

Business report

The business report provides information on the organisational and operational development as well as the financial result of the Swiss National Bank. Since the SNB is a listed company, the report also contains information on corporate governance in accordance with the SIX Swiss Exchange Ltd corporate governance directive.

The business report and the annual financial statements together constitute the financial report of the SNB, as stipulated under Swiss company law (art. 958 of the Swiss Code of Obligations (CO)). At the SNB, the business report fulfils the function of a management report (art. 961c CO).

The fulfilment of the SNB's statutory mandate is explained in the accountability report.

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Corporate governance

1.1 BACKGROUND

The Swiss National Bank is a special-statute joint-stock company that is administered with the cooperation and under the supervision of the Confederation. Its organisational structure and responsibilities are governed by the National Bank Act of 3 October 2003 (NBA) and the ‘Regulations on the organisation of the Swiss National Bank’ of 14 May 2004 (Organisation Regulations). At the SNB, statutes and regulations fulfil the function of articles of association.

Mandate

The SNB’s mandate is derived directly from the Federal Constitution. Under the terms of art. 99 of the Constitution, the SNB is required to pursue a monetary policy that serves the overall interests of the country. In addition, the article enshrines the SNB’s independence and requires it to set aside sufficient currency reserves from its earnings, also specifying that a part of these reserves be held in gold. Finally, the Constitution stipulates that the SNB must allocate at least two-thirds of its net profits to the cantons.

NBA and implementation decrees

The main legislation governing the activities of the SNB is the NBA, which sets out in detail the various elements of the SNB’s constitutional mandate (art. 5) and independence (art. 6). To counterbalance the SNB’s independence, the NBA specifies a duty of accountability and a duty to provide information to the Federal Council, parliament and the public (art. 7). The SNB’s scope of business is outlined in arts. 9–13 NBA. The instruments used by the SNB to implement its monetary policy and for investing its currency reserves are set out in the ‘Guidelines on monetary policy instruments’ and the ‘Investment policy guidelines’.

The NBA also sets out the legal basis for the collection of statistical data on financial markets, the imposition of minimum reserve requirements on banks and the oversight of financial market infrastructures. Provisions governing the implementation of these statutory powers may be found in the National Bank Ordinance (NBO) issued by the SNB Governing Board.

Finally, the NBA lays down the foundations of the SNB’s organisational structure (arts. 3, 33–48).

The Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (ERCO) does not apply to the SNB, since the SNB is not a company limited by shares within the meaning of arts. 620–763 CO. Where the NBA leaves room for manoeuvre, the SNB implements the ERCO requirements. This applies especially to the prohibition of voting rights for corporate bodies and deposited shares, as well as the requirements regarding independent proxy voting and the proxy's powers.

For a period starting three weeks before a scheduled monetary policy decision and ending one day after the publication of that decision, staff members taking part in the preparation and/or making of the monetary policy decision are prohibited from initiating or carrying out any private financial investment transactions. This provision does not apply to payments into pension funds.

Black-out periods

1.2 SHAREHOLDERS

The share capital of the SNB amounts to CHF 25 million and is fully paid up. It is divided into 100,000 registered shares with a nominal value of CHF 250 each. SNB registered shares are traded on the Swiss stock exchange (SIX Swiss Exchange) under the Swiss Reporting Standard.

Listed registered shares

In 2022, the cantons and cantonal banks increased their shareholdings by a total of 160 shares; at the end of 2022, they held 50.9% of the share capital, compared to 50.8% one year earlier. Of the remaining registered shares, which make up 27.0% of the share capital (2021: 26.1%), 26,652 shares are owned by private sector shareholders (2021: 25,784). Of these, 14,686 are voting shares (2021: 14,276). The proportion of shares not entered in the share register (shares pending registration of transfer) decreased from 23.1% to 22.0% year-on-year.

Total voting stock increased slightly compared to the previous year. At the end of 2022, 26 cantons (2021: 26) and 24 cantonal banks (2021: 24) held 77.2% of the voting shares (2021: 77.6%), while private sector shareholders accounted for 22.3% of voting rights (2021: 21.8%). The Confederation is not a shareholder.

The major shareholders were the Canton of Berne with 6.63% of the share capital (6,630 shares), the Canton of Zurich with 5.20% (5,200 shares), Theo Siegert (Düsseldorf) with 5.01% (5,010 shares), the Canton of Vaud with 3.40% (3,401 shares) and the Canton of St Gallen with 3.00% (3,002 shares).

In 2022, the members of the Bank Council did not hold any SNB shares. According to the ‘Code of Conduct for members of the Bank Council’, Bank Council members may not hold such shares. At 31 December 2022, a member of the Enlarged Governing Board and a party related to a member of the Governing Board held one share each.

Shareholder rights

Shareholder rights are governed by the NBA, with the provisions of company law only being complementary to those of the NBA. As the SNB fulfils a public mandate and is administered with the cooperation and under the supervision of the Confederation, these rights are restricted as compared with a joint-stock company under private law. For shareholders from outside the public sector, voting rights are limited to 100 shares. Dividends may not exceed 6% of the share capital. Of the remaining distributable net profit, one-third accrues to the Confederation, and two-thirds to the cantons.

The business report and the annual financial statements must be approved by the Federal Council before being submitted to the General Meeting of Shareholders for its approval. Other provisions on the General Meeting of Shareholders that deviate from company law concern its convocation, agenda and adoption of resolutions. Agenda items with motions must be signed by at least 20 shareholders and submitted to the President of the Bank Council in writing and in good time before invitations are sent out.

Notifications

Notifications to shareholders are generally communicated in writing to the address listed in the share register, and by one-off publication in the Swiss Official Gazette of Commerce. They relate exclusively to information which is also available to the public.

Independent proxy

Powers of attorney and instructions can be issued to the independent proxy, either in writing or electronically.

1.3 ORGANISATIONAL STRUCTURE

The SNB has two head offices, one in Berne and one in Zurich. It is divided into three departments. For the most part, the organisational units of Departments I and III are located in Zurich, while those of Department II are mainly in Berne. Each of the three departments is headed by a member of the Governing Board and is assigned up to two alternate members of the Governing Board.

Departments

The Singapore branch office enables the SNB to efficiently manage the Asia-Pacific part of its foreign exchange reserves and also serves in the implementation of monetary policy. Furthermore, this local presence allows in-depth monitoring and analysis of financial market developments and promotes understanding of market and economic conditions within the Asia-Pacific region.

Branch office

The delegates for regional economic relations are responsible for monitoring economic developments and explaining the SNB's monetary policy in the regions. In addition to the head offices in Berne and Zurich, the SNB therefore maintains representative offices in Basel, Geneva, Lausanne, Lucerne, Lugano and St Gallen. The delegates are supported by the Regional Economic Councils, which analyse the economic situation and the effect of monetary policy in their regions and report the results to the Governing Board. The Regional Economic Councils also regularly exchange information with the delegates.

Representative offices

The SNB maintains 13 agencies for the receipt and distribution of banknotes and coins. These agencies are run by cantonal banks.

Agencies

1.4 CORPORATE BODIES AND RESPONSIBILITIES

The corporate bodies of the SNB are the General Meeting of Shareholders, the Bank Council, the Governing Board and the External Auditor. The composition of these bodies is described on pp. 222–223.

The General Meeting of Shareholders elects five of the Bank Council's eleven members (via separate ballot per member) and appoints the External Auditor. It approves the business report and the annual financial statements, and grants discharge to the Bank Council. Furthermore, within the context of the profit appropriation, the General Meeting of Shareholders determines the dividend. This may not exceed 6% of the share capital.

**General Meeting
of Shareholders**

The 2022 General Meeting of Shareholders was held at the Kursaal Bern Congress Centre in the usual manner, following two years in which it had to be held without shareholders attending in person due to the coronavirus pandemic.

Bank Council

The Bank Council is the SNB's supervisory and control body. Six of its members are elected by the Federal Council; five by the General Meeting of Shareholders. The Federal Council is also responsible for appointing the President and Vice President. The Bank Council oversees and controls the conduct of business by the SNB. The individual tasks of the Bank Council are described in art. 42 NBA and art. 10 of the Organisation Regulations. The Bank Council's responsibilities cover, in particular, the determination of the basic principles according to which the SNB should be organised (including the structure of its accounting and financial control systems and its financial planning) and the approval of the budget and the provisions for currency reserves (art. 30 NBA). The Bank Council also assesses risk management and the basic principles underlying the investment process, and is kept informed of the SNB's operational resource strategies. The Bank Council submits proposals to the Federal Council for the appointment of Governing Board members and their deputies. It determines, in a set of regulations, the remuneration of its own members, and the remuneration of Governing Board members and their deputies. Finally, the Bank Council approves the agreement with the Federal Department of Finance (FDF) on profit distribution, decides on the design of banknotes and appoints the members of the Regional Economic Councils. Monetary policy does not form part of its remit; this falls to the Governing Board.

Bank Council activities

In 2022, the Bank Council held six meetings (in March, April, May, June, September and December), all of which were attended by the members of the Governing Board.

The Bank Council took note of the accountability report for 2021 submitted to the Federal Assembly and approved the financial report for 2021 for submission to the Federal Council and the General Meeting of Shareholders. It discussed the reports submitted by the External Auditor to the Bank Council and the General Meeting of Shareholders, as well as the Internal Audit annual report, and took note of the annual reports on financial and operational risks, the annual report of the Compliance unit, and the 2021 annual report of the pension fund. It also prepared the 2022 General Meeting of Shareholders and approved the 2021 budget statement as well as the 2023 budget, taking note of the medium-term resource and performance management plan.

Furthermore, the Bank Council proposed to the 2022 General Meeting of Shareholders the election of a new member of the Bank Council for the remainder of the 2020–2024 term of office.

The Bank Council also decided to propose to the 2023 General Meeting of Shareholders that Angelo Ranaldo, Professor of Finance and Systemic Risk at the University of St. Gallen, be elected to the Bank Council for the remainder of the 2020–2024 term of office. With effect from 1 May 2023, Angelo Ranaldo will succeed Cédric Tille, who will be stepping down at the end of April 2023 due to the statutory limit on the maximum term of office.

The Bank Council also bid farewell to Vice Chairman of the Governing Board Fritz Zurbrügg in mid-2022. It proposed to the Federal Council that Martin Schlegel, then Alternate Member of the Governing Board, be appointed as Member of the Governing Board with effect from 1 August 2022 for the remainder of the 2021–2027 term of office.

In addition, the Bank Council approved a partial revision of the SNB's Organisation Regulations for submission to the Federal Council. The Federal Council approved this revision on 4 May 2022. The partial revision allows for an increase in the number of alternate members of the Governing Board to up to two deputies per department.

In line with the revised Organisation Regulations, the Bank Council decided to propose to the Federal Council that Petra Gerlach and Attilio Zanetti be appointed as Alternate Members of the Governing Board with effect from 1 August 2022 for the remainder of the 2021–2027 term of office. The Bank Council subsequently appointed Petra Gerlach and Attilio Zanetti as deputies to the Head of Department I.

The Bank Council was briefed on the completion of the 'HR processes and strategies' project, in which it had participated through an ad hoc committee. It was also informed about the updated IT strategy, and about the status of the 'SNB Berne visitor centre' project in 2021.

Furthermore, the Bank Council approved the revision to the 'Regulations on private financial investments and financial transactions by members of SNB management' as well as revisions to various regulations to reflect gender-neutral language.

The Bank Council determined the membership of its committees for the 2022–2023 term of office as well as the members of the Regional Economic Councils applicable from the 2022 General Meeting of Shareholders.

Moreover, the Bank Council conducted discussions on investment policy and was briefed on HR key figures and the SNB's preparations for a potential power shortage.

Finally, the Bank Council approved the level of provisions for currency reserves.

Bank Council committees

The Bank Council has an Audit Committee, a Risk Committee, a Compensation Committee and a Nomination Committee, each of which has three members.

The Audit Committee supports the Bank Council in monitoring financial reporting, and oversees the activities of the External Auditor and the Internal Audit unit. It also assesses the appropriateness and efficacy of the internal control system (ICS), in particular regarding the processes for managing operational risk and ensuring compliance with laws, regulations and directives.

The Risk Committee assists the Bank Council in monitoring risk management and in assessing the governance of the investment process. The Audit Committee and the Risk Committee coordinate their activities and collaborate in areas where their tasks overlap.

The Compensation Committee supports the Bank Council in determining the principles of the SNB's compensation and salary policy, and submits proposals to the Bank Council regarding the salaries of Governing Board members and their deputies.

The Nomination Committee submits proposals to the Bank Council for those Bank Council members who are elected by the General Meeting of Shareholders, and for members of the Governing Board and their deputies, who are appointed by the Federal Council.

The Audit Committee held five meetings in 2022, all of which were attended by the External Auditor. The Risk Committee met four times, the Compensation Committee once, and the Nomination Committee seven times.

The Governing Board is the SNB's highest management and executive body. Its three members are appointed for a six-year term by the Federal Council on the recommendation of the Bank Council. The Governing Board is responsible, in particular, for monetary policy, asset management strategy, contributing to the stability of the financial system, and international monetary cooperation.

Executive management

The Enlarged Governing Board is made up of the three Governing Board members and their deputies. It issues the strategic guidelines for the SNB's business operations.

The Board of Deputies is responsible for the planning and implementation of the strategic guidelines for the SNB's business operations. It ensures coordination in all operational matters of interdepartmental importance.

The External Auditor examines whether the accounting records, the annual financial statements and the proposal for the appropriation of the net profit are in accordance with statutory requirements. To this end, it is entitled to inspect the SNB's business activities at any time. It is appointed by the General Meeting of Shareholders for a term of one year. The auditors must meet special professional qualifications pursuant to art. 727b CO, and must be independent of the Bank Council, the Governing Board and the controlling shareholders.

External Auditor

KPMG Ltd has been the SNB's External Auditor since 2015 and was reappointed by the General Meeting of Shareholders for the 2022–2023 term of office. Erich Schärli has been the auditor in charge since the 2022 General Meeting of Shareholders. The role of auditor in charge was rotated in compliance with the regulations on terms of office; as stipulated in the Swiss Code of Obligations, this mandate can be exercised for seven years at the most. Auditing fees for the 2022 financial year amounted to CHF 0.3 million (2021: CHF 0.3 million). Once again, KPMG Ltd provided no consulting services for the SNB in 2022.

The Internal Audit unit is an independent instrument for overseeing and monitoring the SNB's business activities. It reports to the Audit Committee of the Bank Council.

Internal Audit

1.5 REMUNERATION REPORT

Remuneration	<p>When remunerating the members of the Bank Council and the Enlarged Governing Board, the Bank Council is required to comply analogously with the Confederation's principles governing the remuneration and other contractual conditions for senior staff and management officers of federal enterprises and institutions, as outlined in art. 6a of the Federal Personnel Act. The Bank Council laid down the principles governing remuneration in the 'Regulations on the compensation of SNB supervisory and executive bodies' of 14 May 2004 (Compensation regulations).</p> <p>Remuneration and compensation remitted in 2022 are listed in the tables on pp. 203–204.</p>
Bank Council	<p>The compensation for members of the Bank Council is made up of a fixed annual remuneration plus per diem payments for special assignments and committee meetings. No compensation is due for committee meetings that are held on the same day as Bank Council meetings.</p>
Executive management	<p>The remuneration paid to members of the Enlarged Governing Board comprises a salary and a lump sum for representation expenses. It is based on the level of remuneration in other financial sector companies of a similar size and complexity, and in large federally run companies.</p>
Regional Economic Councils	<p>Information on the remuneration for members of the Regional Economic Councils can be found on p. 203.</p>
Severance payments and compensation for restrictions	<p>The SNB does not make severance payments to departing members of the Bank Council. In accordance with the SNB's Regulations on the Governing Board, members of the Governing Board and their deputies are understood to be employed for a further six months after their term of office has come to an end, although they will be released from their duties during these six months ('cooling-off period'). The continuation of salary payments during this period of release from duties compensates them for any restrictions imposed on them after the end of their term of office. If a member of the Enlarged Governing Board is not reappointed or is removed from office, the Bank Council may grant a severance payment amounting to a maximum of one year's salary. The same applies in the case of retirement or termination of employment of a member of the Enlarged Governing Board in the interest of the bank.</p>

1.6 INTERNAL CONTROL SYSTEM

The ICS comprises all the control structures and processes which ensure orderly procedures for operational activities and contribute to the attainment of business goals.

Aim and purpose

The ICS makes a major contribution towards compliance with legal requirements and internal specifications, the prudential protection of corporate assets, the prevention, reduction and disclosure of errors and irregularities, as well as ensuring that accounts are reliable and complete, that reporting is timely and dependable, and that the bankwide management of risk is appropriate and efficient.

The ICS comprises the management of financial risk, operational risk, compliance risk and risk associated with financial reporting pursuant to art. 728a CO.

Elements

The ICS is divided into three levels. The three organisationally separate levels are line management, risk monitoring and internal audit.

Organisation

The first level is ensured through the line management's responsibility to provide verification of its duty of care and orderly business procedures. Organisational units define their structures and procedures so as to ensure that tasks are carried out efficiently and their objectives achieved. To this end, they specify operational goals and control measures to manage the risks they are exposed to in their business activities.

First level

The second level is risk monitoring. The units responsible (Operational Risk and Security, Compliance, and Risk Management) advise and support line managers in the management of risk in their units. They monitor and report on the appropriateness and efficacy of risk management. In addition, they make their own assessment of the risk situation. They draw up specifications and measures to identify and limit risk, and submit corresponding proposals to executive management.

Second level

Third level

Finally, at a third, independent level, Internal Audit examines the SNB's business activities by applying a systematic and targeted approach to assessing and helping to improve the effectiveness of risk management and processes for internal monitoring, control and governance. Internal Audit's approach is first and foremost risk-oriented.

Responsibilities of Bank Council and executive management

The Bank Council and, in particular, its Audit Committee and Risk Committee, assess the appropriateness and efficacy of the ICS and satisfy themselves with regard to the security and integrity of the business processes.

The Enlarged Governing Board approves strategies for the SNB's business operations.

The Board of Deputies approves the specifications with respect to the ICS and ensures compliance therewith. To this end, it issues directives and guidelines on operational management.

Reporting

Individual reports on the monitoring of financial, operational and compliance risks are submitted via the ICS to executive management and the Bank Council on an annual basis. In addition, Internal Audit communicates its audit findings to executive management and to the Bank Council's Audit Committee at least twice a year.

ICS for financial reporting

The SNB has extensive control mechanisms in place for the prevention or early identification of errors in financial reporting (accounting procedures and bookkeeping). This ensures that the SNB's financial position is correctly reported. Together, these controls make up the ICS for financial reporting, which is managed by the Accounting unit.

1.7 RISK MANAGEMENT

In fulfilling its statutory mandate, the SNB incurs various risks. These include financial risks in the form of market, credit, country and liquidity risks. It is also exposed to compliance and operational risks. These include personal injury, financial loss or reputational damage arising as a result of inadequate internal processes, incorrect reporting, a lack of – or disregard for – regulations or rules of conduct, insufficient oversight, technical failure and the impact of various external events.

Risks

The Bank Council oversees and monitors the conduct of business by the SNB. It is responsible for assessing risk management and monitors its implementation. The Risk Committee and the Audit Committee discuss the risk reports and support the Bank Council in overseeing risk management.

Assessment of risk management

The Governing Board issues the ‘Investment Policy Guidelines of the Swiss National Bank (SNB)’ and annually determines the strategy for the investment of assets. In so doing, it determines the framework for the financial risks associated with investments.

Risk strategy

The Enlarged Governing Board approves strategies for business operations and has strategic responsibility for the management of operational and compliance risks. It defines the corresponding guidelines.

Financial risk associated with investment is continuously monitored by the Risk Management unit. Each quarter, the Governing Board discusses the reports on investment activities and risk management. The Risk Management unit’s reports are discussed by the Risk Committee of the Bank Council, and the annual report on financial risk is also discussed by the Bank Council. Details of the investment and risk control process for financial investments can be found in chapter 5 of the accountability report. If necessary, the Head of Risk Management can also brief the Chair of the Governing Board and the Chair of the Risk Committee directly.

Monitoring of financial risks

Monitoring of operational risks

The department heads ensure implementation of the operational risk guidelines issued by the Enlarged Governing Board in their organisational units. Management of operational risk is the responsibility of line managers.

Operational risk, which specifically includes cybersecurity, information security, business continuity management and operational security, is monitored by the Operational Risk and Security unit. The Board of Deputies is responsible for the management and control of operational risk. It prepares the relevant guidelines, is responsible for their implementation throughout the SNB, and ensures reporting to the Enlarged Governing Board. The Audit Committee discusses the business report on the management of operational risk before it is submitted to the Bank Council. The Risk Committee and the Audit Committee are jointly responsible for monitoring operational risk arising from the SNB's investment activities.

Monitoring of compliance risks

The department heads ensure implementation of the compliance risk guidelines issued by the Bank Council, the Enlarged Governing Board and the Board of Deputies in their respective organisational units. Management of compliance risk is the responsibility of line managers.

Compliance risk is monitored by the Compliance unit and, where it overlaps with operational risk, by the Operational Risk and Security unit. The Compliance unit advises and supports the department heads, line managers and staff with regard to the handling of compliance risks. It monitors the appropriateness of, and adherence to, rules of conduct and specifications, and reports on the status of compliance risks arising from the disregard for rules of conduct and specifications. The Compliance unit operates the electronic reporting platform, where employees can submit reports on rule violations. In connection with its responsibilities, the Compliance unit may at any time approach the Chair of the Audit Committee or where appropriate the President of the Bank Council, should this prove necessary. The Compliance unit submits a report on its activities annually to executive management, the Audit Committee and the Bank Council.

The following table summarises the organisation of risk management.

ORGANISATION OF RISK MANAGEMENT

	Specifications	Risk management (first level)	Independent oversight (second level)	Supervisory bodies of the Bank Council
Financial risk	Governing Board	Line management	Risk Management unit	Risk Committee
Operational risk	Enlarged Governing Board, Board of Deputies	Line management	Operational Risk and Security unit	Audit Committee, Risk Committee
Compliance risk	Bank Council and Enlarged Governing Board, Board of Deputies	Line management	Compliance unit, Operational Risk and Security unit	Audit Committee

1.8 CROSS REFERENCE TABLES

Further information on corporate governance may be found in other sections of the Annual Report, on the SNB website, in the NBA, in the Organisation Regulations and in the following places:

NBA (SR 951.11)	www.snb.ch, The SNB/Legal basis/ Constitution and laws
Organisation Regulations (SR 951.153)	www.snb.ch, The SNB/Legal basis/ Guidelines and regulations
Shareholders	www.snb.ch, Shareholders
Participation rights	www.snb.ch, Shareholders/General Meeting of Shareholders/Deadlines and participation
Listing in share register	www.snb.ch, Shareholders/General Meeting of Shareholders/Deadlines and participation
Decision-making quorums	Art. 38 NBA; art. 9 Organisation Regulations
General Meeting of Shareholders	Arts. 34–38 NBA; arts. 8–9 Organisation Regulations
Regulations on the recognition and representation of shareholders of the Swiss National Bank	www.snb.ch, The SNB/Legal basis/ Guidelines and regulations

Bank Council	www.snb.ch, The SNB/ Supervisory and executive bodies/Bank Council
Members	Annual Report, p. 222
Nationality	Art. 40 NBA
Affiliations	www.snb.ch, The SNB/ Supervisory and executive bodies/Bank Council/ Members of the Bank Council
Election and term of office	Art. 39 NBA
Initial and current election	Annual Report, p. 222
Internal organisation	Arts. 10 et seq. Organisation Regulations
Committees	www.snb.ch, The SNB/ Supervisory and executive bodies/Bank Council
Regulations on the Audit Committee Risk Committee Compensation Committee Nomination Committee	www.snb.ch, The SNB/Legal basis/ Guidelines and regulations
Regulations on the compensation of SNB supervisory and executive bodies (Compensation regulations)	www.snb.ch, The SNB/Legal basis/ Guidelines and regulations
Delimitation of powers	Art. 42 NBA; arts. 10 et seq. Organisation Regulations
Internal control system	Annual Report, pp. 153–154; arts. 10 et seq. Organisation Regulations
Information tools	www.snb.ch, The SNB/Legal basis/ Guidelines and regulations
Remuneration	Annual Report, p. 203
Code of Conduct	www.snb.ch, The SNB/Legal basis/ Guidelines and regulations
Executive management	www.snb.ch, The SNB/Supervisory and executive bodies/Governing Board/Enlarged Governing Board
Members	Annual Report, p. 223
Affiliations	www.snb.ch, The SNB/ Supervisory and executive bodies/Governing Board/ Enlarged Governing Board
Election and term of office	Art. 43 NBA
Internal organisation	Arts. 18–24 Organisation Regulations
Regulations on the office-holder relationship and employment relationship of members of the Governing Board of the Swiss National Bank and their deputies (Regulations on the Governing Board)	www.snb.ch, The SNB/Legal basis/ Guidelines and regulations

Regulations on the compensation of SNB supervisory and executive bodies (Compensation regulations)	www.snb.ch, The SNB/Legal basis/ Guidelines and regulations
Regulations on private financial investments and financial transactions by members of SNB management	www.snb.ch, The SNB/Legal basis/ Guidelines and regulations
Regulations on the acceptance by members of the Enlarged Governing Board of gifts, invitations and third-party considerations	www.snb.ch, The SNB/Legal basis/ Guidelines and regulations
Federal Personnel Act	www.admin.ch, Bundesrecht/Systematische Rechtssammlung/Landesrecht/1 Staat – Volk – Behörden/17 Bundesbehörden/172.220 Arbeitsverhältnis/172.220.1 Bundespersonalgesetz vom 24. März 2000 (BPG) Not available in English
Remuneration	Annual Report, p. 204
Code of Conduct	www.snb.ch, The SNB/Legal basis/ Guidelines and regulations
Staff	
Charter	www.snb.ch, The SNB/Legal basis/ Guidelines and regulations
Code of Conduct	www.snb.ch, The SNB/Legal basis/ Guidelines and regulations
Private financial investments and financial transactions	www.snb.ch, The SNB/Legal basis/ Guidelines and regulations
Principles governing procurement	www.snb.ch, The SNB/Legal basis/ Guidelines and regulations
External Auditor	
Election and requirements	Art. 47 NBA
Tasks	Art. 48 NBA
Information policy	Annual Report, p. 146, pp. 228 et seq. as well as information for shareholders at www.snb.ch, Shareholders/ Ad hoc announcements – messaging service
Corporate structure and shareholders	Annual Report, pp. 144 et seq., pp. 197–198
Head offices	Art. 3 para. 1 NBA
Ticker symbol/ISIN	SNBN/CH0001319265
Breakdown of capital	Annual Report, p. 197
Accounting principles	Annual Report, p. 178

2

Resources

Organisation

2.1 ORGANISATIONAL CHANGES

The departments are made up of divisions and organisational units that report directly to them. Divisions encompass large specialised areas that are covered by several organisational units.

The divisions making up Department I are the Secretariat General, Economic Affairs, International Monetary Cooperation and Statistics. It also includes the Legal Services, Compliance, Human Resources, and Premises and Technical Services units, which report directly to the department management. Internal Audit reports administratively to Department I.

In addition to the Financial Stability and Cash divisions, Department II includes the Accounting, Controlling, Risk Management, and Operational Risk and Security units, which report directly to the department management.

Department III comprises the Money Market and Foreign Exchange, Asset Management, Banking Operations, and Information Technology divisions, as well as the Financial Market Analysis unit and the Singapore branch office, which report directly to the department management.

The organisational structure is presented on pp. 226–227.

On 4 May 2022, the Federal Council approved a partial revision of the SNB's Organisation Regulations, allowing for an increase in the number of alternate members of the Governing Board to up to two deputies per department. This is aimed at helping the SNB to continue to manage well the monetary policy and operational challenges that have risen sharply in recent years. At the same time, the partial revision allows for an even broader integration of different skills in executive management.

Organisational development is steered by the strategic priorities set by executive management and is aimed at ensuring that the SNB is able to perform its tasks effectively and efficiently at all times in a changing environment. Executive management also ensures that the organisation remains adaptable with regard to performance, human resources and processes. The most important management tools are resource and performance management, project portfolio planning, and budgeting.

2.2 HUMAN RESOURCES

At the end of 2022, the SNB employed 979 people. In terms of full-time equivalents, the number of employees rose by 2.6% to 891.3. The SNB also employed 24 apprentices. Averaged over the year, the number of full-time equivalents was 877.8. The overall staff turnover rate was 0.6 percentage points higher at 6.0%. Net fluctuation (excluding retirements and deaths) increased by 0.1 percentage points to 3.4%.

Number of staff

The development of staff numbers falls within the parameters laid down in the medium-term resource and performance management plan approved by the Bank Council.

The SNB's HR strategy ensures that it always has the necessary number of employees with the required skills to best fulfil its mandate. In this respect, the SNB sees itself as a learning organisation. Its HR strategy is geared to the continuing professional development of its employees, and to the ongoing evolution of its processes and instruments.

More information and key figures on human resources and the SNB as an employer can be found in the 'Employment' chapter of the Sustainability Report for 2022.

In 2021, the SNB conducted the equal pay analysis prescribed by law. The results showed no unexplained pay gaps between men and women in excess of the 5% tolerance threshold defined by the federal government, and that the SNB thus complies with the internal pay equality requirements. On this basis it received the 'We Pay Fair' label from the Competence Centre for Diversity and Inclusion (CCDI) at the University of St. Gallen (HSG) as well as industry certification from the Social Partnership Centre for Equal Pay in the Banking Industry (SoPaCEB). More detailed information on the results of the analysis can be found on page 159 of the Annual Report 2021.

Equal pay compliance

The SNB believes that a high level of diversity helps it fulfil its mandate while at the same time making it a more attractive employer. Accordingly, it creates conditions that enable all employees to be committed and successful in terms of the performance mandate, and to feel they are part of the institution.

Diversity strategy

In 2022, the Bank Council approved the refined diversity strategy. This covers three main areas of impact: ensuring equal opportunity and non-discrimination; reducing structural and cultural barriers; and taking further targeted and differentiated measures to promote under-represented groups.

SNB operations during and after the coronavirus pandemic

The coronavirus pandemic continued to exert a strong influence on the SNB's operations at the start of 2022. Thanks to the measures taken, the SNB was able to perform its mandate in full at all times. The internal set of precautionary measures was subject to regular review and adapted to the course of the pandemic. The corresponding rules of behaviour focused on protecting the health of employees. The entire approach was based on the principle of safety first, on the measures taken by the authorities (federal and cantonal), and on the operational situation. The core element was that employees who do not need to be on site worked from home, so as to reduce the risk of infection. For the same reason, teams performing critical activities that require on-site presence were temporarily split up and moved to alternative workplaces. In addition to the general hygiene and distancing rules, the precautionary measures also included COVID-19 tests and guidelines on what to do in the event of symptoms of the disease or contact with people who have tested positive.

The COVID-19 measures were lifted in spring, and the SNB's operations gradually returned to normal. At the same time, the SNB introduced new, flexible arrangements for working from home. Within a defined framework, line managers can agree with their staff how much they may work from home. As a result of the new regulations and positive experience overall during the COVID-19 crisis, the proportion of people working from home has increased significantly compared with the time before the pandemic. Only in the case of specific tasks that have to be performed on premises for operational or security reasons is working from home not permitted.

2.3 PREMISES

The SNB owns premises in Berne and Zurich for its own use. These are managed according to a long-term strategy. As part of this strategy, construction work has been ongoing at the Berne premises since the beginning of 2015. Full operations resumed in the main building at Bundesplatz 1 in 2019.

Renovation of the six buildings making up the Kaiserhaus (Marktgasse 37–41 and Amthausgasse 22–26) is expected to continue until spring 2025. In 2022, the preliminary building work was completed. The new building technology facilities went into operation in the second half of the year. Work on the interior of the premises to be used by the SNB continued. The areas open to the public will house an SNB visitor centre focusing on the topic of money, as well as food and drink facilities, businesses and apartments. The user requirements for these areas were defined, and execution planning commenced.

Kaiserhaus construction project

2.4 INFORMATION TECHNOLOGY

Internal IT systems and applications were reliable and stable. Any occasional disruptions were swiftly resolved.

IT operations

Communications infrastructure and services have been further expanded since the pandemic has abated, so as to improve usability and security in the collaboration between staff on site and those working from home.

As part of the regular strategy review, the SNB's IT strategy was revised and updated with a focus on the use of cloud services.

IT projects

Processes for the early detection of cyberattacks were automated to ensure a swift and efficient response. Moreover, an additional and dedicated IT infrastructure, including the corresponding processes, was built to make it possible to recover applications and data promptly following a cyberincident.

The technical settlement of interbank transactions in the payment systems of Swiss Interbank Clearing (SIC system) and euroSIC was switched over from the Finance IPNet communication network to the Secure Swiss Finance Network (SSFN). The SSFN enables participants to communicate securely in a self-contained network protected from cyberthreats (cf. accountability report, chapter 4.2).

An analysis platform supporting machine learning with state-of-the-art methods and tools was introduced to expand the possibilities for analysing economic data. The new platform makes it possible to process large volumes of data and to execute machine learning projects, ranging from data exploration to production.

3

Changes in bank bodies

On 29 April 2022, the General Meeting of Shareholders elected Rajna Gibson Brandon, from Carouge, as a member of the Bank Council for the remainder of the 2020–2024 term of office. She succeeded Monika Bütler, who stepped down at the end of April 2022 due to the statutory limit on the maximum term of office.

Bank Council

Cornelia Stamm Hurter, from Schaffhausen, took office as a member of the Bank Council on 1 May 2022, to serve for the remainder of the 2020–2024 term of office, after the Federal Council had elected her as the successor to Ernst Stocker on 8 September 2021. Ernst Stocker left the Bank Council at the end of April 2022, also having served the maximum tenure.

Cédric Pierre Tille will step down at the end of April 2023 due to the statutory limit on the maximum term of office.

Cédric Pierre Tille was elected to the Bank Council by the General Meeting of Shareholders in 2011. He showed strong commitment to his office and also served as a long-standing member of the Nomination Committee and the Risk Committee. The SNB thanks Cédric Pierre Tille for his valuable service.

Cédric Pierre Tille's successor will be elected by the General Meeting of Shareholders.

On 29 April 2022, the General Meeting of Shareholders appointed KPMG Ltd as External Auditor for the 2022–2023 term of office, with Erich Schärli as auditor in charge.

External Auditor

At its meeting of 4 May 2022, the Federal Council appointed Martin Schlegel, previously Alternate Member of the Governing Board, as Vice Chairman of the SNB's Governing Board with effect from 1 August 2022. Martin Schlegel succeeded Fritz Zurbrügg, who stepped down at the end of July, and heads Department II.

**Governing Board and
Enlarged Governing Board**

Furthermore, the Federal Council approved a partial revision of the SNB's Organisation Regulations, allowing for up to two alternate members of the Governing Board per department. In accordance with this partial revision, on 4 May 2022 the Federal Council also appointed Petra Gerlach and Attilio Zanetti as Alternate Members of the Governing Board as of 1 August 2022.

The Bank Council made three appointments to the position of Director with effect from 1 January 2023: Roman Baumann, Head of Asset Management; Nicolas Stoffels, Head of International Monetary Cooperation; and Benjamin Andereg, Head of Money Market and Foreign Exchange.

Bank management

4

Business performance

4.1 ANNUAL RESULT

Summary

The Swiss National Bank reported a loss of CHF 132.5 billion for 2022 (2021: profit of CHF 26.3 billion).

The loss on foreign currency positions amounted to CHF 131.5 billion and the loss on Swiss franc positions was CHF 1.0 billion. A valuation gain of CHF 0.4 billion was recorded on gold holdings. Operating expenses came to CHF 0.4 billion.

For the financial year just ended, the SNB has set the allocation to the provisions for currency reserves at CHF 9.6 billion. After taking into account the distribution reserve of CHF 102.5 billion, the net loss comes to CHF 39.5 billion. Pursuant to the provisions of the National Bank Act and the profit distribution agreement between the Federal Department of Finance and the SNB, this net loss precludes a distribution for the 2022 financial year. This affects both dividend payments to the SNB shareholders and the profit distribution to the Confederation and the cantons.

Valuation gain on gold holdings

At the end of 2022, the price of gold stood at CHF 53,941 per kilogram, 0.7% higher than at the end of 2021 (CHF 53,548). This gave rise to a valuation gain of CHF 0.4 billion on the unchanged holdings of 1,040 tonnes of gold (2021: valuation loss of CHF 0.1 billion).

Loss on foreign currency positions

The loss on foreign currency positions was CHF 131.5 billion (2021: profit of CHF 25.7 billion). Interest and dividend income totalled CHF 7.4 billion and CHF 4.4 billion respectively. Price losses of CHF 72.0 billion were recorded on interest-bearing paper and instruments, and CHF 41.3 billion in price losses were recorded on equity securities and instruments. Exchange rate-related losses totalled CHF 29.8 billion.

The loss on Swiss franc positions totalled CHF 1.0 billion (2021: profit of CHF 1.1 billion). It largely resulted from price losses on interest-bearing paper and instruments, and from interest on sight deposit accounts. The interest paid on sight deposit account balances exceeded the negative interest charged until 22 September 2022.

Loss on Swiss franc positions

Operating expenses are made up of banknote and personnel expenses, general overheads and depreciation on the SNB's tangible assets. They totalled CHF 397.8 million (2021: CHF 382.0 million).

Operating expenses

The SNB's financial result depends largely on developments in the gold, foreign exchange and capital markets. Consequently, very strong fluctuations in quarterly and annual results are to be expected. In view of the considerable volatility in its results, the SNB does not exclude the possibility that, in future years too, distributions will only be able to be carried out on a reduced scale or will have to be suspended completely.

Outlook

4.2 PROVISIONS FOR CURRENCY RESERVES

Purpose	<p>In accordance with art. 30 para. 1 of the NBA, the SNB sets up provisions to maintain the currency reserves at the level necessary for monetary policy. Independent of this financing function, the provisions for currency reserves have a general reserve function and thus serve as equity capital. They act as a buffer against all the different forms of loss risk at the SNB. The SNB aims for a robust balance sheet with sufficient equity capital, to ensure that it can also absorb potentially high losses.</p>
Level of provisions	<p>When setting aside provisions for currency reserves, the SNB must take into account the development of the Swiss economy (art. 30 para. 1 NBA).</p>
Allocation from 2022 annual result	<p>The allocation in a given year is determined on the basis of double the average nominal GDP growth rate over the previous five years. To ensure that sufficient allocations are made to the provisions for currency reserves even in periods of low nominal GDP growth, the minimum annual allocation is currently set at 10% of the provisions at the end of the previous year.</p> <p>Since nominal GDP growth over the last five years has averaged just 0.8%, the minimum allocation of 10% will be applied for the 2022 financial year. This corresponds to CHF 9.6 billion (2021: CHF 8.7 billion). As a result, the provisions for currency reserves will grow from CHF 95.7 billion to CHF 105.2 billion.</p>

PROVISIONS

Multi-year comparison of provisions

	Growth in nominal GDP In percent (average period) ¹	Annual allocation In CHF millions	Provisions after allocation In CHF millions
2018 ²	1.2 (2012–2016)	5 423.4	73 216.3
2019 ²	1.3 (2013–2017)	5 857.3	79 073.6
2020 ³	1.7 (2014–2018)	7 907.4	86 981.0
2021 ³	1.6 (2015–2019)	8 698.1	95 679.1
2022 ^{3,4}	0.8 (2016–2020)	9 567.9	105 247.0

1 The average nominal GDP growth rate is based on the last five years for which definitive values are available. GDP figures are revised on a regular basis. This means that the latest available growth rates may deviate from reported figures. This does not affect the allocation.

2 Minimum allocation of 8% of the provisions at the end of the previous year.

3 Minimum allocation of 10% of the provisions at the end of the previous year.

4 For information on the allocation for 2022, cf. accountability report, chapter 5.4.

The portion of the annual result remaining after the allocation to the provisions for currency reserves corresponds to the distributable annual result as per art. 30 para. 2 NBA. Together with the distribution reserve, this makes up the net profit/net loss (art. 31 NBA). If a net profit is achieved, this is used for distributions. In the event of a net loss, no distribution is made.

Distributable annual result and net profit/net loss

For 2022, the distributable annual result amounts to CHF –142.0 billion. The net loss is CHF 39.5 billion.

4.3 DIVIDEND AND PROFIT DISTRIBUTION

Dividend	Art. 31 para. 1 NBA specifies that a dividend not exceeding 6% of the share capital shall be paid from the net profit, with the decision on this matter being taken by the General Meeting of Shareholders on the basis of a Bank Council proposal.
Profit distribution to Confederation and cantons	In accordance with art. 31 para. 2 NBA, one-third of any net profit remaining after the payment of a dividend will accrue to the Confederation and two-thirds to the cantons.
Distribution agreement	<p>The amount of the annual profit distribution to the Confederation and the cantons is laid down in an agreement between the FDF and the SNB. Given the considerable fluctuations in the SNB's earnings, the NBA stipulates that profit distribution be maintained at a steady level in the medium term. Consequently, a smoothing of payments over several years is provided for in the agreement and a distribution reserve carried on the balance sheet. However, depending on the annual result, this distribution reserve can become negative, which precludes a profit distribution.</p> <p>The existing agreement covers the profit distributions for the financial years 2020–2025. A profit distribution will be made to the Confederation and the cantons in the event of a net profit. In the event of a net loss, no distribution will be made. If the net profit is less than CHF 10 billion, a maximum amount of CHF 2 billion will be distributed to the Confederation and the cantons, provided that – after deduction of the dividend to shareholders (max. CHF 1.5 million) – this does not result in a negative distribution reserve. Added to this are four possible supplementary distributions of CHF 1 billion each, which are made if the net profit reaches the thresholds of CHF 10 billion, CHF 20 billion, CHF 30 billion and CHF 40 billion respectively. This allows for an annual distribution of up to CHF 6 billion to the Confederation and the cantons.</p>
No distribution for 2022	For 2022, owing to its net loss, the SNB is unable either to pay a dividend to the shareholders or to make a profit distribution to the Confederation and the cantons.

The distribution reserve forms part of the loss-absorbing capital alongside the provisions for currency reserves. The non-distributed amount of the annual result is allocated to the distribution reserve, or the shortfall for the appropriation of profit is drawn from it. The distribution reserve is a form of profit/loss carried forward and serves as a fluctuation reserve to enable the legally required medium-term smoothing of the annual distributions.

Distribution reserve

Following last year's profit appropriation, the distribution reserve showed a value of CHF 102.5 billion. After offsetting against the distributable annual result, the distribution reserve will amount to CHF –39.5 billion.

PROFIT DISTRIBUTION AND DISTRIBUTION RESERVE

In CHF millions

	2018	2019	2020	2021	2022 ²
Annual result	-14 934.0	48 851.7	20 869.6	26 300.0	-132 479.5
- Allocation to provisions for currency reserves	-5 423.4	-5 857.3	-7 907.4	-8 698.1	-9 567.9
= Distributable annual result	-20 357.4	42 994.4	12 962.2	17 601.9	-142 047.4
+ Distribution reserve before appropriation of profit ¹	67 348.4	44 989.5	83 982.4	90 943.1	102 543.5
= Net profit/loss	46 991.0	87 983.9	96 944.6	108 545.0	-39 504.0
- Payment of a dividend of 6%	-1.5	-1.5	-1.5	-1.5	-
- Profit distribution to Confederation and cantons	-2 000.0	-4 000.0	-6 000.0	-6 000.0	-
= Distribution reserve after appropriation of profit	44 989.5	83 982.4	90 943.1	102 543.5	-39 504.0

1 Year-end total as per balance sheet.

2 In accordance with appropriation of profit.

4.4 MULTI-YEAR COMPARISON OF ASSETS AND LIABILITIES

The following summary provides an overview of the movements in key balance sheet positions over the last five years.

Year-end values in CHF millions

	2018	2019	2020	2021	2022
Gold holdings	42 237	49 111	55 747	55 691	56 099
Foreign currency investments	763 728	794 015	910 001	966 202	800 566
Reserve position in the IMF	1 188	1 369	1 850	2 001	2 137
International payment instruments	4 441	4 381	4 364	11 912	11 381
Monetary assistance loans	260	276	908	908	877
Claims from US dollar repo transactions	–	–	8 842	2 147	–
Claims from Swiss franc repo transactions	–	6 529	550	3 216	–
Swiss franc securities	3 977	4 074	4 073	4 032	3 565
Secured loans	–	–	11 176	9 202	4 430
Tangible assets	435	450	438	437	440
Participations	151	135	134	136	132
Other assets	651	616	946	892	1 749
Total assets	817 069	860 956	999 028	1 056 776	881 377
Banknotes in circulation	82 239	84 450	89 014	90 685	81 697
Sight deposits of domestic banks	480 634	505 811	628 825	651 091	466 923
Liabilities towards the Confederation	15 613	23 481	13 755	12 617	16 668
Sight deposits of foreign banks and institutions	37 102	30 164	28 120	28 156	27 584
Other sight liabilities	41 479	31 997	32 161	35 298	27 804
Liabilities from Swiss franc repo transactions	–	–	–	–	67 145
SNB debt certificates	–	–	–	–	98 169
Other term liabilities	–	–	9 027	2 174	–
Foreign currency liabilities	34 812	13 315	9 573	20 889	16 740
Counterpart of SDRs allocated by the IMF	4 487	4 418	4 214	11 325	10 919
Other liabilities	472	238	388	292	1 961
Equity					
Provisions for currency reserves ¹	67 793	73 216	79 074	86 981	95 679
Share capital	25	25	25	25	25
Distribution reserve ¹	67 348	44 989	83 982	90 943	102 543
Annual result	–14 934	48 852	20 870	26 300	–132 480
Total equity	120 232	167 083	183 951	204 249	65 768
Total liabilities	817 069	860 956	999 028	1 056 776	881 377

¹ Before appropriation of profit, cf. p. 176.