Eidgenössische Finanzmarktaufsicht FINMA
Autorité fédérale de surveillance des marchés financiers FINMA
Autorità federale di vigilanza sui mercati finanziari FINMA
Swiss Financial Market Supervisory Authority FINMA

Circular 2015/1
Accounting – banks

Accounting rules for banks, securities dealers, financial groups and conglomerates (ARB)

Reference:	FINMA-Circ. 15/01 “Accounting – banks”
Date:	27 March 2014
Entry into force:	1 January 2015
Concordance:	former FINMA-Circ. 08/2 “Accounting – banks” of 20 November 2008
Legal framework:	FINMASA Art. 7 para. 1 let. b BA Art. 6 et seqq. BO Art. 25 et seqq. SESTA Art. 16 SESTO Art. 29
Annex 1:	Overview in table form of the provisions set out under Title 32 of the Swiss Code of Obligations (Commercial Accounting and Financial Reporting) and their applicability to financial statements prepared in accordance with the Swiss accounting rules for banks and the international standards recognised by FINMA
Annex 2:	Details on the individual balance sheet items and off-balance-sheet transactions
Annex 3:	Details on the individual income statement items
Annex 4:	Presentation of the statement of changes in equity
Annex 5:	Details on the individual items in the notes to annual financial statements / consolidated financial statements
Annex 6:	Presentation of the cash flow statement
Annex 7:	Glossary

Laupenstrasse 27, 3003 Bern
Tel. +41 (0)31 327 9100, Fax +41 (0)31 327 9101
www.finma.ch

Addressees

BankA			ISA			SESTA	FMIA						CISA									AMLA			Other	
Banks	Financial groups and congl.	Other intermediaries	Insurers	Insurance groups and congl.	Intermediaries	Securities dealers	Trading venue	Central counterparties	Central securities depositories	Trade repositories	Payment systems	Participants	Fund management companies	SICAVs	Limited partnerships for CISs	SICAFs	Custodian banks	Asset manager CISs	Distributors	Representatives of foreign CISs	Other intermediaries	SROs	DSFIs	SRO-supervised institutions	Audit firms	Rating agencies
X	X					X																				

Index

I. Subject matter and scope of application

This Circular complements and specifies the effective application of the provisions on keeping accounts and filing financial reports set out in Title 32 of the Swiss Code of Obligations (Art. 957 et seqq. CO; SR 220), the Banking Act (Art. 6 et seqq. BA; SR 952.0) and the Banking Ordinance (Art. 25 et seqq. BO; SR 952.02). It takes account of the particular features of the banking business with regard to the recording and presentation of business transactions and circumstances. The principle of differentiation is applied appropriately in respect of company size and business activity, while ensuring a coherent homogeneity and comparability of the financial statements. 1

Together with the provisions on accounting set out in the Banking Act and Banking Ordinance, this Circular constitutes the Swiss accounting rules for banks. These are deemed equivalent to a recognised accounting standard under the terms of the Ordinance on Recognised Accounting Standards (Art. 2 para. 1 ORAS; SR 221.432). 2

The Circular is directed at banks as defined in Article 1 BA, securities dealers as defined in Article 2 let. d and Article 10 of the Stock Exchange Act (SESTA; SR 954.1), and financial groups and conglomerates as defined in Article 3c paras. 1 and 2 BA. In the text that follows, banks and securities dealers are collectively referred to using the term “banks”, while financial groups and conglomerates are referred to as “financial groups”. 3

The Circular governs all financial statements prepared by banks and financial groups in accordance with valid Swiss accounting rules (Chapters II–XVII). It also governs individual elements of the financial statements that are prepared in accordance with the international accounting standards recognised by FINMA (Chapter XIX). The provisions on publication (Chapter XVIII) apply to all financial statements. 4

The statutory single-entity financial statements (annual financial statements) present the bank’s economic position in such a way that a third party can make a reliable assessment (“reliable assessment statutory single-entity financial statements”; Art. 25 para. 1 let. a BO) or present a true and fair view of the bank’s actual circumstances (“true and fair view statutory single-entity financial statements”; Art. 25 para. 1 let. b BO). They are submitted to the supreme governing body for approval (for example Art. 698 para. 2 no. 4 CO for banks in the form of a company limited by shares). The principal difference between the two types of financial statements lies in the creation of hidden reserves, which is not permitted in true and fair view statutory single-entity financial statements. The other differences are set out in margin no. 263 et seqq. 5

True and fair view single-entity financial statements, in addition to reliable assessment statutory single-entity financial statements (“true and fair view supplementary single-entity financial statements”), are prepared in accordance with the Swiss accounting rules for banks or an international standard recognised by FINMA (margin no. 10). These statements must also be audited (ordinary audit). They are submitted to the supreme governing body for information when the annual financial statements are submitted for approval, but they do not themselves require approval (Art. 962a para. 4 CO). 6

Banks that are required to prepare true and fair view single-entity financial statements in ac- 7
cordance with Article 962 para. 1 CO or do so voluntarily may choose between true and fair view statutory single-entity financial statements or true and fair view supplementary single-entity financial statements.

Consolidated financial statements must present a true and fair view of the financial group's 8
actual circumstances (Art. 33 para. 1 BO). They are prepared in accordance with the Swiss accounting rules for banks or an international standard recognised by FINMA (margin no. 10), and are submitted to the supreme governing body for approval.

Synoptic presentation of the different types of financial statements: 9

<table>
<tr><td colspan="3">Single-entity financial statements:</td></tr>
<tr><td rowspan="2">Statutory single-entity financial statements</td><td>Reliable assessment statutory single-entity financial statements</td><td></td></tr>
<tr><td>True and fair view statutory single-entity financial statements</td><td rowspan="2">True and fair view single-entity financial statements</td></tr>
<tr><td></td><td>True and fair view supplementary single-entity financial statements</td></tr>
<tr><td colspan="3">Consolidated financial statements (true and fair view)</td></tr>
</table>

On the basis of Article 6b para. 4 BA, FINMA has restricted the application of the accounting 10
standards recognised by the Federal Council. The only international accounting standards for banks and financial groups recognised by FINMA are the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the United States Generally Accepted Accounting Principles (US GAAP) issued by the Financial Accounting Standards Board (FASB).

II. Basis and principles

The provisions of the Swiss Code of Obligations for keeping accounts and filing financial re- 11
ports apply except where provisions of the Banking Act, the Banking Ordinance or this Circular which deviate from them take precedence.

Annex 1 to this Circular contains an overview in table form of the individual deviations from 12
the provisions of the Swiss Code of Obligations. This Annex also contains details of the extent to which financial statements prepared in accordance with the international accounting standards recognised by FINMA are affected by the Swiss accounting rules for banks.

A. Principles for keeping accounts and filing financial reports

a) Assumption that the company will continue as a going concern

Financial statements are to be prepared on the assumption that the bank or financial group 13
will continue as a going concern for the foreseeable future (Art. 958a para. 1 CO). If this is

the case, valuations are made on a going-concern basis.

If the intention is to cease activities or parts thereof in the twelve months following the balance sheet date, or if this appears unavoidable, the financial statements for the parts of the company affected are to be based on liquidation values (realisable values). Provisions must be created for the expenditures associated with ceasing activities (Art. 958a para. 2 CO). Liquidation ordered by the authorities is also deemed to be a circumstance requiring valuation on the basis of liquidation values. Even if it is no longer assumed that the company will continue as a going concern, complete annual financial statements must be prepared. Deviations from the going-concern assumption are to be disclosed in the notes to the financial statements and the impact on the economic position must be explained (margin no. 186). 14

b) Accrual

The financial statements are to be prepared on the basis of the periodic accrual principle. In accordance with this principle, the effects of transactions and other events are recognised at their occurrence and not when cash or cash equivalents are received or paid. 15

Expenses and income that occur in a given period are to be accrued and recognised in that period. In particular, provisions and value adjustments to cover risks that are apparent at the time of preparation of the interim and annual financial statements and that originate during the financial accounting period just ended are to be charged in full to the income statement of the financial accounting period just ended. 16

B. Principles of proper accounting

a) Proper recognition of business transactions

All transactions concluded as of the balance sheet date are to be recorded on a daily basis and valued in accordance with recognised principles. The result from all such transactions is to be recorded in the income statement. Spot transactions concluded but not yet settled at the balance sheet date are to be recognised applying the trade date accounting principle or the settlement date accounting principle. It is permissible to apply trade date accounting or settlement date accounting separately by product category (e.g. securities, foreign exchange, etc.). The method selected must be applied consistently and disclosed in the notes to the financial statements under the accounting and valuation principles. 17

b) Clarity and understandability

The unequivocal and true presentation of the economic position is to be ensured by way of a clear structure and labelling of items. The minimum structure used in the balance sheet, income statement, statement of changes in equity, cash flow statement and notes is to be in accordance with Chapter IV for reliable assessment statutory single-entity financial statements, Chapter V for true and fair view single-entity financial statements, and Chapter VI for consolidated financial statements. 18

c) Completeness

The principle of completeness requires the disclosure of all information that is material to the assessment of the bank's or financial group's economic position. In particular, it requires the full recognition of all assets, liabilities, expenses and income. 19

d) Reliability

The information set out in the financial statements may not contain any material errors and may not present a distorted picture. The principle of reliability also includes principles relating to the correctness / truthfulness of the financial statements and absence of arbitrariness. 20

e) Materiality of information

Information must be material to the addressee's decision-making process. The term "material" covers all facts that impact the valuation and presentation of the financial statements as a whole or of individual items of the financial statements where the addressee's assessment of the financial statements would change if such facts had been considered. 21

The materiality of an item of information is dictated by its nature and / or relative amount. In some cases, the nature of the information alone is sufficient to render it material. For example, information on related parties may be material owing to the type / nature of the relationship to the bank even if the volume of transactions between the related parties is small. Such information may not be omitted. If an accumulation of facts that are themselves immaterial is sufficient to exert a material influence on the financial statements, this must be taken into account. 22

f) Prudence

The principle of prudence requires that the presentation of the economic position must not be unduly optimistic. For example, value adjustments may not be too small, the useful life of tangible fixed assets may not be too long, and provisions may not be too low. 23

A prudent valuation is applied where there is uncertainty regarding valuation and risk assessment. In such cases, the more prudent of two (or more) objectively substantiated values or methods must in principle be applied. The values or methods may not be based on unfounded assumptions or merely subjective criteria. 24

Where a fair value can be determined in accordance with margin no. 404 et seqq., the principle of the lower of cost or market value, acquisition cost principle, realisation principle, and the principle of the unequal treatment of losses and income derived from the principle of prudence are not to be applied in the context of banks' and financial groups' trading portfolios. This also applies to financial instruments for which the fair value option is chosen (see margin no. 372 et seqq.). 25

g) Consistency in presentation and valuation

The principle of consistency ensures that successive financial statements of a bank or financial group are prepared so as to enable comparison between accounting periods. Formal 26 consistency requires that the structure and form of presentation remain in principle unchanged. From a material perspective, the principle requires the consistent application of the chosen accounting and valuation principles.

Objectively substantiated changes in presentation or valuation that are intended to effect an improvement and are maintained in subsequent years are not deemed to constitute a breach of the principle of consistency, provided they are disclosed in the notes to the financial statements. The consequences of the changes are to be disclosed and explained in the notes. If the figures of the previous year have been restated, this is also to be disclosed and explained. 27

Valuations often require estimates based on information available at the time of the estimate. Subsequent developments and additional findings may lead to a change in the estimate and do not constitute errors in previous financial statements. As an example, new findings may result in a reduction or extension of the depreciation period for tangible fixed assets. Changes in estimates impact the current (and possibly future) business year(s) and are to be disclosed in the notes. Their consequences must be disclosed and explained. The figures for previous years are not restated. 28

If errors relating to previous periods are identified during a current period, these are to be corrected and recognised through ordinary items in the income statement in the current period. A correction via the items *Extraordinary expenses* or *Extraordinary income* is permitted in the case of non-operating business transactions. If the amount of the correction is material, the reason for the error is to be explained in the notes to the financial statements and a quantitative indication of the impact is to be given. 29

<u>Statutory single-entity financial statements</u>

In the case of changes to the accounting and valuation principles, a restatement of the previous year's figures is in principle not permitted. However, simple reclassifications not relating to the equity capital and result of the period items are permitted. 30

The notes to reliable assessment of statutory single-entity financial statements must in particular indicate the impact of changes to the accounting and valuation principles on the hidden reserves (margin no. 186). 31

<u>True and fair view supplementary single-entity financial statements and consolidated financial statements</u>

In the case of changes to the accounting and valuation principles, a restatement of the previous year's figures and an explanation in the notes are in principle required. The financial statements including the previous year's figures are to be presented as if the newly applied accounting and valuation principles had always been in effect. In so doing, the newly applied accounting and valuation principles are to be applied to events and transactions as from the date of origin of these items. The corrective amounts for previous periods not included in the current financial statements are to be offset in equity in the earliest period presented. Restatement of the previous year's figures is not necessary where prospective application is permitted. If restatement is not possible with a reasonable amount of effort, it may be waived. However, the reasons must be disclosed. 32

h) Inadmissibility of offsetting assets & liabilities and income & expense items

Offsetting and netting of assets & liabilities and income & expenses is in principle prohibited. Exceptions to the prohibition on offsetting assets and liabilities are permitted where receivables and payables arise from transactions of the same type with the same counterparty, with the same maturity or earlier maturity of the receivable, and in the same currency that cannot lead to a counterparty risk, either on the balance sheet reporting date or up to the maturity of the offset transactions. 33

The following exceptions to the prohibition on offsetting assets and liabilities are mandatory for: 34

- the offsetting of holdings of the bank / financial group's own debt securities and similar instruments against the corresponding liability items; 35
- the deduction of value adjustments from the corresponding asset item. 36

The following exceptions to the prohibition on offsetting assets and liabilities are also permitted: 37

- offsetting of positive and negative changes in book value with no income effect in the current period in the compensation account (margin no. 439); 38
- offsetting of deferred tax liabilities and assets in respect of the same tax authority, provided they relate to the same tax subject; 39
- netting of positive and negative replacement values of derivative financial instruments including the associated cash holdings deposited as collateral (e.g. margin accounts) in the following cases, provided a bilateral agreement to this effect has been concluded with the counterparty concerned and that agreement can be shown to be recognised by and enforceable under the legal systems set out below: 40
  - for all transactions covered by a netting agreement under which, in the event of default by the counterparty owing to insolvency, bankruptcy, liquidation or similar circumstances, the bank only has the right to receive or the obligation to pay the difference between the unrealised gains and losses on the transactions covered by the agreement (close-out netting); 41
  - for all offsetting receivables and obligations maturing on the same day and in the same currency as set out in a debt substitution agreement between the bank and the counterparty in such a way as to give rise to a single net amount, thus creating a new, legally binding agreement that replaces previous contractual arrangements (netting by novation). 42

  The bilateral agreement must be demonstrably recognised by and enforceable in the following jurisdictions: 43

  - the country in which the counterparty is domiciled and, if a foreign branch of a company is involved, the jurisdiction in which the branch is domiciled; 44

- the jurisdiction whose law governs the individual transactions covered by the agreement; and 45

- the jurisdiction whose law governs the netting agreements required to effect the netting. 46

Netting is not permitted: 47

- for closed-out transactions governed by an agreement under which offsetting payments are expressed on a net basis by currency on the due date and only the net balance is paid (payment netting); 48

- if the agreement contains a provision that allows the non-defaulting party to make only limited payments or no payments at all to the defaulting party, even if the latter is a net creditor (walk-away clause). 49

The following exceptions to the prohibition on offsetting income and expenses are permitted: 50

- offsetting of default-risk-related value adjustments and losses from interest operations against corresponding recoveries and value adjustments that are no longer required (margin no. 132); 51
- offsetting of newly created provisions and other value adjustments and losses against corresponding recoveries, as well as provisions and value adjustments that are no longer required (margin no. 153); 52
- offsetting of price gains and losses from trading activities and items valued using the fair value option (margin nos. 140, 363 et seqq. and 372 et seqq.); 53
- offsetting of positive and negative changes in book value on financial investments valued according to the lower of cost or market value principle; 54
- offsetting of real estate expenses against real estate income; 55
- offsetting of the refinancing result for trading positions; 56
- offsetting gains / losses from hedging transactions against the gains / losses from the underlying hedged transaction. 57

i) Substance over form

Transactions are to be assessed and presented in accordance with their actual economic substance and not on the basis of legal criteria, if the legal construct fails to reflect or contradicts the economic reality. 58

III. Valuation and recognition

A. Valuation principles

The valuation principles are governed by Article 27 BO. 59

Assets are as a rule recognised in the balance sheet at acquisition cost less depreciation, amortisation or value adjustments, subject to the provisions for individual types of assets set out in Chapter IX. Value adjustments are deducted from the relevant asset in accordance with Article 960a para. 3 CO and may not be shown under liabilities. 60

Liabilities are normally recognised in the balance sheet at their nominal value, subject to the provisions for individual types of liabilities set out in Chapter IX. Liabilities where the original value is lower than the nominal value may be recognised either at their net value or at their gross value combined with an offsetting adjustment entry (discount) under *Accrued income and prepaid expenses*. In both cases, the discount is to be reversed through *Interest expense* over the term of the liability in accordance with the accrual method. The same applies, mutatis mutandis, to premiums. 61

The fair value is used for the valuation of certain items. The fair value is determined using either the price set on a price-efficient and liquid market or a price calculated using a valuation model (margin no. 404 et seqq.). 62

The individual provisions set out in Article 670 CO (for statutory single-entity financial statements of banks in the form of companies limited by shares) and Articles 960a para. 4 CO and 960e para. 3 no. 4 and para. 4 CO (for reliable assessment statutory single-entity financial statements) are applicable, subject to margin no. 240 et seqq. 63

B. Definition of assets, liabilities and equity capital

Assets are defined in accordance with Article 959 para. 2 CO. If no reliable estimate of the value of an asset can be made, it is considered to be a contingent asset requiring explanation in the notes (margin no. 226). 64

Liabilities are defined in accordance with Article 959 para. 5 CO. If no reliable estimate of the value of a liability can be made, it is considered to be a contingent liability requiring explanation in the notes (margin no. 226). 65

Hidden reserves are permitted only in reliable assessment single-entity financial statements, subject to the conditions set out in margin no. 240 et seqq. 66

Equity capital is the result of the total of all assets less the total of all liabilities. 67

C. Definition of income, expenses and result

Income is benefits added during the current period by virtue of an increase in assets and / or decrease in liabilities that result in an increase in equity without the owners having to make capital payments. 68

Expenses are benefits subtracted during the current period by virtue of a decrease in assets and / or increase in liabilities that result in a decrease in equity without the owners receiving a distribution of share capital. 69

Income and expenses are to be recorded only where the associated changes in assets and / or liabilities can be reliably determined. 70

The result (profit / loss) is the difference between income and expenses. 71

D. Foreign currency translation

Transactions in single-entity financial statements that are recorded in a foreign currency are to be converted at the rate prevailing at the time of the transaction. Assets and liabilities are to be translated at the exchange rate prevailing on the balance sheet date; historical exchange rates may be used for participations, tangible fixed assets and intangible assets. Transactions in foreign currencies are to be translated at the exchange rate prevailing on the date of the transaction or the average rate for the month in which the transaction took place. In the case of integration of branches, the average rate for the current period may also be used. The effect of foreign currency adjustments is to be recorded in the income statement. 72

In accordance with Article 957a para. 4 and Article 958d para. 3 CO, accounts are to be kept and financial reports are to be filed in Swiss francs or a currency significant for business operations. If a foreign currency is used, values must be translated using a generally recognised method. Values must additionally be quoted in Swiss francs in all components of the annual financial statements or consolidated financial statements. The method used for translation must be explained in the notes. 73

IV. Reliable assessment statutory single-entity financial statements

A. Minimum structure

The minimum structure is based on Annex 1 to the Banking Ordinance. The aim of having a minimum structure in respect of reliable assessment statutory single-entity financial statements applicable to all banks is to ensure a simple and understandable presentation of the economic position. Items and tables in the annual financial statements without balances may be omitted. Immaterial items may be summarised, provided this is done logically. Detailed information on the individual balance sheet items, off-balance-sheet transactions, the income statement, the statement of changes in equity and the notes can be found in Annexes 2–5 of the present Circular. 74

B. Balance sheet

1. Assets

The following assets must be disclosed separately in the balance sheet: 75

1.1	Liquid assets	76
1.2	Amounts due from banks	77
1.3	Amounts due from securities financing transactions	78
1.4	Amounts due from customers	79
1.5	Mortgage loans	80
1.6	Trading portfolio assets	81
1.7	Positive replacement values of derivative financial instruments	82
1.8	Other financial instruments at fair value	83
1.9	Financial investments	84
1.10	Accrued income and prepaid expenses	85
1.11	Participations	86
1.12	Tangible fixed assets	87
1.13	Intangible assets	88
1.14	Other assets	89
1.15	Capital not paid in	90
1.16	Total assets	91
1.16.1	Total subordinated claims	92
1.16.1.1.	of which subject to mandatory conversion and / or debt waiver	93

2. Liabilities

The following liabilities must be disclosed separately in the balance sheet: 94

2.1	Amounts due to banks	95
2.2	Liabilities from securities financing transactions	96
2.3	Amounts due in respect of customer deposits	97
2.4	Trading portfolio liabilities	98

Other material items in individual cases are also to be disclosed in the balance sheet or the 123 notes.

Figures for the previous year must be disclosed in the balance sheet. 124

C. Income statement

The following items must be disclosed separately in the income statement in report form: 125

1. Result from interest operations 126

1.1 Interest and discount income 127

1.2 Interest and dividend income from trading portfolios 128

1.3 Interest and dividend income from financial investments 129

1.4 Interest expense 130

1.5 Gross result from interest operations (1.1 + 1.2 + 1.3 - 1.4) 131

1.6 Changes in value adjustments for default risks and losses from interest operations 132

1.7 Subtotal net result from interest operations (1.5 -/+ 1.6) 133

2. Result from commission business and services 134

2.1 Commission income from securities trading and investment activities 135

2.2 Commission income from lending activities 136

2.3 Commission income from other services 137

2.4 Commission expense 138

2.5 Subtotal result from commission business and services (2.1 + 2.2 + 2.3 - 2.4) 139

3. Result from trading activities and the fair value option 140

4. Other result from ordinary activities 141

4.1 Result from the disposal of financial investments 142

4.2 Income from participations 143

4.3 Result from real estate 144

4.4 Other ordinary income 145

4.5 Other ordinary expenses 146

4.6	Subtotal other result from ordinary activities (4.1 + 4.2 + 4.3 + 4.4 - 4.5)	147
5.	Operating expenses	148
5.1	Personnel expenses	149
5.2	General and administrative expenses	150
5.3	Subtotal operating expenses (5.1 + 5.2)	151
6.	Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	152
7.	Changes to provisions and other value adjustments, and losses	153
8.	Operating result (1.7 + 2.5 + 3 + 4.6 - 5.3 – 6 -/+ 7)	154
9.	Extraordinary income	155
10.	Extraordinary expenses	156
11.	Changes in reserves for general banking risks	157
12.	Taxes	158
13.	Profit / loss (result of the period)	159

Other material items in individual cases are also to be disclosed in the income statement or the notes. 160

Figures for the previous year for the period concerned must be disclosed in the income statement. 161

D. Appropriation of profit / coverage of losses / other distributions

The following information is to be provided on the appropriation of profit or coverage of losses, as applicable. 162

1.	Profit / loss	163
2.	+/- profit / loss carried forward	164
3.	= distributable profit / accumulated loss	165
4.	Appropriation of profit / coverage of losses	166
	Appropriation of profit:	167

- Allocation to statutory retained earnings reserve

- Allocation to voluntary retained earnings reserves
- Distributions from distributable profit
- Other appropriation of profit

New amount carried forward

Coverage of losses 168

- Transfers from statutory retained earnings reserve
- Transfers from voluntary retained earnings reserves

New amount carried forward

Any distributions not made from distributable profit must be disclosed here. 169

E. Cash flow statement

Preparing a cash flow statement is voluntary in the case of reliable assessment statutory single-entity financial statements (Art. 25 para. 3 BO). Preparing a cash flow statement is mandatory for true and fair view statutory single-entity financial statements, true and fair view supplementary single-entity financial statements and consolidated financial statements. The cash flow statement is based on Annex 6 to the present Circular. 170

F. Statement of changes in equity

The statement of changes in equity is an integral component of annual financial statements. It presents in a table format for the current period the opening and the closing balances, and a reconciliation between them, of each material category of equity; each movement that is material for the assessment of the economic position is to be presented separately. 171

The figures are presented in accordance with the minimum structure as per the table in Annex 4 to the present Circular. 172

G. Notes

The notes are an integral component of annual financial statements. They complement and explain the balance sheet, off-balance-sheet transactions and the income statement. The notes are designed to make the balance sheet and income statement easier to read and understand by removing details that can be disclosed elsewhere. 173

Unless expressly provided for otherwise by the remarks or detailed information set out Annex 5 to the present Circular, all quantitative entries are to be accompanied in the notes by figures from the previous year. 174

The terms used in the notes have the following meaning: 175

- Disclosure: simple statement without further elaboration; depending on the respective circumstances, this may be expressed in figures or as text. 176

- Explanation: commentary and interpretation of facts. 177

- Justifications: disclosure of considerations and arguments on which certain actions or omissions have been based. Impacts and effects are to be quantified. 178

- Breakdown: quantitative segmentation of a figure into its component parts in such a manner that their relation to one another is clear. 179

- Presentation: rendering in two-dimensional summarised tabular format in accordance with a particular minimum structure. The tables in Annex 5 to the present Circular are to be understood as models with regard to format; as to their content, they represent the minimum requirements. 180

The notes must contain the following subsections: 181

a) The business name or name of the bank, and its legal form and domicile; 182

b) Accounting and valuation policies 183

1. Type of financial statements (margin no. 9) and where applicable the type of international standards recognised by FINMA (margin no. 10), and disclosure of the accounting and valuation policies for the individual balance sheet and off-balance-sheet items; 184

2. In the case of true and fair view supplementary single-entity financial statements being prepared for the first time: disclosure as to how the previous year's figures were determined or reference to the statutory single-entity financial statements of the previous year (margin no. 271); 185

3. Reasons for changes in the accounting and valuation policies in the current year as well as disclosure and explanations of their effects, i.e. their impact on the hidden reserves; 186

4. Disclosures as to how transactions are recorded (margin no. 17); 187

5. Disclosures concerning the treatment of past due interest where the treatment employed deviates from the practice set out in margin no. 425; 188

6. Disclosures concerning the treatment of translation differences of foreign currencies, the method used for foreign currency translation, and the exchange rates of the most important foreign currencies; 189

7. Disclosures concerning the treatment of the refinancing of trading positions (margin nos. A3-12). 190

c) Explanations of risk management, in particular on the treatment of interest rate risk, other market risks and credit risks 191

31. Breakdown of managed assets and presentation of their development. This information is to be disclosed if the balance of the items *Commission income from securities trading and investment activities* and *Commission expense* is greater than one third of the items *Gross result from interest operations*, *Result from commission business and services* and *Result from trading activities and the fair value option*. The calculation is based on the average of the last three business years prior to the current period; 229

k) Information on the income statement 230

32. Breakdown of the result from trading activities and the fair value option, provided the bank or financial group is not subject to the de minimis rule set out in FINMA-Circ. 08/20 "Market risks - banks" (margin no. 49 et seqq.); 231

33. Disclosure of material refinancing income in the item *Interest and discount income* as well as material negative interests; 232

34. Breakdown of personnel expenses; 233

35. Breakdown of general and administrative expenses; 234

36. Explanations regarding material losses, extraordinary income and expenses, as well as material releases of hidden reserves, reserves for general banking risks, and value adjustments and provisions no longer required; 235

37. Disclosure of and reasons for revaluations of participations and tangible fixed assets up to acquisition cost at maximum, provided these are not already covered in the explanations in accordance with margin no. 235; 236

38. Presentation of the operating result broken down according to domestic and foreign origin, according to the principle of permanent establishment, provided the bank's business outside Switzerland is material; 237

39. Presentation of current and deferred taxes and disclosure of tax rate; 238

40. Disclosures and explanations of the earnings per equity security in the case of banks whose equity securities are listed. 239

H. Hidden reserves

a) Creation of hidden reserves

In reliable assessment statutory single-entity financial statements, the creation of hidden reserves is permitted for replacement purposes and to ensure the long-term prosperity of the bank (Art. 960a para. 4 and 960e para. 3 no. 4 and para. 4 CO). Hidden reserves may be created only within the limits of Article 960 para. 2 CO. 240

Hidden reserves may only be created by: 241

- a charge to the expenses items *Changes to provisions and other value adjustments, and losses* or *Extraordinary expenses* to create hidden reserves in the liability item *Provisions*; 242

- conversion of provisions no longer required into hidden reserves insofar as these have been charged to the item *Changes to provisions and other value adjustments, and losses*; 243

- reallocation of value adjustments for default risks that are no longer required into hidden reserves in the item *Provisions*; 244

- a charge to the item *Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets* to create hidden reserves in the items *Participations* or *Tangible fixed assets*; 245

- market-related increases in value in the items *Participations* and *Tangible fixed assets* that are not recognised, leading to an increased difference between the book value and the legal maximum limit. 246

Hidden reserves in the item *Provisions* are to be disclosed in the *Presentation of value adjustments and provisions, reserves for general banking risks, and changes therein during the current year* in the notes (margin no. 213) under the sub-item *Other provisions*. 247

Hidden reserves may not be created by charges that are not economically necessary to expense items with the exception of *Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets*, *Changes to provisions and other value adjustments, and losses* or *Extraordinary expenses*. Furthermore, the creation of hidden reserves by charges to income items (withholding of profits / reductions of income) is also not permitted. 248

b) Release of hidden reserves

The release of hidden reserves occurs when the reserves decrease as a result of: 249

- release with income effect of hidden reserves in the item *Provisions*; 250

- revaluation with income effect of participations and tangible fixed assets up to the legal maximum limits; 251

- realisation through the sale of participations and tangible fixed assets, with the recognition of the increased values resulting from a reclassification of participations to financial investments being deemed equivalent to a realisation through sale; 252

- market-related declines in value in the items *Participations* or *Tangible fixed assets* resulting in a reduction in the difference between the book value and the legal maximum limit. 253

The release with income effect of hidden reserves is to be carried out via the item *Extraordi-* 254 *nary income*.

Where the release of hidden reserves in any one accounting period is material, it is to be disclosed in the notes (margin no. 235). The materiality of the aggregate release of hidden reserves is to be assessed in particular in relation to the disclosed equity and disclosed result of the period, as well as in relation to the effects on these amounts. A release amounting to at least 2% of the reported equity or 20% of the reported result of the period is as a rule deemed to be material. 255

A revaluation of participations or tangible fixed assets up to the acquisition cost at maximum is to be disclosed and explained in the notes (margin no. 235 or 236). 256

A revaluation of real estate and participations in excess of their acquisition costs in the case of banks in the form of a company limited by shares is to be dealt with in accordance with the provisions of Article 670 CO and reported to FINMA before the financial statements are published. 257

V. True and fair view single-entity financial statements

The true and fair view single-entity financial statements consist of the balance sheet, income statement, statement of changes in equity, cash flow statement and notes. 258

Hidden reserves are not permitted in true and fair view single-entity financial statements. 259

A. True and fair view statutory single-entity financial statements

True and fair view statutory single-entity financial statements (Art. 25 para. 1 let. b BO) are prepared in accordance with the Swiss accounting rules for banks (margin no. 2). 260

When preparing true and fair view statutory single-entity financial statements for the first time, the previous year's figures must be reported. 261

As regards the balance sheet, income statement, statement of changes in equity and notes, the provisions regarding the minimum structure of reliable assessment statutory single-entity financial statements (margin no. 74 et seqq.) apply in principle. 262

The following deviations are to be taken into account: 263

- presentation of participations in the notes (margin no. 203): disclosure of the impact of a theoretical application of the equity method in the case of participations over which the bank can exert a significant influence; 264
- taxes (margin no. 546); 265
- reserves for general banking risks (margin nos. 578–580); 266
- mandatory recognition as assets of employer contribution reserves and any other assets 267

(economic benefits) relating to pension schemes (margin no. 507);

- mandatory release of value adjustments and provisions no longer required (margin no. 535). 268

The cash flow statement is to be presented as set out in Annex 6 to the Circular. 269

B. True and fair view supplementary single-entity financial statements

True and fair view supplementary single-entity financial statements are prepared in accordance with the Swiss accounting rules for banks (margin no. 2) or an international standard recognised by FINMA (margin no. 10). 270

When true and fair view supplementary single-entity financial statements are prepared for the first time, reporting of the previous year's figures and the preparation of a cash flow statement are in principle mandatory. If calculating the previous year's figures and / or preparing the cash flow statement involves considerable effort, either the previous year's figures of the most recent statutory single-entity financial statements are to be reported or the statutory single-entity financial statements of the previous year are to be published in full together with the true and fair view supplementary single-entity financial statements for the current year. 271

As regards the balance sheet, income statement, statement of changes in equity and notes, the provisions regarding the minimum structure of reliable assessment statutory single-entity financial statements (margin no. 74 et seqq.) apply in principle. 272

The following deviations are to be taken into account: 273

- The balance sheet item *Statutory capital reserve* is replaced by the item *Capital reserve*; 274
- The balance sheet items *Statutory retained earnings reserve*, *Voluntary retained earnings reserves* and *Profit carried forward / loss carried forward* are combined into the item *Retained earnings reserve*; 275
- The income statement item *Income from participations* is divided into the sub-items 276
    - *of which, participations valued using the equity method*, and 277
    - *of which, from other non-consolidated participations*; 278
- disclosure of changes to the accounting and valuation principles (margin no. 32); 279
- valuation of participations (margin nos. 391–392); 280
- taxes (margin nos. 547–549); 281
- reserves for general banking risks (margin nos. 578–580); 282
- mandatory recognition as assets of employer contribution reserves and any other assets (economic benefit) relating to pension schemes (margin no. 507); 283

- mandatory release of value adjustments and provisions no longer required (margin nos. 430 and 535); 284

- recording results from disposals and dividend distributions on own shares in the item *Capital reserve* (margin nos. 588 and 589). Special requirements apply to transactions with holders of participations (margin no. 590 et seqq.); 285

- recording shareholder's equity transaction costs charged to the item *Capital reserve* (margin nos. 602–605); 286

- bookings in connection with share-based compensation (margin no. 614). 287

The cash flow statement is to be presented as set out in Annex 6 to the Circular. 288

VI. Consolidated financial statements

A. Basic principles

The requirement to prepare consolidated financial statements is determined in accordance with Articles 34 and 35 BO. 289

Consolidated financial statements may be prepared in accordance with the Swiss accounting rules for banks (margin no. 2) or an international standard recognised by FINMA (margin no. 10). The rules below apply to financial groups that prepare their consolidated financial statements in accordance with the Swiss accounting rules for banks. 290

B. Consolidation method

The financial statements of group companies that are used for consolidation must comply with the group's uniform consolidation principles and requirements. 291

Intra-group assets and liabilities as well as expenses and income from intra-group transactions are eliminated, as is the internal result from them. 292

Consolidation of capital is performed using the purchase or acquisition method. 293

The share of capital held by minority shareholders is to be reported separately under equity. The share of consolidated profit or loss attributable to minority shareholders is to be disclosed separately in the income statement. 294

Companies over which the group can exert a significant influence but not control are to be valued using the equity method. Influence is deemed to be significant where the group holds 20% or more of the voting shares. The equity method is also used for participations of 50% in joint ventures. 295

C. Goodwill / negative goodwill (badwill)

Where business units and companies are acquired, the assets and liabilities taken over are valued at their current value. If, in this valuation process, the acquisition costs are higher than the net assets, the difference is considered goodwill and is to be recognised as an asset under intangible assets. If the opposite applies, the difference is considered negative goodwill (bad will) and is to be dealt with in accordance with margin no. 298. Goodwill / negative goodwill is to be reported separately in the notes (margin nos. 206 and 207, respectively). 296

Goodwill is to be recognised as an asset and amortised over its estimated useful life. Amortisation is to be carried out using the straight-line method unless another method of amortisation is more appropriate in a particular case. The reasons for the use of such a method must be disclosed in the accounting and valuation principles section of the notes. As a rule, the amortisation period is five years from the time of acquisition. It may be extended to a maximum of ten years in justified cases. Such an extension is not permitted in the case of goodwill relating to individuals. The above is subject to the rules concerning possible impairments (margin no. 477 et seqq.). 297

Liabilities are to be recognised in the *Other liabilities* item for expected outflows in connection with the takeover of control. They are to be released in conformity with their designated purpose in accordance with the outflow. Any remaining negative goodwill corresponding to an acquisition that is actually favourable (a genuine bargain purchase / lucky buy) is to be recognised immediately via the item *Extraordinary income*. 298

D. Foreign currencies

Financial statements that are to be consolidated which are in a foreign currency must be translated into the currency of the consolidated financial statements. Translation is carried out at the exchange rate prevailing on the balance sheet date, with the exception of equity. In the case of participations, tangible fixed assets and intangible assets, historical exchange rates may be used. Items booked via the income statement are translated at the exchange rate prevailing on the date of the transaction or the average rate for the current period. Translation differences are booked through equity with no effect on the income statement. 299

E. Minimum structure

As regards the balance sheet, income statement, statement of changes in equity and notes, the provisions regarding the minimum structure of reliable assessment statutory single-entity financial statements (margin no. 74 et seqq.) apply in principle. 300

The following deviations are to be taken into account: 301

- The balance sheet item *Participations* is to be replaced by the item *Non-consolidated participations*; 302

- The balance sheet item *Statutory capital reserve* is to be replaced by the item *Capital re-* 303 *serve*;

- The balance sheet items *Statutory retained earnings reserve*, *Voluntary retained earnings reserves* and *Profit carried forward / loss carried forward* are combined into the item *Retained earnings reserve*; 304
- The item *Currency translation reserve* is now inserted after the item *Retained earnings reserve*; 305
- The item *Minority interests in equity* is now inserted after the item *Own shares*; 306
- The item *Profit / loss (result of the period)* is replaced by the item *Consolidated profit / consolidated loss*. This is complemented by the sub-item *of which, minority interests in consolidated profit / consolidated loss*; 307
- The income statement item *Income from participations* is divided into the sub-items 308
  - *of which, participations recognised using the equity method*, and 309
  - *of which, from other non-consolidated participations*. 310
- The following items in the notes are not included in the consolidated financial statements: 311
  - *Presentation of the bank's capital* (margin no. 214); 312
  - *Disclosure of holders of significant participations* (margin no. 217); 313
  - *Disclosures in accordance with the Ordinance against Excessive Compensation with respect to Listed Stock Corporations and Article 663c para. 3 CO for banks whose equity securities are listed* (margin no. 219); 314

The cash flow statement is in principle to be presented as set out in Annex 6 to the Circular. 315

F. Provisions specific to consolidated financial statements

The following specific requirements for the consolidated financial statements are to be taken into account: 316

- disclosure of changes to the accounting and valuation principles (margin no. 32); 317
- taxes (margin nos. 547–549); 318
- reserves for general banking risks (margin nos. 578–580); 319
- mandatory recognition as assets of employer contribution reserves and any other assets (economic benefit) relating to pension schemes (margin no. 507); 320
- mandatory release of value adjustments and provisions no longer required (margin nos. 430 and 535); 321

- recording the result from disposals and dividend distributions on own shares in the item *Capital reserve* (margin nos. 588 and 589). Special requirements for transactions with holders of participations (margin no. 590 et seqq.); 322

- recording shareholder's equity transaction costs charged to the item *Capital reserve* (margin nos. 602–605); 323

- bookings in connection with share-based compensation (margin no. 614). 324

G. Sub-group financial statements

Under Article 35 para. 4 BO, FINMA may, in justified cases, require the preparation and, if appropriate, disclosure of sub-group financial statements, in particular when this is necessary to assess the economic position of the sub-group. 325

The sub-group financial statements are prepared in accordance with the provisions for consolidated financial statements. 326

VII. Disclosure exemptions when preparing consolidated financial statements

Under the terms of Article 36 para. 1 BO, where a financial group prepares and publishes consolidated financial statements and a group management report, the banks consolidated within the group are exempted from the requirement to include a management report, cash flow statement and the following components of the notes in their single-entity financial statements: 327

- Presentation of participations (margin no. 203); 328

- Disclosure of companies in which the bank holds a permanent direct or indirect significant participation (margin no. 204); 329

- Presentation of tangible fixed assets (margin no. 205); 330

- Presentation of intangible assets (margin no. 206); 331

- Presentation of bonds outstanding and mandatory convertible bonds (margin no. 212); 332

- Presentation of the maturity structure of financial instruments (margin no. 220); 333

- Presentation of assets and liabilities by domestic and foreign origin in accordance with the domicile principle (margin no. 221); 334

- Breakdown of total assets by country or group of countries (domicile principle) (margin no. 222); 335

- Presentation of assets and liabilities broken down by the most significant currencies for 336 the bank (margin no. 224);

- Breakdown and explanation of contingent assets and liabilities (margin no. 226); 337

- Breakdown of credit commitments (margin no. 227); 338

- Presentation of the operating result broken down according to domestic and foreign origin, according to the principle of permanent establishment (margin no. 237); 339

- Disclosures and explanations of the earnings per equity security (margin no. 239). 340

Banks whose equity securities are listed (Art. 36 para. 2 BO) are not permitted to apply the exemptions above. 341

VIII. Interim financial statements

After the end of the first semester, banks must prepare interim financial statements consisting, as a minimum, of a balance sheet and income statement. 342

The interim financial statements of listed banks must also contain a statement of changes in equity and condensed notes. 343

The condensed notes must, as a minimum, contain disclosures and explanations relating to: 344

- changes to accounting and valuation principles as well any error corrections and their impact on the interim financial statements; 345

- information on factors that influenced the economic position of the bank during the current period and in comparison with the previous period (e.g. scope of consolidation, liquidity, value adjustments or impairments); 346

- extraordinary income or extraordinary expenses; 347

- material events occurring after the date of the interim financial statements. 348

The interim financial statements are to be based on the same basis and principles and have the same structure as the annual financial statements. The only difference is that the item *Profit / loss (result of the period)* is replaced by the item *Six-month profit / six-month loss*. 349

The balance sheet must include the figures from the previous year's financial statements and the income statement must include those from the previous year's interim financial statements. 350

If interim financial statements have been prepared and published, bookings already made in the annual financial statements may not be changed (e.g. amortization/depreciation). Figures in the annual financial statements must be stated on a gross basis. 351

Margin nos. 342–351 also apply, mutatis mutandis, to consolidated interim financial state- 352 ments.

IX. Financial instruments

Financial instruments comprise the items *Liquid assets*, *Amounts due from securities financing transactions* and *Liabilities from securities financing transactions*, *Amounts due from banks* and *Amounts due to banks*, *Amounts due from customers*, *Amounts due in respect of customer deposits*, *Mortgage loans*, *Trading portfolio assets* and *Trading portfolio liabilities, Positive replacement values of derivative financial instruments* and *Negative replacement values of derivative financial instruments*, *Other financial instruments at fair value*, *Liabilities from other financial instruments at fair value*, *Financial investments, Participations, Cash bonds* and *Bond issues and central mortgage institution loans*. 353

A. Classification and valuation

a) Liquid assets

Liquid assets are recognised at their nominal value. 354

b) Securities financing transactions

The term securities financing transactions includes repurchase and reverse repurchase transactions, securities lending and securities borrowing. 355

The cash amounts exchanged are to be recognised in the balance sheet at their nominal value. The transfer of securities has no effect on the balance sheet where the transferring party maintains economic control of the rights associated with the securities. The securities are to be disclosed in the notes in accordance with margin no. 198. The resale of received securities is to be recorded in the balance sheet and recognised as a non-monetary obligation at fair value. 356

As a rule, economic control of transferred securities is not considered to be lost where the transferring party continues to bear the market price risk and where it is directly or indirectly entitled to the current income and other rights from the transferred securities. This may be ensured by way of margin agreements, for example, in which the acquiring party is economically in the position of a secured creditor. In the case of non-tradable securities, control remains with the transferring party. 357

Banks that engage in securities lending and borrowing in their own name but for the account of clients for whom, however, they assume neither liability nor a guarantee and thus do not act as principal, are to treat the transactions according to the rules of fiduciary transactions as provided for in margin no. A5-120 and report them in the notes to the annual financial statements in accordance with margin no. 228. A performance guarantee on the part of the bank for the proper fulfilment of its services (e.g. margining) does not change the fiduciary character of the transaction. 358

c) Amounts due from banks, amounts due from customers and mortgage loans

These items are to be recognised at their nominal value less any necessary value adjustments. 359

Amounts due in respect of precious metal account deposits must be valued at fair value if the precious metal concerned is traded on a price-efficient, liquid market. 360

d) Amounts due to banks and amounts due in respect of customer deposits

These items are to be recognised at their nominal value. 361

Amounts due in respect of precious metal account deposits must be valued at fair value if the precious metal concerned is traded on a price-efficient, liquid market. 362

e) Trading portfolio assets and trading portfolio liabilities

Trading means entering into actively managed positions in order to profit from fluctuations in the market price with an ongoing willingness to increase, decrease, close or hedge the risk position. It also includes the intention to generate profits from arbitrage. The classification in the trading portfolio is to be established and documented accordingly when the transaction is concluded. Results from trading activities are to be reported only in the income statement items *Result from trading activities and the fair value option* and *Interest and dividend income from trading portfolios* as appropriate, provided the option to offset the refinancing result for trading positions in accordance with margin no. 56 is not exercised. 363

Trading positions are in principle to be valued at fair value in accordance with margin no. 404 et seqq. and recognised in the balance sheet. 364

Where, as an exception, no fair value is ascertainable, valuation and recognition are to follow the principle of the lower of cost or market value. 365

f) Positive and negative replacement values of derivative financial instruments (derivatives)

Derivative financial instruments (derivatives) are financial contracts whose value is derived from the price of one or more underlying assets (equity securities or other financial instruments, commodities) or reference rates (interest rates, currencies, indices, credit ratings). In general, they require no or only a small initial investment when compared with the direct purchase of their underlying assets. Derivative financial instruments can essentially be divided into two groups: 366

- fixed forward contracts: exchange-traded forward contracts (futures), OTC forward contracts (forwards), swaps and forward rate agreements (FRAs); 367
- options: OTC options and exchange-traded options. The distinction between purchased and written option contracts is of significance. 368

All derivative financial instruments are to be valued at fair value. Derivative financial instruments are always part of trading portfolios unless they are used for hedging purposes outside of trading activities. 369

The valuation result from trading activities is to be recognised in the income statement in the item *Result from trading activities and the fair value option.* The valuation result of hedging instruments is to be reported in the compensation account unless a change in book value has been recorded in the hedged item. If a change in book value has been recorded in the hedged item, the change in book value of the hedging transaction is to be reported via the same income statement item. 370

Positive and negative replacement values of derivative financial instruments are to be reported in the corresponding balance sheet items. 371

g) Other financial instruments at fair value and liabilities from financial instruments at fair value

Financial instruments (with the exception of the item *Participations*, real estate intended for sale in the item *Financial investments*, the item *Cash bonds* and the item *Amounts due in respect of customer deposits*, excluding structured products recognised in the last item) that are not part of trading activities may be valued at fair value in accordance with margin no. 404 et seqq. provided all of the following conditions are met: 372

- The financial instruments are valued at fair value and are subject to risk management corresponding to that for trading activities. This should be based on a documented risk management and investment strategy which ensures correct recording, measuring and limitation of the various risks. 373
- There is an economic hedging relationship between the financial instruments on the asset side and those on the liability side that is largely neutralised in terms of income by the fair value valuation (avoidance of an accounting mismatch). 374
- Any impact of a change in own creditworthiness on the fair value following first-time recognition must be neutralised and may not influence the income statement. Recognition of the impact of own creditworthiness in the compensation account is permitted. 375

The procedure for valuing financial instruments at fair value must be set out in an internal directive. 376

Changes in valuations and any accrued or deferred interest on financial instruments valued using the fair value option are to be recognised in the item *Result from trading activities and the fair value option* and disclosed in the notes in accordance with the underlying value. 377

If the above conditions for valuation at fair value outside trading activities are no longer met, fair value valuation is to be ceased. Any remaining financial instruments are to be treated in accordance with the provisions of margin no. 393. 378

h) Financial investments

Financial investments comprise debt securities, equity securities, physical precious metal holdings and real estate and commodities that have been acquired as a result of credit activities and are intended for resale. 379

Debt securities intended to be held to maturity are recognised at acquisition cost and the premium / discount (interest component) is accrued over the term. Default-risk-related changes in book value are to be recognised immediately by means of a charge to the item *Changes in value adjustments for default risks and losses from interest operations*. 380

If financial investments intended to be held until maturity are sold or repaid prior to maturity, the profits and losses realised that correspond to the interest component are not to be recognised immediately, but must instead be accrued over the remaining term to maturity. 381

Debt securities not intended to be held until maturity available for sale) are valued at the lower of cost or market value. Changes in book value are in principle to be recognised net via the items *Other ordinary expenses* or *Other ordinary income*, as appropriate. Where default-risk-related and market-related changes in book value are separated, those related to default risks may be recognised in the item *Changes in value adjustments for default risks and losses from interest operations.* 382

It is also possible to accrue the premium / discount over the term and therefore value on the basis of the amortised cost (as long as the fair value is not lower), even if the amortised cost is higher than the historical cost. Use of this option must be disclosed in the accounting and valuation principles. 383

Equity securities, own physical precious metal holdings, real estate properties and commodities that have been acquired as a result of credit activities and are intended for resale are to be valued at the lower of cost or market value. In the case of real estate properties acquired via credit activities and intended for resale, the lower of cost or market value is deemed to be the lower of the acquisition value or the liquidation value. Own physical precious metal holdings included under financial investments that serve to secure obligations arising from precious metal accounts are to be valued at fair value and recognised in the balance sheet as with the precious metal accounts. Changes in book value are to be recognised net via the items *Other ordinary expenses* or *Other ordinary income*, as appropriate. 384

In the case of financial investments valued at the lower of cost or market value, an upwards revaluation to the historical or amortised cost at maximum is to be recognised where the fair value falls below the acquisition cost and then recovers. The balance of the changes in book value is recognised via the items *Other ordinary expenses* or *Other ordinary income*, as appropriate. 385

i) Participations

The term participations covers equity securities owned by the bank in undertakings, where those securities are held with the intention of a permanent investment irrespective of the percentage of voting shares held. The item *Participations* also includes shares owned by the 386 bank in companies that are of an infrastructure nature for the bank (in particular participations in joint organisations) as well as amounts due from undertakings in which the bank holds a permanent participation, if such amounts are deemed to be equity for taxation purposes.

The legal maximum limit is the acquisition value less economically necessary value adjustments. 387

Impairment testing is carried out in accordance with the provisions of margin no. 477 et seqq. 388

True and fair view statutory single-entity financial statements

In the case of true and fair view statutory single-entity financial statements, participations are also to be recognised at acquisition value, with the impact of a theoretical application of the equity method for participations over which the bank can exert a significant influence being disclosed in the notes. 389

Influence is deemed to be significant where 20% or more of the voting shares are held. 390

True and fair view supplementary single-entity financial statements and consolidated financial statements

In true and fair view supplementary single-entity financial statements and consolidated financial statements, participations over which the bank can exert a significant influence are to be valued using the equity method. 391

The goodwill resulting from an acquisition is to be separated and reported in the item *Intangible assets*. 392

j) Switches (reclassifications)

Switches between trading positions and financial investments and participations are possible. They should take place using the fair value valid at the time when the decision to switch is made and the results are to be treated in the same way as results from disposals. 393

B. Structured products

A structured product or hybrid financial instrument consists of at least two components: an underlying or host instrument and an embedded derivative that does not relate to the bank's own equity securities. Together they form a combined investment product. 394

For the purposes of this Circular, a self-issued structured product has its own debenture component if at the time of issuance the repayment modality of the product stipulates a possible full or partial cash repayment irrespective of whether the cash repayment is effected in all cases or is replaced by another performance benefit based on an option. 395

In the case of structured products, the derivative is in principle to be isolated from the underlying instrument and valued separately as a derivative if all of the following conditions are met: 396

- There is no close link between the economic character and risks of the embedded derivative and the underlying instrument; 397

- The structured product as a whole does not satisfy the requirements for recognition under trading activities in accordance with margin no. 363, or the fair value option in accordance with margin no. 372 et seqq. is not chosen (according to margin no. 363, self-issued structured products with their own debenture component never satisfy the conditions for recognition under trading activities); 398

- The embedded derivative as a separate instrument fulfils the definition of a derivative financial instrument (margin no. 366). 399

<u>Disclosure</u>

The accounting and valuation principles must include disclosures regarding the treatment of structured products. 400

<u>Assets</u>

Structured products valued using the fair value option are to be recognised in the item *Other financial instruments at fair value*. In the case of structured products that are separated out and valued accordingly, the underlying instrument is to be valued and recognised in accordance with the valuation principles applying to the underlying instrument. The derivative is to be valued at fair value and recognised in the item *Positive replacement values of derivative financial instruments* or *Negative replacement values of derivative financial instruments*, as appropriate. The two may be recognised together in the item applying to the underlying instrument. 401

<u>Liabilities</u>

Self-issued structured products valued using the fair value option are to be recognised in the item *Liabilities from other financial instruments at fair value*. In the case of self-issued structured products that are separated out and valued accordingly, the underlying instrument is to be valued and recognised in accordance with the valuation principles applying to the underlying instrument. The derivative is to be valued at fair value and recognised in the item *Positive replacement values of derivative financial instruments* or *Negative replacement values of derivative financial instruments*, as appropriate. The two may be recognised together in the item applying to the underlying instrument. 402

The disclosures in the notes relating to structured products are to be made in accordance with margin no. A5-59 et seqq. 403

C. Valuation at fair value

The fair value may be determined using either the price set on a price-efficient and liquid market or a price calculated using a valuation model. 404

In the latter case, all of the following conditions must be met when calculating the price: 405

- The bank's internal valuation and risk assessment models must take appropriate account of all relevant risks; 406

- The input factors for the bank's own valuation and risk assessment models must be complete and appropriate; 407

- The bank's internal valuation and risk assessment models, including the input factors used, must be scientifically sound, robust and applied consistently; 408

- Controls must be effective, in particular the controls of the models, valuation and daily income statement by way of an internal risk control unit that is independent of trading operations; 409

- The traders, the independent controller and the risk manager must possess market proximity and knowledge of the market. 410

D. Value adjustments for default risks

Default risks from impaired loans / receivables and latent default risks are to be covered by appropriate value adjustments in both the interim financial statements and the annual financial statements. The amount of the value adjustments is to be established using a systematic approach that takes account of the risks of the portfolio. The various criteria and methods for creating value adjustments are to be documented in detail internally. The designated purpose of the value adjustments is to be clearly stated, so that they are traceable and verifiable with regard to the accounting periods to which they belong and the positions to which they relate. The principles applied when creating and reversing value adjustments must be scientifically sound. If this is not the case, then they are hidden reserves which must be recognised and treated as such. 411

Default risks are latent if experience shows them to be present in an apparently flawless credit portfolio on the balance sheet date but they do not become apparent until a later date. Latent default risks are determined using, for example, empirical data. The calculation may be carried out on a portfolio basis and / or individual basis. 412

Loans / receivables in respect of which the debtor will unlikely be able to fulfil its future obligations are deemed to be impaired. Indications of an impaired loan / receivable include 413

- considerable financial difficulties on the part of the debtor; 414

- actual breach of contract (e.g. default on or delay in interest or principal payments); 415

- concessions on the part of the lender to the borrower based on economic or legal circumstances linked to the financial difficulties of the borrower that the lender would not otherwise grant; 416

- high probability of bankruptcy or other need for restructuring on the part of the debtor; 417

- recording of an impairment for the respective asset in a previous reporting period; 418

- disappearance of an active market for this particular financial asset due to financial difficulties; 419

- prior experience in connection with debt collection that indicates that the total face value of a portfolio of receivables is not collectible. 420

Impaired loans / receivables are to be valued individually and the impairment is to be covered by individual value adjustments. A collective assessment is permitted only for homogenous credit portfolios consisting exclusively of a large number of small loans / receivables where individual assessment cannot be carried out with reasonable effort, e.g. consumer credit, leasing and credit card receivables) (collective individual value adjustment). The term "homogenous" means there is a high degree of similarity between the individual positions in terms of their intended purpose and risk character. 421

Impaired loans / receivables and any collateral are to be valued at the liquidation value, and the value is to be adjusted taking the debtor's creditworthiness into account. Where the recovery of the loan / receivable is dependent exclusively on realisation of the collateral, a value adjustment must be created to completely cover the unsecured portion. 422

The liquidation value represents an estimated realisable disposal value. The liquidation value is determined based on the item's estimated market value. The following must be deducted from this amount: the usual declines in value, current holding costs (maintenance costs, refinancing costs until liquidation), and the liquidation costs incurred such as liquidation taxes, reversion costs, etc. In the case of subordinated charges on immovable property, the interest attributable to charges of higher rank must also be taken into account. 423

Banks that use an international standard recognised by FINMA in their true and fair view supplementary single-entity financial statements or consolidated financial statements may apply the method of calculating the liquidation value stipulated in that standard for their statutory single-entity financial statements. 424

Past due interest (including accrued interest) and related commissions are not to be included in interest income. Interest and commissions are past due where they are more than ninety days overdue (past due receivables). In the case of current account credit facilities used, interest and commissions are considered past due where the credit facility limit has been exceeded for more than ninety days. From then on, future interest and commissions accruing may no longer be credited to the income statement item *Interest and discount income* until no overdue interest has been outstanding for longer than ninety days. A retroactive cancellation of interest income is not expressly prescribed. Where no retroactive cancellation is made, the receivables arising from interest accrued up to the expiry of the ninety day period (due and unpaid interest and accrued interest) are to be written off via the item *Changes in value adjustments for default risks and losses from interest operations*. Any treatment of past due interest that deviates from these rules with regard to the period is to be disclosed in the notes to the accounting and valuation principles. 425

Past due interest is to be calculated on a gross basis. Value adjustments of interest payments from another reporting period that are no longer required are to be recognised in the income statement item *Changes in value adjustments for default risks and losses from inter-* 426 *est operations.*

Value adjustments for default risks that are no longer economically necessary and are not simultaneously used for other requirements of the same type must in principle be released to income via the income statement item *Changes in value adjustments for default risks and losses from interest operations.* 427

Where the release of value adjustments no longer required in any one accounting period is material, it is to be disclosed in the notes (margin no. 235). The calculation of a material release of hidden reserves in accordance with margin no. 255 may be used as a rule of thumb for assessing materiality. 428

However, the release to income need not necessarily be made. In this case, the value adjustments no longer required constitute hidden reserves and are to be transferred without income effect to the item *Provisions* or the item *Reserves for general banking risks* (reclassification). This reallocation is to be recorded in the corresponding column of the *Presentation of value adjustments and provisions, reserves for general banking risks, and changes therein during the current year* (margin no. 213). 429

<u>True and fair view single-entity financial statements and consolidated financial statements</u>

In true and fair view single-entity financial statements and consolidated financial statements, the release to income of value adjustments no longer required is mandatory. 430

E. Hedge accounting

The purpose of hedge accounting is to present the impact of the bank’s or financial group's risk management in the annual financial statements or consolidated financial statements if derivative financial instruments are used as part of that risk management. 431

For hedge accounting to be used, the following conditions must be met: 432

- The hedging relationship involves only eligible hedged items and hedging transactions (see margin no. 436) 433
- At the beginning of the hedging relationship, the fundamental longer-term risk management strategies as well as the risk management objectives derived from them that are pursued by means of the hedging relationship are to be documented formally. This documentation should, in particular, also include the designated hedged items and hedging transactions, the hedged risk, the way in which the hedge ratio (ratio of quantity of hedged item to quantity of hedging transaction) is determined, and the method which is to be used to measure effectiveness; 434
- The hedging relationship satisfies the requirements in terms of effectiveness (see margin no. 437): 435

Both individual financial instruments (or parts thereof) and groups of financial instruments (even if these result in net positions) qualify as hedged items, provided the financial instruments are treated as a group for risk management purposes and managed accordingly. It 436 must be possible to value the hedged items reliably. Only derivative financial instruments concluded with external counterparties qualify as hedging transactions.

For a hedging relationship to be effective, there must be an economic link between the hedged item and the hedging transaction. Such a link is deemed to exist when there is an inverse relationship between value changes of the hedged item and those of the hedging item with regard to the hedged risk. The compensating effect may not be merely coincidental. The hedging relationship must also be appropriate and correspond to the economic position. Effectiveness is to be measured on a prospective basis. The bank or financial group is to use a method that incorporates the relevant features of the hedging relationship and takes account of the causes of potential ineffectiveness. The method should take adequate account of the complexity of the hedging relationship and in principle be based on information used by the bank or financial group for risk management purposes. The bank or financial group is to assess effectiveness at least on every balance sheet date or whenever there is a material change to circumstances. The bank or financial group must also determine ineffectiveness on each balance sheet date and deal with it in accordance with margin no. 439. 437

The hedging relationship ends if the hedging instrument expires or is disposed of, terminated or exercised or if the hedging relationship ceases to satisfy the conditions set out in margin no. 432 et seqq. The hedge ratio may be adjusted without the hedging relationship being terminated provided the risk management objectives remain unchanged. 438

Hedging transactions are valued at fair value, with value changes being recorded in the compensation account unless a change in book value is recorded in the hedged item. The results from the hedging transaction are to be recognised in the same income statement item as the corresponding results from the hedged item. In the case of macro hedges relating to interest operations, the balance may be reported either in the item *Interest and discount income* or in the item *Interest expense*. Accrued interest on hedging transactions that is reported according to the accrual method in the income statement is not to be recognised as accruals or deferrals, but must instead be reported in the compensation account (in the balance sheet items *Other assets* or *Other liabilities*, as appropriate), so as to avoid double counting of replacement values already recognised. In the event of the premature sale of an interest hedging transaction that has already been recognised in the income statement using the accrual method, the provisions set out in margin no. 381 apply, mutatis mutandis, to the premature disposal or repayment of financial investments intended to be held to maturity. Where the effect of the hedging transactions exceeds the effect of the hedged items, the excess portion of the derivative financial instrument is treated as equivalent to a trading position. The excess portion is recorded in the item *Result from trading activities and the fair value option* (margin no. 140) and not in the compensation account. 439

Banks and financial groups that employ hedge accounting must as a minimum disclose the information set out in Annex 5 (margin no. A5-2 et seqq.) to the Circular. 440

Transactions within the legal entity concerned (single-entity financial statements) or group (consolidated financial statements) are deemed to be internal trades. Internal trades take place, for example, between the trading department and treasury department of a bank in order to hedge interest rate risks in the banking book. Internal trades may give rise to internally generated assets, liabilities, income and expenses in the financial statements. 441

Assets, liabilities, income and expense from internal trades are in principle to be eliminated in single-entity financial statements and consolidated financial statements. The impact of internal trades must not have a material impact on the financial statements. 442

Banks that use an international standard recognised by FINMA in true and fair view supplementary single-entity financial statements or consolidated financial statements may also apply that standard for hedge accounting in their statutory single-entity financial statements. The relevant provisions of the standard concerned must be complied with in their entirety. In statutory single-entity financial statements, banks are to take account of the provisions of the Swiss Code of Obligations, i.e. the bookings to equity resulting from the application of a recognised standard are recorded in the compensation account. 443

X. Tangible fixed assets and intangible assets

A. Definitions

Tangible fixed assets are physical assets and are used for rendering services or for investment purposes. They can be either acquired or produced internally. 444

Intangible assets are of a non-monetary nature and without any physical substance. They can be either acquired or generated internally. Intangible assets may also originate from acquisitions of business units and companies. Goodwill is an intangible asset. 445

B. Accounting

a) Tangible fixed assets

Expenditures for new tangible fixed assets are to be recognised as assets if they have a net market value or value-in-use, are used for more than one accounting period, and exceed the minimum threshold for recognition as an asset. 446

Subsequent expenditures for existing tangible fixed assets are to be recognised as assets if, as a result, the market value or value-in-use is permanently enhanced or the useful life is significantly extended and they exceed the minimum threshold for recognition as an asset. 447

The minimum recognition threshold of a tangible fixed asset is set by the bank itself as part of its process for assessing materiality and stipulates the smallest value / quantity that is to be recognised as an asset. 448

Software developed in-house is recognised in the balance sheet under tangible fixed assets, provided the conditions set out in margin no. 452 et seqq. are satisfied, mutatis mutandis. 449

b) Intangible assets

Intangible assets acquired are to be recognised as assets if they will yield a measurable benefit for the bank over more than one year. 450

Any merger goodwill must be treated in accordance with margin no. 296 et seqq. 451

Internally generated intangible assets may only be recognised as assets if, at the time of recording, they satisfy all of the following conditions: 452

- The internally generated intangible asset is identifiable and is controlled by the bank or financial group; 453
- The internally generated intangible asset will yield a measurable benefit for the bank or financial group over more than one year; 454
- The expenses incurred in creating the internally generated intangible asset can be recognised and measured separately; 455
- It is likely that the resources required to complete and market the intangible asset or use it for the bank's or financial group's own purposes are available or will be made available. 456

Examples of intangible assets that cannot be recognised as assets include: 457

- internally generated goodwill; 458
- expenses for training and continuing education; 459
- restructuring expenses; 460
- incorporation and organisation costs. 461

Expenses for intangible assets that can be identified but not recognised as assets are to be charged to the income statement. 462

Once they have been charged to the income statement, expenses for internally generated intangible assets cannot subsequently be recognised as assets. 463

C. Valuation

a) Tangible fixed assets

Tangible fixed assets are initially recognised at acquisition cost or production cost. 464

In subsequent valuations, tangible fixed assets are recognised at acquisition cost less accumulated depreciation. 465

Depreciation is recognised in accordance with a schedule (e.g. on a straight line or gradually decreasing balance basis) over the useful life of the asset. Depreciation starts at the beginning of the operating use of the tangible fixed asset. This does not affect the bank's option to create hidden reserves in reliable assessment single-entity financial statements (margin no. 240 et seqq.). 466

Impairment testing is to be carried out annually on the balance sheet date. Any additional impairments are to be charged to the income statement (margin no. 477 et seqq.). 467

If, during impairment testing of a tangible fixed asset, a change in the asset's useful life is established, the remaining book value is subjected to scheduled depreciation over the newly determined useful life. 468

The scheduled depreciation of tangible fixed assets charged to income is calculated taking any expected residual value at the end of its useful life into account. 469

b) Intangible assets

Intangible assets that can be recognised as assets are to be valued at no more than the acquisition cost or production cost. Where the expenses incurred are higher than the recoverable amount, as determined at the recognition date, the latter is decisive. Any difference between the higher expenses incurred and the recoverable amount is to be charged to the income statement. The recoverable amount is deemed to be the higher of the net market value and the value-in-use. 470

When recognising intangible assets, the future useful life is to be prudently estimated and the value is to be charged systematically (normally applying straight-line amortisation) to the result of the period over the asset's useful life. Where the useful life cannot be unequivocally determined, an amortisation period of five years is as a rule to be applied, or a maximum of up to ten years in justified cases. The useful life of intangible assets relating to individuals may not exceed five years. 471

Intangible assets are to be reviewed for possible impairment at each balance sheet date (margin no. 477 et seqq.). 472

D. Notes

The amounts of material impairments and partial or full reversals of impairment are to be disclosed individually in the notes. The events and circumstances that led to them are to be explained (margin no. 235). 473

a) Tangible fixed assets

The depreciation methods applied and the ranges used for the expected useful life are to be disclosed in the notes for each category of tangible fixed assets. Where the ranges are relatively broad, an explanation is to be provided for each category in the notes. If a depreciation method that has been applied is replaced with another method, this is to be disclosed in the notes. If it is material, the impact of the change in the depreciation method on the result of the period is to be disclosed in quantitative terms for each category of investment. 474

b) Intangible assets

The estimated useful life and method of amortisation of intangible assets are to be disclosed in the notes. 475

Subsequent changes to the useful life once determined are to be disclosed in the notes and their impact on the balance sheet and income statement quantified. 476

XI. Impairment

Participations, tangible fixed assets and intangible assets are to be tested for impairment at each balance sheet date. This test is to be based on indications reflecting a possible impairment of individual assets. Where such indications are present, the recoverable amount is to be determined. 477

An asset is impaired if its book value exceeds its recoverable amount. 478

The recoverable amount is deemed to be the higher of the net market value and the value-in-use. Where one of these two values exceeds the book value of an asset, no impairment is present. 479

The net market value is the price that can be realised in transaction with independent parties less the associated sales expenses. 480

The value-in-use is the present value of expected future cash inflows and outflows from the continued use of an asset including any cash flow at the end of the asset's useful life. The calculation of these future cash flows is to be based on reliable and probable assumptions. Where the assessment of future cash flows consists of a range of times or amounts, the various possibilities are to be taken into account based on their probabilities. 481

Discounting is to be carried out applying an appropriate interest rate that takes into account in particular the current market conditions and the specific risks of the asset. Income tax effects and the bank's or financial group's capital structure are not to be taken into account in discounting. If specific risks have already been taken into account in the cash flows, they may not also be considered in the discount rate. 482

The recoverable amount is to be determined for each individual asset (item-by-item valuation). 483

Where, however, an asset does not generate cash flows independently of other assets, the recoverable amount of the smallest identifiable group of assets to which the asset concerned belongs is to be determined. 484

Where an impairment exists, the book value is to be reduced to reflect the recoverable amount. 485

Where reducing the book value to zero is not sufficient to recognise the consequences of impairment, a provision is to be created in the amount of the remaining difference (e.g. to cover disposal expenses). 486

The impairment is to be charged to the result of the period. 487

In the case of a group of assets, the impairment is to be charged proportionately to the other assets on the basis of their book values. 488

Where there is a significant improvement in the factors taken into account in calculating the recoverable amount, an impairment recognised in previous reporting periods is to be partially or fully reversed. However, this does not apply to the item *Intangible assets*. In reliable assessment statutory single-entity financial statements, reversal of the impairment is not mandatory. A non-reversal results in the creation of hidden reserves. 489

In the event of a partial or full reversal, the new book value is the lower of 490

a) the newly determined recoverable amount or 491

b) the book value less scheduled amortisation that would have resulted if an impairment had never been recognised. 492

The partial or full reversal of impairment is to be recorded in the item *Extraordinary income*, except as provided for in margin no. 489. 493

In the case of the smallest identifiable group of assets, the partial or full reversal of impairment resulting from an excess of the recoverable amount over the total of the book values of the respective assets is to be recognised in proportion to the book values of these assets. The lower of the recoverable amount (where identifiable) and the book value less scheduled amortisation may not be exceeded. 494

XII. Pension benefit obligations

A. Basic principles

The term “pension benefit obligations” includes all plans, schemes and arrangements that provide benefits for retirement, death or disability. 495

The economic impacts of pension schemes (and employer sponsored funds) on the bank or financial group are considered as either economic benefits or economic obligations. Economic benefits and economic obligations are to be calculated at the balance sheet date and are to be treated equally. Economic benefits and economic obligations for the bank or financial group result directly from contractual, regulatory or legal bases (e.g. contributions paid in advance or due). Economic benefits and economic obligations also exist in the bank’s or financial group’s ability to exercise a positive impact on future cash flows due to pension schemes being overfunded (e.g. lowering of contributions) or exercising a negative impact on future cash flows due to pension schemes being underfunded, by the bank or financial group wanting or having to contribute to the pension schemes’ financing (e.g. restructuring contributions). 496

Determination of the economic impact is in principle based on the financial position of each pension scheme as of its most recent annual financial statements, whose reporting date may not be more than twelve months previously. Where there are indications of material devel- 497 opments (e.g. value fluctuations, partial liquidations) since the last annual financial statements, their impact must be taken into account.

Where a pension scheme is underfunded, an economic obligation arises where the conditions exist for the creation of a provision. 498

Where a pension scheme is overfunded, an economic benefit exists where it is permissible and intended to use the surplus for lowering employer contributions, reimburse it to the employer as provided for in local laws, or utilise it for the employer's economic benefit outside of the benefits as provided for in the scheme's rules. The value fluctuation reserves reported by the pension scheme on the basis of its consistent practice may not form part of the bank's or financial group's economic benefit. 499

The following applies with regard to the recognition of the economic impact of pension schemes: 500

- The contributions accrued during the current accounting period are to be presented as personnel expenses in the income statement. The respective accrued assets or liabilities, or receivables and obligations, that result from contractual, regulatory or legal bases are to be recognised in the balance sheet. 501

- It is to be annually assessed whether, from the point of view of the bank or financial group, an economic benefit or an economic obligation exists from a pension scheme (and an employer sponsored fund). The basis for assessment is contracts, annual financial statements of pension schemes prepared in accordance with Swiss GAAP FER 26 for Swiss pension schemes *Accounting of pension plans*, and other calculations showing the financial position and existing overfunding or underfunding for each pension scheme in accordance with actual circumstances. On this basis, the economic benefit or economic obligation is determined and recorded in the balance sheet for each pension scheme. In the case of overfunding, an economic benefit exists only where it is permissible and intended to use the surplus for lowering employer contributions, reimburse it to the employer as provided for in local laws, or utilise it for the employer's economic benefit outside of the benefits as provided for in the scheme's rules. In the case of an economic obligation, the conditions for creating a provision must be satisfied. The difference to the respective value of the previous period is recognised in the income statement (together with the expenses accrued to the period) for each pension scheme in the item *Personnel expenses*. 502

Recognition in the balance sheet and disclosure of the economic impact of pension schemes on the bank or financial group may also be carried out using a dynamic method, with the reasons being explained in the notes. Bookings with no income effect are excluded. To this end, an international standard recognised by FINMA is to be applied in its entirety. 503

Employer contribution reserves and other economic benefits may be recognised as assets. Where the bank or financial group has granted the pension scheme a conditional waiver of use, or is planning to do so shortly after the balance sheet date, the asset from the employer contribution reserve is to be value-adjusted. The portion of underfunding that has already been recognised in the bank's or financial group's balance sheet by the value adjustment of the employer contribution reserve no longer needs to be included as an economic obligation 504 from underfunding.

The economic benefit is to be disclosed in the notes (including a statement as to whether or not it has been recognised as an asset) (margin no. 210). 505

Provisions for pension benefit obligations that are no longer necessary must in all cases be released to the income statement. The use and release of provisions for pension benefit obligations are to be reported in the item *Personnel expenses*. 506

True and fair view single-entity financial statements and consolidated financial statements

The future economic benefit (including the employer contribution reserves) must be recognised as an asset. 507

B. Balance sheet

- *Other assets*: Amount recognised as an asset relating to employer contribution reserves and any other assets (economic benefits) relating to pension schemes; 508
- *Other liabilities*: “Funds” set up by the bank and possessing no separate legal personality, e.g. pension and charitable funds; 509
- *Provisions*: Provisions for pension benefit obligations. 510

C. Income statement

- Personnel expenses: premiums and voluntary allocations to pension funds and other such funds as well as in-house funds with the same purpose, but without any separate legal personality, provided they are not distributions associated with the appropriation of profit; 511
- Personnel expenses: changes in book value relating to the economic benefit (recognised as an asset in the item *Other assets*) and obligations arising from pension schemes (creation and release of provisions); 512
- Personnel expenses: premiums for life and pension insurance policies. 513

D. Notes

- Disclosure of liabilities relating to own pension schemes, and number and nature of equity instruments of the bank held by own pension schemes; 514
- Disclosures of the economic position of own pension schemes; 515
- Presentation of value adjustments and provisions: provisions for pension benefit obligations; 516

- Breakdown of personnel expenses: changes in book value relating to economic benefits and obligations arising from pension schemes; 517

XIII. Provisions

A. Economically necessary provisions

A provision represents a probable obligation based on a past event whose amount and / or due date is uncertain but can be reliably estimated. This obligation gives rise to a liability. Provisions are not to be used as valuation allowances for assets. 518

The event giving rise to the obligation must have taken place prior to the balance sheet date. It may be based on an explicitly legal or factual obligation. 519

Any reduction of future income or margins does not constitute an obligating event. Future expenses also do not constitute an obligating event. Creating provisions for future expenses that are linked to consideration which will be received in the future is not permissible. Provisions to cover future market value fluctuations constitute hidden reserves, since using such provisions can serve only to smooth the reported result and prevents the reporting of correctly accrued value fluctuations. Provisions for future investments or projects also constitute hidden reserves. 520

Liabilities that are due but not yet billed at the balance sheet date and that arise due to goods and services already received are not to be considered as provisions but are instead to be reported in the item *Accrued expenses and deferred income*. 521

Legal and factual obligations are to be valued on a regular basis. Where a cash outflow is probable and can be reliably estimated, a provision in the corresponding amount must be created. 522

The amount of the provision is to be determined on the basis of an analysis of the past event concerned and of events occurring after the balance sheet date, if such analysis contributes to further clarifying the situation. The amount is to be estimated in accordance with the economic risk posed, which is to be taken into account as objectively as possible. Where the time factor has a material impact, the amount of the provision is to be discounted. The amount of the provision is to correspond to the expected future cash outflows. It is to take account of the likelihood and reliability of these outgoing cash flows. 523

An event occurring after the balance sheet date must be subject to the creation of a provision (or the release of a provision), where it is clear that the bank or financial group had an obligation at the balance sheet date (or was released from an obligation) or where it becomes apparent in another manner that a financial loss is to be expected for the bank or financial group. 524

Restructuring provisions are linked to organisational measures (e.g. corporate relocation, spin-off of business units or reorganisations). A restructuring provision may not be created unless the criteria set out in margin no. 518 et seqq. are met. To this end, a binding decision 525 by the body responsible for overall management, supervision and control with respect to the restructuring measures is required. The provision may only cover costs associated directly with the restructuring measures and may not be associated with any of the bank's or financial group's current ordinary activities. The costs to be expected must be assessed in a realistic manner.

Existing provisions are to be subjected to a reassessment on each balance sheet date. Based on this assessment, they are to be increased, remain unchanged or be released. The release is conducted in accordance with margin no. 529 et seqq. 526

The designated purpose of the provisions is to be clearly stated, so that they are traceable and verifiable with regard to the accounting periods to which they belong and the positions to which they relate. 527

B. Treatment of provisions that are no longer required

Provisions that are no longer economically necessary and are not simultaneously used for other requirements of the same type must in principle be released to income. 528

Releases to income of provisions that are no longer economically necessary are to be reported as follows: 529

- Tax provisions via the item *Taxes*; 530
- Provisions for pension benefit obligations via the item *Personnel expenses*; 531
- Other provisions via the item *Changes to provisions and other value adjustments, and losses*, with the exception of restructuring provisions that were created via the item *Personnel expenses*. 532

Where the release of provisions no longer required in any one accounting period is material, it is to be disclosed in the notes (margin no. 235). The calculation of a material release of hidden reserves in accordance with margin no. 255 may be used as a rule of thumb for assessing materiality. 533

However, the release of provisions originally charged to the income statement item *Changes to provisions and other value adjustments, and losses* need not necessarily be carried out. They can thus be retained as hidden reserves or transferred to the reserves for general banking risks (reallocation). This reallocation is to be recorded in the notes in the corresponding column of the *Presentation of value adjustments and provisions, reserves for general banking risks, and changes therein during the current year* (margin no. 213). 534

<u>True and fair view single-entity financial statements and consolidated financial statements</u>

In true and fair view single-entity financial statements and consolidated financial statements, the release to income of provisions no longer required is mandatory. 535

XIV. Taxes

A. Basic principles

The current income taxes and capital taxes payable on the respective result of the period and the defining capital are to be calculated in accordance with the applicable tax reporting regulations. 536

B. Balance sheet

Liabilities from current income taxes and capital taxes are to be disclosed in the item *Accrued expenses and deferred income*. 537

Deferred income taxes need not necessarily be determined and recorded. 538

Taking into account the tax effects of losses carried forward is not permitted (deferred tax assets). Deferred income tax assets on temporary differences may be recognised in the balance sheet. This is only possible if it is probable that they can be realised in future through sufficient taxable profits. 539

C. Income statement

Current income taxes and capital tax expenses are to be reported in the income statement in the item *Taxes*. 540

Deferred income tax expense (income) is the result of the periodic change in any accrued deferred income taxes and is to be reported in the item *Taxes*. 541

Any deferred tax income (expense) is to be calculated on the basis of the applicable tax rates. The actual expected tax rates or – where they are not known – the tax rates applicable at the balance sheet date are to be used. 542

D. Notes

Deferred income tax liabilities booked to provisions are presented separately in the notes in the *Presentation of value adjustments and provisions, reserves for general banking risks, and changes therein during the current year* (margin no. 213). 543

Deferred tax credits for as yet unused tax losses carried forward are to be disclosed in the notes under contingent assets (margin no. 226). 544

Expenses for current taxes and expenses for deferred taxes are to be disclosed separately in the notes. The average tax rate to be applied, weighted on the basis of the operating result, is also to be disclosed in the notes (margin no. 238). Additionally, the influence of changes in losses carried forward on income taxes (e.g. occurrence, use, reassessment, expiry) is to be 545 quantified and explained.

<u>True and fair view statutory single-entity financial statements</u>

Subject to margin no. 539, the provisions concerning true and fair view supplementary single-entity financial statements (margin no. 547 et seqq.) apply in their entirety to true and fair view statutory single-entity financial statements. 546

<u>True and fair view supplementary single-entity financial statements and consolidated financial statements</u>

Book values that deviate from the values relevant for tax law purposes (valuation differences) are to be determined systematically. Deferred tax income (expense) on such amounts is to be taken into account. 547

The annual recognition of deferred income taxes is based on a balance sheet perspective and in principle considers all future income tax effects. 548

Deferred income tax assets on temporary differences and on tax losses carried forward may only be recognised in the balance sheet if it is probable that they can be realised in future through sufficient taxable profits. Any deferred income tax assets in the item *Other assets* are to be reported separately in the notes (margin no. 207). Any tax credits not recognised are to be disclosed in the notes under contingent assets (margin no. 226). 549

XV. Lease transactions

A. Basic principles

A distinction is made between finance lease transactions and operating lease transactions. The distinction is made in accordance with the principle of substance over form (margin no. 58). 550

A finance lease is as a rule considered to exist when 551

- at the signing date of the contract the present value of the lease instalments and any final payment is approximately equivalent to the acquisition cost or net market value of the leased asset, or 552
- the expected lease term does not differ materially from the economic useful life of the leased asset, or 553
- ownership of the leased asset is to pass to the lessee at the end of the lease term, or 554
- any final payment at the end of the lease term is substantially below the net market value at the time. 555

All lease transactions that do not qualify as finance leases are considered to be operating leases. 556

B. Finance leases

a) Balance sheet

Amounts due to the bank as lessor under finance leases are to be recognised in the balance sheet in the item *Amounts due from customers* or – in the case of real estate finance leases – in the item *Mortgage loans*. 557

Items used by the bank in the capacity of lessee in the context of finance leases are to be recognised in the balance sheet at their cash purchase value in the item *Tangible fixed assets*. Leasing obligations are to be disclosed in the items *Amounts due to banks* or *Other liabilities*, depending on the counterparty. 558

The following provisions apply where the bank is the lessee. 559

b) Valuation

The acquisition cost or net market value of the leased asset and the present value of future lease payments are determined at the start of the contract. The lower of the two amounts is recognised in the balance sheet. In subsequent periods the asset is depreciated in accordance with economic criteria. Lease payments are to be broken down into interest and repayment components. The interest component also includes the other current costs. The repayment components are to be recorded as a reduction of the lease liability and the interest and other cost components are to be recorded in the result of the period. 560

c) Income statement

Lease instalments are to be recorded as interest expense and repayment of lease instalments recognised as liabilities in accordance with the annuity method. 561

Depreciation of finance leasing items recognised as assets is to be charged to the item *Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets*. 562

A profit resulting from the sale of tangible fixed assets with a subsequent finance lease (sale and lease back) is to be recognised as deferred income in the annual financial statements or consolidated financial statements and released over the term of the lease contract. A loss resulting from the sale of tangible fixed assets with a subsequent finance lease (sale and lease back) is to be charged immediately to the result of the period. 563

d) Notes

Items used by the bank or financial group in the capacity of lessee in the context of a finance lease are to be reported separately in the notes in the breakdown of tangible fixed assets. 564

C. Operating leases

a) Balance sheet

Items used by the bank or financial group in the context of an operating lease are not to be recognised as assets. 565

b) Income statement

Leasing expenses are charged to the item *General and administrative expenses*. 566

c) Notes

The future obligations to effect payment of lease instalments for non-recognised assets subject to operating leases are to be disclosed as the total amount of non-recognised leasing obligations in the *Presentation of tangible fixed assets*. Their maturity structure is also to be presented, with separate disclosure of the obligations that can be terminated within one year. 567

XVI. Equity capital and transactions with holders of participations

A. Basic principles

Equity capital consists of the items *Reserves for general banking risks*, *Bank's capital*, *Statutory capital reserve*, *Statutory retained earnings reserve*, *Voluntary retained earnings reserves*, *Profit carried forward* and *Result of the period*. The items *Own shares* and *Loss carried forward* are to be reported as negative items. 568

The designations of the equity capital items in true and fair view supplementary single-entity financial statements and consolidated financial statements differ from these in some respects (margin nos. 274–275, 303–307). 569

B. Reserves for general banking risks

Reserves for general banking risks are created 570

- via the item *Changes in reserves for general banking risks* or 571
- on the basis of a reallocation of value adjustments and provisions that were previously economically necessary, where these were created via a charge to the item *Changes to provisions and other value adjustments, and losses* or 572
- via a reallocation of hidden reserves in the item *Provisions*. 573

They are released only via the item *Changes in reserves for general banking risks*. 574

If value adjustments and provisions that cease to be economically necessary during an ac- 575 counting period are used in the same accounting period to create reserves for general banking risks reallocation), this is to be reported in the notes in the appropriate column of the *Presentation of value adjustments and provisions, reserves for general banking risks, and changes therein during the current year.*

Reallocations of hidden reserves are also be recorded in the notes in the corresponding column of the *Presentation of value adjustments and provisions, reserves for general banking risks, and changes therein during the current year*. 576

The accounting and valuation principles section of the notes (margin no. 184) must also disclose whether or not the reserves for general banking risks are taxed. 577

True and fair view single-entity financial statements and consolidated financial statements

Reserves for general banking risks are created only via the item *Changes in reserves for general banking risks*. 578

They are released via the item *Changes in reserves for general banking risks*. 579

Deferred taxes are to be taken into account for the amount of and allocations to the reserves for general banking risks. 580

C. Transactions with holders of participations and treatment of own shares

Transactions with holders of participations in their capacity as holders of participations comprise capital increases and reductions (including the purchase and sale of own shares), dividends, contributions as well as other capital paid in and profit distributions. 581

The rules set out here do not cover purchases / sales of goods or services by / from holders of participations that are settled at market conditions or are customary in the sector (e.g. shareholder accounts); in these cases, the holder of a participation is acting as a business partner or customer and therefore as a third party, and the corresponding compensation based on equity instruments is not covered by this section. 582

In principle, the purchase of own shares is to be recognised at acquisition values at the time of acquisition. These correspond in principle to the fair value of the consideration transferred to the counterparty by way of settlement. 583

The amount of own shares is to be recognised as a deduction from equity. It is to be reported as a separate (negative) equity component (Art. 959a para. 2 no. 3 let. e CO). 584

When own shares are disposed of, any difference realised between the consideration received and the book value is to be credited (excess) or debited (shortfall) to the item *Statutory retained earnings reserve*, even if the resulting balance is negative. Recording through income is also possible. The booking method chosen is to be disclosed in the accounting and valuation principles (margin no. 183 et seqq.). Gains and losses are to be disclosed in the notes (margin no. 218). A distinction is made between own shares held for trading purposes and other own shares. 585

If the meeting of the supreme governing body passes a resolution in favour of a dividend distribution without excluding own shares, the dividends on own shares are to be recognised in the item *Statutory retained earnings reserve*. 586

In addition to the premiums paid as part of issues, other contributions by holders of participations (e.g. non-returnable "à fonds perdu" contributions) are to be reported in the item *Statutory capital reserve*. 587

True and fair view supplementary single-entity financial statements and consolidated financial statements

Results from the disposal of own shares are to be reported in the item *Capital reserve*. 588

Dividend distributions on own shares are to be reported in the item *Capital reserve*. 589

Transactions with holders of participations in their capacity as holders of participations are to be recorded at fair value even if they were not settled at market conditions. 590

Transactions with holders of participations are to be recognised based on their economic substance rather than their legal form. Visible and hidden benefits provided to and received from holders of participations are of particular importance. Such benefits are recognised as equity transactions according to the substance over form principle as they do not impact the economic performance of the company. 591

Valuations are required, for example, in connection with capital increases through contributions in kind valued prudently or underestimated, as well as other non-monetary contributions. If the fair value of goods or services cannot be reliably measured, the fair value of the shares to be issued may be used as the basis for the valuation. 592

If, in justified cases, the fair value cannot be reliably measured, a different valuation basis – e.g. the book value or a contractually agreed price – that best approximates the expected fair value may be used, subject to appropriate disclosure. 593

Hidden contributions and similar benefits are to be credited to the item *Capital reserve*. They arise when 594

- own shares are acquired at less than the fair value or disposed of at a price above the fair value as part of a resale, or 595
- a holder of participations or a linked company provides money or other goods or services without the bank supplying consideration or where the consideration is less than the fair value of the benefit received. 596

However, no adjustment is required for normal capital increases where the issue price is less than the current fair value, provided the consideration received is itself recorded at fair value. 597

Hidden profit distributions are to be debited to the item *Capital reserve*. They arise when: 598

- own shares are acquired at more than the fair value or disposed of at less than the fair 599 value, or

- the holder of participations or a linked company receives goods or services without the bank receiving consideration or where the consideration is less than the fair value of the benefit received. 600

D. Equity transaction costs

Equity transaction costs are to be recorded through income. 601

True and fair view supplementary single-entity financial statements and consolidated financial statements

Equity transaction costs, insofar as they result in a procurement (capital increase, sale of own shares) or a repayment (capital reduction, purchase of own shares) of equity, are in principle to be recognised as a reduction in the item *Capital reserve*, net of any related income taxes. 602

Equity transaction costs are to be debited to the item *Capital reserve* even if the result is a negative balance. The tax effect of the deductible costs of a capital increase is credited to the item *Capital reserve* by debiting the current tax expense or deducted from the costs debited to the item *Capital reserve*, as appropriate. 603

The equity transaction costs accumulated up to the balance sheet date are to be recognised in the item *Accrued income and prepaid expenses* if it is probable that the equity transaction concerned will take place in the foreseeable future. Otherwise, such costs are to be debited to the item *General and administrative expenses*. 604

If the equity transaction costs relate to more than one transaction, they are allocated to the individual transactions on a transparent basis in order to determine the amounts to be deferred as at the balance sheet date, offset against the *Capital reserve* or recognised in the income statement. For example, the costs of a listing of existing shares are recognised in income in the item *Other ordinary expenses* since they do not result in any additional capital. 605

E. Notes

Information about shares of the bank's capital, transactions with holders of participations and the components of equity is to be disclosed in accordance with Annex 5 to this Circular. 606

XVII. Employee participation schemes

The term "employee participation schemes" covers all methods of participating in the capital and performance of the bank or financial group that are offered by the bank or financial group to its executives, directors and employees, irrespective of whether the benefit is linked to conditions that may be directly influenced by the executives, directors and employees. 607

Share-based compensation is compensation in the form of equity instruments. 608

In the case of true equity instruments, settlement is in the form of equity instruments (equities, options) of the bank. In the case of virtual equity instruments, settlement is made in cash, with the level of compensation being based on the price of the shares (or other equity instruments) of the bank or another company in the group. 609

The vesting period is the period during which all the stipulated exercise conditions must be met. 610

Share-based compensation is to be valued at the fair value of the shares on allocation (grant date) and recorded in the items *Personnel expenses* and *Accrued expenses and deferred income* over the vesting period. 611

Within share-based compensation, a distinction is to be made between true equity instruments and virtual equity instruments. In the case of true equity instruments, no subsequent valuation is in principle to be carried out unless there are changes in the exercise or subscription conditions (e.g. vesting period). Any differences on settlement are to be booked via the item *Personnel expenses*. In the case of virtual equity instruments, the liability is revalued at each balance sheet date and any adjustments recorded through income. 612

The general conditions of the agreement are to be disclosed (e.g. conditions regarding exercise, number of equity instruments granted, manner of settlement), as are the basis for the calculation of the fair value and the expense recognised in the result of the period. 613

<u>True and fair view supplementary single-entity financial statements and consolidated financial statements</u>

True equity instruments are to be recognised in the item *Capital reserve* rather than the item *Accrued expenses and deferred income*. Any differences on settlement are to be booked via the item *Capital reserve*. 614

XVIII. Publication

A. Basic principles

Annual reports and interim financial statements are made available to the public in printed form. A printout of an electronic document will suffice, accompanied where appropriate by publication in the internet. 615

B. Annual financial statements

Banks that prepare true and fair view supplementary single-entity financial statements may publish these in their annual report and make the reliable assessment statutory single-entity financial statements available to the public in a separate document. 616

In application of Article 32 paras. 2 and 41 BO, two printed copies and one electronic copy of the annual report are to be submitted to FINMA within four months following the account closing date. If not included in the annual report, the reliable assessment statutory single- 617 entity financial statements must be supplied to FINMA in the same form.

C. Interim financial statements

Banks that prepare true and fair view supplementary single-entity financial statements may limit themselves to publishing their interim financial statements in true and fair view form. 618

In application of Article 32 paras. 2 and 41 BO, one electronic copy of each set of interim financial statements is to be submitted to FINMA within two months following the account closing date. 619

Banks that prepare consolidated financial statements are not obliged to publish interim financial statements at single-entity level. Additionally such banks, if listed, are not required to prepare a statement of changes in equity or condensed notes at single-entity level. 620

XIX. Special considerations when applying an international standard recognised by FINMA

Adjustments to the international standards recognised by FINMA at group level where differences are treated as without income effect may have an impact on the statutory single-entity financial statements if there is the option of applying the international standard in the latter. In this case, this impact can be recognised via the items *Extraordinary income* or *Extraordinary expenses*, as appropriate. 621

Single-entity and consolidated financial statements prepared in accordance with an international standard recognised by FINMA (margin no. 10) should include in the notes a breakdown of managed assets and a presentation of their development (margin no. 229). 622

Material deviations between the international standard recognised by FINMA and the Swiss accounting rules for banks are to be explained in the notes. 623

XX. Transitional provisions

This Circular applies to financial years commencing on or after 1 January 2015. It may be applied prior to this date. The preparation and publication of interim financial statements for 2015 under the old law is permitted. As of 1 January 2015, the exception provided for in Article 23b BO, repealed with effect from 31 December 2014, no longer applies (Art. 69 para. 4 BO). Consequently, all banks are required to publish interim financial statements for 2015, except where provided for in Article 6a para. 3 BA. 624

Margin no. 215 of FINMA-Circ. 08/2 “Accounting – banks”, which was in force until 31 December 2014, allowed for goodwill to be amortised over a period of up to 20 years. After this present Circular enters into force, banks and financial groups that have taken advantage of this option may continue to amortise already existing goodwill over the period so provided for, subject to compliance with the rules on impairments. 625

Banks and financial groups that require more time for the changeover with regard to the deduction of value adjustments from asset items may apply the transitional provisions of Article 69 para. 1 BO. The value adjustments concerned are to be disclosed separately in the notes to the annual financial statements / consolidated financial statements in the *Presentation of value adjustments and provisions, reserves for general banking risks, and changes therein during the current year.* 626

When preparing annual financial statements in accordance with the provisions of this Circular for the first time, banks and financial groups may omit the presentation of the previous year's figures in the notes (tables as per Annex 5 of the Circular) if this constitutes new information in the notes compared with FINMA-Circ. 08/2 "Accounting – banks", valid until 31 December 2014. 627

At the time when this Circular comes into force, own equity securities requiring to be disclosed as a negative item in equity may be reclassified at fair value if determining the acquisition costs would require disproportionate effort. 628

Existing recognitions of assets arising out of costs for incorporation, capital increases or organisation that require depreciation are to be fully depreciated immediately on first application of the Circular via the item *Extraordinary expenses*. 629

Overview in table form of the provisions set out under Title 32 of the Swiss Code of Obligations (Commercial Accounting and Financial Reporting) and their applicability to financial statements prepared in accordance with the Swiss accounting standards for banks and the international standards recognised by FINMA

CO Article	**Object**	**Applicable / not applicable**	**Adding specific detail and in some cases stricter / deviating provisions**	
			Banking Ordinance	Circular
957	Requirement to keep accounts and file financial reports	not applicable (cf. Art. 6 BA)		
957a*	Accounting	applicable		
958	*Aim and constituent elements of financial reporting:*			
958 para. 1	a) Reliable assessment	applicable	Art. 25	
958 para. 2	b) Constituent elements of the annual accounts	replaced by specific provisions	Art. 25	
958 para. 3*	c) Annual report deadlines	replaced by specific provisions	Art. 32 and 41	Margin nos. 615-620
958a and 958b	*Principles of financial reporting:*			
958a	a) Going-concern assumption	applicable	Art. 26	Margin nos. 13-14
958b para. 1	b) Chronological and material distinction	applicable	Art. 26	Margin nos. 15-16

CO Article	Object	Applicable / not applicable	Adding specific detail and in some cases stricter / deviating provisions	
			Banking Ordinance	Circular
958b para. 2	Basing on expenditure and income	not applicable		
958c	*Recognised financial reporting principles:*			
958c para. 1 no. 1	a) Clarity and understandability	applicable	Art. 26	Margin no. 18
958c para. 1 no. 2	b) Completeness	applicable	Art. 26	Margin no. 19
958c para. 1 no. 3	c) Reliability	applicable	Art. 26	Margin no. 20
958c para. 1 no. 4	d) Materiality	applicable	Art. 26	Margin nos. 21-22
958c para. 1 no. 5	e) Prudence	applicable	Art. 26	Margin nos. 23-25
958c para. 1 no. 6	f) Consistency in presentation and valuation	applicable	Art. 26	Margin nos. 26-32
958c para. 1 no. 7	g) Prohibition of offsetting.	applicable	Art. 26	Margin nos. 33-57
958c para. 2*	Evidence of balance sheet items	applicable		
958c para. 3	Adaptation of minimum content to the special features of the undertaking	applicable		Margin nos. 123 and 160
958d para. 1	Balance sheet and income statement in account or report form	not applicable		
958d para. 2	Disclosure of previous year’s figures	applicable		Margin nos. 124, 161 and 174

CO Article	Object	Applicable / not applicable	Adding specific detail and in some cases stricter / deviating provisions	
			Banking Ordinance	Circular
958d para. 3	Presentation in the national currency or significant currency for business operations	applicable		Margin no. 73
958d para. 4*	Presentation of financial reports in an official Swiss language or in English	applicable		
958e*	Disclosure and inspection	replaced by specific provisions (cf. Article 6a BA)	Art. 32 and 41	Margin nos. 615-620
958f*	Keeping and retaining accounting records	applicable		
959 paras. 1, 2, 4, 5 and 7	Assets and liabilities: definitions, balance sheet eligibility, etc.	applicable		Margin nos. 64-67
959 paras. 3 and 6	Definition of the terms “current assets” and “short-term”	not applicable		
959a paras. 1 and 2	Minimum structure of balance sheet	not applicable		Margin nos. 75-124
959a para. 3	Other items on the balance sheet or in the notes	applicable		Margin no. 123
959a para. 4	Receivables and liabilities vis-à-vis holders of participations, members of governing bodies and related parties must in each case be shown separately	applicable		Margin no. 216
959b paras. 1 and 4	Income statement prepared according to the period-based accounting method or the cost of sales method	not applicable		

CO Article	**Object**	**Applicable / not applicable**	**Adding specific detail and in some cases stricter / deviating provisions**	
			Banking Ordinance	Circular
959b paras. 2 and 3	Income statement; minimum structure	not applicable		Margin nos. 125-161
959b para. 5	Other items on the income statement or in the notes	applicable		Margin no. 160
959c	*Notes:*			
959c para. 1 no. 1	a) Disclosure of principles applied that are not specified by law	replaced by specific provisions		Margin nos. 183-190
959c para. 1 no. 2	b) Disclosures, breakdowns and explanations relating to items in the balance sheet and income statement	applicable		Margin nos. 197-224; Margin nos. 230-239
959c para. 1 no. 3	c) Total amount of released replacement reserves and additional hidden reserves	applicable		Margin no. 235
959c para. 2 no. 1	d) Business name, legal form and domicile	applicable		Margin no. 182
959c para. 2 no. 2	e) Disclosure in respect of 10 – 50 – 250 employee thresholds	not applicable		
959c para. 2 no. 3	f) Business name, legal form and domicile of companies in which direct / indirect significant participations are held, stating the share of capital and votes held	applicable		Margin no. 204
959c para. 2 no. 4	g) Number of own shares (held by undertaking itself or by undertakings in which it has a par-	applicable		Margin no. 218

CO Article	Object	Applicable / not applicable	Adding specific detail and in some cases stricter / deviating provisions	
			Banking Ordinance	Circular
	ticipation)			Margin no. A5-82 et seqq.
959c para. 2 no. 5	h) Acquisition and sale of own shares, including terms	applicable		Margin no. 218 Margin no. A5-82 et seqq.
959c para. 2 no. 6	i) Residual amount from leasing transactions	applicable		Margin nos. 205, 564 and 567; Margin no. A5-42
959c para. 2 no. 7	j) Liabilities relating to pension funds	applicable		Margin no. 209
959c para. 2 no. 8	k) Total amount of collateral for third party liabilities	applicable		Margin no. 199
959c para. 2 no. 9	l) Total assets pledged or assigned to secure own commitments and of assets under reservation of ownership	applicable		Margin no. 208
959c para. 2 no. 10	m) Contingent liabilities (outflow unlikely or amount cannot be reliably estimated)	applicable		Margin no. 226
959c para. 2 no. 11	n) Number and value of shares or options on shares held by members of governing bodies and by employees	applicable		Margin no. 215
959c para. 2 no. 12	o) Explanations of exceptional, non-recurring or prior-period items	applicable		Margin no. 235
959c para. 2 no. 13	p) Material events occurring after the balance sheet date	applicable		Margin no. 195

CO Article	Object	Applicable / not applicable	Adding specific detail and in some cases stricter / deviating provisions	
			Banking Ordinance	Circular
959c para. 2 no. 14	q) Reasons for premature resignation of auditor	applicable		Margin no. 196
959c para. 3	r) Dispensing with notes	not applicable		
959c para. 4	s) Disclosure of the amounts concerned, interest rates, and other conditions in respect of outstanding bonds	applicable		Margin no. 212
960	*Valuation principles:*			
960 para. 1	a) Individual (item-by-item) valuation as the norm	applicable	Art. 27 (unrestricted individual valuation (valuation item-by-item) for participations, tangible fixed assets and intangible assets)	
960 para. 2	b) Prudent valuation without preventing reliable assessment	applicable		
960 para. 3	c) Review and where necessary adjustment of figures if there are specific indications that assets have been overvalued or provisions are too low	applicable		Margin nos. 411-430 (value adjustments for default risks); Margin nos.477-494 (impairment); Margin nos.518-535 (provisions)

CO Article	Object	Applicable / not applicable	Adding specific detail and in some cases stricter / deviating provisions	
			Banking Ordinance	Circular
960a	*Valuation of assets:*			
960a para. 1	a) Initial recognition at no higher than acquisition or manufacturing costs	applicable	Art. 27	Margin no. 60
960a para. 2	b) Subsequent valuation in principle no higher than acquisition or manufacturing costs	applicable		Margin no. 60
960a para. 3	c) Taking into account depreciation and value adjustments	applicable		Margin no. 60
960a para. 4	d) Permissibility of additional depreciation and value adjustments to ensure the long-term prosperity of the undertaking	applicable for reliable assessment statutory single-entity financial statements		Margin nos. 66, 240-257
960b	*Assets with observable market prices:*			
960b para. 1	a) Subsequent valuation at market prices	applicable	Art. 27	Margin nos. 62, 363-365, 404-410
960b para. 2	b) Permissibility of a fluctuation reserve	not applicable	Art. 27	
960c	Inventories and non-invoiced services	not applicable		
960d	*Fixed assets:*			
960d paras. 1 and 2	a) Intention of long-term use	replaced by specific provisions		Margin nos. A2-63 - A2-78
960d para. 3	b) Definition of participations (20%)	replaced by specific provisions		Margin nos. A2-63 -

CO Article	Object	Applicable / not applicable	Adding specific detail and in some cases stricter / deviating provisions	
			Banking Ordinance	Circular
				A2-66
960e	*Liabilities:*			
960e para. 1	a) Entry at nominal value	applicable	Art. 27	Margin no. 61
960e para. 2	b) Creation of provisions if outflows are expected due to past events	applicable		Margin nos. 518-527
960e para. 3	c) Permissibility of provisions for regularly incurred expenses from guarantee commitments and restructuring	applicable		Margin nos. 518-527
960e para. 3	d) Permissibility of provisions for renovation of tangible fixed assets and to ensure the long-term prosperity of the undertaking	applicable in the case of reliable assessment statutory single-entity financial statements (hidden reserves)		Margin nos. 240-257
960e para. 4	e) Release not mandatory in the case of provisions no longer required	applicable for reliable assessment statutory single-entity financial statements		Margin nos. 528-535
961	*Larger undertakings:*			
961 no. 1	a) Additional information in the notes	cf. Art. 961a		
961 no. 2	b) Cash flow statement	replaced by specific provisions (cf. Art. 961b)	Art. 25 (cash flow statement required only for true and fair view financial statements)	Margin no. 170

CO Article	Object	Applicable / not applicable	Adding specific detail and in some cases stricter / deviating provisions	
			Banking Ordinance	Circular
961 no. 3	c) Management report	applicable (cf. Art. 961c)	Art. 29	
961a	*Additional information in the notes to the annual financial statements of larger undertakings:*			
961a para. 1	a) Breakdown of long-term liabilities by due date	applicable		Margin nos. 212 and 220; Margin no. A5-61 et seq.
961a para. 2	b) Fees paid to the auditor	applicable		Margin nos. 234 and A5-139
961b	Cash flow statement: business operations, investment activities and financing activities	replaced by specific provisions	Art. 25 (cash flow statement required only for true and fair view financial statements)	Margin no. 170; Annex 6
961c	*Management report:*			
961c para. 1	a) Presentation of business performance and the economic position of the undertaking (and, if applicable, the group)	applicable		
961c para. 2 no. 1	b) Number of full-time positions on annual average	applicable		
961c para. 2 no. 2	c) Conduct of a risk assessment	applicable		

CO Article	Object	Applicable / not applicable	Adding specific detail and in some cases stricter / deviating provisions	
			Banking Ordinance	Circular
961c para. 2 no. 3	d) Orders and assignments	applicable		
961c para. 2 no. 4	e) Research and development activities	applicable		
961c para. 2 no. 5	f) Extraordinary events	applicable		
961c para. 2 no. 6	g) Future prospects	applicable		
961c para. 3	h) The management report may not contradict the information presented in the annual financial statements	applicable		
961d	Simplifications in the case of consolidated financial statements prepared in accordance with a recognised financial reporting standard	replaced by specific provisions	Art. 36	Margin nos. 327-341 Margin no. 620
962 para. 1 no. 1	Requirement to prepare financial statements in accordance with a recognised standard (equity securities listed on stock market)	applicable (NB true and fair view financial statements prepared in accordance with the Swiss accounting standards for banks are deemed equivalent to a recognised standard)		
962 para. 1 no. 2	Requirement to prepare financial statements in accordance with a recognised standard (cooperatives with a minimum of 2,000 members)	partly applicable	Art. 25	
962 para. 2 no. 3	Requirement to prepare financial statements in accordance with a recognised standard (foundations)	not applicable		

CO Article	Object	Applicable / not applicable	Adding specific detail and in some cases stricter / deviating provisions	
			Banking Ordinance	Circular
962 para. 2	Holders of minority interests may also request financial statements in accordance with a recognised standard (company members who represent 20% of the capital / 10% of cooperative members or 20% of the members of an association / any company member or any member subject to personal liability or a duty to pay in further capital)	applicable (NB true and fair view financial statements prepared in accordance with the Swiss accounting standards for banks are deemed equivalent to a recognised standard)	Art. 25	
962 para. 3	Requirement to prepare financial statements in accordance with a recognised standard ceases to apply if corresponding consolidated financial statements are prepared	applicable	Art. 25	
962 para. 4	Choosing of standard by supreme management or administrative body	applicable		
962a	*Financial statements prepared in accordance with a recognised financial reporting standard:*			
962a para. 1	a) Indication of the recognised standard applied	applicable		
962a para. 2	b) Application of the recognised standard in its entirety for the financial statements as a whole	applicable		
962a para. 3	c) Compliance with the recognised standard must be audited by an accredited audit expert (ordinary audit)	applicable (Art. 18 par. 2 BA states that all bank financial statements are subject to ordinary audit)		Margin no. 6

CO Article	Object	Applicable / not applicable	Adding specific detail and in some cases stricter / deviating provisions	
			Banking Ordinance	Circular
962a para. 4	d) To be submitted to the supreme management body, but do not require approval	applicable		Margin no. 6
962a para. 5	e) Specification of recognised standards by the Federal Council	replaced by specific provisions		Margin no. 10
963	*Consolidated financial statements:*			
963 paras. 1 and 2	a) Requirement to prepare financial statements (control via majority of votes; right to appoint or remove a majority of the members of the supreme management or administrative body; controlling influence based on the articles of association or similar)	replaced by specific provisions	Art. 34	
963 para. 3	b) Definition of scope of consolidation in accordance with the recognised standard applied	applicable		
963 para. 4	c) Possibility of delegating the preparation of consolidated financial statements to a controlled undertaking in the case of associations, foundations and cooperatives	not applicable	Art. 34	
963a para. 1	Exemption from requirement to prepare consolidated financial statements	replaced by specific provisions	Art. 34 and 35	
963a para. 2	*Consolidated financial statements must nonetheless be prepared if:*			
963a para. 2 no. 1	a) this is necessary in order to make the most reliable assessment	replaced by specific provisions	Art. 34 and 35	

CO Article	Object	Applicable / not applicable	Adding specific detail and in some cases stricter / deviating provisions	
			Banking Ordinance	Circular
963a para. 2 no. 2	b) so required by company members who represent 20% of the capital, 10% of the members of a cooperative or 10% of the members of an association	replaced by specific provisions	Art. 34	
963a para. 2 no. 3	c) so required by a company member or an association member subject to personal liability or a duty to pay in further capital	replaced by specific provisions	Art. 34	
963a para. 3	Disclosure of the consolidated financial statements of the parent group if a legal entity dispenses with preparing consolidated financial statements	not applicable	Art. 35	
963b	Consolidated financial statements prepared in accordance with a recognised financial reporting standard	replaced by specific provisions (consolidated financial statements prepared in accordance with the Swiss accounting standards for banks are deemed equivalent to a recognised standard)		Margin nos. 8 and 10

Details on the individual balance sheet

The following explanations regarding the content of the individual items cover the material components. However, the list of components to be included is not exhaustive. A2-1

Item 1 Assets A2-2

Item 1.1 Liquid assets A2-3

- Current Swiss coins and bank notes, excluding collectors' pieces; A2-4
- Foreign coins and bank notes, provided they are freely convertible to Swiss francs; A2-5
- Balances with postal organisations outside Switzerland, provided these balances are subject to an unrestricted guarantee from the country concerned and are freely transferable; A2-6
- Sight deposits with the Swiss National Bank; A2-7
- Sight deposits with a central giro institution (central clearing office) recognised by FINMA; A2-8
- Sight deposits with a foreign central bank; A2-9
- Clearing balances of foreign branches with a recognised clearing bank of the country concerned. A2-10

Item 1.2 Amounts due from banks A2-11

- All amounts due from banks that are not to be disclosed under another item; A2-12
- Amounts due from central banks, clearing institutions and foreign postal organisations, provided these are not to be disclosed under item 1.1; A2-13
- Due but unpaid interest; A2-14
- Delivery claims arising from precious metal account deposits with banks outside trading activities; A2-15
- Commercial bills of exchange, if the drawee is a bank; A2-16
- Own bills of exchange to the order of the bank (simple collateral bills are to be omitted); A2-17
- Cheques, if the issuer is a bank; A2-18

Item 1.3 Amounts due from securities financing transactions A2-19

- Receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions. A2-20

Item 1.4 Amounts due from customers A2-21

- All amounts due from non-banks that are not to be disclosed under another item; A2-22
- Receivables secured by mortgage in the form of current account credit facilities used, including construction credits prior to consolidation and commercial loans; A2-23
- Amounts due to the bank in its capacity as lessor in the context of finance leasing, with A2-24

the exception of real estate finance leasing;

- Delivery claims arising from precious metal account deposits with customers outside trading activities; A2-25
- Due but unpaid interest; A2-26
- Commercial bills of exchange, if the drawee is not a bank; A2-27
- Cheques, if the issuer is not a bank; A2-28

Item 1.5 Mortgage loans A2-29

- Direct and indirect mortgage claims in the form of secured loans (mortgage certificates pledged or assigned as collateral); A2-30
- Credits for land in the form of loans and fixed advances; A2-31
- Real estate finance leasing; A2-32
- Due but unpaid interest. A2-33

Item 1.6 Trading portfolio assets A2-34

All of the following if held and owned by the bank for trading purposes: A2-35

- debt securities, money market securities / transactions; A2-36
- equity securities; A2-37
- precious metals and commodities, physical or held on account; A2-38
- other trading portfolio assets. A2-39

Item 1.7 Positive replacement values of derivative financial instruments A2-40

- Positive replacement values of all derivative financial instruments outstanding on the balance sheet date and arising from transactions for the bank's own account and that of customers (for netting, cf. margin no. 40 et seqq.), irrespective of the treatment for income statement purposes, for example of hedging transactions. A2-41

  The following principles apply to the recognition of replacement values arising from transactions for the account of customers: A2-42

  The replacement values of derivative financial instruments arising from transactions for the account of customers are to be recognised if a risk may arise for the bank during the remaining term of the contract in the event that the customer or the other counterparty (exchange, exchange member, issuer of instrument, broker, etc.) is no longer able to honour its obligations.

  The following rules follow from this principle:

  - Over-the-counter contracts (OTC): A2-43
    - Bank acting as commission agent: the replacement values arising from commission agent transactions are in principle to be recognised on the balance sheet unless the bank discloses the identity of the counterparty to the customer (cf. also Annex 7 to this Circular). In this case, the bank bears only a credit risk if the contract constitutes a loss for the customer. Consequently, only such positive A2-44

replacement values are to be recognised. The corresponding double entries on the balance sheet are the corresponding negative replacement values, i.e. the profit realised by the counterparty with whom the bank deals in its name but for the account of a third party. However, the transaction need not be recognised if the contract represents a profit for the customer. If the bank is not in a position for technical reasons to make this distinction, all replacement values arising from commission agent transactions are to be recognised. Banks are to disclose in the accounting and valuation principles which principles have been followed in the recognition of the replacement values for commission agent transactions.

  - o Bank acting as principal: replacement values are recognised. A2-45
  - o Bank acting as broker: replacement values are not recognised. A2-46

- o Exchange-traded contracts A2-47

  Bank acting as commission agent: The replacement values are in principle not recognised on the balance sheet unless as a matter of exception the accrued daily loss (variation margin) is not fully covered by the initial margin actually required. Only the uncovered portion is required to be disclosed. In the case of traded options, disclosure is only required if the maintenance margin actually required does not fully cover the customer's daily loss. Here, too, only the uncovered portion needs to be recognised. Daily gains of customers are never to be recognised. A2-48

- Spot transactions with positive replacement values recognised in accordance with the settlement date accounting principle. A2-49

Item 1.8 Other financial instruments at fair value A2-50

Financial instruments outside trading activities, for which the bank has chosen the fair value option in accordance with margin no. 372 et seqq. of the Circular. A2-51

Item 1.9 Financial investments A2-52

The following items held and owned by the bank, albeit not for trading purposes, and – in the case of equity securities and real estate – not for the purpose of permanent investment: A2-53

- securities and book-entry securities; A2-54
- money-market instruments such as BIS bills, bankers' acceptances, commercial papers (CPs), certificates of deposit (CDs), treasury bills and money-market book claims; A2-55
- book-entry securities based on money-market and similar instruments; A2-56
- debt register claims due from public-sector entities; A2-57
- real estate, equity securities and commodities whose ownership has been assumed by virtue of a credit transaction and are intended for resale; A2-58
- physical precious metals. A2-59

Financial instruments for which the bank has chosen the fair value option are recognised under item 1.8. A2-60

Item 1.10 Accrued income and prepaid expenses A2-61

All accruals of interest and other income statement items, premiums on asset items and discounts on liability items, and assets arising from other prepaid and accrued items are to be recognised here (transitory assets). A2-62

Item 1.11 Participations A2-63

- Equity securities owned by the bank that are held for the purpose of permanent investment, irrespective of the percentage of voting shares held; A2-64
- Participations owned by the bank and that are of an infrastructure nature for the bank, in particular participations in joint organisations; A2-65
- Amounts due from undertakings in which the bank holds a permanent participation, if such amounts are deemed to be equity for taxation purposes. A2-66

Item 1.12 Tangible fixed assets A2-67

- Real estate except for assets recognised under *Financial investments*; A2-68
- Balances of construction and renovation accounts; A2-69
- Constructions on properties owned by third parties; A2-70
- Other tangible fixed assets; A2-71
- Tangible assets under finance leases; A2-72
- Proprietary or acquired software. A2-73

Item 1.13 Intangible assets A2-74

- Goodwill; A2-75
- Patents; A2-76
- Licences; A2-77
- Other intangible assets. A2-78

Item 1.14 Other assets A2-79

- Amount recognised as assets in respect of employer contribution reserves and any other assets (economic benefit) relating to pension schemes. A2-80
- The credit balance of the compensation account for changes in book value with no income effect in the current period. A2-81

  This includes in particular: A2-82

  - changes in book value with no income effect in respect of replacement values of derivative financial instruments; A2-83
  - changes in book value with no income effect in respect of loan transactions in- A2-84

volving assets other than money;

- o interest components of financial investments intended to be held to maturity but sold before maturity (margin no. 381); A2-85
- o interest components of hedging transactions sold before maturity (margin no. 439). A2-86

- Coupons; A2-87
- Foreign currencies if they are not included in item 1.1; A2-88
- Pure clearing accounts; A2-89
- Balances arising from internal bank business operations; A2-90
- Commodities; A2-91
- Indirect taxes. A2-92

Item 1.15 Capital not paid in A2-93

Item 1.16 Total assets A2-94

Item *1.16.1 Total subordinated claims* A2-95

Item 1.16 1.1 of which subject to mandatory conversion and / or debt waiver A2-96

Item 2 Liabilities A2-97

Item 2.1 Amounts due to banks A2-98

cf. Item 1.2 *Amounts due from banks* A2-99

- Leasing instalments recognised as a liability on the balance sheet and payable for assets leased from banks; A2-100
- Mortgages in favour of third parties secured by real estate owned by the bank, provided a bank is the mortgage holder. A2-101

Item 2.2 Liabilities from securities financing transactions A2-102

Obligations from cash collateral received in connection with securities lending and repurchase transactions. A2-103

Item 2.3 Amounts due in respect of customer deposits A2-104

- All financial liabilities due to non-banks that are not to be disclosed under another item; A2-105
- Time deposits A2-106

Item 2.4 Trading portfolio liabilities A2-107

- All short positions relating to the instruments recorded in item 1.6 *Trading portfolio assets*; A2-108
- Liabilities recognised according to the trade date accounting principle in respect of short positions relating to spot short sales, after netting per security and per counterparty for OTC transactions. If, in the case of on-exchange transactions, delivery versus payment is planned, netting per security is permitted. A2-109

Item 2.5 Negative replacement values of derivative financial instruments A2-110

- Negative replacement values of all derivative financial instruments outstanding on the balance sheet date arising from transactions for the bank's own account and that of customers (for netting, cf. margin no. 40 et seqq.; for recognition of replacement values arising from transactions for the account of customers, cf. margin nos. A2-42 through A2-48); A2-111
- Spot transactions with negative replacement values recognised in accordance with the settlement date accounting principle. A2-112

Item 2.6 Liabilities from other financial instruments at fair value A2-113

Financial instruments outside trading activities, for which the bank has chosen the fair value option in accordance with margin no. 372 et seqq. of the Circular. A2-114

Item 2.7 Cash bonds A2-115

Item 2.8 Bond issues and central mortgage institution loans A2-116

- Bonds, warrant bonds and convertible bonds issued by the bank; A2-117
- Money market instruments and similar instruments issued by the bank, if the creditor is not known; A2-118
- Loans from central mortgage bond institutions; A2-119
- Loans from central issuing institutions. A2-120

Item 2.9 Accrued expenses and deferred income A2-121

cf. Item 1.10 *Accrued income and prepaid expenses* A2-122

The following are also to be recognised in this item: A2-123

- accruals for taxes payable; A2-124
- accruals for share-based compensation, if not recognised in the item *Capital reserve*; A2-125
- social security contributions and contributions to pension schemes not yet paid. A2-126

Item 2.10 Other liabilities A2-127

- The debit balance of the compensation account for changes in book value with no income effect in the current period. A2-128

  This includes in particular: A2-129

  - adjustments of replacement values of derivative financial instruments in the case of hedging transactions; A2-130
  - changes in book value in respect of loan transactions involving assets other than money; A2-131
  - interest components of financial investments intended to be held to maturity but sold before maturity (margin no. 381); A2-132
  - interest components of hedging transactions sold before maturity (margin no. 439). A2-133
- Leasing instalments recognised as a liability on the balance sheet and payable for assets leased from non-banks; A2-134
- Mortgages in favour of third parties secured by real estate owned by the bank, provided a non-bank is the mortgage holder; A2-135
- “Funds” set up by the bank and possessing no separate legal personality, e.g. pension and charitable funds; A2-136
- Pure clearing accounts; A2-137
- Balances arising from internal bank business operations; A2-138
- Matured, but unredeemed coupons and debt instruments; A2-139
- Indirect taxes; A2-140
- Other payables from goods and services; A2-141
- Negative goodwill (with the exception of lucky buys, i.e. bargain purchases) relating to expected outflows. A2-142

Item 2.11 Provisions A2-143

- Economically necessary provisions to cover risks that are based on a past event and represent a probable obligation, the amount and / or due date of which is uncertain but can be reliably estimated; A2-144
- Provisions for deferred taxes; A2-145
- Provisions for pension benefit obligations; A2-146
- Restructuring provisions; A2-147
- Other provisions; A2-148
- Hidden reserves in reliable assessment single-entity financial statements A2-149

Item 2.12 Reserves for general banking risks A2-150

Reserves for general banking risks are created via item 11 in the income statement *Changes in reserves for general banking risks*, and in the case of reliable assessment single-entity financial statements by a redesignation of value adjustments and provisions that are no longer economically necessary or by way of a transfer of hidden reserves. Reserves for general A2-151 banking risks may only be released via income statement item 11 *Changes in reserves for general banking risks*.

Item 2.13 Bank's capital A2-152

- Share capital, cooperative capital, and cantonal banks' endowment capital (Dotationskapital); A2-153
- Limited partners' capital contribution; A2-154
- Paid-up capital accounts; A2-155
- Participation capital. A2-156

Item 2.14 Statutory capital reserve A2-157

- Share premiums from capital increases; A2-158
- Non-returnable contributions (à fonds perdu); A2-159
- Reliable assessment statutory single-entity financial statements and *true and fair view* statutory single-entity financial statements: the tax-exempt capital contribution reserve is to be disclosed separately ("of which" item); A2-160
- *True and fair view* supplementary single-entity financial statements and consolidated financial statements: result from disposals relating to trading in own equity securities; A2-161
- *True and fair view* supplementary single-entity financial statements and consolidated financial statements: amounts relating to share-based compensation in the case of genuine equity instruments as well as any differences in the fulfilment of employee participation schemes; A2-162
- *True and fair view* supplementary single-entity financial statements and consolidated financial statements: equity transaction costs; A2-163
- *True and fair view* supplementary single-entity financial statements and consolidated financial statements: the item is designated *Capital reserve.* A2-164

Item 2.15 Statutory retained earnings reserve A2-165

- Allocations are to comply with the relevant provisions of the Code of Obligations. A2-166
- Reliable assessment statutory single-entity financial statements and *true and fair view* statutory single-entity financial statements: A2-167
  - result from disposals relating to trading in own equity securities; A2-168
  - amounts relating to share-based compensation in the case of genuine equity instruments as well as any differences in the fulfilment of employee participation schemes. A2-169
- *True and fair view* supplementary single-entity financial statements and consolidated financial statements: The item is designated *Retained earnings reserve.* A2-170

Item 2.16 Voluntary retained earnings reserves A2-171

- This item is only to be included in reliable assessment statutory single-entity financial statements and *true and fair view* statutory single-entity financial statements; A2-172
- In the case of *true and fair view* supplementary single-entity financial statements and A2-173

consolidated financial statements, disclosure is made in the item *Retained earnings reserve*.

Item 2.17 Own shares (negative item) A2-174

All own shares held by the bank (shares of other companies in the financial group are not deemed to be own shares of the bank). A2-175

Item 2.18 Profit carried forward / loss carried forward A2-176

Item 2.19 Profit / loss (result of the period) A2-177

Item 2.20 Total liabilities A2-178

Item *2.20.1 Total subordinated liabilities* A2-179

Item 2.20 1.1 of which subject to mandatory conversion and / or debt waiver A2-180

Item 3 Off-balance-sheet transactions A2-181

Item 3.1 Contingent liabilities A2-182

- Guarantees to secure credits in the form of bill of exchange guarantees, sureties and other guarantees including guarantee obligations in the form of irrevocable letters of credit, endorsement liabilities arising from rediscounted bills, advance payment guarantees and similar facilities such as pledges in favour of third parties, and unrecorded portions of joint and several liabilities arising from rights of recourse based on an internal legal relationship (e.g. in the case of simple partnerships), or legally binding letters of comfort. A2-183

  These contingent liabilities are characterised by an existing debt on the part of a principal debtor being guaranteed in favour of a third party. A2-184

- Bid bonds, performance bonds, builders' guarantees, letters of indemnity, other performance guarantees including guarantees in the form of irrevocable letters of credit and similar facilities. A2-185

  These contingent liabilities are characterised by the fact that at the time of concluding the transaction and disclosing the contingent liability, no debt of the principal debtor in favour of a third party exists as yet, but may arise in the future, e.g. when legal liability arises. A2-186

- Irrevocable commitments arising from documentary letters of credit; A2-187

- Other contingent liabilities that can be reliably estimated. A2-188

Item 3.2 Irrevocable commitments A2-189

- As of the balance sheet date unused, but firm and irrevocable commitments to grant credit or other facilities. Credit limits granted to customers and banks that can be re- A2-190 voked at any time by the bank are not to be disclosed unless the contractual period of notice exceeds six weeks;

- Firm commitments to underwrite securities issues less firm subscriptions; A2-191
- Firm commitments to redeem credits (credit commitments in favour of the buyer, collateralisation of the claims of creditors by way of a bank guarantee). Where both commitments forming an indivisible transaction binding upon the bank are structured in such a manner that, from the point of view of execution of the transaction as well as from an economic and legal point of view, no risk can arise for the bank, only the irrevocable commitment must be shown in the off-balance sheet since the fulfilment of such a commitment is considered to be a certainty and the fulfilment of the guarantee is strictly contingent; A2-192
- Payment commitment related to depositor protection scheme. A2-193

Item 3.3 Obligations to pay up shares and make further contributions A2-194

Commitments related to additional payments and further contributions for shares and other equity securities. A2-195

Item 3.4 Credit commitments A2-196

- Commitments arising from deferred payments; A2-197
- Commitments arising from acceptances (only liabilities arising from acceptances in circulation); A2-198
- Other credit commitments; A2-199

insofar as they are not fulfilled by at least one party. A2-200

Annex 3 to FINMA-Circ. 15/1

Details on the individual income statement items

The following explanations regarding the content of the individual items cover the material components. However, the list of components to be included is not exhaustive. A3-1

As a general rule, the no-netting principle is to be applied to “income” and “expense” items unless expressly stated otherwise in the explanations concerning the individual items. Income and expenses can be offset against one another under the items designated “result” or “change”. A3-2

Item 1 Result from interest operations A3-3

Item 1.1 Interest and discount income A3-4

Interest receivable, taking account of margin no. 425; A3-5

Lending commissions deemed to be an interest component; A3-6

Income from discounting bills of exchange; A3-7

Income from refinancing trading positions, provided this is charged to the item *Result from trading activities and the fair value option* (cf. also margin no. 56); A3-8

Similar components directly linked to interest operations. A3-9

Negative interest on the lending business is to be recognised in interest income (reduction in interest income). If such negative interest is material, its impact is to be disclosed in the notes to the annual financial statements. A3-10

Item 1.2 Interest and dividend income from trading portfolios A3-11

This item is to be disclosed only if the bank does not offset the interest and dividend income from trading portfolios against the refinancing expense for trading positions in the item *Result from trading activities and the fair value option*. Banks that offset the refinancing of positions entered into for trading purposes against interest operations are to disclose this in the notes in the accounting and valuation principles. A3-12

Item 1.3 Interest and dividend income from financial investments A3-13

Item 1.4 Interest expense A3-14

Interest payable; A3-15

Other interest-like expenses; A3-16

Interest on subordinated loans; A3-17

Interest on mortgages in favour of third parties secured by real estate owned by the bank, including the interest components of real estate finance lease instalments. A3-18

Negative interest on the borrowing business is to be recognised in interest expense (reduction in interest expense). If this negative item is material, its impact is to be disclosed in the notes to the annual financial statements. A3-19

Item 1.5 Gross result from interest operations A3-20

Item 1.6 Changes in value adjustments for default risks and losses from interest operations A3-21

- Creation and reversal of economically necessary value adjustments for default and country risks, provided these are related to the interest business. A3-22

  The creation / reversal of value adjustments is to be recognised as a net amount (newly created adjustments minus mandatory reversals of items no longer economically necessary). A3-23

  Recoveries of receivables written off in prior periods are also to be recognised in this item. A3-24

  If the bank makes such a breakdown: proportion of default-risk-related changes in the book value of financial investments valued according to the lower of cost or market value principle (market-related changes in book value are recognised in the items *Other ordinary expenses or Other ordinary income*). A3-25

- Losses relating to the interest business [realised losses on financial investments not intended to be held to maturity (intended for sale) are to be disclosed under item 4.1 *Result from the disposal of financial investments*]. A3-26

Item 1.7 Subtotal net result from interest operations A3-27

Item 2 Result from commission business and services A3-28

This item includes not only commissions in the strict sense, but also income and expenses in general arising from the ordinary provision of services. A3-29

Item. 2.1 Commission income from securities trading and investment activities A3-30

- Custodian fees; A3-31
- Brokerage fees; A3-32
- Income from securities issuing operations both by way of underwriting on a commission basis or firm underwriting, provided the bank does not elect to disclose the result from primary market trading activities in the item *Result from trading activities and the fair value option*. Banks that disclose the result from primary market trading activities in the item *Result from trading activities and the fair value option* are to set this out accordingly in the accounting and valuation principles in the notes to the annual financial statements; A3-33
- Income from coupons; A3-34
- Commissions from asset management activities; A3-35
- Retrocessions received that are not subject to a duty of restitution to clients; A3-36
- Commissions from fiduciary transactions. Income from fiduciary investments and payment thereof to the principal may not be recorded in the income statement; A3-37
- Investment advisory commissions; A3-38
- Commissions from estate planning, company formation and tax advisory services. A3-39

Item 2.2 Commission income from lending activities A3-40

- Stand-by, guarantee, letter of credit confirmation commissions; A3-41
- Advisory commissions. A3-42

Item 2.3 Commission income from other services A3-43

- Rent for safe deposit boxes; A3-44
- Payment transaction commissions; A3-45
- Income from the collection of bills of exchange; A3-46
- Documentary collection commissions. A3-47

Item 2.4 Commission expense A3-48

- Retrocessions paid; A3-49
- Custodian fees paid; A3-50
- Brokerage fees paid. A3-51

Retrocessions agreed in advance may be offset against the corresponding commission income. A3-52

Item 2.5 Subtotal result from commission business and services A3-53

Item 3 Result from trading activities and the fair value option A3-54

- Gains and losses on trading in securities and book-entry securities, debt register claims, other marketable claims and liabilities, foreign exchange and bank notes, precious metals, commodities, derivative financial instruments, etc.; A3-55
- Gains and losses on trading portfolio assets lent; A3-56
- Proceeds from subscription rights; A3-57
- Valuation result from the translation of foreign exchange positions; A3-58
- Components directly linked to trading activities and partly included in the market prices such as brokerage, transport and insurance expenses, fees and duties, melting costs, etc.; A3-59
- When offsetting the refinancing of trading positions in accordance with margin no. A3-8, both interest and dividend income from trading portfolios as well as the refinancing expense are to be included in this item. A3-60
- Gains and losses arising from value adjustments of items for which the fair value option has been chosen in accordance with margin no. 372 et seqq. A3-61

Item 4 Other result from ordinary activities A3-62

Item 4.1 Result from the disposal of financial investments A3-63

Realised result in connection with financial investments valued according to the lower of cost A3-64 or market value principle. The realised result corresponds to the difference between the book value and the sale price. Changes in book value already posted during the current period are not to be reclassified to *Result from the disposal of financial investments*.

Item 4.2 Income from participations A3-65

- Dividend income from participations; A3-66
- Interest income from loans deemed to be equity capital (cf. also margin no. A2-66); A3-67
- Income from participations recognised according to the equity method in true and fair view supplementary single-entity financial statements and consolidated financial statements. A3-68

Gains and losses from the sale of participations are not to be included here but instead under the items *Extraordinary income* or *Extraordinary expenses*. A3-69

Item 4.3 Result from real estate A3-70

Income from the use of real estate not used for banking operations (including income from real estate recorded in the item *Financial investments*), in particular A3-71

- rental income; A3-72
- maintenance expenses for own real estate. A3-73

Gains and losses from the sale of real estate disclosed in the item *Tangible fixed assets* are not to be included here, but instead under the items *Extraordinary income* or *Extraordinary expenses*. Gains and losses from the sale of real estate in the item *Financial investments* are not to be included here, but instead under the item *Result from the disposal of financial investments*. A3-74

Item 4.4 Other ordinary income A3-75

- Positive balance of market-related changes in the book value of financial investments valued according to the lower of cost or market value principle; A3-76
- If the bank makes such a breakdown: proportion of market-related changes in the book value of financial investments valued according to the lower of cost or market value principle, up to the legal maximum limit (default-risk-related changes in book value are recognised in the item *Changes in value adjustments for default risks and losses from interest operations*). A3-77

Item 4.5 Other ordinary expenses A3-78

- Negative balance of market-related and / or default-risk-related changes in the book value of financial investments valued according to the lower of cost or market value principle (NB where real estate assets are acquired as the result of a forced realisation without interested third parties, any necessary initial depreciation of the property to the effective market value is deemed equivalent to a default-risk-related value adjustment and is therefore to be recognised via the item *Changes in value adjustments for default risks and losses from interest operations*); A3-79
- If the bank makes such a breakdown: proportion of market-related changes in book value of financial investments valued according to the lower of cost or market value princi- A3-80

ple (default-risk-related changes in book value are recognised in the item *Changes in value adjustments for default risks and losses from interest operations*).

Item 4.6 Subtotal other result from ordinary activities A3-81

Item 5 Operating expenses A3-82

Item 5.1 Personnel expenses A3-83

All expenses for members of the bank's governing bodies and personnel are to be included, including in particular: A3-84

- Meeting attendance fees and fixed compensation for the members of the bank's governing bodies; A3-85
- Salaries and benefits, contributions to the Old-Age and Survivors' Insurance (AHV), Disability Insurance (IV), Unemployment Insurance (ALV) and other statutory contributions; cash bonuses, special bonuses, other bonuses; A3-86
- Premiums and voluntary allocations to pension funds and other such funds as well as in-house funds with the same purpose, but without any separate legal personality, provided they are not distributions associated with the appropriation of profit; A3-87
- Allocations to the employer contribution reserve of staff pension schemes, provided the employer contribution reserve is not recognised as an asset; A3-88
- Positive and negative changes in book value for economic benefits and obligations arising from staff pension schemes; A3-89
- Restructuring contributions to staff pension schemes; A3-90
- Premiums for life and pension insurance policies; A3-91
- Ancillary personnel expenses, including direct training and recruitment costs, long-service awards, costs for health checks; A3-92
- Expenses relating to share-based compensation and alternative forms of variable compensation; A3-93
- Personnel expenses relating to restructuring, provided these have not been recognised in the item *Changes to provisions and other value adjustments, and losses*; A3-94
- Release of the corresponding amount of negative goodwill from an acquisition if a corresponding outflow in the current period has been recognised in the item *Personnel expenses*. A3-95

Item 5.2 General and administrative expenses A3-96

- Office space expenses A3-97
    - Rent paid and maintenance and repair expenses that do not increase the market value or value-in-use of tangible fixed assets used for banking operations; A3-98
    - Operating lease expenses for premises used for banking operations; A3-99
- Expenses for information and communications technology (IT, including the costs for the services of external data processing centers); A3-100
- Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses. Finance lease instalments are not to be recorded here. Instead they are to be A3-101

recorded using the annuity method as an interest expense and repayment of leasing instalments recognised as liabilities. Depreciation and amortisation, provided they do not relate to low-value assets, are not to be recognised here, but instead in the item *Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets*;

- Expenses for financial and regulatory audits and other fees of the audit firm(s); A3-102
- Other operating expenses A3-103
  - Office supplies and consumables, printed matter, costs for all forms of communications, and other transport costs; A3-104
  - Travel allowances; A3-105
  - Insurance premiums; A3-106
  - Advertising expenses; A3-107
  - Legal and debt collection costs, commercial register and land registry fees; A3-108
  - Consultancy fees; A3-109
  - Issuing costs, including expenses associated with raising debt capital, provided they are not regarded as interest expense and are amortised over the term of the loan. In the case of true and fair view supplementary single-entity financial statements and consolidated financial statements, issuing costs relating to own equity securities are to be recognised with no effect on income via the item *Capital reserve*; A3-110
  - Donations, provided they are not distributions associated with the appropriation of profit, A3-111
  - Value-added tax, provided it is not a component of the cost price of tangible fixed assets; A3-112
  - Compensation for any cantonal guarantee or any guarantee capital, provided there is a firm commitment and the compensation is independent of the net annual result; A3-113

    The profit-related interest on cantonal banks' endowment capital and cooperative capital, on limited partners' capital contributions and capital accounts, as well as the profit-related compensation for the cantonal guarantee and any guarantee capital are not to be treated as other operating expenses, and are instead to be treated as appropriation of profit (cf. also margin no. 167). A3-114
  - Release of the corresponding amount of negative goodwill from an acquisition if a corresponding outflow in the current period has been recognised in the item *General and administrative expenses*. A3-115

Item 5.3 Subtotal operating expenses A3-116

Item 6 Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets A3-117

- Economically necessary value adjustments to participations; A3-118
- Economically necessary depreciation and amortisation of tangible fixed assets and intangible assets, including any additional depreciation and amortisation required as a result of periodic reviews of value; A3-119

- Depreciation of items recognised as assets under finance leases (cf. margin no. A2-72); A3-120
- Creation of hidden reserves in reliable assessment statutory single-entity financial statements in the items *Participations* and *Tangible fixed assets*, provided they have not been created via the items *Changes to provisions and other value adjustments, and losses* or *Extraordinary expenses*; A3-121
- Release of the corresponding amount of negative goodwill from an acquisition if a corresponding outflow in the current period has been recognised in this item. A3-122

Losses from disposals of participations and tangible fixed assets are to be included in the item *Extraordinary expenses*. A3-123

Item 7 Changes to provisions and other value adjustments, and losses A3-124

- Creation / release of economically necessary provisions relating to off-balance-sheet transactions; A3-125
- Creation / release of economically necessary provisions for other business risks; A3-126
- Creation / release of other economically necessary provisions, including restructuring provisions unless these have been created via the item *Personnel expenses* (personnel expenses related to restructuring decisions); A3-127
- Creation of hidden reserves in reliable assessment statutory single-entity financial statements, provided these are not created via the items *Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets* or *Extraordinary expenses*; A3-128
- Other value adjustments outside interest operations (e.g. in the case of replacement values or payments for bank defaults made as part of the depositor protection scheme); A3-129
- Losses, e.g. arising from operational risks; A3-130
- Release of the corresponding amount of negative goodwill from an acquisition if a corresponding outflow in the current period has been recognised in this item. A3-131

Item 8 Operating result A3-132

Item 9 Extraordinary income A3-133

Non-recurring and non-operating income (cumulative) is deemed to be extraordinary income. Income not relating to the current period is to be included here only if it is attributed to corrections of errors or mistakes relating to non-operating business transactions from previous years. A3-134

However, the following must be disclosed in this item: A3-135

- Gains realised from the disposal of participations, tangible fixed assets and intangible assets; A3-136
- Upward revaluations of participations and tangible fixed assets up to the legal maximum limit; specifically in connection with a partial or full reversal of an impairment (cf. margin no. 489 et seqq.); A3-137
- Release of hidden reserves; A3-138
- Negative goodwill that corresponds to an acquisition that is actually favourable (a genu- A3-139

ine lucky buy, i.e. bargain purchase), and is to be recognised immediately (margin no. 298).

Guarantees to cover a loss have no impact on the income statement or the balance sheet. A3-140

Item 10 Extraordinary expenses A3-141

Non-recurring and non-operating expenses (cumulative) are deemed to be extraordinary expenses. A3-142

Business events that are part of ordinary business and that occur on a repeated basis but only irregularly – e.g. organising a symposium every four years) – are not deemed to be extraordinary. The same applies to unusual items provided they arise from the normal activities of the bank (e.g. extraordinarily high value adjustment required). A3-143

Expenses not relating to the current period are to be included here only if they are attributed to the correction of errors or mistakes relating to non-operating business transactions from previous years. A3-144

However, the following must be disclosed in this item: A3-145

- Losses realised on the disposal of participations, tangible fixed assets and intangible assets; A3-146
- Creation of hidden reserves in reliable assessment statutory single-entity financial statements, provided these are not created via the items *Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets* or *Changes to provisions and other value adjustments, and losses*. A3-147

Item 11 Changes in reserves for general banking risks A3-148

- Creation of reserves for general banking risks; A3-149
- Release of reserves for general banking risks. A3-150

Item 12 Taxes A3-151

- Direct income and capital taxes; A3-152
- Allocations to provisions for deferred taxes; A3-153
- Recognition of deferred income taxes as assets in accordance with margin no. 549. A3-154

Item 13 Profit / loss (result of the period) A3-155

Presentation of the statement of changes in equity

	Bank's capital	Capital reserve	Retained earnings reserve	Reserves for general banking risks	Currency translation reserves*	Voluntary retained earnings reserves and profit / loss carried forward	Own shares (negative item)	Minority interests*	Result of the period	TOTAL
Equity at start of current period										
Effect of any restatement**										
Employee participation schemes / recognition in reserves										
Capital increase / decrease										
Other contributions / other capital paid in										
Acquisition of own shares										
Disposal of own shares										
Effect of subsequent valuation of own shares***										
Profit (loss) on disposal of own shares										
Currency translation differences*										
Dividends and other distributions										
Other allocations to (transfers from) the reserves for general banking risks										
Other allocations to (transfers from) the other reserves										
Profit / loss (result of the period)										
Equity at end of current period										

* Only in consolidated financial statements / ** only in true and fair view supplementary single-entity financial statements and consolidated financial statements / *** only in statutory single-entity financial statements

Annex 5 to FINMA-Circ. 15/1

Details on the individual items in the notes to annual financial statements / consolidated financial statements

Contents

	Margin no.
The following explanations regarding the content of the individual items cover the material components. However, the list of components to be included is not exhaustive.	A5-1

Explanations regarding the application of hedge accounting	A5-2
Explanation of the risk management strategy for each risk category for which the bank / financial group applies hedge accounting, as well as the risk management objectives the bank / financial group pursues with the individual hedging relationships.	A5-3
Disclosure of the types of hedged items and the corresponding hedging transactions.	A5-4
If the bank / financial group designates a group of financial instruments as hedged items: disclosure of the composition of the group and how such groups are treated together in risk management.	A5-5
Explanation of the economic relationship between the hedged items and the hedging transactions.	A5-6
Explanation of how effectiveness is measured.	A5-7
Disclosure of ineffectiveness and explanation of how this arose.	A5-8

	Margin no.
1 Breakdown of securities financing transactions (assets and liabilities)	
As per the following table.	A5-9

Table: Breakdown of securities financing transactions (assets and liabilities)		
	Current year	Previous year
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions*		
Book value of obligations from cash collateral received in connection with securities lending and repurchase transactions*		
Book value of securities lent in connection with securities lending or delivered as collateral in connection with securities borrowing as well as securities in own portfolio transferred in connection with repurchase agreements		
- with unrestricted right to resell or pledge		
Fair value of securities received and serving as collateral in connection with securities lending or securities borrowed in connection with securities borrowing as well as securities received in connection with reverse repurchase agreements with an unrestricted right to resell or repledge		
- of which, repledged securities		
- of which, resold securities		

* Before netting agreements

	Margin no.
2 Presentation of collateral for loans / receivables and off-balance-sheet transactions, as well as impaired loans / receivables	
As per the following tables.	A5-10
The firm assumption of mortgage claims and of mortgage certificates pledged or assigned as collateral is deemed to be “collateral secured by mortgage”. All types of collateral not secured by mortgage are deemed to be “other collateral”. Loans that have been granted without collateral and those for which collateral has ceased to be valid in form or substance are to be included under “unsecured”. Impaired loans / receivables must be broken down into those with collateral and those without.	A5-11
Receivables resulting from a spot transaction recognised in accordance with the trade date accounting principle (cf. margin no. 17) may be recorded in the “Other collateral” column until the settlement date.	A5-12
The following are not deemed collateral: assignments of wages and salaries, items of value only to collectors, expected future benefits or entitlements, debtor’s promissory notes, claims contested by the courts, shares of the bank itself where not traded on a recognised stock exchange, equity securities, debt securities and guarantees of debtors or of linked companies of these debtors, and assignments of future receivables.	A5-13
Collateral is to be recognised at market value.	A5-14
The total amount of impaired loans / receivables must be disclosed under “Impaired loans / receivables” (cf. definition in margin no. 413 et seqq.). Explanations must be given for material changes compared with the previous year. Impaired loans / receivables are to be stated at their gross and net values. The estimated liquidation values of the collateral and the existing individual value adjustments applied to the net debt amount are also to be disclosed.	A5-15
Non-performing loans receivables which are not impaired are not to be included in the table “Impaired loans / receivables”.	A5-16

Details on the individual items in the notes to annual financial statements / consolidated financial statements

Table: Presentation of collateral for loans / receivables and off-balance-sheet transactions, as well as impaired loans / receivables

	TYPE OF COLLATERAL			
	Secured by mort-gage	**Other collateral**	**Unsecured**	**Total**
Loans (before netting with value adjustments)				
Amounts due from customers				
Mortgage loans				
- Residential property				
- Office and business premises				
- Commercial and industrial premises				
- Other				
Total loans (before netting with value adjustments)				
Current year				
Previous year				
Total loans (after netting with value adjustments)				
Current year				
Previous year				
Off-balance-sheet				
Contingent liabilities				
Irrevocable commitments				
Obligations to pay up shares and make further contributions				
Credit commitments				

		TYPE OF COLLATERAL			
		Secured by mortgage	**Other collateral**	**Unsecured**	**Total**
Total off-balance-sheet	Current year				
	Previous year				

Table: Impaired loans / receivables

	Gross debt amount	Estimated liquidation value of collateral*	Net debt amount	Individual value adjustments
Current year				
Previous year				

* Credit or liquidation value per customer: the lower value is to be applied.

	Margin no.
3 Breakdown of trading portfolios and other financial instruments at fair value (assets and liabilities)	
As per the following table.	A5-17

Details on the individual items in the notes to annual financial statements / consolidated financial statements

Table: Breakdown of trading portfolios and other financial instruments at fair value (assets and liabilities)

Assets	Current year	Previous year
Trading portfolio assets		
Debt securities, money market securities / transactions		
- of which, listed		
Equity securities		
Precious metals and commodities		
Other trading portfolio assets		
Other financial instruments at fair value		
Debt securities		
Structured products		
Other		
Total assets		
- of which, determined using a valuation model		
- of which, securities eligible for repo transactions in accordance with liquidity requirements		

Liabilities	Current year	Previous year
Trading portfolio liabilities		
Debt securities, money market securities / transactions*		
- of which, listed		
Equity securities*		
Precious metals and commodities*		
Other trading portfolio liabilities*		
Other financial instruments at fair value		
Debt securities		
Structured products		
Other		
Total liabilities		
- of which, determined using a valuation model		

* for short positions (booked using the trade date accounting principle)

	Margin no.
4 Presentation of derivative financial instruments (assets and liabilities)	
As per the following table.	A5-18
This table contains all derivative financial instruments outstanding as of the balance sheet date both for the account of the bank and that of customers based on interest rates, foreign currencies, precious metals, equity securities / indices and other assets with disclosure of the positive and negative (gross) replacement values as well as the respective contract volumes, each expressed as a total amount.	A5-19
Unsettled spot transactions as of the balance sheet date that are recognised according to the settlement date accounting principle are to be included in forward transactions.	A5-20
With all transactions, a distinction is to be made between over-the-counter (OTC) transactions and exchange-traded transactions. Unsettled spot transactions are deemed to be over-the-counter transactions.	A5-21
Positive replacement values: all derivative financial instruments are to be disclosed that are outstanding on the balance sheet date from transactions for the bank's own account and that of customers and have a positive replacement value. This amount is exposed to credit risk and represents the maximum possible book loss the bank would incur as of the balance sheet date if the counterparties were no longer able to meet their payment obligations. Purchased options are to be included under the positive replacement values. Positive replacement values are to be disclosed on a gross basis, i.e. without being offset against the negative values.	A5-22
Replacement values of derivative financial instruments from customer transactions are to be disclosed applying the following principles: • Over-the-counter contracts (OTC): o Bank acting as commission agent: disclose replacement values o Bank acting as principal: disclose replacement values o Bank acting as broker: no replacement values are to be disclosed • Exchange-traded contracts: o Bank acting as commission agent: the replacement values are in principle not disclosed unless, as a matter of exception, the accrued daily loss (variation margin) is not fully covered by the initial margin actually required. Only the uncovered portion is required to be disclosed. In the case of traded options, disclosure is only required if the maintenance margin actually required does not fully cover the customer's daily	A5-23

	Margin no.
loss. Here, too, only the uncovered portion must be disclosed. Daily gains of customers are never to be disclosed.	
Negative replacement values: all derivative financial instruments are to be disclosed that are outstanding on the balance sheet date from transactions for the account of the bank and that of customers and have a negative replacement value. The negative replacement values correspond to the amount which the counterparties would lose if the bank were not to honour its commitments. Written options are to be included under negative replacement values. Negative replacement values are to be disclosed on a gross basis, i.e. without being offset against the positive values. Negative replacement values from customer transactions are to be disclosed according to the same principles as apply in the case of positive replacement values from customer transactions.	A5-24
The replacement values disclosed here do not necessarily correspond to those recognised on the balance sheet. Differences may arise from netting positive and negative replacement values in the balance sheet as provided for in margin no. 40 et seqq. and in the derivative financial instruments of customer transactions.	A5-25
Contract volume: the contract volume is to be disclosed of all derivative financial instruments entered into by the bank for its own account and that of customers that are outstanding as of the balance sheet date. Contract volumes are defined as the receivable side of the underlying value or notional amount of the derivative financial instruments, in accordance with the following requirements. Options are not to be delta-weighted.	A5-26
The contract volume corresponds to the receivable side of the underlying value or notional amount of the derivative financial instruments. The contract volume is defined as follows: • in the case of instruments such as forward rate agreements, interest rate swaps and comparable instruments: nominal value of the contract or present value of the receivable side consisting of the nominal value and interest; • in the case of currency swaps: the nominal value of the receivable side, i.e. the basis of calculation applicable to the determination of the received interest payment, or on the basis of the present value of the receivable side consisting of nominal value and interest; • in the case of share index swaps, precious metal swaps, non-ferrous metal swaps and commodity swaps: the agreed nominal remuneration or – if no nominal remuneration has been agreed – on the basis of the “amount × fixed price” or the market value of the delivery claim or the present value of the receivable side consisting of nominal value and interest; • in the case of other forward transactions: the market value of the money claim or delivery claim; • in the case of options: as per the other forward transactions.	A5-27

	Margin no.
The following values are relevant for options:	A5-28
• Purchase call / sale put: Receivable side = current market value x quantity of the underlying instruments; • Sale call / purchase put: Receivable side = exercise price x quantity of the underlying instruments.	
The following principles apply to the disclosure of contract volumes for customer transactions:	A5-29
• Over-the-counter contracts (OTC): Bank acting as commission agent: disclose contract volume; Bank acting as principal: disclose contract volume; Bank acting as broker: contract volumes are not to be disclosed.	
• Exchange-traded contracts: Bank acting as commission agent: contract volumes are not to be disclosed.	

Details on the individual items in the notes to annual financial statements / consolidated financial statements

Table: Presentation of derivative financial instruments (assets and liabilities)

		TRADING INSTRUMENTS			HEDGING INSTRUMENTS**		
		Positive replacement values	**Negative replacement values**	**Contract volume**	**Positive replacement values**	**Negative replacement values**	**Contract volume**
Interest rate instruments	▪ Forward contracts including FRAs ▪ Swaps ▪ Futures ▪ Options (OTC) ▪ Options (exchange-traded)						
Foreign exchange / precious metals	▪ Forward contracts ▪ Combined interest rate / currency swaps ▪ Futures ▪ Options (OTC) ▪ Options (exchange-traded)						
Equity securities / indices	▪ Forward contracts ▪ Swaps ▪ Futures ▪ Options (OTC) ▪ Options (exchange-traded)						
Credit derivatives	▪ Credit default swaps ▪ Total return swaps ▪ First-to-default swaps ▪ Other credit derivatives						

		TRADING INSTRUMENTS			HEDGING INSTRUMENTS**		
		Positive replacement values	**Negative replacement values**	**Contract Volume**	**Positive replacement values**	**Negative replacement values**	**Contract Volume**
Other*	▪ Forward contracts ▪ Swaps ▪ Futures ▪ Options (OTC) ▪ Options (exchange-traded)						

Total before netting agreements:	Current year of which, determined using a valuation model			----------------			--------------
	Previous year of which, determined using a valuation model			-----------------			--------------

Total after netting agreements:

	Positive replacement values (cumulative)	Negative replacement values (cumulative)
Current year		
Previous year		

Breakdown by counterparty:

	Central clearing houses	Banks and securities dealers	Other customers
Positive replacement values (after netting agreements)			

*	e.g. commodities

**	hedging instruments as defined in margin no. 431 et seqq.

	Margin no.
5 Breakdown of financial investments	
As per the following table.	A5-30

Details on the individual items in the notes to annual financial statements / consolidated financial statements

Table: Breakdown of financial investments

	Book value		Fair value	
	Current year	Previous year	Current year	Previous year
Debt securities				
- of which, intended to be held to maturity				
- of which, not intended to be held to maturity (available for sale)				
Equity securities				
- of which, qualified participations*				
Precious metals				
Real estate				
Total				
of which, securities eligible for repo transactions in accordance with liquidity requirements			---	---

* at least 10% of capital or votes

Breakdown of counterparties by rating **

	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Below B-	Unrated
Debt securities: book values						

** *Example of minimum structure. To be disclosed if the holdings of debt securities are material. The bank must disclose which ratings agency is used for the ratings. The above example is based on the ratings categories of S&P.*

	Margin no.
6 Presentation of participations	
As per the following table.	A5-31
The amounts of material impairment losses and partial or full reversals of impairment are to be disclosed individually. The events and circumstances that led to them are to be explained.	A5-32
Any currency translation differences are to be recorded in the “Disposals” column.	A5-33

Details on the individual items in the notes to annual financial statements / consolidated financial statements

Table: Presentation of participations

	Acquisition cost	Accumulated	Book value	Current year						
		value adjustments and changes in book value (valuation using the equity method)	Previous year end	Reclassifications	Additions	Disposals	Value adjustments	Changes in book value in the case of participations valued using the equity method / depreciation reversals	Book value as at end of current year	Market value
Participations valued using the equity method*:										
- with market value										
- without market value										--------
Other participations**										
- with market value										
- without market value										----------
Total participations										

* In consolidated financial statements and true and fair view supplementary single-entity financial statements

** In the case of true and fair view statutory single-entity financial statements, the impact of a theoretical application of the equity method for participations over which the bank can exert a material influence is to be disclosed.

	Margin no.
7 Disclosure of companies in which the bank holds a permanent direct or indirect significant participation	
As per the following table.	A5-34
Significant positions in equity securities of an undertaking that are recognised in the item *Financial investments* are also to be disclosed here.	A5-35
Material changes compared with the previous year must be disclosed.	A5-36
Commitments to purchase further shares, e.g. by way of a firm agreement or an option (purchased call option or written put option) or to dispose of shares, e.g. by way of a firm commitment or an option (purchased put option or written call option) are to be disclosed.	A5-37

Table: Disclosure of companies in which the bank holds a permanent direct or indirect significant participation*						
Company name and domicile	Business activity	Company capital (in 1,000s)	Share of capital (in %)	Share of votes (in %)	Held directly	Held indirectly
………………………..						
………………………..						

* Consolidated financial statements must state precisely which participations are consolidated (disclosing the method used). Participations that are not consolidated because they were acquired without strategic intent are to be disclosed separately. Reasons must be given for the decision to waive consolidation, with disclosures that enable the readers of the financial statements to assess the significance of the participation (e.g. balance sheet total, result of the period). Any contractual ties must be disclosed.

	Margin no.
8 Presentation of tangible fixed assets	
As per the following table.	A5-38
Where tangible fixed assets are immaterial or where their book value is less than 10 million Swiss francs, the breakdown may be limited to the gross additions and disposals and depreciation for the current year. In the event of the determination of acquisition cost being waived, reasons must be given for this.	A5-39
Disclosure of the depreciation method applied and the range used for the expected useful life: cf. margin no. 466.	A5-40
Any currency translation differences are to be recorded in the "Disposals" column.	A5-41
The future obligations to effect payment of leasing instalments for non-recognised assets subject to operating leases are to be disclosed as the total amount of non-recognised lease commitments. Their maturities are also to be presented, with separate disclosure of the obligations that can be terminated within one year. The maturity structure is to be presented appropriately.	A5-42
The amounts of material impairment losses and partial or full reversals of impairment are to be disclosed individually. The events and circumstances that led to them are to be explained.	A5-43

Details on the individual items in the notes to annual financial statements / consolidated financial statements

Table: Presentation of tangible fixed assets*

	Acquisition cost	Accumulated depreciation	Book value Previous year end	Current year Reclassifica-tions	Additions	Disposals	Depreciation	Reversals	Book value as at end of current year
Bank buildings									
Other real estate									
Proprietary or separately acquired software									
Other tangible fixed assets									
Tangible assets acquired under finance leases: - of which, bank buildings - of which, other real estate - of which, other tangible fixed assets									
Total tangible fixed assets									

Operating leases: disclosure of the total amount of non-recognised lease commitments. Their maturity structure is also to be presented, with separate disclosure of the obligations that can be terminated within one year.

* In consolidated financial statements, the impact of any changes in the scope of consolidation is to be shown in a separate column.

	Margin no.
9 Presentation of intangible assets	
As per the following table.	A5-44
Where intangible assets are immaterial or where their book value is less than 10 million Swiss francs, the breakdown may be limited to the gross additions and disposals and depreciation for the current year. In the event of the determination of acquisition cost being waived, reasons must be given for this.	A5-45
The amounts of material impairment losses are to be disclosed individually. The events and circumstances that led to them are to be explained.	A5-46
Any currency translation differences are to be recorded in the “Disposals” column.	A5-47

Annex 5 to FINMA-Circ. 15/1

Details on the individual items in the notes to annual financial statements / consolidated financial statements

Table: Presentation of intangible assets*

	Cost value	Accumulated amortisation	Book value Previous year end	Current year Additions	Disposals	Amortisation	Book value as at end of current year
Goodwill							
Patents							
Licences							
Other intangible assets							
Total intangible assets							

* In consolidated financial statements, the impact of any changes in the scope of consolidation is to be shown in a separate column.

	Margin no.
10 Breakdown of other assets and other liabilities	
As per the following table. The sub-items shown in the table represent the mandatory minimum content. Any other material sub-items are to be added.	A5-48

Annex 5 to FINMA-Circ. 15/1

Details on the individual items in the notes to annual financial statements / consolidated financial statements

Table: Breakdown of other assets and other liabilities

	Other assets		**Other liabilities**	
	Current year	Previous year	Current year	Previous year
Compensation account				
Deferred income taxes recognised as assets*			---	---
Amount recognised as assets in respect of employer contribution reserves			---	---
Amount recognised as assets relating to other assets from pension schemes			---	---
Negative goodwill	---	---		
…………………………….				
TOTAL				

* In the case of loss carry forwards, only possible in true and fair view supplementary single-entity financial statements and consolidated financial statements

	Margin no.
11 Disclosure of assets pledged or assigned to secure own commitments and of assets under reservation of ownership	
The book value of assets that are pledged or assigned as collateral and the effective commitments to which they are subject are to be disclosed as per the following table.	A5-49

Table: Disclosure of assets pledged or assigned to secure own commitments and of assets under reservation of ownership*

Pledged / assigned assets	Book values	Effective commitments
…………………………. …………………………..	……………………. ……………………..	……………………………. …………………………….
Assets under reservation of ownership		
………………………….. …………………………..	……………………… ………………………..	…………………………. …………………………..

* excluding securities financing transactions (cf. corresponding separate breakdown of securities financing transactions)

	Margin no.
12 Disclosure of liabilities relating to own pension schemes, and number and nature of equity instruments of the bank held by own pension schemes	
Bonds and cash bonds of the bank are to be included, as are negative replacement values.	A5-50
The number and nature of equity instruments of the bank held by the bank's staff pension schemes are to be disclosed.	A5-51

	Margin no.
13 Disclosures on the economic situation of own pension schemes	
As per the following tables.	A5-52
Column “Influence of the employer contribution reserve (ECR) on personnel expenses” for the current year and previous year (Table a): the result of the employer contribution reserve for the current year is equal to the difference between the status of assets on the current balance sheet date less the status of assets on the previous balance sheet date, taking into account a possible allocation. If the result of the employer contribution reserve includes interest, this can be recognised either in *Personnel expenses* or *Result from interest operations*. The form of recognition is to be disclosed. Any discounting of the nominal value of the employer contribution reserve is to be disclosed in a separate column.	A5-53
Column “Contributions paid for the current period” (Table b): the contributions accrued to the period (including the result from the employer contribution reserve), disclosing extraordinary contributions if valid, temporary measures have been taken to remedy coverage deficits.	A5-54
Column “Pension expenses in personnel expenses” (Table b): pension expenses along with material factors – as a component of personnel expenses – for the current and previous year. The pension expenses of the current year are equal to the sum of the change in economic benefit / obligation and the contributions accrued to the period (including the result from the employer contribution reserve).	A5-55
An explanation is to be given for the recognition of any economic benefit or obligation.	A5-56
Explanations are to be provided for any employer contribution reserves and future economic benefit not recognised as assets in reliable assessment statutory single-entity financial statements.	A5-57
Banks applying as an alternative the valid provisions of an international accounting standard recognised by FINMA must satisfy the disclosure requirements of the standard concerned.	A5-58

Table: Disclosures on the economic situation of own pension schemes

a) Employer contribution reserves (ECR)

ECR	Nominal value at current year end	Waiver of use at current year end	Net amount at current year end	Net amount at previous year end	Influence of ECR on personnel expenses	
					Current year	Previous year
Employer sponsored funds / employer sponsored pension schemes Pension schemes						

* Must be recognised as an asset in true and fair view single-entity financial statements and consolidated financial statements.

b) Presentation of the economic benefit / obligation and the pension expenses

	Overfunding / underfunding at end of current year	Economic interest of the bank / financial group		Change in economic interest (economic benefit / obligation) versus previous year	Contributions paid for the current period	Pension expenses in personnel expenses	
		Current year	Previous year			Current year	Previous year
Employer sponsored funds / employer sponsored pension schemes							
Pension plans without overfunding / underfunding							
Pension plans with overfunding							
Pension plans with underfunding							
Pension schemes without own assets							

	Margin no.
14 Presentation of issued structured products	
The amount of structured products issued by the bank itself is to be presented as per the following table. The investment products are to be classified on the basis of the underlying risk of the embedded derivative, covering at least the following asset classes: - Interest rate instruments - Equity securities - Foreign currencies - Commodities / precious metals	A5-59
Those products that are valued as a whole at fair value must be disclosed separately in the notes, and the proportion of self-issued structured products with own debenture components must be visible. For the remaining products, the book values of the host instrument and the derivative components are to be disclosed separately.	A5-60

Annex 5 to FINMA-Circ. 15/1

Details on the individual items in the notes to annual financial statements / consolidated financial statements

Table: Presentation of issued structured products

Underlying risk of the embedded derivative		Book value				Total
		Valued as a whole		Valued separately		
		Booked in trading portfolio	Booked in other financial instruments at fair value	Value of the host instrument	Value of the derivative	
Interest rate instruments	With own debenture component (oDC)					
	Without oDC					
Equity securities	With own debenture component (oDC)					
	Without oDC					
Foreign currencies	With own debenture component (oDC)					
	Without oDC					
Commodities / precious metals	With own debenture component (oDC)					
	Without oDC					
Total						

	Margin no.
15 Presentation of bonds outstanding and mandatory convertible bonds	
The following information is to be disclosed individually for all outstanding bonds: year of issue, interest rate, type of bond, maturity, early termination possibilities and the amount outstanding. Central mortgage institution loans and loans from central issuing institutions are each to be shown as a total amount.	A5-61
If there are more than 20 issues, the information on bonds outstanding may be summarised and disclosed as per the following table.	A5-62

Annex 5 to FINMA-Circ. 15/1

Details on the individual items in the notes to annual financial statements / consolidated financial statements

Table: Presentation of bonds outstanding and mandatory convertible bonds

Issuer		Weighted average interest rate	Maturities	Amount
	Non-subordinated			
	Subordinated without PONV clause *			
	Subordinated with PONV clause			
	Non-subordinated			
	Subordinated without PONV clause			
	Subordinated with PONV clause			
TOTAL				

Overview of maturities of bonds outstanding:

Issuer	within one year	>1 – ≤ 2 years	>2 – ≤ 3 years	>3 – ≤ 4 years	>4 – ≤ 5 years	> 5 years	TOTAL
TOTAL							

Grey: applies applies only to consolidated financial statements (where presentation according to issuer is selected)

* Point of non-viability (PONV)

	Margin no.
16 Presentation of value adjustments and provisions, reserves for general banking risks, and changes therein during the current year	
As per the following table.	A5-63
The line *Provisions for other business risks* is to include provisions for settlement risks, for example.	A5-64
Other provisions is to include provisions such as those for litigation expenses or amounts earmarked for severance payments. All hidden reserves contained in the item *Provisions* in reliable assessment statutory single-entity financial statements are to be shown in this sub-item.	A5-65
Both individual value adjustments and collective value adjustments are to be disclosed in *Value adjustments for default and country risks*.	A5-66
Brief explanations must be given for material provisions. Such explanations must disclose the nature of the obligation and the degree of uncertainty. If a provision is discounted, the discount rate applied is to be disclosed.	A5-67
In the case of reliable assessment statutory single-entity financial statements, after the table it is to be disclosed whether the reserves for general banking risks are taxed or not.	A5-68

Annex 5 to FINMA-Circ. 15/1

Details on the individual items in the notes to annual financial statements / consolidated financial statements

Table: Presentation of value adjustments and provisions, reserves for general banking risks, and changes therein during the current year*

	Previous year end	Use in conformity with designated purpose	Reclassifications**	Currency differences	Past due interest, recoveries	New creations charged to income	Releases to income	Balance at current year end
Provisions for deferred taxes								
Provisions for pension benefit obligations								
Provisions for default risks***								
Provisions for other business risks								
Provisions for restructuring								
Other provisions								
Total provisions								
Reserves for general banking risks								
Value adjustments for default and country risks - of which, value adjustments for default risks in respect of impaired loans / receivables - of which, value adjustments for latent risks								

* In consolidated financial statements, any changes in the scope of consolidation are to be shown in a separate column.

** NB: The sum of the reclassifications over the table as a whole must be zero, e.g. net value adjustments that are no longer economically necessary and are not released to income, and which therefore constitute hidden reserves in reliable assessment statutory single-entity financial statements, must be reclassified to the item *Reserves for general banking risks* or the sub-item *Other provisions*.

*** For potential outflows relating to off-balance-sheet transactions

	Margin no.
17 Presentation of the bank's capital	
As per the following table.	A5-69
Private bankers who prepare this table are to adapt it in line with the composition of their capital.	A5-70

Details on the individual items in the notes to annual financial statements / consolidated financial statements

Table: Presentation of the bank's capital

	Current year			Previous year		
Bank's capital	Total par value	No. of shares	Capital eligible for dividend	Total par value	No. of shares	Capital eligible for dividend
Share capital / cooperative capital - of which, paid up Participation capital - of which, paid up						
Total bank's capital						
Authorised capital - of which, capital increases completed Conditional capital - of which, capital increases completed						
For cantonal banks: endowment capital						

Disclosure of any guarantee capital not paid in: ………………………………

	Margin no.
18 Number and value of equity securities or options on equity securities held by all executives and directors and by employees, and disclosures on any employee participation schemes	
As per the following table.	A5-71
Employee participation schemes: the general conditions of the agreement are to be disclosed (e.g. conditions regarding exercise, number of equity instruments granted, manner of settlement). Also to be disclosed are the basis for the calculation of the present value and the expense recognised in the result of the period.	A5-72

Details on the individual items in the notes to annual financial statements / consolidated financial statements

Table: Number and value of equity securities or options on equity securities held by all executives and directors and by employees

	Number Equity securities		Value Equity securities		Number Options		Value Options	
	Current year	Previous year	Current year	Previous year	Current year	Previous year	Current year	Previous year
Members of the board of direc-tors								
Members of executive bodies								
Employees								
Total								

Disclosures on any employee participation schemes:

…………………………………………………………………………

	Margin no.
19 Disclosure of amounts due from / to related parties	
As per the following table.	A5-73
A total amount is to be disclosed per group.	A5-74
Amounts due from / to holders of qualified participations in the bank who are also members of governing bodies are to be recorded in the first line.	A5-75
Cantonal banks must include under linked companies public-law institutions of the respective canton or public-private enterprises in which the canton holds a qualified participation. Amounts due from / to the canton itself are to be reported under “Holders of qualified participations”.	A5-76
Other material off-balance-sheet transactions are also to be disclosed.	A5-77
The bank confirms that the balance-sheet and off-balance-sheet transactions were conducted at terms in line with the market. If this is not the case, it must also disclose the following information: - description of the transactions - volume of the transactions (as a rule, the amount or ratio) - material other conditions.	A5-78

Table: Disclosure of amounts due from / to related parties

	Amounts due from		Amounts due to	
	Current year	Previous year	Current year	Previous year
Holders of qualified participations:				
Group companies				
Linked companies				
Transactions with members of governing bodies				
Other related parties				

Explanations regarding off-balance-sheet transactions: ………………

Explanations regarding conditions: ……………………………..

	Margin no.
20 Disclosure of holders of significant participations	
As per the following table.	A5-79
Holders of participations exceeding 5% of all voting rights are to be disclosed.	A5-80
In accordance with the principle of substance over form, both holders of direct and indirect participations are to be disclosed.	A5-81

Table: Disclosure of holders of significant participations

	Current year		Previous year	
Holders of significant participations and groups of holders of participations with pooled voting rights	Nominal	% of equity	Nominal	% of equity
with voting rights .... without voting rights				

	Margin no.
21 Disclosure of own shares and composition of equity capital	
The following information is to be disclosed:	A5-82
• Number and nature of own equity securities held at the beginning and end of the current period;	A5-83
• Number, nature, average transaction price (and average fair value if different from transaction price, in the case of true and fair view supplementary single-entity financial statements and consolidated financial statements) of own equity securities purchased and sold during the current period. Shares issued in connection with share-based compensation plans are to be presented separately;	A5-84
• Any contingent liabilities in connection with sold or purchased own equity securities (e.g. repurchase / reselling obligations);	A5-85
• Number and nature of equity instruments of the bank that are held by subsidiaries, joint ventures, linked companies, and foundations related to the bank;	A5-86
• Number, nature and conditions as at the beginning and end of the current period of own equity securities reserved for a specific purpose and of equity instruments of the bank held by related parties (e.g. for employee participation schemes, or convertible or warrant bonds).	A5-87
The following information is to be disclosed on the equity components: details on the individual categories of the bank's capital (number and nature of issued and paid-up shares, par values, and rights and restrictions linked to the shares), amount of non-distributable – voluntary or statutory – reserves.	A5-88

	Margin no.
Disclosure of transactions with holders of participations in their capacity as holders of participations	
The following information is to be disclosed on transactions with holders of participations in their capacity as holders of participations:	A5-89
• Description and amount of transactions with holders of participations that were not settled in cash or that were offset against other transactions;	A5-90
• Reasons for and disclosure of the valuation basis of transactions with holders of participations that could not be recognised at fair value. This requirement applies only to true and fair view supplementary single-entity financial statements and consolidated financial statements;	A5-91
• Description of transactions with holders of participations that were not conducted at terms in line with the market, including disclosure of the difference recognised in the item *Capital reserve* between the fair value and the contractually agreed price of the transaction. This requirement applies only to true and fair view supplementary single-entity financial statements and consolidated financial statements.	A5-92

	Margin no.
22 Disclosures in accordance with the Ordinance against Excessive Compensation with respect to Listed Stock Corporations* and Article 663c para. 3 CO for banks whose equity securities are listed	
All banks whose equity securities are listed on an exchange or similar institution recognised by FINMA must comply with the corresponding requirements.	A5-93
The disclosure requirements set out in the Ordinance against Excessive Compensation and Article 663c para. 3 CO also apply to companies whose participation certificates are listed.	A5-94
The following requirements are to be met:	A5-95
• The information must in principle be published in the statutory single-entity financial statements of the company whose securities are listed. These statements must contain an appropriate reference if the information appears in any consolidated financial statements.	A5-96
• Compensation paid to related parties must be disclosed separately if such compensation is not customary market practice. The names of those concerned do not have to be specified. The same applies to current loans to related parties where such loans are not customary market practice.	A5-97
• Compensation paid to former members of a board of directors or advisory board must be published separately, specifying the name and function of each individual. In contrast, compensation paid to former members of executive management may be disclosed in one total amount. The following exception applies: if a former member of executive management received the highest amount paid out to one individual person, the name and the function of the person concerned is disclosed in such cases.	A5-98
• The highest amount loaned to a member of executive management must be disclosed, regardless of whether this person has received the highest amount of compensation or not. Hence the member of executive management who has received the largest loan need not necessarily be the member of executive management who receives the highest level of remuneration.	A5-99
• Current loans to former members of the board of directors or advisory board that are not customary market practice must be disclosed separately along with the name(s) of the individual(s) in question.	A5-100

	Margin no.
Current loans to former members of executive management that are not customary market practice are disclosed in one total amount. The following exception applies: if a former member of executive management receives a loan that is not customary market practice and which is higher than the highest loan granted to a current member of executive management, the loan and the name of the former member of executive management are to be disclosed.	
• Participations, conversion rights and option rights must be disclosed for each individual member of executive management, specifying the name of the individual concerned; the participations held by parties related to the member of executive management must also be included. • This requirement can also be met by extending the table *Number and value of equity securities or options on equity securities held by all executives and directors and by employees, and disclosures on any employee participation schemes*.	A5-101
If a requirement is not met, it is recommended that a confirmation be made to this effect (negative confirmation).	A5-102
Reference may be made to the table *Disclosure of amounts due from / to related parties* if the required information is contained there.	A5-103

*SR 221.331

	Margin no.
23 Presentation of the maturity structure of financial instruments	
As per the following table.	A5-104
Assets and liabilities are to be disclosed according to their remaining period to maturity, i.e. according to the maturity of the principal.	A5-105
Trading positions as well as equity securities and precious metals in the item *Financial investments* are to be reported in full under sight deposits.	A5-106
Categories of capital that are in principle subject to withdrawal restrictions are to be reported in the table in full in the column “Cancellable”. “Cancellable” means that a certain maturity only exists once withdrawal notice has been given. Call deposits are also to be included in the “Cancellable” column.	A5-107
Amounts due from customers in the form of current account credit facilities used and construction credits are deemed to be “cancellable”; amounts due to customers in the form of current accounts are deemed to be “at sight”.	A5-108

Annex 5 to FINMA-Circ. 15/1

Details on the individual items in the notes to annual financial statements / consolidated financial statements

Table: Presentation of the maturity structure of financial instruments

	At sight	Cancellable	Due					Total
			within 3 months	within 3 to 12 months	within 12 months to 5 years	after 5 years	No maturity	
Assets / financial instruments								
Liquid assets		-----	-----	-----	-----	-----	-----	
Amounts due from banks							-----	
Amounts due from securities financing transactions							-----	
Amounts due from customers							-----	
Mortgage loans								
Trading portfolio assets		-----	-----	-----	-----	-----	-----	
Positive replacement values of derivative financial instruments		-----	-----	-----	-----	-----	-----	
Other financial instruments at fair value		-----	-----	-----	-----	-----	-----	
Financial investments								
Total **Current year**								
Previous year								
Debt capital / financial instruments								
Amounts due to banks							-----	
Liabilities from securities financing transactions							-----	
Amounts due in respect of customer deposits							-----	
Trading portfolio liabilities		-----	-----	-----	-----	-----	-----	
Negative replacement values of derivative financial instruments		-----	-----	-----	-----	-----	-----	
Liabilities from other financial instruments at fair value		-----	-----	-----	-----	-----	-----	
Cash bonds	-----	-----					-----	
Bond issues and central mortgage institution loans	-----	-----					-----	
Total **Current year**								
Previous year								

	Margin no.
24 Presentation of assets and liabilities by domestic and foreign origin in accordance with the domicile principle	
As per the following table.	A5-109
The breakdown by domestic and foreign origin is made on the basis of the customer’s domicile, with the exception of mortgage loans where the domicile of the property is the relevant criterion. Liechtenstein is deemed to be a foreign country.	A5-110

Table: Presentation of assets and liabilities by domestic and foreign origin in accordance with the domicile principle

	Current year		Previous year	
	Domestic	Foreign	Domestic	Foreign
Assets				
Liquid assets				
Amounts due from banks				
Amounts due from securities financing transactions				
Amounts due from customers				
Mortgage loans				
Trading portfolio assets				
Positive replacement values of derivative financial instruments				
Other financial instruments at fair value				
Financial investments				
Accrued income and prepaid expenses				
Participations				
Tangible fixed assets				
Intangible assets				
Other assets				
Capital not paid in				
Total assets				

Details on the individual items in the notes to annual financial statements / consolidated financial statements

	Current year		Previous year	
	Domestic	Foreign	Domestic	Foreign
Liabilities				
Amounts due to banks				
Liabilities from securities financing transactions				
Amounts due in respect of customer deposits				
Trading portfolio liabilities				
Negative replacement values of derivative financial instruments				
Liabilities from other financial instruments at fair value				
Cash bonds				
Bond issues and central mortgage institution loans				
Accrued expenses and deferred income				
Other liabilities				
Provisions				
Reserves for general banking risks				
Bank’s capital				
Statutory capital reserve				
Statutory retained earnings reserve				
Voluntary retained earnings reserves				
Own shares (negative item)				
Profit carried forward / loss carried forward				
Profit / loss (result of the period)				
Total liabilities				

	Margin no.
25 Breakdown of total assets by country or group of countries (domicile principle)	
As per the following table. The level of detail in the breakdown by country / group of countries may be established by the bank at its own discretion.	A5-111
The breakdown by country / group of countries is made on the basis of the customer's domicile, with the exception of mortgage loans where the domicile of the property is the relevant criterion. Liechtenstein is deemed to be a foreign country.	A5-112
Model table 6 "Geographic credit risk" in FINMA-Circ. 08/22 "Capital adequacy disclosure – banks" may be used instead of the following table "Assets by country or group of countries".	A5-113

Table: Breakdown of total assets by country or group of countries (domicile principle)

	Current year		Previous year	
	Absolute	Share as %	Absolute	Share as %
Assets				
For example:				
Europe				
Switzerland				
...				
North America				
...				
South America				
...				
Africa				
...				
Asia				
...				
Australia / Oceania				
...				
Total assets				

	Margin no.
26 Breakdown of total assets by credit rating of country groups (risk domicile view)	
As per the following table. The ratings system used is to be explained.	A5-114

Details on the individual items in the notes to annual financial statements / consolidated financial statements

Table: Breakdown of total assets by credit rating of country groups (risk domicile view)

Bank's own country rating	Moody's*	Net foreign exposure / current year end		Net foreign exposure / previous year end	
		in CHF	Share as %	in CHF	Share as %
…..	Aaa – AA3				
….	A1 – A3				
….	Baa1 – Baa3				
….	Ba1 – Ba2				
…..	Ba3				
….	B1 – B3				
….	Caa1 – C				
Total	-------------		100%		100%

Explanations of the ratings system used: ……

* This is a purely illustrative example. The ratings of another agency may be used, although the bank must disclose which ratings it has taken as its basis.

	Margin no.
27 Presentation of assets and liabilities broken down by the most significant currencies for the bank	
As per the following table.	A5-115
The level of detail in the breakdown by currency may be established by the bank at its own discretion.	A5-116

Annex 5 to FINMA-Circ. 15/1

Details on the individual items in the notes to annual financial statements / consolidated financial statements

Table: Presentation of assets and liabilities broken down by the most significant currencies for the bank

		Currencies (e.g.)					
		CHF	EUR	USD	etc.	…	…
Assets	Liquid assets Amounts due from banks Amounts due from securities financing transactions Amounts due from customers Mortgage loans Trading portfolio assets Positive replacement values of derivative financial instruments Other financial instruments at fair value Financial investments Accrued income and prepaid expenses Participations Tangible fixed assets Intangible assets Other assets Capital not paid in						
Total assets shown in balance sheet							
Delivery entitlements from spot exchange, forward forex and forex options transactions*							
TOTAL ASSETS							

Details on the individual items in the notes to annual financial statements / consolidated financial statements

		Currencies (e.g.)					
		CHF	EUR	USD	etc.	…	…
Liabilities	Amounts due to banks Liabilities from securities financing transactions Amounts due in respect of customer deposits Trading portfolio liabilities Negative replacement values of derivative financial instruments Liabilities from other financial instruments at fair value Cash bonds Bond issues and central mortgage institution loans Accrued expenses and deferred income Other liabilities Provisions Reserves for general banking risks Bank's capital Statutory capital reserve Statutory retained earnings reserve Voluntary retained earnings reserves Own shares (negative item) Profit carried forward / loss carried forward Profit / loss (result of the period)						
Total liabilities shown in the balance sheet							
Delivery obligations from spot exchange, forward forex and forex options transactions*							
TOTAL LIABILITIES							
NET POSITION PER CURRENCY							

* Options are to be delta-weighted.

	Margin no.
28 Breakdown and explanation of contingent assets and liabilities	
As per the following table.	A5-117
For the allocation of individual contingent liabilities to the categories “guarantees to secure credits”, “performance guarantees”, “irrevocable commitments” and “other contingent liabilities”, cf. margin no. A2-182 et seqq.	A5-118

Annex 5 to FINMA-Circ. 15/1

Details on the individual items in the notes to annual financial statements / consolidated financial statements

Table: Breakdown of contingent liabilities and contingent assets

	Current year	Previous year
Guarantees to secure credits and similar		
Performance guarantees and similar		
Irrevocable commitments arising from documentary letters of credit		
Other contingent liabilities		
Total contingent liabilities*		
Contingent assets arising from tax losses carried forward		
Other contingent assets		
Total contingent assets*		

* Contingent liabilities and contingent assets where no reliable estimate is possible are not to be included in the table. Explanations of such contingent liabilities and assets are to be given below.

Explanations: ………

	Margin no.
29 Breakdown of credit commitments	
Credit commitments are to be broken down as follows: - Commitments arising from deferred payments - Commitments arising from acceptances (for liabilities arising from acceptances in circulation) - Other credit commitments	A5-119

	Margin no.
30 Breakdown of fiduciary transactions	
Fiduciary transactions are to be broken down as follows: - Fiduciary investments with third-party companies - Fiduciary investments with group companies and linked companies* - Fiduciary loans - Fiduciary transactions arising from securities lending and borrowing, which the bank conducts in its own name for the account of customers - Other fiduciary transactions	A5-120

* In consolidated financial statements, this line reads: “Fiduciary investments with linked companies”

	Margin no.
31 Breakdown of managed assets and presentation of their development	
As per the following tables.	A5-121
In addition to the assets in collective investment schemes managed by the bank, this table is to contain the assets of investors managed under an asset management agreement (including assets deposited with third parties) and other assets held for investment purposes ("other managed assets"). The bank's own investments are normally not to be included in managed assets.	A5-122
As a general rule, "managed assets" comprises all assets for which investment advisory and / or discretionary portfolio management services are provided. This includes, in particular, certain components of the item *Amounts due in respect of customer deposits* (specifically savings accounts, investment accounts, fixed-term deposits), fiduciary deposits, and all portfolio assets with a quantifiable value (this list is not exhaustive, and the details are to be derived on the basis of the principle of the investment purpose).	A5-123
The assets are in principle to be reported without taking Lombard loans into account.	A5-124
Fiduciary investments carried out with foreign branches (or with subsidiaries at the group level) may not be recognised twice.	A5-125
Assets that are held exclusively for custody and transaction settlement purposes ("custody assets") are not to be disclosed in this table. The bank typically does not provide any investment advisory and / or discretionary portfolio management services for these assets.	A5-126
Each bank must establish and document criteria with regard to its specific differentiation of custody assets vs. managed assets. These criteria are to be explained in each annual publication in the form of a footnote at the end of the following Table a. The treatment of reclassifications between managed assets and assets not disclosed in the table is also to be explained.	A5-127
Banks subject to a publication requirement must heed the following tables. Additional information may be presented if the relevant items are disclosed clearly and in accordance with the appropriate definitions. Any voluntary subdivision into customer segments is to be shown in separate columns.	A5-128

The line “of which double-counted” primarily takes into account collective investment schemes managed by the bank that are held in customer custody accounts and are already included in “managed assets”.	A5-129
Disclosure of net new money inflows / outflows: when reporting this information for the first time, disclosure of the previous year figures is not mandatory.	A5-130
The net inflow or outflow of assets under management (net new money) during a particular period comprises new customers acquired, customer departures, and the inflow and outflow of investments of existing customers. The term “net new money” not only includes cash inflows and outflows but also the inflow and outflow of other investments customary in the banking business (e.g. securities or precious metals). The inflow / outflow of net new money is calculated at the level of “total managed assets”, i.e. before the elimination of double counting. Market-related changes in asset values (e.g. price changes, interest and dividend payments) are not to be included as inflows or outflows.	A5-131
Each bank determines the method it uses to calculate new money inflows / outflows. A comment on the methods used is to be given in each annual publication in the form of a footnote at the end of Table b. The treatment of interest, commissions and fees charged to managed assets is to be disclosed in this context.	A5-132

Details on the individual items in the notes to annual financial statements / consolidated financial statements

Table:

a) Breakdown of managed assets

Type of managed assets:	**Current year**	**Previous year**
Assets in collective investment schemes managed by the bank		
Assets under discretionary asset management agreements		
Other managed assets		
Total managed assets (including double counting)		
of which, double counting		

* In consolidated financial statements, the impact of any changes in the scope of consolidation on the total managed assets is to be shown appropriately.

Details on the individual items in the notes to annual financial statements / consolidated financial statements

b) Presentation of the development of managed assets

	Current year	**Previous year**
Total managed assets (including double counting) at beginning		
+/- net new money inflow or net new money outflow		
+/- price gains / losses, interest, dividends and currency gains / losses		
+/- other effects*		
Total managed assets (including double counting) at end		

* The amounts of material other effects are to be disclosed individually and explanations provided.

*In consolidated financial statements, the impact of any changes in the scope of consolidation on the total managed assets is to be shown appropriately.

	Margin no.
32 Breakdown of the result from trading activities and the fair value option	
As per the following table.	A5-133
The breakdown of the *Result from trading activities and the fair value option* by business area is to be done in accordance with the organisation of these business activities. Results that cannot be attributed to a specific business area due to the overlapping nature of the organisation are to be reported as a separate item “Combined trading operations”. Changes in valuations and any accrued or deferred interest on financial instruments valued using the fair value option are to be disclosed separately.	A5-134
The result from commodities trading is to be recognised as “Other trading transactions”.	A5-135
All gains / losses from spot trading and trading in forward / option contracts are to be reported for the individual business areas.	A5-136

Annex 5 to FINMA-Circ. 15/1

Details on the individual items in the notes to annual financial statements / consolidated financial statements

Table: Breakdown of the result from trading activities and the fair value option

a) Breakdown by business area (in accordance with the organisation of the bank / financial group)

b) Breakdown by underlying risk and based on the use of the fair value option

	in CHF
Result from trading activities from:	
- Interest rate instruments (including funds)	
- Equity securities (including funds)	
- Foreign currencies	
- Commodities / precious metals	
Total result from trading activities	
of which, from fair value option	
- of which, from fair value option on assets	
- of which, from fair value option on liabilities	

	Margin no.
33 Disclosure of material refinancing income in the item *Interest and discount income* as well as material negative interest	A5-137

	Margin no.
34 Breakdown of personnel expenses	
Personnel expenses are to be broken down as follows: - Salaries (meeting attendance fees and fixed compensation to members of the bank's governing bodies, salaries and benefits) • of which, expenses relating to share-based compensation and alternative forms of variable compensation - Social insurance benefits - Changes in book value for economic benefits and obligations arising from pension schemes - Other personnel expenses	A5-138

	Margin no.
35 Breakdown of general and administrative expenses	

General and administrative expenses are to be broken down as follows:
- Office space expenses
- Expenses for information and communications technology
- Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses
- Fees of audit firm(s) (Art. 961a no. 2 CO)
  • of which, for financial and regulatory audits
  • of which, for other services
- Other operating expenses
  • of which, compensation for any cantonal guarantee
	A5-139

	Margin no.
36 Explanations regarding material losses, extraordinary income and expenses, as well as material releases of hidden reserves, reserves for general banking risks, and value adjustments and provisions no longer required	
The amounts of material impairment losses and partial or full reversals of impairment must also be disclosed individually. The events and circumstances that led to them are to be explained.	A5-140

	Margin no.
37 Disclosure of and reasons for revaluations of participations and tangible fixed assets up to acquisition cost at maximum	A5-141

	Margin no.
38 Presentation of the operating result broken down according to domestic and foreign origin, according to the principle of permanent establishment	A5-142

	Margin no.
39 Presentation of current taxes, deferred taxes, and disclosure of tax rate	
Expenses for current taxes and expenses for deferred taxes are to be disclosed separately.	A5-143

	Margin no.
Banks are to disclose the average tax rate weighted on the basis of the operating result. The impact of changes arising from loss carry forwards on income taxes is to be quantified and explained (cf. margin no. 545).	A5-144

	Margin no.
40 Disclosures and explanations of the earnings per equity security in the case of listed banks	
The basic (i.e. non-diluted) and diluted earnings for each equity security are to be disclosed. The method used to calculate the basic earnings per equity security is to be disclosed, specifying the average time-weighted number of outstanding equity securities. A reconciliation of basic to diluted earnings per equity security is to be disclosed. The potentially dilutive effects (e.g. future exercise of options, conversion of convertible bonds) are to be explained.	A5-145

Annex 6 to FINMA-Circ. 15/1

Presentation of the cash flow statement

The cash flow statement must present the changes in liquidity during the current year on the basis of the inflow and outflow of funds. A6-1

The cash flow statement must comprise at least the following items: A6-2

- Cash flow from operating activities; A6-3
- Cash flow from shareholder's equity transactions; A6-4
- Cash flow from transactions in respect of participations, tangible fixed assets and intangible assets; A6-5
- Cash flow from banking operations. A6-6

The cash inflows and outflows from banking operations may be presented net. A6-7

The previous year's figures are to be provided in each instance. A6-8

The cash flow statement must in principle be presented on the basis of the following model table. The minimum structure may be amended in line with the bank's specific requirements. A6-9

Annex 6 to FINMA-Circ. 15/1

Presentation of the cash flow statement

Cash flow statement	Cash in-flow	Cash out-flow
Cash flow from operating activities (internal financing): • Result of the period • Change in reserves for general banking risks • Value adjustments on participations, depreciation and amortisation of tangible fixed assets and intangible assets • Provisions and other value adjustments • Change in value adjustments for default risks and losses • Accrued income and prepaid expenses • Accrued expenses and deferred income • Other items • Previous year's dividend **Subtotal**		
Cash flow from shareholder's equity transactions: • Share capital / participation capital / cantonal banks' endowment capital (Dotationskapital) / etc. • Recognised in reserves • Change in own equity securities **Subtotal**		
Cash flow from transactions in respect of participations, tangible fixed assets and intangible assets: • Participations • Real estate • Other tangible fixed assets • Intangible assets • Mortgages on own real estate **Subtotal**		
Cash flow from banking operations: • Medium and long-term business (> 1 year): o Amounts due to banks o Amounts due in respect of customer deposits o Liabilities from other financial instruments at fair value o Cash bonds o Bonds o Central mortgage institution loans o Loans of central issuing institutions o Other liabilities o Amounts due from banks o Amounts due from customers o Mortgage loans o Other financial instruments at fair value o Financial investments o Other accounts receivable • Short-term business: o Amounts due to banks o Liabilities from securities financing transactions o Amounts due in respect of customer deposits o Trading portfolio liabilities o Negative replacement values of derivative financial instruments o Liabilities from other financial instruments at fair value o Amounts due from banks o Amounts due from securities financing transactions o Amounts due from customers o Trading portfolio assets o Positive replacement values of derivative financial instruments o Other financial instruments at fair value o Financial investments • Liquidity: o Liquid assets **Total**		

Accrual method (amortised cost method)

Here the interest component is recognised in the income statement on a pro rata basis or by applying the compound interest method over the term to maturity. When accruing premiums and / or discounts of a fixed-interest debt instrument over its term, this is also referred to as the "amortised cost method".

Banks

For accounting purposes, banks are deemed to be:

a) in Switzerland: institutions subject to the Swiss Banking Act under the terms set out in Article 1 para. 1 BA, central mortgage bond institutions, and securities dealers subject to the Federal Act on Stock Exchanges and Securities Trading (Article 10 SESTA);

b) outside Switzerland: central banks, credit and other institutions that are deemed to be banks or savings banks under the laws of the respective country, securities dealers, brokers and agents de change, if they are subject to regulation comparable to banking supervision in Switzerland and must comply with statutory capital adequacy requirements. Multilateral development banks are also deemed to be banks.

Broker (arranger)

A bank acts as a broker in accordance with the provisions of Article 412 para. 1 CO if, upon the instructions of a customer and in return for a fee, it introduces the customer to another party willing to enter into a contract and advises the parties during the contract negotiations. Any contract is concluded bilaterally between the two parties. The bank assumes no market or credit risk.

Commission agent

As defined in Article 425 para. 1 CO, a person who, acting in their own name but for the account of a customer, concludes a transaction with another counterparty (e.g. broker) in return for a commission. Since the bank is acting in its own name but for the account of a customer, it is obliged to honour the contractual obligations towards the counterparty if the customer does not do so. However, if the counterparty defaults, the bank is liable to its customer only if it did not disclose to them the name of the party with whom it was dealing for that customer's account. If the bank does not disclose to the customer the name of the party with whom it is dealing for the customer's account, the bank is presumed to be trading for its own account (cf. Article 437 CO).

Concluded transaction

A transaction is deemed to be concluded if the contractual agreements between the contracting parties have been executed in a legally binding manner in accordance with the general provisions of contract law.

Customers

Customers are all business partners that are not banks.

Debt servicing

Debt servicing includes interest and commission payments, amortisation and repayments of principal.

Derivative financial instruments

Financial contracts whose value is derived from the price of one or more underlying assets (equity securities, commodities) or reference rates (interest rates, currencies). Derivative financial instruments can essentially be divided into two groups:

- Fixed forward contracts: exchange-traded forward contracts (futures), OTC forward contracts (forwards), swaps and forward rate agreements (FRAs).
- Options: OTC options and exchange-traded options. The distinction between purchased and written option contracts is of significance.

Derivative financial instruments traded over the counter (OTC derivatives)

These are derivative financial instruments that are not standardised and not traded on a qualified exchange as defined under "Exchange-traded derivatives". Spot, forward and options transactions traded on a securities exchange are thus also deemed to be OTC transactions since the daily margining requirement is not met.

Domicile principle

Certain disclosures are to be made on the basis of the customer's domicile, with the exception of amounts due from customers secured by mortgage, and mortgage loans. In the latter instances, the domicile of the mortgaged property is the relevant criterion. Liechtenstein is considered a foreign country.

Exchange-traded derivative financial instruments (exchange-traded derivatives)

All derivative financial instruments traded on an options and / or financial futures exchange. Such exchanges are subject to appropriate supervision of the market and market participants performed by the state or the exchange itself, and provide financial collateral for the performance of contracts via a clearing house that participates in each exchange transaction as a contracting party or guarantor. Daily margining takes place for each exchange-traded contract, i.e. a daily revaluation is undertaken with new additional margin requirements where necessary.

Fair value

The amount for which an asset could be exchanged or a liability settled between knowledgeable, willing and independent parties. Where a price-efficient and liquid market exists, valuation at fair value may be based on the corresponding market price. If no such market exists, the fair value is determined using a valuation model.

Fiduciary transactions

Customer deposits, loans, participations, and securities lending and borrowing transactions entered into or granted by the bank in its own name, but exclusively for the customer's account and risk on the basis of a written agency agreement. The customer assumes the currency, transfer, price and default risks, with all income from the transaction accruing to the customer. The bank receives only a commission.

Foreign business

Banks domiciled in Switzerland are deemed to have a foreign business if they have at least one branch or one company outside Switzerland required to be consolidated in accordance with Article 34 BO.

Goodwill / intangible assets related to individuals

Goodwill and / or intangible assets are deemed to be related to individuals if, for example, the continuation of a customer relationship is heavily dependent on one or more specific persons.

Group companies

All legally independent entities and their branches that come directly or indirectly under the single management of the bank (parent company).

Hidden reserves

The difference between book values and the legally permissible maximum values. Compulsory reserves – defined as the difference between the legal maximum values and the economic real values – are not considered hidden reserves.

Holders of participations

Holders of participations are natural and legal persons who hold a participation in the capital of a bank. A participation is deemed to be significant if the person holds more than 5% of the votes. A participation is deemed to be qualified if the person directly or indirectly holds at least 10% of the capital or votes, or if they are in a position to otherwise materially influence business activities.

Impairment of loans / receivables

An impairment is applicable where the expected recoverable amount (including collateral) is lower than the book value of the loan / receivable.

Interest operations

Transactions where a bank uses its available equity and funds accepted from third parties to grant loans to third parties, acquire financial investments, and finance its trading activities with the aim of achieving a positive margin between the interest received and paid. Income and expenses from interest hedging transactions also come under interest operations.

Linked companies

In this circular, the term “linked companies” specifically refers to companies linked by a common control, where the bank, however, does not normally hold a participation in this entity, nor does the entity hold a participation in the bank.

Liquidation value

Estimated realisable disposal value determined on the basis of the item’s estimated market value. The following must be deducted from this amount: the usual declines in value, current holding costs (maintenance costs, refinancing costs until liquidation), and the liquidation costs incurred such as liquidation taxes, reversion costs, etc. In the case of subordinated charges on immovable property, the interest attributable to charges of higher rank must also be taken into account.

Listed banks

Banking institutions whose equity and / or debt securities are listed or which have applied for listing and have prepared a Listing Prospectus for that purpose.

Loans to members of governing bodies

For single-entity financial statements, all amounts due to the bank from members of its governing bodies and members of governing bodies of its parent company are deemed to be loans to members of governing bodies. If consolidated financial statements are published for a subgroup, all amounts due from members of the governing bodies of the sub-holding company must also be taken into account. At the consolidated level, such loans encompass all amounts due to the parent company and to the individual group companies from the members of governing bodies of the parent. “Members of governing bodies” are deemed to be the members of the bodies responsible for the bank’s overall management, supervision and control (board of directors, bank council or supervisory board), executive bank management, statutory auditors, and any and all companies controlled by them.

Money-market book claims

Money-market book claims are short-term receivables that are not securitised, but are instead carried in debt registers as portions of large loans that the issuer has taken out with a large number of investors subject to uniform terms and conditions and public offering.

Money-market instruments

As a rule, securitised short-term debt instruments issued by debtors of good credit standing and with maturities of up to one year.

Mortgage lending

Lending transaction that is directly or indirectly secured by a charge entered in the Land Register (mortgage, certificate of land charge or mortgage certificate). In the case of direct collateral, the mortgagee receives the land directly as security. In the case of indirect collateral, the mortgagee is given the mortgage title as pledged or assigned collateral.

Non-performing loans / receivables

Loans / receivables are deemed to be non-performing if at least one of the following payments has not been effected in full more than ninety days after the due date:

- interest payments
- commission payments
- amortisation (partial repayments of principal)
- full repayment of principal

If payments for interest, commission and / or amortisation are overdue, the whole amount of the loan / receivable is also considered to be non-performing. Loans / receivables to debtors in liquidation are always to be considered non-performing. Loans / receivables subject to special conditions based on the borrower's credit standing (e.g. significant reductions in interest rates, with interest below the bank's refinancing costs) are to be considered non-performing.

Non-performing loans / receivables are frequently a component of impaired loans / receivables.

Operational risk

Operational risk is defined as the risk of losses resulting from inadequate or failed internal processes, and caused by persons and systems, or external events. It includes legal risks, but not strategic or reputational risks.

Participations with market value

Participations with market value are equity securities traded on a recognised exchange or regularly traded on a representative market.

Principal

The bank acts as a principal for proprietary transactions (i.e. transactions effected for the bank's own account). In the case of customer transactions, the bank also acts as a principal if it is the contracting party interposed directly between two counterparties. If one of the counterparties fails to fulfil its contractual obligations, the bank must nevertheless fulfil the contract vis-à-vis the other counterparty.

Public-sector entities

Corporations, foundations and institutions that are governed by public law, e.g. the Confederation, cantons, local municipal bodies (political communes, civic communes, religious communes and school communities), state-owned and operated enterprises. Outside Switzerland, by analogy: countries, states, administrative regions and municipalities. Public-private enterprises that are publicly owned but subject to private law do not fall into this category, irrespective of the extent of the participation, unless public funds are used to guarantee their liabilities in full and without limitation. Cantonal banks are in any event deemed to be banks for accounting purposes.

Related parties

Natural or legal persons are considered to be related parties if one party is able to directly or indirectly exert a material influence on the financial or operational decisions of the other party (i.e. a company or a group of companies). Companies that are themselves controlled directly or indirectly by related parties are also considered to be related parties.

For the purposes of this Circular, the following are in particular considered to be related parties: group companies, holders of qualified participations, linked companies, and members of governing bodies.

Replacement value

The replacement value corresponds to the market value of derivative financial instruments outstanding on the balance-sheet date arising from customer and proprietary transactions. Transactions undertaken by the bank for other banks are deemed to be customer transactions. Positive replacement values constitute a receivable and thus an asset of the bank. Negative replacement values constitute a financial obligation and thus a liability of the bank.

Representative market

An organised market offering regular publication of prices and in which at least three mutually independent market-makers normally provide prices daily.

Repurchase and reverse repurchase agreements

Repurchase and reverse repurchase agreements are contracts for the purpose of transferring securities belonging to one party (transferor) to another party (transferee) in exchange for payment of a cash amount with the simultaneous agreement to transfer the securities back to the transferor at a later date in exchange for the repayment of the cash amount received or a different cash amount agreed in advance. Margin agreements are generally concluded. As a result of these, the transferor retains the power to dispose over the securities, while the transferee is generally in the position of a secured creditor.

Reserves for general banking risks

The reserves for general banking risks are reserves that are established as a precaution to cover the bank's business risks.

Risk domicile

Certain disclosures are to be made on the basis of the risk of the underlying position rather than the borrower's domicile. The risk domicile of secured exposure must be assessed by examining the collateral.

Securities

Securities are standardised debt or equity instruments designated for mass trading; rights with comparable functions but without a certificate (book-entry securities) are deemed equivalent to securities.

Securities dealers

Securities dealers are natural and legal persons and partnerships as defined in Article 2 let. d SESTA and Article 2 SESTO.

Settlement date accounting

Between the trade date and settlement date, the replacement values of assets purchased and sold are recognised in the balance sheet in the items *Positive replacement values of derivative financial instruments* or *Negative replacement values of derivative financial instruments*. Recognition in or derecognition from the relevant asset item takes place on the settlement date. The corresponding amount due or receivable is also recognised in the balance sheet.

Subordination

Claims are deemed to be subordinated if an irrevocable written declaration states that in the event of liquidation, bankruptcy or composition, such claims rank after the claims of all other creditors and may not be offset against amounts due to the debtor nor against the debtor's assets.

Sub-participation

The acquisition of a share in a credit transaction entered into by another bank (the lead bank). The sub-participating bank does not act as the lender vis-à-vis the borrower. It assumes the default risk for its share of the loan and is entitled to receive a proportion of the interest income corresponding to its share of the loan. The lead bank must deduct the sub-participations from the total credit amount; the sub-participating bank must recognise its share of the loan in its balance sheet in accordance with the respective borrower category.

Trade date accounting

Assets acquired in a spot transaction are recognised in the corresponding asset item as of the trade date. The obligation to effect payment is also recognised in the balance sheet. Sold assets are derecognised from the corresponding asset item as of the trade date, with the receivable in respect of the payment of the sales price also being recognised in the balance sheet.

True and fair view

Financial statements prepared in accordance with this principle must present a true and fair view of the assets, liabilities, financial position, and the results of operations subject to the valuation rules set down by law. As regards the statutory financial statements, the main difference between reliable assessment single-entity financial statements and true and fair view single-entity financial statements is that the latter may not include any hidden reserves (even in the form of employer contribution reserves). Furthermore, deferred taxes are to be determined systematically, but tax losses carried forward may not be recognised as assets. This prohibition of recognition as assets does not apply to true and fair view supplementary single-entity financial statements and consolidated financial statements.

True and fair view financial statements also have to meet certain additional requirements. These relate to the valuation in accordance with the equity method of participations where the bank / financial group can exercise a material influence (in true and fair view statutory single-entity financial statements only the effects of a theoretical application of the equity method are to be disclosed in the notes), the fundamental necessity of a restatement in the event of changes in accounting and valuation policies, and the disclosure of hidden capital contributions and distributions.

Value adjustments

Corrections to the value of assets to be adjusted for losses that have already occurred or are expected to occur. Value adjustments are to be allocated to and deducted from specific assets.