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7 March 2001

To:
The Hague Arbitral Tribunal (Bank for International Settlements)

NOTICE OF ARBITRATION and STATEMENT OF CLAIM

Your Honor,
in the note to private shareholders from 15 September 2000 (callable from the internet site www.bis.org), the Bank for International Settlements (BIS) announced an Extraordinary General Meeting on 8 January 2001 with a view to amending the Statues of the BIS so as to exclude private shareholders against payment of CHF 16,000 per share. The Extraordinary General Meeting approved the proposals.

As one of the excluded private shareholders, I call upon the Hague Arbitral Tribunal (Bank for International Settlements) in order to let verify the amount of the compensation. I wish written proceedings. Please, send registered letters with notice of receipt to my above address to communicate with me.

I claim from the Bank for International Settlements, 4002 Basel, Switzerland, the increase of the compensation by payment of 24,196 Swiss francs per share plus 3 ¼ % p.a. interest from 8 January 2001 on; additionally, I claim for the paid 16,000 Swiss francs per share, likewise, 3 ¼ % p.a. interest from 8 January 2001 till the date of the payment of this amount.

Now, I discuss the issue of the valuation of the BIS shares and my claim resulting from this in detail:

I oppose to the dividend perpetuity model (DPM) for the valuation of the shares applied by the experts charged by the bank. This method is suitable if a company distributes the major portion of its net profit as dividend. Let us think of a company which is retaining its profits totally. Following the DPM, the shares would valueless — an absurd result ! For the last two financial years, the Bank for International Settlements distributed less than a fifth of the net profit; the DPM is, therefore, not acceptable.

As additional arguments for the little compensation, the bank refers to the low prices on the stock exchange and the lack of voting right of the private shareholders. The extreme undervaluation of the BIS shares was, first of all, caused by the small dividends and, therefore, by the bank itself. The business policy of the bank is ruled by the founder members as major shareholders. There is no divisive voting in the General Meetings of the BIS; the exclusion of the private shareholders was decided unanimously, too. Therefore, no particular importance should be attached to the lack of voting right of the private shareholders.

The earning—power value method gives the value of a share as the quotient of the net profit per share and the bond yield. I calcu-

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late the net profit per share of the financial year 1999/2000 as the product of the dividend per share and the ratio of the figures for net profit and dividend payment from the Profit and Loss Ac-co-unt of the bank:

CHF 340.00 .(307,824,257 / 54,658,243) = CHF 1,914.81

The weighted average AAA bond yield of the major international currencies was circa 5.0 % on the day of the elimination of the private shareholders, 8 January 2001. It is justified to apply the rate for very best debtors, because the BIS share is without any risk thanks to the extremely solid business policy of the bank. The value of the BIS share is calculated as circa

CHF 1,914.81 / .050 = CHF 38,296

For the financial year ending 31 March 2001, I expect a record profit; the sales of gold by order of the Swiss central bank yield a huge commission. Therefore, the value of the BIS share increases further.

The method of adjusted net asset value for the valuation of the BIS share is, likewise, suitable - not, however, the discount of 45% “estimated” by the experts of J.P. Morgan & Cie SA. On the contrary, in the case of a well earning bank, we have to think of a premium because the bank will increase the net assets by its future profits. The adjusted net asset value of the BIS share is stated by the experts (as average of three dates) as USD 19,099, converted (with the average USD prices on those dates) CHF 31,550. With an adequate premium, a value results which is similar to that from the earning-power value method presented previously.

Furthermore, it has to be considered that the private shareholders were deleted from the bank’s share register near the end of the financial year. From 1 April 2000 till 7 January 2001, they still were shareholders and are, therefore, entitled to the net profit of that period, estimated circa CHF 1,900 per share.

My upshot: The DPM applied by the experts charged by the bank is not acceptable. Using two different methods, I have shown that the value of the BIS share was, on the basis of last year’s figures, circa CHF 38,296. Adding the net profit of 77 % of the financial year 2000/2001, circa CHF 1,900 per share, a fair compensation of CHF 40,196 per share is calculated. CHF 16,000 per share were paid, so I claim additional 24,196 Swiss francs per share.

The compensation was due to the excluded private shareholders on the day of their elimination, 8 January 2001. For both parts of the compensation, interest has to be paid from that day on, on which he money market rate for Swiss francs was 3 ¼ % p.a.

If you wish to consult an *independent* expert in this matter, I recommend to you Prof. Dr. Ekkehard Wenger, holder of the chair for science of business management, banking, and finance at the university of Würzburg. Surely, he would come to a valuation completely different from that of the expertises ordered by the bank. His address is found at the internet site www.wifak.uni-wuerzburg.de/bwl4/bwl4.htm:

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Yours faithfully,
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