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Swiss Confederation

State financial statements

Report on federal financial
statements

2013

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**Dispatch
on the Swiss state financial statements
for 2013**

of March 26, 2014

Dear Mr. President of the National Council,
Mr. President of the Council of States,
Ladies and gentlemen,

With this dispatch, we hereby submit the *Swiss state financial statements for 2013* to you, and propose that you approve them in accordance with the enclosed draft resolutions.

We also request, in accordance with Article 34 para. 2 of the Federal Act of October 7, 2005 on the Federal Financial Budget (SR 611.0), that you approve the *credit limit excesses* that proved inevitable after consuming the budgetary and supplementary credits.

Respectfully yours,

Bern, March 26, 2014

On behalf of the Swiss Federal Council

President of the Swiss Confederation:
Didier Burkhalter

Federal Chancellor:
Corina Casanova

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Report on federal financial statements

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| CHF mn | Fin. stmt. 2012 | Budget 2013 | Fin. stmt. 2013 |
|--|--------------------|----------------|--------------------|
| Financing statement | | | |
| Ordinary receipts | 62 997 | 64 479 | 65 032 |
| Ordinary expenditure | 61 736 | 64 929 | 63 700 |
| Ordinary fiscal balance | 1 262 | -450 | 1 332 |
| Extraordinary receipts | 738 | – | 1 306 |
| Extraordinary expenditure | – | – | – |
| Overall fiscal balance | 2 000 | -450 | 2 638 |
| Debt brake | | | |
| Structural surplus (+) / structural deficit (-) | 2 018 | 66 | 1 852 |
| Maximum admissible expenditure | 63 319 | 64 929 | 65 486 |
| Room for maneuver (+) / need for adjustment (-) | | 0 | |
| Compensation account balance | 19 394 | | 21 180 |
| Amortization account balance | 46 | | 1 418 |
| Statement of financial performance | | | |
| Ordinary revenue | 64 041 | 64 435 | 65 136 |
| Ordinary expenses | 62 336 | 64 797 | 65 109 |
| Ordinary result | 1 705 | -363 | 27 |
| Extraordinary revenue | 738 | – | 1 081 |
| Extraordinary expenses | – | – | – |
| Surplus/deficit for the year | 2 443 | -363 | 1 108 |
| Statement of investments | | | |
| Ordinary investment receipts | 222 | 212 | 286 |
| Ordinary investment expenditure | 7 014 | 7 810 | 7 415 |
| Statement of financial position | | | |
| Net assets/equity | -24 999 | | -24 008 |
| Gross debt | 112 406 | 112 700 | 111 638 |
| Indicators | | | |
| Expenditure ratio in % | 10.4 | 10.6 | 10.6 |
| Tax ratio in % | 9.9 | 9.9 | 10.1 |
| Gross debt ratio in % | 19.0 | 18.5 | 18.5 |
| Macroeconomic reference values | | | |
| Real GDP growth in % | 1.0 | 1.5 | 2.0 |
| Nominal GDP growth in % | 1.2 | 2.0 | 1.9 |
| Change in the National Consumer Price Index in % | -0.7 | 0.5 | -0.2 |
| Long-term interest rates in % (annual average) | 0.7 | 1.3 | 0.9 |
| Short-term interest rates in % (annual average) | 0.1 | 0.2 | 0.0 |
| USD to CHF exchange rate (annual average) | 0.94 | 0.95 | 0.93 |
| EUR to CHF exchange rate (annual average) | 1.21 | 1.20 | 1.23 |

Notes:

- Interest rates: Annual average for 10-year federal bonds or 3-month Libor. Source: SNB, Monthly Statistical Bulletin.
- Exchange rates: Annual average. Source: SNB, Monthly Statistical Bulletin.

The Confederation ended 2013 with an *ordinary financing surplus* of 1.3 billion, whereas a deficit of 0.4 billion had been expected in the budget. The improvement was due to budget underruns in terms of expenditure and high withholding tax receipts. These funds are not needed for expenditure and are available for debt reduction. The overall fiscal balance remained virtually unchanged on the previous year. This suggests that fiscal policy had a neutral impact on the economy on the whole.

At the time of drawing up the budget (summer 2012), it was reckoned that Switzerland's economic growth would be subdued and economic capacity utilization would decline again. The *macro-economic parameters* for 2013 were thus based on real economic growth of 1.5% and inflation of 0.5%. However, by actually posting real growth of 2.0%, the Swiss economy is now in better shape than a year ago.

The *debt brake* permitted a cyclical deficit of 0.5 billion for 2013. The requirements are more stringent because of the improved economic environment. The deficit permissible cyclically is 0.2 billion lower than the previous year. As the federal budget posted a surplus, the balance adjusted for cyclical factors (the structural balance) came to 1.9 billion. This structural surplus declined by just 0.1 billion year-on-year. It was possible to maintain the structural cushion more or less at the previous year's level thanks to robust receipt growth. The compensation account exceeded the 20-billion mark with this surplus.

Ordinary receipts were up by 3.2% on the previous year. This growth was heavily influenced by withholding tax, where receipts soared by 1.6 billion on a year-on-year basis, largely due to comparatively low refunds. Excluding withholding tax, receipts rose by 0.7%, which was significantly less than the estimated

nominal GDP growth rate of 1.9%. Receipt growth was also driven by value added tax (+2.3%), whereas it was curbed by direct federal tax, which more or less stagnated (+0.1%) relative to the unusually high tax receipts of natural persons in the preceding year. Unlike in previous years, receipt growth was only slightly distorted by special factors in 2013.

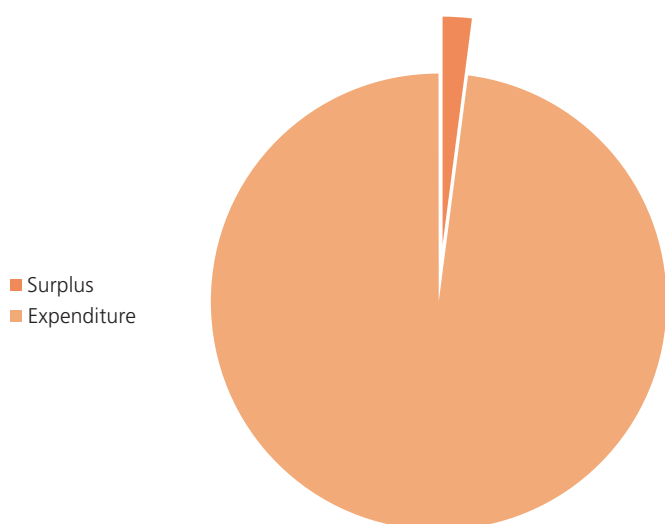
Ordinary expenditure growth was in line with that of receipts (3.2%). Above-average growth rates were posted in the areas of international relations (e.g. progress toward the objective of an ODA rate of 0.5% of gross national income) and national defense (due to lower unutilized credits, among other things). Expenditure growth of 1.2% had been expected in the budget. The higher growth was driven primarily by interest payable (lower premiums) as well as a generally higher level of credit utilization.

The *budget underruns* of 1.2 billion with regard to expenditure were close to the average level for the past ten years. These are related to the difference between unutilized credits (lower expenditure) and supplementary credits. Expenditure was significantly lower in the case of the Confederation's payments to social insurance (IV, AHV), national defense and the area of asylum, as well as in the case of interest payable, due to the persistently low level of interest rates. The volume of supplementary credits was largely impacted by the one-time payment of 250 million to PUBLICA, which became necessary following the amendment of the early retirement regulations for special categories of staff (e.g. career military officers and border guards).

Receipts of 1.3 billion were recognized in the *extraordinary budget*. The sale of Swisscom shares resulted in investment receipts of some 1.2 billion. The Confederation thus reduced its stake in Swisscom to 51.22% as of the end of 2013. Furthermore, receipts

2013 financial statements: appropriation of receipts

Ordinary financing statement



The ordinary budget posted a surplus of 1.3 billion, or 2% of receipts. These funds are not needed for expenditure and are available for debt reduction.

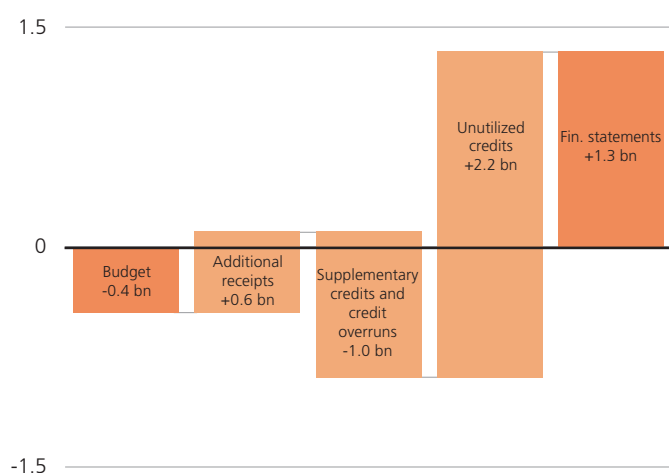
of 59 million were generated because of FINMA ordering profits to be disgorged due to violations of Swiss financial market laws. The receipts are credited to the debt brake's amortization account and will serve to offset future extraordinary expenditure. There was no extraordinary expenditure in 2013. Including extraordinary receipts, the overall fiscal balance came to 2.6 billion.

Gross debt declined by 0.8 billion to 111.6 billion in 2013. Redemptions of bonds (0.2 bn) and money market debt register claims (0.6 bn) led to this reduction. Like the previous year, the Federal Treasury's liquidity was kept higher than usual at year-end for a bond redemption at the start of January 2014. Net debt declined by 3.0 billion to 78.2 billion.

The ordinary *statement of financial performance* was balanced. The difference of -1.3 billion relative to the financing statement was largely due to the fact that the increase in provisions for military insurance (+0.6 bn) and withholding tax (+0.5 bn) adversely affected the statement of financial performance. In addition, there were higher provisions for radioactive waste from medicine, industry and research (+0.3 bn). Then again, the performance approach shows higher financial revenue, as valuation changes regarding significant interests in the statement of financial performance (increase in equity value) were 0.6 bn higher than financial interest receipts in the financing statement.

From budgeted deficit to surplus

Ordinary financing statement for 2013 in bn



The Confederation ended the year with a surplus of 1.3 billion, whereas a deficit of 0.4 billion had been expected in the budget. The additional receipts of 0.6 billion contributed to this improvement. In terms of expenditure, there were budget underruns of 1.2 billion, as supplementary credits and credit limit excesses were more than offset by unutilized credits.



11 Budgeting for 2013

The 2013 budget was adopted by the Federal Council in the summer of 2012. A deficit of 0.4 billion had been expected. There were cyclical reasons for this deficit and it was in keeping with the debt brake because of the slight economic capacity underutilization. Structurally, however, a moderate surplus of 0.1 billion actually resulted. It was possible for the budget to be prepared without any major adjustment measures. The scale of supplementary credits was the same as usual.

The 2013 budget was adopted by the Federal Council in the summer of 2012, when the economic outlook was becoming gloomy again after the sharp upswing seen in 2010 and 2011. The development of the global economy was generally expected to be mixed, with another recession in the eurozone and a favorable economic outlook on the whole for the United States and Asia. Consequently, it was reckoned that Switzerland's economic growth would also be subdued and that economic capacity utilization would decline again. The macro-economic parameters for 2013 were thus based on real economic growth of 1.5% and inflation of 0.5%.

Nevertheless, the situation expected for the federal finances in the budget year was quite favorable on the whole, thanks among other things to the more positive development of direct federal tax receipts (due to a smaller fall in receipts caused by the family taxation reform). When preparing the budget, therefore, no additional adjustment measures were necessary, aside from the usual adjustments during the budget process.

Budget amendments by parliament primarily involved implementation of the resolutions associated with the dispatch on the 2013–2016 promotion of education, research and innovation, as well as ad-hoc increases in the case of agriculture. Coming in at 0.5%, the scale of supplementary credits remained at the level of the preceding seven years.

12 Economic development

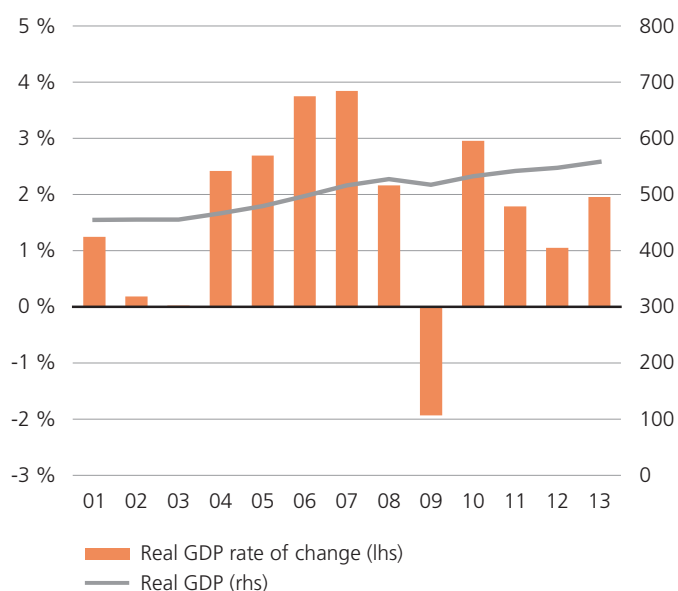
Thanks to the strength of domestic demand, Switzerland's economic growth was more vigorous in 2013 than expected in the moderate growth scenario on which the budget was based. Inflation remained negative like the previous year, and interest rates stayed at their historically low levels.

The draft budget for 2013 was finalized in the early summer of 2012. The macro-economic framework was thus based on the quarterly forecasts of the federal government's expert group, published in mid-June 2012, at a time when the Swiss economy was growing at a moderate pace. Given the lackluster outlook for the European economy and the franc's strength, the experts did not expect a substantial improvement for the near future and were reckoning that growth would continue at a rate below the medium-term trend.

The budget was thus based on the hypothesis of real GDP increasing by 1.4% for 2012 as a whole and then by 1.5% for 2013. In 2012, real economic growth (1.0%) turned out to be lower

than expected. In nominal terms, GDP grew by only 1.2% instead of the 1.4% predicted in the summer of 2012, producing an adverse effect for 2013 tax receipts, which are still directly dependent to a certain extent on the previous year's development. Then, in 2013, the Swiss economy gathered steam and grew by 2.0% in real terms for the year as a whole, instead of the anticipated 1.5%. In nominal terms, however, GDP growth amounted to 1.9%, which was slightly lower than the 2.0% expected in the budget. Consumer spending and construction investment bolstered growth as a result of immigration and low interest rates. However, export growth weakened relative to 2012, and investment in equipment more or less stagnated.

Real GDP (in bn) and rate of change (in %)



After having experienced a period of weakness in 2012, Swiss economic growth accelerated in 2013. The buoyancy of domestic demand, bolstered by immigration and the low level of interest rates, was the main contributor to the improvement seen.

Comparison of the macro-economic parameters for the 2013 budget and financial statements

| | Budget | Fin. stmt. | Dev. in percentage points |
|-------------|----------------|------------|------------------------------|
| | Variation in % | | |
| Real GDP | 1.5 | 2.0 | +0.5 |
| Nominal GDP | 2.0 | 1.9 | -0.1 |
| | Rate in % | | |
| Inflation | 0.5 | -0.2 | -0.7 |

Even though the economy improved, unemployment rose somewhat for the year as a whole and reached 3.2%, i.e. 0.3 percentage points higher than the previous year. The Swiss franc remained

strong on the foreign exchange market. The SNB continued to defend the minimum EUR/CHF exchange rate of 1.20 introduced in September 2011. In this context, it left the 3-month Libor target range unchanged at a low level (0%-0.25%). Interest rates remained very low on the whole. Reflecting the demand for safe investments, the yield on 10-year federal bonds was barely 0.6% at the end of April, and it then edged over 1.0% in the second half of the year following the worldwide increase in interest rates in anticipation of a tightening of US monetary policy. Against this backdrop, inflation as measured by the consumer price index was negative, coming in at an average of -0.2% for the year instead of the 0.5% foreseen in the budget. The prices of domestic products rose by 0.4% on average, while those of imports fell by 1.9%.

21 Financing statement

The Confederation ended 2013 with a surplus of 1.3 billion, whereas a deficit of 0.4 billion had been expected. The improvement was due to budget underruns and high withholding tax receipts. Combining this with high extraordinary receipts, which were generated primarily by the sale of Swisscom shares, the total surplus came in at 2.6 billion.

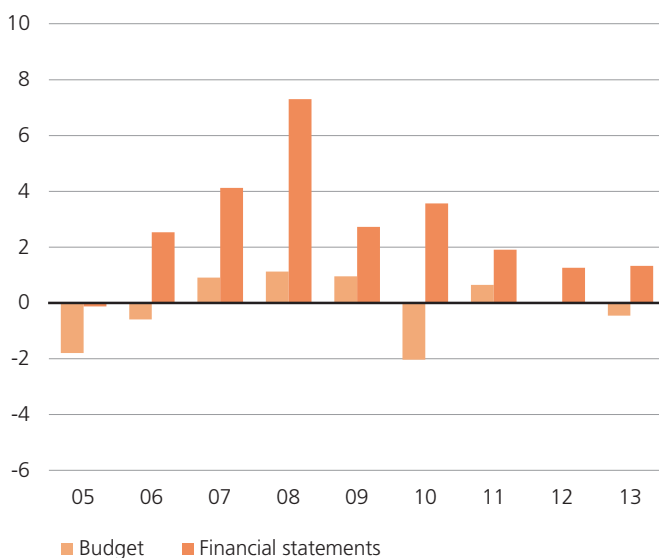
Financing statement

| CHF mn | Fin. stmt. | Budget | Fin. stmt. | Deviation vs. FS 2012 | |
|--------------------------------|--------------|-------------|--------------|-----------------------|-----|
| | 2012 | 2013 | 2013 | Absolute | % |
| Overall fiscal balance | 2 000 | -450 | 2 638 | 639 | |
| Ordinary fiscal balance | 1 262 | -450 | 1 332 | 70 | |
| Ordinary receipts | 62 997 | 64 479 | 65 032 | 2 034 | 3.2 |
| Ordinary expenditure | 61 736 | 64 929 | 63 700 | 1 964 | 3.2 |
| Extraordinary receipts | 738 | – | 1 306 | 568 | |
| Extraordinary expenditure | – | – | – | – | |

The ordinary fiscal balance for 2013 was 1.3 billion, with ordinary receipts of 65 billion and ordinary expenditure of 63.7 billion. The 2013 result was slightly better than in 2012, with an improvement of 70 million. Relative to the budget, the improvement was approximately 1.8 billion. This was due on the one

hand to additional receipts (+553 mn), with withholding tax receipts in particular exceeding expectations (+1.1 bn). On the other hand, unutilized credits led to a reduction of approximately 1.2 billion in expenditure, which accounted for some 60% of the improved result.

Trend of financing statement results in bn
Ordinary budget



Following a series of years of deficits (from 1991 onward, with the exception of 2000), the Confederation has been consistently posting surpluses since 2006. The results are strongly influenced by the economy, with a high surplus in 2008 before the impact of the financial and economic crisis. The latest results are positive due above all to unutilized credits.

The picture painted by the extraordinary budget was similarly positive. This was dominated by the sale of Swisscom shares, which generated receipts of some 1.247 billion for the federal coffers. Furthermore, receipts of 59 million resulted from UBS being ordered to disgorge profits in connection with the Libor case. There was no extraordinary expenditure in 2013, so overall, the extraordinary receipts led to a surplus of 2.6 billion in the financing statement.

Ordinary receipts were up by 3.2%, or just over 2 billion, on the previous year, and thus posted significantly stronger growth than nominal gross domestic product (+1.9%). This strong growth was driven essentially by the surge in withholding tax, which accounted for some 80% of the increase in receipts. With the exception of value added tax, which also posted robust growth of 2.3%, the other receipts grew very little compared with the previous year or even declined.

Receipt growth was distorted by various special factors also in 2013. The abolition of the issue tax on debt capital in March 2012 is particularly worthy of mention. The reduction in receipts covered an entire calendar year for the first time in 2013 and distorted the comparison with the previous year by approximately 150 million. Adjusted for this special factor and the volatile withholding tax, receipt growth was 1.5%. The 0.9% forecasting error based on the budget is small. Consequently, the average absolute error (since 2003) has declined from 4.3% to 4.0% year-on-year.

Ordinary expenditure grew by 3.2%, or around 2 billion, relative to the previous year. Approximately half of the expenditure growth was attributable to the two task areas social welfare and finances and taxes. The expenditure actually incurred was significantly lower than the scope approved by parliament also in 2013. Overall, the reduction in expenditure was around 1.2 billion and was largely due to credits that were not fully utilized (see box).

Unutilized credits

The long-term average shows that the expenditure actually incurred during the fiscal year systematically turns out to be below the level of expenditure approved by parliament. The reason for these budget underruns is the recurrence of unutilized credits. An unutilized credit occurs when the funds approved by parliament (including supplementary credits, transfers and shifts) for a given item are not fully utilized. While unutilized credits stand against additional expenditure as a result of supplementary credits and individual credit overruns, a significant underrun of budgeted expenditure nevertheless remains in general when the entire budget is taken into consideration.

The following tables give an overview of unutilized credits broken down by credit type and task area.

| | Unutilized credits in mn | in % of approved expenditure |
|--|-----------------------------|---------------------------------|
| Total | 2221 | 3.4 |
| Operating expenditure | 539 | 5.2 |
| Personnel expenditure | 127 | 2.8 |
| General, administrative and operating expenditure | 245 | 8.5 |
| Armament expenditure | 92 | 8.6 |
| MPM functional expenditure ¹ | 75 | 4.0 |
| Transfer expenditure | 972 | 2.2 |
| Financial expenditure | 123 | 5.4 |
| Investment expenditure | 587 | 8.3 |

¹ Including other MPM expenditure

| | Unutilized credits in mn | in % of approved expenditure |
|--|-----------------------------|---------------------------------|
| Total | 2221 | 3.4 |
| International relations – international cooperation | 108 | 3.2 |
| National defense | 217 | 4.4 |
| Education and research | 187 | 2.6 |
| Social welfare | 542 | 2.5 |
| Transportation | 418 | 4.8 |
| Agriculture and food | 22 | 0.6 |
| Finances and taxes | 258 | 2.6 |
| Other tasks | 469 | 7.6 |

Generally speaking, budget deviations are part and parcel of the budget implementation process. Actual funding requirements are partly dependent on unforeseeable events and therefore cannot be planned to the last centime. As credits may essentially be underutilized but not exceeded without approval, the administrative units tend to be cautious when budgeting. Finally, the thrifty use of funds also makes a significant contribution to the occurrence of unutilized credits.

Systematically occurring unutilized credits result in an ongoing over-fulfillment of the debt brake requirements and thus a reduction in debt. Therefore, unutilized credits are not to be seen in a negative light, also with regard to the thrifty use of funds. However, if unutilized credits are high, they can distort the originally foreseen use of funds.

Weak fiscal stimulus

One aim of the debt brake is to ensure an economically compatible fiscal policy (Art. 100 para. 4 Cst.). The impact of the federal budget on the economy can be determined using *three simple indicators*. Overall, it can be seen that the federal budget had a neutral impact in 2013:

- The Confederation's ordinary surplus changed very little year-on-year, staying at around 0.2% of GDP. This resulted in a *primary stimulus* on demand that was only very slightly negative and therefore negligible (- 0.01% of GDP).
 - This result was due to the fact that the impact of the *automatic stabilizers* in the federal budget (increase in the deficit permissible cyclically) offset the *fiscal stimulus* (reduction in the cyclically adjusted or structural surplus), which is an indicator of the impact of discretionary fiscal policy decisions. Standing at -0.04% and 0.03% of GDP, respectively, one impact thus neutralized the other (see also section 22).
-

22 Debt brake

It was possible to maintain the structural surplus more or less at the previous year's level thanks to robust receipt growth. The compensation account exceeded the 20-billion mark for the first time.

Debt brake

| CHF mn | Fin. stmt. 2009 | Fin. stmt. 2010 | Fin. stmt. 2011 | Fin. stmt. 2012 | Fin. stmt. 2013 |
|-------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Ordinary fiscal balance | 2 721 | 3 568 | 1 912 | 1 262 | 1 332 |
| Cyclical | -1 097 | -817 | -450 | -756 | -520 |
| Structural | 3 818 | 4 384 | 2 362 | 2 018 | 1 852 |
| Compensation account credit | 3 818 | 3 969 | 2 197 | 1 583 | 1 786 |
| Compensation account balance | 12 645 | 15 614 | 17 811 | 19 394 | 21 180 |
| Amortization account credit | – | 416 | -1 542 | 1 173 | 1 372 |
| Amortization account balance | – | 416 | -1 127 | 46 | 1 418 |

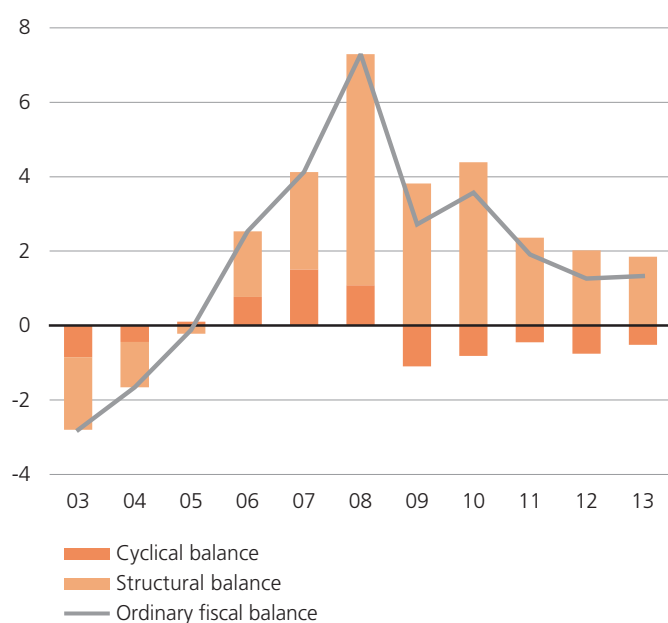
Note: With the entry into force of the extended debt brake rule on January 1, 2010, the compensation account was reduced by 1 billion (Art. 66 FBA, amendment of March 20, 2009).

Decline in deficit permissible cyclically

The Swiss economy is in better shape than a year ago. Aside from a persistently robust domestic economy, Switzerland benefited particularly from exports picking up in the second half of 2013. Accordingly, the degree of economic capacity utilization increased

year-on-year, and real GDP growth approached its trend level once again. This has also impacted the debt brake. The requirements are stricter because of the improved economic environment: the deficit permissible cyclically is 0.2 billion lower than the previous year.

Federal budget from a debt brake viewpoint in bn



The debt brake requires a minimum of a balanced structural position. This stipulation has been exceeded every year since 2006, allowing for debt reduction of 19 billion.

Structural cushion maintained by withholding tax

The surplus achieved in the ordinary financing statement exceeded the deficit permissible cyclically by 1.9 billion. This structural surplus declined by just 0.1 billion year-on-year, which is all the more remarkable given that it was achieved despite a relatively sharp increase in ordinary expenditure of around 3.2%. It was possible to keep the structural result close to the previous year's level primarily thanks to receipts, which posted above-average growth (+3.2%) relative to GDP (+1.9%). Withholding tax played an important role here, accounting for approximately 80% of the increase in receipts in fiscal 2013. In other words, a large part of the structural cushion was based on withholding tax, which is extremely volatile.

High balance on amortization account thanks to extraordinary receipts

An amount consistent with the structural surplus specified in the 2013 budget (66 mn) is to be credited to the amortization account. The extraordinary receipts in 2013 (1,306 mn) are also to be booked to the amortization account, resulting in a total credit of around 1,372 million and thereby increasing the balance of the amortization account to 1,418 million. The amortization account introduced under the extended debt brake rule provides a statistical measure of extraordinary expenditure and receipts. If the account is in deficit, the shortfall must be offset through recourse to structural surpluses in the ordinary budget.

Compensation account in excess of 20 billion

The remainder of the structural surplus (1.8 bn) is to be credited to the compensation account, bringing that account balance to 21.2 billion. This high balance has resulted from structural surpluses since 2006, leading to the reduction in federal debt in recent years. In addition to measuring results, the compensation account also functions as a fluctuation reserve. If an unexpected sharp drop in receipts were to create a structural deficit despite cyclical adjustment, the fluctuation reserve would stop the compensation account from instantly going into deficit, necessitating consolidation measures.

Cyclically neutral budget

The change in the overall fiscal balance and its components gives an indication of how fiscal policy impacts the economy. The overall fiscal balance changed very little year-on-year, indicating that fiscal policy had a neutral impact on the whole. However, this masks two opposing developments. As it happens, the change in the cyclical balance (+0.2 bn) indicated the slightly restrictive effect of the automatic stabilizers in the federal budget. However, this restrictive effect was offset by an expansionary discretionary stimulus of a similar magnitude, corresponding to the decline in the structural balance (see box in section 21).

Report on the debt brake

The Confederation's debt brake has a decade of practical application behind it. Against that backdrop, the Federal Council's report entitled "The Swiss debt brake: experiences and perspectives" analyzes federal experience with the rule-based fiscal policy and shows its impact. Federal finances have developed positively over the past ten years. Since the peak of 130 billion in 2005, the Confederation's gross debt has declined by 19 billion. At 18.5%, the debt ratio has more or less fallen back to the same level as in 1993. The debt brake mechanism made a significant contribution to this, as did the dynamic economic growth and increase in receipts. Also in the future, the statutory regulations will tend to result in a reduction in debt due to unutilized credits (see "Unutilized credits" box in section 21). Consequently, the freedom of maneuver in terms of fiscal policy will increase, as will Switzerland's ability to withstand crises. A further reduction in federal debt would thus be beneficial. Fiscal policy has also become more in line with the economic situation thanks to the introduction of the debt brake. The method for calculating the trend of gross domestic product has proved itself; the cyclical factor paints a realistic picture of economic development. Furthermore, the analyses show that the introduction of the debt brake has not adversely affected the Confederation's investment activity; the proportion of federal expenditure accounted for by investment has remained stable over the long term.

Based on the analyses, the report concludes that the debt brake has proved its worth. Accordingly, it enjoys broad acceptance. The Federal Council therefore considers it sensible to maintain the current regulations. However, the debt brake cannot solve long-term structural problems. Challenges of this kind need to be tackled by means of reforms in the corresponding policy areas.

23 Statement of financial performance

The statement of financial performance was balanced, closing with a modest ordinary surplus of 27 million. A surplus of 1.7 billion was posted the previous year. With an increase of 2.8 billion (+4.4%), expenses rose much more than revenue (+1.1 bn, or +1.7%). The main item in the extraordinary result was the revenue from the further reduction of the stake in Swisscom AG.

Surplus/deficit

| CHF mn | Fin. stmt. | Budget | Fin. stmt. | Deviation vs. FS 2012 | |
|---|--------------|-------------|--------------|-----------------------|-----|
| | 2012 | 2013 | 2013 | Absolute | % |
| Surplus/deficit for the year | 2 443 | -363 | 1 108 | -1 336 | |
| Ordinary result (incl. financial result) | 1 705 | -363 | 27 | -1 678 | |
| Ordinary revenue | 64 041 | 64 435 | 65 136 | 1 095 | 1.7 |
| Ordinary expenses | 62 336 | 64 797 | 65 109 | 2 773 | 4.4 |
| Extraordinary revenue | 738 | – | 1 081 | 343 | |
| Extraordinary expenses | – | – | – | – | |

The *surplus/deficit for the year* showed a revenue surplus of 1.1 billion, which corresponds to the ordinary result of 27 million (result from operating activities and the overall fiscal balance) and extraordinary revenue of 1.1 billion.

Relative to the previous year, the ordinary result was down by almost 1.7 billion, as the increase in expenses clearly outstripped revenue growth:

- The 1.1 billion increase in revenue was largely due to higher tax revenue (withholding tax +1.6 bn, value added tax +0.5 bn). In contrast, financial revenue posted a year-on-year decline of 1 billion in 2013. This was primarily associated with the slight increase in equity values (new method for recognizing Swiss Post retirement benefits).
- The 2.8 billion increase in expenses was attributable to higher operating expenses of 1.1 billion (personnel expenses +0.4 bn, provisions in the area of ETH nuclear facilities +0.5 bn) and the 1.5 billion increase in transfer expenses (military insurance provision +0.6 bn, contributions to third parties +0.7 bn).

Compared with the budget, the ordinary result in the statement of financial performance was 0.4 billion higher (27 mn instead of the budgeted -0.4 bn). This deviation was mainly because the financial result was 0.4 billion better than anticipated. Financial revenue grew by 0.7 billion, while financial expense rose by only 0.3 billion.

Compared with the financing statement, the statement of financial performance ended the year 1.5 billion worse off. On the expenses side, the difference can be attributed to the recognition of accruals and deferrals, value adjustments, depreciation and amortization which are not recognized in the financing statement. Total depreciation on administrative assets was 2.2 billion (including 1.4 bn for motorways and 0.5 bn for buildings). When total investment expenditure (7.4 bn) is compared with the total for depreciation and amortization and value adjustments (6.7 bn), the relatively small difference between the two values reflects the Confederation's stable investment activity. In addition, the provision for withholding tax was adjusted by 0.5 billion to expected refunds, which is reflected in a corresponding reduction in revenue.

The *extraordinary revenue* of 1.1 billion was generated by the following two items:

- In 2013, a total of 2,875,000 Swisscom AG shares were sold for 1.25 billion. After deducting the carrying amounts, this resulted in extraordinary revenue of approximately 1 billion.
- Extraordinary revenue of 62 million was generated in 2013 as a result of the Swiss Financial Market Supervisory Authority FINMA ordering profits to be disgorged. This order to disgorge profits concerned the banks UBS (59 mn) and Basler Kantonalbank (3 mn).

24 Statement of financial position

The negative net assets/equity declined by around 1 billion to 24 billion due to the surplus shown in the statement of financial performance. This effect is reflected in the statement of financial position in the form of an increase in non-administrative assets, reduced by the increase in long-term provisions and current liabilities.

Statement of financial position

| CHF mn | 2012 | 2013 | Deviation vs. 2012 | |
|-------------------------------|----------------|----------------|--------------------|------------|
| | | | Absolute | % |
| Assets | 108 968 | 111 183 | 2 214 | 2.0 |
| Non-administrative assets | 32 543 | 34 459 | 1 916 | 5.9 |
| Administrative assets | 76 426 | 76 724 | 298 | 0.4 |
| Liabilities and equity | 108 968 | 111 183 | 2 214 | 2.0 |
| Short-term liabilities | 37 205 | 37 533 | 329 | 0.9 |
| Long-term liabilities | 96 763 | 97 658 | 895 | 0.9 |
| Net assets/equity | -24 999 | -24 008 | 991 | 4.0 |
| Other net assets/equity | 5 920 | 6 369 | 448 | 7.6 |
| Accumulated deficit | -30 920 | -30 377 | 543 | 1.8 |

Non-administrative assets increased by 1.9 billion, due almost entirely to an increase in cash and cash equivalents.

Administrative assets rose largely because of the 298 million increase in capitalized motorways.

Liabilities progressed by 1.2 billion for the following reasons: the increase in current liabilities (885 mn), accrued expenses and deferred income (359 mn), the withholding tax provision (500 mn), military insurance provisions (644 mn) and other provisions (444 mn) exceeded the reduction in short-term (-879 mn) and long-term (-775 mn) financial liabilities.

Function of the statement of financial position

The statement of financial position gives an overview of the Confederation's asset and capital structure. Following standard practice in Swiss government units, assets are divided into non-administrative and administrative assets for credit-granting reasons. Liabilities are broken down into debt and equity. The accumulated deficit includes the loss carried forward from previous periods. It is recognized as negative equity.

25 Statement of investments

With an increase of 5.7%, investment expenditure grew more than total expenditure (+3.2%). The primary contributors to this were public transportation and national defense. Investment receipts, some of which are difficult to project, were also clearly higher than the previous year. Coming in at 11.5%, investment expenditure as a percentage of ordinary expenditure exceeded the previous year's level but was lower than the average for the last ten years (12.0%).

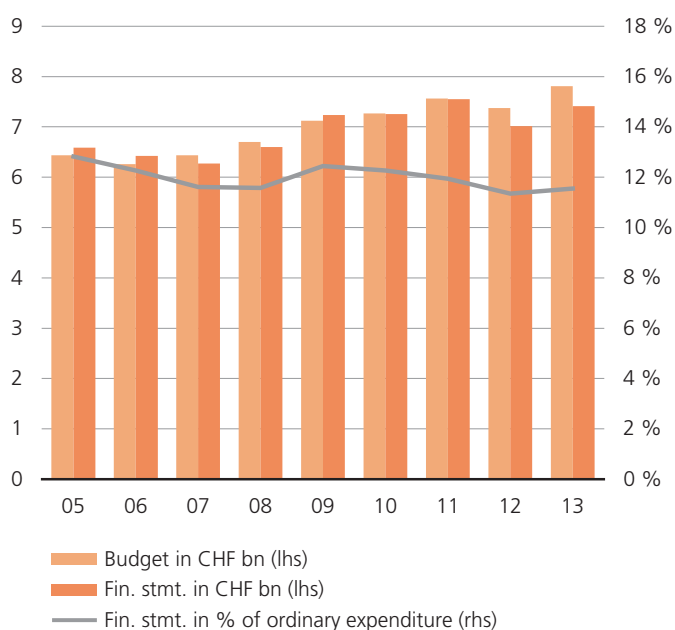
Statement of investments

| CHF mn | Fin. stmt. 2012 | Budget 2013 | Fin. stmt. 2013 | Deviation vs. FS 2012 | |
|--|--------------------|----------------|--------------------|-----------------------|------|
| | | | | Absolute | % |
| Statement of investments balance | -6 791 | -7 598 | -5 882 | 909 | |
| Ordinary statement of investments balance | -6 791 | -7 598 | -7 129 | -337 | |
| Ordinary investment receipts | 222 | 212 | 286 | 64 | 28.7 |
| Ordinary investment expenditure | 7 014 | 7 810 | 7 415 | 401 | 5.7 |
| Extraordinary investment receipts | – | – | 1 246 | 1 246 | |
| Extraordinary investment expenditure | – | – | – | – | |

With approximately 300 million, public transportation was the biggest contributor to the strong growth in *ordinary investment expenditure* (+5.7%). The key factor here was the deposit in the FinPT fund (+204 mn), which was significantly higher. Accordingly, the funds retained in the federal budget (to cover the external costs of road transportation) were reduced drastically. There was extensive additional investment also in the case of national defense (+119 mn), particularly for the construction and

maintenance of buildings and the replacement of a business jet of the Federal Air Transport Service. Finally, in the case of education and research, the increased demand for ETH buildings triggered additional expenditure (+65 mn). Despite the considerable increase in investments, there was significantly less expenditure relative to the *budget* primarily in the case of public transportation (-150 mn) and road transportation (-137 mn). This was partly associated with project delays.

Development of investment expenditure in bn and %



The proportion of expenditure accounted for by investments fluctuated by around 12% last year. Fluctuations are essentially due to large individual positions, e.g. in the case of motorways and rail transportation. This was the case also last year due to the increased deposit in the FinPT fund.

Ordinary investment receipts were significantly higher than the previous year and the budget. This deviation was due to the sale of a building for 60 million within the framework of the streamlining of the portfolio of civilian federal buildings. The proceeds of the sale were partly used to finance the acquisition of another building that was not accounted for in the budget.

The *statement of investments* includes expenditure incurred for the acquisition and accumulation of assets which are required for the performance of functions and are used over successive periods

(administrative assets). It also shows the receipts resulting from the sale or repayment of these assets. Proprietary investments accounted for a third of *investment expenditure* (mainly buildings and motorways), while transfers accounted for two-thirds of the total (mainly loans and investment contributions). *Investment receipts* consist primarily of loan repayments as well as proceeds from the sale of buildings. It is generally difficult to make projections for them, which is why there can be major deviations between the financial statements and the budget.

26 Debt

The Confederation's gross debt was reduced by around 800 million to 111.6 billion in the year under review as a result of redemptions of bonds and money market debt register claims. Net debt was lowered by a considerable 3 billion to 78.2 billion.

Development of federal debt

| CHF mn | 2001 | 2006 | 2011 | 2012 | 2013 |
|------------|---------|---------|---------|---------|---------|
| Gross debt | 106 812 | 123 593 | 110 516 | 112 406 | 111 638 |
| Net debt | 94 488 | 90 901 | 82 468 | 81 187 | 78 160 |

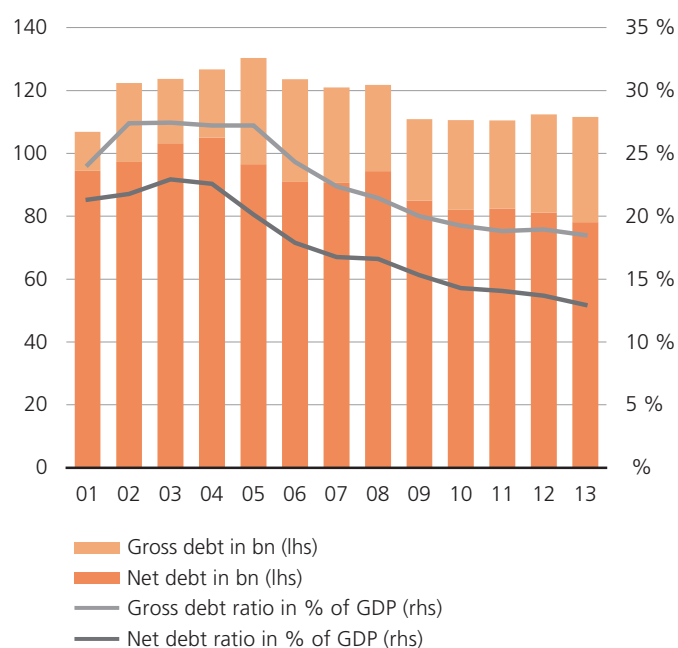
Unlike in the preceding year, gross debt was reduced by 768 million to 111.6 billion. It was 1 billion lower than the budgeted figure, due among other things to the significant extraordinary receipts generated by the sale of Swisscom shares (1.2 bn).

In view of the 4.6 billion bond to be redeemed in January 2014, the Federal Treasury's liquidity was increased as planned (by some 2 bn by year-end 2013, in the form of cash and cash equivalents). The increase was made primarily through the inflow of funds from the ordinary financing surplus and extraordinary receipts.

As a result, the positive overall fiscal balance will not impact gross debt to a great extent until liquidity has been brought down to a normal level.

While gross debt was only slightly lower, non-administrative assets surged by 2.3 billion due to the significantly higher liquidity. Accordingly, net debt (gross debt less non-administrative assets) fell to a much greater extent to 78.2 billion (-3 bn). The Confederation's net debt has been reduced by more than 25 billion over the past ten years (see chart below).

Debt and debt ratio in bn and % of GDP



Since the trend reversal in 2005, federal debt has fallen gradually because of the budget surpluses achieved. While gross debt has been stagnating since 2010 due to a higher level of liquidity, net debt (debt less non-administrative assets) has been dropping steadily. The decline in debt ratios as a percentage of GDP is even more striking.

31 Development of receipts

Ordinary receipts grew by 3.2% year-on-year in 2013. This was attributable largely to the increase in receipts from withholding tax and value added tax. Direct federal tax, the second most important source of receipts, stagnated compared with the high receipts of 2012 caused by special factors.

Development of receipts by account group

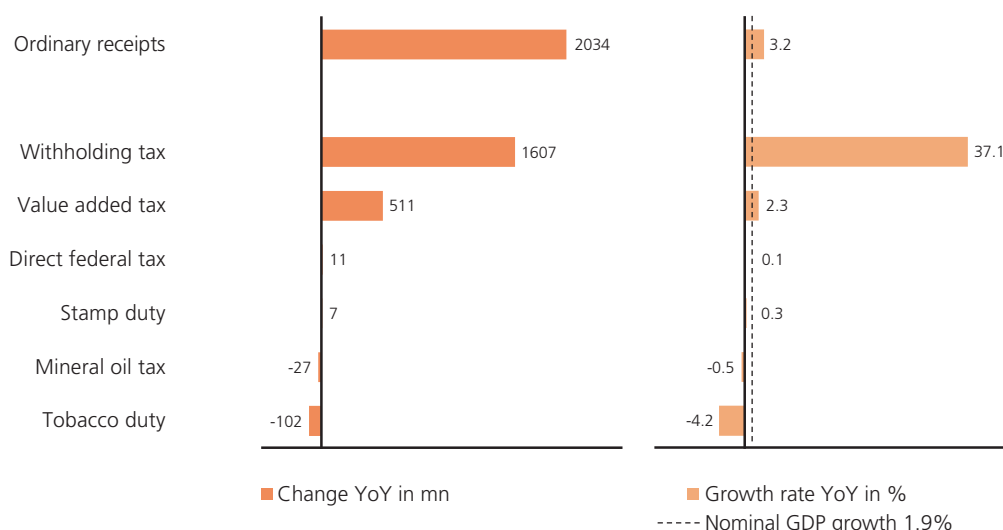
| CHF mn | Fin. stmt. 2012 | Budget 2013 | Fin. stmt. 2013 | Deviation vs. FS 2012 | | Deviation vs. |
|--------------------------|--------------------|----------------|--------------------|--------------------------|-------------|---------------|
| | | | | Absolute | % | budget 2013 |
| | | | | | | Absolute |
| Ordinary receipts | 62 997 | 64 479 | 65 032 | 2 034 | 3.2 | 553 |
| Tax receipts | 58 788 | 60 474 | 60 838 | 2 050 | 3.5 | 364 |
| Direct federal tax | 18 342 | 18 993 | 18 353 | 11 | 0.1 | -640 |
| Withholding tax | 4 335 | 4 811 | 5 942 | 1 607 | 37.1 | 1 131 |
| Stamp duty | 2 136 | 2 200 | 2 143 | 7 | 0.3 | -57 |
| Value added tax | 22 050 | 22 630 | 22 561 | 511 | 2.3 | -69 |
| Other consumption taxes | 7 543 | 7 398 | 7 414 | -129 | -1.7 | 16 |
| Misc. tax receipts | 4 383 | 4 442 | 4 425 | 42 | 1.0 | -17 |
| Nontax receipts | 4 209 | 4 005 | 4 194 | -15 | -0.4 | 189 |

The increase in ordinary receipts (2.0 bn; +3.2%) outstripped nominal GDP growth, which was 1.9%. Adjusted for special factors and the volatile withholding tax, receipts actually grew by 1.5%. This lower growth rate relative to GDP growth was due to the stagnation of direct federal tax receipts.

The chart below shows the growth rates for the six main tax receipt volumes:

• *Direct federal tax* stagnated in 2013, as its receipts increased by only 0.1% (+11 mn) year-on-year. The taxes on the net revenue of legal entities and on the income of natural persons moved in opposite directions, with the former growing by 1.3% (+110 mn) and the latter declining by 1% (-100 mn). Direct federal tax receipts in 2013 are primarily based on the revenue realized in 2012, and their virtual stagnation was largely due to the basis of comparison, as these receipts were relatively high the preceding year.

Development of 2013 receipts in mn and %



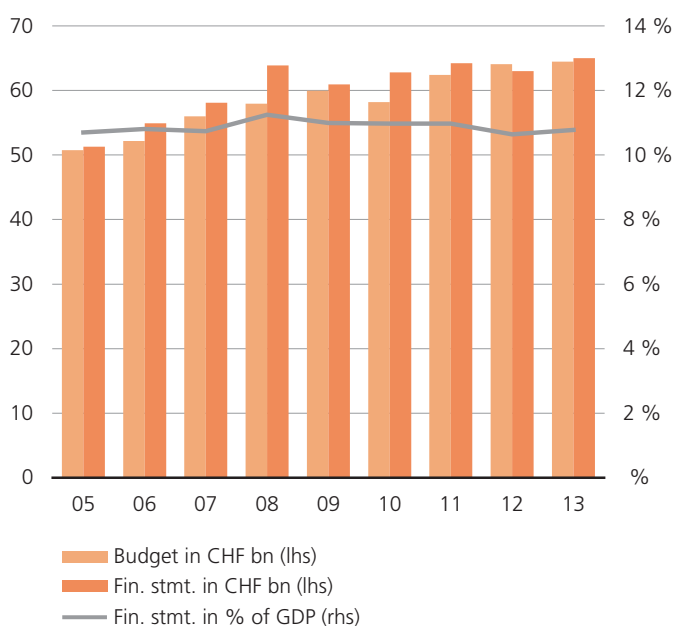
Total receipt growth amounted to 3.2% in 2013, and thereby outstripped nominal GDP growth (+1.9%). Withholding tax, which usually fluctuates considerably, stood out with the highest growth rate by far in percentage and nominal terms (+37.1%). The only other receipt area of significance to post noteworthy growth was value added tax (+2.3%).

- *Value added tax (VAT)* boosted the total result, with receipts up by 2.3% year-on-year. They were largely influenced by nominal GDP growth (+1.9%).
- Regarding *withholding tax*, incoming payments rose and refunds declined, resulting in a year-on-year increase in receipts of 1.6 billion (+37.1%). The increase of 0.8 billion in incoming payments was due mainly to UBS buying the StabFund (stabilization fund) from the SNB for 510 million and interest on arrears of 323 million. The decline in refunds to claimants resident abroad of around 1.5 billion was not offset by the increase in refunds to legal entities (+500 mn) and natural persons in Switzerland (+221 mn), with the result that there was an overall decline in refunds of 0.8 billion. It is also worth noting that withholding tax receipts were down in 2012, which means that their growth in 2013 could also be due to the basis of comparison.
- *Stamp duty* more or less stagnated (+0.3%) relative to the previous year. While there was an increase of 19.9% in the receipts from transfer stamp tax, influenced by the favorable stock markets in 2013, and a rise of 3.6% in receipts from the tax on insurance premiums, issue tax receipts fell by 48.5%. This decline can be explained by the abolition of the issue tax on debt capital in March 2012 and the lack of new capital issues in 2013.
- *Tobacco duty* receipts posted a year-on-year decline of 102 million (-4.2%). This was largely due to a tax hike on April 1, 2013, which triggered an increase in cigarette sales at the end of 2012 that was then offset by a decline at the start of 2013. The rise of substitutes, particularly electronic cigarettes, also dragged down tobacco duty receipts.
- *Mineral oil tax* receipts fell by 0.5%. This was primarily attributable to the effect of the Federal Act on the Reduction of CO₂ Emissions (SR 641.71), which has been in effect since July 1, 2012. The regulations concerning the CO₂ emissions of newly registered vehicles in Switzerland were brought in line with EU standards, which led to a decline in CO₂ emissions and thus in mineral oil tax receipts as well.

Development after adjusting for special factors

Experience shows that, in the long run, all of the Confederation's receipts develop in proportion to nominal GDP, i.e. the long-term elasticity of receipts with respect to GDP is 1. This benchmark makes it possible to assess the plausibility of budgeted receipt items. However, several categories of receipts can show more or less substantial structural breaks, which must be adjusted before comparing the development of overall receipts with GDP growth. These special factors are shown in the table on the next page for the years 2012 and 2013.

Development of ordinary receipts in bn and %



With the exception of a few years, the trend of ordinary receipts has been pretty close to that of GDP in recent years. This means that receipts as a percentage of GDP (2013: 10.8%) have been quite stable during this period.

Special factors taken into account when adjusting the development of receipts

| CHF mn | Fin. stmt. | Fin. stmt. | Deviation vs. FS 2012 | |
|---|---------------|---------------|-----------------------|------------|
| | 2012 | 2013 | Absolute | % |
| Ordinary receipts | 62 997 | 65 032 | 2 034 | 3.2 |
| Special factors | | | | |
| Stamp duty: abolition of issue tax on debt capital | 150 | – | | |
| Mineral oil tax: CO ₂ Act | -50 | -100 | | |
| Tobacco duty: impact of duty/price moves | – | 40 | | |
| Nontax receipts: EU savings tax | 25 | 50 | | |
| Withholding tax: deviation from the trend | -353 | 892 | | |
| Total net increase (+) / decrease (-) in receipts due to special factors | -228 | 882 | | |
| Adjusted ordinary receipts | 63 225 | 64 150 | 925 | 1.5 |

In net terms, the receipts for 2012 have to be revised upward by 228 million and those for 2013 have to be revised downward by 882 million. Adjusted for structural breaks and the typical volatility of withholding tax, receipts grew by 1.5% between 2012 and 2013. This yields a receipt elasticity of 0.8 (1.7 unadjusted) relative to nominal GDP growth, which is slightly sub-proportional and is due primarily to the stagnation of direct federal tax receipts.

Quality of estimates

Receipt estimates have taken on greater significance since the introduction of the debt brake, which requires expenditure to be budgeted on the basis of estimated receipts. Ordinary receipts were 0.9% (553 mn) higher than the budgeted level. In absolute terms, this discrepancy is much smaller than it was for 2012 and, moreover, is lower than the average absolute forecasting error for the last ten years (4.0%). This discrepancy was mainly attributable to the forecasting error for direct federal tax and withholding tax. When drawing up the 2013 budget, direct federal tax receipts for earlier tax years were overestimated, while the amount of withholding tax refunds turned out to be significantly lower than budgeted for, which largely explains why this tax was underestimated.

32 Development of expenditure by task area

In 2013, the Confederation spent a total of 63.7 billion, i.e. almost 2 billion, or 3.2%, more than in 2012. The key growth drivers were the task areas international relations – international cooperation, national defense and finances and taxes. Expenditure came in 1.2 billion, or 1.9%, below budget.

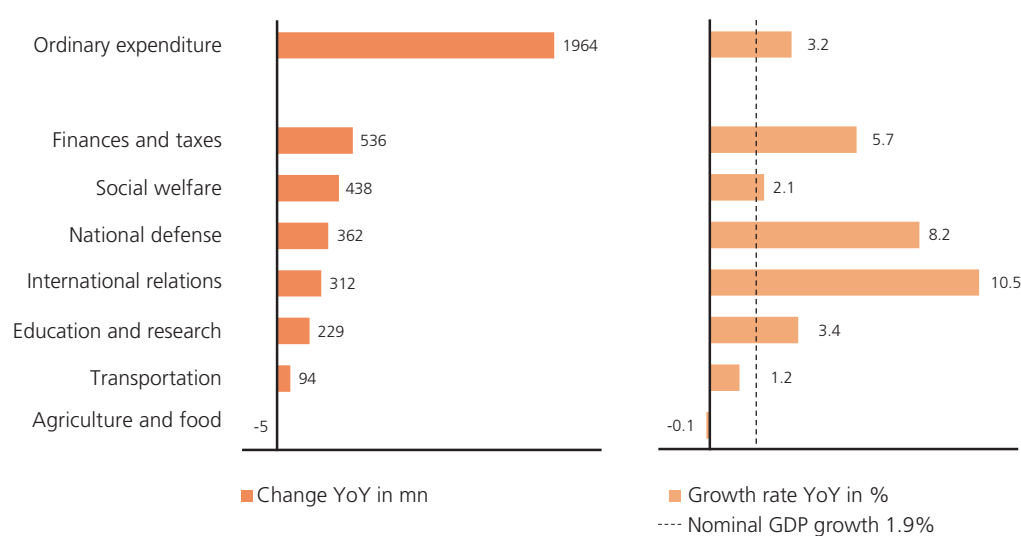
Development of expenditure by task area

| CHF mn | Fin. stmt. 2012 | Budget 2013 | Fin. stmt. 2013 | Deviation vs. FS 2012 | | Deviation vs. |
|---|--------------------|----------------|--------------------|--------------------------|------------|---------------|
| | | | | Absolute | % | budget 2013 |
| | | | | | | Absolute |
| Ordinary expenditure | 61 736 | 64 929 | 63 700 | 1 964 | 3.2 | -1 229 |
| Social welfare | 20 668 | 21 568 | 21 106 | 438 | 2.1 | -462 |
| Finances and taxes | 9 380 | 9 921 | 9 916 | 536 | 5.7 | -5 |
| Transportation | 8 130 | 8 614 | 8 224 | 94 | 1.2 | -391 |
| Education and research | 6 664 | 6 972 | 6 894 | 229 | 3.4 | -78 |
| National defense | 4 428 | 4 808 | 4 789 | 362 | 8.2 | -19 |
| Agriculture and food | 3 711 | 3 718 | 3 706 | -5 | -0.1 | -12 |
| International relations - international cooperation | 2 979 | 3 294 | 3 292 | 312 | 10.5 | -3 |
| Other task areas | 5 775 | 6 034 | 5 774 | -1 | 0.0 | -260 |

Approximately 50% of the total expenditure growth of 2 billion relative to the 2012 financial statements was attributable to the two largest task areas, i.e. social welfare (primarily federal contribution to AHV) and finances and taxes (primarily lower premiums and higher losses on receivables). The remaining growth was largely due to expenditure for national defense, international

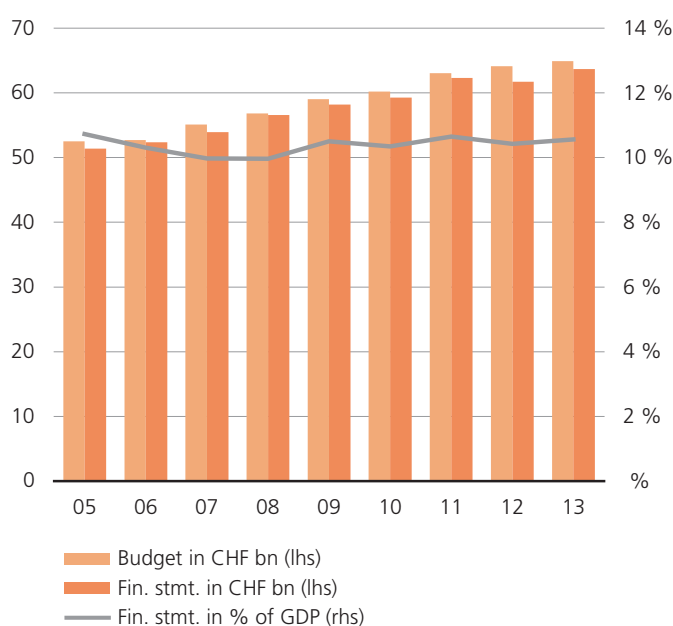
relations, and education and research. Total expenditure remained under the 2013 budget by about 1.2 billion (1.9%), with the biggest budget underruns occurring in the areas of social welfare (AHV, IV, migration) and transportation (motorways, transfer of freight traffic, FinPT fund contribution).

Development of 2013 expenditure by task area in mn and %



The task areas international relations, national defense and finances and taxes posted the strongest growth rates in percentage terms. Coming in at just over 60%, these areas accounted for a significant proportion of the growth also in actual terms.

Development of ordinary expenditure in bn and %



On average, the pace of the Confederation's expenditure growth has been more or less the same as that of nominal gross domestic product since 2009. Although the general government expenditure ratio has thus fluctuated during the period, there is no discernible upward trend.

The development of the seven largest task areas is commented on below. The level of expenditure for 2013 and year-on-year growth are indicated in parentheses for each task area.

Social welfare (21.1 bn, +2.1%): over 80% of expenditure in this task area was attributable to old-age and survivors' insurance, disability insurance and health insurance (individual premium reductions). These three groups thus made the most significant contributions to expenditure growth, with year-on-year increases of 282 million for old-age and survivors' insurance (demographic developments, pension increase), 52 million for disability insurance and 28 million for health insurance. In the last two groups, the growth of 1.1% and 1.3% was below the long-term average. The Confederation spent 23 million more in 2013 on AHV and IV supplementary benefits than in the previous year due to higher AHV supplementary benefits. Compared with the 2012 financial statements, expenditure on migration was 14 million higher (+1.2%) and expenditure on unemployment insurance and employment centers was 21 million higher (+4.5%). Due to a sharp rise in residential construction loans, expenditure on the promotion of housing construction also increased (+15 mn; +18.8%).

Finances and taxes (9.9 bn, +5.7%): the shares in federal receipts rose by almost 200 million (+4.5%) on the previous year; this rise was spread more or less equally between the increase in the cantons' share in receipts of withholding tax and higher losses on receivables (particularly on withholding tax). Expenditure on funding was 260 million higher than in 2012 (+13.7%). This increase was primarily due to the fact that the premiums on bond issues, which are offset against interest expenditure, were down by almost 500 million on 2012; in contrast, issue costs and

interest expenditure excluding premiums were lower than the previous year. Fiscal equalization expenditure rose by 76 million (+2.5%).

Transportation (8.2 bn, +1.2%): approximately 64% of transportation expenditure for 2013 was attributable to public transportation, 34% to road transportation and 2% to air transportation. Expenditure on roads declined by 34 million relative to the previous year, which was primarily due to FEDRO investments coming in under budget. By contrast, there was a year-on-year increase in the deposit in the infrastructure fund in favor of roads. Expenditure on public transportation came in 133 million higher than in the 2012 financial statements. The reasons for this were above all a higher deposit in the infrastructure fund (+42 mn), higher contributions to regional passenger transportation (+31 mn) and a higher deposit in the FinPT fund (+205 mn), which were only partially offset by the lower contributions within the scope of service level agreements with Swiss Federal Railways and privately operated railways (-154 mn).

Education and research (6.9 bn, +3.4%): expenditure on education and research continued to rise considerably in 2013 (+229 mn). Just over 40% of this expenditure was attributable to education (vocational education, tertiary-level institutions) and almost 60% to research. While expenditure on vocational education – in line with the benchmark required by law whereby the Confederation funds a quarter of vocational education expenditure – stagnated (+2 mn), contributions to tertiary-level institutions (ETH Domain, universities, universities of applied sciences) increased by 78 million (+4.1%), expenditure on theoretical research rose by 72 million (+2.9%) and expenditure on applied research was up by 75 million (+5.6%).

National defense (4.8 bn, +8.2%): more than half of the total rise of 362 million relative to the 2012 financial statements was attributable to the personnel area (approximately 200 mn). This rise was due to the creation of an insurance solution for financing the early retirement of career military officers (one-time payment of approximately 155 mn to PUBLICA and increased savings contributions of 10 mn) as well as the creation or reoccupation of about 220 positions (+35 mn). In addition, increases were also recorded for investments in the area of real estate (+55 mn), investments in the area of defense (+65 mn, including the procurement of a new business jet) and Switzerland's contribution to the UN, part of which is assigned to the national defense task area (+40 mn).

Agriculture and food (3.7 bn, -0.1%): around three-quarters of agriculture expenditure was related to direct payments, which declined slightly relative to the previous year (-10 mn). By contrast, expenditure in the area of production and sales rose by 10 million,

which was partly due to extraordinary measures to support the wine market and to sell pear juice concentrate. Expenditure fell somewhat in all other areas (-5 mn). Thanks to slightly negative inflation (-0.2%), the level of real expenditure in agriculture remained the same as the previous year.

International relations – international cooperation (3.3 bn, +10.5%): the strong growth in expenditure on international relations primarily reflects parliament's decision to increase the ratio of official development assistance (ODA) to 0.5% of gross national income by 2015. Accordingly, almost 60% of the growth of 312 million was attributable to development assistance (+185 mn). In addition, the increased contribution to EU enlargement (+58 mn) as well as a one-time payment to PUBLICA as part of the creation of an insurance solution for financing early retirement for certain categories of staff in the FDFA (+49 mn in total, of which 12 mn on development assistance) were quite significant.

33 Development of expenses by account group

The Confederation's total expenses posted year-on-year growth of 4.4% (+2.8 bn). Various one-time factors contributed to this robust growth, particularly net expense for provisions of over 1 billion, net expense for PUBLICA for special categories of staff (250 mn) and higher losses on receivables (+188 mn).

Expenses by account group

| CHF mn | Fin. stmt. | Budget | Fin. stmt. | Deviation vs. FS 2012 | |
|--|---------------|---------------|---------------|-----------------------|--------------|
| | 2012 | 2013 | 2013 | Absolute | % |
| Ordinary expenses | 62 336 | 64 797 | 65 109 | 2 773 | 4.4 |
| Operating expenses | 12 304 | 13 074 | 13 429 | 1 125 | 9.1 |
| Personnel expenses | 5 060 | 5 379 | 5 476 | 416 | 8.2 |
| General, administrative and operating expenses | 4 029 | 4 430 | 4 830 | 801 | 19.9 |
| Defense expenses | 997 | 1 059 | 970 | -27 | -2.7 |
| Deprec., amortiz. tangible/intangible fixed assets | 2 218 | 2 206 | 2 153 | -65 | -2.9 |
| Transfer expenses | 47 332 | 49 230 | 48 838 | 1 506 | 3.2 |
| Third parties' share in federal income | 8 687 | 8 826 | 8 741 | 54 | 0.6 |
| Compensation to public bodies | 1 015 | 1 099 | 1 005 | -10 | -1.0 |
| Contributions to own institutions | 3 093 | 2 941 | 2 950 | -144 | -4.6 |
| Contributions to third parties | 14 619 | 15 297 | 15 286 | 666 | 4.6 |
| Contributions to social insurance | 15 399 | 16 038 | 16 295 | 896 | 5.8 |
| Value adjustment on investment contributions | 4 101 | 4 596 | 4 177 | 76 | 1.9 |
| Value adjustment on loans and financial interests | 417 | 432 | 385 | -32 | -7.6 |
| Financial expense | 2 664 | 2 307 | 2 578 | -86 | -3.2 |
| Interest expense | 2 406 | 2 197 | 2 128 | -278 | -11.6 |
| Decrease in equity values | – | – | 303 | 303 | – |
| Other financial expense | 258 | 110 | 147 | -111 | -42.9 |
| Net expense for restricted funds in liabilities | 37 | 187 | 264 | 227 | 622.6 |

Both operating expenses and transfer expenses rose sharply because of high provisions, among other things, while financial expense declined once again.

Operating expenses

Personnel expenses and general, administrative and operating expenses account for around three-quarters of the Confederation's total operating expenses. The remainder is divided between defense expenses and depreciation and amortization. The strong growth in operating expenses was primarily due to special factors.

A considerable portion of the increase in *personnel expenses* relative to the 2012 financial statements (+416 mn) was due to the one-time net expense for PUBLICA (+250 mn), which was needed because of the creation of an insurance solution to finance the early retirement of special categories of staff (border guards, senior career military officers, FDFA/SDC rotation staff). The remaining additional expenses of 166 million were largely attributable to wage measures (real wage increase of 0.5%, approximately 23 mn) and the creation of jobs (583 positions, approximately 90 mn; e.g. defense, FDFA, FOM, CCO). Moreover, there were higher employer contributions to mitigate the effects of the change of basis at PUBLICA (+10 mn) and also within the scope of the new insurance solution for special categories of staff

(+8 mn). Finally, the provisions for the pensions of members of the Federal Council, judges of the Federal Supreme Court, and the Federal Chancellor and Vice-Chancellor had to be increased by 25 million.

Defense (40%) and the Federal Roads Office (11%) account for half of the *general, administrative and operating expenses*. However, the considerable increase relative to the 2012 financial statements (+19.9%) was due primarily to the higher net expense for provisions associated with radioactive waste and nuclear facilities (+450 mn) as well as to higher depreciation of tax receivables (losses on receivables; +188 mn).

The 2.7% decline in *defense expenses* can be explained by the decrease in expenses for the procurement of armaments (-64 mn). By contrast, there was an increase of 37 million in expenses for project planning, procurement preparation and equipment, and renewals.

The *depreciation and amortization of tangible and intangible fixed assets* occur primarily in the administrative units with major investments (over 90% at FEDRO, FOBL and armasuisse Immobilien). While motorway depreciation was up 16 million on the previous year, the depreciation on buildings (-46 mn) and property, plant and equipment (-26 mn) was lower than in 2012.

Transfer expenses

Transfer expenses, i.e. financial aids and grants, account for approximately 75% of the Confederation's total expenses. The main recipients are social insurance and the cantons. Overall, transfer expenses increased by 1.5 billion, or 3.2%, relative to the previous year.

Because of the decline in expenditure for the redistribution of the CO₂ tax (-129 mn), *third parties' share in federal income* posted modest growth of 0.6%. The shares of the cantons (+103 mn, driven by withholding tax) and social insurance (+77 mn) also rose rather moderately compared with the past few years.

85% of *compensation to public bodies* is made up of contributions to the cantons in the area of asylum. The decline of 15 million seen here was thus the reason for the lower expenses in this account group.

Approximately 80% of the *contributions to own institutions* go to the ETH Domain (+37 mn), and another 10% go to the SBB in the form of operating compensation within the scope of the service level agreement (-215 mn). It was possible to reduce the contribution to the SBB as a result of measures to increase efficiency and a rise in route prices; that was the main reason for the decline in contributions to own institutions (-144 mn).

Contributions to third parties were 666 million higher (+4.6%) than in the 2012 financial statements. The cantons received 76 million more than the previous year (+2.5%) within the framework of fiscal equalization. Growth in the case of international organizations amounted to 271 million (+14.8%), with contributions to the EU Research Framework Program (+103 mn) and the UN (+58 mn) increasing the most. The growth in other contributions to third parties totaled 319 million (+3.3%), and was attributable primarily to the areas of development assistance, education and research, and the environment.

The surge in *contributions to social insurance* (+896 mn; +5.8%) was largely due to a special factor: the Confederation's provision for liabilities toward military insurance had to be increased by 644 million. The remaining growth was driven mainly by the

federal contribution to AHV (+225 mn). The federal contribution to disability insurance was lower (-110 mn) because of the reversal of the provision for individual disability insurance measures, while expenditure on individual premium reductions (+28 mn), AHV supplementary benefits (+24 mn) and unemployment insurance contributions (+23 mn) was higher.

Value adjustments rose by a total of 1% on the back of higher investment contributions.

Financial expense

Financial expense includes in particular the costs for providing the Confederation with the necessary liquidity, any valuation losses on the Confederation's financial interests, and foreign exchange losses. Overall, financial expense posted a year-on-year decline of 86 million (-3.2%).

Interest expense was 278 million lower than the previous year, primarily as a result of the persistently low level of interest rates, which made it possible to reduce the interest burden further in the case of bonds.

The *decrease in equity values* shows a reduction in the Confederation's share in the net assets/equity of its financial interests. This can be caused by a reduction in either the financial interest or a company's net assets/equity. The net assets/equity of Swiss Post and SIFEM AG declined during the year under review, which led to a corresponding expense of 303 million for the Confederation.

Other financial expense worked out lower because of smaller foreign exchange losses and the abolition of the issue task on debt capital (-111 mn).

Net expense for restricted funds in liabilities

The net expense for restricted funds in liabilities neutralizes special financing surpluses in the statement of financial performance. The CO₂ tax surplus was the main reason why the net expense was considerably higher in 2013 than in 2012.

While 2013 ended with a surplus of 1.3 billion, the 2015 budget stands in contrast to this. For example, savings of 0.7 billion are necessary to bring the 2015 budget into compliance with the debt brake. Financial planning appears more positive, but this is conditional on the 2014 consolidation and task evaluation package being implemented.

The positive results for 2013, with an ordinary fiscal balance of 1.3 billion, stand in stark contrast to the 2015 budget, which is currently being prepared by the Federal Council and requires adjustment measures of 0.7 billion.

Although receipts came in 0.6 billion above budget in 2013, their development during the year under review is largely responsible for the deterioration in the 2015 outlook. As an outlier, the spike in withholding tax receipts which was responsible for the budget being exceeded has only a relatively small impact on receipt forecasts for the next few years. In contrast, a significant level shift is inevitable in the financial plan for direct federal tax, due to the weak development seen in 2013. Moreover, because of the losses suffered by the SNB last year, the profit distribution expected in 2015 has had to be reduced. Added to this is the fact that, following parliament's referral decision of December 2013, the 2014 consolidation and task evaluation package cannot be implemented in 2015 either. Finally, when comparing the budget and financial statements, it has to be borne in mind that unutilized credits which occur regularly generally cause the annual results to be considerably better than expected in the budget.

In February 2014, the Federal Council adopted an adjustment concept in the instructions regarding the 2015 budget. It is comprised of three components: implementation of targeted reductions that the Federal Council proposed within the framework of the 2014 consolidation and task evaluation package (approximately 370 mn), a transversal reduction justified by lower inflation (around 290 mn), and a partial continuation of the reductions in general, administrative and operating expenses decided by parliament in the 2014 budget (approximately 40 mn). The debt brake requirements will be just about met in the budget year with the proposed measures.

The structural balance is positive for the subsequent years (2016: 0.6 bn; 2017: 1.6 bn). The savings from the 2014 consolidation and task evaluation package are still factored in here. However, the consolidation and task evaluation package deliberations have been suspended until the additional clarifications requested by the National Council have been conducted and the corresponding scenarios have been presented.

Implementation of the referral instructions concerning the 2014 consolidation and task evaluation package

In order to perform the tasks assigned to it by the National Council in connection with the referral of the 2014 consolidation and task evaluation package, the Federal Council intends to present an additional dispatch on the 2014 consolidation and task evaluation package with the two requested scenarios after the summer break. One of the scenarios should show how the federal budget can be kept balanced with additional receipts. The second has to develop three variants showing how the Confederation's personnel expenses can be reduced by some 300 million (around 6%) by means of job cuts and how the general government expenditure ratio can be stabilized. Different measures are to be devised for each option.

Fiscal strategy

In the medium term, the fiscal strategy must be geared toward the major fiscal policy challenges resulting from the two priority tax policy projects (third series of corporate tax reforms, taxation of spouses). The combination of the two reforms will entail a burden of around a billion francs for the federal finances. In keeping with a forward-looking fiscal policy, the leeway of the existing financial plan (1.4 bn) should thus be preserved. Lasting relief measures are necessary for this, which is also the purpose of the measures put forward by the Federal Council in the 2014 consolidation and task evaluation package.

51 Financing and flow of funds statement

Financing statement

| CHF mn | Fin. stmt. 2012 | Budget 2013 | Fin. stmt. 2013 | Deviation vs. FS 2012 | |
|---|--------------------|----------------|--------------------|-----------------------|--------------|
| | | | | Absolute | % |
| Overall fiscal balance | 2 000 | -450 | 2 638 | 639 | |
| Ordinary fiscal balance | 1 262 | -450 | 1 332 | 70 | |
| Ordinary receipts | 62 997 | 64 479 | 65 032 | 2 034 | 3.2 |
| Tax receipts | 58 788 | 60 474 | 60 838 | 2 050 | 3.5 |
| Direct federal tax | 18 342 | 18 993 | 18 353 | 11 | 0.1 |
| Withholding tax | 4 335 | 4 811 | 5 942 | 1 607 | 37.1 |
| Stamp duty | 2 136 | 2 200 | 2 143 | 7 | 0.3 |
| Value added tax | 22 050 | 22 630 | 22 561 | 511 | 2.3 |
| Other consumption taxes | 7 543 | 7 398 | 7 414 | -129 | -1.7 |
| Misc. tax receipts | 4 383 | 4 442 | 4 425 | 42 | 1.0 |
| Royalties and concessions | 938 | 907 | 922 | -15 | -1.6 |
| Financial receipts | 1 328 | 1 137 | 1 179 | -150 | -11.3 |
| Financial interest receipts | 867 | 867 | 853 | -14 | -1.7 |
| Other financial receipts | 461 | 269 | 326 | -135 | -29.3 |
| Other current receipts | 1 721 | 1 750 | 1 806 | 86 | 5.0 |
| Investment receipts | 222 | 212 | 286 | 64 | 28.7 |
| Ordinary expenditure | 61 736 | 64 929 | 63 700 | 1 964 | 3.2 |
| Operating expenditure | 9 940 | 10 566 | 10 456 | 516 | 5.2 |
| Personnel expenditure | 5 070 | 5 379 | 5 459 | 389 | 7.7 |
| General, administrative and operating expenditure | 3 873 | 4 128 | 4 030 | 157 | 4.1 |
| Defense expenditure | 997 | 1 059 | 968 | -29 | -2.9 |
| Current transfer expenditure | 42 882 | 44 264 | 43 720 | 838 | 2.0 |
| Third parties' share in federal receipts | 8 687 | 8 826 | 8 741 | 54 | 0.6 |
| Compensation to public bodies | 1 036 | 1 099 | 1 003 | -32 | -3.1 |
| Contributions to own institutions | 3 093 | 2 941 | 2 950 | -144 | -4.6 |
| Contributions to third parties | 14 594 | 15 298 | 15 237 | 643 | 4.4 |
| Contributions to social insurance | 15 472 | 16 099 | 15 789 | 317 | 2.1 |
| Financial expenditure | 1 906 | 2 290 | 2 167 | 260 | 13.7 |
| Interest expenditure | 1 736 | 2 274 | 2 125 | 390 | 22.5 |
| Other financial expenditure | 171 | 16 | 41 | -129 | -75.8 |
| Investment expenditure | 7 007 | 7 810 | 7 357 | 350 | 5.0 |
| Tangible fixed assets and inventories | 2 359 | 2 659 | 2 693 | 334 | 14.2 |
| Intangible fixed assets | 47 | 45 | 39 | -8 | -16.3 |
| Loans | 480 | 486 | 423 | -57 | -11.9 |
| Financial interests | 20 | 23 | 23 | 3 | 15.0 |
| Investment contributions | 4 101 | 4 596 | 4 179 | 78 | 1.9 |
| Extraordinary receipts | 738 | - | 1 306 | 568 | |
| Extraordinary expenditure | - | - | - | - | |

The financing and flow of funds statement (FFFS) is used on the one hand for determining the total financing requirements resulting from the difference between the Confederation's expenditure and receipts (*financing statement*). On the other, it shows how these requirements are to be covered (*flow of funds statement*; see next page) as well as which items in the statement of financial position change as a result (*"Federal fund" statement*).

The FFFS is prepared according to the direct method. All flows of funds are taken directly from the individual items in the statement of financial performance, the statement of investments and the statement of financial position.

Flow of funds statement

| CHF mn | Fin. stmt. 2012 | Fin. stmt. 2013 | Deviation vs. FS 2012 | |
|---|--------------------|--------------------|-----------------------|---------------|
| | | | Absolute | % |
| Total flow of funds | 3 493 | 914 | -2 579 | -73.8 |
| Flow of funds from operations (overall fiscal balance) | 2 000 | 2 638 | 639 | 31.9 |
| Flow of funds from financial investments | 845 | -77 | -922 | -109.1 |
| Short-term financial investments | 403 | -73 | -476 | -118.0 |
| Long-term financial investments | 442 | -4 | -446 | -101.0 |
| Flow of funds from debt financing | 648 | -1 647 | -2 296 | -354.1 |
| Short-term financial liabilities | 2 271 | -705 | -2 976 | -131.0 |
| Long-term financial liabilities | -1 269 | -784 | 485 | 38.2 |
| Liabilities for separate accounts | -379 | -144 | 235 | 62.1 |
| Special funds in net assets/equity | 26 | -15 | -40 | -157.4 |

Result of the financing and flow of funds statement

An inflow of funds of 914 million was posted in 2013. This resulted from opposing factors. On the one hand, the financing statement showed a surplus (2.6 bn; *flow of funds from operating activities*). On the other, there was an outflow of funds due to the reduction in financial liabilities (-1.6 bn; *flow of funds from debt financing*).

The positive balance of the “Federal fund” in 2013 (1.2 bn) showed that cash and other liquid assets and receivables exceeded current liabilities (including withholding tax accrual) at the end of the year. The increase in the “Federal fund” (914 mn) corresponds to the total flow of funds for 2013.

"Federal fund" statement

| CHF mn | 2012 | 2013 | Deviation vs. 2012 | |
|---|---------------|--------------|--------------------|--------------|
| | | | Absolute | % |
| Fund status as of 1.1. | -3 204 | 289 | 3 493 | 109.0 |
| Fund status as of 31.12. | 289 | 1 203 | 914 | 316.5 |
| Status as of 31.12.: | | | | |
| Cash and cash equivalents | 9 311 | 11 221 | 1 910 | 20.5 |
| Receivables w/o allowance for doubtful accounts | 6 590 | 6 915 | 325 | 4.9 |
| Current liabilities incl. withholding tax accrual | -15 612 | -16 933 | -1 321 | -8.5 |

Note: Only fund-relevant changes are taken into account, which is why there may be deviations from the change in the corresponding items in the statement of financial position.

Differences relative to the cash flow statement

The financing and flow of funds statement (FFFS) differs from the cash flow statement in accordance with the International Public Sector Accounting Standards (IPSAS) in terms of the structure and the content of the underlying fund:

- While the IPSAS prescribe a three-level structure according to operating activities (operating cash flow), investing activities (investing cash flow) and financing activities (financing cash flow), the FFFS makes a distinction between two levels, which are the overall fiscal balance and the flow of funds from financial investments as well as the flow of funds from debt financing.
- Unlike the “Cash and other liquid assets” fund which is relevant for IPSAS, the “Federal fund” includes amounts due from creditors (receivables) and amounts due to creditors (current liabilities) in addition to cash flows. This extended fund definition is based on the specifications of the Budget Act. A recognized account payable already constitutes expenditure on the credit side. Restricting recognition to pure cash flows would not be in line with the statutory requirements.

52 Statement of financial performance

| CHF mn | Fin. stmt. 2012 | Budget 2013 | Fin. stmt. 2013 | Deviation vs. FS 2012 | |
|---|--------------------|----------------|--------------------|-----------------------|---------------|
| | | | | Absolute | % |
| Surplus/deficit | 2 443 | -363 | 1 108 | -1 336 | -54.7 |
| Ordinary result | 1 705 | -363 | 27 | -1 678 | -98.4 |
| Operating result | 1 527 | 769 | 713 | -814 | -53.3 |
| Revenue | 61 199 | 63 260 | 63 244 | 2 045 | 3.3 |
| Tax revenue | 58 288 | 60 474 | 60 338 | 2 050 | 3.5 |
| Direct federal tax | 18 342 | 18 993 | 18 353 | 11 | 0.1 |
| Withholding tax | 3 835 | 4 811 | 5 442 | 1 607 | 41.9 |
| Stamp duty | 2 136 | 2 200 | 2 143 | 7 | 0.3 |
| Value added tax | 22 050 | 22 630 | 22 561 | 511 | 2.3 |
| Other consumption taxes | 7 543 | 7 398 | 7 414 | -129 | -1.7 |
| Misc. tax revenue | 4 383 | 4 442 | 4 425 | 42 | 1.0 |
| Royalties and concessions | 995 | 908 | 845 | -150 | -15.0 |
| Other revenue | 1 852 | 1 871 | 1 967 | 115 | 6.2 |
| Net revenue from restricted funds in liabilities | 64 | 6 | 94 | 30 | 46.3 |
| Expenses | 59 672 | 62 491 | 62 531 | 2 859 | 4.8 |
| Operating expenses | 12 304 | 13 074 | 13 429 | 1 125 | 9.1 |
| Personnel expenses | 5 060 | 5 379 | 5 476 | 416 | 8.2 |
| General, administrative and operating expenses | 4 029 | 4 430 | 4 830 | 801 | 19.9 |
| Defense expenses | 997 | 1 059 | 970 | -27 | -2.7 |
| Deprec., amortiz. tangible/intangible fixed assets | 2 218 | 2 206 | 2 153 | -65 | -2.9 |
| Transfer expenses | 47 332 | 49 230 | 48 838 | 1 506 | 3.2 |
| Third parties' share in federal income | 8 687 | 8 826 | 8 741 | 54 | 0.6 |
| Compensation to public bodies | 1 015 | 1 099 | 1 005 | -10 | -1.0 |
| Contributions to own institutions | 3 093 | 2 941 | 2 950 | -144 | -4.6 |
| Contributions to third parties | 14 619 | 15 297 | 15 286 | 666 | 4.6 |
| Contributions to social insurance | 15 399 | 16 038 | 16 295 | 896 | 5.8 |
| Value adjustment on investment contributions | 4 101 | 4 596 | 4 177 | 76 | 1.9 |
| Value adjustment on loans and financial interests | 417 | 432 | 385 | -32 | -7.6 |
| Net expense for restricted funds in liabilities | 37 | 187 | 264 | 227 | 622.6 |
| Financial result | 178 | -1 131 | -686 | -864 | -485.1 |
| Financial revenue | 2 842 | 1 175 | 1 892 | -950 | -33.4 |
| Increase in equity values | 2 285 | 867 | 1 457 | -829 | -36.3 |
| Other financial revenue | 557 | 308 | 435 | -122 | -21.8 |
| Financial expense | 2 664 | 2 307 | 2 578 | -86 | -3.2 |
| Interest expense | 2 406 | 2 197 | 2 128 | -278 | -11.6 |
| Decrease in equity values | - | - | 303 | 303 | - |
| Other financial expense | 258 | 110 | 147 | -111 | -42.9 |
| Extraordinary revenue | 738 | - | 1 081 | 343 | 46.4 |
| Extraordinary expenses | - | - | - | - | - |
| Ordinary result | 1 705 | -363 | 27 | -1 678 | -98.4 |
| Ordinary revenue | 64 041 | 64 435 | 65 136 | 1 095 | 1.7 |
| Revenue | 61 199 | 63 260 | 63 244 | 2 045 | 3.3 |
| Financial revenue | 2 842 | 1 175 | 1 892 | -950 | -33.4 |
| Ordinary expenses | 62 336 | 64 797 | 65 109 | 2 773 | 4.4 |
| Expenses | 59 672 | 62 491 | 62 531 | 2 859 | 4.8 |
| Financial expense | 2 664 | 2 307 | 2 578 | -86 | -3.2 |

53 Statement of financial position

| CHF mn | 2012 | 2013 | Deviation vs. 2012 | |
|--|----------------|----------------|--------------------|-------------|
| | | | Absolute | % |
| Assets | 108 968 | 111 183 | 2 214 | 2.0 |
| Non-administrative assets | 32 543 | 34 459 | 1 916 | 5.9 |
| Current assets | 18 132 | 20 213 | 2 082 | 11.5 |
| Cash and cash equivalents | 9 311 | 11 221 | 1 910 | 20.5 |
| Receivables | 6 163 | 6 460 | 297 | 4.8 |
| Short-term financial investments | 1 504 | 1 551 | 47 | 3.1 |
| Prepaid expenses and accrued income | 1 153 | 981 | -172 | -14.9 |
| Non-current assets | 14 411 | 14 245 | -166 | -1.1 |
| Long-term financial investments | 14 241 | 14 245 | 4 | 0.0 |
| Receivables from restricted funds in liabilities | 170 | - | -170 | -100.0 |
| Administrative assets | 76 426 | 76 724 | 298 | 0.4 |
| Current assets | 277 | 305 | 28 | 10.2 |
| Inventories | 277 | 305 | 28 | 10.2 |
| Non-current assets | 76 149 | 76 419 | 270 | 0.4 |
| Tangible fixed assets | 52 325 | 52 642 | 317 | 0.6 |
| Intangible fixed assets | 210 | 201 | -9 | -4.4 |
| Loans | 3 482 | 3 372 | -110 | -3.2 |
| Financial interests | 20 132 | 20 204 | 72 | 0.4 |
| Liabilities and equity | 108 968 | 111 183 | 2 214 | 2.0 |
| Short-term liabilities | 37 205 | 37 533 | 329 | 0.9 |
| Current liabilities | 15 096 | 15 980 | 885 | 5.9 |
| Short-term financial liabilities | 16 435 | 15 556 | -879 | -5.3 |
| Accrued expenses and deferred income | 5 377 | 5 696 | 318 | 5.9 |
| Short-term provisions | 297 | 301 | 4 | 1.4 |
| Long-term liabilities | 96 763 | 97 658 | 895 | 0.9 |
| Long-term financial liabilities | 80 876 | 80 101 | -775 | -1.0 |
| Liabilities toward separate accounts | 1 754 | 1 610 | -144 | -8.2 |
| Long-term provisions | 12 862 | 14 528 | 1 666 | 13.0 |
| Payables to restricted funds in liabilities | 1 272 | 1 419 | 147 | 11.6 |
| Net assets/equity | -24 999 | -24 008 | 991 | 4.0 |
| Restricted funds in net assets/equity | 4 418 | 4 891 | 473 | 10.7 |
| Special funds in net assets/equity | 1 278 | 1 256 | -22 | -1.7 |
| Reserves from global budget | 225 | 221 | -3 | -1.4 |
| Other net assets/equity | 0 | - | 0 | -100.0 |
| Accumulated deficit | -30 920 | -30 377 | 543 | 1.8 |

54 Statement of investments

| CHF mn | Fin. stmt. 2012 | Budget 2013 | Fin. stmt. 2013 | Deviation vs. FS 2012 | |
|--|--------------------|----------------|--------------------|-----------------------|-------------|
| | | | | Absolute | % |
| Statement of investments balance | -6 791 | -7 598 | -5 882 | 909 | |
| Ordinary statement of investments balance | -6 791 | -7 598 | -7 129 | -337 | |
| Ordinary investment receipts | 222 | 212 | 286 | 64 | 28.7 |
| Buildings | 40 | 66 | 120 | 80 | 202.9 |
| Property, plant and equipment | 4 | 4 | 5 | 1 | 15.4 |
| Motorways | 6 | 4 | 7 | 1 | 10.3 |
| Loans | 172 | 138 | 155 | -18 | -10.3 |
| Financial interests | 0 | - | - | 0 | -100.0 |
| Investment contributions | 0 | - | 1 | 0 | 97.3 |
| Ordinary investment expenditure | 7 014 | 7 810 | 7 415 | 401 | 5.7 |
| Buildings | 647 | 733 | 787 | 140 | 21.7 |
| Property, plant and equipment | 133 | 180 | 134 | 1 | 0.7 |
| Inventories | 106 | 168 | 150 | 44 | 41.8 |
| Motorways | 1 478 | 1 578 | 1 681 | 203 | 13.7 |
| Intangible fixed assets | 49 | 45 | 39 | -9 | -19.5 |
| Loans | 480 | 486 | 423 | -57 | -11.9 |
| Financial interests | 20 | 23 | 23 | 3 | 15.0 |
| Investment contributions | 4 102 | 4 596 | 4 178 | 76 | 1.9 |
| Extraordinary investment receipts | - | - | 1 246 | 1 246 | |
| Extraordinary investment expenditure | - | - | - | - | |

The statement of investments shows expenditure incurred for the acquisition and accumulation of assets which are required for the performance of functions and used over successive periods (administrative assets). It also shows the receipts resulting from the sale or redemption of these assets. Investments are capitalized under administrative assets in the statement of financial

position. The investment expenditure shown in the tables also includes accruals and deferrals not recognized in the financing statement. As a result, these values may differ from the values shown in the financing and flow of funds statement (2012: +7 mn; 2013: +58 mn).

Reconciliation statement of investments and other changes in recognized administrative assets

| 2013 | | | Tangible | | Intangible | | Financial | Investment |
|----------------------------|---------------|---------------|-------------|--------------|--------------|---------------|---------------|------------|
| CHF mn | Total | fixed assets | Inventories | fixed assets | Loans | interests | contributions | |
| Status as of 1.1. | 76 426 | 52 325 | 277 | 210 | 3 482 | 20 132 | - | |
| Investment receipts | -1 533 | -131 | - | - | -155 | -1 246 | 1 | |
| Investment expenditure | 7 415 | 2 602 | 150 | 39 | 423 | 23 | 4 178 | |
| Other changes | -5 584 | -2 154 | -122 | -48 | -378 | 1 296 | -4 177 | |
| Status as of 31.12. | 76 724 | 52 642 | 305 | 201 | 3 372 | 20 204 | - | |
| 2012 | | | Tangible | | Intangible | | Financial | Investment |
| CHF mn | Total | fixed assets | Inventories | fixed assets | Loans | interests | contributions | |
| Status as of 1.1. | 75 000 | 52 176 | 284 | 204 | 3 621 | 18 714 | - | |
| Investment receipts | -222 | -50 | - | - | -172 | 0 | 0 | |
| Investment expenditure | 7 014 | 2 258 | 106 | 49 | 480 | 20 | 4 102 | |
| Other changes | -5 366 | -2 059 | -114 | -43 | -447 | 1 398 | -4 101 | |
| Status as of 31.12. | 76 426 | 52 325 | 277 | 210 | 3 482 | 20 132 | - | |

The reconciliation table shows the proportion of changes in administrative assets attributable to the statement of investments and the proportion attributable to other changes. Other changes include primarily acquisitions and disposals not recognized in the statement of investments (e.g. retroactive capitalizations in

the statement of financial performance, transactions recognized directly in net assets/equity, deliveries ex stock for inventories), and changes in the carrying amount due to depreciation, value adjustments, reversals, increases and decreases in the equity value of financial interests, or price changes in relation to inventories.

55 Statement of net assets/equity

| CHF mn | Total net assets/equity | Restricted funds in net assets/equity | Special funds | Reserves from global budget | Accumulated deficit |
|---|-------------------------|---------------------------------------|---------------|-----------------------------|---------------------|
| Status as of 1.1.2012 | -27 400 | 3 803 | 1 301 | 176 | -32 681 |
| Entry transfers in net assets/equity | – | 615 | 19 | 48 | -682 |
| Change in special funds | -42 | – | -42 | – | – |
| Total positions entered in net assets/equity | -42 | 615 | -23 | 48 | -682 |
| Surplus or deficit | 2 443 | – | – | – | 2 443 |
| Total profit and loss entered | 2 401 | 615 | -23 | 48 | 1 761 |
| Status as of 31.12.2012 | -24 999 | 4 418 | 1 278 | 225 | -30 920 |
| Entry transfers in net assets/equity | – | 528 | 30 | -2 | -556 |
| Change in special funds | 17 | – | 17 | – | – |
| Total positions entered in net assets/equity | 17 | 528 | 47 | -2 | -556 |
| Surplus or deficit | 1 108 | – | – | – | 1 108 |
| Total profit and loss entered | 1 125 | 528 | 47 | -2 | 552 |
| Other transactions | -134 | -55 | -69 | -2 | -8 |
| Status as of 31.12.2013 | -24 008 | 4 891 | 1 256 | 221 | -30 377 |

Negative net assets/equity declined from 25 billion to 24 billion in the year under review. The key contributory factor here was the surplus of 1.1 billion for the year. A further 549 million was credited to the special financing for FTA/WTO accompanying measures for the agri-food sector (transfer within net assets/equity).

Restricted funds in net assets/equity

Major changes occurred in the following special financing items. The special financing for road transportation declined by 42 million, mainly as a result of the higher deposit in the infrastructure fund. A total of 549 million from restricted customs revenue was credited to the special financing for FTA/WTO accompanying measures for the agri-food sector. No expenditure was incurred. On the basis of a review in accordance with the criteria of Article 62 of the Financial Budget Ordinance, the federal war transportation insurance saw 55 million transferred from net assets/equity to liabilities (reported under other transactions).

Special funds in net assets/equity

Overall, special funds recorded a positive result of 17 million. Furthermore, asset adjustments were undertaken in various special funds within the framework of a review. The resulting increase in assets in individual special funds is shown as a transfer within net assets/equity (30 mn). This concerns primarily properties that were not previously allocated to special funds. Finally, various special funds are now recorded under liabilities, provided that it is not possible to influence how and when the funds are used (Art. 61 para. 2 FBO). The corresponding transfers of 69 million are reported under other transactions.

Reserves from global budgets

The reserves from global budgets declined by 2 million (balance of deposits less withdrawals). The existing MPM reserve of 2 million was funded for the Swiss Federal Institute of Metrology (METAS) as of January 1, 2013 within the framework of the 2013 outsourcing.

Accumulated deficit

The accumulated deficit decreased by 543 million in the year under review. While the revenue surplus from the statement of financial performance (1,108 mn) and the release of reserves from global budgets (2 mn) caused the accumulated deficit to decrease accordingly, it increased as a result of the rise in restricted funds in net assets/equity (528 mn), the transfer due to the retroactive elimination of special fund assets (30 mn) and the net outsourcing of assets and provisions worth 8 million to METAS, which acquired its own legal personality on January 1, 2013 and has since been managed as a decentralized administrative unit.

Function of the statement of net assets/equity

The statement of net assets/equity provides information on the effects of financial transactions recorded in the reporting period for assets and equity. Specifically, it indicates the expense and revenue items that are recognized directly in net assets/equity rather than in the statement of financial performance, and the impact of changes in reserves and restricted funds in net assets/equity.

61 International comparison

When compared internationally, the Swiss public finance indicators (Confederation, cantons, communes and social insurance) are still among the lowest, together with those of the Nordic states, which constitutes an important locational advantage. Switzerland's general government expenditure ratio increased last year due to stronger expenditure growth, while the debt ratio remained stable. Internationally, most debt ratios posted further increases, while tax-to-GDP and general government expenditure ratios tended to decline slightly.

International comparison of public finance indicators for 2013

| in % of GDP | Tax-to-GDP ratio | General government expenditure ratio | Deficit/surplus ratio | Debt ratio | Gross debt ratio |
|-----------------------|------------------|--------------------------------------|-----------------------|-------------|------------------|
| Switzerland | 28.4 | 33.3 | 0.0 | 35.4 | 49.4 |
| EU - euro area | n.s. | 49.5 | -2.9 | 95.2 | 106.4 |
| Germany | 37.6 | 44.5 | 0.1 | 78.8 | 86.1 |
| France | 45.3 | 57.0 | -4.2 | 94.0 | 113.0 |
| Italy | 44.4 | 51.4 | -3.0 | 132.7 | 145.7 |
| Austria | 43.2 | 51.8 | -2.3 | 75.7 | 87.3 |
| Belgium | 45.3 | 54.2 | -2.7 | 100.2 | 104.5 |
| Netherlands | n.s. | 49.2 | -3.0 | 75.4 | 86.9 |
| Norway | 42.2 | 44.8 | 11.3 | n.s. | 34.2 |
| Sweden | 44.3 | 53.0 | -1.4 | 41.4 | 52.0 |
| United Kingdom | 35.2 | 47.2 | -6.9 | 91.8 | 107.0 |
| USA | 24.3 | 38.7 | -6.5 | n.s. | 104.1 |
| Canada | 30.7 | 41.4 | -3.0 | n.s. | 97.0 |
| OECD Ø | n.s. | 41.7 | -4.8 | n.s. | 110.3 |

n.s.: not shown

Sources: OECD (Economic Outlook 94, November 2013). Switzerland: Financial Statistics (Swiss public finances, February 2014); due to the use of a different data basis, there could be minor differences relative to the results published by the OECD for Switzerland.

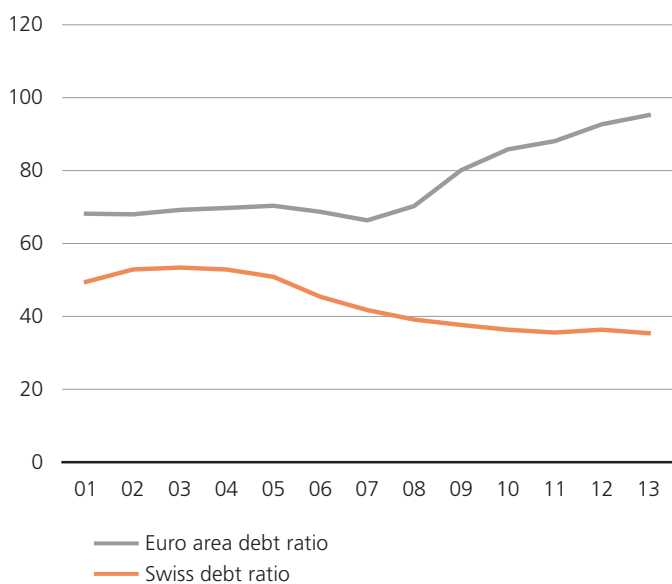
Notes:

- Debt ratio: gross debt in accordance with financial statistics (FS model), with reference to the Maastricht definition
- Gross debt ratio: debt in accordance with the IMF definition (liabilities without financial derivatives)
- Tax-to-GDP ratio: based on figures for 2012

The tax-to-GDP ratio, which measures total tax receipts (tax and social insurance charges) in relation to GDP, amounted to 28.4% in 2012. Switzerland's general government expenditure ratio, defined as government expenditure in relation to GDP, remained one of the lowest in the OECD area. Switzerland's overall fiscal balance broke even once again. Consequently, Switzerland

is one of the few countries, together with Germany, not to have posted a deficit in 2013. Government debt remained low by international standards both with reference to the Maastricht definition and in terms of liabilities. Coming in at 35.4%, the debt ratio was still significantly below the 60% mark which is important for the euro area (see chart on next page).

Comparison of Swiss and euro area debt ratios in % of GDP



From 2008 onward, shortly after the start of the financial crisis, government debt literally soared in the euro area. By contrast, Switzerland's debt ratio remained far below the 60% mark which is relevant for the countries of the euro area. The gap widened again in 2013 as a result of opposing trends.