

Communications

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Zurich, 27 October 2006

Interim results and balance sheet of the Swiss National Bank as at 30 September 2006

The financial result of the Swiss National Bank in the first three quarters of 2006 was positive. Once again, this was primarily due to valuation gains on gold holdings.

At CHF 3.79 billion, the National Bank's interim result was nevertheless clearly short of the CHF 9.88 billion posted in the corresponding year-earlier period. The decline is largely attributable to the slower rise in the price of gold, the weaker US dollar and capital losses brought about by the higher interest rate level.

Slower increase in gold price...

After a sharp rise to a new peak in May 2006 – the highest level attained in many years – and a subsequent correction, the gold price remained more or less unchanged in the third quarter. The net result from gold, amounting to CHF 3.21 billion (CHF 4.88 billion in the year-earlier period), thus roughly corresponds to the amount shown for the first six months of the year.

...and capital market interest rates

Foreign currency investments, which account for almost half of the National Bank's assets, yielded a profit of CHF 581 million (CHF 4.86 billion). Interest income totalled CHF 1.22 billion (CHF 1.54 billion), but the net result was diminished by capital losses brought about by the rise in interest rates. However, easing long-term interest rates in the third quarter helped reduce the capital losses accumulated in the first half of the year to some extent. Equity investments accounted for a profit of CHF 289 million (CHF 529 million) before exchange rate influences. Whereas the US dollar was weaker than at the beginning of the year, the European currencies had strengthened. On balance, exchange rate losses came to CHF 339 million (as against gains of CHF 2.37 billion in the year-earlier period). Investments in Swiss francs showed a profit of CHF 147 million (CHF 296 million) overall.

Interim results and distributable profit

Together with other income and expenses, the interim result came to CHF 3.79 billion (CHF 9.88 billion in the year-earlier period), 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

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reserves at the 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 889 million for the year as a whole, or CHF 667 million for the first nine months. After this allocation, the amount of the contribution to the distributable profit is CHF 3.12 billion (CHF 9.29 billion).

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Income statement from 1 January – 30 September 2006 (unaudited)

In CHF millions	Item no. in Notes	Q1-Q3 2006	Q1-Q3 2005	Change
Net result from gold	1	3 211.1	4 876.6	-1 665.5
Net result from foreign currency investments	2	581.0	4 855.0	-4 274.0
Net result from Swiss franc investments	3	147.0	296.3	- 149.3
Net result from other assets		15.1	12.9	+ 2.2
Gross income		3 954.3	10 040.9	-6 086.6
Banknote expenses		26.2	29.0	- 2.8
Personnel expenses		77.9	74.9	+ 3.0
General overheads		39.8	33.2	+ 6.6
Depreciation on tangible assets		23.2	19.5	+ 3.7
Interim result		3 787.2	9 884.2	-6 097.0
Contribution to planned allocation to provisions for currency reserves ¹		- 666.5	- 596.0	- 70.5
Contribution to distributable profit²		3 120.8	9 288.2	-6 167.4

1 Three-quarters of the fixed annual allocation of CHF 888.6 million (cf. 98th Annual Report 2005, p. 79).

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. Given that market movements cannot be forecast, only provisional conclusions as to the end-of-year distributable profit may be drawn.

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Balance sheet as at 30 September 2006 (unaudited)

	30.09.2006	31.12.2005	Change
In CHF millions			
Gold holdings	28 195.9	25 066.0	+3 129.9
Claims from gold transactions	3 032.0	2 984.2	+ 47.8
Foreign currency investments	45 400.0	46 585.5	-1 185.5
Reserve position in the IMF	728.2	1 079.8	- 351.6
International payment instruments	177.0	78.9	+ 98.1
Monetary assistance loans	196.7	270.2	- 73.5
Claims from Swiss franc repo transactions	21 004.6	26 198.6	-5 194.0
Claims against domestic correspondents	1.0	5.3	- 4.3
Swiss franc securities	5 199.2	5 729.1	- 529.9
Banknote stocks	129.7	137.6	- 7.9
Tangible assets	355.3	355.5	- 0.2
Participations	122.3	122.3	-
Other assets	269.8	375.2	- 105.4
Total assets	104 811.6	108 988.2	-4 176.6
Banknotes in circulation	38 134.3	41 366.5	-3 232.2
Sight deposits of domestic banks	5 748.7	5 852.7	- 104.0
Liabilities towards the Confederation	1 253.0	3 126.3	-1 873.3
Sight deposits of foreign banks and institutions	434.5	483.9	- 49.4
Other sight liabilities	210.7	189.9	+ 20.8
Liabilities from Swiss franc repo transactions	-	-	-
Foreign currency liabilities	1.9	230.8	- 228.9
Other liabilities	97.1	90.7	+ 6.4
Provisions for operating risks	10.0	11.7	- 1.7
Provisions for currency reserves	38 635.7	37 841.0	+ 794.7 ¹
Share capital	25.0	25.0	-
Distribution reserve	16 473.4	6 948.4	+9 525.0
Annual result for 2005		12 821.2	-12 821.2
Interim result	3 787.2		+3 787.2
Total liabilities	104 811.6	108 988.2	-4 176.6

¹ Allocation from the 2005 annual result.

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Accounting and valuation principles

The interim results, which have not been audited by the statutory auditors, cover the period from 1 January to 30 September 2006. 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. The accounting and valuation principles remain otherwise unchanged from the 2005 annual result.

Valuation rates

	Year under review			Previous year		
	30.09.2006	31.12.2005	Change	30.09.2005	31.12.2004	Change
	CHF	CHF	In percent	CHF	CHF	In percent
1 USD	1.25	1.32	- 5.3	1.29	1.13	+ 14.2
1 EUR	1.59	1.56	+ 1.9	1.56	1.54	+ 1.3
1 GBP	2.34	2.27	+ 3.1	2.27	2.18	+ 4.1
1 kilogram of gold	24 171.54	21 692.03	+ 11.4	19 697.93	15 939.44	+ 23.6

Notes to the interim results

Item no. 1: Net result from gold

Breakdown by type	Q1-Q3 2006	Q1-Q3 2005	Change
In CHF millions			
Net result from changes in market value	3 198.8	4 866.1	-1 667.3
Interest income from gold lending transactions	12.3	27.3	- 15.0
Net result from hedging transactions	-	- 16.7	+ 16.7
Total	3 211.1	4 876.6	-1 665.5

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Item no. 2: Net result from foreign currency investments

Breakdown by origin	Q1-Q3 2006	Q1-Q3 2005	Change
In CHF millions			
Foreign currency investments	582.1	4 680.4	-4 098.3
Reserve position in the IMF	- 3.0	149.3	- 152.3
International payment instruments	2.0	3.1	- 1.1
Monetary assistance loans	0.6	22.7	- 22.1
Foreign currency liabilities	- 0.7	- 0.6	- 0.1
Total	581.0	4 855.0	-4 274.0

Breakdown by type	Q1-Q3 2006	Q1-Q3 2005	Change
In CHF millions			
Interest and capital gain/loss	640.4	1 962.4	-1 322.0
Interest expenses	- 0.7	- 0.6	- 0.1
Dividend income and price gain/loss	288.8	528.5	- 239.7
Exchange rate gain/loss	- 339.0	2 373.5	-2 712.5
Asset management and safe custody account fees	- 8.5	- 8.9	+ 0.4
Total	581.0	4 855.0	-4 274.0

The net result from foreign currency investments declined significantly from the year-back period.

This is partly attributable to movements in the dollar exchange rate, with income in this area declining by CHF 2.42 billion compared with the corresponding period in 2005. Meanwhile, euro and pound sterling operations registered exchange rate gains.

In addition, movements in the capital markets had a negative impact on the result. While capital gains had been achieved in the year-back period, the rising interest rate level in the period under review led to capital losses.

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Item no. 3: Net result from Swiss franc investments

Breakdown by origin	Q1-Q3 2006	Q1-Q3 2005	Change
In CHF millions			
Swiss franc securities	- 9.5	214.3	- 223.8
Swiss franc repo transactions	174.0	101.0	+ 73.0
Other assets	0.0	0.1	- 0.1
Liabilities towards the Confederation	- 12.8	- 14.6	+ 1.8
Other sight liabilities	- 4.7	- 4.5	- 0.2
Total	147.0	296.3	- 149.3

Breakdown by type	Q1-Q3 2006	Q1-Q3 2005	Change
In CHF millions			
Interest and capital gain/loss	166.7	317.6	- 150.9
Interest expenses	- 17.5	- 19.1	+ 1.6
Trading and safe custody account fees	- 2.3	- 2.2	- 0.1
Total	147.0	296.3	- 149.3

The capital losses on Swiss franc securities that accumulated in the first half of the year were reduced somewhat by the general decline in capital market interest rates in the third quarter.

The rise in money market interest rates boosted interest income from repo transactions.