

Communications

P.O. Box, CH-8022 Zurich
Telephone +41 1 631 31 11
Fax +41 1 631 39 10

Zurich, 27 January 2006

2005 annual result of the Swiss National Bank

Extraordinary accumulation of income-boosting factors

The 2005 annual result of the Swiss National Bank was extremely positive due to an extraordinary accumulation of favourable market trends. The sharp rise in the gold price and in the US dollar led to high valuation gains. The annual result comes to CHF 12.8 billion. As stipulated, the distribution of profit amounts to CHF 2.5 billion.

Given its significant gold holdings and foreign currency investments, the National Bank is very exposed to fluctuations in the gold price, exchange rates and interest rates. Market movements of these variables have an immediate impact on the income. Consequently, the annual results fluctuate strongly.

High valuation gains on gold and foreign currency investments...

Roughly one-quarter of the National Bank's assets are held in gold. Last year, the gold price per kilogram rose by 36%, resulting in valuation gains of CHF 7.4 billion on gold holdings (2004: CHF -0.9 billion).

Foreign currency investments make up approximately half of the National Bank's total assets and largely comprise bonds, money market investments and a small percentage of shares. In 2005, these investments yielded CHF 5.3 billion (CHF 1.2 billion) in total, of which CHF 2.8 billion (CHF 3.2 billion) was accounted for by interest, dividends and price gains. This decline can largely be attributed to lower interest income on foreign currency investments, which were reduced due to the distribution of the proceeds from the gold sales. A further CHF 2.5 billion in valuation gains (CHF -2.0 billion) resulted from exchange rate developments, with the US dollar accounting for three-quarters of this amount.

...led to an extraordinarily high annual result

Together with other income and expenses, the annual result came to CHF 12.8 billion, compared with CHF 21.6 billion a year previously. The 2004 result had been shaped by the assignment of the proceeds from the gold sales, which involved writing back the provisions for the assignment of free assets totalling CHF 21.1 billion. The extraordinarily

27 January 2006

2

high annual result for 2005 follows directly from the steep rise in the gold price and the US dollar and does not in any way reflect the medium or long-term return potential of the National Bank.

Distribution of CHF 2.5 billion to the Confederation and the cantons

As the National Bank's results fluctuate very sharply due to market trends, the profit distributions have been fixed in advance in an agreement between the Confederation and the National Bank in order to smooth the payments in the medium term. The agreement, which was concluded in 2002 and is valid until 2012, foresees annual distributions of CHF 2.5 billion. Consequently, not the entire annual profit for 2005 is distributed, following three years in which the amounts distributed exceeded the actual distributable profits – quite substantially in some cases.

From the 2005 annual result, CHF 0.8 billion is allocated to the provisions for currency reserves as prescribed by law. The distributable profit remaining after this allocation amounts to CHF 12.0 billion, of which CHF 2.5 billion is set aside for distribution to the Confederation and the cantons, while a legally stipulated maximum dividend of 6% is earmarked for the shareholders. The remaining CHF 9.5 billion is allocated to the distribution reserve, bringing it to CHF 16.5 billion (CHF 6.9 billion).

27 January 2006

3

Summary of results

The key data on the annual result for the financial year just ended are shown below.

	2005 CHF billions	2004 CHF billions	Change CHF billions
Net result from gold	7.5	-0.9	+8.4
Net result from foreign currency investments	5.3	1.2	+4.1
Net result from Swiss franc investments	0.3	0.3	-
Operating expenses	-0.3	-0.2	-0.1
Net income	12.8	0.4	+12.4
Change in provisions for the assignment of free assets		0.1	-0.1
Write-back of provisions for the assignment of free assets		21.1	-21.1
Annual result	12.8	21.6	-8.8
Allocation to provisions for currency reserves	-0.8	-0.9	+0.1
Distributable annual profit	12.0	20.7	-8.7

Valuation rates	31.12.2005 CHF	31.12.2004 CHF	Change In percent
1 US dollar	1.32	1.13	+16.8
1 euro	1.56	1.54	+1.3
1 kilogram of gold	21 692	15 939	+36.1

The detailed annual results will, as usual, be presented in the Annual Report in spring. The General Meeting of Shareholders will take place on 28 April 2006.