

Ladies and Gentlemen

It is our pleasure to present the Swiss National Bank's Annual Report for 2022. The first part of the report comprises the accountability report submitted by the Governing Board to the Federal Assembly, and sets out how the SNB has fulfilled its tasks pursuant to art. 5 of the National Bank Act (NBA) during the past year. The second part comprises the financial report, which provides information on organisational and operational developments as well as the financial result. The financial report is submitted for approval first to the Federal Council and then to the General Meeting of Shareholders.

In 2022 there was a loss of momentum in both the global and the Swiss economy, while inflation in advanced economies rose very sharply. The global slowdown in growth was in part attributable to many national economies having already largely recovered in 2021 from the previous year's pandemic-related recession. At the same time, existing supply chain disruptions, as well as new waves of the pandemic and consequent containment measures, weighed on economic activity in individual countries. The recovery in demand and supply bottlenecks put pressure on prices. Another factor was Russia's attack on Ukraine in the year under review, which resulted in higher energy prices that further increased inflation. Given the elevated level of inflation, many central banks changed course towards a more restrictive monetary policy.

The SNB, too, tightened its monetary policy in the year under review and ended the phase of negative interest. From February, inflation in Switzerland was above the range that the SNB equates with price stability. In the fourth quarter of 2021, the SNB had already allowed the Swiss franc to appreciate to a certain extent in order to curb inflation from imported goods and services. At its monetary policy assessments in June, September and December 2022, the SNB increased its policy rate in three steps, from -0.75% to 1.0% .

With its decision at the monetary policy assessment in September to raise the SNB policy rate into positive territory, the SNB adjusted the implementation of its monetary policy. Sight deposits held by banks and other financial market participants at the SNB are now remunerated, which makes it possible to effectively steer money market rates when the SNB policy rate is positive and there is high excess liquidity. A system of tiered remuneration is used. In addition, sight deposits are absorbed by way of open market operations. In order to ensure appropriate monetary conditions, the SNB also engaged in foreign currency purchases and sales in 2022.

The SNB comprehensively reviewed its monetary policy strategy during the year under review and concluded that it has fundamentally proven its worth. There was no need to adjust the first two elements, namely the definition of price stability and the conditional inflation forecast. The third element describes how the SNB implements its monetary policy by influencing the interest rate level and the exchange rate. The formulation of this element has been adjusted to take explicit account of the increased importance of foreign exchange market interventions and other monetary policy instruments in recent years.

As part of this review, the SNB also decided to hold a news conference following every monetary policy assessment, in order to explain the monetary policy decision to the public in greater detail. This change was implemented for the first time at the September assessment.

The Bank Council approved a partial revision of the SNB's Organisation Regulations for submission to the Federal Council, which in turn gave its approval at the beginning of May. At the core of the partial revision is the increase in the number of Alternate Members of the Governing Board to a maximum of two per department. This adjustment should help the SNB to continue to cope well with the challenges that have risen strongly in recent years.

In addition, in 2022 the Bank Council approved the further developments made in the previous year to the diversity strategy. The strategy contributes to creating conditions that enable all employees to be committed and successful in terms of the performance mandate, and to feel they are part of the institution.

The COVID-19 measures were lifted in spring, and the SNB's operations gradually returned to normal. At the same time, the SNB introduced new, flexible arrangements for working from home.

The SNB's 2022 annual financial statements closed with a loss of CHF 132.5 billion, following a profit of CHF 26.3 billion in the previous year. The negative annual result was mainly attributable to valuation losses on foreign currency positions.

The allocation to the provisions for currency reserves amounts to CHF 9.6 billion. After taking into account the distribution reserve of CHF 102.5 billion, the net loss comes to CHF 39.5 billion. In accordance with the NBA and the profit distribution agreement signed in January 2021 between the SNB and the Federal Department of Finance, the SNB is unable either to pay a dividend to the shareholders or to make a profit distribution to the Confederation and the cantons for 2022.

We would like to thank our employees for their hard work and valuable support, which we were again able to count on in the past year.

Berne and Zurich, 3 March 2023



BARBARA JANOM STEINER
President of the Bank Council



THOMAS J. JORDAN
Chairman of the Governing Board