

## Communications

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# Interim results and balance sheet of the Swiss National Bank as at 31 March 2008

**Owing to developments on the foreign exchange markets, the Swiss National Bank's result at the end of the first quarter of 2008 shows a loss of CHF 3.97 billion.**

The appreciation of the Swiss franc against all other major currencies is leading to massive valuation losses on the SNB's assets. By contrast, a profit of CHF 2.16 billion was reported in the corresponding year-earlier period.

### **Valuation losses on gold...**

Whereas it has been valuation gains on gold holdings which have had a considerable impact on quarterly results in the past, the first quarter of 2008 saw a contrasting scenario. Although the dollar price of fine gold ended higher at the end of the quarter than at year-end (+11,6%, USD 933.50), conversion into Swiss francs results in a valuation loss of CHF 490 million (compared to valuation gains worth CHF 1.35 billion in the first quarter of 2007).

### **...and on foreign currency investments**

Lower exchange rates played an even greater role in relation to foreign currency investments, accounting for a total exchange rate loss of CHF 3.80 billion (Q1 2007: profit of CHF 0.27 billion). In addition, price downturns on the equity markets led to a loss of CHF 0.76 billion (Q1 2007: profit of CHF 0.12 billion). Interest-bearing foreign currency investments generated earnings of some CHF 1.01 billion (Q1 2007: CHF 0.39 billion) – a result which can be attributed to continued interest income and price gains.

The return on Swiss franc investments came to CHF 154 million (Q1 2007: CHF 94 million), mainly in the form of interest income from repo transactions.

### **Interim results and distribution reserve**

Together with other income and expenses, a loss of CHF 3.97 billion (Q1 2007: positive result of CHF 2.16 billion) was reported for the first quarter 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 the level necessary for monetary policy. These provisions are increased in step

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with economic growth. Based on this assessment method, the allocation to provisions totals CHF 1,006.9 million for 2008 as a whole, or CHF 251.7 million for the first three months. Based on the negative quarterly figures, it is possible to calculate a CHF 4.23 billion reduction in the distribution reserve (Q1 2007: increase of CHF 1.98 billion). The annual figures provide the definitive basis for calculating the level of the distribution reserve.

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## Income statement from 1 January–31 March 2008<sup>1</sup>

In CHF millions	Item no. in Notes	Q1 2008	Q1 2007	Change
Net result from gold	1	- 490.2	1 350.3	-1 840.5
Net result from foreign currency investments	2	-3 584.3	776.8	-4 361.1
Net result from Swiss franc investments	3	153.6	93.9	+ 59.7
Net result from other assets		0.7	3.8	- 3.1
<b>Gross income</b>		<b>-3 920.2</b>	<b>2 224.8</b>	<b>-6 145.0</b>
Banknote expenses		- 6.6	- 11.2	+ 4.6
Personnel expenses		- 26.7	- 26.5	- 0.2
General overheads		- 12.3	- 16.0	+ 3.7
Depreciation on tangible assets		- 8.3	- 8.0	- 0.3
<b>Interim result</b>		<b>-3 974.1</b>	<b>2 163.0</b>	<b>-6 137.1</b>
Contribution to planned allocation to provisions for currency reserves <sup>2</sup>		- 251.7	- 187.8	- 63.9
<b>Contribution to distributable profit<sup>3</sup></b>		<b>-4 225.8</b>	<b>+1 975.3</b>	<b>-6 201.1</b>

1 Unaudited. The external Audit Board only audits the annual financial statements.

2 One quarter of the fixed annual allocation (CHF 1,006.9 million for 2008. Cf. *2007 Annual Report*, p. 93).

3 The level of the distribution reserve changes only once a year as part of the profit appropriation, i.e. the annual result minus the legally prescribed allocation to the provisions for currency reserves is added to the distribution reserve. Given that the SNB's results depend heavily on fluctuations in the gold price, exchange rates and interest rates, only provisional conclusions as to the end-of-year distributable profit may be drawn.

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## Balance sheet as at 31 March 2008<sup>1</sup>

	31.03.2008	31.12.2007	Change
In CHF millions			
Gold holdings	29 182.1	30 531.8	-1 349.7
Claims from gold transactions	4 083.2	4 243.7	- 160.5
		-	-
Foreign currency investments	47 295.7	50 586.3	-3 290.6
Reserve position in the IMF	372.3	406.0	- 33.7
International payment instruments	244.9	281.7	- 36.8
Monetary assistance loans	251.3	273.1	- 21.8
		-	-
Claims from repo transactions in US dollars	5 968.7	4 517.4	+1 451.3
		-	-
Claims from repo transactions in Swiss francs	35 008.2	31 025.4	+3 982.8
Claims against domestic correspondents	0.7	11.0	- 10.3
Swiss franc securities	3 926.3	4 130.7	- 204.4
		-	-
Banknote stocks	121.8	126.9	- 5.1
Tangible assets	393.4	344.8	+ 48.6
Participations	136.8	136.8	-
		-	-
Other assets	302.3	311.3	- 9.0
		-	-
<b>Total assets</b>	<b>127 287.7</b>	<b>126 926.9</b>	<b>+ 360.8</b>
Banknotes in circulation	40 997.8	44 258.6	-3 260.8
Sight deposits of domestic banks	9 674.4	8 672.9	+1 001.5
Liabilities towards the Confederation	5 141.2	1 077.0	+4 064.2
Sight deposits of foreign banks and institutions	578.5	644.1	- 65.6
Other sight liabilities	212.8	169.1	+ 43.7
Liabilities from repo transactions in Swiss francs	1 819.0	615.0	+1 204.0
Other term liabilities	6 057.0	4 608.0	+1 449.0
Foreign currency liabilities	1 041.6	1 127.6	- 86.0
Other liabilities	58.5	72.5	- 14.0
Provisions for operating risks	7.7	8.6	- 0.9
Provisions for currency reserves	39 524.3	39 524.3	- <sup>2</sup>
Share capital	25.0	25.0	-
Distribution reserve	18 128.7	18 128.7	-
Annual result for 2006	7 995.5	7 995.5	-
Interim result	-3 974.1	-	-3 974.1
<b>Total liabilities</b>	<b>127 287.7</b>	<b>126 926.9</b>	<b>+ 360.8</b>

1 Unaudited. The external Audit Board only audits the annual financial statements.

2 The appropriation of the 2007 annual result was determined at the General Meeting of Shareholders on 25 April 2008.

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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 31 March 2008. The principles applied to the books of account, asset valuation, balance sheet and disclosure – with due account being taken of circumstances specific to the National Bank – 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 2007 annual result.

## Valuation rates

	Year under review			Previous year		
	31.03.2008	31.12.2007	Change	31.03.2007	31.12.2006	Change
	CHF	CHF	In percent	CHF	CHF	In percent
1 USD	0.9945	1.1277	- 11.8	1.2212	1.2202	+ 0.1
1 EUR	1.5722	1.6557	- 5.0	1.6255	1.6086	+ 1.1
100 JPY	0.9990	1.0109	- 1.2	1.0328	1.0251	+ 0.8
1 GBP	1.9769	2.2586	- 12.5	2.3904	2.3911	+ 0.0
1 kilogram of gold	29 847.65	30 328.47	- 1.6	25 981.95	24 938.72	+ 4.2

## Notes to the interim results

### Item no. 1: Net result from gold

Breakdown by type	Q1 2008	Q1 2007	Change
In CHF millions			
Net result from changes in market value	- 488.7	1 345.9	-1 834.6
Net result from gold lending transactions	- 1.5	4.4	- 5.9
<b>Total</b>	<b>- 490.2</b>	<b>1 350.3</b>	<b>-1 840.5</b>

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## Item no. 2: Net result from foreign currency investments

<b>Breakdown by origin</b>	<b>Q1 2008</b>	<b>Q1 2007</b>	<b>Change</b>
In CHF millions			
Foreign currency investments	-3 476.8	767.1	-4 243.9
Reserve position in the IMF	- 30.0	3.5	- 33.5
International payment instruments	- 20.5	3.5	- 24.0
Monetary assistance loans	- 20.6	2.7	- 23.3
Foreign currency liabilities	- 36.4	- 0.0	- 36.4
<b>Total</b>	<b>-3 584.3</b>	<b>776.8</b>	<b>-4 361.1</b>

<b>Breakdown by type</b>	<b>Q1 2008</b>	<b>Q1 2007</b>	<b>Change</b>
In CHF millions			
Interest gain/loss	424.5	427.7	- 3.2
Capital gain/loss	585.9	- 39.8	+ 625.7
Interest expenses	- 36.4	- 0.0	- 36.4
Dividend income and price gain/loss	- 758.2	122.3	- 880.5
Exchange rate gain/loss	-3 797.7	269.0	-4 066.7
Asset management and safe custody account fees	- 2.4	- 2.3	- 0.1
<b>Total</b>	<b>-3 584.3</b>	<b>776.8</b>	<b>-4 361.1</b>

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### Item no. 3: Net result from Swiss franc investments

<b>Breakdown by origin</b>	<b>Q1 2008</b>	<b>Q1 2007</b>	<b>Change</b>
In CHF millions			
Swiss franc securities	29.7	- 7.6	+ 37.3
Swiss franc repo transactions	135.0	108.4	+ 26.6
Other assets	0.0	0.0	-
Liabilities towards the Confederation	- 8.4	- 5.2	- 3.2
Other sight liabilities	- 2.7	- 1.7	- 1.0
<b>Total</b>	<b>153.6</b>	<b>93.9</b>	<b>+ 59.7</b>

<b>Breakdown by type</b>	<b>Q1 2008</b>	<b>Q1 2007</b>	<b>Change</b>
In CHF millions			
Interest gain/loss	166.1	146.1	+ 20.0
Capital gain/loss	- 0.5	- 44.7	+ 44.2
Interest expenses	- 11.1	- 6.9	- 4.2
Trading and safe custody account fees	- 0.8	- 0.6	- 0.2
<b>Total</b>	<b>153.6</b>	<b>93.9</b>	<b>+ 59.7</b>