

Communications

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Interim results and balance sheet of the Swiss National Bank as at 30 June 2008

The Swiss National Bank reports a loss of CHF 3.36 billion for the first half of 2008. The negative result is largely attributable to exchange rate losses incurred in the first quarter on foreign currency investments.

In the first six months of the previous year, the SNB had recorded a positive result of CHF 2.23 billion. At the time, most foreign currency investments had reaped the benefits of the weak Swiss franc and gold had made a significant contribution to the result.

Considerable valuation losses on foreign currency investments ...

Owing largely to exchange rate movements, foreign currency investments posted a loss of CHF 3.63 billion, as compared with a profit of CHF 1.36 billion in the year-back period. The US dollar and pound sterling have lost 10% of their value against the Swiss franc since the beginning of 2008. The euro and yen have also lost considerable ground against the franc, dropping 3% and 5% respectively.

... and only minor valuation gains on gold holdings

Although the price of gold fluctuated wildly at times in the first half of the year, it actually increased only slightly overall. Gold revenue therefore contributed only CHF 162 million to the result (CHF 884 million in the year-back period).

On 14 June 2007, the SNB had announced that it would be adjusting the composition of its currency reserves and would, to this end, sell a total of 250 tonnes of gold by the end of September 2009. In the first half of 2008, a further 68 tonnes of gold were placed on the market, leaving roughly 37 tonnes yet to be sold as part of this sales programme.

Due in large part to interest income from repo transactions, the return on Swiss franc investments came to CHF 219 million (H1 2007: CHF 98 million).

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Interim result and distribution reserve

Together with other income and expenses, the half-yearly result showed a loss of CHF 3.36 billion (H1 2007: a profit of CHF 2.23 billion) 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 with the growth of the economy. Based on this assessment method, the allocation to provisions totals CHF 1,006.9 million for the year as a whole, or CHF 503.5 million for the first six months. In the light of the negative half-yearly result, this would mean a decrease in the distribution reserve of CHF 3.86 billion (H1 2007: an increase of CHF 1.86 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–30 June 2008¹

In CHF millions	Item no. in Notes	Q1-Q2 2008	Q1-Q2 2007	Change
Net result from gold	1	161.9	883.5	- 721.6
Net result from foreign currency investments	2	-3 631.4	1 364.6	-4 996.0
Net result from Swiss franc investments	3	219.0	97.7	+ 121.3
Net result from other assets		4.4	8.2	- 3.8
Gross income		-3 246.1	2 354.0	-5 600.1
Banknote expenses		- 15.3	- 15.0	- 0.3
Personnel expenses		- 53.7	- 57.6	+ 3.9
General overheads		- 25.6	- 31.0	+ 5.4
Depreciation on tangible assets		- 16.8	- 16.0	- 0.8
Interim result		-3 357.5	2 234.3	-5 591.8
Contribution to planned allocation to provisions for currency reserves ²		- 503.5	- 375.5	- 128.0
Contribution to distributable profit³		-3 861.0	1 858.8	-5 719.8

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 30 June 2008¹

	30.06.2008	31.12.2007	Change
In CHF millions			
Gold holdings	28 802.4	30 531.8	-1 729.4
Claims from gold transactions	4 045.9	4 243.7	- 197.8
Foreign currency investments	47 778.6	50 586.3	-2 807.7
Reserve position in the IMF	425.7	406.0	+ 19.7
International payment instruments	239.3	281.7	- 42.4
Monetary assistance loans	292.2	273.1	+ 19.1
Claims from repo transactions in US dollars	12 233.3	4 517.4	+7 715.9
Claims from repo transactions in Swiss francs	38 231.4	31 025.4	+7 206.0
Claims against domestic correspondents	4.8	11.0	- 6.2
Swiss franc securities	3 774.3	4 130.7	- 356.4
Banknote stocks	127.7	126.9	+ 0.8
Tangible assets	388.4	344.8	+ 43.6
Participations	136.8	136.8	+ 0.0
Other assets	446.2	311.3	+ 134.9
Total assets	136 927.0	126 926.9	+10 000.1
Banknotes in circulation	40 789.6	44 258.6	-3 469.0
Sight deposits of domestic banks	8 281.0	8 672.9	- 391.9
Liabilities towards the Confederation	14 006.6	1 077.0	+12 929.6
Sight deposits of foreign banks and institutions	445.3	644.1	- 198.8
Other sight liabilities	215.8	169.1	+ 46.7
Liabilities from repo transactions in Swiss francs	-	615.0	- 615.0
Other term liabilities	12 468.0	4 608.0	+7 860.0
Foreign currency liabilities	863.5	1 127.6	- 264.1
Other liabilities	35.6	72.5	- 36.9
Provisions for operating risks	7.2	8.6	- 1.4
Provisions for currency reserves	40 275.3	39 524.3	+ 751.0 ²
Share capital	25.0	25.0	+ 0.0
Distribution reserve	22 871.7	18 128.7	+4 743.0
Annual result for 2006	-	7 995.5	-7 995.5
Interim result	-3 357.5	-	-3 357.5
Total liabilities	136 927.0	126 926.9	+10 000.1

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

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2 Allocation from the 2007 annual result.

Accounting and valuation principles

The interim results, which have not been audited by the statutory auditors, cover the period from 1 January to 30 June 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		
	30.06.2008	31.12.2007	Change	30.06.2007	31.12.2006	Change
	CHF	CHF	In percent	CHF	CHF	In percent
1 USD	1.0183	1.1277	-9.7%	1.2247	1.2202	+0.4%
1 EUR	1.6070	1.6557	-2.9%	1.6554	1.6086	+2.9%
100 JPY	0.9625	1.0109	-4.8%	0.9923	1.0251	-3.2%
1 GBP	2.0311	2.2586	-10.1%	2.4556	2.3911	+2.7%
1 kilogram of gold	30 455.55	30 328.47	+0.4%	25 613.45	24 938.72	+2.7%

Notes to the interim results

Item no. 1: Net result from gold

Breakdown by type	Q1-Q2 2008	Q1-Q2 2007	Change
In CHF millions			
Net result from changes in market value	159.1	874.9	- 715.8
Net result from gold lending transactions	2.8	8.6	- 5.8
Total	161.9	883.5	- 721.6

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Item no. 2: Net result from foreign currency investments

Breakdown by origin	Q1-Q2 2008	Q1-Q2 2007	Change
In CHF millions			
Foreign currency investments	-3 481.6	1 334.9	-4 816.5
Reserve position in the IMF	- 15.6	11.4	- 27.0
International payment instruments	- 13.2	11.7	- 24.9
Monetary assistance loans	- 18.7	8.3	- 27.0
Foreign currency liabilities	- 102.4	- 1.7	- 100.7
Total	-3 631.4	1 364.6	-4 996.0

Breakdown by type	Q1-Q2 2008	Q1-Q2 2007	Change
In CHF millions			
Interest gain/loss	929.7	854.2	+ 75.5
Capital gain/loss	- 672.2	- 698.5	+ 26.3
Interest expenses	- 102.4	- 1.7	- 100.7
Dividend income and price gain/loss	- 784.4	472.3	-1 256.7
Exchange rate gain/loss	-2 998.0	743.0	-3 741.0
Asset management and safe custody account fees	- 4.0	- 4.8	+ 0.8
Total	-3 631.4	1 364.6	-4 996.0

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Item no. 3: Net result from Swiss franc investments

Breakdown by origin	Q1-Q2 2008	Q1-Q2 2007	Change
In CHF millions			
Swiss franc securities	- 9.6	- 112.1	+ 102.5
Swiss franc repo transactions	304.0	224.5	+ 79.5
Other assets	0.0	0.0	+ 0.0
Liabilities towards the Confederation	- 64.9	- 11.1	- 53.8
Other sight liabilities	- 10.4	- 3.6	- 6.8
Total	219.0	97.7	+ 121.3

Breakdown by type	Q1-Q2 2008	Q1-Q2 2007	Change
In CHF millions			
Interest gain/loss	364.9	298.1	+ 66.8
Capital gain/loss	- 68.5	- 184.3	+ 115.8
Interest expenses	- 75.3	- 14.7	- 60.6
Trading and safe custody account fees	- 2.0	- 1.4	- 0.6
Total	219.0	97.7	+ 121.3