

Structure and organisation of the National Bank

1 Information for shareholders

The National Bank is a joint-stock company under special law that is administered with the cooperation and under the supervision of the Confederation. Its organisational structure and responsibilities are governed by the National Bank Law of 23 December 1953 (NBL, SR 951.11 [Classified Compilation of Federal Law]; the NBL can also be viewed at www.snb.ch). Company by-laws are thus not necessary. The National Bank's statutory bodies are the Annual General Meeting, the Bank Council, the Bank Committee, the Governing Board and the Auditing Committee as well as, on a regional level, the Local Committees and Local Management. The Bank Council is the National Bank's supreme supervisory body (art. 43 NBL). A total of 25 of its members are appointed by the Federal Council, whereas the remaining 15 are elected by the Annual General Meeting (arts. 40 to 42 NBL). The close supervision and control of the Bank's management is the responsibility of the ten members of the Bank Committee (cf. arts. 48 and 49 NBL), which is elected by the Bank Council (art. 48 NBL). The Governing Board is the managing and executive body (art. 52 NBL); its three members are appointed for a six-year term by the Federal Council upon recommendation of the Bank Council (art. 53 NBL). The Auditing Committee, which consists of three members and three substitute members elected by the Annual General Meeting for one year (art. 51 NBL), audits the annual accounts (balance sheet, income statement and notes). Since the financial year of 1999, the Auditing Committee has consisted of the specialists (certified auditors and bank specialists) listed on page 122. The Auditing Committee submits a written report to the Bank Council (art. 729a Code of Obligations). The Bank Council and the Bank Committee do not have an auditing committee.

The rights of the shareholders are also embodied in the National Bank Law; company law is applied merely complementarily (art. 13 NBL). As the National Bank fulfils a public mandate and is administered with the cooperation and under the supervision of the Confederation, the shareholders' rights are restricted compared with a joint-stock company under private law. Only Swiss citizens and Swiss corporations as well as legal entities and companies that have their main office in Switzerland are eligible as shareholders with voting rights (art. 7 NBL). Shareholders who do not belong to the public-law sector may not cast more than 100 votes for their own and for represented shares (art. 35 para. 3 NBL). Shareholders may be represented at the Annual General Meeting only by other shareholders (art. 29 NBL). Only 15 out of the 40 members of the Bank Council are elected by the Annual General Meeting (art. 38 NBL). The right to a dividend is limited to six percent of the paid-up capital (art. 27 para. 2 NBL); the remaining net profit is allocated to the reserve fund and distributed to the Confederation and the cantons (art. 27 paras. 1, 3 and 4 NBL). The Annual Report must be approved by the Federal Council before being submitted to the Annual General Meeting (art. 25 para. 3 NBL). Other provisions deviating from company law concern the adoption of resolutions (art. 34 NBL), the agenda and the convention of the Annual General Meeting (art. 30 NBL).

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 statutory bodies and their members' shareholdings and affiliations are shown in the sections Financial Report (p. 95,) and Supervisory and Executive Bodies (p. 119).

Statutory bodies and responsibilities

Shareholders' rights

Remuneration and affiliations of the SNB's statutory bodies

Information of shareholders

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 pp. 128f., as well as www.snb.ch).

Registered shares listed on the stock market

The registered shares of the Swiss National Bank are traded on the stock market. Cantons and cantonal banks hold 53% of the shares; of this shareholding, the Canton of Berne owns 6.63% (6,630 shares), and the Canton of Zurich 5.20% (5,200 shares). The remaining shares are mostly held by private individuals (cf. p. 107). The Confederation does not hold any shares.

The National Bank is not structured as a group (of affiliated companies).

2 Organisation

Management and supervision

The National Bank is divided into three Departments, each of which is headed by one member of the Governing Board. The Governing Board enjoys a high degree of independence in fulfilling its monetary policy mandate. Both the Governing Board and the Federal Council must inform each other before passing any major monetary and economic policy decisions. Local management conducts the branch offices' business in accordance with the regulations and the directives of the Governing Board. The Bank Council, the Bank Committee and the Auditing Committee supervise the business activity.

Structure

The National Bank has two head offices: the legal domicile in Berne and the seat of the Governing Board in Zurich. Departments I and III are located in Zurich, while Department II is in Berne. To ensure the distribution of currency, the National Bank maintains – in addition to the two head offices – two branch offices with cash distribution services in Geneva and Lugano. Four additional branch offices located in Basel, Lausanne, Lucerne and St Gallen as well as the head offices and the branch offices with cash distribution facilities are responsible for monitoring regional economic developments. 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.

Reorganisation

In 2003 the National Bank adjusted its organisational structure. Some tasks were reallocated within the three Departments. The potential for synergies was used and functions that had become operationally incompatible were separated. Asset management, banking operations and banking services for the Confederation were concentrated in Department III in Zurich. The cash distribution services of the head offices and the branch offices were allocated to Department II in Berne, and Controlling was separated from Central Accounting. The hierarchical structures were flattened. The reorganisation will be concluded in the course of 2004.

The National Bank's chief task is to pursue a monetary policy serving the interests of the country as a whole. The monetary policy concept is drawn up in Department I. The organisational unit Economic Affairs analyses the economic situation and development in Switzerland and abroad, produces the inflation forecast and provides the bases for monetary policy decisions. It also supplies the statistical data. The international aspects of monetary policy are dealt with by International Affairs. The Financial Markets unit of Department III implements monetary policy by carrying out transactions in the financial markets. Financial Stability and Oversight in Department II concerns itself with questions of stability of the financial system.

Monetary policy

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

Regional economic relations

The management and investment of gold, foreign currency reserves and Swiss franc bonds is the responsibility of the two units Asset Management and Financial Markets in Department III. Investment strategy and risk controlling are dealt with by the same-named unit, also in Department III.

Management of assets

The tasks relating to cash transactions fall within the domain of the Cash unit in Department II. The National Bank issues banknotes and puts 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 that no longer meet the requirements, as well as of counterfeits.

Cash transactions

Moreover, the National Bank participates in planning and settling cashless payment transactions. Conceptual and technical issues arising with regard to cashless payment transactions are dealt with by Financial Stability and Oversight in Department II as well as the units Banking Operations and Information Technology in Department III.

Cashless payment transactions

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

Bank of the Confederation

3 Staff and resources

Number of staff and turnover

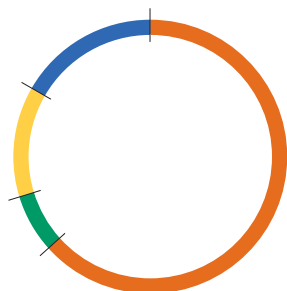
At the end of 2003, the National Bank staff numbered 652 persons (including 20 apprentices). It thus exceeded the previous year's level by 35 persons. Converted into full-time equivalent jobs, the number of employees rose from 573.6 to 607.9 persons. The number of part-time employees was up by 16 to 154 persons, corresponding to a part-time rate of 23.6%. The above-average rise in the number of staff is mainly due to the filling of positions that had remained vacant in previous years and to new tasks assumed by the organisational units International Affairs, Economic Affairs, Financial Stability and Oversight as well as Information Technology. The reorganisation described on page 76 caused 20 jobs to be shifted from Berne to Zurich. Personnel turnover dropped to 3.9% in 2003 from 4.6% a year earlier.

Human resources development

The human resources development concept was fundamentally revised. The newly introduced concept will benefit the Bank's employees by offering demand-oriented staff development measures. As part of the annual employee assessment, the need for development of the individual staff members is systematically determined. On this basis, development targets are set and appropriate measures are selected from a wide range of options. Development at the managerial level was also strengthened. Aside from the well-established courses offered so far, seminars designed for experienced executives are also available. Current and potential members of the management are now additionally offered a competence model helping them to analyse their development potential and needs. This analysis also takes the results of individual assessments into consideration.

Property management

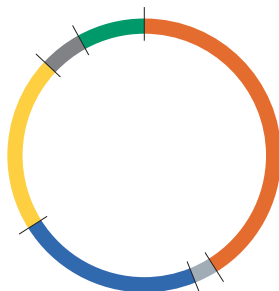
The conversion of the cashier's office and the mezzanine floor as well as the renewal of the technical equipment in the main building of the Zurich head office were started in the first quarter 2003. In October, the first building phase was concluded and the second one started. Maintaining the security level and ensuring disruption-free operations of the Bank during the conversion period was particularly problematic. The planning and construction preparation phases for the conversion of the premises at Nüscherstrasse 22 in Zurich are



Personnel
Number of employees

Full-time, men 413
Part-time, men 45
Full-time, women 85
Part-time, women 109

Total: 652.
End 2003



Cost units
in percent

Cash transactions 41
Cashless payment transactions 3
Asset management 22
Monetary policy 21
Services for the Confederation 5
Services for third parties 8

drawing to a close, and the building permit has been issued. The conversion is scheduled to commence in the second quarter 2004 and the building should be ready for occupation a year later.

Almost all targets set for conserving resources during the period from 1996 to 2002 were attained. The environmental performance evaluation drawn up in the 2003 reporting year shows that environmental pollution caused by the National Bank was lowered by 22% altogether between 1996 and 2002. The major contribution towards the targeted development was achieved by a 14% reduction in electricity consumption. Paper consumption was even cut 58% during this period. Only the goal of reducing water consumption by 20% was missed by 3 percentage points as a result of construction work. The National Bank's revised ecological charter contains new targets for the period from 2003 to 2008. A further 15% reduction in energy consumption is set to have the biggest impact on the environmental performance. In this connection, the CO₂ output from banking activities is planned to be lowered.

A more intense use of the applications systems provided by the Information Technology unit and a strong increase in the total data volume necessitated an upgrade of the network, server and storage infrastructure. All workstations were renewed. In the units Asset Management and Risk Controlling, the renewal of a central asset management application was initiated. Ensuring a high degree of security for IT systems continues to play a vital role and absorbs a significant part of IT resources.

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 had declined markedly in recent years due to the streamlining of the cash distribution and processing network, the introduction of euro cash in 2002 led to an additional demand for banknotes, whose impact was felt until 2003. For the second time in a row, the share of costs stemming from cash transactions did not diminish, remaining unchanged at the year-earlier level of 41% of total operating costs. The costs in connection with cashless payments also remained stable year-on-year at 3% of total operating costs. 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, accounted for 22% of total operating costs, the same percentage as a year earlier. The expansion of the Bank's business activity in the past few years resulted in 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, remained unchanged from the previous year, amounting to 21% of total operating costs. The share of the cost unit services on behalf of the Confederation rose by 1 percentage point to 5%, while the share of the cost unit services on behalf of third parties decreased by 1 percentage point to 8% of total costs. The item services on behalf of the Confederation includes the costs of all services that 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.

**Environmental target period
1996–2002 concluded**

**Developments in information
technology**

**Stabilised share of costs from
cash transactions**

**Minor changes in the other
cost units**

4 Changes in the supervisory authorities and staff

Bank Council

On 25 April 2003, the day of the Annual General Meeting, the Bank Council's term of office (from 1999 to 2003) came to an end. In this regard, the president and the other members of the Bank Council who were eligible to be re-elected and stood for re-election were confirmed in their functions for another term by the Federal Council and the Annual General Meeting (cf. p. 119f.).

On 14 March 2003, the Federal Council elected Ruth Lüthi, Fribourg, Member of the cantonal government and head of the health and social welfare department of the canton of Fribourg, as the new Vice President of the Bank Council and

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

Werner Messmer, Kradolf-Schönenberg, National Councillor, Chairman of the Swiss contractors' association, as new members to the Bank Council.

On 25 April 2003, the Annual General Meeting of Shareholders elected Charles Favre, Echallens, National Councillor, Albert Lauper, Villars-sur-Glâne, Group Chief Executive Officer of Swiss Mobiliar Holding Ltd, and Rudolf Stämpfli, Berne, joint owner and CEO of Stämpfli Holding Ltd, President-Elect of Schweizerischer Arbeitgeberverband (Swiss employers' association) as new members to the Bank Council.

Local Committees

Effective as of the date of the Annual General Meeting of 25 April 2003 and in August 2003 respectively, the following members of the Local Committees of Zurich and Berne resigned their positions:

Kurt E. Feller, Wollerau, Chairman of the Board of Directors of Rieter Holding Ltd, Reto Hartmann, Hünibach.

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

The Bank Council made the following appointments to the Local Committees:

Local Committee of Zurich

Hans R. Rüegg, Rüti, Chairman of the Board and CEO, Baumann Springs Ltd, and

Local Committee of Berne

Oscar A. Kambly, Trubschachen, President of the Board of Kambly SA.

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

<p>Upon the proposal of the Bank Council, the Annual General Meeting of Shareholders of 25 April 2003 elected the incumbent office holders:</p> <p>Kaspar Hofmann, Adliswil, Certified Auditor, Hofmann Wirtschaftsprüfung AG, Chief Auditor since the 1996 business year, as Member,</p> <p>Hans Michel, Egnach, as Member,</p> <p>Maryann Rohner, Zurich, Certified Auditor, Treureva AG, as Member,</p> <p>Josef Blöchlinger, Begnins, Certified Auditor, Moore Stephens Refidar SA, as Substitute Member,</p> <p>Jean-Claude Grangier, Epalinges, as Substitute Member,</p> <p>Werner M. Schumacher, Binningen, Director and CEO of Banque Jenni et Cie SA, as Substitute Member of the Auditing Committee.</p>	Auditing Committee
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<p>In connection with the reorganisation of the statutory bodies under the new National Bank Law and the termination of their term of office respectively, all members of the Bank Council, the Local Committees and the Auditing Committee will retire from their functions with effect from the date of the Annual General Meeting of 30 April 2004. The National Bank thanks all of them for their – in some cases longstanding – valuable services.</p>	Reorganisation of statutory bodies
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Pursuant to articles 39, 42 and 47 of the revised National Bank Law that comes into force on 1 May 2004, the Bank Council will in future be composed of eleven members; the president, the vice president and four other members are to be appointed by the Federal Council, while five members will be elected by the Annual General Meeting. The Local Committees will cease to exist as statutory bodies; the Bank Council may, however, appoint regional advisory councils. Instead of the Auditing Committee, the Annual General Meeting in future will have to appoint an Audit Board on an annual basis.

On 11 February 2004, the Federal Council elected the following persons to the Bank Council:

Hansueli Raggenbass, Kesswil, Attorney-at-law, President of the Bank Council (current),

Ruth Lüthi, Fribourg, Member of the cantonal government and head of the health and social welfare department of the canton of Fribourg, Vice President of the Bank Council (current),

Konrad Hummler, Teufen, Managing Partner of Wegelin & Co. Private Bankers (new),

Marina Masoni, Lugano, Member of the cantonal government and head of the department of finance and economic affairs of the canton of Ticino (new),

Fritz Studer, Meggen (new),

Eveline Widmer-Schlumpf, Felsberg, Member of the cantonal government and head of the finance and military department of the canton of Grisons (new).

<p>The Bank Council proposes to the Annual General Meeting of Shareholders of 30 April 2004 that the following persons be elected as members of the new Bank Council:</p> <p>Ueli Forster, St Gallen, Chairman of the Swiss Business Federation (economiesuisse), Chairman of the Board of Directors of Forster Rohner Ltd</p> <p>Serge Gaillard, Bolligen, Executive Secretary of the Swiss federation of trade unions</p> <p>Armin Jans, Zug, Professor of Economics at the Zurich University of Applied Sciences, Winterthur</p> <p>Franz Marty, Goldau, Chairman of the Board of the Swiss Union of Raiffeisen Banks</p> <p>Alexandre Swoboda, Geneva, Professor at the Graduate Institute of International Studies</p>	Proposals to the Annual General Meeting of Shareholders
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the following Audit Board be appointed for the 2004/05 term of office:

PricewaterhouseCoopers AG, Zurich

Management

Effective 1 July 2003, the Bank Committee elected

Thomas Kübler as Head ad interim of the Basel Branch Office and as member of the management.

Effective 1 January 2004, the Bank Committee promoted

Thomas Jordan (Head of Research) to Director,

Hans Kuhn (Head of Legal Service) to Director

Eveline Ruoss (Head of Economic Analysis) to Director

Hugo Bischof (Lugano Branch Office) to Assistant Director

Livio Lugano (Statistics) to Assistant Director

Nicolas Stoffels (Economic Analysis) to Assistant Director

Attilio Zanetti (Economic Analysis) to Assistant Director

Jean-Daniel Zutter (Geneva Branch Office) to Assistant Director

At the end of December 2003,

Erwin Sigrist, Deputy Head of Department III, retired.

Mr Sigrist was appointed to office by the Federal Council in February 1998.

His commitment and expertise were much appreciated. The National Bank thanks him for his services.

At the end of July 2003,

Anton Föllmi, Director of the Basel Branch Office, retired. Mr Föllmi served the National Bank for 40 years, including in a position at the OECD in Paris, as Head of Statistics and – upon appointment by the Federal Council – as Director of Branch Office.

Thanks are extended to him for all he has given to the National Bank.
