

Preface

Ladies and Gentlemen

In accordance with art. 7 para. 2 of the National Bank Act (NBA), the Swiss National Bank is obliged to submit an annual accountability report to the Federal Assembly in which it outlines how it has fulfilled its mandate 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 this year's report – the 98th Annual Report of the National Bank – comprises the Accountability Report to the Federal Assembly (cf. pp. 6–65). This is submitted to the General Meeting of Shareholders for information purposes only, and does not require their approval. It explains in detail how the National Bank has fulfilled its statutory mandate – in particular the conduct of monetary policy – and also describes the economic and monetary developments in the year under review. A summary of the Accountability Report is provided on pages 7–9.

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 (cf. pp. 66–115).

From an organisational and operational perspective, the consolidation of new organisational structures and partially new procedures played a pivotal role in the year under review. In October 2005, the National Bank decided to bring its operational structures into line with the continuing concentration of activities in cash transactions. As a consequence, 18 jobs will be cut in the cash distribution services. The cash office in Lugano is due to be closed at the end of 2006 as it no longer has the processing volume needed for rational operations. Nevertheless, the National Bank will maintain its presence in Ticino with a delegate for regional economic relations.

The preparatory work that began in 2004 on the production of a potential new series of banknotes culminated in 2005 in a design competition. The outcome of the competition was decided in November, when three award winners were chosen. The National Bank now has to decide which designer should be given the mandate to develop the submissions further. It is unlikely that the new banknotes will be put into circulation before 2010.

The sale of the 1,300 tonnes of gold no longer required for monetary policy purposes was concluded in March 2005. The proceeds – amounting to CHF 21.1 billion – were distributed from the 2004 annual result to the Swiss Confederation and the cantons. This was in addition to the planned distribution of profits (CHF 2.9 billion) for the 2004 financial year. The proceeds were distributed in ten weekly tranches between the beginning of May and mid-July 2005.

Owing to an unusual accumulation of favourable market developments, particularly with regard to the gold price and the US dollar, the annual result for 2005 came to CHF 12.8 billion (2004: CHF 21.6 billion, including the proceeds from the gold sales for distribution). In accordance with the current profit distribution agreement, the amount to be paid out to the Confederation and the cantons for 2005 should total CHF 2.5 billion. The surplus for future distributions will increase by CHF 9.5 billion to CHF 16.5 billion.

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

Berne and Zurich, 24 February 2006

Hansueli Raggenbass

President of the Bank Council

Jean-Pierre Roth

Chairman of the Governing Board