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1. Economic developments and central bank policy - a summary

1.1. International economic and monetary developments

The growth of the world economy nearly came to a stop in 1982. The pronounced recession in the United States contributed in practically all countries to a deterioration in the already slack economic situation. In the OECD area the number of unemployed rose further. The monetary policy of most industrial countries, which had been aimed at combating inflation since the beginning of the 1980s, led in 1982 to a distinct slowing down of the price rise.

Stagnation of the world economy and rising unemployment

Together with the high level of unemployment, growing protectionism and the excessive indebtedness of many countries became the main problems of the world economy. In the course of 1982, many heavily indebted countries ran up against acute payment difficulties. Those mainly affected were so-called new industrializing countries such as Mexico, Brazil and Argentina, but they also included some Eastern European countries.

Gloomier international financial situation

The causes of the crisis lie on the one hand in the economic policy pursued by the debtor countries and, on the other hand, in the persistent weakness of growth in the industrial countries. While the expansionary monetary and fiscal policies of many debtor countries caused their imports to rise sharply, the adverse economic situation in the industrial nations restricted the debtor countries' possibilities of exporting. In some cases the decline in raw material prices reduced further their export earnings. The resulting balance of payments problems were aggravated by the extraordinarily high level of interest rates all over the world. In order to prevent the crisis from spreading throughout the financial system, international organisations and national monetary authorities (including Swiss National Bank) granted some of the debtor countries bridging loans.

Causes of the debt crisis

Owing to the declining raw material – and especially oil – prices, the terms of trade improved in 1982 in favour of the industrialised countries. Since, however, their exports fell sharply at the same time, the OECD countries did not succeed in further reducing their current account deficit. In the case of the oil-exporting countries, indications of a deficit became apparent for the first time since the 1973 oil shock while the non-oil-exporting developing countries were also faced with heavy current account deficits in 1982.

Development of the balance of payments on current account

The low level of business activity all over the world was reflected in international trade, the volume of which failed to reach its previous year's level. World trade was also hampered by the growing inclination on the part of the industrial countries to adopt protective measures in favour of their hard-pressed domestic industries. This colder trade climate was reflected at the GATT annual conference in Geneva, which was conducted at ministerial level

Flagging world trade - protectionist tendencies

for the first time since 1973. In their joint final statement the member countries nevertheless expressed their faith in free trade and condemned protectionist tendencies.

Restrictive monetary policy of the industrial countries in the first half of the year

The monetary policy of most OECD countries remained restrictive in 1982. While there began to be signs of success in the battle against inflation, budget deficits increased almost everywhere, since, owing to the recession, tax revenues were reduced and social expenditure rose. The combination of rising deficits and restrictive monetary policies was reflected, in OECD countries and particularly in the United States, in high real interest rates. Furthermore, the expectation that the American monetary policy would remain restrictive led to appreciation of the dollar. The European countries first of all countered this by adopting a more stringent line of monetary policy, in order to prevent the progress made in the fight against domestic inflation from being cancelled out by an increase in imported inflation.

Decline in interest rates in the second half of the year

In the second half of the year the situation eased. American interest rates began to decline appreciably and the price rise slowed down in most countries. A few industrial countries reacted to the fall in interest rates in the United States by a cautious easing of their monetary policies.

Appreciation of the dollar and weakening of the yen until just before the end of the year

Foreign exchange markets were characterised not only by the appreciation of the dollar but also by the weakening of the yen. The last quarter of the year saw the start of a distinct movement in the opposite direction. The yen recovered while the value of the dollar declined. Within the European Monetary System (EMS) parity adjustments were resorted to twice in the first half of the year.

1.2. Economic developments in Switzerland

Distinct slackening of business activity

After two years of favourable economic conditions, business activity in Switzerland progressively slackened in the course of 1982. The recession which had begun in the leading OECD countries as early as 1980 thus finally hit our country. The gross national product failed to reach its previous year's level. On top of the adverse influences from abroad, the measures taken to combat inflation, as expected, contributed also to the deterioration of the economic situation.

Decline in foreign trade, investment and consumption

The recessive tendencies were observable in most branches of the economy. Exports and imports fell sharply, especially in the second half of the year. Adverse profit expectations and low capacity utilisation depressed industrial

investment, while the decline in real disposable income led to a slight falling-off in private consumption. Building activity weakened, too. Important sections of the services sector, particularly the banks and insurance companies, remained, however, untouched by the recession.

The slackening business activity had also an impact on the labour market, especially in the second half of the year. The number of unemployed and of workers on short time rose appreciably; employment and the number of job vacancies fell. Nevertheless, by international standards the situation in the Swiss labour market was still favourable.

Rising unemployment

Prices increased less in 1982 than in the previous year. The consumer price index, however, rose more than expected, because of, in particular, the pronounced increases in rents. The relatively high inflation rate was, however, also attributable to the absence of the substantial appreciation which characterized the Swiss franc between 1973 and 1979.

Lower inflation rate than in 1981

On the foreign exchange markets the dollar rose sharply against the Swiss franc between January and November. Towards the end of the year the Swiss currency began to strengthen distinctly against the dollar and the pound sterling while declining against the yen. The level of both the nominal and the real – export-weighted – index of the exchange rate for the Swiss franc declined until the autumn, although (except in November 1982) these indices were above their corresponding 1981 level.

Appreciation of the dollar against the Swiss franc until the autumn

1.3. The National Bank's monetary policy

The National Bank's monetary policy is based on the knowledge, born of experience, that a prerequisite for economic growth without inflation is that the expansion in the money supply shall be in conformity with the Swiss economy's real possibilities of growth. The guideline for action in the field of monetary policy is therefore the medium-term growth in the money supply. After the change-over to flexible exchange rates in 1973 the National Bank began to fix and announce, every year, a growth target for the money supply. Since 1980 the target set has been related to the directly influenceable volume of the adjusted monetary base (note circulation and deposits of the banking system with the National Bank, less end-of-month refinancing credits). There is a close link between the development of the volume of the monetary base and the movement of the price level, as the domestic price level follows the growth in the volume of base with a two to three year time-lag.

Main features of monetary policy

Less restrictive monetary policy than in the previous year

For 1982 a target of 3% growth (for 1981: 4%) had been fixed for the volume of the adjusted monetary base. As this aggregate had actually been reduced by 0.5% in 1981 owing both to the weakness of the Swiss franc and to the acceleration of inflation, the 1982 target represented a relaxation compared with the monetary policy pursued in 1981. This relaxation appeared appropriate owing to the strengthening of the franc started at the end of 1981/beginning of 1982 and the signs of a falling-off of economic activity in Switzerland. On a year-to-year basis, the actual growth rate of the adjusted monetary base averaged 2.6% in 1982.

Marked decline in interest rates and normalisation of the interest rate structure

The increased money supply, the expectation of declining inflation rates and the weakness of demand for credit due to the recession led to a pronounced fall in interest rates. A normalisation of the term structure of interest rates took place in 1982: money market rates returned to lower levels than the rates prevailing on the capital market. The shift from sight and savings deposits to time deposits was therefore progressively slowed down and replaced in the second half of the year by a movement in the opposite direction. Consequently the money supply (M_1) exceeded its previous year's level for the first time since 1979.

Cautious lowering of the official rates

The National Bank followed the decline in interest rates in 1982 with several reductions in its discount and lombard rates. These rates, which in practice are only of importance for the banks' end-of-month refinancing credits were, however, lowered less than the money market rates. The interest rate advantage attached to the traditional forms of central bank lending was thus appreciably reduced; discount and lombard advances decreased accordingly.

Building up of a new portfolio

In March 1982, the National Bank began to purchase at regular intervals small amounts of Swiss bonds in order to gradually achieve a greater diversification of its assets and increase the flexibility of its instruments of monetary policy.

Monetary base target for 1983: 3%

In December 1982 the Governing Board of the Swiss National Bank decided, in agreement with the Federal Government, to expand again in 1983 the adjusted monetary base by an average of 3%. The National Bank is thereby continuing to pursue its monetary policy aimed at price stability. By fixing its target at the upper limit of the desired longer term 2-3% growth rate, the Swiss National Bank is also taking account of the deterioration in the economic situation. This target is designed to ensure the recession shall not be accentuated by monetary action.

2. Monetary policy and the Swiss financial markets

2.1. Evolution of the monetary aggregates

Since the change-over to flexible exchange rates the annual fixing of a money supply target is a central feature of Swiss monetary policy. The National Bank acts on the assumption that an yearly expansion of the monetary base by 2 to 3% will, in the long run, ensure a non-inflationary growth of the Swiss economy.

Control of money supply central to monetary policy

The National Bank had set itself the target for 1982 of allowing the adjusted monetary base to grow by 3%. After the 0.5% decline of the adjusted monetary base in 1981, this target represented a change-over to a less restrictive monetary policy. As, in the course of last year, no deviation from the target was necessitated by exchange rate factors and since the slackening of business activity called for, if anything, the adoption of an easier line of monetary policy, the National Bank adhered to the target previously set. The *adjusted volume of adjusted monetary base* exceeded its previous year's level by an average of 2.6%.

3% money supply target largely attained

As the note circulation, which represents about three-quarters of the volume of monetary base, reacts to changes in monetary policy with a certain time-lag, the National Bank's more expansionary line was initially reflected in a rise in the banking system's deposits with the National Bank. After a fairly prolonged decline, the deposit balances increased again in March 1982 and, except in July, remained above the 1981 level until the end of the year.

Increase in deposit balances from March 1982...

The note circulation, too, rose increasingly above the previous year's level from June 1982 onwards. Altogether the note circulation increased, on average, by 0.7%, while deposit balances went up by 9.5%.

... and also in the note circulation from June onwards

This steady expansion of the adjusted monetary base throughout 1982 did not, however, reflect any progressive easing of monetary policy. This development was primarily due to the base effect in the second half of the year.

Increasing growth rates of the volume of central bank money

Out of the three larger monetary aggregates (M_1 , M_2 and M_3), M_1 - which comprises the currency circulation, domestic sight deposits held with banks and the Postal Giro - is most directly influenced by the movement of the monetary base. Firstly the currency circulation represents fully one-third of the money supply M_1 . Secondly, the movement of sight deposits is strongly influenced by changes in interest rates which are brought about, in the short term, by variations of the supply of base money. Owing to the relative rigidity of the interest rates paid on sight and savings deposits, changes in money market rates lead to quick and substantial shifts between time and sight or savings deposits. Consequently sight deposits, which had fallen

M_1 most directly influenced by monetary policy

Development of monetary aggregates

Percentage change compared with corresponding quarter of previous year -
Quarterly averages

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 %
1978								
1st quarter	29,1	19,2	55,0	11,0	78,0	7,4	174,4	8,8
2nd quarter	26,5	9,5	57,4	16,1	80,9	8,7	179,1	9,5
3rd quarter	26,4	7,9	56,1	15,8	79,6	5,2	179,3	8,2
4th quarter	33,5	30,1	63,2	23,0	84,2	9,0	186,4	10,0
1979								
1st quarter	35,9	23,5	65,7	19,7	85,2	9,2	191,2	9,7
2nd quarter	28,9	9,2	62,6	9,1	87,3	8,0	195,0	8,9
3rd quarter	28,5	8,1	61,3	9,5	88,8	11,5	197,3	10,1
4th quarter	28,9	-13,6	61,7	-2,3	93,6	11,2	203,0	8,9
1980								
1st quarter	28,5	-20,6	57,8	-12,0	101,8	19,6	210,2	9,9
2nd quarter	27,6	-4,6	56,2	-10,1	104,7	19,9	209,1	7,2
3rd quarter	27,8	-2,2	55,6	-9,4	103,3	16,3	206,6	4,7
4th quarter	28,7	-0,6	59,0	-4,3	107,6	14,9	211,9	4,4
1981								
1st quarter	28,3	-0,6	56,6	-2,0	110,2	8,2	216,4	3,0
2nd quarter	28,0	1,3	55,5	-1,4	116,9	11,7	220,5	5,4
3rd quarter	27,7	-0,4	53,5	-3,7	121,2	17,4	221,9	7,4
4th quarter	28,0	-2,4	54,9	-7,0	123,7	15,0	223,1	5,3
1982								
1st quarter	27,9	-1,2	53,4	-5,8	124,1	12,7	224,5	3,7
2nd quarter	28,5	1,9	56,2	1,4	123,4	5,6	226,2	2,6
3rd quarter	28,6	3,1	56,2	5,0	120,9	-0,3	227,1	2,3
4th quarter	29,8	6,4	61,0	11,3	121,9	-1,5	234,7	5,2

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

² Money stock M₁ = Currency 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.

since 1979, began, like the base, to rise from March 1982 and were from May onwards increasingly above the previous year's level. M₁, which had still been 5.8% below the previous year's level in the first quarter, displayed rising growth rates in the remaining quarters of 1982. On average over the year, M₁ rose by 3.7% (1981: -3.5%).

Decrease in M₂ in the second half-year

The evolution of M₂, which comprises time deposits in addition to M₁, is mainly influenced in the short term by the level of activity and interest rates in Switzerland. The economic upswing in 1980 and 1981 connected with the rises in interest rates had led to a relatively large increase in M₂. With the levelling out of the trend of economic activity and the decline in interest rates

in 1982, the growth in M₂ began to diminish again. Owing to the drastic lowering of money market rates, part of the time deposits contained in M₂ flowed back into savings deposits. After a distinct increase in the first two quarters of 1982, M₂ fell below the previous year's level in the second half-year to reach an average yearly increase of 4% (1981: 13.0%).

As the rate of interest on savings deposits became relatively attractive, these deposits, which had declined since 1980, rose last year. The growth appreciably exceeded the volume attributable to the shifting of time deposits and thus led to a further increase in M₃. Owing to the recession the growth rate of this aggregate comprising M₂ and savings deposits slackened. Its average for the year still amounted to 3.7% (1981: 5.3%).

Only slower growth in M₃

2.2. The financial markets

The more expansive monetary policy and the slackening of domestic activity led in the first half of the year to a pronounced fall in *money market rates*. During this period the interest rate differential compared with foreign countries increased markedly. In May and June there was a counter-reaction and a temporary resumption of the rise in domestic interest rates. Shortly before the end of June, however, money market rates began to decline again. During the last five months of the year the interest rate on three-month Euro-francs fluctuated around 3 3/4%. The banking sector as a rule quickly adjusted its rates on fixed-term deposits to movements on the Euro-market.

Large fall in money market rates

The National Bank – partly in co-ordination with interest rate measures adopted by other central banks – lowered its *discount rate* in three steps and its *lombard rates* in two steps. The reductions in the official rates were, however, smaller than the falls in money market rates. Unlike during previous periods, the banking system was no longer able to have recourse to traditional central bank advances at the month-ends at rates below those prevailing in the market. There was consequently a decline in the use of discount and lombard credits and the control of the monetary base became a slightly simpler matter.

Reduced recourse to traditional Central Bank credit

The monthly averages of the deposit balances of the banking system held with the National Bank fluctuated around Fr. 7.1 billion and, except in January, February and July, were regularly above the corresponding level for the previous year. At the end of the year they rose to Fr. 14.0 billion (previous year: Fr. 12.5 billion).

Deposit balances usually higher than in previous year

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

Month	Credit-granting in millions of francs, monthly averages							
	Swap credits		Discounts and lombard advances		Total		of which: end-of-month refinancing credit	
	(1)		(2)		(3) = (1) + (2)		(4)	
	1981	1982	1981	1982	1981	1982	1981	1982
January	9 759	8 485	807	1 027	10 566	9 512	1 260	504
February	9 372	7 823	1 021	1 328	10 393	9 151	540	418
March	9 510	8 670	942	882	10 452	9 552	943	503
April	9 269	9 159	1 373	880	10 642	10 039	634	319
May	9 319	9 819	1 174	632	10 493	10 451	43	195
June	10 089	10 011	1 588	637	11 677	10 648	939	512
July	10 056	9 392	1 531	780	11 587	10 172	559	360
August	8 822	9 089	1 181	926	10 004	10 015	493	406
September	7 945	9 676	1 438	612	9 383	10 288	592	432
October	7 687	9 949	1 472	694	9 159	10 643	442	392
November	7 201	11 229	1 635	741	8 836	11 970	250	319
December	10 104	13 829	1 694	694	11 798	14 523	1 322	1 244

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

Foreign exchange market and exchange rates

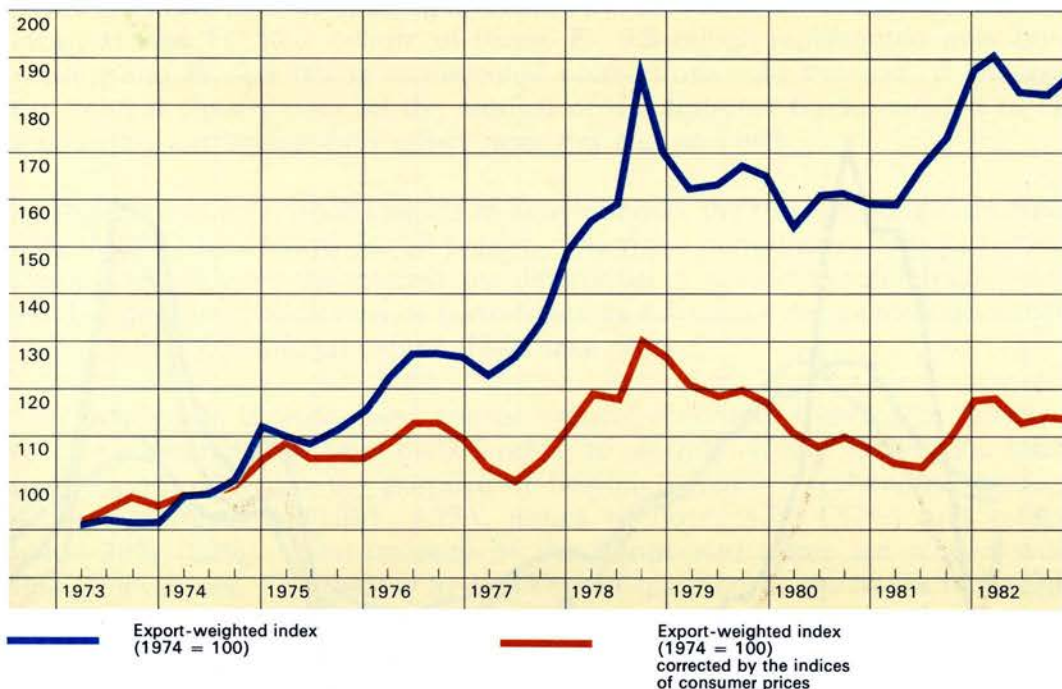
External value of the franc

In 1982, the movement of the nominal and the real, export-weighted *exchange rate for the Swiss franc* can be divided into three phases. From January to March the franc appreciated markedly. The end of March saw the beginning of a downward movement which continued until the autumn, but without the franc's external value falling below its previous year's level. Lastly, from October until the end of the year the franc rose again in both nominal and real terms. Since, however, the franc had been very strong in November and December 1981, it was occasionally below its previous year's level in the fourth quarter of 1982. On average for the year, both the nominal and the real exchange rate for the franc were appreciably above the values recorded in 1981.

Marked appreciation of the dollar until mid-November

The movements of the rate for the franc in relation to the currencies of the country's leading trading partners were not uniform. Up to the autumn of 1982 the Swiss currency weakened markedly against the dollar. In mid-November the rise in the rate for the dollar ceased, giving way to a distinct movement in the opposite direction. At the end of the year the dollar was back to just under Fr. 2.00 (previous year: Fr. 1.79), after having risen by mid-November to over Fr. 2.20. The pound sterling, too, appreciated until the autumn, but subsequently fell back sharply and at the end of the year, at Fr. 3.22, it was lower than it had been a year earlier (3.44). The rate for the D-mark stabilised, after strengthening appreciably in the second quarter, at around 85 centimes. Among the other currencies, the French franc, the Italian lira and the yen were traded at, if anything, lower rates against the Swiss franc, although the yen appreciated distinctly towards the end of the year.

Nominal and real exchange rate for the Swiss franc



Capital market

Interest rates in the bond market followed a similar course to money market rates. Except at the beginning of 1982 and in the middle of the year, they declined fairly steadily. The average yield on Federal bonds fell from 5.4% at the beginning of January to 4.2% at the end of December, thus reaching its lowest level for three years.

Decline in capital market rates

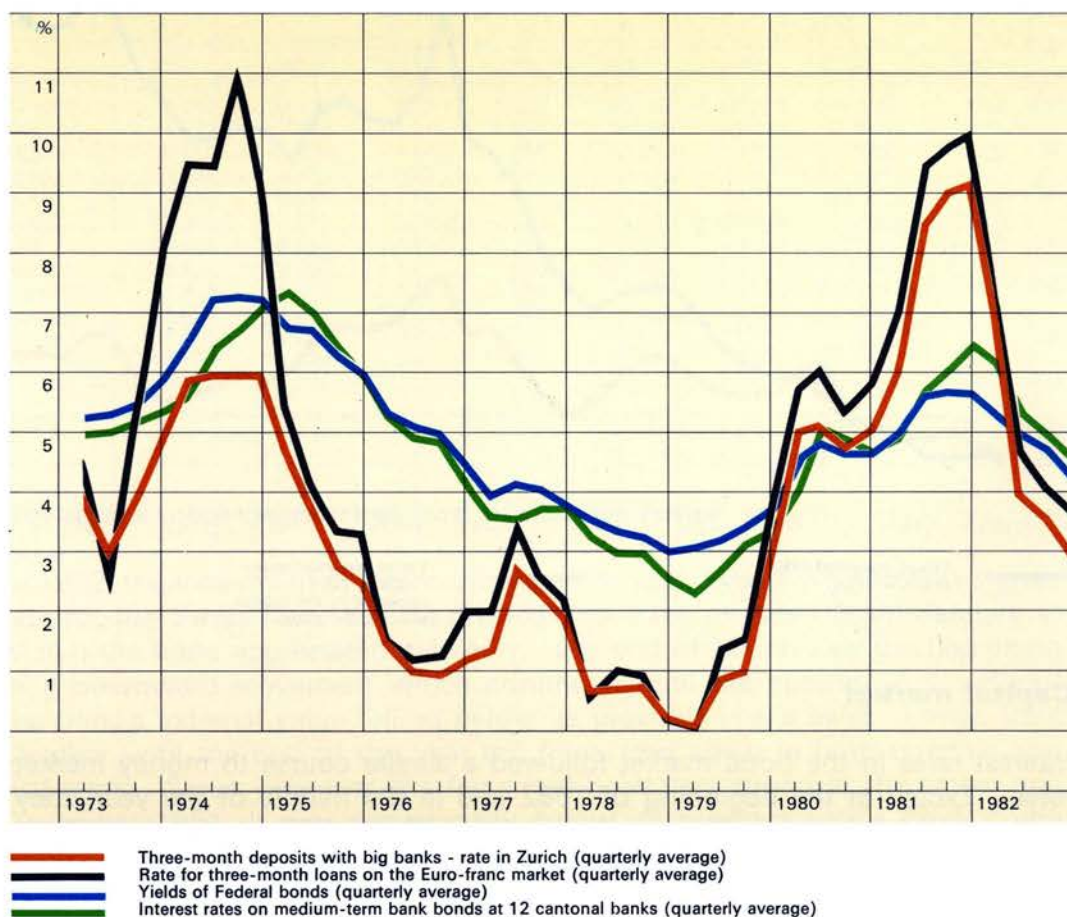
Capital market rates were above money market rates for the greater part of last year, whereas short-term interest rates had, in 1980 and especially 1981, temporarily risen distinctly above longer-term rates. The term structure of interest rates returned to normal in step with the expansion in the monetary base and the slackening of economic activity.

Normalisation of the term structure of interest rates

In March 1982 the National Bank began to make modest regular purchases of Swiss bonds. By the end of the year it had bought bonds amounting to about Fr. 400 million. The National Bank's aim is gradually to diversify its assets and establish a wider source for its money creation, which has hitherto taken the form of foreign exchange operations. The purpose of the purchases made since March 1982 is to establish whether the Swiss bond market is suitable for this policy.

Diversification of the National Bank's portfolio

Money market and capital market rates



Increased net recourse to the capital market

Net recourse to the Swiss capital market in the form of issues of bonds and shares amounted in 1982 to Fr. 16.2 billion (1981: Fr. 14.2 billion). A falling-off in share issues was more than counterbalanced by a pronounced increase in bonds. The share of foreign borrowers in new recourse to the market by means of bond issues grew again slightly. In the domestic sector there was in particular an increase in issues by the public sector and mortgage institutions.

Six Federal loan issues by tender

The Federal Government, again employing the tender method, issued six loans in 1982. In response to the subscriptions, a total of Fr. 1.4 billion was allocated. The yields were between 5.18% (July) and 4.07% (November).

The National Bank refrained, as it had already done since the second quarter of the previous year, from fixing an issue ceiling. The total of loan applications received was Fr. 12.2 billion; of these, Fr. 9.9 billion represented new borrowing and Fr. 2.3 billion represented conversions. At the end of October the Federal Government, at the request of the National Bank, decided to lift the control on issues with effect from the end of 1982.

Lifting of the issue control with effect from end-1982

As regards *capital exports subject to authorisation*, the total amount authorised rose in 1982 by 18% to Fr. 38 billion. The main contributory factors behind this movement were the interest rate differential in relation to foreign countries and the growing importance of Switzerland as a financial centre through which longer term international capital flows take place.

Increase in capital exports subject to authorisation

The distribution of authorised capital exports according to types of business reveals a distinct shift from bank lending to security issues. Out of the total, bank credit, often for the purpose of financing Swiss merchandise exports, accounted for 26% (1981: 40%), issues of notes 48% (37%) and public loans 26% (23%). The majority of the bonds and notes are placed with foreign investors. The decline in direct credit-granting by the banks to foreign borrowers, which was very marked in the second half-year, is connected on the one hand with the slackening of Swiss export activity and on the other hand with the payment difficulties of many debtor countries, which made the banks more cautious.

Pronounced decline in bank loans to foreign countries in the second half-year

Not only the banks but also private and institutional investors began to pay more attention to the soundness of borrowers. While it is true that foreign issuers were able to place public loans amounting to Fr. 10 billion (+32%), they had to pay greater risk premiums in the form of higher interest rates. The difference between the yield of Federal bonds and that of bonds issued by foreign borrowers increased and was at the end of 1982, at almost 2 percentage points, nearly twice as large as it had been two years earlier.

Higher risk premiums

The breakdown of capital export authorisations according to debtor groups likewise changed compared with the previous year. The proportion accounted for by industrial countries rose in 1982 to 77% (1981: 71%) and the relative share of international organisations went up to 12% (9%). On the other hand, the share of the developing countries fell to 10% (14%) and that of centrally planned economies to 1% (4%).

Capital export authorisations according to groups of countries, 1979-1982 (Percentages)

Groups of countries	1979	1980	1981	1982
Industrial countries	74,1	68,7	71,1	76,7
Developing countries	10,7	14,7	14,0	9,8
Centrally planned economies				
– Eastern Europe	5,3	3,1	4,2	1,4
– Others	0,2	0,5	0,3	—
OPEC	2,6	1,9	1,4	0,3
International organisations ¹	7,1	11,1	9,0	11,8
Total, percentages	100,0	100,0	100,0	100,0
Total, billions of francs	26,9	23,3	32,2	38,0

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

2.3. Banks' balance sheets

Banks' balance sheets affected by recession and declining interest rates

The development of the *banks' balance sheets* in 1982 was largely influenced by the continuing recession and the declining level of interest rates. The most striking changes are, on the assets side, the fall in lending due to the depressed business conditions and, on the liabilities side, the slowing down of the upsurge of fixed term deposits prompted in 1980 by the rise in short-term interest rates.

Slackening of growth in balance sheet totals

The combined balance sheet total of the 71 banks covered by the monthly statistics rose in 1982 by 7.2%, compared with an increase of 9.3% the previous year. The slackening of the growth due to the recession is only partly reflected in these figures, because the dollar appreciation in 1982 inflated the banks' dollar positions expressed in Swiss francs.

Assets:
Slower increase in lending to customers

A clearer picture is presented by the movement of the individual *asset items*. Lending, which had grown rapidly in 1979-1980, has only been rising at a slower rate since mid-1981. In 1982 its total went up by 4.2% only, as a result of widely differing trends displayed by the individual types of lending (loans and advances, credit to public authorities and bodies and mortgage loans). A true reflection of the economic situation is presented by overdrafts, advances and Swiss franc loans to domestic and foreign borrowers. At the end of 1982 the total of these was 3.4% down on the year. The fall was particularly marked in the case of Swiss franc credits to foreign borrowers (–4.0%), reflecting the flagging demand for Swiss export products and the more cautious attitude of the banks towards many debtor countries. In domestic lending, building loans declined more than commercial credits. The outstanding amount of credit to the public sector at the end of 1982 was 1.6% lower than it had been a year earlier.

Owing to the falling-off of loans and advances, the mainstay of domestic lending was the granting of mortgage loans, the end-of-year amount of which was 9.2% higher than at the end of 1981. The increase in mortgage loans is largely attributable to the consolidation of the greatly expanded building loans granted in previous years. The interest rates on new first mortgages were reduced in July by half a percentage point to 6%, so that in the second half of the year the cost of existing and new mortgages was again the same. Many banks announced at the end of 1982 that the mortgage rate would be reduced by a further half percentage point in April 1983.

Restrained growth in mortgage loans

In view of the slackness of demand for credit due to the recession, the banks increasingly invested their funds with other banks in the Euro-market. The time-deposits with other banks rose over the year by 20.4%.

Increase in the banks' Euro-market lendings

In the first quarter the monthly average of the banks' liquid resources (cash deposits held with the National Bank and postal Giro) was still relatively low owing to the National Bank's fairly restrictive monetary policy. During the remainder of the year, because of the more expansionary monetary policy liquid resources rose finally almost attaining their previous year level.

Slight rise in liquidity

In the case of *deposits from the public*, the largest percentage increase (+19.9%) was registered by sight deposits, which had previously declined for three years. Time deposits, which had trebled from 1979 to 1981, rose again by only 6.2%. Savings deposits and funds on deposit accounts together increased by 17.0% compared with a year earlier. The interest rates on savings deposits, after having been raised by 1/2% in February, remained at 4% throughout the year.

Liabilities:
Increase in sight and savings deposits coupled with slower growth in fixed-term deposits

The total of medium-term bank bonds (Obligations de caisse) outstanding at the end of 1982 was 12.4% up on the year, although the interest rates on these bonds were gradually reduced during the year from 6 1/2% to 4 1/4% for short maturities and 4 1/2% for longer periods. The total of other outstanding bonds, too, which had risen at an above-average rate since 1979, went up strongly again in 1982 (by 15%).

More medium-term bank bonds (obligations de caisse) and loan bonds

At the end of 1982 the total of deposits and borrowed funds from the Swiss public was up by 6.9% and that from foreigners by 33.8% compared with a year earlier.

Trustee funds decreased slightly in 1982 by 6.1% to Fr. 64.0 billion. As previously, the trustee funds were almost entirely invested abroad, the proportion of dollar investments having expanded while those in Swiss francs declined.

Trustee funds paralysed by trend of interest rates

The decrease in the volume of trustee funds is primarily attributable to the fall in interest rates. Following the downward movement of three-month rates from the autumn of 1981 onwards, the previous extremely rapid growth in trustee funds had already come to a halt by the beginning of 1982. The falling-off in trustee business also reflects, however, the disappearance of the OPEC surplus and the growing caution displayed in view of the risks entailed by trustee business.

2.4. Other measures of monetary policy

2.4.1. International monetary co-operation

Co-operation in international lending programmes organised by the BIS

The National Bank participated in 1982 in three international credit programmes, namely the bridging loans granted by various central banks under the aegis of the Bank for International Settlements (BIS) for Mexico, Hungary and Brazil. In the first case the National Bank participated in the total amount of \$ 1.85 billion with a guarantee undertaking for \$ 25 million and in the case of Hungary it undertook to guarantee \$ 50 million out of a total of \$ 300 million. The National Bank's participation in the \$ 1.2 billion BIS credit for Brazil amounts to \$ 30 million. For all three bridging loans the National Bank received a guarantee from the Federal Government under the Federal Decree concerning Switzerland's co-operation in international monetary measures.

Participation in talks about the expansion of the General Arrangements to Borrow

The National Bank also took part in the talks held with the International Monetary Fund (IMF), within the framework of the Group of Ten, about an expansion of the General Arrangements to Borrow (GAB).

The National Bank's lending undertakings and participation in international monetary measures, most of which dated back to previous years, had been drawn upon as follows by the end of 1982:

Co-operation of the Swiss National Bank in international monetary measures

	Undertaking	Amount outstanding	
		End 1981	End 1982
1. Swap agreements			
Federal Reserve Bank of New York	\$ 4 billion		
Bank of Japan	Yen 200 billion		
BIS	\$ 600 million		
2. Multilateral credits			
GAB	SF 865 million		
IMF oil facilities ¹	SDR 250 million	SDR 74.7 million	SDR 17.3 million
IMF «Witteveen» facility	SDR 650 million	SDR 322.2 million	SDR 449.9 million
1981 central bank credits to IMF	SDR 150 million	SDR 40.6 million	SDR 40.6 million
3. Bilateral credits			
Portugal ²	\$ 30 million	\$ 30 million	\$ 30 million
Turkey ²	\$ 45.5 million	\$ 45.5 million	\$ 45.5 million
4. Guarantee undertakings			
Mexico ²	\$ 25 million		\$ 19.8 million ³
Hungary ²	\$ 50 million		\$ 50.0 million
Brazil ²	\$ 30 million		\$ 12.5 million ³

¹ Partly with Federal guarantee.

² With Federal guarantee.

³ The credits had not yet been fully drawn at the end of 1982.

2.4.2. Capital exports subject to authorisation

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 are subject to authorisation if these transactions amount to Fr. 10 million (notes: Fr. 3 million) or more and are for a period of one year or over. Short-term capital exports by banks and investment companies and all capital exports by Swiss non-banks are exempt from the authorisation requirement.

Legal basis:
Art. 8 of the Bank Act

The *Memorandum on Capital Export Regulations* of 1st September 1980 / 25th November 1981 was in force at the beginning of 1982. Since then the National Bank has abstained from drawing up an actual programme for the public issuing of loans by foreign borrowers, and has confined itself to co-ordinating issuing dates. The maximum limit of Fr. 100 million per loan issue remained unchanged.

Position on
1st January 1982

1st July 1982:
relaxations regarding
dealings in notes

On 1st July 1982 amended capital export regulations came into force, introducing, in particular, relaxations with regard to transactions in notes. Since then, dealings in medium-term Swiss franc notes and the dissemination of information about dealings in notes have not been subject to any restrictions. Furthermore, reduced minimum maturities now apply for notes and public loans. The regulations for the purpose of enabling information to be obtained about the international use of the Swiss franc remained unchanged.

This revision of the *Memorandum* represented a further step in the dismantling of restrictions introduced several years ago. The policy of gradual liberalisation takes account of the fact that administrative restrictions within the country accentuate the tendency for Swiss franc transactions to be shifted abroad.

11th November 1982:
permission for foreign
institutions to act as
sub-underwriters
of Swiss franc
transactions

With effect from 11th November, the capital export regulations were again slightly amended. Foreign institutions are now allowed to participate generally as sub-underwriters of syndicated Swiss franc transactions, provided that they are not publicly mentioned in connection with these transactions. At the same time, the reporting requirements were somewhat simplified.

The reservation and authorisation procedure for public loans issued by foreign borrowers which had been followed since the beginning of 1982 has been retained since 1st January 1983 in a slightly modified form.

2.4.3. Agreement on the banks' obligation to exercise care

1st July 1982:
extension of
agreement on banks'
obligation to exercise
care

On 1st July 1982 the Swiss National Bank and the Swiss Bankers' Association extended the «Agreement on the banks, obligation to exercise care in the acceptance of funds and on the preservation of banking secrecy» for a period of five years. Advantage was taken of this opportunity to clarify and in some respects amplify the rules for conduct of bank business based on sound ethical principles. The underlying aim of the changes is to make it still more difficult for assets to be anonymously deposited within the Swiss banking system; they concentrate mainly on the checking of the identity of the banks' customers.

Restriction of the
group of persons
bound to professional
secrecy

Careful checking of the identity both of the contracting party and of the financial beneficiary of an account or deposit is an important prerequisite for the fulfilment by the banks of their legal obligations as regards the provision of evidence and information, and especially their obligations to the criminal prosecuting authorities. The provision of information is jeopardised if the bank's customer makes relevant information inaccessible to the authorities by interposing a third person. The number of persons bound to professional secrecy, who are thus not allowed to disclose the identity of the holder of

the financial claim on the bank, has therefore been reduced in comparison with the previous regulations. In order to make it even more difficult for funds from criminal sources to be put into circulation, the banks have also renewed their undertaking to check the customer's identity in the case of cash transactions at the counter if the transactions in question are in excess of a certain sum.

The renting of deposit boxes differs from the opening of an account or a deposit by the fact that the bank has no knowledge of the nature and extent of the valuables deposited with it for safekeeping. In this connection the new agreement calls not only for the checking of the identity of the renter but also for an assessment of his trustworthiness.

Checking of the trustworthiness of persons renting deposit boxes

The prohibition against active assistance in the flight of capital was more precisely formulated. The banks are thus no longer allowed to keep accounts or deposits for resident persons or companies who or which can be seen to be using their accounts for professional assistance in the flight of capital. Furthermore, the participation of banks in compensation transactions abroad is expressly prohibited.

More precise formulation of the prohibition against active assistance in the flight of capital

As before, 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 which is responsible for supervision of the agreement. Various aspects of the procedure for the presentation of cases to the arbitration commission have been changed. The head office and secretariat of the arbitration commission are now in Berne.

The fact that the National Bank is again participating in the establishment and supervision of professional rules for banking activity does not mean that a definitive solution has thereby been found. It is the responsibility of the Federal Government and the cantonal governments to examine, within the framework of the revision of the Bank Act, whether any parts of the agreement, and, if so, which, should be governed by legislation.

Agreement on the obligation to exercise care and revision of the Bank Act

3. Balance Sheet and Profit and Loss Account

3.1. Development of the Balance Sheet since 1946

Assets

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				Bills of the Federal Loan Agency	Lombard advances	Securities	Balances with correspondents	
					Swiss bills	Treasury Bonds ³	Dis-counted bonds	Total				at home	abroad ⁴
<i>In millions of francs</i>													
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	—
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	—

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.

Liabilities

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	Times liabilities		Obliga- tion under Federal Act of 13th March 1964	Balance sheet total	Year
		Giro accounts of banks trade and industry	Ac- counts of the Confed- eration	Ac- counts of depos- itors	Ac- counts held under payment and clearing agree- ments	Steril- isation rescrip- tions					Special accounts, bonds				
<i>In millions of francs</i>	%	<i>In millions of francs</i>													
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	—	—	—	—	—	6 400,6	1948	
4 566,3	136,66	1 334,8	105,8	40,9	249,6	—	1 731,1	—	—	—	337,1	—	6 721,9	1949	
4 663,8	128,13	1 042,1	485,6	75,2	170,2	—	1 773,1	—	—	—	200,0	—	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	
7 565,0	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	—	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	—	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	—	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	
24 477,0	48,63	13 992,7	798,9	50,8	—	852,0	15 713,5 ⁶	—	—	—	250,0 ¹²	—	49 374,2	1982	

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 Bonds.

3.2. Profit and Loss Account for 1982 at 31st December

Expenditure	1982	1981
Operating expenses		
Bank authorities	Fr. 688 389.75	Fr. 594 341.85
Personnel	Fr. 47 790 133.45	Fr. 40 814 961.24
Premises	Fr. 9 464 125.95	Fr. 6 083 059.41
Furniture and fixtures	Fr. 2 652 078.25	Fr. 1 829 469.50
Business and office equipment and supplies ..	Fr. 2 117 365.46	Fr. 1 720 537.95
Information and communication	Fr. 1 866 786.99	Fr. 1 354 721.78
Printing, publications	Fr. 1 045 273.05	Fr. 1 617 361.45
Expenditure in respect of note circulation	Fr. 16 116 020.85	Fr. 14 189 506.30
Other expenditure on materials	Fr. 5 181 369.69	Fr. 3 400 877.94
Other expenses		
Interest payable to depositors	Fr. 2 664 338.20	Fr. 2 482 469.95
Interest payable to Federal Government	Fr. 24 086 286.55	Fr. 18 178 776.—
Interest payable on Federal Treasury bonds ..	Fr. —.—	Fr. 33 305.50
Interest payable on bonds	Fr. 34 599 448.—	Fr. 19 771 660.45
Other sterilisation expenses	Fr. 4 533 015.03	Fr. 20 505 867.53
Writing-down of own securities	Fr. 114 509 881.—	Fr. 183 038 208.75
Depreciation of bank buildings	Fr. 2 497 110.70	Fr. 14 313 002.—
Taxes	Fr. 8 897 930.45	Fr. —.—
Appropriation to staff and pensioners' welfare facilities funds	Fr. 3 000 000.—	Fr. 4 000 000.—
Provisions for		
— Bank buildings	Fr. 50 000 000.—	Fr. —.—
— Production of bank notes	Fr. —.—	Fr. 30 000 000.—
— Open-market operations	Fr. 50 000 000.—	Fr. 20 000 000.—
— Uninsured losses	Fr. —.—	Fr. 20 000 000.—
— Taxes	Fr. 10 000 000.—	Fr. —.—
— Foreign exchange risks	Fr. 2 033 354 352.50	Fr. 2 374 141 634.07
Net profit	Fr. 7 592 823.20	Fr. 7 592 823.20
	<u>Fr. 2 432 656 729.07</u>	<u>Fr. 2 785 662 584.87</u>

Income	1982	1981
Operating income		
Commissions	Fr. 3 006 189.76	Fr. 2 832 293.91
Income from bank buildings	Fr. 2 603 451.35	Fr. 2 464 972.30
Sundry income	Fr. 1 779 739.03	Fr. 1 636 083.64
Other income		
Income from foreign exchange and gold	Fr. 2 307 192 757.88	Fr. 2 552 937 357.64
Foreign exchange valuation adjustment	Fr. —,—	Fr. 90 019 351.28
Income from discounting	Fr. 37 518 437.—	Fr. 43 843 896.85
Income from secured advances	Fr. 15 655 614.35	Fr. 25 095 544.55
Income from own securities	Fr. 62 801 110.85	Fr. 64 840 360.30
Income from domestic correspondents	Fr. 2 099 428.85	Fr. 1 992 724.40
	<u>Fr. 2 432 656 729.07</u>	<u>Fr. 2 785 662 584.87</u>

Explanatory notes on the Profit and Loss Account

The National Bank's Profit and Loss Account closed in 1982 with an income surplus of Fr. 2,153.9 million. The greater part of the surplus was used to increase provisions, especially that for foreign exchange risks (Fr. 2,033.4 million), in order to make allowance for the uncertainties of the monetary situation and the high level of the foreign exchange holdings. The net profit remaining amounts to Fr. 7.6 million.

Earnings from investments and dealings in foreign currencies amounted to Fr. 2,307.2 million. They mainly consisted of the substantial interest income due to the high interest rates on dollar investments. The recording of discounted paper at its cost value led to the shifting of income amounting to Fr. 289.1 million to the 1983 financial year. The dollar was shown in the annual accounts at the December average rate of Fr. 2.049 (1981: Fr. 1.815). This valuation adjustment and the corresponding corrections to the other foreign-currency and SDR holdings resulted in an increase in the foreign exchange holdings of Fr. 1,624.6 million. This amount merely represents an unrealised book profit; it was therefore not passed via the Profit and Loss Account but was entered under a new balance sheet heading «Valuation corrections on foreign currencies».

Earnings from discounts and lombard advances, at Fr. 53.2 million, were below the previous year's level. The reduction in recourse to traditional central bank credit is chiefly due to the restraint exercised in the lowering of the official rates as compared with the movement of market rates. Income from securities amounted to Fr. 62.8 million, a sum which, despite the higher nominal amount of the holdings, was below the previous year's figure. The decline in earnings was due to expenditure on broken-period interest in respect of purchases of bonds.

Total expenditure on personnel rose to Fr. 47.8 million, owing to salary increases, the bonus paid in connection with the Bank's 75th anniversary, appropriations to the staff and pensioners' welfare funds and changes in the number of staff.

Expenditure on premises, at Fr. 9.5 million, was on structural safety measures and renovation work at the head offices and branches. Depreciation of Bank buildings, at Fr. 2.5 million, was considerably lower than in the previous year. As building expenses incurred are written off at the end of the year in question, the completion of the new Kaiserhaus building in Berne in mid-1982 resulted in a fall in the depreciation figure.

Expenditure in respect of the note circulation, which includes the cost of paper, printing, transport and insurance, rose to Fr. 16.1 million. The increase was due to the enlargement of the stock of bank-note paper. The payment of interest on part of the Federal Government's deposit account, which was introduced in March 1982, led to an increase in interest expenditure on Federal investments to Fr. 24.1 million. Interest payments on the Bank's own bonds, at Fr. 34.6 million, were greater than in the previous year owing to the fact that the annual average of holdings of these bonds was higher than in 1981.

Sterilisation expenses of Fr. 4.5 million were incurred because of the fact that the U.S. Treasury continued to deposit the funds derived from the issue of Swiss franc notes with the National Bank. The decrease was due to the reduction in the size of the holdings compared with the previous year.

Book profits on redemptions and sales of previously written-down securities held by the National Bank for own account and the proceeds of sales of securities (totalling Fr. 10.6 million) were offset against expenditure on the writing-down of the securities acquired during the year under review (Fr. 125.1 million). The net result is that securities were written down by Fr. 114.5 million.

4. Organisation as on 1st January 1982

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: Josef Iten

4.2. 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 Peter Hadorn, Assistant Director, Zurich

Department I (Zurich)

Head of Department	Fritz Leutwiler, Chairman of the Governing Board
Secretariat	Anna Elisabeth Heeb, Senior Officer
Press Relations	Erich Heini, Assistant Director
Deputy Head of Department	Peter Klauser, Director Kurt Schiltknecht, Director
Economic Section	Kurt Schiltknecht, Director
Economic Studies	Georg Rich, Director Peter Buomberger, Senior Officer (on special leave) Christoph Menzel, Senior Officer (on special leave)
Banking Studies	Max Baltensperger, Director Anton Föllmi, Assistant Director Martin Klaus, Senior Officer
Legal and Administrative Section	Peter Klauser, Director
Legal Function	Werner Schmid, Legal Adviser
Personnel	Gerhard Nideröst, Deputy Director
Technical Services	Daniel Ambühl, Senior Officer
Auditing and Controlling	Hans Baumgartner, Director Roland-Michel Chappuis, Assistant Director Robert Meli, Assistant Director
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	Jean-Pierre Roth, Director
Central Accounting	Hans-Peter Dosch, Deputy Director
Cashier's Office (Berne)	Adolf Lerch, 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	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
Correspondence	Walter Obi, Assistant Director
Cashier's Office	René 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>Lucerne</i>	Hans Theiler, Director Joseph Burri, Senior Officer
<i>Lugano</i>	Cesare Gaggini, Director Franco Poretti, Senior Officer
<i>Neuchâtel</i>	Francis von Arx, Director Charles Girord, 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
<i>La Chaux-de-Fonds</i> (attached to Neuchâtel Branch)	Jacques Jolidon, Head

This annual report of Banque nationale suisse is published as a comprehensive version in German and French and as an abridged version in Italian and English.

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