

## Communications

P.O. Box, CH-8022 Zurich  
Telephone +41 44 631 31 11  
Telefax +41 44 631 39 10  
www.snb.ch  
snb@snb.ch

Zurich, 27 January 2005

### Press release

## 2004 annual result of the Swiss National Bank

The 2004 annual result of the Swiss National Bank was shaped by weaker foreign exchange rates. The price of gold in Swiss francs, too, was considerably lower than a year previously. This led to significant valuation losses on gold holdings and foreign currency investments. After the allocation to provisions for currency reserves, a loss of CHF 0.4 billion resulted. The profit distribution to the Confederation and the cantons for the 2004 financial year in the amount of CHF 2.9 billion is made fully from non-distributed profits of previous years. The distribution reserve is thus reduced by a total of CHF 3.3 billion.

With its significant gold holdings and foreign currency investments, the National Bank is exposed to fluctuations in the gold price, interest rates and exchange rates. Market movements of these variables have an immediate impact on the annual result.

The price per kilogram of gold in Swiss francs fell by approximately four percent year-on-year. Exchange rates for foreign currency holdings were lower across the board compared with the previous year. Dropping nearly nine percent, the US dollar exhibited an especially pronounced decline. Interest rates on the relevant markets decreased for the most part.

Gold holdings registered a valuation loss of just under one billion Swiss francs. In addition, foreign currency investments generated exchange rate losses totalling almost two billion Swiss francs. Thanks to interest earnings and capital gains, foreign currency investments nevertheless exhibited a net income of CHF 1.2 billion. Together with other income and other expenses, the annual result amounted to CHF 0.5 billion.

To build up adequate currency reserves, the National Bank retains an appropriate portion of its profit in the form of provisions as stipulated in art. 30 of the National Bank Act. With the entry into force of the new National Bank Act, the provisions for market, credit and liquidity risks as well as for operational risks were consolidated in the balance sheet and renamed "provisions for currency reserves". At the same time, the provisions exceeding the targeted level have been transferred to a distribution reserve. The National Bank continues to expand provisions for currency reserves in line with the growth in nominal gross domestic product. In accordance with this principle, CHF 0.9 billion were allocated to provisions for currency reserves, which resulted in a loss of CHF 0.4 billion.

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

	2004 CHF billions	2003 CHF billions
Net result from gold	-0.9	2.6
Net result from foreign currency investments	1.2	1.5
Net result from Swiss franc investments	0.3	0.1
Operating expenses	-0.2	-0.2
Change in provisions for the assignment of free assets	0.1	-0.9
Annual result	0.5	3.1
Allocation to provisions for currency reserves	-0.9	-0.8
Loss / distributable annual profit	-0.4	2.3

### Valuation rates

CHF/EUR 1.54 (2003: 1.56)

CHF/USD 1.13 (1.24)  
CHF/gold 15,939 (16,581)

The current profit distribution agreements stipulate distributions that clearly exceed the National Bank's profit potential. The aim is to gradually reduce surplus provisions. As was the case in the previous year, an initial CHF 2.5 billion is earmarked for distribution to the Confederation and the cantons. They will receive an additional CHF 400 million (CHF 300 in 2003) under the profit distribution agreement of 13 June 2003 relating to the income from free assets ("gold assets"). Because a total amount of CHF 2.9 billion is being distributed in spite of the CHF 0.4 billion loss, the distribution reserve is reduced by CHF 3.3 billion. It now amounts to CHF 7.0 billion.

Provisions for the assignment of free assets changed only marginally. As a result of the drop in the gold price, they fell by CHF 0.1 billion to CHF 21.1 billion. As previously, the provisions comprise the proceeds from gold sales realised to date, the cumulative net result from hedging transactions and the anticipated proceeds from gold sales. The sale of 1,300 tonnes of gold will be concluded in the first quarter of 2005.

The detailed annual results will, as usual, be presented in the Annual Report in spring. The General Meeting of Shareholders will take place on 29 April 2005.

Swiss National Bank