

## Preface

Ladies and Gentlemen

According to art. 7 para. 2 of the National Bank Act (NBA), which entered into force on 1 May 2004, the National Bank is obliged to report to the Federal Assembly each year on the fulfilment of its tasks as defined in art. 5 NBA. Furthermore, the SNB is required – pursuant to art. 7 para. 1 NBA – to submit its Business and Financial Report to the Federal Council for approval, before handing it, together with the Audit Board's report, to the General Meeting of Shareholders for subsequent approval.

The first part of the 97<sup>th</sup> Annual Report of the National Bank comprises the Accountability Report to the Federal Assembly (pp. 6–66). The Accountability Report is submitted to the Federal Council and the General Meeting of Shareholders for information purposes only, and does not require their approval. It details the National Bank's fulfilment of its statutory mandate – in particular the conduct of monetary policy – and also describes economic and monetary developments in the year under review.

The Business Report, for the attention of the Federal Council and General Meeting of Shareholders, deals with the organisational and operational development of the National Bank and its business activity, and includes the Financial Report, which contains the income statement, balance sheet and notes (pp. 68–150).

From an organisational and operational perspective, the implementation of the new NBA played a pivotal role in the year under review. This required the drafting and passing of the SNB's legal basis (National Bank Ordinance, Organisation Regulations, Terms of Business, Guidelines on Monetary Policy Instruments, Investment Policy Guidelines and other internal regulations). It also involved the election and appointment of the new Bank Council (reduced to eleven members), its four committees and the new Audit Board. In addition, the Enlarged Governing Board, consisting of the three members of the Governing Board and their three deputies, commenced its activities. It is responsible for the operational management of the National Bank, while the conduct of monetary policy remains the mandate of the Governing Board. Furthermore, investment policy was adjusted to suit the extended legal scope. Finally, the National Bank's new mandate with regard to the stability of the financial system needed to be defined.

The sale of the 1,300 tonnes of gold no longer required for monetary policy purposes was pursued as planned in the year under review, and will be completed by spring 2005. The political debate on the appropriation of the proceeds from the sale of these gold reserves continued throughout the year. The National Council and the Council of States were unable to agree on a joint bill. After the Council of States' decision on 16 December – for the second time – not to consider the bill, the Federal Council decided on 2 February 2005 to distribute the gold proceeds pursuant to the existing law, with one-third going to the Confederation and two-thirds to the cantons. The proceeds will be distributed in spring 2005, based on the financial results for 2004.

The SNB's financial results for 2004 registered a distributable profit of CHF 20.7 billion, as compared with CHF 2.3 billion a year earlier. This profit refers to the amount after the planned increase of the provisions prescribed in the NBA. Under the terms of the current profit distribution agreements, a total of CHF 24 billion will be distributed to the Confederation and the cantons for the 2004 financial year. The surplus for future distributions is thus reduced in the balance sheet by CHF 3.3 billion to CHF 6.9 billion.

We wish to thank the bank authorities as well as our employees for their valuable support over the past year.

Berne and Zurich, 25 February 2005

**Hansueli Raggenbass**

President of the Bank Council

**Jean-Pierre Roth**

Chairman of the Governing Board