

Annual report 1981
Abridged version

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1. Economic developments and central bank policy - a summary

1.1. International economic developments

The economic situation in the main industrial countries was characterised in 1981 by slow real growth, high inflation and increasing unemployment. There was thus a continuance of the tendencies observed since the spring of 1980.

The world economy in 1981:
– slow real growth
– high inflation
– increasing unemployment

In recent years, developments in the raw material markets have limited the western economies' scope for growth, a preponderant role having been played by higher costs for oil. The sharp increase in the price of oil led to a deterioration in the terms of trade between oil-importing and oil-exporting countries and hence to a massive transfer of incomes between these groups of countries.

Reduced possibilities of real growth since the beginning of the 1970s

In the first half of the 1970s the majority of national authorities had reacted to the changed environmental conditions by an expansionary monetary and fiscal policy, believing that this would enable them to counteract the slowing-down in growth. This policy was a failure. The further rise in inflation and unemployment was not prevented but, if anything, assisted. In various countries the business community moreover attempted to delay the necessary adjustments to the reduced possibilities of real economic growth and called – tough with little success – for the adoption of protectionist measures by the government.

Growth problems not solved by an expansionary monetary and fiscal policy

In the mid-1970s some countries changed over to a restrictive monetary and fiscal policy. They set growth targets for monetary aggregates with the object of putting an end to inflationary expectations. Up to 1979, however, they often failed to achieve the monetary targets. Not until the beginning of the 1980s were the aims of monetary policy more consistently pursued, although in the meantime the growth in the gross national product had declined and unemployment had increased.

A reversal of the course of monetary policy in 1980 ...

The tightening of monetary policy reflects a shift in economic approach. The belief in the effectiveness of measures to stimulate demand has faded and it has been realised that a decline in real growth and employment cannot be lastingly arrested by an expansionary monetary and fiscal policy. The idea that production and employment can only begin to grow again when the inflationary process has been brought under control has gained support.

... reflects a shift in economic policy approach

The greatly enlarged budget deficits all over the world restricted the scope for counter-cyclical action by means of fiscal policy in 1981. The more pronounced recessionary tendencies were hardly combated anymore by increases in public expenditure.

Counter-cyclical scope of fiscal policy restricted

Record level of interest rates in 1981

The combination of restrictive monetary policies and high inflation pushed up interest rates. The rise and the fluctuations in interest rates were particularly pronounced in the United States. The resultant uncertainty on the international money and capital markets were at times a hindrance to the monetary policies of other countries.

Sharp appreciation of the dollar, with an adjustment in the second half of the year

The international monetary situation in 1981 was marked by the appreciation of the dollar and by adjustments in parities within the European Monetary System. The rise of the dollar reflected the restrictive American monetary policy and the hopes inspired by the economic policy of the new U.S. Administration. When, in the second half of the year, growing doubts began to be felt about the success of this new policy, the value of the dollar declined vis-à-vis all major currencies. The strains within the EMS were mainly due to differences in priorities in the economic policies of the individual countries. The Italian lira and the French franc were devalued and the D-mark and the Dutch guilder revalued.

1.2. Economic developments in Switzerland

The Swiss economy in 1981: mounting inflation and full employment

The main features of economic developments in Switzerland in 1981 were mounting inflation and full employment. The real gross national product rose slightly. Despite the distinct quickening of the rise in prices, Switzerland still belonged to the group of countries with low rates of inflation; but the gap between it and the other OECD countries narrowed. In the labour market there was, especially in the first half of the year, a labour shortage, which was met by increased employment of foreign workers.

Determining factors: monetary policy and the exchange rate

The course of economic activity in Switzerland in 1981 was decisively influenced by the monetary policy pursued during the preceding years and the movement of the exchange rate. The creation of money by the National Bank in 1978 for the purpose of lowering the excessively high exchange rates for the franc led to a strengthening of demand in the subsequent years. As, in view of the instability of the foreign exchange markets, the liquidity created in 1978 was only very cautiously reduced, the level of interest rates remained low at first even when inflation had already begun to rise.

Substantial investment activity

This stimulated building activity and other capital investment – a development which reached its peak in 1980, but continued almost unabated in the first half of 1981. Not until the second half of the year did the effects of the higher interest rates and costs begin to make themselves felt, leading to a decline in new orders in the building sector.

The depreciation of the Swiss franc in the first half of the year gave the Swiss economy a competitive advantage from the exchange rate point of view and contributed to maintain in Switzerland a relatively good level of economic activity. In the second half of the year the Swiss franc appreciated, and the slackening of activity abroad also began to be reflected in the orders received by Swiss industry.

Competitive advantage of the Swiss economy due to the exchange rate

The corollary to the good state of business and the low value of the Swiss franc was a rise in inflation. Owing to the strength of the dollar in 1981, the restrictive monetary policy pursued since 1979 did not yet have any effect on consumer prices. When the franc appreciated in the autumn, the rise in prices slowed down.

Corollary: quickening of inflation

The more restrictive monetary policy, the mounting inflation and the brisk economic activity pushed up interest rates to well above their previous year's level in both nominal and real terms. The high interest rates abroad contributed to the rise in Swiss rates. Short-term rates were generally above those for long-term funds.

The more restrictive monetary policy, high inflation and brisk economic activity led to a rise in interest rates

The good state of economic activity explains the further rise in employment and the low unemployment rate. The number of foreign workers rose, almost reaching the 1977 level. Owing to the slackening of activity in the fourth quarter of 1981, the labour market situation eased towards the end of the year. There was an increase in the number of partially unemployed persons.

Further increase in employment

1.3. The National Bank's monetary and foreign exchange policy

The National Bank's monetary and foreign exchange policy is based on recognition of the fact that, for economic growth to take place without inflation, the expansion in the money supply must be in accordance with the Swiss economy's real possibilities of growth. Hence, the guideline for action in the field of monetary and foreign exchange policy is a medium-term growth in the money supply. By its annual setting of a money supply target the National Bank emphasises its determination to control the growth in the money supply and prevent any chronic inflation.

Medium-term aims of monetary policy

For 1981 a target of 4% had been set for the net growth in the adjusted volume of central bank money (notes issued by and deposits of the private sector with the National Bank, less end-of-month refinancing credits). Owing to the unfavourable international economic prospects, the money supply target was set at a level somewhat above the medium-term objective. The growth

Money supply target for 1981: 4%

in the world economy slackened as had been expected, but the Swiss economy was hardly affected thereby owing to the depreciation of the Swiss franc in the first half of the year.

High inflation led to revision of monetary policy course

The rise in the dollar, which had already begun in the fourth quarter of 1980, continued at the beginning of 1981. Owing to the resultant inflationary impulses, the National Bank expanded the adjusted volume of central bank money less than had been planned. This remained at approximately the previous year's level in the first half of the year. When inflation rates began to rise even faster, the monetary policy pursued became even tighter. In the second half of the year the adjusted volume of central bank money was below its previous year's level. In the end, and on average, its growth rate for 1981 was negative at $-0,5$ percent.

Raising of central - bank lending rates and introduction of a reporting system

When the banks reacted to the more restrictive course of monetary policy by having greater recourse to the traditional forms of central-bank lending, the National Bank repeatedly raised the cost of its credit. Furthermore, a reporting procedure for the end-of-month discount and lombard advances was introduced in May. This enabled a better check to be kept on the movement of the volume of central bank money at the month-ends as well.

Effects on the restrictive monetary policy on exchange rates

The effects of the more restrictive monetary policy duly appeared. Interest rates went up and the value of the Swiss franc rose appreciably in the autumn. The revaluation in relation to the D-mark created problems for some sectors of the economy mainly because of its suddenness and the surprise caused by its extent. The revaluation against the dollar, on the other hand was merely a correction for the opposite movement during the first half of the year. Towards the end of the year the exchange rate settled down at a level which, in view of the fight against inflation, can be regarded as reasonable, a contributory factor having been the interventions – to some extent coordinated with other central banks – undertaken by the National Bank.

Money supply target for 1982: 3%

Towards the end of the year there were increasing signs of a slackening of economic activity. The simultaneous appreciation of the Swiss franc improved the prospects of a slowing-down of the price rise. This enabled the National Bank to steer a somewhat less restrictive course. For 1982 a target of 3% was envisaged for the growth in the adjusted volume of central bank money. The imposition of this limit of 3% means, on the one hand, that the National Bank is going to continue to pursue its policy of combating inflation. On the other hand, the extent of the expansion in liquidity has been so chosen as to avoid accentuating, by monetary action, the decline in economic activity which is expected to take place in 1982.

2. Developments in the Swiss financial markets

2.1. The money market

The National Bank's restrictive monetary policy and the marked growth in demand for credit due to the level of economic activity led to a pronounced rise in Swiss money market rates during the first three quarters of the year. The Euro-franc rates reached values which had not been attained since the period of high interest rates in 1973-74. The rise in interest rates in the United States, the Federal Republic of Germany and other industrial countries also contributed to the upward movement of Swiss money market rates. Via a depreciation of the Swiss franc in real terms, the high rates ruling abroad assisted the cyclical upswing in Switzerland and thus accentuated the rise in interest rates.

Rapid rise in interest rates during the first three quarters

In the fourth quarter a reversal took place. Interest rates declined slightly, but at the end of the year they were still distinctly above their end-1980 level. The three-month Euro-franc rate was $9\frac{3}{16}\%$, in December, after having risen to 12% in September. The big banks' rates of remuneration on three-month deposits were adjusted more quickly than previously to the development of the corresponding Euro-franc rates, so that the differential between these rates narrowed further.

Decline in the fourth quarter

In order to emphasise its restrictive monetary policy, the National Bank raised its rates for discounts and secured advances several times in the course of the year: on 3rd February from 3% to $3\frac{1}{2}\%$ and from 4% to $4\frac{1}{2}\%$ respectively; on 20th February to 4% and $5\frac{1}{2}\%$ respectively; on 11th May to 5% and $6\frac{1}{2}\%$ respectively and on 2nd September to 6% and $7\frac{1}{2}\%$ respectively. In the course of an international round of interest-rate reductions, the rate for secured advances was lowered on 4th December by $\frac{1}{2}\%$. Simultaneously with the raising of the rates in September, the Governing Board decided that for the time being the Bank would no longer grant swap credits at more favourable rates than those for secured advances and that the supply of liquid funds at month-ends be reduced.

Repeated adjustment of the official rates ...

The discount rate applied by the banks for prime bills of exchange rose in 1981 from 5% at the beginning of the year to 8% at the end. In conformity with the raising of the official and market discount rates, the special discount rates for foodstuffs and feedingstuffs and for other obligatory stocks were increased four times (end-of-year level: 6% and $6\frac{1}{4}\%$ respectively).

... and of the market discount rates

Although the official rates were raised several times, the utilisation of the traditional central-bank credit increased, especially at the month-ends, to an extent which was undesirable from the point of view of monetary policy. In May, therefore, the National Bank introduced, on a trial basis, a reporting

Introduction of a reporting system for recourse to central-bank credit

system for the banks' planned utilisation of the traditional central-bank credit at the month-ends. From June onwards the reports were made binding, i.e. the credits actually used had to correspond to the amount reported and were not allowed to be either above or below it. Thanks to the reporting system the National Bank was able to keep the banks' month-end liquidity at the level which it desired. This enabled it to adopt compensatory measures in good time in order to prevent excessive expansion of bank liquidity.

Giro balances totalling Fr. 6.5 billion

Except in January and December, the monthly averages of the giro balances of banks, trade and industry held at the National Bank fluctuated around Fr. 6.5 billion. They were thus sometimes distinctly below the corresponding values for the previous year.

Confederation's monthly money-market debt instruments

During the year the Confederation borrowed by the tender method each month around Fr. 200 million against money-market debt register claims with a life of three months. In addition, similar amounts were raised in February and again in May against six-month money-market debt register claims. The yields obtained were usually 1 to 1½ percentage points below the Euro-franc rates.

The National Bank's credit-granting to the banks *

Month	Credit-granting									
	Swap credits		Discount and lombard advances		Mobilisation of sterilisation rescriptions and bonds of the SNB		Total		of which: end-of-month credit-granting ¹	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	1980	1981	1980	1981	1980	1981	1980	1981	1980	1981
January	4 127	9 759	712	807	21	0	4 860	10 566	929	1 260
February	2 374	9 372	701	1 015	19	6	3 094	10 393	673	540
March	4 419	9 510	775	942	0	0	5 194	10 452	966	943
April	6 290	9 269	1 134	1 373	1	0	7 425	10 642	1 231	634
May	6 111	9 319	860	1 174	0	0	6 971	10 493	535	43
June	7 079	10 089	915	1 588	41	0	8 035	11 677	1 311	939
July	7 002	10 056	1 015	1 531	19	0	8 036	11 587	802	559
August	7 326	8 822	862	1 182	0	0	8 188	10 004	253	493
September	8 583	7 945	928	1 438	23	0	9 534	9 383	1 153	592
October	7 845	7 687	992	1 472	27	0	8 864	9 159	793	442
November	8 493	7 201	875	1 635	0	0	9 368	8 836	407	250
December	11 345	10 104	977	1 694	10	0	12 332	11 798	2 143	1 322

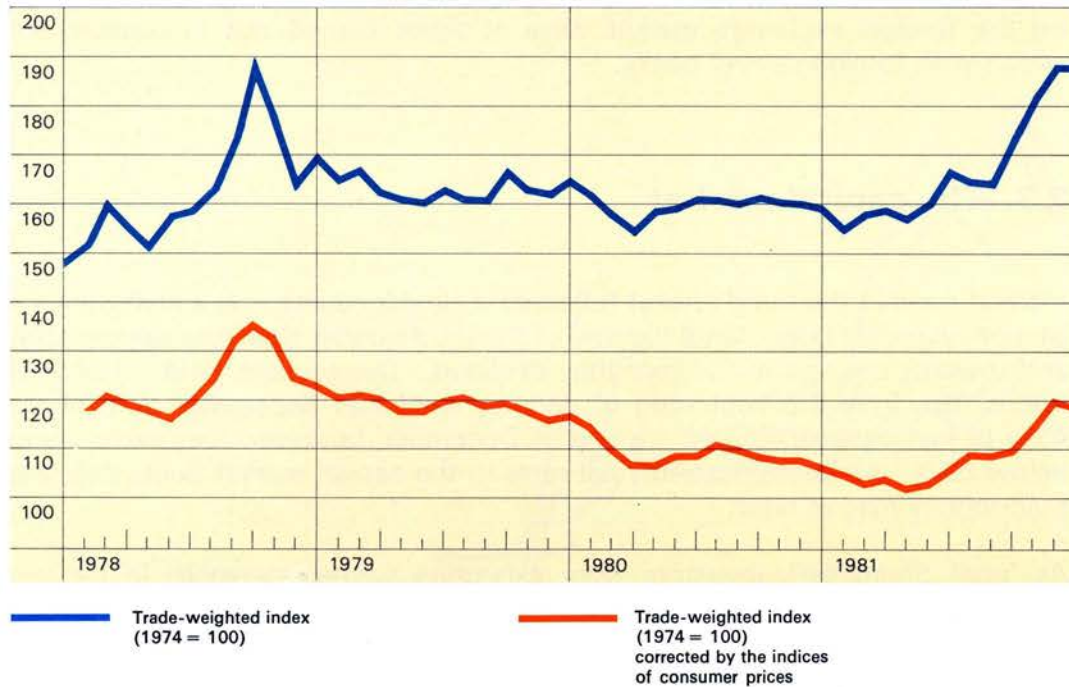
* In billions of francs, monthly averages.

¹ Corresponds to the difference between the volume of central-bank money and the adjusted volume of central-bank money.

Redemption of Carter Bonds

At the end of June, some of the «Carter Bonds» (medium-term Swiss-franc loans of the U.S. Treasury) which had been placed by the United States in Switzerland at the beginning of 1979 matured. In order to counterbalance the increase in bank liquidity in connection with the redemption, swap credits representing a similar amount were not renewed by the National Bank.

Development of the nominal and real exchange rate for the franc since 1978



2.2. The foreign exchange market and exchange rates

The Swiss franc depreciated in the first half of 1981 against the dollar, while remaining stable for the most part in relation to the European currencies and the yen. A reversal began in August. Until the end of the year the Swiss franc gained in value against all currencies. Of particular importance for the Swiss economy was the change in the D-Mark rate from Fr. 86.63 (August) to Fr. 80.29 at the end of 1981 and that in the U.S. dollar rate from Fr. 2.17 (August) to Fr. 1.81 (December).

Depreciation of the Swiss franc against the dollar

The export-weighted index of the rate for the Swiss franc went up in 1981 by 18%. It declined slightly between January and March and then rose again until December. The real exchange rate rose during 1981 by 11,7%, thus reattaining its 1979 level.

Rise in the real, trade-weighted exchange rate

The Swiss National Bank only intervened in the foreign exchange market on a large scale in the autumn of 1981, in order to prevent excessive fluctuations in the rate for the franc, particularly against the D-mark. It at least partly

Modest intervention activity by the National Bank

compensated for the resultant expansion of the volume of central-bank money by refraining from renewing expiring swaps. The intervention purchases on the foreign exchange market were at times carried out in coordinated action with foreign central banks.

2.3. The capital market

Increase in yields until September

Interest rates in the bond market followed a similar course – at a lower level – to money market rates. Until the end of the third quarter they rose appreciably, and towards the end of the year they declined. The average yield on Federal bonds rose from the beginning of January until mid-September from about 4½% to just under 6¼%. At the end of December, however, they were again below 5½%. As in the past, interest rates in the capital market fluctuated less than money market rates.

Rapidly falling rates in the fourth quarter

As, until September, investors were expecting further increases in interest rates, new issues were frequently undersubscribed. Would-be borrowers were repeatedly obliged to abandon issues which had been announced or quickly to improve the terms offered to investors. With the turnaround of interest rates at the end of the third quarter the position on the primary market changed, new issues being oversubscribed.

Greater net recourse to the capital market

Despite the temporary hesitancy displayed by investors, the Swiss capital market remained very productive. Net recourse to the market in the form of issues of bonds and shares reached the record value of Fr. 14.2 billion in 1981 (against Fr. 12.2 billion in 1980). The composition of new issues according to categories of borrowers changed in favour of foreign issuers. New recourse to the market by domestic borrowers decreased from Fr. 7.6 billion in 1980 to Fr. 7.0 billion in 1981, while the bond loans issued by foreign borrowers rose from Fr. 5.4 billion in 1980 to Fr. 7.5 billion in 1981.

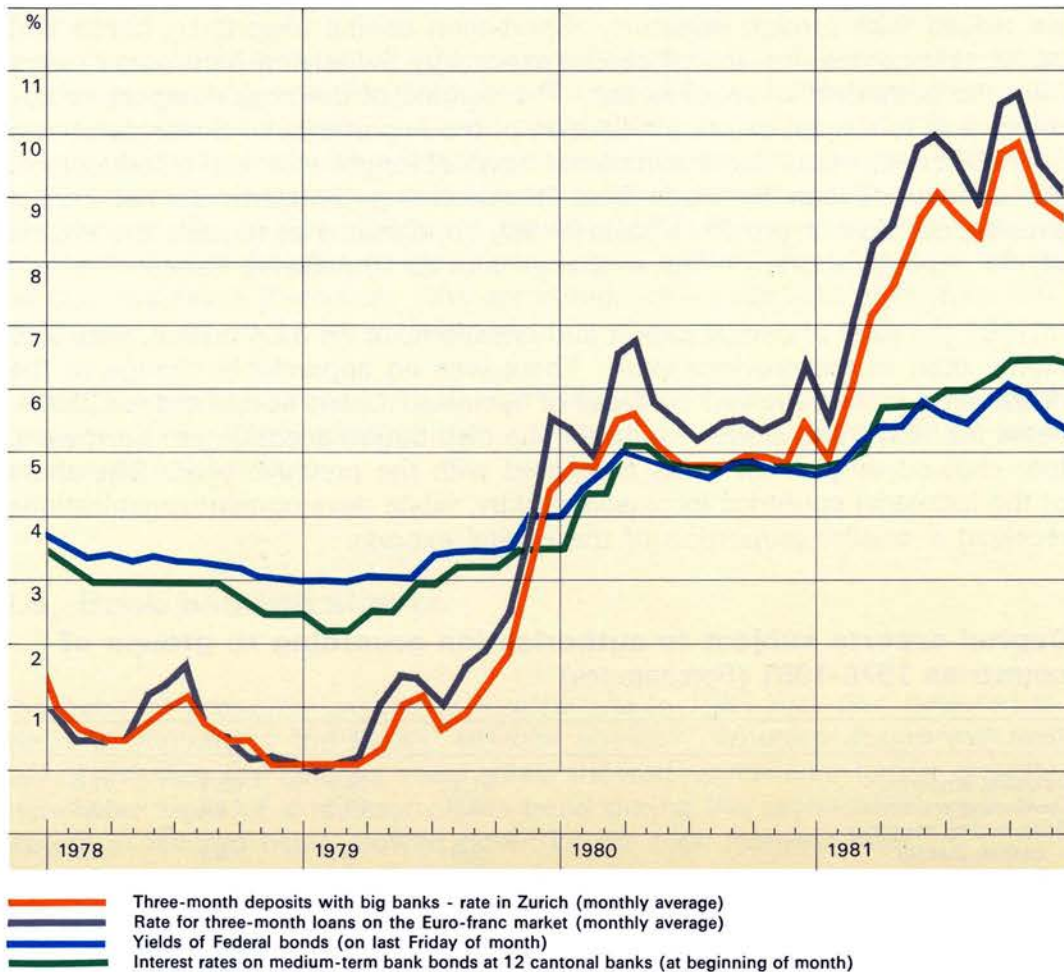
Federal loan issues by tender

The Confederation resorted to the capital market in 1981 in March, May, August, October and December, making use once more of the tender method introduced the previous year. The yields on these loans were 5,61%, 5,87%, 5,69%, 6,10% and 5,40%.

Activities of the Issues Committee

Except in the first quarter, the National Bank did not find it necessary to make any reductions in the proposed loan issues reported. The total amount authorised by the Issues Committee in 1981 came to Fr. 10.2 billion; of this, Fr. 8.7 billion was accounted for by new funds raised and Fr. 1.5 billion by conversions.

Money market and capital market rates



In 1981 the National Bank only intervened slightly in the capital market during the first months. The general rise in interest rates was tolerated in view of the aim of combating inflation.

Slight presence of the National Bank in the capital market

2.4. Capital exports subject to authorisation

By virtue of Article 8 of the Banking Law, the issuing of foreign loans and medium-term notes and the granting of credits to borrowers domiciled abroad by banks and investment companies in Switzerland are subject to authorisation

Legal basis

if these transactions amount to Fr. 10 million (notes: Fr. 3 million) or over and are for a period of one year or over. The majority of the bonds and notes are placed with foreign investors. Short-term capital exports by banks and investment companies and all capital exports by Swiss non-banks are exempt from the authorisation requirement. The volume of the capital export authorisations is to a great extent a reflection of the importance of Switzerland as a financial centre via which international flows of longer-term capital take place. No deductions can be made from it concerning Switzerland's net capital exports, nor does it provide a basis for any conclusions as regards the effects of the capital exports on the exchange rate for the Swiss franc.

Developments in 1981

In 1981 the total of capital export authorisations, at Fr. 32.4 million, was 39% higher than in the previous year. There was no appreciable change in the distribution among the various types of business. Loans accounted for 23.4%, notes for 36.6% and credits for 40%. The distribution according to borrowers, too, showed only minor shifts compared with the previous year. The share of the industrial countries increased slightly, while development organisations received a smaller proportion of the capital exports.

Capital exports subject to authorisation according to groups of countries 1978-1981 (Percentages)

Groups of countries	1978	1979	1980	1981
Industrial countries	64,3	74,1	68,7	71,0
Developing countries	14,9	10,7	14,7	14,3
State-trading countries				
– Eastern Europe	3,0	5,3	3,1	4,1
– Others	0,4	0,2	0,5	0,3
OPEC	3,0	2,6	1,9	1,4
Development organisations ¹	14,4	7,1	11,1	8,9
Total, percentages	100,0	100,0	100,0	100,0
Total, billions of francs	21,9	26,9	23,3	32,4

¹ IBRD, ADB, IDB, EIB, Coal and Steel Community, Euratom, Council of Europe Resettlement Fund.

Reasons for the increase in capital exports

The interest-rate differentials between the domestic market and foreign countries and expectations with regard to exchange rates are the most important factors for the development of capital exports subject to authorisation. Furthermore, the pronounced growth in international capital markets also probably spread to Switzerland in 1981, although the expansion in capital exports subject to authorisation fell distinctly short of that rate of growth. In addition, a role was played by the revision of the capital export regulations issued in the autumn of 1980, the object of which was to bring Swiss-franc transactions back to Switzerland in order to enable information about and control of the use of the Swiss franc for capital transactions between non-

residents to be improved. These transactions then became subject, in Switzerland, to the authorisation requirement.

From the second quarter of 1981 onwards the National Bank drew up a programme every quarter for the public issuing of loans by foreign borrowers. The aims pursued thereby – better coordination of issues and more even recourse to the market – were largely achieved. The system gave rise, however, to distortions of competition which were liable in the long run to impair the efficiency of the market. From 1st January 1982, therefore, the drawing-up of an actual issue programme was discontinued, only the starting of the issues being coordinated thereafter. The application of a maximum limit of Fr. 100 million per loan issue was maintained.

New regulation of public loan issues

As had already been done in 1979 and 1980, the World Bank was authorised to place Swiss franc notes to the amount of Fr. 400 million directly with foreign central banks.

Placing of Swiss franc notes with central banks

2.5. Bank balance sheets

The trend of economic activity in Switzerland in 1981 was also reflected in the development of the banks' balance sheets. Whereas during the first half of the year the balance sheet totals showed appreciable further growth, there were signs of a reversal of the trend during the second half, with the growth in lending being slowed down by the high interests rates.

Smaller growth in balance sheet totals in second half of year

The growth in the combined balance sheet total of the 71 banks covered by the monthly statistics is shown for 1981 as being 14,8%. It should be borne in mind in this connection that, on instructions from the Federal Banking Commission, the banks for the first time had to include the precious metals held in the form of accounts in their balance sheets as at 31st December 1981. If the precious-metal items newly included in the balance sheet are excluded, the growth in the balance sheet total comes to only 9,3%. The transactions in precious metals which have now been incorporated in the accounts are excluded from the developments described below.

New accounting rules for precious metals lead to higher balance sheet totals

The National Bank's restrictive monetary policy was primarily reflected in the banks' liquid resources; the item Cash, Giro and Postal Cheque Accounts was 3,8% lower at the end of 1981 than it had been twelve months earlier. The reduction in domestic quick assets was, however, coupled with a certain increase in clearing balances abroad.

Reduction in liquidity

Slower growth in domestic lending

Domestic lending (loans and advances, credit to public authorities and bodies and mortgage loans) increased in 1981 by 10,8% (previous year: 12,5%). Commercial credit, building loans and mortgages rose appreciably less than in the previous year. There was, however, greater demand for credit on the part of the public authorities and bodies. The banks displayed increasing restraint in the granting of mortgage loans, this having been due on the one hand to the further decline in savings deposits and on the other hand to the low level of mortgage interest rates compared with other lending rates. The mortgage rate was raised at the beginning of March (in some cases, the beginning of April) by half a percentage point to, in most cases, 5%. A further increase of half a percentage point in the rate for old mortgages was put into effect on 1st September.

Sharp decline in growth of foreign business

The expansion of foreign business slowed down markedly because, on the one hand, the international economic situation was characterised by recessionary tendencies and, on the other hand, the banks were hesitant about incurring new risks abroad. Lending to customers abroad rose by only 2,6% in 1981 (previous year: 16,3%).

Shift to fixed-term deposits and ...

The differing extent of the rises in interest rates in 1981 was clearly reflected in the development of the liabilities side of the banks' balance sheets. The relatively sharp rise in short-term interest rates led mainly to a growth in time funds. The new money received went chiefly into fixed-term deposits (44,9%) and, to a smaller extent, into medium-term bonds (Kassenobligationen).

... «Kassenobligationen» (medium-term bank bonds)

Holdings of medium-term bank bonds expanded in 1981 by 14,7% (previous year: 16,7%). Over half the inflow of funds last year took place in the fourth quarter. The rates for these bank bonds were adjusted – somewhat less markedly than those on fixed-term deposits – to the general trend of interest rates (being raised from 4½–5% to over 6% for all maturities). In order to avoid accentuating distortions in the market, the National Bank abstained, from the end of July onwards, from fixing generally binding maximum rates for these bank bonds. This allowed the individual banks to adjust the rates paid on these bonds better to their need for resources. The differences between the rates paid by the individual banks on these bonds therefore increased from a quarter of a percentage point to up to a whole percentage point.

SNB abstains from fixing maximum rates for these bank bonds

Decline in savings deposits

The relatively low interest rates on savings deposits caused a further outflow of funds. Total savings deposits declined by 5,7% compared with 1980 (previous year: — 3,9%). The largest decreases took place in the second and third quarters. The interest rates on savings deposits had been fixed, in the majority of cases, at 3% on 1st January 1981. At the beginning of September they were increased further by half a percentage point to 3½%.

At the end of 1981 the total of deposits and borrowed funds from the Swiss public was up by 7,4% (6,8%) and that from foreigners by 8,1% (25,4%) compared with a year earlier.

The 71 banks' trust business again increased substantially until the autumn of 1981. In the fourth quarter, however, the rise slowed down appreciably owing to the change in expectations concerning interest rates. The total of funds held on trust at the end of 1981 was 28,3% above the previous year's level. While investments in francs rose to Fr. 19.9 billion or by 79,3%, foreign-currency balances held on trust went up by 14,8% to Fr. 48.3 billion. Of the growth in transactions in francs, 35,8% was of domestic origin and 64,2% came from abroad. As previously, the trust funds were almost entirely invested abroad.

Big increase in trust business

3. Monetary, foreign exchange and counter-cyclical measures

3.1. National Bank Law

- a. *Ordinance of the Federal Council concerning the banks' minimum reserves dated 11th July 1979*

Position on
1st January 1981

The ordinance gives definitions and lays down rules for the returns to be submitted by the banks with a view to the possible calling-in of minimum reserves by the National Bank.

If minimum reserves are called in, the National Bank will issue an order to that effect.

No lodging of minimum reserves in respect of domestic or foreign liabilities was required in 1981.

- b. *Ordinance of the Federal Council concerning control of new issues dated 11th July 1979*

Position on
1st January 1981

Authorisation is required for the public issuing of domestic bonds, shares, dividend-right certificates and similar paper. The National Bank's bonds and the Federal Government's «rescriptions» are not subject to the authorisation requirement.

No change in 1981.

In the first quarter of 1981 the National Bank restricted the amount of new money to be raised. The issues reported for the second, third and fourth quarters of 1981 did not necessitate the fixing of a ceiling.

- c. *Ordinance of the Federal Council concerning funds from abroad dated 11th July 1979*

Position on
1st January 1981

The National Bank is authorised, under the ordinance, to conclude forward foreign exchange transactions for periods of up to 24 months.

No change in 1981.

d. Monetary agreement between Switzerland and the Principality of Liechtenstein dated 19th June 1980

The monetary agreement arrived at following a reform of Liechtenstein company law entered into force on 25th November 1981. The agreement states that the provisions valid at any time in Switzerland with regard to monetary, credit and foreign exchange policy are also legally binding in the Principality of Liechtenstein and authorises the National Bank to implement these provisions in relation to Liechtenstein banks as well as other persons and companies in the Principality.

25th November 1981

3.2. Measures in the field of capital exports and the foreign exchange market

(Articles 7 and 8 of the Federal Law concerning banks and savings banks)

a. Capital exports subject to authorisation

The provisions in force are contained in the leaflet on capital export regulations dated 1st September 1980.

Position on
1st January 1981

Since the entry into force of the Swiss-Liechtenstein monetary agreement, the Principality has been regarded as a resident location. The three Liechtenstein banks are thus added to the list of institutions subject to the authorisation requirement for capital exports. The Swiss National Bank's leaflet has been amended accordingly.

25th November 1981

b. Reporting of dealers' positions

The banks are required to submit to the National Bank a monthly return of the spot and forward foreign exchange assets and liabilities for which they bear the risk. Banks which engage in international foreign exchange dealings on a large scale are required to submit weekly reports of their positions in individual currencies.

Position on
1st January 1981

No change in 1981.

c. *Reporting of forward foreign exchange transactions*

Position on
1st January 1981

Banks and investment companies are required to report the amount of their current forward foreign exchange transactions monthly.

No change in 1981.

3.3. Agreements

a. *Agreement between the Swiss National Bank and banks operating in the field of long-term export financing dated 15th May 1975*

Position on
1st January 1981

The National Bank grants rediscount facilities for export bills involving credit amounting to at least 10 million francs and for a period of not less than three years.

1st June 1981

Expiry of the agreement.

b. *Agreement concerning flexible exchange risk cover for payments receivable by Swiss exporters dated 8th November 1978*

Position on
1st January 1981

The agreement enables Swiss exporters of goods and services to obtain foreign exchange risk cover for commercial receivables expressed in certain foreign currencies even if the actual amount of the future payments to be received is not definitely known.

30th November 1981

Expiry of the agreement.

c. *Gentlemen's Agreement between the Swiss National Bank and the Swiss banks concerning the foreign exchange measures of 15th June 1976*

Position on
1st January 1981

Banks domiciled in Switzerland which have branches or subsidiaries abroad undertake to instruct these to abstain from transactions of an obviously speculative nature against the Swiss franc.

The banks agree to refrain from taking any action from Switzerland, on behalf and for account of the branches abroad, involving the receiving

of Euro-Swiss franc deposits or the making of direct investments in Swiss francs.

Expiry of the agreement.

15th June 1981

d. Agreement on the obligation to exercise care in the acceptance of funds and on the preservation of banking secrecy dated 2nd June 1977

The agreement specifies the care to be exercised by banks in accepting funds (ascertainment of the identity of the beneficiaries and clarification as to the origin of the funds). The banks also undertake not to give any active assistance in the illegal transfer of capital nor actively to facilitate manoeuvres undertaken by their customers for the purpose of deceiving domestic and foreign authorities.

Position on
1st January 1981

The auditing bodies appointed under the Banking Law are required to verify observance of the agreement by means of random checks and to report any infringements, or well-founded suspicions of infringements, to an arbitration commission responsible for supervision and to the Federal Banking Commission.

The agreement remained unchanged throughout the year, as did also the explanatory notes, dated 9th December 1977, compiled jointly by the Swiss National Bank and the Swiss Bankers' Association.

3.4. Co-operation of the National Bank in international monetary measures

a. Swap agreements

The National Bank's swap agreement with the Federal Reserve Bank of New York in respect of a total amount of \$ 4 billion was not taken advantage of in 1981.

United States

The National Bank's swap agreement with the Bank of Japan for up to Yen 200 billion was not used in 1981.

Japan

The National Bank's swap agreement with the Bank for International Settlements (BIS) for \$ 600 million was not taken advantage of in 1981.

BIS

b. Participation in multinational currency credits

General Agreement
to Borrow

The Fr. 865 million credit facility granted by the National Bank to the International Monetary Fund (IMF) within the framework of the General Agreement to Borrow of the countries of the «Group of Ten» was not used in 1981.

Oil facility

The National Bank's outstanding credits to the IMF's oil facility fell during the year from SDR 127.5 million to SDR 74.7 million as a result of repayments. Of this, SDR 37.2 million was guaranteed by the Confederation.

«Witteveen» facility

The National Bank's lending undertaking to the IMF's «Witteveen» facility was drawn upon in 1981 to the extent of a further SDR 197.4 million. The amount outstanding at the end of the year was thus SDR 322.3 million.

1981 credit agreement
with the IMF

In order to finance its growing lending activity, the IMF in 1981 called upon various central banks to give it credit undertakings. Of the National Bank's credit facility of SDR 150 million, SDR 40.6 million had been used by the end of 1981.

c. Bilateral credits

Portugal

The amount of the credit to Portugal remained unchanged at \$ 30 million at the end of 1981. The whole amount is covered by a Federal guarantee.

Turkey

The amount of the foreign currency credit to Turkey, which is guaranteed by the Confederation, remained unchanged at \$ 45.5 million.

d. Repurchase guarantee

Portugal

The repurchase guarantee given by the National Bank to the BIS for gold-covered credits to Portugal expired in 1981.

4. Balance Sheet and Profit and Loss Account

4.1. Development of the Balance Sheet since 1941

Year-end figures

Year	Gold holdings ¹	Foreign exchange	Foreign Treasury Bonds in Swiss francs; SDRs ²	Balances with foreign central banks covered by exchange rate guarantee	Domestic portfolio			Total	Bills of the Federal Loan Agency	Lombard advances	Own securities	Balances with correspondents	
					Swiss bills	Treasury Bonds ³	Dis-counted bonds					at home	abroad ⁴
<i>In millions of francs</i>													
1941	2 878,5	679,0	—	—	32,5	4,4	2,3	39,2	12,8	25,0	69,6	15,8	—
1942	3 565,2	61,8	—	—	123,8	85,3	0,8	209,9	12,0	25,2	63,9	16,3	—
1943	4 172,7	83,0	—	—	92,0	0,4	0,7	93,1	0,3	18,4	64,5	14,2	—
1944	4 554,1	102,4	—	—	69,5	—	1,6	71,1	—	27,6	64,2	13,9	—
1945	4 777,0	162,5	—	—	78,1	39,9	5,9	123,9	6,7	67,6	62,1	27,5	—
1946	4 949,9	158,0	—	—	46,1	14,5	13,9	74,5	9,6	164,2	52,7	51,7	—
1947	5 256,2	102,5	—	—	116,3	20,1	18,8	155,2	13,6	246,6	48,4	68,6	—
1948	5 821,0	236,6	—	—	115,2	1,5	8,8	125,5	1,6	79,0	47,4	50,4	—
1949	6 240,2	260,0	—	—	81,4	2,0	0,7	84,1	0,1	31,0	39,7	26,7	—
1950	5 975,8	256,4	—	—	165,3	31,5	4,4	201,2	—	85,0	40,9	60,3	—
1951	6 003,8	227,6	—	—	233,8	4,6	12,7	251,1	1,4	58,9	39,9	53,0	—
1952	5 876,1	490,9	—	—	243,9	—	1,8	245,7	—	64,0	40,1	37,5	—
1953	6 086,1	522,2	—	—	190,8	14,7	1,1	206,6	—	65,2	35,5	34,9	—
1954	6 323,4	649,8	—	—	91,6	2,0	9,6	103,2	—	116,6	46,5	41,3	—
1955	6 686,3	624,1	—	—	129,2	2,0	23,0	154,2	—	131,8	45,9	47,8	—
1956	7 102,9	627,0	—	—	170,9	21,5	80,0	272,4	—	186,9	45,7	56,1	—
1957	7 383,5	781,4	—	—	193,9	—	31,9	225,8	—	52,0	45,3	41,4	—
1958	8 329,3	560,9	—	—	56,0	—	2,3	58,3	—	21,8	44,6	33,0	—
1959	8 369,3	534,6	—	—	50,6	—	7,3	57,9	—	39,7	44,2	45,2	6,4
1960	9 454,7	583,0	—	—	49,2	—	4,3	53,5	—	37,8	43,3	45,1	6,8
1961	11 078,0	842,4	—	—	62,2	—	7,3	69,5	—	66,3	42,9	58,3	6,8
1962	11 543,3	867,4	207,0	—	67,4	45,0	11,2	123,6	—	71,7	42,8	77,8	10,2
1963	12 203,8	1 083,3	207,0	—	87,5	35,0	19,7	142,2	—	97,5	51,7	61,5	9,4
1964	11 793,6	1 679,1	432,0	431,3	109,8	24,8	28,0	162,6	—	77,7	65,3	75,3	17,0
1965	13 164,2	852,6	432,0	428,5	98,1	9,5	31,5	139,1	—	38,9	92,9	66,1	14,5
1966	12 297,4	2 060,3	432,0	518,9	97,8	16,7	43,3	157,8	—	109,3	181,7	81,5	15,4
1967	13 369,7	1 986,7	432,0	173,9	99,4	—	43,1	142,5	—	86,6	181,9	72,4	14,6
1968	11 355,8	5 601,2	1 442,0	108,3	256,2	6,8	25,5	288,5	—	160,1	180,6	99,7	21,7
1969	11 434,5	5 792,9	1 851,0	—	584,7	118,5	28,2	731,4	—	277,1	170,2	89,5	20,1
1970	11 821,3	8 441,1	1 851,0	—	306,6	71,0	21,4	399,0	—	223,5	156,0	82,8	25,5
1971	11 879,4	10 323,3	4 278,0	—	78,1	—	2,4	80,5	—	28,5	10,8	72,4	22,8
1972	11 879,7	12 323,1	4 278,0	—	770,3	152,0	13,8	936,1	—	418,8	—	142,3	27,5
1973	11 892,7	12 519,9	4 613,0	—	862,7	200,0	35,0	1 097,7	—	557,7	—	281,8	—
1974	11 892,7	11 570,6	5 403,0	—	2 166,8	484,0	43,5	2 694,3	—	699,9	92,5	166,9	—
1975	11 892,7	14 705,8	5 403,0	—	1 706,5	227,0	5,4	1 938,9	—	200,2	3,7	136,3	—
1976	11 903,9	20 426,5	5 222,0	—	912,5	375,0	13,3	1 300,8	—	157,0	63,8	160,3	—
1977	11 903,9	20 514,2	3 949,0	—	1 207,4	267,0	44,7	1 519,1	—	197,5	559,1	171,6	—
1978	11 903,9	28 981,8	2 028,5	—	214,6	—	21,5	236,1	—	49,6	348,0	185,7	—
1979	11 903,9	26 390,4	—	—	1 532,2	10,0	38,3	1 580,5	—	886,4	963,4	288,6	—
1980	11 903,9	27 355,6	11,4	—	2 285,1	152,0	48,4	2 485,5	—	919,8	1 212,2	289,6	—
1981	11 903,9	25 494,8	0,2	—	2 710,0	256,0	40,9	3 006,9	—	2 513,9	1 018,4	399,6	—

¹ Valuation since 10th May 1971: 1 kg fine gold = Fr. 4595.74; previously: 1 kg = Fr. 4869.80.

² Since 1980, Special Drawing Rights.

³ Since 1948, only Federal Treasury Bonds; since 1979, including money-market book claims.

⁴ Since 1973, included under «Foreign exchange».

⁵ Before 1961, included in the current accounts of banks, trade and industry.

⁶ Including outstanding cheques.

Note circulation	Cove- rage of note circu- lation by gold holdings	Sight liabilities					Balances of foreign banks ⁵	Total	Giro accounts of banks tempo- rarily blocked	Banks minimum reserves	Time liabilities		Obliga- tory under Federal Act of 13th March 1964	Balance sheet total	Year
		Giro accounts of banks trade and industry	Ac- counts of the Confé- deration	Ac- counts of depo- sitors	Ac- counts held under payment and clearing agree- ments	Steril- isation rescrip- tions					Special accounts, own bonds				
In millions of francs	%	In millions of francs													
2 336,7	123,18	896,9	194,7	44,6	108,9	—	1 245,1	—	—	—	—	—	3 880,6	1941	
2 637,3	135,18	1 147,8	13,6	42,0	95,7	—	1 299,1	—	—	—	—	—	4 226,4	1942	
3 048,5	136,87	1 065,3	9,2	47,1	126,7	—	1 248,3	—	—	—	—	—	4 597,2	1943	
3 548,0	128,35	835,5	27,7	50,9	109,7	—	1 023,8	—	—	—	—	—	4 868,6	1944	
3 835,2	124,55	843,2	6,6	106,8	162,0	—	1 118,6	—	—	—	—	—	5 266,5	1945	
4 090,7	121,00	662,3	194,6	84,2	223,5	—	1 164,6	—	—	—	—	—	5 499,8	1946	
4 383,4	119,91	722,3	127,2	59,4	263,4	—	1 172,3	—	—	—	—	—	5 932,1	1947	
4 594,3	126,70	960,0	11,2	49,9	221,7	—	1 242,8	—	—	337,1	—	—	6 400,6	1948	
4 566,3	136,66	1 334,8	105,8	40,9	249,6	—	1 731,1	—	—	200,0	—	—	6 721,9	1949	
4 663,8	128,13	1 042,1	485,6	75,2	170,2	—	1 773,1	—	—	—	—	—	6 658,6	1950	
4 927,3	121,85	1 101,9	225,4	41,6	159,9	—	1 528,8	—	—	—	—	—	6 675,9	1951	
5 121,9	114,73	1 209,2	78,9	39,0	126,8	—	1 453,9	—	—	—	—	—	6 796,8	1952	
5 228,5	116,40	1 147,3	157,3	64,8	171,5	—	1 540,9	—	—	—	—	—	6 996,8	1953	
5 411,6	116,85	1 255,2	216,1	49,4	171,5	—	1 692,2	—	—	—	—	—	7 327,2	1954	
5 515,5	121,23	1 623,8	268,9	15,6	82,1	—	1 990,4	—	—	—	—	—	7 738,2	1955	
5 809,7	122,26	1 570,6	609,2	17,4	89,2	—	2 286,4	—	—	—	—	—	8 340,1	1956	
5 931,2	124,49	1 831,1	471,1	16,2	74,7	—	2 393,0	—	—	—	—	—	8 574,6	1957	
6 109,3	136,34	2 541,2	105,7	18,2	61,3	—	2 726,4	—	—	—	—	—	9 098,9	1958	
6 343,9	131,93	2 330,7	165,6	16,9	22,1	—	2 535,3	—	—	—	—	—	9 141,5	1959	
6 854,1	137,94	2 288,4	416,6	18,1	33,3	—	2 756,4	—	—	390,3	—	—	10 266,2	1960	
7 656,0	144,70	1 996,1	662,5	19,7	37,2	231,5	2 947,0	1 035,0	—	293,5	—	—	12 206,6	1961	
8 506,1	135,71	2 294,2	355,9	21,6	30,0	98,0	2 799,7	1 035,0	—	373,0	—	—	12 994,7	1962	
9 035,4	135,07	2 700,0	389,4	27,3	39,3	31,8	3 187,8	1 035,0	—	357,3	—	—	13 910,2	1963	
9 721,8	121,31	2 907,9	291,5	21,2	24,4	25,6	3 270,6	1 035,0	—	433,2	—	3,4	14 787,6	1964	
10 042,5	131,08	3 005,0	126,2	19,0	20,9	44,3	3 215,4	1 035,0	—	602,0	—	19,9	15 287,6	1965	
10 651,1	115,46	2 982,2	375,2	15,4	23,3	34,4	3 430,5	1 035,0	—	389,0	—	2,3	15 922,3	1966	
11 326,8	118,04	3 810,8	230,7	20,5	29,0	53,9	4 144,9	—	—	550,0	—	—	16 519,0	1967	
12 047,3	94,26	5 776,2	505,0	23,9	33,4	75,1	6 413,6	—	—	233,1	—	—	19 339,7	1968	
12 518,4	91,34	6 353,4	493,0	18,8	40,0	49,6	6 954,8	—	—	141,9	—	—	20 482,5	1969	
13 106,0	90,20	7 749,6	405,3	28,5	18,3	208,4	8 410,1	—	—	201,7	200,0 ⁹	—	23 095,3	1970	
14 309,9	83,01	10 701,6	713,7	30,7	15,3	393,1	11 854,4	—	516,4 ⁷	313,1	—	—	28 014,6	1971	
16 635,0	71,41	9 312,6	1 380,3	31,4	17,0	279,5	11 020,8	—	2 029,3 ⁸	72,7	2,5 ¹⁰	—	31 362,9	1972	
18 296,2	65,00	8 234,9	458,2	37,4	7,8	296,7	9 036,1 ⁶	—	2 872,0 ⁸	121,4	108,2 ¹¹	—	32 297,8	1973	
19 435,8	61,19	9 505,0	714,5	30,3	—	114,8	10 367,1 ⁶	—	347,8 ⁸	246,9	986,3 ¹⁰	—	33 260,6	1974	
19 127,8	62,17	11 478,5	1 623,8	30,0	—	150,0	13 296,0 ⁶	—	165,3 ⁸	379,8	—	—	34 991,0	1975	
19 730,9	60,33	12 643,7	3 817,5	37,5	—	146,2	16 648,7 ⁶	—	246,2 ⁸	954,8	—	—	39 324,0	1976	
20 396,8	58,36	13 622,8	2 513,8	41,6	—	149,3	16 330,2 ⁶	—	—	772,2	—	—	38 921,0	1977	
22 499,1	52,91	15 583,9	3 437,7	45,4	—	990,6	20 062,8 ⁶	—	—	2 893,2	—	—	46 421,0	1978	
23 760,9	50,10	13 207,1	2 209,4	56,8	—	2 252,8	17 735,6 ⁶	—	—	630,1	—	—	43 244,5	1979	
24 106,3	49,38	13 661,0	402,8	47,8	—	2 254,0	16 376,1 ⁶	—	—	23,0	250,5 ¹²	—	44 318,7	1980	
23 336,7	51,01	12 466,7	1 513,9	48,1	—	908,0	14 958,0 ⁶	—	—	—	500,0 ¹²	—	44 584,5	1981	

⁷ In accordance with the agreement of 16th August 1971 concerning extraordinary minimum reserves.

⁸ Minimum reserves of banks in respect of domestic and foreign liabilities, in accordance with the Federal Act of 20th December 1972, 19th December 1975.

⁹ PTT Special Account.

¹⁰ Overstepping of the permissible increase in lending.

¹¹ Overstepping of the permissible increase in lending and the Federal Governments' Sterilisation Account.

¹² Own bonds.

4.2. Profit and Loss Account at 31st December

Expenditure	1981	1980
Operating expenses		
Bank authorities	Fr. 594 341.85	Fr. 581 472.70
Personnel	Fr. 40 814 961.24	Fr. 34 401 397.43
Premises	Fr. 6 083 059.41	Fr. 14 354 028.70
Furniture and fixtures	Fr. 1 829 469.50	Fr. 6 351 432.—
Business and office equipment and supplies . .	Fr. 1 720 537.95	Fr. 1 782 168.85
Information and communication	Fr. 1 354 721.78	Fr. 1 182 688.73
Printing, publications	Fr. 1 617 361.45	Fr. 713 791.60
Expenditure in respect of note circulation . . .	Fr. 14 189 506.30	Fr. 15 262 829.85
Other expenditure on materials	Fr. 3 400 877.94	Fr. 6 101 983.45
Other expenses		
Interest payable to depositors	Fr. 2 482 469.95	Fr. 1 739 708.95
Interest payable to Federal Government	Fr. 18 178 776.—	Fr. 5 039 631.68
Interest payable on Federal Treasury bonds . .	Fr. 33 305.50	Fr. 2 644 341.—
Interest payable on own bonds	Fr. 19 771 660.45	Fr. 32 127 510.35
Other sterilisation expenses	Fr. 20 505 867.53	Fr. 41 285 597.21
Writing-down of own securities	Fr. 183 038 208.75	Fr. 54 166 021.—
Depreciation of bank buildings	Fr. 14 313 002.—	Fr. 24 950 000.—
Redemption of foreign exchange loss carried as an asset as at 31.12.1978	Fr. —.—	Fr. 1 110 942 692.48
Appropriation to staff and pensioners' welfare facilities funds	Fr. 4 000 000.—	Fr. 10 000 000.—
Provisions for		
– Bank buildings	Fr. —.—	Fr. 50 000 000.—
– production of bank notes	Fr. 30 000 000.—	Fr. 20 000 000.—
– open-market operations	Fr. 20 000 000.—	Fr. 30 000 000.—
– uninsured losses	Fr. 20 000 000.—	Fr. 20 000 000.—
– dividend equalisation and cantons' shares . .	Fr. —.—	Fr. 13 031 652.80
– foreign exchange risks	Fr. 2 374 141 634.07	Fr. 2 157 117 199.01
Net profit	Fr. 7 592 823.20	Fr. 7 515 826.40
	<u>Fr. 2 785 662 584.87</u>	<u>Fr. 3 661 291 974.19</u>

Income	1981	1980
Operating income		
Commissions	Fr. 2 832 293.91	Fr. 2 912 603.46
Income from bank buildings	Fr. 2 464 972.30	Fr. 2 161 412.85
Sundry income	Fr. 1 636 083.64	Fr. 702 242.90
Other income		
Income from foreign exchange and gold	Fr. 2 552 937 357.64	Fr. 2 313 747 229.91
Foreign exchange valuation adjustment	Fr. 90 019 351.28	Fr. 1 264 578 849.57
Income from discounting	Fr. 43 843 896.85	Fr. 19 460 590.65
Income from secured advances	Fr. 25 095 544.55	Fr. 8 513 482.—
Income from own securities	Fr. 64 840 360.30	Fr. 47 880 197.10
Income from domestic correspondents	Fr. 1 992 724.40	Fr. 1 335 365.75
	<u>Fr. 2 785 662 584.87</u>	<u>Fr. 3 661 291 974.19</u>

4.3. Explanatory notes on the Profit and Loss Account

The National Bank's Profit and Loss Account closed in 1981 with an income surplus of Fr. 2,455.7 million. The income, which was mainly earned on the dollar investments, is primarily attributable to the high American money-market rates and the slight rise in the exchange rate for the dollar. The good business result is unusual in that high interest rates usually reflect expectations of inflation and are thus as a rule accompanied by a weakening of the currency in question, so that interest earnings are reduced by an exchange rate loss on the foreign-currency holdings. Experience has shown that, in the medium term, above-average profits and losses cancel each other out. The greater part of the income surplus achieved was therefore used to increase provisions, especially that for foreign exchange risks (Fr. 2,374.1 million). The net profit remaining amounts to Fr. 7.6 million.

Earnings from investments and dealings in foreign currencies amounted to Fr. 2,552.9 million. The dollar was shown in the annual accounts at the December average rate of Fr. 1.815 (1980: 1.784). Altogether, valuation adjustments, which were also made to the other foreign-currency holdings and to the holdings of SDRs, resulted in a net profit of Fr. 90 million.

Earnings from discounts and secured advances were more than doubled, reaching Fr. 68.9 million. The reasons for this were the marked increase in recourse to traditional central bank credit and the raising of the official rates. Income from securities, the holdings of which changed only slightly compared with the previous year, amounted to Fr. 64.8 million.

Expenditure on personnel rose to Fr. 40.8 million, mainly owing to changes in the number of staff and the payment of the cost-of-living supplement on salaries and on appropriations to the staff and pensioners' welfare funds.

Expenditure on premises, totalling Fr. 6.1 million, was on structural safety measures and renovation work at the head offices and branches. Depreciation of Bank buildings, at Fr. 14.3 million, was lower than in the previous year, because the proceeds of sales of properties were credited to the Bank Buildings Account. Expenditure on furniture and fixtures during the year under review, at Fr. 1.8 million, was appreciably less than in the previous year. The greater part of it was accounted for by maintenance and repairs.

Expenditure in respect of the note circulation, which includes the cost of paper, printing, transport and insurance, totalled Fr. 14.2 million, representing a slight decline compared with the previous year.

Interest on the Confederation's time deposits with the National Bank is paid in accordance with an agreement with the Federal Finance Department. The interest charges amounted to Fr. 18.2 million. The large increase is attributable to the rise in interest rates and the larger amount of short-term investments made by the Confederation with the National Bank, especially over the month-ends.

The further reduction in interest payments on Federal Treasury bonds is due to the final redemption of the S-rescriptions.

The National Bank's own, interest-bearing bonds which took their place were issued in relatively small amounts, so that the interest payments, at Fr. 19.8 million, were lower than in the previous year.

Sterilisation expenses of Fr. 20.5 million were incurred, and this because of the fact that the U.S. Treasury deposited the funds derived from the issue of Swiss franc notes with the National Bank on a swap basis.

The proceeds of sales and redemptions of securities held by the National Bank for own account (Fr. 2 million) were offset against the expenditure (Fr. 15 million) on the writing-down of the securities acquired during the year under review and the shares taken over from the participation in the capital of Orell Füssli Graphische Betriebe AG. Most of the expenditure on depreciation (Fr. 170 million) was attributable to the revaluation of securities which was undertaken in order to make allowance for losses due to falling prices. The balance sheet value was reduced from 90% to 80% in the case of Federal bonds and to 70% in the case of other securities.

5. Organisation as on 1st march 1982

5.1. Supervisory authorities

Bank Council	40 members President: Edmund Wyss Vice-President: François Schaller
Bank Committee	10 members of the Bank Council, including its president and vice-president
Local committees	3 members each; at both head offices and the eight branches
Auditing Committee	Chairman: Josef Iten

5.2. Bank Management

Governing Board	Fritz Leutwiler, Zurich Pierre Languetin, Berne Markus Lusser, Zurich
Secretariat General	
Secretary General	Andreas Frings, Director, Zurich
Deputy Secretary General	Theodor Scherer, Assistant Director, Berne

Department I (Zurich)

Head of Department	Fritz Leutwiler, Chairman of the Governing Board
Secretariat	Anna Elisabeth Heeb, Senior Officer
Press Relations	Erich Heini, Senior Officer
Deputy Head of Department	Peter Klauser, Director Kurt Schiltknecht, Director
Economic Section	Kurt Schiltknecht, Director
Economic Studies	Georg Rich, Deputy Director Peter Buomberger, Senior Officer Christoph Menzel, Senior Officer (on special leave)
Banking Studies	Max Baltensperger, Director Anton Föllmi, Assistant Director Rene Kästli, Assistant Director Martin Klaus, Senior Officer
Legal and Amministrative Section	Peter Klauser, Director
Legal Function	Werner Schmid, Legal Adviser
Personnel	Hans-Rudolf Läng, Director Gerhard Nideröst, Assistant Director
Technical Services	Daniel Ambühl, Senior Officer
Auditing and Controlling	Hans Baumgartner, Director Roland-Michel Chappuis, Assistant Director Robert Meli, Senior Officer
Adviser on Business Management	Ernst Kilgus

Department II (Berne)

Head of Department	Pierre Languetin, Vice-Chairman of the Governing Board
Deputy Head of Department	Michel de Rivaz, Director
Staff	Peter Hadorn, Assistant Director Jean-Pierre Roth, Assistant Director
Central Accounting	Hans-Peter Dosch, Deputy Director
Cashier's Office (Berne)	Hans Hulliger, Assistant Director
Cash and Collection, Security, Real Estate (Berne)	Johann Ammann, Director
Chief Cashier's Office	Valentin Zumwald, Chief Cashier Roland Tornare, Deputy Chief Cashier Joseph Schmidlin, Senior Officer
Capital Market and Control of Security Issues	Walter Bretscher, Director
Securities	Max Isenschmid, Deputy Director
Correspondence, bills and cheques	Robert Raschle, Assistant Director

Department III (Zurich)

Head of Department	Markus Lusser, Member of the Governing Board
Deputy Head of Department	Hans Meyer, Director
Staff	Monique Dubois, Assistant Director
Electronic Data Processing	Christian Vital, Assistant Director
Foreign Exchange, Money Market and Securities	Hans Stahel, Director Mario Corti, Deputy Director
Foreign Exchange	Werner Bächtold, Assistant Director
Money Market Operations, Bills and cheques	Hans Walter Preisig, Assistant Director
Securities	Albert Kunz, Assistant Director
Other Banking Operations	Hans Schmid, Deputy Director
Accounting	Werner Bolliger, Assistant Director
Giro and Clearing	Eugen Guyer, Assistant Director
Correspondance	Walter Obi, Assistant Director
Cashier's Office	Rene Würmli, Assistant Director

Branches

<i>Aarau</i>	Heinrich Herzog, Director Fritz Merz, Senior Officer
<i>Basle</i>	Rudolf Winteler, Director Karl Schär, Senior Officer
<i>Geneva</i>	Serge Delémont, Director Jean-Pierre Borel, Senior Officer
<i>Lausanne</i>	Willy Schreyer, Director Fernand Verdon, Senior Officer
<i>Lugano</i>	Cesare Gaggini, Director Franco Poretti, Senior Officer
<i>Lucerne</i>	Hans Theiler, Director Joseph Burri, Senior Officer
<i>Neuchâtel</i>	Francis von Arx, Director Charles Girod, Senior Officer
<i>St. Gall</i>	Willy Küng, Director Alfred Geiger, Senior Officer

Sub-Branches

<i>Bienne</i> (attached to Berne Head Office)	Paul Bürgi, Head
<i>La Chaux-de-Fonds</i> (attached to Neuchâtel Branch)	Jacques Jolidon, Head

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