

1 Income statement for the year 2003

	Notes	2003 CHF millions	2002 CHF millions	Change in percent
Net result from gold holdings	01	2 615.1	1 532.1	+70.7
Net result from				
foreign currency investments	02	1 555.8	498.8	+211.9
reserve position in the IMF	03	-16.3	-246.9	+93.4
international payment instruments	04	6.2	-33.0	+118.8
balance of payments support	05	1.2	-27.2	+104.4
Net result from				
Swiss franc repo transactions	06	42.1	211.7	-80.1
Lombard advances	07	0.3	0.5	-40.0
claims against domestic correspondents	08	0.0	0.2	-100.0
Swiss franc securities	09	104.4	604.8	-82.7
Other income	10	32.1	34.1	-5.9
Gross income		4 341.0	2 575.0	+68.6
Interest expenses	11	-26.1	-75.4	-65.4
Banknote expenses	12	-45.2	-40.4	+11.9
Personnel expenses	13	-98.4	-89.0	+10.6
General overheads	14	-89.2	-93.5	-4.6
Depreciation on tangible assets	26	-25.1	-22.3	+12.6
Net income		4 057.0	2 254.4	+80.0
Extraordinary expenses		-	-9.1	
Extraordinary income		-	6.1	
Aggregate income		4 057.0	2 251.5	+80.2
Allocated to (-) / released from (+) provisions for				
the assignment of free assets	35	-912.4	-1 079.3	
market and liquidity risks on gold	36	-	-398.0	
market, credit and liquidity risks	37	-336.3	1 734.5	
Annual profit	40	2 808.3	2 508.7	+11.9

2 Balance sheet as of 31 December 2003

in CHF millions

		2003	2002	Change
Assets	Notes			
Gold holdings	15	23 217.3	25 405.2	-2 187.9
Claims from gold transactions	16	3 910.7	3 934.4	-23.7
Foreign currency investments	17	56 311.7	52 941.2	+3 370.5
Reserve position in the IMF	18	2 561.9	2 669.8	-107.9
International payment instruments	19	45.8	103.0	-57.1
Balance of payments support	20	327.2	316.5	+10.7
Claims from Swiss franc repo transactions	21	27 097.7	27 977.2	-879.5
Lombard advances	22	0.8	-	+0.8
Claims against domestic correspondents	23	36.8	29.8	+7.0
Swiss franc securities	24	7 657.9	7 018.4	+639.5
Participations	25	88.6	88.6	-0.0
Tangible assets	26	532.3	533.7	-1.4
Sundry assets	27	983.9	940.6	+43.4
Non paid-up share capital	38	25.0	25.0	-
		<u>122 797.7</u>	121 983.3	+814.4

		2003	2002	Change
Liabilities	Notes			
Banknotes in circulation	28	40 544.0	39 600.2	+943.8
Sight deposit accounts of domestic banks	29	7 186.6	4 516.9	+2 669.7
Liabilities towards the Confederation	30			
sight		452.6	388.3	+64.3
time		2 400.5	6 704.1	-4 303.6
Sight deposits of foreign banks and institutions	31	486.0	556.8	-70.8
Other sight liabilities	32	153.4	159.9	-6.5
Liabilities from Swiss franc				
repo transactions		-	-	-
Foreign currency liabilities	33	130.5	146.6	-16.1
Sundry liabilities	34	174.8	190.2	-15.4
Provisions for				
the assignment of free assets	35	21 209.3	20 296.9	+912.4
operating risks	37	461.5	461.9	-0.3
market and liquidity risks on gold	36	-	7 817.5	-7 817.5
market, credit and liquidity risks	37	46 672.2	38 518.4	+8 153.8
Share capital	38	50.0	50.0	-
Reserve fund	39	68.0	67.0	+1.0
Annual profit	40	2 808.3	2 508.7	+299.7
		<u>122 797.7</u>	121 983.3	+814.4

3 Notes to the accounts as of 31 December 2003

3.1 Explanatory notes on business activities

Legal form, mandate,
partner organisations

The Swiss National Bank, a joint-stock company under special law with head offices in Berne and Zurich, is Switzerland's central bank and the country's sole authorised issuer of banknotes. It is empowered under the Swiss Constitution to pursue a monetary policy that is in the country's overall interests. All the transactions which it is permitted to perform are laid down in the National Bank Law. The National Bank has a commercial relationship with financial institutions in Switzerland and abroad, with federal agencies and associated enterprises, and with other central banks and international organisations.

Special features of the
Bank's business activities

The National Bank's obligations towards the economy as a whole take priority over the achievement of profit. The National Bank has the authority to autonomously create money. It is not obliged to pay interest on banknotes in circulation or on sight deposits. Consequently, a large part of the income on its assets remains as an earnings surplus. As administrator of Switzerland's reserve assets, however, the National Bank bears substantial market and liquidity risks, as well as credit risks, even though the assets are judiciously managed. It hedges these risks with appropriate provisions. The provisions serve in particular to safeguard the pursuit of monetary policy by allowing the National Bank to accumulate sufficient foreign currency reserves. The target figure for provisions rises in step with gross domestic product (cf. p. 108f.).

Staff numbers, branches
and offices

On 31 December 2003, the National Bank employed 652 persons (2002: 617), corresponding to 607.9 full-time posts (2002: 573.6); this figure includes 20 apprentices. In addition to its head offices in Berne and Zurich, the Bank has operating branches in Geneva and Lugano. It also has offices in Basel, Lausanne, Lucerne and St Gallen in order to monitor economic developments in Switzerland's regions.

3.2 Accounting and valuation principles

General principles

The principles applied to the books of account, asset valuation, balance sheet and disclosure are governed by the National Bank Law (NBL), the Swiss Federal Code of Obligations (CO) and the Swiss GAAP FER¹, due account being taken of circumstances specific to the National Bank. Owing to the particular nature of its business, the National Bank does not publish a cash flow statement or a mid-year statement.

No change from previous year

There was no change in the accounting and valuation principles compared with the previous year.

Recording of
transactions/balance sheet
entries

All transactions are recorded on the day the transaction is concluded. However, they are only entered in the balance sheet on the value date. Transactions which were concluded by 31 December 2003 but which have a value date in the future are stated under off-balance-sheet transactions.

¹ The Swiss GAAP are the Generally Accepted Accounting Principles issued by the Foundation for Accounting and Reporting Recommendations (Fachkommission für Empfehlungen zur Rechnungslegung FER).

Gold and gold claims from lending transactions, negotiable foreign currency investments and Swiss franc securities are stated at their year-end market prices (including accrued interest). Changes in market value are thus reported in the income statement.

Gold, negotiable foreign currency investments, Swiss franc securities

Claims and liabilities from repo transactions are stated at their nominal value including accrued repo interest. However, only the money side of the transaction is posted to the accounts. In other words, the securities transferred by the borrower to the lender are treated as if they had been pledged as security for the loan.

Claims and liabilities from repo transactions

Derivative financial instruments used to manage foreign currency investments and gold holdings are stated at their year-end market value or fair value. The same applies to non-performed spot transactions on gold, negotiable foreign currency investments and Swiss franc securities. Positive or negative gross replacement values are posted to the income statement and balance sheet as appropriate. In the case of forward contracts and non-performed spot transactions on non-negotiable instruments, only the contract values are stated under off-balance-sheet transactions.

Derivative financial instruments

Participations are stated at cost less required depreciation, or at the market value in the case of non-substantive minority interests in listed companies.

Participations

Tangible assets are stated at their acquisition cost less required depreciation.

Tangible assets

Other items are stated at their nominal value inclusive of any accrued interest.

Other items

Foreign currency items are translated at year-end rates, whereas income and realised capital gains from these items are translated at the exchange rates applicable at the time the income was posted to the accounts.

Translation of foreign currency items

Foreign currency exchange rates and gold price

	2003	2002	Change in percent
Year-end rates			
CHF/USD	1.2360	1.3872	-10.9
CHF/EUR	1.5586	1.4525	+7.3
CHF/GBP	2.2040	2.2323	-1.3
CHF/DKK	20.9300	19.5700	+6.9
CHF/CAD	0.9572	0.8800	+8.8
CHF/XDR ¹	1.8478	1.8884	-2.1
Gold price in CHF/kg	16 580.81	15 286.48	+8.5
USD/oz ²	417.25	342.75	+21.7

1 XDR: Special Drawing Rights
2 oz: fine ounces

3.3 Notes to the income statement and balance sheet

Summary

The income statement is strongly influenced by developments in the gold price, interest rates and exchange rates.

The significant rise in the gold price resulted in valuation gains on gold holdings of CHF 2,248.0 million, while the depreciation of the US dollar resulted in additional gains of CHF 334.2 million on the forward foreign exchange transactions which had been concluded as a means of hedging future proceeds from gold sales denominated in US dollars. Together with interest income from gold lending transactions, the net result from gold holdings came to CHF 2,615.1 million (2002: CHF 1,532.1 million).

Capital losses on foreign currency investments were recorded on most of the relevant markets owing to higher interest rates. Together with interest income, the net result prior to exchange rate effects came to CHF 1,703.1 million (2002: CHF 4,675.5 million). Following mixed exchange rate developments, exchange rate losses of CHF 147.2 million were incurred (2002: -4,176.9 million). The net result from foreign currency investments was CHF 1,555.8 million (2002: CHF 498.8 million). The net result from other foreign currency balances (the reserve position in the IMF, international payment instruments and balance of payments support) was negative. The net result from financial assets denominated in Swiss francs, which stemmed mainly from securities and repo transactions, totalled CHF 146.8 million (2002: CHF 817.2 million).

After taking account of other income amounting to CHF 32.1 million (2002: CHF 34.1 million), gross income increased to CHF 4,341.0 million (2002: CHF 2,575.0 million).

Owing to lower interest expenses, ordinary expenses fell from CHF 320.6 million to CHF 284.0 million. Aggregate income rose to CHF 4,057.0 million (2002: CHF 2,251.5 million)

Due to the valuation gains on gold held as free assets and to the forward foreign exchange transactions concluded in order to hedge future proceeds from gold sales denominated in US dollars, the provision for the planned assignment of the countervalue of gold holdings no longer required for monetary purposes was increased by CHF 912.4 million.

After setting aside the annual profit earmarked for distribution of CHF 2,808.3 million (2002: 2,508.7 million), CHF 336.3 million was available for allocation to provisions for market, credit and liquidity risks.

Net result from gold

The rise in the gold price resulted in valuation gains. Owing to the depreciation of the US dollar, the forward foreign exchange transactions used to hedge the US dollar proceeds from gold sales (forward sales of US dollars) also generated profits. Lower gold lending rates and a lower average volume of outstanding transactions resulted in a decline in interest income from gold lending transactions.

Item no. 01
in the income statement

	2003	2002	Change
	CHF millions	CHF millions	CHF millions
Monetary gold	1 702.8	452.8	+1 250.0
Net result from changes in market value	1 669.8	398.0	+1 271.8
Interest income from gold lending transactions	32.9	54.8	-21.9
Gold from free assets	912.4	1 079.3	-166.9
Net result from changes in market value ¹	578.1	338.0	+240.1
Net result from hedging transactions	334.2	741.3	-407.1
Total	2 615.1	1 532.1	+1 083.0

1 including realised gains from gold sales

Net result from foreign currency investments

Owing to the higher interest rates, capital losses were recorded on most of the relevant markets during the year under review. Before allowing for exchange rate influences, however, a positive investment result was achieved in all currencies.

The substantial weakening of the US dollar in particular resulted in exchange rate losses. These were almost cancelled out by the appreciation of the euro, the Danish krone and the Canadian dollar.

	2003	2002	Change
	CHF millions	CHF millions	CHF millions
USD	-1 524.8	-1 114.3	-410.5
Interest and capital gain/loss	352.8	2 087.6	-1 734.8
Exchange rate gain/loss	-1 877.6	-3 201.9	+1 324.3
EUR	2 650.5	1 595.9	+1 054.7
Interest and capital gain/loss	1 114.7	2 097.6	-982.9
Exchange rate gain/loss	1 535.8	-501.7	+2 037.6
GBP	47.3	-19.1	+66.5
Interest and capital gain/loss	82.6	234.9	-152.4
Exchange rate gain/loss	-35.2	-254.1	+218.9
DKK	239.9	141.5	+98.4
Interest and capital gain/loss	95.3	176.5	-81.2
Exchange rate gain/loss	144.6	-35.0	+179.6
CAD	142.8	-101.5	+244.3
Interest and capital gain/loss	57.6	80.2	-22.7
Exchange rate gain/loss	85.2	-181.8	+267.0
Others	0.0	-3.6	+3.6
Interest and capital gain/loss	0.0	-1.3	+1.3
Exchange rate gain/loss	0.0	-2.4	+2.4
Total	1 555.8	498.8	+1 057.0
Interest and capital gain/loss	1 703.1	4 675.5	-2 972.5
Exchange rate gain/loss ¹	-147.2	-4 176.9	+4 029.7

1 Including exchange rate gains or losses of CHF 51.7 million (2002: CHF 77.6 million) on foreign currency liabilities.

Net result from the reserve position in the IMF

	2003	2002	Change
	CHF millions	CHF millions	CHF millions
Interest income/expense	37.7	49.5	-11.8
Exchange rate gain/loss XDR	-54.0	-296.4	+242.4
Total	-16.3	-246.9	+230.6

Net result from international payment instruments

Item no. 04
in the income statement

	2003	2002	Change
	CHF millions	CHF millions	CHF millions
Interest income/expense	1.6	7.6	-6.0
Exchange rate gain/loss XDR	4.5	-40.6	+45.1
Total	6.2	-33.0	+39.2

Net result from balance of payments support

Item no. 05
in the income statement

	2003	2002	Change
	CHF millions	CHF millions	CHF millions
Interest income/expense	6.2	7.4	-1.2
Exchange rate gain/loss EUR	1.5	-0.4	+1.9
Exchange rate gain/loss XDR	-6.6	-34.2	+27.6
Total	1.2	-27.2	+28.4

Influence of exchange rate developments on the income statement

	2003	2002	Change
	CHF millions	CHF millions	CHF millions
USD	-1 877.6	-3 201.9	+1 324.3
EUR	1 537.4	-502.1	+2 039.5
GBP	-35.2	-254.1	+218.9
DKK	144.6	-35.0	+179.6
CAD	85.2	-181.8	+267.0
XDR	-56.0	-371.1	+315.1
Other currencies	0.0	-2.4	+2.4
Total	-201.7	-4 548.4	+4 346.7

Net result from Swiss franc repo transactions

Item no. 06
in the income statement

Averaged over the year, the volume of claims was approximately CHF 1.7 billion higher than in 2002. Owing to the substantially lower interest rates, however, income from Swiss franc repo transactions fell sharply to CHF 42.1 million (2002: 211.7 million).

Net result from Lombard advances

Item no. 07
in the income statement

Owing to a fall in the average volume of loans and to lower interest rates, the net result from Lombard advances was lower than in the previous year (down from CHF 0.5 million to CHF 0.3 million).

Net result from claims against domestic correspondents

Item no. 08
in the income statement

The net result from claims against domestic correspondents declined to about CHF 20,000 (2002: CHF 0.2 million) owing to the lower average volume of claims and to lower interest rates.

**Item no. 09
in the income statement**

Net result from Swiss franc securities

The net result from securities (interest plus realised and unrealised capital gains and losses) was CHF 104.4 million (2002: CHF 604.8 million). While the previous year had seen capital gains, the rise in interest rates in 2003 resulted in capital losses.

**Item no. 10
in the income statement**

Other income

1 These commissions were largely retroceded to the banks (cf. item no. 14 in the income statement).

2 Income from real estate stems from the letting of Bank-owned premises not currently used for its own purposes.

	2003	2002	Change
	CHF millions	CHF millions	percent
Commissions from banking transactions ¹	18.2	20.5	-11.2
Income from participations	8.5	8.0	+6.3
Income from real estate ²	4.6	5.1	-9.8
Other ordinary income	0.8	0.4	+100.0
Total	32.1	34.1	-5.9

**Item no. 11
in the income statement**

Interest expenses

	2003	2002	Change
	CHF millions	CHF millions	CHF millions
Interest expenses for liabilities towards the Confederation	12.0	59.3	-47.3
Interest expenses for depositors' balances	6.0	6.2	-0.2
Interest expenses for liabilities from foreign currency repo transactions	7.9	10.0	-2.1
Other interest expenses	0.1	0.0	+0.1
Total	26.1	75.4	-49.3

Owing to the lower interest rates, the interest expenses for liabilities towards the Confederation decreased sharply.

The number of foreign currency repo transactions concluded for the management of foreign currency investments was higher than in the previous year. Owing to the lower interest rates, however, interest expenses incurred for these operations decreased.

**Item no. 12
in the income statement**

Banknote expenses

The banknote expenses correspond to the cost of producing the banknotes which entered circulation in 2003. Owing both to the higher average number of banknotes in circulation and to an increase in the average acquisition cost, banknote expenses rose considerably.

	2003	2002	Change
	CHF millions	CHF millions	percent
Wages, salaries and allowances	74.0	69.4	+6.6
Social insurance	15.8	14.8	+6.8
Other personnel expenses	8.5	4.7	+80.9
Total	98.4	89.0	+10.6

The increase in staff numbers by approximately 6% resulted in a higher figure for wages, salaries and allowances. Social security expenses rose by a similar margin.

In 2003 the National Bank adjusted its organisational structure. The associated personnel costs of CHF 3.2 million were charged to other personnel expenses (cf. item no. 37 in the balance sheet).

The National Bank's pension plans comprise two staff pension fund schemes.

The remuneration of the National Bank's statutory bodies is determined in regulations drawn up by the Bank Council and approved by the Federal Council (art. 61 NBL). The remuneration of the Bank Council consists of a fixed annual salary plus an attendance allowance, while the members of the Governing Board receive a salary plus a lump-sum compensation for representation expenses.

The remuneration (salaries plus lump-sum expenses) of members of the Bank Council and the Governing Board currently in office breaks down as follows:

	2003	2002	Change
	CHF millions	CHF millions	percent
40 members of the Bank Council, 10 of whom are members of the Bank Committee	0.447	0.447	–
of which for the President of the Bank Council	0.082	0.082	–
of which for the Vice-President of the Bank Council	0.041	0.041	–
3 members of the Governing Board	1.736	1.727	+0.5
of which for the Chairman of the Governing Board	0.592	0.589	+0.5
of which for the Vice-Chairman of the Governing Board	0.572	0.569	+0.5

In the period under review, the National Bank did not make any severance payments to former members of the Bank Council or the Governing Board. The National Bank does not pay any performance-linked remuneration. In particular, there are no share or options programmes for members of the Governing Board or Bank Council. The National Bank does not grant any loans to governing bodies.

On 31 December 2003, the members of the Bank Council held a total of 5 National Bank shares. None of these were held by the 10 members of the Bank Committee. No shares were held by members of the Governing Board.

The members and the substitute members of the Auditing Committee received remuneration totalling CHF 51,880 for outlays and attendance fees in the 2003 financial year.

General overheads

	2003	2002	Change
	CHF millions	CHF millions	percent
Direct expenses from banking operations	36.9	40.3	-8.4
Premises	10.3	10.8	-4.6
Maintenance of mobile tangible assets and software	8.4	10.2	-17.6
Consulting and other third-party support	10.0	8.8	+13.6
Other general overheads	23.6	23.4	+0.9
Total	89.2	93.5	-4.6

Direct expenses from banking operations

This item relates to direct costs incurred in connection with banknotes in circulation (including remuneration to agencies) plus commission and charges from the management of financial investments and gold, plus securities commissions retroceded (cf. item no. 10 in the income statement). The latter, together with lower gold handling fees, resulted in the decrease in this position.

Maintenance of mobile tangible assets and software

In the last two years, major parts of the IT infrastructure have been renewed. During this restructuring, the old and the new infrastructure have operated in parallel, which resulted in higher maintenance costs, especially in the previous year.

Consulting and other third-party support

This consisted primarily of consultancy and support in connection with building- and IT-related projects. The increased amount can be ascribed to the rebuilding project at the Zurich head office.

In the 2003 financial year, auditing mandates were entrusted to PricewaterhouseCoopers AG (business audit), KPMG and Ernst & Young Ltd (IT audit). Fees totalled CHF 99,000 and CHF 128,000 respectively.

Other general overheads

In addition to general administrative expenses, other general overheads comprise procurement of information (market information systems) and outlays on security, plus contributions to operating costs and investments at Study Centre Gerzensee totalling CHF 7.3 million (2002: CHF 7.6 million) and a CHF 0.7 million payment to Eurex Zürich AG as a contribution towards the costs of the electronic trading platform. This contribution was justified by the major importance of repo transactions for the National Bank.

Gold

Item no. 15
in the balance sheet

In 2003 the National Bank sold 283.4 tonnes of gold at an average price of CHF 15,733 per kilogram. The proceeds came to CHF 4,458.8 million. In the previous year, 281.9 tonnes of gold had been sold at an average price of CHF 15,524 per kilogram. The average prices and the proceeds do not include the net result from the hedging of the currency risk on the US dollar proceeds from gold sales.

The physical gold holdings are stored at various locations in Switzerland and abroad.

	2003		2002	
	tonnes	CHF millions	tonnes	CHF millions
Gold ingots	1 225.1	20 312.5	1 486.7	22 727.2
Gold coins	175.2	2 904.9	175.2	2 678.1
Total	1 400.3 ¹	23 217.3	1 661.9	25 405.2

1 The difference from the previous year is due to gold sales plus variations in the size of outstanding gold lending transactions (cf. item no. 16 in the balance sheet).

Claims from gold transactions

Transactions are effected with Swiss and foreign financial institutions that enjoy good credit ratings.

Item no. 16
in the balance sheet

	2003		2002	
	tonnes	CHF millions	tonnes	CHF millions
Claims from gold lending transactions	232.9	3 908.7	254.6	3 932.5
Claims from unsecured gold lending	128.9	2 146.2	158.7	2 438.8
Claims from secured gold lending ¹	104.0	1 762.5	95.9	1 493.7
Claims on metals accounts	0.1	1.9	0.1	1.8
Total	233.0	3 910.7	254.7	3 934.4

1 Secured by the deposit of first-class securities with a market value of CHF 1,887.9 million (2002: 1,717.6 million).

Foreign currency investments¹

	2003			2002		
	millions		share	millions		share
	original currency	CHF	percent	original currency	CHF	percent
Government paper²		46 438.9	82.5		41 844.4	79.0
USD	12 687.4	15 681.6	27.8	9 616.8	13 340.4	25.2
EUR	16 032.5	24 988.2	44.4	15 674.9	22 767.8	43.0
GBP	1 211.5	2 670.1	4.7	1 338.9	2 988.8	5.6
DKK	9 631.1	2 015.8	3.6	8 983.1	1 758.0	3.3
CAD	1 131.6	1 083.2	1.9	1 124.3	989.4	1.9
Monetary institutions³		1 417.2	2.5		1 590.6	3.0
USD	425.9	526.4	0.9	800.2	1 110.1	2.1
EUR	351.8	548.3	1.0	165.9	240.9	0.5
GBP	99.5	219.3	0.4	21.1	47.1	0.1
DKK	289.1	60.5	0.1	915.2	179.1	0.3
CAD	63.5	60.8	0.1	14.0	12.3	0.0
Others		1.9	0.0		1.1	0.0
Banks⁴		8 455.5	15.0		9 506.0	18.0
USD	3 396.4	4 198.0	7.5	4 542.8	6 301.8	11.9
EUR	2 427.6	3 783.7	6.7	2 033.2	2 953.2	5.6
GBP	85.8	189.2	0.3	27.5	61.4	0.1
DKK	1 357.2	284.1	0.5	964.7	188.7	0.3
CAD	0.3	0.3	0.0	0.3	0.3	0.0
Others		0.4	0.0		0.6	0.0
Total⁵		56 311.7	100.0		52 941.2	100.0
USD	16 509.7	20 406.0	36.2	14 959.9	20 752.4	39.2
EUR	18 811.9	29 320.2	52.1	17 873.9	25 961.9	49.0
GBP	1 396.8	3 078.6	5.5	1 387.5	3 097.3	5.9
DKK	11 277.4	2 360.4	4.2	10 862.5	2 125.8	4.0
CAD	1 195.4	1 144.2	2.0	1 138.6	1 002.0	1.9
Others		2.3	0.0		1.7	0.0

1 The breakdown by currency refers to basic investments and does not take currency hedging transactions into account.

2 Government paper is mainly denominated in the currency of the country of issue.

3 The debtor category "monetary institutions" refers to investments at the Bank for International Settlements (BIS), at central banks and in securities of multilateral development banks.

4 Bank investments are effected with institutions enjoying high credit ratings.

5 Of this, non-negotiable investments account for CHF 5,265.8 million (2002: CHF 4,070.8 million).

Reserve position in the IMF

The reserve position corresponds to the difference between the Swiss quota in the IMF financed by the National Bank and the IMF's Swiss franc credit balance held at the National Bank. It may be likened to a currency reserve position and may be used as such by the National Bank at any time.

Item no. 18
in the balance sheet

		2003		2002	
		millions		millions	
		original currency	CHF	original currency	CHF
Swiss quota in the IMF	XDR	3 458.5	6 390.7	3 458.5	6 531.1
less IMF's Swiss franc sight balances at the National Bank ¹	XDR	-2 072.1	-3 828.8	-2 044.7	-3 861.3
Total	XDR	1 386.4	2 561.9	1 413.8	2 669.8

1 Balances after deduction of accrued interest amounting to XDR 3.0 million (CHF 5.5 million) on the reserve position (2002: XDR 3.7 million or CHF 7.1 million)

International payment instruments

Special Drawing Rights (XDR) are interest-yielding sight balances with the IMF. The National Bank has undertaken towards the IMF to purchase XDR against foreign currencies up to a limit of XDR 400 million.

Item no. 19
in the balance sheet

		2003		2002	
		millions		millions	
		original currency	CHF	original currency	CHF
International payment instruments ¹	XDR	24.8	45.8	54.5	103.0

1 In addition, undertakings of XDR 375.3 million (2002: XDR 345.8 million) were outstanding at the end of 2003 (cf. p. 110).

Balance of payments support

The bilateral loans are medium-term loans used for internationally coordinated balance of payments assistance in which Switzerland participates by providing a tranche. At the end of 2003, only one loan (a euro-denominated credit to Bulgaria) was outstanding.

The PRGF (Poverty Reduction and Growth Facility) is a trust fund administered by the IMF which finances long-term low-interest loans to low-income developing countries.

The Confederation guarantees the interest and principal repayments both on the bilateral loans and on Switzerland's participation in the PRGF credit account.

Item no. 20
in the balance sheet

		2003		2002	
		millions		millions	
		original currency	CHF	original currency	CHF
Bilateral loan to Bulgaria	EUR	14.4	22.4	14.4	20.9
PRGF credit facility ¹	XDR	132.0	243.8	150.4	284.1
Interim PRGF credit facility ²	XDR	33.0	61.0	6.1	11.5
Total			327.2		316.5

1 No further undertakings have been outstanding since the end of 2002.

2 In addition, undertakings of XDR 217.3 million (2002: XDR 243.9 million) were outstanding at the end of 2003 (cf. p. 110).

**Item no. 21
in the balance sheet**

Claims from repo transactions in Swiss francs

Repo transactions are used to provide the banking system with liquidity or to withdraw liquidity from the system against the repurchase of securities.

The claims from repo transactions in Swiss francs are secured by paper from the SNB GC Basket. This collateral consists of bonds of Swiss and foreign issuers acceptable to the National Bank, of money market debt register claims of the Confederation and the cantons (in each case denominated in Swiss francs), of euro-denominated paper issued by the German Federal Government or the Republic of Austria, and of euro-denominated German Jumbo Pfandbriefe.

In regulating the money market, the National Bank may use repos to withdraw liquidity from the market. No liquidity-reducing transactions were conducted in 2003.

**Item no. 22
in the balance sheet**

Lombard advances

Lombard loans are used by the banks to bridge unforeseeable liquidity shortfalls in the short term.

	2003	2002	Change
	CHF millions	CHF millions	CHF millions
Credit lines outstanding at year-end ¹	9 408.3	9 327.4	+80.9
Value of collateral at year-end ²	9 984.2	10 194.1	-209.9
Yearly average of drawn advances	10.0	16.1	-6.1
Drawdowns on the peak day	500.7	800.0	-299.3

1 Number of credit lines: 134 (2002: 146)

2 Market prices less 10–35%

**Item no. 23
in the balance sheet**

Claims against domestic correspondents

419 branches of 55 banks (2002: 440 branches of 57 banks) perform local cash redistribution transactions for the National Bank and cover the cash requirements of federal agencies and of enterprises associated with the Federal Government (Swiss Post and Swiss Federal Railways). The claims attract interest at the Lombard rate less 200 basis points.

	2003		2002		Change
	CHF millions	% weighting	CHF millions	% weighting	CHF millions
Domestic borrowers	4 713.0	61.5	4 624.9	65.9	+88.1
Confederation	2 060.1	26.9	1 691.0	24.1	+369.1
Cantons	785.0	10.3	653.2	9.3	+131.8
Municipalities	358.2	4.7	360.0	5.1	-1.8
Mortgage bond institutions	1 336.6	17.5	1 216.1	17.3	+120.5
Banks	173.1	2.3	704.6	10.0	-531.5
Foreign borrowers	2 314.7	30.2	1 809.1	25.8	+505.6
Governments	938.4	12.3	785.7	11.2	+152.7
Banks	1 376.3	18.0	1 023.4	14.6	+352.9
International organisations	630.2	8.2	584.4	8.3	+45.8
Total market value	7 657.9	100.0	7 018.4	100.0	+639.5
Total nominal value	7 047.1		6 337.4		

Participations (not consolidated) in CHF millions

	Percentage held	Value as at 31/12/2002	Investments	Divestments	Changes in value	Value as at 31/12/2003
Orell Füssli ¹	33%	27.0	-	-	-	27.0
BIS ²	3%	60.9	-	-	-	60.9
Others		0.6	-	-	-0.0	0.6
Total		88.6			-0.0	88.6

Tangible assets

Tangible assets are capitalised at their historical cost and written down on a straight-line basis over their estimated useful life. Low-value acquisitions of less than CHF 1,000 are charged directly to general overheads.

The stocks of new banknotes which have not yet been put into circulation are stated at cost. These production costs are charged to the income statement at the time the notes enter into circulation.

The fixed assets under construction refer to a refurbishing project at the Zurich head office.

"Sundry tangible assets" mainly comprises hardware, machinery, equipment, furnishings and vehicles.

Item no. 25
in the balance sheet

1 Orell Füssli Holding Ltd, Zurich, whose subsidiary Orell Füssli Security Documents Ltd produces Switzerland's banknotes.

2 The interest in the Bank for International Settlements (BIS) is held by reason of collaboration on monetary policy.

Item no. 26
in the balance sheet

Schedule of assets (in CHF millions)

	Bank-note stocks	Real estate ¹	Specific conversion work	Fixed assets under construction	Software	Sundry tangible assets ²	Total
Period of depreciation	as per usage	100 years	10 years	no depreciation	3 years	3–12 years	
Historical cost							
Gross values as at beginning of 2003	149.9	326.1	42.4	–	22.1	75.2	615.8
Additions	41.5	0.1	2.3	6.4	8.3	9.8	68.3
Disposals	–44.4	–	0.0	–	–5.1	–13.8	–63.2
Reclassified		–	–0.0	–	–0.0	0.0	
Gross values as at end-2003	147.0	326.1	44.7	6.4	25.3	71.2	620.8

Cumulative depreciation³

Valuation adjustments as at beginning of 2003		15.6	7.7		6.2	52.5	82.1
Additions		3.3	4.3		8.2	9.3	25.1
Disposals		–	–		–5.1	–13.6	–18.7
Reclassified		–	0.0		0.0	0.0	
Valuation adjustments as at end-2003		18.8	12.0		9.4	48.2	88.5

Net book values

Net book values as at beginning of 2003	149.9	310.5	34.7	–	15.9	22.6	533.7
Net book values as at end-2003	147.0	307.3	32.7	6.4	15.9	23.0	532.3

1 The insured value of the real estate at end-2003 was CHF 339.8 million (end-2002: CHF 337.8 million).

2 The insured value of sundry tangible assets at end-2003 was CHF 82.5 million (end-2002: CHF 73.5 million).

3 The depreciation on real estate and the specific conversion work is cumulative as of 1996 (when the accounting and valuation principles were amended) and that on sundry tangible assets as of the date on which their use commenced.

Item no. 27 in the balance sheet

1 Coins comprise the commemorative coins and medallions acquired from Swissmint which are placed in circulation by the National Bank.

2 Positive gross replacement values correspond to unrealised gains on derivative financial instruments and on outstanding spot transactions. By far the greater part of this item is derived from foreign currency forward transactions concluded to hedge currency risks on the free assets (cf. p. 111).

Sundry assets

	2003 CHF millions	2002 CHF millions	Change CHF millions
Coins (including medallions) ¹	290.2	337.4	–47.2
Foreign notes	0.6	0.3	+0.3
Other accounts receivable	20.9	6.6	+14.3
Prepayments and accrued income	3.6	3.0	+0.6
Cheques and bills of exchange (collection business)	0.5	0.4	+0.1
Positive gross replacement values ²	668.2	592.8	+75.4
Total	983.9	940.6	+43.3

Banknotes in circulation

Item no. 28
in the balance sheet

This comprises all banknotes held by the general public and the banks. Of the banknotes originating from the sixth issue, which were recalled in May 2000 and are exchangeable at the National Bank until 30 April 2020, notes to the value of CHF 2.1 billion were still outstanding at the end of the year (2002: CHF 2.3 billion).

Sight deposit accounts of domestic banks

Item no. 29
in the balance sheet

The sight deposit accounts of the 262 (2002: 274) domestic banks do not bear interest. They form the basis on which the National Bank controls monetary policy and facilitate cashless payments within Switzerland. They are also a component of the liquidity which the banks are legally required to hold.

Liabilities towards the Confederation

Item no. 30
in the balance sheet

The sight deposits of the Confederation facilitate the domestic and international payments transactions of the federal agencies and associated enterprises. These deposits, for amounts of up to a maximum of CHF 600 million, bear interest at the Lombard rate less 200 basis points.

Interest at the market rate is paid on the time deposits of the Confederation.

Sight deposits of foreign banks and institutions

Item no. 31
in the balance sheet

The 220 (2002: 221) sight deposit accounts of the 91 foreign banks (2002: 88) and of the 102 monetary and other institutions (2002: 133) are denominated in Swiss francs and do not bear interest.

Other sight liabilities

Item no. 32
in the balance sheet

	2003	2002	Change
	CHF millions	CHF millions	CHF millions
Sight deposits of non-banks	13.4	28.3	-14.9
Deposit accounts ¹	138.4	130.4	+8.0
Cheque liabilities ²	1.6	1.2	+0.4
Total	153.4	159.9	-6.5

1 Primarily accounts of employees and retirees
2 Bank cheques drawn on the National Bank but not yet cashed

The item deposit accounts also contains liabilities towards pension funds amounting to CHF 16.8 million (2002: CHF 16.6 million).

**Item no. 33
in the balance sheet**

Foreign currency liabilities

	2003		2002	
	millions		millions	
	original currency	CHF	original currency	CHF
towards the Confederation		0.5		0.5
from repo transactions ¹		130.0		146.1
USD	105.1	130.0	69.9	96.9
GBP	–	–	22.0	49.1
Total		130.5		146.6

1 Relating to the management of foreign currency investments

**Item no. 34
in the balance sheet**

Sundry liabilities

	2003	2002	Change
	CHF millions	CHF millions	CHF millions
Other liabilities	12.6	6.1	+6.5
Accrued liabilities and deferred income	3.0	5.6	–2.6
Negative gross replacement values ¹	159.2	178.4	–19.2
Total	174.8	190.2	–15.4

1 Negative gross replacement values correspond to unrealised losses on derivative financial instruments and on outstanding spot transactions. By far the greater part of this item is derived from foreign currency forward transactions concluded to hedge currency risks on the free assets (cf. p. 111).

**Item no. 35
in the balance sheet**

Provision for the assignment of free assets

This provision reflects the fact that an amount of gold initially totalling 1,300 tonnes is no longer required for monetary purposes and that, within the foreseeable future, the National Bank will release the proceeds from the sale of this gold for other public uses.

	2003	2002
	CHF millions	CHF millions
Development		
Position on 1 January	20 296.9	19 217.6
Allocated to provisions ¹	912.4	1 079.3
Position on 31 December	21 209.3	20 296.9

1 Corresponds to the net gain/loss from gold in the free assets (cf. item no. 01 in the income statement)

Until such time as the gold sales have been completed, the size of the provision will be commensurate with the proceeds from gold sales to date, the market value of the as yet unsold portion and the cumulative net result from hedging transactions.

	2003		2002	
	CHF millions	tonnes	CHF millions	tonnes
Composition				
Cumulative proceeds from gold sales	14 677.6	956.9	10 218.8	673.5
Market value of the as yet unsold portion of gold from the free assets	5 690.4	343.1	9 571.1	626.5
Cumulative net result from hedging transactions	841.3		507.1	
Total (position on 31 December)	21 209.3	1 300.0	20 296.9	1 300.0

Provision for market and liquidity risks on gold

Under the profit distribution agreement of 5 April 2002 with the Federal Department of Finance, the targeted level of currency reserves now also factors in gold reserves (basis: 1,290 tonnes of gold) in addition to foreign exchange reserves. Consequently, the provision for market and liquidity risks on gold was integrated into the provision for market, credit and liquidity risks with effect from 1 January 2003 (cf. 95th Annual Report 2002, pp. 49 and 106).

Item no. 36
in the balance sheet

	2003	2002
	CHF millions	CHF millions
Position on 1 January	7 817.5	7 419.5
Allocated to provisions		398.0
Allocated to provisions for market, credit and liquidity risks	-7 817.5	
Position on 31 December	-	7 817.5

**Provisions for operating risks and provisions for market,
credit and liquidity risks**

	2003	2002
	CHF millions	CHF millions
Provisions for operating risks		
Position on 1 January	461.9	465.9
Released from provisions	-3.5	-4.0
Allocated to provisions	3.2	-
Position on 31 December	461.5	461.9
Provisions for market, credit and liquidity risks		
Position on 1 January	38 518.4	40 252.9
Transferred from the provision for market, credit and liquidity risks on gold ¹	7 817.5	
Allocated to/released from provisions	336.3	-1 734.5
Position on 31 December	46 672.2	38 518.4
Total (position on 31 December)	47 133.7	38 980.3

¹ cf. item no. 36 in the balance sheet

Payments for early retirements that resulted from the new cash distribution concept have been charged to the provision for operating risks.

In 2003 the National Bank adjusted its organisational structure. In this connection, additional restructuring provisions totalling CHF 3.2 million were set aside (cf. p. 76)

After setting aside the published annual profit of CHF 2,808.3 million, CHF 336.3 million was allocated to the provisions for market, credit and liquidity risks. Provisions were again in excess of the targeted level. However, the distributable surplus as per the profit calculation concept (cf. p. 108f.) decreased further.

Share capital

The share capital of the National Bank remains unchanged. Totalling CHF 50 million, it is divided into 100,000 registered shares of CHF 500 each, of which 50% (CHF 250) is paid up.

In the 2003 financial year, the Bank Committee authorised the transfer of 4,403 shares to new holders.

The shares were distributed as follows:

	Number of shares	in % of shares registered
2,539 private shareholders with a total of	28 129	34¹
of whom 2,184 shareholders with 1–10 shares each		
of whom 325 shareholders with 11–100 shares each		
of whom 19 shareholders with 101–200 shares each		
of whom 11 shareholders with over 200 shares each		
83 public-sector shareholders with a total of	54 799	66
of whom 26 cantons with a total of	38 981	
of whom 24 cantonal banks with a total of	14 473	
of whom 33 other public authorities and institutions with a total of	1 345	
Total 2,622 shareholders with a total of	82 928²	100
Registration applications pending or outstanding for	17 072	
Total shares	100 000	

1 of which 7% are legal entities and 27% private individuals
2 of which 3,111 shares are in foreign ownership (no voting rights)

Due to the legally stipulated maximum dividend of 6%, the price of the National Bank share usually develops along similar lines to a long-term Confederation bond. At year-end it stood at CHF 982, compared with CHF 911 at the beginning of the year. During the course of the year, it peaked at CHF 1,080. The price payable for the shares is lower than the market price by CHF 250 (i. e. the non paid-up amount).

The number of transactions diminished by 53% year-on-year while the number of pending or outstanding applications for registration edged up by 2.7%. Compared with the previous year, the number of registered private shareholders decreased slightly by 52.

The following major shareholders held more than 5% of the voting rights, i. e. at least 5,000 registered shares:

	Number of shares		Percentage held	
	2003	Change from previous year	2003	Change from previous year
Canton of Berne	6 630	–	6.63%	–
Canton of Zurich	5 200	–	5.20%	–

Reserve fund

The reserve fund was increased by CHF 1.0 million (the legally permitted maximum) to CHF 68.0 million by an allocation from the 2002 annual profit.

Annual profit – calculation and distribution

The calculation of profit takes due account of the special features of the National Bank's operations. Consequently, it does not distribute its entire earnings surplus but allocates funds to provisions which cover macroeconomic risks as well as serving the customary business management purposes. The provisions are used primarily as a means of forming currency reserves. These reserves allow the National Bank to intervene on the market in the event of the Swiss franc becoming excessively weak. The currency reserves also make Switzerland's national economy less vulnerable to international crises and thereby ensure confidence in the Swiss franc. The need for currency reserves is growing in line with the size and globalisation of the Swiss economy.

The distribution of profits by the National Bank takes account of this circumstance in that the provisions formed for this purpose on the liabilities side of the balance sheet are to be increased in step with the growth of nominal GDP. The targeted percentage rise is based on the average increase over the past five years. This avoids the need for subsequent corrections and prevents large fluctuations from year to year. The residual surplus as specified in art. 27 para. 3 (b) of the National Bank Law is calculated after the other statutory profit distributions have been established (art. 27 paras. 1–2 and para. 3 (a) NBL). Such a surplus exists if actual provisions exceed the target figure.

As of 2003, the targeted level of currency reserves now also takes monetary gold reserves (basis: 1,290 tonnes of gold) into account. For this reason, the targeted level of provisions as at 1 January 2003 was increased by the amount of the provisions for market and liquidity risks on gold. Moreover, the actual provisions for market and liquidity risks on gold are grouped together with the actual provisions for market, credit and liquidity risks under a single balance sheet heading (cf. 95th Annual Report 2002, p. 105).

As of the 2003 financial year, the size of the annual profit distribution is determined by two agreements between the National Bank and the Federal Department of Finance. Under the main agreement on the distribution of profit concluded on 5 April 2002 it was agreed that – in order to smooth the payments in the medium term – distributions to the Confederation and the cantons would be fixed at CHF 2.5 billion p.a. for the period 2003–2012 on the basis of an earnings forecast. This main agreement deals with the current profits earned by the National Bank on its monetary assets and with the reduction in excess provisions. The supplementary agreement concluded on 12 June 2003 relates to income accruing to the National Bank's free assets. According to this agreement, the National Bank will – as of spring 2004 and until such time as different legislation enters into force – distribute one-third of these earnings to the Confederation and two-thirds to the cantons. In line with the gold sales in progress, the annual distribution will grow from CHF 300 million in spring 2004 to CHF 500 million from spring 2006 onwards (cf. p. 48).

Target levels of provisions for market, credit and liquidity risks and for operating risks, and calculation of the residual surplus and distribution

	Growth in nominal GDP ¹	Provisions for market, credit and liquidity risks, and for operating risks at year-end		Residual surplus prior to distribution	Distribution	Residual surplus for future distributions
	in percent (average period) ²	CHF millions		CHF millions	CHF millions	CHF millions
		targeted level	actual level prior to distribution ³	at end-year	in the following year	
(1)	(2)	(3)	(4) = (3) - (2)	(5)	(6) = (4) - (5)	
2000 (1994–1998)	2.0	26 655.4	40 860.5	14 205.1	1 500.0	12 705.1
2001 (1995–1999)	2.6	27 337.8	42 218.8	14 881.0	1 500.0	13 381.0
2002 (1996–2000)	3.3	28 239.9	41 480.3	13 240.4	2 500.0	10 740.4
2003 (1997–2001)	2.3	36 886.7 ⁴	49 933.7 ⁴	13 047.0	2 800.0	10 247.0
2004 (1998–2002)	2.4	37 772.0				

1 until 2002: nominal GNP

2 The data are revised on a continuous basis. The growth rates shown in the table thus differ slightly from the percentages calculated on the basis of the latest available data.

3 The balance sheet items “Provisions for market, credit and liquidity risks” and “Provisions for operating risks” correspond to this figure less the distribution to the Confederation and the cantons.

4 After integration of the provisions for market and liquidity risks on gold as at 1 January 2003 (CHF 7,817.5 million)

3.4 Notes regarding off-balance-sheet business

	2003	2002	Change
	CHF millions	CHF millions	CHF millions
Contingent liabilities			
Documentary credits ¹	2.6	3.6	-1.0
Other contingent liabilities	1.5	-	+1.5

¹ Chiefly in connection with development aid provided by the Confederation (covered by balances earmarked for this purpose)

	2003	2002	Change
	CHF millions	CHF millions	CHF millions
Irrevocable undertakings			
Two-way arrangement (IMF) ¹	693.4	652.9	+40.5
General Arrangements to Borrow (GAB) and New Arrangements to Borrow (NAB) ²	2 845.6	2 940.3	-94.7
Interim PRGF ³	401.5	460.6	-59.1

¹ National Bank undertaking to purchase Special Drawing Rights against currency up to the agreed maximum of XDR 400 million or to return the Special Drawing Rights in exchange for currency (cf. item 19 in the balance sheet)

² Credit line totalling XDR 1,540 million (of which a maximum of XDR 1,020 million in the context of the GAB) in favour of the IMF for special cases, without a federal guarantee (cf. p. 65)

³ Limited-term credit undertaking to the IMF's trust fund amounting to XDR 250.0 million (cf. p. 65f.)

	2003	2002	Change
	CHF millions	CHF millions	CHF millions
Other obligations not carried on the balance sheet			
Additional funding obligation for registered shares of BIS ¹	110.9	133.1	-22.2
Liabilities from long-term rental and maintenance contracts	28.1	27.1	+1.0

¹ BIS shares are only 25% paid up. The additional funding obligation is now calculated in Special Drawing Rights (instead of gold francs as in the period up to 2002)

and is thus closely dependent on the respective exchange rate. The decrease is due solely to the fall in this exchange rate.

	2003	2002	Change
	market value in CHF millions	market value in CHF millions	CHF millions
Assets pledged or assigned as collateral for own liabilities¹			
Foreign currency investments			
USD	163.5	137.4	+26.1
EUR	87.7	37.3	+50.4
GBP	11.9	62.6	-50.7
Swiss franc securities			
	-	4.2	-4.2
Total¹	263.2	241.5	+21.7

1 Collateral lodged in connection with repo and futures transactions

	Contract value	Gross replacement value	
	CHF millions	CHF millions	
		positive	negative
Outstanding derivative financial instruments			
Interest rate instruments	50 896.6	65.7	36.0
Forward contracts ¹	11 035.5	3.2	0.2
Interest rate swaps	6 826.5	61.1	34.1
Futures	33 034.6	1.3	1.8
Foreign exchange	13 718.4	601.6	123.1
Forward contracts ¹	13 718.4	601.6	123.1
Precious metals	1 127.3	1.0	0.1
Forward contracts ²	291.7	0.3	0.1
Options (OTC) ³	835.6	0.7	-
Total, end-2003	65 742.3	668.2	159.2
Total, end-2002	39 391.9	592.8	178.4

1 Including spot transactions with value date in the new year

2 From spot sales and gold lending transactions with value date in the new year

3 From options written in connection with gold sales programmes and entailing a cap (contractually agreed spot sales with price ceiling)

	2003	2002	Change
	CHF millions	CHF millions	CHF millions
Fiduciary investments			
Fiduciary investments of the Confederation	550.2	414.4	+135.7

4 Proposals of the Bank Council to the Annual General Meeting of Shareholders

At its meeting of 5 March 2004, the Bank Council accepted the proposal of the Bank Committee to approve the 96th Annual Report for 2003, as presented by the Governing Board, for submission to the Federal Council and the Annual General Meeting of Shareholders.

On 24 March 2004, the Federal Council approved the Annual Report and the annual financial statements pursuant to art. 63 para. 2 (i) of the National Bank Law. The Auditing Committee produced its report pursuant to art. 51 para. 2 of the National Bank Law on 3 February 2004.

The Bank Council presents the following motions to the Annual General Meeting of Shareholders:¹

1. that the present Annual Report including annual financial statements be approved;
2. that the statutory bodies entrusted with the Bank's administration be granted discharge;
3. that the annual profit of CHF 2,808,330,408 be appropriated as follows:
allocation to the reserve fund
(art. 27 para. 1 NBL) CHF 1 000 000.--
payment of a dividend of 6%
(art. 27 para. 2 NBL) CHF 1 500 000.--
payment to the Federal
Finance Administration:
 - for the account of the cantons, CHF 0.80 per
capita (art. 27. para. 3 (a) NBL) CHF 5 830 408.--
 - for the account of the Confederation
and the cantons
art. 27. para. 3 (b) NBL
 - ordinary distribution of profits
as per the agreement of 5 April 2002 CHF 2 500 000 000.--
 - distribution of profits as per the
supplementary agreement of
12 June 2003 Fr. 300 000 000.--

Fr. 2 808 330 408.--

¹ For the proposals regarding appointments to the Bank Council and the appointment of the Auditing Committee, see p. 81.

5 Report of the Auditing Committee to the Annual General Meeting of Shareholders

Dear Mr Chairman
Ladies and Gentlemen

As the Auditing Committee, we have audited the books of account and annual financial statements (balance sheet, income statement and notes) of the Swiss National Bank for the year ended 31 December 2003. We confirm that we meet the legal requirements concerning professional competence and independence.

Our audit was conducted in accordance with the Swiss auditing standards promulgated by the profession, which require that an audit be planned and executed in such a way that any significant errors in the annual financial statements can be identified with a reasonable degree of certainty. We examined the individual items and data in the financial statements using analyses and investigations based on spot checks as well as on reports supplied by PricewaterhouseCoopers Ltd. We also assessed the application of the accounting principles used, the principal valuation decisions and the presentation of the financial statements as a whole. We believe that our audit provides a reasonable basis for our assessment.

According to our assessment, the annual financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the Swiss GAAP FER. We should, however, point out the particular features (explained in the notes to the accounts) of the accounting methods used by the Swiss National Bank as Switzerland's central bank and note-issuing institution.

We further confirm that the books of account and the annual financial statements as well as the proposals for the appropriation of the annual profit comply with the provisions of the National Bank Law and the Swiss Code of Obligations.

We recommend that the financial statements submitted to you be approved.

Berne, 3 February 2004

The Auditing Committee:

Hans Michel

Chairman

Maryann Rohner

Vice-Chairwoman
Certified auditor

Kaspar Hofmann

Chief auditor
Certified auditor