

1 Organisation

Unlike many foreign central banks, the Swiss National Bank is not a government-owned bank: it is an independent public-law institution in the form of a joint-stock company. All its shares are registered shares and are listed on the stock exchange. Shareholders' voting rights are restricted by statute to Swiss citizens, Swiss public-law corporations and legal entities whose main establishment is in Switzerland. Cantons and cantonal banks hold 54% of the shares; the Canton of Berne owns 6.63% (6,630 shares), the Canton of Zurich 5.20% (5,200 shares). The remaining shares are mostly held by private persons. The Confederation does not hold any shares.

Legal form

The National Bank is administered with the cooperation and under the supervision of the Confederation. The National Bank Law lays down the main features of the organisation and of the Annual General Meeting of Shareholders. Company by-laws have not been issued. Shareholders' participatory rights are limited. Shareholders not belonging to the public-law sector may not cast more than 100 votes for own and represented shares (Art. 35, para 3 NBL), and only a minority of the 40 members of the Bank Council is elected by the Shareholders' Meeting (Art. 38 NBL). Shareholders may be represented at the Annual General Meeting by other shareholders only (Art. 29 NBL). Notifications to shareholders are, in principle, made by registered mail to the last address listed in the share register and are published in the Swiss Official Gazette of Commerce (Art. 11 NBL). Shareholders do not receive any information not equally accessible to the public (see also the chapter on Publications, page 130f., as well as in the Internet).

Special law instead of articles of association

The Governing Board, which consists of three members of equal status, is entrusted with the Bank's management. The Governing Board is the top management and executive body of the National Bank. Each member heads one of the three Departments. The members of the Governing Board are appointed by the Federal Council at the proposal of the Bank Council. The Governing Board enjoys a high degree of independence in fulfilling its monetary policy mandate. The Governing Board and the Federal Council must inform each other before passing any major monetary and economic policy decisions. The branch offices are headed by the local managements. These conduct the branches' business in accordance with the regulations and the directives of the Governing Board. The Bank Council, Bank Committee and Auditing Committee are responsible for the supervision of the National Bank's business activity.

Management and supervision

The National Bank has two head offices: the legal domicile in Berne and the seat of the Governing Board in Zurich. Department I and Department III are in Zurich, Department II is in Berne. To ensure the distribution of currency, the National Bank has – in addition to the two head offices – branch offices with cash distribution services in Geneva and Lugano. Four more branch offices located in Basel, Lausanne, Lucerne and St Gallen as well as the head offices and the branch offices that maintain cash distribution services are responsible for monitoring economic developments in the regions. The National Bank maintains 16 agencies operated by cantonal banks for the receipt and distribution of banknotes and coins. Moreover, it has an extensive network of banking correspondents which serve as agents for local payment transactions. The National Bank is not structured as an affiliated group.

Structure

Auditors

According to Art. 51 NBL, the Annual General Meeting elects the six members of the Auditing Committee every year. Since the 1999 financial year, the Auditing Committee has consisted of the specialists (certified auditors and bank specialists) listed on page 124. On the one hand, the Auditing Committee bases its reports on partial audits of auditing companies and, on the other hand, on reports of the internal auditors.

The Auditing Committee submits a written report to the Bank Council (Code of Obligations, Art. 729a). In autumn 2002, direct contacts were institutionalised between the President of the Bank Council, the Auditing Committee and the internal auditors with a view to improving mutual information and risk assessment. The Bank Council and the Bank Committee do not have an auditing committee.

The members of the Auditing Committee received remuneration totalling Sfr 48,000 for outlays and attendance fees in the 2002 financial year.

In the 2002 financial year, auditing mandates were entrusted to Pricewaterhouse-Coopers Ltd (business audit) and Ernst & Young Ltd (IT audit). Fees totalled Sfr 127,000 and Sfr 51,000 respectively.

Monetary policy

The National Bank's chief task is to pursue a monetary policy serving the overall interests of the country. Department I is responsible for the monetary policy concept. The Economic Division analyses the economic situation and developments in Switzerland and abroad, produces the inflation forecast and provides the basis for monetary policy decisions. It also supplies the statistical data. The international aspects of monetary policy are dealt with by the International Affairs Division. The Monetary Operations Division of Department III implements monetary policy (by carrying out transactions) in the financial markets. The Financial Stability and Oversight Division of Department II concerns itself with questions of stability of the financial system.

Regional Economic Relations

The head offices and branch offices assist the Economic Division in analysing the economic situation and development by reporting on regional economic conditions in Switzerland. For this purpose, they are in contact with a large number of companies from all sectors as well as with the major trade associations.

Management of assets

The National Bank's foreign currency reserves are allocated and managed by the Monetary Operations Division of Department III, gold reserves and Swiss franc reserves by the Banking and Administrative Division of Department II.

Cash transactions

The National Bank exercises its mandate in the field of cash transactions by issuing banknotes and putting the coins minted by the Confederation into circulation via its network of bank offices. It assures that the quality of currency in circulation is kept on a high level by checking the cash returned to the National Bank and by disposing of those banknotes and coins which no longer meet the requirements as well as counterfeits. These tasks fall within the domain of the Cash Division of Department II.

Cashless payment transactions

Moreover, the National Bank participates in the planning and processing of cashless payment transactions. Conceptual and technical issues in the area of cashless payment transactions are dealt with by the Financial Stability and Oversight Division in Department II and the Banking Operations and Information Technology Division in Department III. Cashless payment transactions with the banks are processed by Department III, those with the Confederation by Department II.

Bank of the Confederation

Acting as the bank of the Confederation is a function primarily performed by Department II. It maintains the accounts, carries out domestic and foreign payments on behalf of the Confederation, participates in the floating of bonds and holds the Confederation's securities in safe custody. Department III executes money market and foreign exchange transactions on behalf of the Confederation.

2 Staff and resources

At the end of 2002, the National Bank staff numbered 617 persons (including 15 apprentices). It thus exceeded the previous year's level by 32 persons. Converted into full-time jobs, the number of employees rose from 543.6 to 573.6 persons. The number of part-time employees was up by 11 to 138 persons, corresponding to 22.4% working part-time. Personnel turnover dropped to 4.6% in 2002 from 7.9% in the previous year.

Most of the measures for improving job satisfaction and motivation among National Bank employees, which were devised and introduced as a consequence of the employee satisfaction analysis carried out in 2001, have been implemented. They were largely designed to improve internal communication.

Special measures introduced in the two previous years helped the National Bank to bring its salary level in 2002 in line with that of relevant competitors. This made it possible to implement a consistent salary policy devoid of special factors.

In the field of information technology, the National Bank completed its efforts towards a strategic new orientation to the new systems and applications architecture. In the fourth quarter, the last modules of a comprehensive banking applications package were implemented in the payment transactions and the accounting sections. In an overall assessment of the IT section it was established that the renewal goals (user-oriented approach, flexibility vis-à-vis changing business requirements and a high degree of security) have been achieved. The current IT systems and the environment set up for their operation provide a solid basis for further steps in expansion in the coming years. Basic features of the continued development of information technology were also outlined in the assessment. The existing applications and the technical infrastructure were further expanded while duly taking into account new user needs and new technological developments. In the Monetary Operations Division, important applications (foreign exchange transactions, market information system) were renewed.

The project planning stage for the conversion of the cashier's office and the mezzanine floor and the renewal of the building's technical equipment at the Zurich Head Office have been completed so far that the comprehensive and complex construction work can be started at the beginning of 2003. The premises at Nüscherstrasse 22 in Zurich, strategic reserves of office space owned by the National Bank, is to be converted and will be ready for occupation by the Zurich Head Office as from the first quarter 2005. Assessments and preliminary project studies relating to this building have been drawn up as a basis for the planning work.

In addition to other goals, the National Bank's first ecological charter contained specific guidelines for reducing the consumption of natural resources between 1996 and 2002. The National Bank's environmental performance evaluation for the 2001 financial year shows that all the target values have already been reached except the electricity coefficient, where the projected savings target of 10% was narrowly missed. Paper consumption was gratifyingly low, declining to less than half the original quantity per staff member and year in the period from 1996 to 2001. The activities of the environmental unit were concentrated on incorporating environmental targets in the performance guidelines of those line sections and staff members performing tasks of above-average ecological relevance.

Number of staff and turnover

Survey on employee satisfaction

Salary policy in line with the market

Developments in information technology

Property management

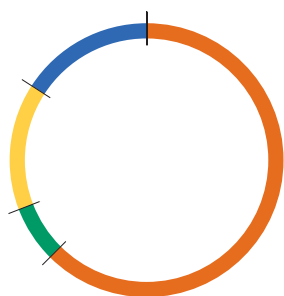
Environmental performance evaluation

Unchanged share of costs from cash transactions

Minor changes in the other positions

The bulk of the National Bank's total operating costs is incurred by cash transactions. These include the costs of producing banknotes and costs arising in connection with banknote and coin circulation. While the share of costs from note and coin circulation declined markedly in recent years due to the reduced number of cash distribution and processing services, the introduction of euro cash in 2002 led to a higher demand for banknotes. Accordingly, the share of costs stemming from cash transactions did not diminish for the first time in years, remaining unchanged from the previous year's level at 41% of total operating costs. The costs in connection with cashless payments fell from 4% in the previous year to 3%. This position includes the services of the National Bank in interbank payment transactions as well as services in the area of payment transactions on behalf of other central banks and international organisations.

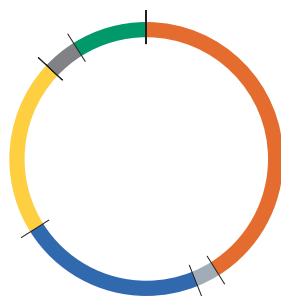
The position asset management, which comprises the costs relating to foreign exchange, money market, securities, gold and Lombard business and the management of financial investments and gold holdings, rose by 1 percentage point to 22% of total operating costs. The main factors contributing to this development relate to the expansion of the Bank's business activity, i.e. the increased expenses for the management of the international reserves and free assets, notably the management of gold holdings. The item monetary policy, which includes the costs involved in planning and formulating monetary policy as well as the costs for compiling statistics, accounted for 21%. This was slightly less than in the previous year. The share of the cost unit services on behalf of the Confederation dropped by 1 percentage point to 4%, while the share of the cost unit services on behalf of third parties rose by 2 percentage points to 9% of total costs. The item services on behalf of the Confederation includes the costs of all services the National Bank provides on behalf of the Federal Government and associated institutions. The position services on behalf of third parties comprises the Bank's contribution to the Study Center Gerzensee, expenses for international cooperation (notably with the International Monetary Fund) and technical assistance to foreign central banks.



Personnel
Number of employees

- Full-time, men 386
- Part-time, men 40
- Full-time, women 93
- Part-time, women 98

Total: 617.
End 2002



Cost units
in percent

- Cash transactions 41
- Cashless payment transactions 3
- Asset management 22
- Monetary policy 21
- Services for the Confederation 4
- Services for third parties 9

3 Swiss National Exhibition Expo.02

The Swiss National Bank participated in the Swiss National Exhibition Expo.02 with its own pavilion, employing Sfr 15 million for the project. Entitled "Money and Value – The last taboo", the exhibition was designed by Harald Szeemann. This topic established the link between the National Bank's activity and the discussion of values the Expo.02 was striving to promote. During the 159 days of the Expo.02, the National Bank exhibition on the Biel arteplage, housed in a cube with a gold-leaf façade, attracted over a million visitors. A comprehensive catalogue, published by the Swiss National Bank with Edition Oehrli, Zurich, documents the exhibition.

**The pavilion of the Swiss
National Bank**

4 Changes in the bank authorities and management

Bank Council

On 10 April 2002, the Federal Council appointed
Hansueli Raggenbass, Kesswil, National Councillor, Attorney-at-law, formerly member of the Bank Council, as President of the Bank Council.
He took office after the Annual General Meeting.

On 27 March 2002, the Federal Council elected the following new members to the Bank Council:
Micheline Calmy-Rey, Geneva, Head of the department of finance of the canton of Geneva,
Ueli Forster, St Gallen, Chairman of the Swiss Business Federation (economiesuisse), Chairman of the Board of Forster Rohner Ltd, textile company,
Thomas Isler, Wädenswil, President of the Swiss Textile Federation (association of Swiss textile and clothing industry), Chief Executive Officer of Gessner AG, silk weaving mill, Wädenswil,
Ralph Lewin, Basel, Member of the cantonal government and Head of the economic affairs and social welfare department of the canton of Basel-Stadt.

At the Annual General Meeting of Shareholders held on 26 April 2002, the following new member was elected to the Bank Council:
Hansueli Loosli, Basel, President of the Executive Committee, Coop.

At the end of 2002, as a result of her election to the Federal Council,
Micheline Calmy-Rey, Geneva, Federal Councillor, resigned her position as member of the Bank Council.

On the day of the Annual General Meeting of 25 April 2003 the Bank Council's four-year term of office comes to an end. The following members are resigning their position:
Philippe Pidoux, Lausanne, Attorney-at-law, Vice-President of the Bank Council,
Fritz Blaser, Reinach, Chairman of Schweizerischer Arbeitgeberverband (Swiss employers' association),
Hansjörg Frei, Mönchaltorf, Chairman of the Swiss Insurance Association (SIA),
Heinz Pletscher, Löhningen, former Chairman of the Swiss contractors' association.

The National Bank thanks the retiring members for their valuable services.
Special thanks are extended to Philippe Pidoux, the departing Vice-President of the Bank Council.
In 1991,
Philippe Pidoux was elected to the Bank Council, which appointed him as delegate to the Bank Committee in 1993. In 1999 the Federal Council elected him Vice-President of the Bank Council.

On 14 March 2003, the Federal Council appointed
Ruth Lüthi, Member of the cantonal government and Head of the health and social welfare department of the canton of Fribourg, hitherto member of the Bank Council, as Vice-President of the Bank Council. Mrs Lüthi will take office after the Annual General Meeting of 25 April 2003.

The other members of the Bank Council are available for re-election. Three of the five vacant positions are to be filled by the Annual General Meeting of Shareholders, two by the Federal Council.

On 14 March 2003, the Federal Council elected the following new members to the Bank Council:

Simonetta Sommaruga, Spiegel near Berne, National Councillor, President of the Swiss Foundation for Consumer Protection,

Werner Messmer, Kradolf-Schönenberg, National Councillor, Chairman of the Swiss contractors' association.

The Bank Council proposes to the Annual General Meeting that the following new members be elected:

Charles Favre, Echallens, National Councillor,

Albert Lauper, Villars-sur-Glâne, Group Chief Executive Officer of Swiss Mobiliar Holding Ltd.,

Rudolf Stämpfli, Berne, joint owner and CEO of Stämpfli Holding Ltd., President-Elect of Schweizerischer Arbeitgeberverband (Swiss employers' association).

With effect from 13 June 2002, the Bank Council delegated the following members to the Bank Committee:

Bank Committee

Ueli Forster, Chairman of the Swiss Business Federation (economiesuisse), as successor to Andres F. Leuenberger,

Armins Jans, Professor of Economics at the University of Applied Sciences, Winterthur, as successor to Yvette Jaggi.

Effective as of the date of the Annual General Meeting of 26 April 2002, the following committee members resigned their positions:

Local Committees

Hans-Heini Gasser, Lungern, Chairman of the Board of the Obwalden Electric Power Plant, Chairman of the Local Committee of Lucerne since 1999 (Member since 1994),

Corrado Kneschaurek, Muzzano, President of the Ticino Hotel Association, Chairman of the Local Committee of Lugano since 1999 (Member since 1994),

Wera Hotz-Kowner, Erlenbach, Managing Director of Jakob Kowner AG, Chairwoman of the Local Committee of Zurich since 1999 (Member since 1994).

The National Bank thanks the resigning individuals for their services to the Bank.

The Bank Council made the following appointments:

Lugano

Giancarlo Bordoni, Viganello, CEO and Chairman of the Board of Oleificio Sabo SA, Manno.

Lucerne

Werner Steinegger, Schwyz, Chairman of the Board of Celfa AG, Schwyz.

Zurich

Reto Müller, Dietikon ZH, Chairman of the Board and CEO of Helbling Holding SA.

The Bank Committee made its appointments for the chairmanship and vice-chairmanship of the different Local Committees according to seniority.

Auditing Committee	Upon the proposal of the Bank Council, the Annual General Meeting of Shareholders of 26 April 2002 elected the incumbent office holders:
	Kaspar Hofmann, Adliswil, Certified Auditor, Hofmann Wirtschaftsprüfung AG, Chief Auditor since the 1996 business year, as Member,
	Hans Michel, Egnach, as Member,
	Maryann Rohner, Zurich, Certified Auditor, Treureva AG, as Member,
	Josef Blöchlinger, Begnins, Certified Auditor, Moore Stephens Refidar SA, as Substitute Member,
	Jean-Claude Grangier, Epalinges, as Substitute Member,
Werner M. Schumacher, Binningen, Director of Banque Jenni et Cie SA, as Substitute Member of the Auditing Committee.	

The Bank Council proposes to the Annual General Meeting of 25 April 2003 that the current members and substitute members of the Auditing Committee be re-elected.

Governing Board	In view of his election to the Board of Directors of Swiss Life/Rentenanstalt, Bruno Gehrig, Vice-Chairman of the Governing Board and Head of Department III, will resign as of the end of June 2003. In May 1996, Bruno Gehrig was appointed by the Federal Council as a member of the National Bank's Governing Board and Head of Department III and, at the beginning of 2001, as Vice-Chairman.
	With the departure of Bruno Gehrig, the National Bank loses a Vice-Chairman of the Governing Board who has always given his unreserved commitment to central bank policy. Bruno Gehrig was instrumental in shaping important developments and made significant contributions in particular to the further advancement of the Swiss franc money market.
	The bank authorities and the Governing Board would like to take this opportunity to express their gratitude for Bruno Gehrig's dedicated services to the National Bank as well as the excellent and pleasant cooperation.
	On 7 March 2003, the Federal Council appointed
	Niklaus Blattner, hitherto Member of the Governing Board, as Vice-Chairman of the Governing Board and
	Philipp Hildebrand as Member of the Governing Board.
	They will assume their new position on 1 July 2003.

Management	On 18 August 2002, after a long and serious illness,
	Othmar Flück, Assistant Director, Internal Auditors, passed away. He was 62 years old. The National Bank is grateful for his many years of valuable service.
	As of the end of August,
	Hans-Ueli Hunziker, Assistant Director and Deputy Secretary General, relinquished his position at the head office in Berne. In his new function as embassy official at the Swiss Embassy in Washington, he continues to be in the employ of the National Bank.
	Effective 1 August 2002, the Bank Committee appointed
	Alfred Flessenkämper as Deputy Secretary General (Assistant Director).

In connection with the restructuring of Department II, the Bank Committee promoted Daniel Heller to Director and Head of the new Financial Stability and Oversight Division of Department II, with effect from 1 September 2002, Bertrand Rime to Deputy Director and Head of the new System Stability Section with effect from 1 September 2002, and Andy Sturm to Assistant Director and Head of the new Financial Markets Infrastructure Section with effect from 1 October 2002.

Effective 1 November 2002, the Bank Committee appointed Roberto Cippà as Director and Head of the new Bretton Woods Institutions Section in the International Affairs Division of Department I.

Effective 1 January 2003, the Bank Committee promoted Dewet Moser (Head of the Risk Management Section) to Director, Thomas Stucki (Head of the Investment Section) to Director, Peter Fankhauser (Head of Premises, Technical Services, Zurich head office) to Deputy Director, Erich Gmür (Risk Management Division) to Assistant Director, Samuel Grossenbacher (Head of Premises, Technical Services, Berne head office) to Assistant Director, Anne Kleinewefers Lehner (delegate for regional economic relations at the head office in Berne) to Assistant Director, Barbara Rudolf (Economic Analysis Section) to Assistant Director, Marcel Savioz (Research Section) to Assistant Director.