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1. Economic developments and central bank policy – a summary

1.1 International economic and monetary developments

1984 saw an improvement in the international economic situation. This is attributable in large part to economic growth in the United States, in particular to the impressive expansion in the first half of the year. The GNP of all OECD countries combined rose by some 5% in real terms (1983: 2.6%), while inflation – at an average rate of 5.3% – remained, as in the previous year, at its lowest level since 1972. Since the increase in the number of wage and salary earners and the decline in unemployment figures in the United States were more pronounced than the deterioration of the labour market in the European OECD countries, unemployment diminished overall in the OECD nations.

Improvement in the world economy

The economic pickup was accompanied by a brisk demand for imports of consumer goods and services as well as raw materials and semi-finished products. World trade expanded by almost 9% in real terms, compared with a 2% growth rate in 1983 and declining figures in the previous year. The recovery of world trade benefited both the industrialised nations and the less developed countries. It is owing to higher export earnings that a number of heavily indebted nations achieved substantial trade surpluses.

Expansion of world trade

Not all countries enjoyed equally vigorous economic growth. The international economic upswing was impeded by the spread of protectionism, a high level of government indebtedness and a no more than hesitant adjustment of economic policy in many developing countries. Moreover, the strong fluctuations and marked appreciation of the US dollar have led to considerable uncertainties.

Problems of economic policy still unsolved

In contrast to developments in the United States and Japan, the economic pickup in Europe lacked impetus and unemployment levels edged upwards once more. There are various reasons for the tardy recovery of the European economies. Structural shortcomings were only inadequately removed due chiefly to a lack in the willingness to adapt in many quarters. In addition, most European countries continued to accord priority to the fight against inflation, and thus restrictive monetary and fiscal policies hampered economic revival. Though most European governments endeavoured to cut back their budget deficits, their efforts met with little success.

Hesitant economic recovery in Europe

The shortfall in the US current account, which more than doubled in 1984 – to reach about \$100 billion – due to the precipitous rise in imports, resulted in a sharp increase in the OECD countries' overall current account deficit. In the face of this, not even the considerable surpluses recorded by Japan, West Germany, Holland, Switzerland and Norway have been able to ease the situation.

Marked widening of the US current account deficit

US current account deficit and international indebtedness

On the one hand, the massive rise in US imports opened up export opportunities and earning capacity for the over-indebted developing countries – an important prerequisite for the solution of the international debt problem. On the other hand, the US current account deficit was a contributing factor to the high level – both in nominal and real terms – of dollar interest rates, which increases the cost of debt servicing and makes the flight of capital more attractive, thus complicating the solution to the debt conundrum. The serious current account imbalances aggravate the danger of governments yielding to the already considerable political pressure and resorting increasingly to protectionist measures.

1.2 Economic developments in Switzerland

Continued economic recovery

In Switzerland the economic recovery continued throughout 1984 and made itself felt in most sectors. Measured by real GDP, economic expansion exceeded the estimated long-term growth rate. However, despite the upturn a number of firms were again forced to close down or reduce their capacities.

Further fall in employment levels

As in other European countries, stepped-up production initially created virtually no new jobs and employment levels continued to recede. Cost consciousness and rationalisation endeavours induced also banks and insurance companies to exercise restraint when recruiting staff. The number of employed persons thus no longer rose in the expanding services sector. In the watchmaking and engineering industries it continued to decline. The average unemployment figure climbed from 0.8% to 1.1% in the year under review.

Growth stimuli from the export sector

In 1984 the strongest growth stimuli emanated from foreign demand. The export-oriented industries benefited notably from the rapid surge in North American imports. Swiss exporters, and to some extent the tourist industry, derived considerable advantage from the rise in the dollar exchange rate and the weakening, in real terms, of the export-weighted external value of the Swiss franc.

As in the previous year, in addition to private consumption and government demand, capital expenditure provided a major boost to economic growth. In a long-term comparison, investments in both capital goods and the building industry were substantial. However, the expansion in the construction sector was chiefly limited to housing.

Increased capital spending

At Sfr 8.4 billion, the surplus on current account topped the previous year's figure. While the trade balance closed with a larger deficit than in 1983, despite favourable export opportunities, net earnings from tourism exhibited an increase. Capital yields, which were up on the year-back level, contributed substantially to the current account surplus.

Rising capital yields – higher current account surplus

The average annual inflation rate remained at the 1983-level of 2.9%. Combating inflation – since the latter is due principally to price rises on domestic products – continues to be a major economic policy goal.

Inflation at year-back level

1.3 The National Bank's monetary policy

For 1984 the National Bank envisaged an expansion of 3% in the adjusted monetary base consisting of notes in circulation and sight liabilities at the National Bank less end-of-month refinancing credits, thus providing ample leeway for the economic recovery which had begun to be observable at the end of 1983.

Unchanged money supply target for 1984

At 2.6% the actual growth of the adjusted monetary base was within target range. The National Bank saw no reason to compensate for the smaller-than-expected increase in notes in circulation by a greater expansion in the volume of sight liabilities. The economic upswing in Switzerland was accompanied by a rise in domestic money market rates – and to some extent also in capital market rates – a development that was not entirely unwelcome in view of the battle being waged against inflation.

Money supply growth in line with target

The currency situation was characterised by strong fluctuations and a marked appreciation of the US dollar. After attaining levels in excess of Sfr 2.57 in September and October, the dollar exchange rate climbed to almost Sfr 2.60 at the end of 1984, a peak not reached since 1976. Despite this conspicuous rise the National Bank abstained from intervening on the foreign exchange market.

No intervention on the foreign exchange market

Money supply target for
1985: again 3%

The Governing Board, in agreement with the Federal Government, again set the target for the expansion of the adjusted monetary base in 1985 at 3%. As in the past, the money supply target is meant to be a guideline. This goal, which is unchanged from the previous year's figure, is intended to emphasise the continuity of monetary policy.

2. Monetary policy and financial markets

2.1 The monetary aggregates

1984 witnessed a slowdown in the growth of the adjusted monetary base. While an average increase of 3.6% had been recorded in the previous year, the rise in 1984 amounted to 2.6%. On average, the target of 3% was thus practically reached.

Money supply growth within target range

For about three years central bank money supply has developed very much in line with set targets. The continuity in monetary policy has benefited the economy. On the one hand, a regular expansion of the monetary base by an average of 3% has caused inflationary trends to recede; on the other, cyclical fluctuations have diminished. Moreover, monetary policy has had a positive effect on the domestic money and capital markets. Since liquidity has been supplied to the economy at an even pace, interest rate swings have remained within limits.

Continuity of monetary policy

Development of monetary aggregates

Yearly and quarterly averages compared with previous year's figures

Quarter	Adjusted Monetary base ¹		Money stock M ₁ ²		Money stock M ₂ ³		Money stock M ₃ ⁴	
	Billions of francs	Change %	Billions of francs	Change %	Billions of francs	Change %	Billions of francs	Change %
1980	28.1	-7.0	57.2	-9.0	104.4	17.6	209.4	6.5
1981	28.0	-0.5	55.1	-3.6	118.0	13.1	220.5	5.3
1982	28.7	2.6	56.8	3.0	122.7	4.0	228.2	3.5
1983	29.7	3.6	61.1	7.6	118.8	-3.2	243.9	6.9
1984	30.5	2.6	62.8	2.7	128.0	7.8	261.2	7.1
1984								
1st quarter	30.4	1.1	62.4	1.5	122.2	4.7	255.2	7.0
2nd quarter	30.1	3.0	63.0	3.0	125.4	6.3	259.2	6.4
3rd quarter	30.1	2.9	61.3	3.3	128.8	8.0	261.8	7.0
4th quarter	31.3	3.2	64.5	3.0	135.4	11.9	268.7	7.9

¹ Adjusted monetary base = Note circulation plus banking system's deposits with the SNB less end-of-month refinancing credits.

² Money stock M₁ = Currency circulation plus sight deposits in Swiss francs.

³ Money stock M₂ = M₁ plus time deposits in Swiss francs plus sight and time deposits in foreign currencies held by private residents with banks.

⁴ Money stock M₃ = M₂ plus savings deposits held by private residents with banks.

As usual, money supply M₁ has lagged somewhat behind the development of the adjusted monetary base. In general, M₁ reacts fairly rapidly to changes in Swiss monetary policy and to the resulting fluctuations in the growth of the adjusted monetary base, as experience over the past three years has shown. The easing of monetary policy in 1982 has caused M₁ to expand at an accelerated pace while the levelling off in the growth of the

Declining M₁ growth rates

adjusted monetary base since the start of 1983 has reduced the increase of M_1 from 7.6% to 2.7% in 1984.

Parallel development of money supply M_2 and national income

Unlike M_1 , money supply M_2 is less closely linked with the adjusted monetary base in the short term. This monetary aggregate reacts rather markedly to cyclical fluctuations in the Swiss national income. The recession of 1982 was accordingly reflected in a slowdown in the growth of M_2 while the 1984 pickup in business activity was accompanied by a more rapid expansion of this aggregate. However, this does not mean that M_2 is beyond the control of the National Bank's monetary policy since the development of the nominal national income depends to a large extent on the monetary policies implemented in previous years.

2.2 The financial markets

The money market

Increase in sight liabilities

Market liquidity, as measured by the giro accounts of banks, trade and industry with the National Bank, averaged Sfr 7.8 billion in 1984 and was thus 3.6% up on the previous year's level. During the quarterly settlement periods, which are important in terms of liquidity, it exceeded the corresponding year-back level by an average of approximately 3.1%. Once again the banks met their end-of-month financing requirements primarily by resorting to the traditional central bank credits (domestic portfolio, lombard advances, domestic correspondents).

Rise in Eurofranc rates

As in 1983 Eurofranc rates showed a slight upward trend accompanied by relatively large fluctuations in the year under review. Following a period of stability at the beginning of 1984, they rose continuously from May to October and only declined again somewhat towards the end of the year. The annual average was, however, insignificantly higher than the previous year's level.

Narrowing of gap between capital and money market rates

As always during an economic upswing, money market rates rose more markedly than those on the capital market, thus increasingly narrowing the gap between the two interest rate levels. In the course of the year, particularly in the second half, a reduction in the interest differential vis-à-vis German money market rates was observable. The differential vis-à-vis US rates, by contrast, continued to widen at the start of 1984, only to narrow again in the second half of the year in the wake of declining dollar interest rates.

Yields on money market debt register claims against the Federal Government and the time deposit rates of the big banks moved largely in line with Eurofranc rates. The official interest rates of the National Bank remained unchanged: the discount rate at 4% and the lombard rate at 5½%.

Rise in time deposit rates

The National Bank's credit-granting to the banking system

Month	Credit-granting in millions of francs, monthly averages							
	Swap credits		Discount and lombard advances		Total		of which: end-of-month refinancing credits ¹	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	1983	1984	1983	1984	1983	1984	1983	1984
January	10 664	11 906	872	1 172	11 536	13 078	858	837
February	9 819	12 279	493	585	10 312	12 864	132	113
March	10 164	12 142	838	827	11 002	12 969	740	441
April	9 713	11 318	471	1 158	10 184	12 476	257	708
May	9 603	11 922	1 193	601	10 796	12 523	677	146
June	9 485	11 860	703	1 078	10 188	12 938	788	681
July	9 513	11 637	910	1 005	10 423	12 642	562	716
August	9 566	11 932	1 066	916	10 632	12 848	389	595
September	10 503	12 535	828	967	11 331	13 502	579	530
October	10 421	12 047	990	1 072	11 411	13 119	608	525
November	11 476	12 878	741	910	12 217	13 788	242	529
December	14 339	15 966	878	1 300	15 217	17 266	1 280	1 443

¹ Corresponds to the difference between the monetary base and the adjusted monetary base.

Foreign exchange market and exchange rates

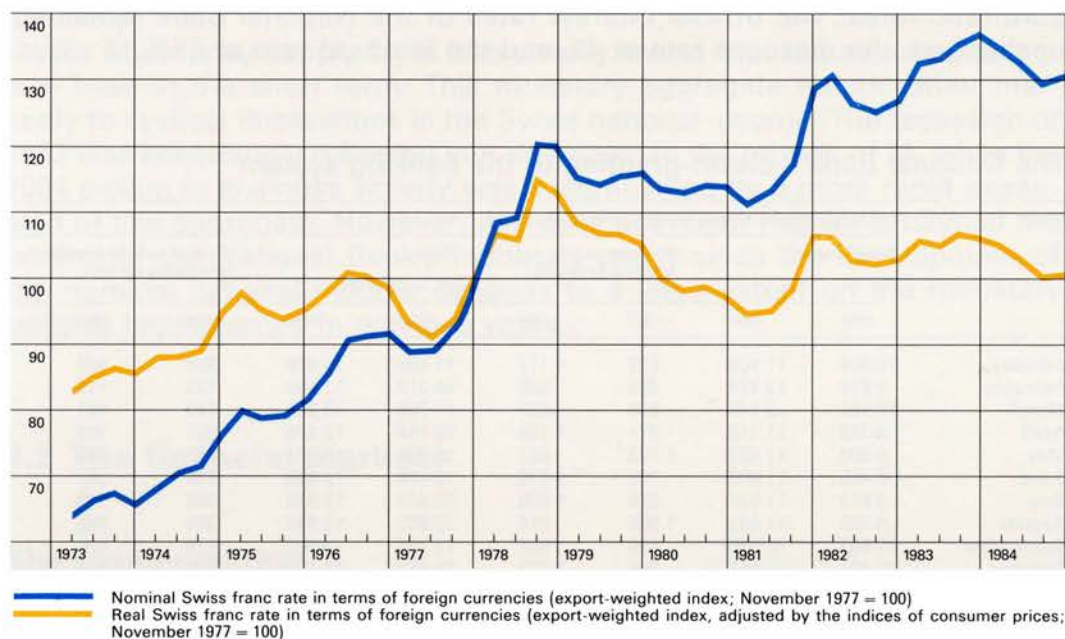
The exchange rate of the Swiss franc showed irregular development vis-à-vis those currencies that are of prime importance for the Swiss economy. By the end of the year, despite strong fluctuations, the Swiss franc had reached its lowest level against the US currency in eight years. The Japanese yen also moved up sharply. The D-mark, by contrast, appreciated only slightly against the Swiss franc. While the exchange rate of the Italian lira remained virtually unchanged from the previous year, both the French franc and sterling showed a slight weakening.

High dollar exchange rate

The index of the nominal exchange rate of the Swiss franc weighted in terms of exports to Switzerland's fifteen major trading partners underwent a slippage in the course of 1984. On average, it fell short of the previous year's level by 2.2%. Since Switzerland's inflation rate was lower than that of most of its trading partners, the export-weighted real exchange rate also declined (-3.5%).

Decline in the external value of the Swiss franc in nominal and real terms

Nominal and real exchange rates of the Swiss franc



Capital market

Slightly higher interest rate level on capital market

Interest rates on the bond market moved up slightly in the year under review. Coupons for prime borrowers were raised by $\frac{1}{4}$ percentage point in May; the average yield on Federal bonds (calculated according to call dates) fluctuated between 4.20% (5 January) and 4.79% (17 October).

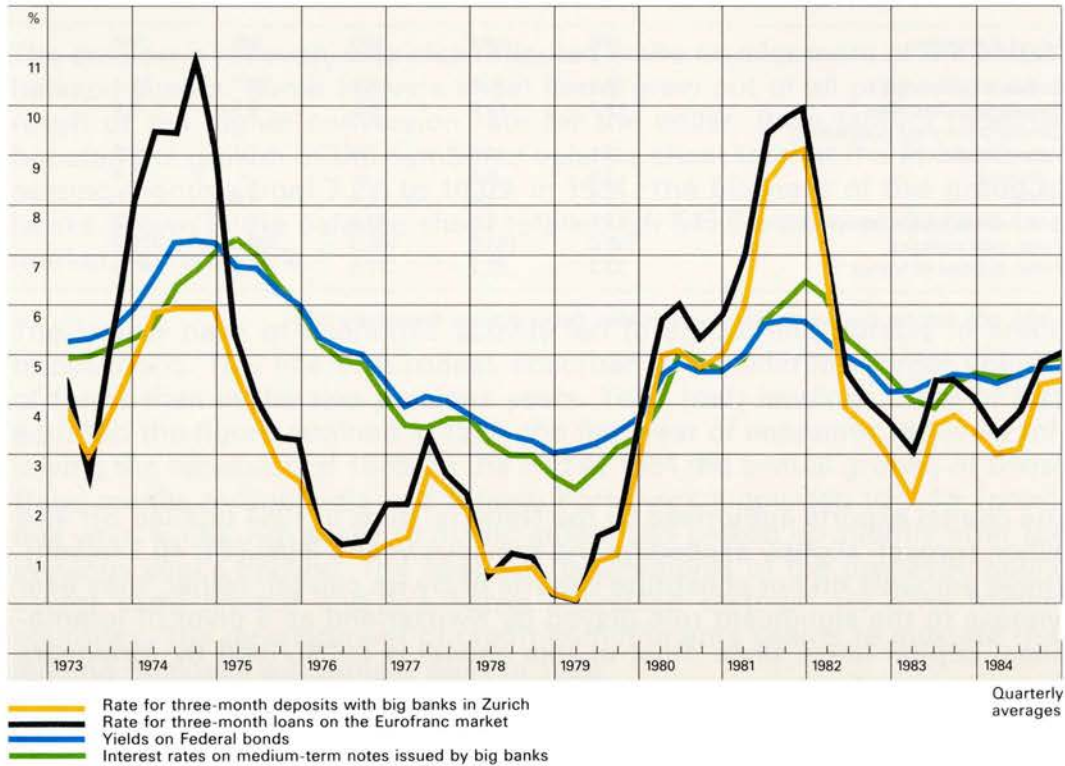
Unchanged level of new issues on the Swiss capital market

Fund raising on the capital market in the form of public share issues and bond issues of Swiss and foreign borrowers (not including conversions) totalled Sfr 19.8 billion in 1984 and is thus roughly equivalent to the previous year's level. Bond issues accounted for by domestic borrowers dropped from 44% to 35%.

Lower level of borrowing by industry and local authorities

The development according to debtor categories presented a slightly different picture from 1983. The Federal Government and mortgage banks were the only domestic issuers to raise more funds than in the previous year. The cantons and local authorities, which had perceptibly stepped up their borrowing in 1982 and 1983, tapped the capital market to a lesser extent in 1984. The same applies to the industrial sector and power stations.

Money and capital market rates



The Federal Government was the largest single borrower – to the tune of Sfr 1.6 billion, Sfr 0.5 billion of which were attributable to conversions. Redemptions by the government on the capital market amounted to approximately Sfr 0.7 billion. At Sfr 13.7 billion, bond issues represented some 60% of interest-bearing federal debts at the end of 1984.

In 1984 the National Bank continued the diversification of its assets, begun in 1982, with the purchase of bonds to the net amount of Sfr 300 million. This is equivalent to approximately one third of the growth of the adjusted monetary base.

Purchases on the bond market

Capital export authorisations according to groups of countries (Percentages)

Groups of countries	1980	1981	1982	1983	1984
Industrial countries	68.7	71.1	74.7	78.7	73.7
Developing countries	14.7	14.0	9.9	8.5	8.8
Centrally planned economies					
– Eastern Europe	3.1	4.2	1.4	1.1	1.9
– Others	0.5	0.3	—	—	0.4
OPEC	1.9	1.4	0.3	0.6	1.0
International organisations ¹	11.1	9.0	13.7	11.1	14.2
Total, percentages	100.0	100.0	100.0	100.0	100.0
Total, billions of francs	23.3	32.2	37.5	40.2	40.9

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

Capital exports slightly above previous year's level

The capital exports authorised by the National Bank in 1984 totalled Sfr 40.9 billion (gross), slightly exceeding the previous year's level (Sfr 40.2 billion). These amounts do not constitute exports of Swiss capital; rather, they bear witness to the significant role played by Switzerland as a pivot of international capital flows since most of this capital is subscribed by foreigners and paid up in foreign currencies. The note issues, 53% of which is attributable to Japanese borrowers, totalled 48%, thus again representing the major proportion. Bond issues accounted for 27% and credits to foreign borrowers for 25% of overall authorised capital exports. 9% of the issuing volume was attributable to dual-currency bonds.

High proportion of note issues

The uninterruptedly high proportion of note issues is due to the extremely brisk demand for Japanese convertible notes in the wake of the Japanese stock market boom as well as to the fact that this instrument offers greater flexibility than public bonds. The comparatively modest proportion of credits, which had accounted for as much as 40% in 1981, can be explained largely by the persistent payments difficulties encountered by a number of heavily indebted developing countries.

Developing countries' share still modest

The breakdown according to groups of countries presents a somewhat different picture compared with 1983. The industrial nations' share of total capital exports subject to authorisation dropped from 79% to 74% while that of the less developed countries edged up again – to 9% – for the first time since 1980. The international development organisations, first and foremost the World Bank, accounted for 14% (previous year: 11%) and the remainder of 3% is attributable to the OPEC countries and the centrally planned economies.

2.3 Bank balance sheets

The economic recovery was also reflected in the development of the banks' balance sheets. Some balance sheet items grew out of all proportion as a result of the higher conversion rate for the dollar. Both factors together boosted the growth of the combined balance sheet total of the 71 banks reporting monthly from 7.2% to 10.0% in 1984. The business of this group of banks shown in the balance sheet totalled Sfr 545.8 billion, equivalent to a market share of 75%.

Accelerated balance sheet growth

The livelier pace of economic activity led to an uptrend notably in credit transactions. This line of business absorbed a considerably larger volume of funds than in the two previous years. Total (net) lendings more or less equalled the figure attained in 1979, the first year of economic recovery following the recession of 1978. At the end of 1984 the annual growth of Swiss franc credits to domestic and foreign borrowers amounted to 7.4% (previous year: 5.1%). Advances to public authorities picked up slightly after the previous year's decline. The financial requirements of the domestic public sector were limited and the banks exercised restraint vis-à-vis foreign countries. The development of credit commitments seems to indicate that lending business will remain brisk in 1985.

Uptrend in lending business

New deposits which were not channelled into lending business in 1984 were invested primarily on the Euromarket. The banks increased their net balances in interbank business not only by accumulating funds but also by reducing their commitments. The banks' holdings of money market paper also grew, partly as a result of exchange rate developments.

Higher net balances in interbank business

In 1984 the liabilities side of the bank balance sheets displayed strong growth in time deposits. The item "Time accounts, due to customers" rose vigorously, owing in equal part to the higher valuation of the dollar items and "genuine" new investments. At 24%, they represented a new record proportion in the annual balance sheets. In the course of the year the attractiveness of time deposits grew in line with the rise in short-term interest rates; the latter at times climbed to the level of rates on medium-term notes.

"Time deposit boom"

The other customer deposits showed only an insignificant increase. As a result, the proportion accounted for in the balance sheets by sight deposits, which have been on a downtrend in recent years, receded yet a little further. The proportion of savings remained unchanged; however, within this category accounts equipped with special terms (i. a. salary accounts)

Insignificant growth of other customer deposits

continued to gain ground to the detriment of the traditional savings account. In 1984 the range of savings instruments again barely achieved positive real rates of interest.

Increased floatation of banks' own bonds

The growth in the banks' longer-term commitments in 1984 is due primarily to increased floatations of the banks' own bonds. The sale of medium-term notes proceeded at a sluggish pace in view of the rather low interest yield compared to similar investments.

Growth in trustee funds

Fiduciary business also benefited from rising short-term interest rates and the higher dollar. The volume of trustee funds of the 71 banks reporting on a monthly basis (market share of 38.0%) rose by 24.2% to Sfr 86.2 billion, an annual increase that is, however, not regarded as unusual in this line of business.

2.4 Special measures of monetary policy

Capital exports subject to authorisation

Legal basis: Art. 8 of the Bank Act

By virtue of Article 8 of the Bank Act, the issuing of foreign loans and notes and the granting of credits to borrowers domiciled abroad by banks and investment companies in Switzerland and the Principality of Liechtenstein are subject to authorisation if these transactions amount to Sfr 10 million or more and are for a period of one year or more.

Abolition of the "calendar" with effect from 1. 1. 1984

As part of a further liberalisation of capital exports, the calendar for limiting the number of public bond issues by foreign borrowers by the National Bank was abolished with effect from 1 January 1984. Since then the National Bank has restricted itself to providing information – on request – to the leading issuing banks with regard to the number, volume and issue dates of projects already authorised in order to prevent an accumulation of bond issues. The maximum amount per bond issue was raised from Sfr 100 million to Sfr 200 million, this limit now also applying to dual-currency bonds.

Modified deposit requirements for notes

Furthermore, in mid-January the deposit requirements for notes were slightly modified: in future these securities may also be deposited with the SEGA (Swiss Clearinghouse AG – a securities depository for the Swiss Banks).

Medium-term notes

By virtue of Article 10 of the Bank Act, banks with a balance sheet total of at least Sfr 20 million are obligated to give the National Bank advance notice of interest rate increases on their medium-term notes.

Legal basis: Art. 10 of the Bank Act

In September the National Bank for the first time approved applications by individual banks for the issue of medium-term notes with 2-year maturities. This change in established practice is part of an effort, started in 1981, to reduce the influence exercised over interest rate developments. It provides the banks with greater flexibility in raising funds.

Minimum maturity of 2 years

In November the National Bank advised the banks in a circular letter that in future it would restrict itself to receiving notification of individual interest rate increases on medium-term notes. Up to that time the National Bank used to inform the other banks whenever a big bank or a whole group of banks was planning to raise their interest rates by more than $\frac{1}{4}$ percentage point; in this way all the banks were afforded the opportunity to lift their interest rates on the same date. This tended to make it easier for the banks to adopt a cartel-like procedure. Legal and competition considerations induced the National Bank to review its policy.

Change in the notification procedure

Cooperation of the National Bank in international monetary measures

In 1982 and 1983 the National Bank entered into substitution undertakings for bridging loans provided by the Bank for International Settlements (BIS) in favour of heavily indebted countries. These facilities either expired in 1983 or were replaced by other credits. The National Bank entered into no new substitution commitments in 1984.

No new substitution undertakings vis-à-vis the BIS

The loan to the tune of \$30 million which had been granted by the National Bank to Portugal and guaranteed by the Federal Government was repaid in full in September 1984. This credit, which had been provided in 1977, formed part of a financial assistance project to help tide Portugal over its economic difficulties. Twelve OECD countries and Venezuela participated in the project. The loan was granted on condition that Portugal conclude a credit agreement – containing economic policy stipulations – with the International Monetary Fund (IMF).

Repayment of loan by Portugal

In order to finance the increasing volume of loans by the IMF, a number of central banks entered into credit commitments vis-à-vis the Fund to the tune of approximately 1100 million Special Drawing Rights (SDRs) in 1981. The National Bank participated to the amount of 150 million SDRs. In November 1984 this credit was repaid in full.

Repayment of central bank loan by the IMF

Participation of the National Bank in stand-by arrangements at the end of 1984

	Original Undertakings	Outstanding credits		Open Undertakings
		End 1983	End 1984	
1. Swap agreements				
Federal Reserve Bank of New York	\$ 4 billion			\$ 4 billion
Bank of Japan	Yen 200 billion			Yen 200 billion
BIS	\$ 600 million			\$ 600 million
2. Multilateral credits				
General Arrangements to Borrow (GAB)	SDR 1020 million		0	SDR 1020 million ¹
IMF "Witteveen" facility	SDR 650 million	SDR 635.8 million	SDR 592.8 million	0
1981 central bank credits to IMF	SDR 150 million	SDR 117.9 million	0	0
Credit commitment to BIS in favour of IMF	SDR 180 million		SDR 61.4 million	SDR 118.6 million
3. Bilateral credits				
Portugal ²	\$ 30 million	\$ 15 million	0	0
Turkey ²	\$ 45.5 million	\$ 45.5 million	\$ 45.5 million	0
Yugoslavia ²	\$ 80 million	\$ 80 million	\$ 80 million	0

¹ It has been agreed that if the GAB are utilised the credits granted within the context of the SDR 180 million credit commitment vis-à-vis the BIS in favour of the IMF will be deductible. Thus the actual open undertaking at the end of 1984 amounted to SDR 958.6 million.

² With Federal Government guarantee.

New credit commitments vis-à-vis the IMF

At the end of April the BIS, together with 19 industrial countries and Saudi Arabia, agreed to grant the IMF a credit totalling 6 billion SDRs. The National Bank undertook – via the BIS – to contribute 180 million SDRs to the loan (approximately Sfr 415 million). By the end of 1984 this facility had been utilised to the extent of 61.4 million SDRs.

Switzerland's accession to the General Arrangements to Borrow

Based on a Federal Act passed by the Swiss parliament in December 1983 and on a respective Decision by the Federal Council, Switzerland acceded to the General Arrangements to Borrow (GAB) of the IMF as a full-fledged member on 10 April. The National Bank will cater for the financing of credits to the IMF under the GAB. Switzerland's share of credit commitments amounts to 1020 million SDRs (approximately Sfr 2.3 billion) of a total of 17 billion SDRs. With its accession to the GAB Switzerland has become a member of the Group of Ten, in which it formerly held observer status. In addition to laying down GAB membership the Decision of the Federal Council of 4 April 1984 regulates the terms of Switzerland's membership in the Group of Ten, the consultation procedure between the Federal Government and the National Bank as well as the submission of reports to parliament.

3. Balance Sheet and Profit and Loss Account

3.1 Main Components of the Balance Sheet since 1946

Assets

Year-end	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	Lombard advances	Securities	Balances with domestic correspondents	Loss on foreign exchange and gold holdings
					Swiss bills	Treasury Bonds ³	Dis-counted bonds					
<i>In millions of francs</i>												
1946	4 949,9	158,0	—	—	46,1	14,5	13,9	74,5	164,2	52,7	51,7	—
1947	5 256,2	102,5	—	—	116,3	20,1	18,8	155,2	246,6	48,4	68,6	—
1948	5 821,0	236,6	—	—	115,2	1,5	8,8	125,5	79,0	47,4	50,4	—
1949	6 240,2	260,0	—	—	81,4	2,0	0,7	84,1	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	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	—
1960	9 454,7	583,0	—	—	49,2	—	4,3	53,5	37,8	43,3	45,1	—
1961	11 078,0	842,4	—	—	62,2	—	7,3	69,5	66,3	42,9	58,3	—
1962	11 543,3	867,4	207,0	—	67,4	45,0	11,2	123,6	71,7	42,8	77,8	—
1963	12 203,8	1 083,3	207,0	—	87,5	35,0	19,7	142,2	97,5	51,7	61,5	—
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	—
1965	13 164,2	852,6	432,0	428,5	98,1	9,5	31,5	139,1	38,9	92,9	66,1	—
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	—
1967	13 369,7	1 986,7	432,0	173,9	99,4	—	43,1	142,5	86,6	181,9	72,4	—
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	—
1969	11 434,5	5 792,9	1 851,0	—	584,7	118,5	28,2	731,4	277,1	170,2	89,5	—
1970	11 821,3	8 441,1	1 851,0	—	306,6	71,0	21,4	399,0	223,5	156,0	82,8	—
1971	11 879,4	10 323,3	4 278,0	—	78,1	—	2,4	80,5	28,5	10,8	72,4	1 243,5 ⁴
1972	11 879,7	12 323,1	4 278,0	—	770,3	152,0	13,8	936,1	418,8	—	142,3	1 243,5 ⁴
1973	11 892,7	12 519,9	4 613,0	—	862,7	200,0	35,0	1 097,7	557,7	—	281,8	1 243,5 ⁴
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	621,5 ⁴
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	621,5 ⁴
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	2 593,5 ⁵
1979	11 903,9	26 390,4	—	—	1 532,2	10,0	38,3	1 580,5	886,4	963,4	288,6	1 110,9 ⁵
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	—
1982	11 903,9	31 872,8	6,3	—	2 076,8	109,2	2,1	2 188,1	1 559,6	1 268,3	314,0	—
1983	11 903,9	32 677,5	28,7	—	2 524,5	149,2	2,6	2 676,3	2 408,6	1 562,5	346,4	—
1984	11 903,9	38 876,0	23,2	—	2 455,4	293,5	—	2 748,9	2 677,9	1 773,6	500,8	—

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

² Since 1980, Special Drawing Rights.

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

⁴ Liability of the Federal Government in accordance with the Federal Act of 15 December 1971.

⁵ Covered by hidden reserves on gold.

Liabilities

Note circulation	Coverage of note circulation by gold holdings	Sight liabilities					Banks' minimum reserves	Time liabilities	Foreign exchange valuation adjustment	Capital and reserves	Provisions for foreign exchange risks	others	Balance sheet total	Year-end
		Total	of which giro accounts of banks trade, and industry	Ac- counts of the Confe- deration	Ac- counts held under payment and clearing agree- ments	Balan- ces of foreign banks ⁶								
In millions of francs	%	In millions of francs												
4 090,7	121,00	1 164,6	662,3	194,6	223,5	—	—	—	—	67,5	—	7,8	5 499,8	1946
4 383,4	119,91	1 172,3	722,3	127,2	263,4	—	—	—	—	68,0	—	5,1	5 932,1	1947
4 594,3	126,70	1 242,8	960,0	11,2	221,7	—	—	337,1	—	68,5	—	5,1	6 400,6	1948
4 566,3	136,66	1 731,1	1 334,8	105,8	249,6	—	—	200,0	—	69,0	—	4,1	6 721,9	1949
4 663,8	128,13	1 773,1	1 042,1	485,6	170,2	—	—	—	—	69,5	—	4,4	6 658,6	1950
4 927,3	121,85	1 528,8	1 101,9	225,4	159,9	—	—	—	—	70,0	—	3,6	6 675,9	1951
5 121,9	114,73	1 453,9	1 209,2	78,9	126,8	—	—	—	—	70,5	—	3,9	6 796,8	1952
5 228,5	116,40	1 540,9	1 147,3	157,3	171,5	—	—	—	—	71,0	—	5,3	6 996,8	1953
5 411,6	116,85	1 692,2	1 255,2	216,1	171,5	—	—	—	—	71,5	—	4,8	7 327,2	1954
5 515,5	121,23	1 990,4	1 623,8	268,9	82,1	—	—	—	—	72,0	—	13,4	7 738,2	1955
5 809,7	122,26	2 286,4	1 570,6	609,2	89,2	—	—	—	—	73,0	—	16,0	8 340,1	1956
5 931,2	124,49	2 393,0	1 831,1	471,1	74,7	—	—	—	—	74,0	—	17,1	8 574,6	1957
6 109,3	136,34	2 726,4	2 541,2	105,7	61,3	—	—	—	—	75,0	—	16,8	9 098,9	1958
6 343,9	131,93	2 535,3	2 330,7	165,6	22,1	—	—	—	—	76,0	—	17,0	9 141,5	1959
6 854,1	137,94	2 756,4	2 288,4	416,6	33,3	—	—	390,3	—	77,0	—	18,4	10 266,2	1960
7 656,0	144,70	2 947,0	1 996,1	662,5	37,2	231,5	1 035,0 ⁷	293,5	—	78,0	—	21,7	12 206,6	1961
8 506,1	135,71	2 799,7	2 294,2	355,9	30,0	98,0	1 035,0 ⁷	373,0	—	79,0	—	22,9	12 994,7	1962
9 035,4	135,07	3 187,8	2 700,0	389,4	39,3	31,8	1 035,0 ⁷	357,3	—	80,0	—	26,1	13 910,2	1963
9 721,8	121,31	3 270,6	2 907,9	291,5	24,4	25,6	1 035,0 ⁷	433,2	—	81,0	—	28,7	14 787,6	1964
10 042,5	131,08	3 215,4	3 005,0	126,2	20,9	44,3	1 035,0 ⁷	602,0	—	82,0	—	37,1	15 287,6	1965
10 651,1	115,46	3 430,5	2 982,2	375,2	23,3	34,4	1 035,0 ⁷	389,0	—	83,0	—	37,2	15 922,3	1966
11 326,8	118,04	4 144,9	3 810,8	230,7	29,0	53,9	—	550,0	—	84,0	—	52,2	16 519,0	1967
12 047,3	94,26	6 413,6	5 776,2	505,0	33,4	75,1	—	233,1	—	85,0	—	69,2	19 339,7	1968
12 518,4	91,34	6 954,8	6 353,4	493,0	40,0	49,6	—	141,9	—	86,0	—	105,0	20 482,5	1969
13 106,0	90,20	8 410,1	7 749,6	405,3	18,3	208,4	—	401,7	—	87,0	—	145,0	23 095,3	1970
14 309,9	83,01	11 854,4	10 701,6	713,7	15,3	393,1	516,4 ⁸	313,1	—	88,0	665,2	160,0	28 014,6	1971
16 635,0	71,41	11 020,8	9 312,6	1 380,3	17,0	279,5	2 029,3 ⁹	75,2	—	89,0	783,7	210,0	31 362,9	1972
18 296,2	65,00	9 036,1	8 234,9	458,2	7,8	296,7	2 872,0 ⁹	229,6	—	90,0	547,7	290,0	32 297,8	1973
19 435,8	61,19	10 367,1	9 505,0	714,5	—	114,8	347,8 ⁹	1 233,2	—	91,0	157,7	360,0	33 260,6	1974
19 127,8	62,17	13 296,0	11 478,5	1 623,8	—	150,0	165,3 ⁹	379,8	—	92,0	389,7	380,0	34 991,0	1975
19 730,9	60,33	16 648,7	12 643,7	3 817,5	—	146,2	246,2 ⁹	954,8	—	93,0	—	390,0	39 324,0	1976
20 396,8	58,36	16 330,2	13 622,8	2 513,8	—	149,3	—	772,2	—	94,0	—	226,2	38 921,0	1977
22 499,1	52,91	20 062,8	15 583,9	3 437,7	—	990,6	—	2 893,2	—	95,0	—	190,2	46 421,0	1978
23 760,9	50,10	17 735,6	13 207,1	2 209,4	—	2 252,8	—	630,1	—	95,0	—	143,5	43 244,5	1979
24 106,3	49,38	16 376,1	13 661,0	402,8	—	2 254,0	—	273,5	—	95,0	2 157,1	270,0	44 318,7	1980
23 336,7	51,01	14 958,0	12 466,7	1 513,9	—	908,0	—	500,0	—	96,0	4 531,3	340,0	44 584,5	1981
24 477,0	48,63	15 713,5	13 992,7	798,9	—	852,0	—	250,0	1 624,6	97,0	6 564,6	450,0	49 374,2	1982
24 759,4	48,08	15 229,4	14 229,2	812,0	—	125,4	—	—	2 528,1	98,0	8 565,8	500,0	51 869,2	1983
26 489,3	44,94	15 537,1	14 227,8	1 102,9	—	130,1	—	—	5 118,7	99,0	10 811,7	490,0	58 748,8	1984

⁶ Prior to 1961 under "Giro accounts of banks, trade and industry".

⁷ Giro accounts of banks temporarily blocked.

⁸ In accordance with the agreement of 16 August 1971 concerning extraordinary minimum reserves.

⁹ Minimum reserves of banks in respect of domestic and foreign liabilities, in accordance with the Federal Act of 20 December 1972 and 19 December 1975 respectively.

3.2 Profit and Loss Account as at 31 December

Expenditure	1984		1983	
Operating expenses				
Bank authorities	Sfr	726 305.05	Sfr	722 172.30
Personnel	Sfr	49 984 203.08	Sfr	46 602 171.37
Premises	Sfr	16 115 466.80	Sfr	20 355 241.20
Furniture and fixtures	Sfr	17 858 037.42	Sfr	9 657 935.30
Business and office equipment and supplies ..	Sfr	2 753 950.92	Sfr	2 248 531.04
Information and communication	Sfr	1 859 382.95	Sfr	1 638 947.24
Printing, publications	Sfr	547 886.85	Sfr	615 086.20
Expenditure in respect of note circulation	Sfr	18 601 133.45	Sfr	18 658 671.10
Other expenditure on materials	Sfr	11 786 708.97	Sfr	5 661 665.34
Other expenses				
Interest payable to depositors	Sfr	2 766 757.15	Sfr	2 408 350.05
Interest payable to Federal Government	Sfr	39 296 111.70	Sfr	42 289 042.10
Interest payable on Federal Treasury bonds ..	Sfr	—.—	Sfr	13 126 329.—
Other sterilisation expenses	Sfr	—.—	Sfr	167 247.96
Writing-down of own securities	Sfr	90 623 625.30	Sfr	138 467 099.05
Depreciation of bank buildings	Sfr	—.—	Sfr	640 688.55
Taxes	Sfr	2 850 824.90	Sfr	—.—
Appropriation to staff and pensioners' welfare facilities funds	Sfr	5 000 000.—	Sfr	2 500 000.—
Donation to the Gerzensee study centre foundation	Sfr	32 733 028.35	Sfr	—.—
Provisions for				
– Production of bank notes	Sfr	—.—	Sfr	50 000 000.—
– Foreign exchange risks	Sfr	2 245 993 205.31	Sfr	2 001 141 124.94
Net profit	Sfr	7 592 823.20	Sfr	7 592 823.20
	Sfr	<u>2 547 089 451.40</u>	Sfr	<u>2 364 493 125.94</u>

Income	1984		1983	
Operating income				
Commissions	Sfr	3 934 869.10	Sfr	4 755 992.95
Income from bank buildings	Sfr	2 816 256.25	Sfr	2 891 870.15
Sundry income	Sfr	1 493 695.07	Sfr	1 670 954.07
Other income				
Income from foreign exchange and gold	Sfr	2 391 221 778.53	Sfr	2 228 957 159.16
Income from discounting	Sfr	23 442 559.65	Sfr	23 650 952.86
Income from secured advances	Sfr	21 535 930.65	Sfr	17 737 919.75
Income from own securities	Sfr	100 691 072.55	Sfr	83 231 726.60
Income from domestic correspondents	Sfr	1 953 289.60	Sfr	1 596 550.40

Sfr 2 547 089 451.40

Sfr 2 364 493 125.94

Explanatory notes on the Profit and Loss Account

The National Bank's Profit and Loss Account closed in 1984 with an income surplus of Sfr 2291.3 million. The surplus is largely attributable to the uninterrupted high interest yield on dollar investments and was used primarily to increase the provisions for foreign exchange risks (Sfr 2246.0 million).

Earnings from investments and trading in foreign currencies amounted to Sfr 2391.2 million. The dollar was shown in the annual accounts at the December average rate of Sfr 2.556 (1983: Sfr 2.195). The balance sheet recorded an increase of Sfr 2590.6 million in the valuation adjustment to foreign exchange holdings.

Rates on discount and lombard business were left unchanged, yet earnings – at Sfr 45.0 million – markedly exceeded the previous year's level. A slight decline in income from discounts was offset – owing to frequent recourse to credits – by a substantial rise in revenue from lombard advances.

Increased securities holdings and slightly higher capital market rates led to a rise in income from the bank's own securities to Sfr 100.7 million.

The number of employees remained fairly stable; however, staff expenditure rose by Sfr 3.4 million up to Sfr 50.0 million.

Expenditure on premises totalling Sfr 16.1 million was accounted for chiefly by the renovation of the Lugano branch office. Further sums were spent on improving security installations and streamlining operating procedures. The rise in expenditure on furniture and fixtures to Sfr 17.9 million and on other equipment and material to Sfr 11.8 million reflects, in particular, higher outlays in the EDP sector.

Expenditure in connection with the issue and circulation of bank notes, which includes the cost of paper, printing, transport and insurance, remained largely unchanged at Sfr 18.6 million. Interest payments on the Federal administration's accounts to the tune of Sfr 39.3 million consisted of interest due on the Swiss Government's investment and deposit accounts.

Book profits on repayments of securities previously written off (Sfr 17.0 million) were set off against the cost of depreciation of securities acquired in the year under review (Sfr 107.6 million). On balance this resulted in a write-off totalling Sfr 90.6 million.

Payment of direct federal tax for 1984 and 1985 to the amount of Sfr 12.9 million was effected by resorting to the provisions set aside for taxes (Sfr 10.0 million) and debiting the Profit and Loss Account (Sfr 2.9 million).

The National Bank allocated Sfr 40.0 million to the Gerzensee study centre foundation which it had set up in 1982 to mark its 75th anniversary. The remainder of Sfr 7.3 million of the credit originally earmarked for the acquisition of Gerzensee Castle was used for this purpose. The balance of Sfr 32.7 million was debited to the 1984 Profit and Loss Account.

4. Organisation as on 1 March 1985

4.1 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: Werner Staub

4.2 Bank Management

Governing Board	Pierre Languetin, Zurich Markus Lusser, Berne Hans Meyer, Zurich
Secretariat General	
Secretary General	Andreas Frings, Director, Zurich
Deputy Secretary General	Theodor Scherer, Assistant Director, Berne Peter Hadorn, Assistant Director, Zurich
<i>Department I (Zurich)</i>	
Head of Department	Pierre Languetin, Chairman of the Governing Board
Secretariat	Anna Elisabeth Heeb, Senior Officer
Press Relations	Werner Abegg
Deputy Head of Department	Peter Klauser, Director
Economic Section	Georg Rich, Director
Economic Studies	Jean-Pierre Béguelin, Deputy Director Hans-Jürg Büttler, Economic Adviser Ulrich Kohli, Economic Adviser Peter Buomberger, Senior Officer (on special leave) Christoph Menzel, Senior Officer
Banking Studies	Max Baltensperger, Director Anton Föllmi, Assistant Director Franz Ettlin, Economic Adviser
Legal and Administrative Section	Peter Klauser, Director
Legal Department	Peter Klauser, Director
Personnel	Gerhard Nideröst, Director
Technical Services	Theo Birchler
Auditing and Controlling	Hans Baumgartner, Director Robert Meli, Assistant Director
Adviser on Business Management	Ernst Kilgus, Küssnacht

Department II (Berne)

Head of Department	Markus Lusser, Vice-Chairman of the Governing Board
Deputy Head of Department	Jean-Pierre Roth, Director
Banking Section	Walter Bretscher, Director
Central Accounting	Hans-Peter Dosch, Deputy Director
Cashier's Office (Berne)	Adolf Lerch, Assistant Director
Correspondence, Bills and Cheques	Daniel Ambühl, Assistant Director
Securities	Max Isenschmid, Deputy Director
Cash and Collection, Security, Services	Johann Ammann, Director
Chief Cashier's Office	Valentin Zumwald, Chief Cashier
	Roland Tornare, Deputy Chief Cashier
	Josef Schmidlin, Senior Officer
	Alex Huber, Senior Officer
Security	

Department III (Zurich)

Head of Department	Hans Meyer, Member of the Governing Board
Deputy Head of Department	Mario Corti, Director
Staff	Monique Dubois, Assistant Director
Monetary Operations	Hans Stahel, Director
Foreign Exchange	Werner Bächtold, Assistant Director
Investment Group	Martin Papp, Assistant Director
Money Market Operations, Bills and Cheques	Hans Walter Preisig, Assistant Director
Securities	Albert Kunz, Assistant Director
General Processing and Back Office	Christian Vital, Director
	Eugen Guyer, Deputy Director
Payments Transactions	Eugen Guyer, Deputy Director
Accounting	Werner Bolliger, Assistant Director
Correspondence	Walter Obi, Assistant Director
Cashier's Office	Roland-Michel Chappuis, Assistant Director
Electronic Data Processing	Raymond Bloch, Assistant Director
	Jürg Ziegler, Senior Officer

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>Lucerne</i>	Hans Theiler, Director Daniel Wettstein, Senior Officer
<i>Lugano</i>	Cesare Gaggini, Director Franco Poretti, Senior Officer
<i>Neuchâtel</i>	Francis von Arx, Director († 14. 10. 1984) Charles Girod, Senior Officer
<i>St. Gall</i>	René Kästli, Director Alfred Geiger, Senior Officer

Sub-Branches

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

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