 | +2 187.2 |
| Asset management and safe custody account fees | - 8.9 | - 7.4 | - 1.5 |
| Total | 4 855.0 | 2 334.5 | +2 520.5 |

The interest rate level receded in most markets in which the National Bank invests. The only exception to this trend was the US dollar. The largely declining interest rates resulted in capital gains on fixed interest-bearing investments. During the same period a year earlier, a similar interest rate decline – albeit more extreme – had also led to capital gains.

Since 2005, the National Bank has been investing part of its foreign exchange reserves in shares. The equity portfolios are managed passively and account for just under 10%. In addition to dividends, share price gains have been achieved in all currencies since the beginning of the year.

Exchange rate gains were spread across all the currencies, the largest percentage of which was accounted for by the greenback, at CHF 1.7 billion. In the year-back period, moderate exchange rate fluctuations had led on balance to low exchange rate gains.

28 October 2005

7

Item no. 3: Net result from Swiss franc investments

| Breakdown by origin | Q1-Q3 2005 | Q1-Q3 2004 | Change |
|---------------------------------------|--------------|--------------|----------------|
| | CHF millions | CHF millions | CHF millions |
| Swiss franc securities | 214.3 | 150.2 | + 64.1 |
| Swiss franc repo transactions | 101.0 | 30.5 | + 70.5 |
| Other assets | 0.1 | 0.1 | - |
| Liabilities towards the Confederation | - 14.6 | - 8.5 | - 6.1 |
| Other liabilities | - 4.5 | - 4.8 | + 0.3 |
| Total | 296.3 | 167.4 | + 128.9 |

| Breakdown by type | Q1-Q3 2005 | Q1-Q3 2004 | Change |
|---------------------------------------|--------------|--------------|----------------|
| | CHF millions | CHF millions | CHF millions |
| Interest and capital gain/loss | 317.6 | 183.2 | + 134.4 |
| Interest expenses | - 19.1 | - 13.3 | - 5.8 |
| Trading and safe custody account fees | - 2.2 | - 2.5 | + 0.3 |
| Total | 296.3 | 167.4 | + 128.9 |

Swiss franc capital market rates also trended downward during the year, leading to capital gains on Swiss franc securities. In 2004, by contrast, increasing interest rates had resulted in capital losses, thus narrowing the investment result.

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