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 2008/2
Accounting — banks

Guidelines on accounting standards under Art. 23 to Art. 27 of the Banking Ordinance

Reference:	FINMA Circ. 08/2 Accounting — banks
Date:	20 November 2008
Entry into force:	1 January 2009
Last amendment:	26 June 2013 [Modifications are indicated by an asterisk (*) and are listed at the end of the document.]
Concordance:	former BAG-SFBC of 14 December 1994
Legal framework:	FINMASA Art. 7 para. 1 let. b
	BO Arts. 23–27
	SESTO Art. 29

Addressees																					
BA			ISA			SESTA		CISA									AMLA			Other	
Banks	Financial groups and congl.	Other intermediaries	Insurers	Insurance groups and congl.	Insurance intermediaries	Stock exch. and participants	Securities dealers	Fund management companies	SICAVs	Limited partnerships for CISs	SICAFs	Custodian banks	Asset managers CISs	Distributors	Representatives of foreign CISs	Other intermediaries	SROs	DSFIs	SRO-supervised institutions	Audit firms	Rating agencies
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Index

Index

I. Preamble

The general framework for the preparation and disclosure of financial statements of banks is set down in the Banking Ordinance (Art. 23-28 BO). As is prescribed, banks must prepare statutory individual financial statements and, where applicable, consolidated financial statements when the provisions of Art. 23a BO are met. The statutory individual financial statement must be presented in such a manner so as to enable as reliable an assessment as possible, of a bank's net assets, financial position and results (Art. 24 para. 1 BO ["individual financial statement"]) or give a fair presentation of the net assets, financial position and results [combined individual financial statement].δ The consolidated financial statement must give a fair presentation of the net assets, financial position and results of the banking group (Art. 25d BO, true and fair view principle δ). 1

Banks with listed securities that do not publish consolidated financial statements must publish individual financial statements (cf. margin nos. 1d-1f δ and, in particular, the listing rules of the SIX Swiss Exchange) prepared according to the true and fair view principle. This requirement may be satisfied by way of a statutory financial statement (cf. margin no. 1f) or δ by way of a supplementary financial statement (in addition to the statutory individual financial statement, see margin no. 1e δ) prepared according to the true and fair view principle. A supplementary financial statement prepared according to the true and fair view principle may also be published on a voluntary basis.

These Bank Accounting Guidelines (BAG) supplement the provisions on accounting and financial reporting pursuant to the Banking Ordinance. They support banks in the preparation and classification of financial statements. These guidelines are designed to aid in the consistent application of the provisions governing accounting and financial reporting pursuant to the Banking Ordinance. 1a

The BAG Guidelines follow the rules of Swiss GAAP FER. Specific elements of Swiss GAAP FER have been explicitly integrated. These guidelines take precedence over the respective rules of Swiss GAAP FER. δ 1b

Banks may apply internationally recognised accounting standards (Art. 28 para. 2 BO), however this is restricted to consolidated financial statements and supplementary individual financial statements prepared according to the true and fair view principle. The following is permitted: 1c

a) Application of the International Financial Reporting Standards (IFRS, previously the IAS — International Accounting Standards) and the Generally Accepted Accounting Principles of the United States (US GAAP), which are deemed equivalent to the Swiss accounting rules for banks.

b) Banks incorporated under Swiss law that are under the controlling influence of persons with a domicile or registered office in an EEA member state may prepare their annual financial statements in accordance with the applicable provisions of their country of origin.

Any material deviations of the international accounting standards applied from the BO provisions and the BAG Guidelines are to be explained in the notes. Banks applying the options presented in a) and b) must also satisfy the requirements for the disclosure of managed assets (cf. margin nos. 198a–198j δ and Table Q).

Banks subject to preparing an individual financial statement pursuant to the true and fair view principle may proceed as follows: 1d

c) Apart from the statutory individual financial statement, which is subject to approval by the general meeting of shareholders, the bank must prepare and publish a supplementary individual financial statement in accordance with the true and fair view principle ("supplementary individual financial statement" [δ]). This financial statement is also subject to an auditing requirement, however it is only submitted to the general meeting of the shareholders to take cognisance of same, rather than for approval. 1e

d) The bank must prepare a statutory individual financial statement that satisfies the true and fair view principle ("combined individual financial statement"). In order to guarantee that the combined individual financial statement also complies with the provisions of company law, certain adjustments are necessary. These are referenced in the respective margin number sections and follow from Section XII below. 1f

An overview of the specifics associated with the various options for the preparation of individual financial statements is presented in Section XII. [δ] 1g

Financial statements prepared as defined in Art. 24 para. 1 BO according to the principle of providing as reliable an assessment as possible of a bank's net assets, financial position and results are referred to below as "individual financial statements". These financial statements may include hidden reserves (Art. 24 para. 4 BO). Combined individual financial statements do not come under "individual financial statements". [δ] 1h*

A "statutory individual financial statement" refers to financial statements that are subject to the approval of the general meeting of shareholders. It concerns individual financial statements and combined individual financial statements. [δ] 1i

Combined individual financial statements, supplementary individual financial statements and consolidated financial statements must be prepared in accordance with the true and fair view principle. [δ] 1j

Synoptic presentation of the financial statement options: [δ] 1k

	Description	Presentation method
Statutory individual (single company) financial statement	"individual (single company) financial statement"	In accordance with the principle of presenting as reliable an assessment as possible of the bank's financial position (net assets, financial and earnings position)
Statutory individual (single company) financial statement	"Combined individual (single company) financial statement"	In accordance with the true and fair view principle
	"Supplementary individual (single company) financial statement"	In accordance with the true and fair view principle
	Consolidated financial statement	In accordance with the true and fair view principle

II. Principles (Art. 24 para. 2 and Art. 28 para. 2 BO)

A./B. Proper recording of business transactions / completeness of annual financial statements

All transactions concluded as of the balance sheet date are to be recorded and valued in 2
accordance with recognised principles on a daily basis. The income from all such transactions is to be recorded in the income statement. Spot transactions 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 by product category (e.g. securities, foreign exchange, etc.); in so doing, consistent application (cf. margin no. 2a) must be ensured and adherence must be maintained to the provisions in this margin number section regarding valuation and presentation. The rules set out in margin nos. 58-62 and 75 apply to how derivative financial instruments are to be dealt with for accounting purposes.

The accounting method selected is to be applied consistently in the individual financial 2a
statements, in the consolidated financial statements [δ], and other individual financial statements prepared according to the true and fair view principle and be disclosed in the notes to the financial statements under the accounting and valuation principles (margin nos. 149 and 213).

C. Clarity of information

The unequivocal and true presentation of the bank's financial position (net assets, financial 3
and earnings position) is to be ensured by way of clear-cut classifications and labelling of positions. The minimum classification used in the balance sheet, income statement, notes and cash flow statements of banks and banking groups is to be in accordance with Art. 23–25k BO.

The balance sheet, income statement, notes and cash flow statement are equally important 4
components of annual financial statements.

D. Materiality of information

The description of materiality in Art. 24 para. 3 BO is based on the conceptual framework of 5
Swiss GAAP FER [δ] which reads as follows: "The term material covers all facts that impact the valuation and presentation of the financial statements as a whole or of individual positions of the financial statements whereby the assessment of the addressee of the financial statements would change if such facts had been considered." [δ]

The principle of materiality underlies all aspects of the preparation of financial statements. 6
Materiality is to be assessed on a case-by-case basis both qualitatively and quantitatively.

E. Prudence

The principle of prudence requires that in all cases where there is uncertainty regarding 7
valuation and risk assessment, the more prudent of two available values is to be taken into account.

Where a fair value can be determined in accordance with margin no. 22, the principle of the 8
lower of cost or market value, historical 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 trading operations, to marketable positions held in the normal course of business.

F. Going-concern basis of accounting

Assets and liabilities are to be valued on the assumption that the enterprise will continue as a 9
going concern, meaning there is no intention or necessity to liquidate the company nor has this been ordered by the competent authorities.

G. Consistency in presentation and valuation

According to the rule of consistency, a bank must prepare all financial statements in 10
accordance with the same presentation and valuation principles so as to enable comparison between accounting periods. This rule may be deviated from only where there are cogent reasons for making a change to the method of presentation or valuation, reasons that are expected to continue to apply in the years following. Justified changes to the presentation and valuation rules and their effect are to be disclosed in the notes as prescribed in Art. 25c para. 1 no. 2 BO, and an explanation included. The effect on hidden reserves in particular is to be shown. Restating the previous year's figures is not required in statutory individual financial statements. However their restatement is permitted when posting is done via the position "reserve for general banking risks".[δ] In supplementary individual[δ] and consolidated financial statements, the previous year's figures are to be restated as a matter of principle (*Restatement*, margin no. 260).

H. Proper accrual

Income and expenses are to be properly accrued in accordance with the financial statement 11
reporting date. 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.

I. Inadmissibility of offsetting assets & liabilities and income & expense items

Offsetting and netting out assets & liabilities and income & expenses is fundamentally 12
prohibited.

Exceptions to the prohibition of offsetting assets and liabilities are permitted where receivables 13
and payables arise from transactions of the same type with the same counterparty, with the same maturity or earlier maturity of the asset, and in the same currency that cannot lead to a counterparty risk, whether on the balance sheet reporting date or up to the maturity of the offset transactions.

Furthermore, the following exceptions are permitted: 14

- Offsetting of holdings of the bank's own debt securities against the corresponding liability items in individual financial statements[δ]
  (For financial statements prepared according to the true and fair view principle, see margin no. 29m);

- Offsetting of value adjustments directly attributable to individual assets against the respective asset items;

- Netting of positive and negative replacement values of derivative financial instruments pursuant to margin nos. 45-48 of FINMA Circular 08/19 “Credit Risks — Banks” under the existing law;[δ]

- Netting of adjustments in the book value made during the reporting period with no income effect that have been entered in the compensation account under “other assets” or “other liabilities”.

In the income statement, the prohibition of offsetting means in particular that offsetting income 15
against operating expenses, interest income against interest expenses, commission income against commission expense, income against depreciation / losses from fixed assets, and other ordinary and extraordinary income and expenses is not permitted. The following exceptions to the prohibition of offsetting income and expenses are permitted (cf. also margin no. 104):

- Offsetting gains and losses from trading operations and other related items directly relating to trading (e.g. melting costs, brokerage fees paid etc.);

- Offsetting adjustments in the book value of financial investments under the positions “other ordinary income” and “other ordinary expenses”;

- Offsetting real estate expenses against real estate income;

- Offsetting refinancing costs for trading transactions pursuant to Art. 25a para. 5 BO (funding);

- Offsetting gains/losses from hedging transactions against the gains/losses from the underlying hedged transaction.

J. Substance over form

In statutory individual financial statements, an annual financial statement must present an 16
assessment as reliable as possible (Art. 24 para. 1 BO, “Individual Financial Statement”) or give a fair presentation (net assets, financial and earnings situation) (combined individual financial statement).[δ] The consolidated financial statement and, as applicable, the supplementary individual financial statement[δ] must reflect a fair presentation with regard to a bank’s or banking group’s financial position (net assets, financial and earnings position) (Art. 25d BO). Consequently, when preparing annual financial statements, preference is to be given to the economic substance of the items reported as opposed to evaluating them from a legal point of view (substance over form).

III. Valuation principles

Item-by-item and collective valuation:

In individual financial statements [ð], assets and liabilities as well as off-balance sheet transactions disclosed under the same position may be valued collectively (collective valuation). In the individual and consolidated financial statements prepared according to the true and fair view principle, assets and liabilities are fundamentally to be valued individually (item-by-item valuation). 17

Definition of assets, liabilities and equity capital: [ð]

- Assets result from past business transactions or events. They are tangible or intangible assets under the control of the bank, from which the bank is likely to benefit for more than one period. Asset values must be capable of being determined in a reliable manner. If no sufficiently reliable estimate is possible, then the asset is considered as contingent. 17a-1

- An exception is made for the recognition of own shares as assets in individual financial statements. 17a-2

- Liabilities result from past business transactions or events where outflow future cash outflow is probable (e.g. due to the purchase of goods or services, liabilities resulting from the provision of guarantees, or liability claims for services rendered). The amount required to meet the liability (settlement value) must be determined or estimated reliably. Where this is not possible, liabilities are to be considered as contingent liabilities. 17a-3

- Equity capital is the result of the total of all assets less the total of all liabilities. 17a-4

- Contingent assets or contingent liabilities are to be disclosed in the off-balance sheet or in the notes to the corresponding positions. 17a-5

Definitions of income, expenses and result: [ð]

- Income is economic benefits added during the reporting 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. 17b-1

- Expenses are economic benefits subtracted during the reporting 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 capital. 17b-2

- Income and expenses are to be recorded only where the associated changes in assets and/or liabilities can be reliably determined. 17b-3

- The result (gain/loss) is the difference between income and expenses. 17b-4

Establishing value adjustments for default risks:

- Acute and latent loss exposures are to be covered by appropriate value adjustments in both interim financial statements and annual financial statements. Determining the amount of value adjustments must follow a systematic approach that takes into account the risks posed to the portfolio. 18

- Impaired loans/receivables (cf. also margin no. 239) are to be valued on an item-by-item basis, and their impairment (cf. also margin no. 240) covered by individual value adjustments. A collective assessment is permitted only for homogenous credit portfolios consisting exclusively of a large number of small receivables (e.g. consumer credit, leasing and credit card receivables) (general individual value adjustment). 18a

- Additional general value adjustments may be established so as to cover existing latent risks on the measurement date (cf. also margin no. 243). 18b

- The various criteria and methods for establishing value adjustments are to be documented internally. 18c

- Impaired loans/receivables and any collateral are to be valued at their liquidation value (cf. margin no. 244) and the value to be adjusted taking the debtor's creditworthiness into account. Where the recovery of the loan/receivable is dependent exclusively on the liquidation proceeds value of the collateral, an allowance must be established to completely cover the unsecured portion. 18d

The individual provisions set out in Art. 664, Art. 669 para. 1 and Art. 670 CO are applicable to banks without limitation. Art. 665 and Art. 669 para. 2–4 CO additionally apply to individual financial statements[δ]. 19

Foreign-currency conversion of transactions and positions:[δ] 20

- Foreign-currency transactions during the year are to be converted at the rate prevailing at the time of the transaction.

- Foreign-currency positions are to be converted at the exchange rate prevailing on the balance sheet date where no valuation occurs at historical rates (e.g. tangible fixed assets and participating interests).

Financial statements in foreign currencies of foreign branches and subsidiaries are to be converted as follows[δ]**:** 20a

- Balance sheet: at the exchange rate prevailing on the balance sheet date where no valuation occurs at historical rates (e.g. tangible fixed assets and participating interests);

- Income statement: at the average annual rate or at the rate prevailing on the balance sheet date;

- Treatment of conversion differences: cf. margin no. 21;[δ]

- Translation differences resulting from the translation of the financial statements of foreign branches cannot be posted against the bank's own capital in the statutory individual financial statement.[δ]

As an alternative, the respective relevant provisions of the International Financial Reporting Standards (IFRS / IAS) or the Generally Accepted Accounting Standards of the United States (US GAAP) may be applied.[δ]

Disclosures in the notes on foreign-currency conversions:

The method used for foreign-currency conversion, the treatment of translation differences and 21 the conversion rates for the most important foreign currencies are to be disclosed in the notes referred to in Art. 25c para. 1 no. 2 BO.

Trading business positions:

In departure from Art. 667 CO, trading business positions are to be fundamentally valued and reported at their fair value. The fair value used may be either a price established by an efficient and liquid market or a price calculated on the basis of a valuation model. 22

In the latter case the following conditions must be cumulatively satisfied for determining the price: 22a

- The bank's internal valuation and risk models must appropriately take all relevant risks into account;
- The input factors for the bank's internal valuation and risk assessment models must be complete and appropriate;
- The bank's internal valuation and risk assessment models, including the associated input factors, must be scientifically sound, robust and applied consistently.
- Controls must be effective, in particular the controls of the models, valuation and daily income statement by way of an internal risk controls unit that is independent of trading operations; 22b
- The traders, independent controller and risk manager are to possess market proximity and knowledge of the market. 22c

Where, as an exception, no fair value is ascertainable, valuation and accounting are to follow the principle of the lower of cost or market value. [δ] 22d

Financial investments:

- Equity securities, precious metals, real estate properties and commodities that have been acquired as a result of credit transactions and are designated for resale: principle of the lower of cost or market value. In the case of specific real estate properties acquired via credit transactions destined for sale, the lowest value is determined as the lower of the acquisition cost or the liquidation value. Precious metal positions included under financial investments that serve to secure commitments arising from precious metal accounts are to be valued and accounted for at market values in the same manner as the precious metal accounts; 23
- Interest-bearing debt instruments (securities) held until maturity: valuation and presentation at acquisition cost with allocation of premiums or discounts (interest component) over the term of the instrument (accrual method). Variations in value resulting from changes in the debtor's credit standing are to be immediately entered in the books. 24
- Interest-bearing debt instruments (securities) not held until maturity: the principle of the lower of cost or market value, the balance of adjustments in the book value to be recorded as "other ordinary income" or "other ordinary expenses", as applicable. 25
- Convertible and warrant bonds: the principle of the lower of cost or market value, except where the bank elects to value the warrant and interest components separately and 26

values the warrant component using the lower of cost or market value principle and the interest component using the accrual method. The valuation method selected must be retained until the maturity of the bond.

- Financial investments valued according to the principle of the lower of cost or market value: in applying this principle, an upwards revaluation to the acquisition cost at maximum is required where the market value has fallen below the acquisition cost and then recovers. The balance of adjustments in the book value is to be recorded under the position "other ordinary income" or "other ordinary expenses", as applicable. 26a

Participating interests:

- The highest possible value under the law for equity securities entered under position 1.8 "participating interests" in the individual financial statement [δ] is the acquisition cost less economically depreciation (Art. 665 CO). 27

- In the combined individual financial statement, these participating interests are to also be capitalised on a historical cost basis, with the notes containing a comment on the effects of a theoretical application of the equity method with regard to participating interests in which the bank is able to exercise a material influence. [δ] 27a

- A material influence is assumed where a participating interest of twenty per cent or more of the voting capital is held. [δ] 27b

- In the supplementary [δ] individual financial statement and the consolidated financial statement, participating interests in which the bank is able to exercise a material influence are to be recorded according to the equity method. 27c

- In the individual and consolidated financial statements prepared according to the true and fair view principle, the goodwill of participating interests in which the bank is able to exercise a material influence is to be removed and reported under "intangible assets". [δ] 27d

Tangible fixed assets: [δ]

The treatment of tangible fixed assets is based on Swiss GAAP FER 18. The following principles apply explicitly: 28-1

- Tangible fixed assets are physical assets and are used for rendering services or for investment purposes. They can be acquired or self-produced. 28-2

- Expenditures for new tangible fixed assets have to be capitalised if there exists a net market value or value-in-use, and if they can be used for more than one accounting period and exceed the minimal value for capitalisation. 28-3

- Subsequent expenditures for existing tangible fixed assets are to be capitalised if the market value or value-in-use is permanently enhanced or useful life is significantly extended. 28-4

- Tangible fixed assets are to be initially recorded at acquisition or production cost. 28-5

- Subsequent to initial recording, tangible fixed assets are to be posted at acquisition cost less accumulated depreciation. 28-6

- Depreciation is recognised on a systematic basis (time or performance proportional) over the useful life of a tangible fixed 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 the individual financial statement (cf. margin no. 31). 28-7

- The carrying amounts are to be reviewed annually on the balance sheet date for impairment. Any additional depreciation has to be charged to the income statement (cf. margin no. 28b et. seq.). 28-8

- Where during the review for impairment to tangible fixed assets a change in an asset's useful life is determined, the remaining carrying amount is to be depreciated systematically over the newly estimated useful life. 28-9

- The scheduled depreciation of tangible fixed assets charged to income is to be computed, taking any expected residual value of an asset at the end of its useful life into account. 28-10

- The depreciation methods applied and the ranges used for the expected useful life are to be disclosed in the notes on each category of tangible fixed assets. Where ranges are relatively broad, an explanation is to be provided for each category in the notes. Where a depreciation method once applied is replaced with another method, this is to be disclosed in the notes. 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, if it is material. 28-11

Intangible assets: °

The treatment of intangible assets is based on Swiss GAAP FER 10. The following principles are explicitly applicable: 28a-1

- Intangible assets are of non-monetary nature and without any physical substance. They may be acquired or generated internally and if they are identifiable and can be capitalised, they may be designated as intangible assets 28a-2

- Acquired intangible assets may also originate from acquisitions of business units and enterprises. 28a-3

- Acquired intangible assets are to be recognised where they yield a measurable economic benefit for the bank over more than one year. 28a-4

- Intangible assets generated internally may not be capitalised unless they meet the following conditions cumulatively at balance sheet date: 28a-5

    - the intangible assets generated internally are identifiable and controlled by the bank;

    - the intangible assets generated internally are to yield a measurable benefit for the bank over more than one year;

    - the expenses incurred in the creation of the intangible assets generated internally can be separately recognised and measured;

    - It is likely that the resources required to complete and market or use the intangible assets for the bank's own purposes are available or will be made available.

- Expenses incurred for identifiable, however, non-capitalisable, intangible assets are to be charged to the income statement in the period incurred. 28a-6

- Expenses incurred for intangible assets generated internally and charged to the income statement cannot be subsequently capitalised. 28a-7

- Capitalisable and identifiable intangible assets may be valued at maximum at 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 differential between the higher expenses incurred and the recoverable amount is to be charged to the income statement. The recoverable amount is deemed the higher of the net market value and value-in-use. 28a-8

- When recognising intangible assets, the future useful life is to be prudently estimated and the value to be charged systematically (normally applying straight-line depreciation) to the result of the accounting period over the asset's useful life. Where the useful life cannot be determined in a clear-cut manner, an amortisation period of five years is to generally be applied, the amortisation period amounting to up to twenty years at maximum in justified cases. The useful life of intangible assets relating to individuals may not exceed five years. 28a-9

- The estimated useful life and method of depreciation of intangible assets is to be disclosed in the notes. 28a-10

- Subsequent changes to the useful life once determined must be disclosed in the notes and their impact on the balance sheet and income statement quantified. 28a-11

- Intangible assets are to be reviewed for possible impairment at each balance sheet date (cf. margin no. 28b et. seq.). 28a-12

- Goodwill is to be included in intangible assets. 28a-13

- Examples of non-capitalisable intangible assets are: 28a-14

    - Goodwill generated internally,

    - Expenses for training and continuing education,

    - Restructuring expenses,

    - Incorporation and organisation costs (in the supplementary individual and consolidated financial statements).

Impairment of tangible fixed assets and intangible assets: ð

The treatment of such impairment is based on Swiss GAAP FER 20. The following principles are explicitly applicable: 28b-1

- Assets are subject to an impairment test 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 has to be determined. 28b-2

- An asset is impaired if its carrying amount exceeds its recoverable amount. 28b-3

- The recoverable amount is deemed the higher of the net market value and value-in-use. Where one of these two values exceeds the carrying amount of an asset, no impairment is present. 28b-4

- The net market value is the price that can be realised in an arm's length transaction less associated sales expenses. 28b-5

- The value-in-use is the present cash 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 time points or amounts, the various possibilities are to be taken into account as based on their probabilities. 28b-6

- Discounting must be done 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 capital structure are not be taken into account in discounting. If specific risks have been taken into account in the cash flows, they may not also be considered in the discount rate. 28b-7

- The recoverable amount is to be fundamentally determined for each individual asset (individual valuation of assets). 28b-8

- Where, however, an asset does not generate cash flows independently of other assets, the recoverable amount of the smallest identifiable group of assets (cash-generating unit) must be determined to which the asset belongs. 28b-9

- Where an impairment exists, the carrying amount must be reduced to reflect the recoverable amount. 28b-10

- Where reducing the carrying amount to zero does not suffice to capture the consequences of impairment, a provision is to be created in the amount of the remaining differential (e.g. to cover disposal expenses). 28b-11

- The impairment loss is to be charged to the result for the period. 28b-12

- In the case of a group of assets, the impairment loss is to be charged proportionally to the other assets on the basis of their carrying amounts. 28b-13

- Where there is a significant improvement in the factors taken into account in calculating the recoverable amount, an impairment recognised in a previous reporting period is to be partially or fully reversed, with the exception of individual financial statements, where this non-reversal is equivalent to the creation of hidden reserves. 28b-14

- In the case of (partial) reversal, the new carrying amount is the result of the lower of a) the newly determined recoverable amount or b) the carrying amount less depreciation/amortisation that would have resulted if an impairment loss had never been recognised. 28b-15

- The partial or full reversal of impairment is to be recorded in the "extraordinary income" 28b-16 position, save as provided for in margin no. 28b-14.

- In case of a cash-generating unit, the partial or full reversal of impairment resulting from an excess of the recoverable amount over the total of the carrying amounts of the respective assets is to be recognised in proportion to the carrying amounts of these assets. The lower of the recoverable amount (where identifiable) and the carrying amount less depreciation/amortisation may not be exceeded. 28b-17

- The amounts of significant impairment losses and partial or full reversals of impairment are to be disclosed on a one-to-one basis in the notes. An explanation is to be provided of the events and circumstances leading to an individual impairment or partial or full reversal of impairment (cf. margin no. 205). 28b-18

Interest transactions valued using the accrual method:

Where an interest transaction (including financial investments) is valued using the accrual method, is sold prior to maturity or redeemed prematurely, realised gains and losses corresponding to the interest component are not to be recognised immediately but rather deferred over the remainder of the original time to maturity. 28c

Precious metal account deposits and commitments arising from precious metal accounts: [δ]

In departure from Art. 667 CO, these must be valued at market value where they are traded on a representative market. However, precious metal custody accounts (individual or joint custody accounts) are not to be recorded in the balance sheet. [δ] 28d

Hybrid instruments (structured products): [δ]

Cf. definition in margin no. 238. 28e

When valuing a derivative, it is to be isolated from the underlying contract and valued separately where all of the following circumstances apply:

- there is no close link between the economic character and risks of the embedded derivative and the underlying contract, and

- the hybrid instrument as a whole does not satisfy the requirements for recognition in the balance sheet and corresponding treatment in the income statement at fair value (cf. margin nos. 22–22d), and

- the embedded derivative as a separate instrument fulfils the definition of a derivative instrument.

The hybrid instrument may be recorded as a transaction.

Taxation:

- The current income and capital taxes payable on the respective period result and the defining capital [δ] are to be calculated in accordance with applicable tax reporting regulations. 29

- In individual and consolidated financial statements prepared in accordance with the true 29a and fair view principle, the provisions of margin no. 29b-1 et. seq. (based on Swiss GAAP FER 11) on taxation are to be observed.

- When preparing statutory individual financial statements, taking the tax effects of losses carried forward into account (deferred tax assets) is not permissible.

Taxes in individual and consolidated financial statements prepared according to the true and fair view principle: $^{\delta}$

- Current and future tax effects are to be appropriately taken into account in annual financial statements. A distinction is to be made between the calculation of current income taxes and recognition of deferred income taxes. 29b-1

- In applying values determined by the true and fair view principle, valuation differences may arise as compared to the values relevant for tax law purposes: consequently, deferred income taxes are to be appropriately taken into account. 29b-2

- The annual recognition of deferred taxes is based on a balance sheet perspective and considers all future income tax effects. 29b-3

- Deferred income taxes have to be calculated separately for each business period and each taxable entity. Deferred tax assets and liabilities may only be netted where they relate to the same taxable entity. 29b-4

- Deferred income taxes are to be calculated using applicable tax rates. The actual expected tax rates or — where they are not known — the tax rates applicable at the balance sheet date are relevant. 29b-5

- Deferred tax credits for as yet unused tax loss carryforwards are to be disclosed in the notes. Capitalised and non-capitalised tax credits are to be distinguished in this connection. 29b-6

Value adjustments and provisions:

The valuation principles are to enable a suitable and correct allocation and application of individual and general value adjustments and provisions. 29c

Operationally essential provisions $^{\delta}$

The treatment of provisions created for operational purposes is based on Swiss GAAP FER 23. The following principles are explicitly applicable: 29d-1

- A provision represents a probable obligation based on a past event whose amount and / or due date is uncertain but can be estimated. This obligation gives rise to a liability. Provisions are not to be used as valuation allowances for assets. 29d-2

- 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. 29d-3

- 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 the future rendering of services or goods is not permissible. Provisions to cover future market value fluctuations constitute hidden reserves, since 29d-4 using such provisions can serve only to smooth the result shown and poses an obstacle to reporting correctly accrued value fluctuations. Provisions for future investments or projects also constitute hidden reserves.

- 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 rather as accrued liabilities. 29d-5

- Legal and factual obligations are to be valued on a regular basis. Where a cash outflow becomes probable, a provision in the corresponding amount is to be created. 29d-6

- The amount of the provision is to be determined on the basis of an analysis of the respective past event as well as of events occurring after the balance sheet date, if the latter analysis contributes to further clarifying the situation. 29d-7
  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 significant impact, the amount of the provision must be discounted. The amount of the provision is to correspond to the expected future cash outflow. It is to take account of the likelihood and reliability of these outgoing cash flows.

- An event occurring after the balance sheet date must be subjected to the creation of a provision (or the release of a provision), where it is clear that the bank had an obligation at the balance sheet date (or was released from an obligation) or where it becomes apparent in another manner that the bank has to reckon with a financial loss. 29d-8

- Existing provisions are to be subjected to a reassessment on each balance sheet date. Based on this reassessment, they are to be increased, remain unchanged or released (the release of certain provisions is not compulsory in individual financial statements [cf. margin no. 38]). Freed provisions that are not released are hidden reserves (cf. margin no. 31). 29d-9

- 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 aforementioned criteria are satisfied. To this end, a legally binding decision is required by the governing body for overall direction, supervision and control of restructuring measures. The provision may only cover costs associated directly with the restructuring measures and may not be associated with any of the bank's current ordinary activities. The projected costs must be assessed in a realistic manner. 29d-10

Liabilities exhibiting an original value lower than their notional value:

These liabilities can be recorded either at their net value, or at their gross value combined with an offsetting adjustment entry under the position "accrued income and prepaid expenses" (discount). In either case, the discount is to be reversed through the interest expense account over the term of the bond in accordance with the accrual method. The same applies to premiums. 29e

Derivative financial instruments:

- Derivative financial instruments are always trading transactions, unless they are used for hedging purposes outside of trading transactions. They are to be valued in accordance with margin no. 22 (fair value). The valuation result of trading transactions is to be posted 29f to the result of trading activities.

- Hedging transactions are to be valued in the same manner as the underlying hedged transaction. Gains/losses from hedging are to be recorded in the same resultsposition as the corresponding gains/losses from the underlying hedged transaction. In the case of “macro-hedges” relating to interest operations, the balance may be recorded either under the position “interest and discount income” or “interest expense”. Accrued interest on hedging positions that are valued according to the accrual method is not to be recorded as accruals or deferrals, but rather in a “compensation account” under the position “other assets” or “other liabilities” in order to avoid being double-counted with the recognised replacement values. In the event of the premature sale of an interest hedging transaction that has been valued according to the accrual method, the general provisions on the treatment of interest transactions valued according to the accrual method are applicable. Where the effect of hedging transactions exceeds the effect of the hedged positions, the excess portion of the derivative instruments is equivalent to a trading transaction. The valuation of the excess portion is to be posted under the position “results from trading activities” (margin no. 117) and not via the compensation account. 29g

- When settling derivative hedging transactions, the hedging relationships as well as the goals and strategies for the hedges are to be documented by the bank’s risk management. Documentation is to include the following: 29h

    - identification of the hedged transaction or portions of a transaction and the hedging transaction,

    - identification of the hedged risk, and

    - the method with which the effectiveness of the hedging is to be determined.

- Banks may apply the respective provisions of the International Financial Reporting Standards (IFRS/IAS) or Generally Accepted Accounting Principles of the United States (US GAAP) to the treatment of derivative financial instruments in hedging transactions [δ]. The respective provisions of both of these standards must be observed in full. In so doing, they take into account the company law provisions of Switzerland in the statutory individual financial statement, i.e. the resulting postings to equity capital when applying IFRS/IAS or US GAAP are to be recorded separately in the compensation account. 29i

Pension benefit obligations: [δ]

The treatment of pension benefit obligations is based on Swiss GAAP FER 16. The following principles are explicitly applicable: 29j-1

- Pension benefit obligations are all plans, institutions and arrangements that provide benefits for retirement, death or disability. 29j-2

- The economic impacts of pension funds (and corporate welfare funds) on banks are considered as either economic benefits or economic obligations. Economic benefits and economic obligations are to be calculated on balance sheet date and are to be treated equally. Economic benefits and economic obligations for the bank follow directly from contractual, regulatory or legal bases (e.g. contributions paid in advance or due). Economic benefits and economic obligations also exist in the banks’ option of exercising a positive impact on future cash flows due to pension funds being overfunded (e.g. lowering of contributions) or exercising a negative impact on future cash flows due to pension funds 29j-3 being underfunded, by the bank respectively wanting or having to contribute to the pension funds' financing (e.g. financial rectification contributions).

- Determining the economic impact is based in principle on the financial situation of each pension fund as of its last annual financial statement, whose reporting date was no more than twelve months back. Where there are indications of material developments (e.g. value fluctuations, partial liquidations etc.) since the last annual financial statement reporting date, their impact must be taken into account. 29j-4

- In the case of underfunding in pension funds, an economic obligation is present where the conditions exist for the creation of a provision. 29j-5

- In the case of overfunding, an economic benefit is present 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 to utilise it for the employer's economic benefit outside of the benefits as provided for in the institution's rules. The value fluctuation reserves reported by pension funds due to the practices engaged in by them may not form part of the bank's economic benefit. 29j-6

- The following applies with regard to the recognition of the economic impact of pension funds: 29j-7

    - 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 <u>or</u> receivables and obligations are to be recognised that result from contractual, regulatory or legal bases in the balance sheet .

    - It is to be annually assessed whether, from the point of view of the bank, an economic benefit or economic obligation exists from a pension fund (and from a corporate welfare fund). The basis for assessment is contracts, annual financial statements of the pension funds prepared in accordance with Swiss GAAP FER 26 in Switzerland and other calculations showing the financial situation and existing over- or underfunding for each pension fund in accordance with current circumstances. On this basis, the economical benefit or economical obligation is determined and recorded in the balance sheet for each pension fund. The difference to the respective value of the previous year is recognised (together with the adjusted expenses concerning the reporting period) as personnel expenses in the income statement.

- The presentation of the economic impact of pension funds on the bank may also be done fully according to a dynamic method, with a corresponding justification to be included in the notes. To this end, a recognised international accounting standard applicable at the balance sheet date is to be applied in full. 29j-8*

- Employer contribution reserves or similar items are to be recognised as assets. Where the bank has granted a pension fund a conditional waiver of use, or is planning to do so shortly after the balance sheet date, asset items of the employer contribution reserve are to be value-adjusted. The portion of underfunding that has already been recognised in the bank's balance sheet by the value adjustment of the employer contribution reserve no longer needs to be counted as an economic obligation from underfunding. 29j-9

- When initially applying the above principles, the opening balance of the economic benefit or obligation or the resulting changes to previous entries as of this reporting date are to be 29j-10 taken into account via a restatement (cf. margin no. 260) or via the extraordinary income or expense accounts.

- The future economic benefit (including employer contribution reserves) is not mandatory to capitalise in individual financial statements, but is always to be disclosed in the notes (margin no. 167a). δ 29j-11

Treatment of own equity stocks in the individual and consolidated financial statements prepared in accordance with the true and fair view principle:

The amount of own equity stocks is to be deducted from equity capital at acquisition cost as a separate item "own shares". Dividend payments and resale gains / losses may not be posted to income but are to be allocated to "capital reserves" in the supplementary individual financial statement and consolidated financial statement or to "other reserves" in the combined individual financial statement. Obligations to supply own shares (e.g. bonus shares) not resulting from trading business are to be recognised in the position "own shares". Costs for the reduction in price of employee shares are to be posted as "personnel expenses". 29k

Treatment of equity transaction costs in supplementary individual and consolidated financial statements:[1] δ

- Equity transaction costs are, as a principle, where they result in equity capital raising (capital increase, sale of own equity stocks) or equity capital repayment (capital reduction, purchase of own equity stocks), to be recorded as a reduction of the capital reserves, subsequent to deducting the associated income taxes. 29l

- Equity transaction costs incurred up until and including the balance sheet date are to be recorded under "accrued income and prepaid expenses" where it is probable that the corresponding equity transaction will take place within the foreseeable future. Otherwise, these costs are to be charged to the income statement.

Amount of own debt in the individual and consolidated financial statements prepared in accordance with the true and fair view principle:

The amount of own bonds, cash bonds and money-market instruments must be matched with the respective corresponding liability positions. 29m

Reporting of securities lending and borrowing <u>and</u> repurchase and reverse repurchase transactions in the case of transactions for the bank's own account and risk (principal):

- The exchanged amounts of cash are to be recorded in the balance sheet. 29n

- The transfer of securities has no effect on the balance sheet where the transferring party maintains economic ownership of the rights associated with the securities. The securities are to be disclosed in the notes in accordance with margin no. 166a.

- The resale of received securities is to be recorded in the balance sheet and posted at market rates as a non-monetary obligation.

- As a rule, the economic ownership of transferred securities is not considered to be lost 29o

[1] Source: Swiss GAAP FER 24. δ

where the transferring party continues to carry 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, beneficial ownership remains with the transferring party. Where it is agreed that the transaction is substantively of the same maturity as the transferred securities, beneficial ownership is transferred to the acquiring party.

- Banks that deal in securities lending and borrowing under their own names but act on behalf of clients for whom, however, they assume neither liability nor a guarantee and thus do not act as a principal, are to treat the transactions according to the rules of fiduciary transactions as provided for in margin no. 233 and report them in accordance with margin nos.102 and 198. 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. 29p

IV. Creation and release of hidden reserves and reserves for general banking risks; treatment of value adjustments and provisions no longer required (Art. 24 para. 4 BO)

A. Creation of hidden reserves and reserves for general banking risks [δ]

The creation of hidden reserves in individual financial statements [δ] is permitted in view of the bank's continued prosperity or the distribution of most uniform possible dividends, as well as in consideration of the interests of shareholders. Hidden reserves may be created only within the limits of Art. 669 CO. 30

The creation of hidden reserves is permitted if it complies with the following: 31

a) charge to the account "depreciation and amortisation of fixed assets" in order to create hidden reserves for participating interests and tangible fixed assets;

b) charge to the position "value adjustments, provisions and losses" or "extraordinary expenses" for the purpose of creating hidden reserves under the position "value adjustments and provisions";

c) transformation of value adjustments and provisions no longer required into hidden reserves insofar as these items have been charged to the accounts listed in Point b above or are no longer required value adjustments for past due interest; [δ]

d) market-driven value increases in fixed assets that are not posted, leading to an increased difference between the book value and the statutory maximum value.

The creation of hidden reserves for general banking risks must be carried out in the following manner: [δ] 31a

- Individual financial statements: either via "extraordinary expenses" or on the basis of a transformation of value adjustments or provisions no longer required or transfer of hidden reserves.

- individual and consolidated financial statements prepared in accordance with the true and fair view principle: exclusively by way of the "extraordinary expenses" account.

The creation of hidden reserves by charges for amounts not economically required to expense items other than those listed under a) and b) is not allowed. Furthermore, the creation of hidden reserves by charges to income accounts (withholding of profits / reductions of income) is also not allowed. 32

B. Release of hidden reserves and reserves for general banking risks [δ]

The release of hidden reserves has occurred when the reserves have decreased as a result of: 33

a) release with income effect of hidden reserves in the position "value adjustments and provisions";

b) revaluation with income effect of fixed assets up to the maximum legal limits;

c) realisation through the sale of fixed assets whereby the recognition of the increased values resulting from a reclassification of fixed to current assets is deemed to be equivalent to a realisation through sale;

d) market-related declines in the value of fixed assets resulting in a reduction in the difference between the book value and the maximum legal value.

The release with income effect of hidden reserves is to be posted under the position "extraordinary income" as provided for in Art. 25a para. 1 no. 2.5 BO. The release of reserves for general banking risks is to also be posted via this position.[δ] 34

Where the release of hidden reserves and/or reserves for general banking risks[δ] in any one accounting period is material, it is to be disclosed in the notes as provided for in Art. 25c para. 1 no. 5.5 BO. The materiality of the aggregate release of hidden reserves and/or reserves for general banking risks is to be assessed in particular in relation to the disclosed equity and reported annual profit as well as in relation to the effects on these amounts. A release amounting to at least 2% of the disclosed equity or 20% of the reported annual profit is generally deemed to be material. 35

Revaluation of fixed assets up to acquisition cost at maximum (Art. 665 CO) is to be disclosed and explained in the notes in accordance with Art. 25c para. 1 no. 5.6 BO. 36

Revaluation of fixed assets in excess of their acquisition cost is to be dealt with in accordance with the provisions of Art. 670 CO and is to be reported to FINMA prior to publication of the annual financial statements. 37

C. Treatment of value adjustments and provisions no longer required

Value adjustments and provisions that are no longer necessary and are not utilised elsewhere or released constitute hidden reserves. In this case, no posting is to be made in the income statement of the individual financial statement[δ] but rather the re-designation is to be indicated in Table E, provided that the entries were originally charged to "value adjustments, provisions and losses" or "extraordinary expenses" or, in the case of past due interest, were created at the expense of "interest and discount income". By contrast, provisions no longer required that were created for pension benefit obligations or deferred taxes are to be released with income effect in any event.[δ] Where the release or change in use in the individual financial statement takes place in a subsequent accounting period (business year), this constitutes a release of hidden reserves and is to be posted with income effect under the position "extraordinary income" as provided for in Art. 25a para. 1 no. 2.5 BO. 38

The use and release of provisions for deferred taxes and pension benefit obligations is to be done respectively via the expense accounts "taxes" and "personnel expenses".[δ] 38a

If in the individual financial statement value adjustments and provisions that are not required are used in the same accounting period for the establishment of value adjustments and provisions necessary for another purpose or for the creation of reserves for general banking risks in accordance with margin no. 38[δ] ("re-designation of purpose"), this is to be shown in the notes in the presentation of value adjustments, provisions and reserves for general banking risks, in the corresponding column, as defined in Art. 25c para. 1 no. 3.9 BO (cf. Table E, section XI). 39

In individual and consolidated financial statements[δ] prepared in accordance with the true and fair view principle, released and reallocated value adjustments and provisions are to be disclosed in the notes, Table E (also "Default risks" row), gross as releases or newly created 39a items.

If value adjustments and provisions that are not required are released in the same accounting period with income effect, the release is to be posted under "extraordinary income" in the individual financial statement δ and in the individual and consolidated financial statements δ prepared in accordance with the true and fair view principle (without the provisions for pension benefit obligations or deferred taxes, to which margin no. 38a is applicable). δ The amount of the provisions and value adjustments released to income is to also be shown in the presentation of value adjustments, provisions and reserves for general banking risks in the notes, in the corresponding column, as provided for in Art. 25c para. 1 no. 3.9 BO (cf. Table E, section XI). 40

When the amount of value adjustments and provisions released or re-designated in any accounting period is material, this is to be commented upon in the notes as provided for in Art. 25c para. 1 no. 5.5 BO. As a general rule of thumb for assessing materiality, the calculation of material releases of hidden reserves as defined in margin no. 35 may be used. 41

The designated purpose of individual and general value adjustments and provisions is to be clearly stated so that these items are traceable and verifiable with regard to their designated purpose, the accounting periods to which they belong, as well as the positions to which they relate. 42

V. Classification of the balance sheet in the statutory individual financial statement

Minimum classification rules applicable to all banks are designed to ensure a simple and understandable presentation of the balance sheet. Additional information on collateral, remaining maturities and similar information is to be disclosed in the notes. 43

The following comments on the content of individual positions cover the most significant items. However, this list of items to be included is not exhaustive. 44

A. Position 1: Assets

a) Position 1.1: Liquid assets

- Current Swiss coins and bank notes, excluding collectors' pieces; 45*
- Foreign currencies, provided they are freely convertible to Swiss francs;
- Balances with foreign post offices, where freely transferable;
- Giro (clearing) balances with the Swiss National Bank;
- Giro (clearing) balances with a central giro institution (central clearing office) recognised by FINMA;
- Sight deposits with a foreign central bank.
- Clearing balances of foreign branches with a recognised clearing bank of the respective country.

b) Position 1.2: Amounts due arising from money-market instruments

- Commercial bills of exchange; 46
- Rescriptions and treasury bills of public-sector entities;
- Own bills of exchange to the order of the bank (simple collateral bills are to be omitted);
- Cheques;
- Money-market instruments such as BIS bills, bankers' acceptances, commercial papers (CPs), certificates of deposit (CDs), treasury bills and money-market book claims;
- Book-entry securities based on money-market and similar instruments;
- Combined products which, when viewed from an economic point of view, constitute money-market interest instruments.

c) Position 1.3: Amounts due from banks

- All balances (including precious metal account deposits) [δ] with domestic and foreign 47 banks, with the exception of money-market and similar instruments (cf. item 1.2), mortgage loans (cf. item 1.5), as well as securities and book-entry securities (cf. items 1.6 and 1.7);

- Amounts due from central banks, clearing institutions and foreign postal organisations where they are not to be reported under position 1.1;
- Due but unpaid interest.

See new margin no. 29n [δ] 48*

See new margin no. 29n [δ] 49*

d) Position 1.4: Amounts due from customers

- All amounts due from non-banks that are not to be disclosed under another position; 50
- Receivables in form of current accounts, including receivables secured by mortgage in the form of current accounts including construction credits prior to consolidation and commercial loans;
- Amounts due to the bank in its capacity as lessor in the context of finance leasing, with the exception of real estate finance leasing;
- Delivery commitments arising from precious metal account deposits [δ];
- Due but unpaid interest.

e) Position 1.5: Mortgage loans

- Direct and indirect mortgage claims in the form of secured loans (mortgage certificates pledged or assigned as collateral); 51
- Credits for land in the form of loans and fixed advances;
- Real estate finance leasing;
- Due but unpaid interest.

f) Position 1.6: Trading portfolios of securities and precious metals

All of the following if held and owned by the bank for trading purposes: 52

- Securities and book-entry securities;
- Precious metals;
- Combined products that, from an economic point of view, are capital market interest instruments;
- Own shares (individual financial statement).

In individual and consolidated financial statements prepared in accordance with the true and fair view principle, accounting is to be done in accordance with margin no. 29k. 52a

g) Position 1.7: Financial investments

The following items held and owned by the bank, albeit not for the purpose of trade, and in the case of equity securities and real estate property, nor for the purpose of permanent investment: 53

- Securities and book-entry securities;
- Debt-register claims due from public-sector entities;
- Real estate properties, equity securities and commodities whose ownership has been assumed by virtue of a credit transaction and are destined to be resold;
- Precious metals;
- Combined products that, from an economic point of view, are capital market interest instruments;
- Own shares (individual financial statement).

In individual and consolidated financial statements prepared in accordance with the true and fair view principle, accounting is to be done in accordance with margin no. 29k. 53a

h) Position 1.8: Participating interests

- Equity securities owned by the bank in enterprises (including real estate companies) that are held with the intention of a permanent investment irrespective of the percentage of voting shares held; 54
- Participating interests owned by the bank and possessing an infrastructure character for the bank, in particular holdings in joint organisations;
- Amounts due from enterprises in which the bank has a permanent holding, if such amounts are deemed to be equity for taxation purposes.

i) Position 1.9: Tangible fixed assets

- Real estate property except for current assets recorded under “financial investments”; 55
- Balances of construction and renovation accounts;
- Constructions on properties owned by third parties;
- Other tangible fixed assets;
- Tangible assets acquired under financial leases;
- Self-developed or purchased software; [δ]

- Intangible assets (e.g. goodwill, patents, capitalised incorporation, capital raising, organisational and restructuring costs to be amortised, etc.).

Intangible assets are to be presented in combined individual financial statements under a separate position.[δ]

Disclosure of leasing transactions (bank in the capacity of lessee): 56
Assets used by the bank in the capacity of lessee in the context of finance leases (leasing transactions with a purchase character; ownership rights and obligations on the part of the bank) are to be recorded in the balance sheet under the position “tangible fixed assets” at their cash purchase value and are to be shown separately in the presentation of fixed assets in the notes as provided for in Art. 25c para. 1 no. 3.4 BO. Leasing obligations are to be disclosed under the position “amounts due to banks” or “other amounts due to customers” as provided for in Art. 25 para. 1 no. 2.2 and no. 2.4 BO. Depreciation and amortisation of capitalised assets arising from finance leases is to be charged to the position “depreciation and amortisation of fixed assets” as provided for in Art. 25a para. 1 no. 2.2 BO.

Assets used by the bank under operating lease contracts (leasing transactions with loan-for-use character; ownership rights and obligations on the part of the lessor) are not to be capitalised. Operational leasing expenses are to be charged to the position “general and administrative expenses” as provided for in Art. 25a para. 1 no. 1.5.2 BO and the future obligations entered into for the payment of leasing instalments are to be disclosed separately in the presentation of fixed assets in the notes as provided for in Art. 25c para. 1 no. 3.4 BO. 56a

j) Position 1.10: Accrued income and prepaid expenses

All accruals of interest and other types of income, premiums on asset items and discounts on liability items, and assets arising from other prepaid and accrued items are to be disclosed here (transitory assets). 57

k) Position 1.11: Other assets

- Capitalised amount on the basis of employer contribution reserves and any other assets (economic benefit) related to pension funds.[δ] 58

- Positive replacement values of all derivative financial instruments outstanding on the balance sheet date and resulting from transactions for the bank’s own account and that of customers (for netting, cf. margin no. 14), irrespective of the treatment for income statement, for example hedge transactions.

  The following principles apply to the recording of replacement values resulting from transactions for the account of customers: 59

  The replacement values of derivative financial instruments arising from transactions for the account of customers are to be posted 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 (stock exchange, stock exchange member, issuer of instrument, broker, etc.) may no longer be able to honour any of its obligations. The following rules follow from this principle:

  - Over-the-counter contracts (OTC): 60

    - The bank acting as commission agent: the replacement values of commission transactions are, as a general rule, to be posted to the balance sheet except where the bank discloses the identity of the counterparty to the customer (cf. also margin no. 223). In this case, the bank assumes a credit risk only if the contract constitutes a loss for the customer. Consequently, only such positive replacement values are to be recorded. The corresponding double entries in book-keeping terms 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 where the contract represents a profit for the customer. Where the bank is not in a position for technical reasons to make this distinction, all replacement values arising from commission transactions are to be recorded. Banks are to disclose in the accounting and valuation policies (Section 2 of the notes) which principles have been followed in arriving at the replacement values for commission transactions.

    - The bank acting as principal: report replacement values.
    - The bank acting as broker: no replacement values are to be reported.

- Exchange-traded contracts: 61

  The bank acting as commission agent: The replacement values are not to be recorded in the balance sheet as a general rule except where the accrued daily loss ("daily variation margin") is not fully covered by the initial margin effectively received. Only the uncovered portion must be recorded. In the case of traded options, an identification requirement exists only where the maintenance margin effectively charged does not fully cover the customer's daily loss. Here, too, only the uncovered portion must be recorded. Daily gains of customers are to never be reported.

- The credit balance of the compensation account for value adjustments having no income effect during the accounting period (value adjustments with no income effect to the replacement values of derivative financial instruments and value adjustments with no income effect resulting from loan transactions involving assets other than money, interest margins, and borrowing costs on central mortgage institution loans and loans of central issuing institutions, in addition to the interest components of interest transactions that are sold at a loss or repaid prior to maturity where they have been valued according to the accrual method); 62*

- Coupons

- Foreign currencies if they are not included in Position 1.1

- Pure clearing accounts

- Balances arising from internal bank business operations

- Commodities

- Indirect taxes

- Losses shown in the income statement of semi-annual interim financial statements (Where the loss of the semi-annual interim financial statement is not covered by hidden reserves, it is to be disclosed separately under Position 2.19 “loss for the year” so as to avoid disclosing equity that is no longer intact, with the labelling of this position being changed to “loss for the half-year period”).

The composition of this position is to be disclosed in the notes. The balance of the compensation account is to be disclosed separately. 63

l) Position 1.12: Unpaid capital 64

m) Position 1.13: Total assets 65

aa) Position 1.13.1: Total subordinated claims 66

bb) Position 1.13.2: Total amounts due from group companies and holders of qualified participations 67

- Holders of qualified participations are natural and legal persons as defined in Art. 3 para. 2 let. c^{bis} of the Banking Act (BA).

- Cantonal banks are to disclose amounts due from the canton.

B. Position 2: Liabilities

a) Position 2.1: Liabilities from money-market instruments

All money-market and similar instruments issued by the bank like those named in position 1.2 as well as book-entry securities based on them. 68

b) Position 2.2: Amounts due to banks

Cf. Position 1.3 69

- Liabilities resulting from short positions arising from spot short sales, per security, recognised according to the trade date accounting principle;

- Leasing instalments recognised as a liability and payable for assets leased from banks where they have been capitalised under position 1.9;

- Mortgages in favour of third parties secured by real estate owned by the bank.

c) Position 2.3: Amounts due to customers in savings or deposit accounts

- Customer deposits designated as “savings” in any manner; [δ] 70

- Commitments in investment form, where they are subject to withdrawal restrictions. [δ]

d) Position 2.4: Other amounts due to customers

- All liabilities toward non-banks where they are not to be disclosed in any other position, including commitments from precious metal accounts; [δ] 71

- Leasing instalments recognised as a liability from assets leased by non-banks, where capitalised under position 1.9;

- Liabilities resulting from short positions arising from spot short sales, per security, recognised according to the trade date accounting principle;
- Mortgages in favour of third parties secured by real estate owned by the bank.

e) Position 2.5: Cash bonds 72

f) Position 2.6: Bond issues and central mortgage institution loans

- Own bonds, convertible and warrant bonds; 73
- Loans from central mortgage bond institutions;
- Loans from central issuing institutions.

g) Position 2.7: Accrued expenses and deferred income

Cf. Position 1.10. 74

Taxes payable are to be disclosed here.

h) Position 2.8: Other liabilities

- Negative replacement values of all derivative financial instruments outstanding as of the balance sheet date for the account of the bank and that of customers (for netting, cf. margin no. 14; for reporting of replacement values arising from transactions for the account of customers, cf. margin nos. 58 through 61); 75
- The debit balance of the compensation account for value adjustments having no income effect during the accounting period (adjustments of replacement values of derivative financial instruments and value adjustments resulting from loan transactions with assets other than money);
- "Funds" set up by the bank and possessing no separate legal personality, e.g. pension and charitable funds;
- Pure clearing accounts;
- Balances arising from internal bank business operations;
- Matured, but unredeemed coupons and debt instruments;
- Indirect taxes;
- Profit as disclosed in the income statement of semi-annual interim financial statements.

The composition of this position is to be disclosed in the notes. The balance of the compensation account is to be disclosed separately. 76

i) Position 2.9: Value adjustments and provisions

- Economically necessary value adjustments and provisions to cover risks that are apparent at the time of the financial statement reporting date and that have not been deducted directly from assets. 77

- Provisions for deferred taxes; [δ]

- Provisions for pension benefit obligations; [δ]

- Restructuring provisions; [δ]

- Other provisions;

- Hidden reserves in the individual financial statement.

j) Position 2.10: Reserves for general banking risks

All reserves that are not included in another position. 78

Reserves for general banking risks are to be created by charges to the position “extraordinary expenses” as provided for in Art. 25a para. 1 no. 2.6 BO, and in the individual financial statement [δ] by way of a re-designation of value adjustments and provisions no longer considered economically necessary or by way of a transfer of hidden reserves. Re-designations and transfers of hidden reserves in the individual financial statement are to be disclosed in the corresponding column in the notes, in the presentation as provided for in Art. 25c para. 1 no. 3.9 BO (cf. Table E, section XI). Reserves for general banking risks may only be released via the position “extraordinary income” as provided for in Art. 25a para. 1 no. 2.5 BO. 79

In the individual financial statement [δ], it is to be disclosed in the notes (art 25c para. 1 no. 2 BO) whether or not the reserves for general banking risks are taxed. 79a*

In the individual and consolidated financial statements prepared in accordance with the true and fair view principle, deferred taxes are to be taken into account for the amount of and allocations to the reserves for general banking risks. 79b

k) Position 2.11: Bank’s capital

- Share, cooperative and endowment capital; 80

- Partners’ capital;

- Paid-up capital accounts;

- Participation capital.

Unpaid guarantee capital is to be disclosed in the notes in accordance with the presentation as provided for in Art. 25c sect. 1 no. 3.10 (cf. Table F, Chapter XI). 81

l) Position 2.12: General legal reserve

Allocations to statutory reserves are to comply with the relevant provisions of the Code of 82

Obligations.

m) Position 2.13: Reserve for own shares

The reserve for own shares is to be created in the individual financial statement δ as provided for in Art. 659 CO, observing the restrictions of Art. 25 para. 5 BO. The reserve is to be established by transfer from positions 2.10, 2.15 and 2.16. The reserve may be dissolved pursuant to Art. 671a CO in the event of sale or voiding of shares up to their acquisition costs. 83

In individual and consolidated financial statements prepared in accordance with the true and fair view principle, own shares are to be treated as provided for in margin no. 29k.

n) Position 2.14: Revaluation reserve

This reserve is to be established in accordance with Art. 670 CO. As to the dissolution of the revaluation reserve, the provisions of Art. 671b CO apply. See also margin no. 37. 84

o) Position 2.15: Other reserves 85

p) Position 2.16: Profit carried forward 86

q) Position 2.17: Profit for the year[2] 87

r) Position 2.18: Loss carried forward 88

s) Position 2.19: Loss for the year[3] 89

t) Position 2.20: Total liabilities 90

aa) Position 2.20.1: Total subordinated liabilities 91

bb) Position 2.20.2: Total amounts due to group companies and holders of qualified participations 92

Cf. Position 1.13.2

C. Position 3: Off-balance-sheet transactions

a) Position 3.1: Contingent liabilities

- 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 resulting from rights of recourse based on an internal legal relationship (i.e. in the case of ordinary (unincorporated) partnerships), legally binding letters of comfort. 93

[2] Or "six-month profit" where the interim profit is shown separately. δ
[3] Or "six-month loss" where the interim loss is shown separately. δ *

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

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

  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.

- Irrevocable commitments arising from documentary letters of credit;

- Other contingent liabilities.

b) Position 3.2: Irrevocable commitments

- 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 revoked at anytime by the bank are not to be disclosed unless the contractual period of notice exceeds six weeks; 94

- Firm commitments to underwrite securities issues less firm subscriptions;

- 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 so 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;

- Payment commitment related to the deposit guarantee. $^{\delta}$

c) Position 3.3: Liabilities for calls on shares and other equities

Calls and margin commitments for shares and other equity instruments 95

d) Position 3.4: Commitment credits

- Commitments arising from deferred payments; 96

- Commitments arising from acceptances (only liabilities arising from acceptances in circulation);

- Other confirmed credits;

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

e) Position 3.5: Derivative financial instruments

- All derivative financial instruments outstanding as of the balance sheet date both for the account of the bank and that of customers in interest rates, foreign currencies, precious metals, equity securities/indices and other valuables with disclosure of the positive and negative (gross) replacement values as well as the respective contract volumes, each expressed in a total amount; 97

- Unsettled spot transactions recognised according to the settlement date accounting principle are to be included in forward transactions (cf. margin nos. 2 and 2a).

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 is the amount exposed to credit risk and represents the maximum possible book loss to be incurred by the bank as of the balance sheet date if the counterparties are 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. 98

Replacement values of derivative financial instruments from customer transactions are to be disclosed applying the following principles: 98a

- Over-the-counter contracts (OTC):
  - The bank acting as commission agent: report replacement values,
  - The bank acting as principal: report replacement values,
  - The bank acting as broker: no replacement values are to be reported.
- Exchange-traded contracts:

  The bank acting as commission agent: the replacement values are not to be disclosed, except in cases where the accrued daily loss ("variation margin) is not fully covered by the initial margin effectively received. Only the uncovered portion must be disclosed. In the case of traded options, a disclosure requirement exists only where the maintenance margin effectively charged does not fully cover the customer's daily loss. Here, too, only the uncovered portion must be disclosed. The daily gains of customers are to never be reported.

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 positive values. Negative replacement values from customer transactions are to be disclosed according to the same basic principles as apply in the case of positive replacement values from customer transactions. 99

The replacement values to be disclosed here do not necessarily correspond to those shown under "other assets" or "other liabilities". Differences may arise from netting positive and negative replacement values in the balance sheet as provided for in margin nos. 45–48 of 100

FINMA Circular 08/19 “Credit Risks — Banks” δ under the existing law and in the derivative financial instruments of customer transactions.

Contract volumes: the contract volumes are to be disclosed of all derivative financial instruments entered into by the bank for its own account and that of customers outstanding as of the balance sheet date. “Contract volumes” are defined by the receivables side of the underlying instruments or notional values of derivative financial instruments, as provided for in margin nos. 27–32 of FINMA Circular 08/19 “Credit Risks — Banks” under the existing law. Options are not to be delta-weighted. δ 101

The following values are relevant for options:

- 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:

- Over-the-counter contracts (OTC):
  The bank acting as commission agent: report contract volumes;
  The bank acting as principal: report contract volumes;
  The bank acting as broker: no contract volumes are to be reported.

- Exchange-traded contracts:
  The bank acting as commission agent: contract volumes are not to be reported.

f) Position 3.6: Fiduciary transactions

See definition in margin no. 233. Commission income from fiduciary transactions is to be recorded in the Position “commission income from securities and investment activities” as provided for in Art. 25a para. 1 no. 1.2.2 BO. Income from fiduciary placements and payment thereof to the principal may not be recorded in the income statement. 102

VI. Classification of the income statement in the statutory individual financial statement (Art. 25a BO)

Minimum classification rules on income statements applicable to all banks are designed to enable the presentation of the results of the various business areas in a simple and understandable manner for a broad group of readers and thus lead to a better understanding of the sources of the bank’s profits. The income statement *must* be prepared compulsorily in an echelon format. 103

As a general rule, the no-netting principle is to be applied to “income” and “expense” items except where the explanations in the text concerning these individual positions expressly state otherwise. Income and expenses can be offset against one another under the positions designated “result”. 104

A. Position 1: Income and expense from ordinary banking operations

a) Position 1.1: Result from interest operations

aa) Position 1.1.1: Interest and discount income

- Interest receivable; 105
- Credit commissions considered to constitute an interest component;
- Income from discounting bills of exchange;
- Result from refinancing trading positions where this income is offset against “result from trading activities” (cf. also margin no. 107);
- Similar items directly linked to interest operations.

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 (cf. margin no. 250). In the case of overdrafts, interest and commissions are considered past due where the overdraft 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 position 1.1.1. “interest and discount income” until any overdue interest has not been outstanding for longer than ninety days. A retroactive cancellation of interest income is not expressly prescribed. Where no retroactive cancellation is made, all receivables arising from such interest that have accrued and have been owing up to ninety days (due and unpaid interest and accrued interest) are to be written off via the account “value adjustments, provisions and losses”. Any treatment of past due interest that is at variance with this rule with regard to the ninety-day time limit, is to be disclosed in the notes as provided for in Art. 25c para. 1 no. 2 BO. 106

bb) Position 1.1.2: Interest and dividend income from trading portfolios

This position is to only be shown where a bank does not offset the interest and dividend income of trading portfolios against the refinancing expense for trading portfolios in the position “results from trading activities” as provided for in Art. 25a para. 1 no. 1.3 BO. Banks that offset the refinancing of positions entered into for trading purposes against interest operations are to disclose this in the notes as provided for in margin no. 149. 107

cc) Position 1.1.3: Interest and dividend income from financial investments

dd) Position 1.1.4: Interest expense

- Interest payable; 108
- Other interest-like expenses;
- Interest on subordinated loans;
- Interest on mortgages in favour of third parties secured with the bank’s own real estate properties including the interest components of real estate finance lease instalments.

The interest payable on cooperative and endowment capital, partners’ capital and capital accounts as well as guarantee capital is not to be treated as interest expense but as profit appropriation. 109

ee) Position 1.1.5: Subtotal for interest operations

b) Position 1.2: Result from commission business and services

This position includes not only commissions in the strict sense, but also income and expenses in general arising from the ordinary provision of services. 110

aa) Position 1.2.1: Commission income from lending activities

- stand-by, guarantee, letter of credit confirmation commissions; 111
- Advisory commissions.

bb) Position 1.2.2: Commission income from securities trading and investment activities

- Custodian fees; 112
- Brokerage commissions;
- Income from securities issuing operations both by way of underwriting on a commission basis or firm underwriting where the bank does not elect to account for income from primary market trading activities under the position "result from trading activities". Banks electing to reflect primary market trading income under the position "result from trading activities" must disclose this fact in their valuation principles (Section 2 of the notes);
- Income from coupons;
- Commissions from asset management activities;
- Commissions from fiduciary transactions;
- Investment advisory commissions;
- Commissions from estate planning, company formation and taxation advisory services.

cc) Position 1.2.3: Commission income from other services

- Rent for safe deposit boxes; 113
- Payment transaction commissions;
- Income from the collection of bills of exchange;
- Documentary collection commissions,

dd) Position 1.2.4: Commission expense

- Retrocessions; 114
- Custodian fees paid;

- Brokerage fees paid.

Retrocessions agreed in advance may be offset against the corresponding commission income. 115

Commissions to indemnify guarantee capital are not to be treated as commission expense but as profit appropriation. 116

ee) Position 1.2.5: Subtotal for commission business and services

c) Position 1.3: Result from trading activities

- Gains and losses on trading with securities and book-entry securities, debt register claims, other marketable assets and commitments, foreign exchange and bank notes, precious metals, commodities, derivative financial instruments, etc; 117
- Gains and losses on loaned assets belonging to the trading portfolio;
- Proceeds from subscription rights;
- Valuation result from the translation of foreign exchange positions;
- Components directly linked to trading activities and partly included in the market prices such as brokerage, transportation and insurance expenses, fees and duties, melting costs etc;
- When offsetting the refinancing of trading positions as provided for in Art. 25a para. 5 BO (cf. also margin no. 107), both interest and dividend income from securities trading portfolios as well as refinancing expenses are to be included in this position.

In the individual and consolidated financial statements prepared in accordance with the true and fair view principle, the gains and losses from trading with own shares (in the trading portfolio) are to be treated in accordance with margin no. 29k. 117a

d) Position 1.4: Other result from ordinary activities

aa) Position 1.4.1: Result from the disposal of financial investments

Realised gain or loss in connection with financial investments valued according to the lower of cost or market value principle.[δ] The realised result corresponds to the difference between the book value and the sale price. Value adjustments already posted during the current year are not to be reclassified to “result from the disposal of financial investments”.[δ] 118

bb) Position 1.4.2: Income from participating interests

- Dividend income from participating interests; 119
- Interest income from loans deemed part of equity capital (cf. also margin no. 54);
- Income from participating interests reported according to the equity method in the supplementary individual and consolidated financial statements.[δ]

In the combined individual financial statements, the effects on the income statement of a theoretical application of the equity method are to be disclosed in the notes. δ

Gains and losses from the sale of participating interests are not to be included here but under "extraordinary income" or "extraordinary expenses" instead. 120

cc) Position 1.4.3: Result from real estate

Income from the use of real estate not utilised for banking operations (including real estate included in "financial investments"), i.e. 121

- Rental income,
- Maintenance expenses for own real estate properties.

Gains and losses from the sale of real estate properties recorded under fixed assets are not to be entered under this position, but as "extraordinary income" or "extraordinary expenses". Gains and losses from the sale of real estate properties recorded under financial investments are not to be entered here, but as "result from the disposal of financial investments" (gains), or their balance as amortisation and depreciation on financial investments in the position "other ordinary income" or "other ordinary expenses" (realised depreciations in value). 122

dd) Position 1.4.4: Other ordinary income

- Positive balance of market-related value adjustments to financial investments valued according to the lower of cost or market value principle 123
  (It should be noted that 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 possesses the character of a value adjustment dictated by a decline in the credit standing of the debtor and, accordingly, the balance is to be charged to the expense account "value adjustments, provisions and losses");

- In the individual and consolidated financial statements prepared in accordance with the true and fair view principle, the gains from trading with own shares (in financial investments) are to be treated in accordance with margin no. 29k. 123a

ee) Position 1.4.5: Other ordinary expenses

- Negative balance of market- and/or creditworthiness-related value adjustments to financial investments valued according to the lower of cost or market value principle (cf. corresponding supplementary remark in margin no. 123); 124
- In the individual and consolidated financial statements prepared in accordance with the true and fair view principle, the losses arising from trading with own shares (in financial investments) are to be treated in accordance with margin no. 29k. 124a

ff) Position 1.4.6: Subtotal other result from ordinary activities

e) Position 1.5: Operating expenses

aa) Position 1.5.1: Personnel expenses

All expenses for the bank's governing bodies and personnel are to be included, including in particular: 125

- Meeting attendance fees and retainers for the bank's governing bodies;
- Salaries and benefits, contributions to the Old-age and Surviving Dependants' Pension/Disability Insurance Schemes (AHV/IV), Unemployment Insurance Scheme (ALV) and other statutory contributions;
- Premiums and voluntary appropriations to pension and other funds as well as in-house funds with the same purpose, but without any separate legal personality, where they do not have the character of a profit distribution;
- Value adjustments for economic benefits and commitments arising from pension funds; δ
- Premiums for life and pension insurance policies;
- Ancillary personnel expenses, including direct training and recruitment costs;
- Costs related to enabling price reductions associated with employee participation plans.

bb) Position 1.5.2: General and administrative expenses

- Office space expenses 126
    - Rent paid and maintenance and repair costs that do not increase the market value or value-in-use of tangible fixed assets used for banking operations, δ
    - Operating lease expenses for premises used for banking operations;
- IT expenses (including the costs for the services of external data processing centres), machinery, furniture, motor vehicles and other equipment and fixtures, in addition to operating lease expenses. Finance lease instalments are not to be recorded here but recorded, applying the annuity method, as an interest expense and repayment of leasing instalments recognised as liabilities. If low-value items are not concerned, depreciation and amortisation, , are not to be recorded here, but rather under Position 2.2; 126a
- Other operating expenses 126b
    - Office supplies and consumables, printed matter, telephone, telegraph, telex, postage and other transport costs,
    - Travelling allowances,
    - Insurance premiums,
    - Advertising expenses,
    - Legal and debt collection costs, commercial register and land registry fees,
    - Auditing expenses,
    - Issuing costs including expenses associated with the procurement of third-

party capital where they are not regarded as interest expense and are amortised over the term of the loan,

- Donations where they are not distributions associated with profit appropriations,
- Value-added tax if it does not represent a component of the cost price of tangible fixed assets.

cc) Position 1.5.3: Subtotal operating expenses

f) Position 1.6: Gross profit

B. Position 2: Profit/loss for the year

a) Position 2.1: Gross profit

b) Position 2.2: Depreciation and amortisation of fixed assets

- Depreciation and amortisation of Positions 1.8 “participating interests” and 1.9 “tangible fixed assets” [and “intangible assets”] including any additional depreciation and amortisation required due to periodical verifications of valuations. 127
- Depreciation and amortisation of assets capitalised under finance leases (cf. margin no. 56);
- Creation of hidden reserves in the individual financial statement $^{\delta}$ for Positions 1.8 “participating interests” and 1.9 “tangible fixed assets” if not created via “extraordinary expenses”.

Losses from disposals of participating interests and tangible fixed assets are to be included in the position “extraordinary expenses”. 128

c) Position 2.3: Value adjustments, provisions and losses

- Creation of value adjustments and provisions required for economic reasons, (cf. margin no. 29d-1 et. seq.) $^{\delta}$ dedicated to default, country and other business risks; 129
- Creation of other provisions required for economic reasons (cf. margin no. 29d-1 et. seq.)$^{\delta}$, including restructuring provisions where they are not created via “personnel expenses” (personnel expenses related to restructuring decisions) $^{\delta}$;
- Creation of hidden reserves in the individual financial statement $^{\delta}$ where not created by way of “extraordinary expenses”;
- Losses.

In the individual and consolidated financial statements prepared in accordance with the true and fair view principle, the creation of value adjustments and provisions is to be recorded as a net amount (new adjustments and provisions minus items mandatorily dissolved that are no longer required for economic reasons). Where the dissolutions/releases of old value adjustments and provisions exceed the new value adjustments and provisions, the excess 130 amount is to be posted to “extraordinary income” (cf. margin no. 133).

Recoveries of receivables written off in prior periods may be credited directly to provisions and 130a
are to be disclosed separately in the corresponding column of the presentation of value adjustments, provisions and reserves for general banking risks in the notes as provided for in art 25c para. 1 no. 3.9 BO (cf. Table E, section XI).

As to hidden reserves on financial investments in the individual financial statement [δ], the no- 131
netting principle applies, i.e. these hidden reserves are to be posted to “value adjustments and provisions” as liabilities. Understating the value of the position “financial investments” is prohibited.

d) Position 2.4: Result before extraordinary items and taxes

In the individual financial statement [δ], the result before taxes is to be shown only where the 132
profit or loss for the year is impacted to a material extent by extraordinary income and expenses.

In the individual and consolidated financial statements prepared in accordance with the true and fair view principle, the subtotal is to always be disclosed where extraordinary income and/or extraordinary expenses are present.

e) Position 2.5: Extraordinary income

“Extraordinary income” refers to non-recurring and non-operating income. The following are to 133
be disclosed in particular:

- Gains realised from the disposal of participating interests, tangible fixed assets and intangible assets; [δ]
- Upward revaluations of fixed assets up to the legal maximum value;
- Release of hidden reserves and reserves for general banking risks;
- Dissolution of value adjustments and provisions no longer required and not re-designated in the individual financial statement and in the individual and consolidated financial statements prepared in accordance with the true and fair view principle;
- Subvention payments received from shareholders during the course of the current year;
- Partial or full reversal of impairment (cf. margin no. 28b-16).

Income not relating to the current period is to be included here only where it is attributed to corrections of errors or mistakes from previous years.

Subvention payments from shareholders not received until after the end of the current year 134
are to be disclosed under Position 3.4 as loss coverage.

Guarantees covering a loss are not to be shown as “extraordinary income” but rather 135
disclosed in a note to Position 3.

f) Position 2.6: Extraordinary expenses

Extraordinary expenses are non-recurring and non-operating expenses. The following are to be disclosed in particular: 136

- Losses realised from the disposal of participating interests, tangible fixed assets and intangible assets; ᵟ
- Creation of hidden reserves in the individual financial statement ᵟ where not created under Positions 2.2 and 2.3;
- Creation of reserves for general banking risks.

Expenses not relating to the current period are to be included here only where they are attributed to corrections of errors or mistakes from previous years.

g) Position 2.7: Taxes

- Direct income and capital taxes; 137
- Creation of provisions for deferred taxes.

Current income taxes payable on the result of the respective period are to be determined in compliance with the relevant rules and regulations on the calculation of income tax.

Taking into account the tax effects on losses carried forward in the statutory individual financial statement is prohibited (deferred tax assets). For deferred taxes, cf. margin no. 79b.

Current taxes and deferred taxes are to be disclosed separately in the notes to the individual and consolidated financial statements prepared in accordance with the true and fair view principle. ᵟ 137a

h) Position 2.8: Profit / loss for the year[4]

C. Position 3: Appropriation of profit / coverage of losses

Guarantees for covering any losses are to be noted here. 138

a) Position 3.1: Profit / loss for the year

b) Position 3.2: Profit / loss carried forward

c) Position 3.3: Distributable profit / accumulated loss

d) Position 3.4: Appropriation of profit / coverage of losses

e) Position 3.5: Profit / loss carried forward

VII. Classification of the cash flow statement in the statutory

[4] Or “six-month profit” or “six-month loss” where the interim profit or loss is shown separately. ᵟ

individual financial statement (Art. 25b BO)

Table A in section XI is designed to serve as a model and may be adapted to the bank's requirements, subject to compliance with the minimum classification requirements as provided for in Art. 25b para. 2 and para. 3 BO. 139

The comparative figures for the previous year must be presented in each case. 140

VIII. Classification of the notes in the statutory individual financial statement (Art. 25c BO)

The notes are an integral part of the annual financial statements. They complement and provide information on the balance sheet and income statement, and the cash flow statement where necessary, and thus enable the informed reader to obtain a better understanding of significant aspects of the bank's financial position (net assets, financial positions and results). The notes are designed to unburden the balance sheet and income statement with regard to an overabundance of details so as to provide for an improved understanding at first glance. 141

In preparing the compulsory components of the respective notes, the size and business activities of the individual bank and materiality are to be taken into consideration. As a consequence, the notes must show a varying degree of detail and scope with regard to the various bank types. This differentiation is to be justified in the notes by way of summary disclosures of the bank's business activities as defined in Art. 25c para. 1 no. 1 BO. 142

In order to unburden the balance sheet and income statement with regard to an overabundance of details, yet at the same time structure the notes in a clear and legible manner, a certain minimum layout has been specified for the purpose of organising the content of certain presentations in the notes. Further analyses and supplementation of these presentations are possible. By the same token, insignificant positions can be grouped in accordance with their content (Art. 25c para. 2 BO). 143

The notes must contain the following subsections: 144

1. Explanatory notes on the bank's business activities, number of staff employed;
2. Accounting and valuation policies;
3. Information on the balance sheet;
4. Information on off-balance-sheet transactions;
5. Information on the income statement;
6. Any other significant indications, explanatory notes and justifications.

The bank is free to choose the form of presentation within the framework of the minimum disclosure and sequence as required by legal rules. 145

Unless expressly provided for otherwise by the remarks and tables set out in Section XI, all financial information is to be accompanied by comparative figures from the previous year. 146

The terms used in the notes have the following meaning: 147

- Disclosure: simple statement without further elaboration; depending on the respective circumstances, this may be expressed in figures or as text.
- Explanatory note: commentary in text form and interpretation of facts.
- Justification: disclosure of considerations and arguments on which certain actions or omissions have been based. Justification is to be provided in the form of text. Impacts and effects are to be quantified.

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

- Presentation: rendering in two-dimensional summarised tabular format in accordance with a particular minimum layout of content. The tables pursuant to Section XI are to be understood as models with regard to format; as to their content, they represent the minimum requirements, with the exception of the table for the cash flow statement (cf. margin no. 139).

The disclosed tables may be expanded in order to satisfy the requirements of FINMA Circular 08/22 "Capital Adequacy Disclosure — Banks". Table J "3.15 Presentation of Total Assets According to Country or Group of Countries" may be replaced with Model Table 6 "Geographical Credit Risks" of FINMA Circular 08/22 "Capital Adequacy Disclosure — Banks". δ

A. Position 1: Notes on business activities, disclosure of headcount

Summarised disclosures of the bank's business lines and size; disclosures of the outsourcing of business operations in accordance with regulatory provisions δ. Mention is to be made in particular of the types of business activities for which no disclosure is made either because they are negligible or are not present. The content, scope and degree of detail of the information contained in the notes are to be indicated. The number of employees as at year end must be expressed in terms of full-time employees and adjusted for part-time employees (trainees = 50%). The annual report under Art. 662 para. 1 and Art. 663d CO does not form part of the annual financial statements and is therefore not to be included here. 148

Disclosures with regard to no. 12 and no. 13 of Art. 663b CO as from the first business year that begins upon or subsequent to their entry into force. δ 148a

B. Position 2: Disclosure of the accounting and valuation policies

- Disclosure of the accounting and valuation policies for the individual balance sheet and off-balance sheet positions (cf. also margin nos. 20a, 28, 28a, 28b, 29, 29b, 29g, 29j, 29k, 29m, 29n, 79, 167); δ 149

- Justification of changes in the accounting and valuation policies as well as disclosure and explanatory notes on their effects, i.e. their impact on the hidden reserves;

- Disclosures concerning the treatment of past due interest where the treatment employed is at variance with that set out in margin no. 106;

- Disclosures of the treatment of the refinancing of trading positions (cf. margin no. 107);

- Explanatory notes on risk management, in particular on the treatment of interest rate risk, other market risks and credit risks. In this connection, the Guidelines on the Management of Country Risk issued by the Swiss Bankers' Association are to be followed;

- Explanatory notes on the bank's business policy regarding the use of derivative financial instruments;

- Disclosures as to how transactions are recorded (cf. margin nos. 2 and 2a);

- Explanatory notes on the methods used for identifying default risks and measuring the need for creating value adjustments;

- Explanatory notes on the valuation of collateral for loans, in particular key criteria for the calculation of the current market value and the lending value;

- Treatment of translation differences of foreign currencies: cf. margin nos. 20–21. [δ]

C. Position 3: Information on the balance sheet[5]

a) Position 3.1: Overview of collateral for loans and off-balance-sheet transactions

aa) Overview according to collateral [δ]

Presentation of collateral for amounts due from customers, mortgage loans, contingent liabilities, irrevocable commitments, calls commitments and commitment credits, broken down into: 150

- Secured by mortgage,

- Secured by other collateral, and

- Unsecured;

in accordance with the minimum classification as per Table B "Overview of Collateral for Loans and Off-balance-sheet Transactions" (Section XI).

Collateral by way of mortgage is the firm assumption of mortgage claims and of mortgage certificates pledged or assigned as collateral. All other forms of collateral are deemed those that are not mortgage-backed. Loans that have been granted without any valid collateral and those for which collateral has ceased to be valid in form or substance are to be included under the "unsecured" position. [δ] 151

Receivables resulting from a spot transaction recognised according to the trade date (cf. margin no. 2) may be recorded in the "Secured by other collateral" column until the settlement date.

The following are not considered collateral: assignments of wages and salaries, collector's items, 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 certificates and guarantees of debtors or of companies affiliated with these debtors, and assignments of future receivables. 152

Collateral is to be considered at its fair market value. 153

bb) Disclosures of impaired loans/receivables [δ]

The total amount of impaired loans/receivables is to be disclosed here (cf. definition in margin no. 239). Explanations are to be provided for material changes as compared to the previous 153a[6]

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[5] See also margin nos. 27a, 29b-6, 63, 76, 79a.

[6] The previous margin no. 150a is now margin no. 153a. [δ]

year. The impaired loans/receivables are to be stated at their gross and net values. In addition, the estimated liquidation values of the collateral and the existing individual value adjustments applied to the net debt amount are to be disclosed.

b) Position 3.2: Breakdown of trading portfolios of securities and precious metals, financial investments and participating interests

Presentation of trading portfolios of securities and precious metals broken down according to: 154

- Debt instruments (further broken down into listed and unlisted instruments), disclosing the bank's holdings of its own debentures and "cash bonds" (applicable only to the individual financial statement[δ]);
- Equity securities, specifying the bank's holdings of its own shares (applicable only to the individual financial statement[δ]); and
- Precious metals.

\- 155

Presentation of financial investments broken down according to: 156

- Debt instruments with information on the holdings of
  - The bank's own debentures and cash bonds (applicable only to the individual financial statement[δ])
    (bonds of central issuing institutions and central mortgage institution loans are not considered to be the bank's own debt instruments);
  - Debt instruments held until maturity, and
  - Debt instruments valued according to the lower of cost or market value principle;
- Equity securities, specifying the bank's holdings of qualified participations (at least 10% of the share capital or voting rights);
- Precious metals; and
- Real estate.

In the case of financial investments, both the book value and the fair value must be disclosed. 157

As to the holdings of the bank's own shares included in the financial investments of the individual financial statement, [δ] the opening and closing balance and changes during the current year resulting from purchases, sales, write-offs and upward revaluations are to be disclosed.

Presentation of participating interests broken down into: 158

- those with a listed value, and
- those without a listed value.

The minimum classification as set out in Table C “Trading Portfolios of Securities and Precious Metals”, “Financial Investments” and “Participating Interests” (Section XI) is compulsory. 159

c) Position 3.3: Disclosure of the company name, registered office, business activities, capital and equity interests (voting shares, capital shares and any contractual commitments) of significant participating interests

All material holdings of equity investments in enterprises that are included in “financial investments” are to be disclosed. 160

Any material changes as compared to the previous year are to be disclosed.

Obligations to assume further shares, e.g. by way of a firm agreement or an option (purchased call option or written put option) or the release of shares, e.g. by way of a firm commitment or an option (purchased put option or written call option) are to be disclosed.

d) Position 3.4: Presentation of fixed assets

Presentation of fixed assets structured according to: 161

- Acquisition costs,
- Accumulated depreciation and amortisation,
- Book value at previous year end,
- Reclassifications,
- Additions,
- Disposals,
- Adjustments from equity valuation or reversals of impairment, [δ]
- Depreciation and amortisation for the current year, and
- Book value at the end of the current year

in accordance with the minimum classification as per Table D “Presentation of fixed assets” (Section XI).

Where fixed assets are insignificant 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 and amortisation for the current year. Where disclosure details of the determination of acquisition cost are omitted, this omission has to be justified. 162

Foreign-currency translation differences, if any, are to be recorded in the “Disposals” column of Table D. 163

The future obligations to effect payment of leasing instalments for non-recognised assets subject to operating leases are to be disclosed in Table D as the total amount of non-recognised operating lease commitments. 164

e) Position 3.5: Disclosure of capitalised formation, capital increase and organisation costs 165

f) Position 3.6: Disclosure of pledged or assigned assets to secure own commitments and of assets subject to reservation of title

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. 166

Disclosure of securities lending and repurchase transactions[δ]

The following values are to be disclosed for securities lending and repurchase transactions*:*[δ] 166a

- Book value of receivables from cash collateral in securities borrowing and reverse repurchase agreements;
- Book value of obligations from cash collateral in securities lending and repurchase agreements;
- 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 serving as collateral in connection with securities lending or securities borrowed in connection with securities borrowing or securities received in connection with reverse-repurchase agreements for which the right to resell or repledge is unrestricted,
    - Fair value of associated resold or repledged securities.

g) Position 3.7: Disclosure liabilities relating to own pension and welfare funds

Debentures and cash bonds of the bank as well as negative replacement values are to also be included. 167

Disclosures of pension funds[δ]

To be disclosed in the notes for the employer contribution reserves in tabular form, and where applicable, classified into: 167a-1

- Patronage funds / patronage pension institutions and;
- Pension funds.

The following is also to be disclosed: 167a-2*

- Nominal value of the employer contribution reserves as per the balance sheet date;
- Amount of any possible waiver of use as per the balance sheet date;
- Allocation to the employer contribution reserves;
- Status of assets as per the current and previous balance sheet dates;
- Result of the change in employer contribution reserves as a component of personnel expenses — for the current as well as previous year. The result of the employer contribution reserve for the current year is equal to the difference between the status of assets as per the current balance sheet less the status of assets as per the previous balance sheet date, taking into account a possible allocation. If the result of the employer contribution reserve includes an interest income or charge, this can be disclosed separately in the result from interest operations. The elected treatment is to be disclosed in the notes. The eventual discounting of the nominal value of the employer contribution reserve is to be disclosed in an additional row.

To also be disclosed in the notes in tabular form, and where applicable, classified into: 167a-3

- patronage funds / patronage pension institutions
- Pension funds without any overfunding/underfunding
- Pension funds with overfunding
- Pension funds with underfunding
- Pension plans without own assets.

The following is also to be disclosed: 167a-4

- Amount of overfunding or underfunding as of the balance sheet date;
- Economic benefit or obligation as per the current and previous balance sheet dates;
- Change in economic benefit or obligation calculated as the difference between the two balance sheet dates disclosed;
- 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 gaps.
- 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).

An explanatory note is to be given for the recognition of any economic benefit or obligation. δ 167a-5

Explanatory notes are to be provided for any employer contribution reserves and future economic benefit not capitalised in the individual financial statement. δ 167b

Banks applying the relevant valid provisions of internationally recognised accounting standards as an alternative must satisfy the disclosure requirements of the respective standard. δ 167c

h) Position 3.8: Presentation of bonds outstanding

To be individually disclosed for all outstanding bonds: the year of issue, interest rate, type of bond, maturity, and early termination possibilities, in addition to the amount outstanding. Central mortgage institution loans and loans of central issuing institutions are to be reported in one total amount each. 168

Where there are more than 20 issues, the information may be summarised, disclosing at minimum the total amount of subordinated and non-subordinated bonds. In addition, the weighted average interest rate and the range of years until maturity are to be indicated for each. To be disclosed in an overview: the total amounts due for repayment per year for the five years following the year of the current financial statement; maturities exceeding five years may be summarised. Summarised disclosure per issuer is permitted in the consolidated financial statements. See Model Table P. 168a

i) Position 3.9: Presentation of value adjustments and provisions, reserves for general banking risks, and changes therein during the current year

The following positions are to be presented: 169

- Provisions for deferred taxes,
- Value adjustments and provisions for default risks (collection and country risks),
- Value adjustments and provisions for other business risks,
- Restructuring provisions, δ
- Provisions for pension benefit obligations, δ
- Other provisions,
- Total value adjustments and provisions,
- Less value adjustments directly offset against assets,
- Total value adjustments and provisions as per balance sheet,
- Reserves for general banking risks;

broken down according to:

- Balance at end of previous year,

- Use in conformity with designated purpose,
- Re-designation of purpose (reclassifications),
- Recoveries, past due interest, currency translation differences,
- value adjustments, provisions and reserves for general banking risks charged to income,
- Value adjustments, provisions and reserves for general banking risks released to income
- Balance at end of year

in accordance with the minimum classification as per Table E "Value Adjustments and Provisions / Reserves for General Banking Risks" (Section XI).

Past due interest charged to customers but not collected as interest income is to be disclosed in the fourth column of Table E together with recoveries and any currency translation differences in value adjustments and provisions. 170

Both individual value adjustments and general value adjustments for defined risk types may be posted under "value adjustments and provisions for default and country risks". 171

Items such as provisions for settlement risks, value adjustments for insufficient market liquidity, etc. are to be included under "value adjustments and provisions for other business risks". 172

Provisions for litigation expenses or amounts earmarked for severance pay, for instance, are to be included under "other provisions". All hidden reserves contained in the position "value adjustments and provisions" in the individual financial statement are to be shown in the sub-position "other provisions". 173

The figures are to be supplemented in the notes by a brief explanation for significant provisions that discloses the nature of the obligation and its degree of uncertainty. If a provision is discounted, the discount rate applied is to be disclosed. 173a

j) Position 3.10: Presentation of the bank's capital and disclosure of holders of interests exceeding 5% of all voting rights

Presentation of the composition of the bank's capital, broken down into: 174

- Total par value,
- Number of shares or interests, and
- Capital eligible for dividend

in accordance with the minimum classification as per Table F "Bank's Capital" (Section XI). Private bankers who prepare Table F are to adapt it in keeping with the composition of their capital.

Direct as well as indirect shareholders must be disclosed, applying the principle of substance over form. 175

k) Position 3.11: Statement of shareholders' equity

Presentation in accordance with the minimum classification as per Table G "Statement of Shareholders' Equity". 176

In combined individual financial statements, Table G is to be expanded with the following disclosures:[8] δ

- Number and nature of recorded own shares at the beginning and end of the reporting period; 176a-1
- Number, nature, average transaction price and average net market value (where different from transaction price) of purchased and sold own shares during the reporting period, with the shares issued in connection with share-based compensation plans being presented separately; 176a-2
- Any contingent liabilities associated with purchased or sold own shares (e.g. repurchase and resell obligations); 176a-3
- Number and nature of equity instruments of the bank that are held by subsidiaries, joint ventures, affiliated companies, pension funds and to the bank related foundations; 176a-4
- Number, nature and conditions of own shares reserved for specific purposes and of equity instruments held by to the bank related persons (e.g. employee profit-sharing plans or convertible or warrant bonds) as at the beginning and end of the reporting period. 176a-5
- 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 conditional and authorised capital, amount of non-distributable — statutory or legal — reserves. 176a-6

l) Position 3.12: Presentation of the maturity analysis of current assets, financial investments and third-party liabilities

Presentation of current assets, financial investments and third-party liabilities broken down according to: 177

- At sight,
- Cancellable,
- Due within 3 months.
- Due between 3 and 12 months,
- Due between 12 months and 5 years,
- Due after 5 years, and
- No maturity,

8 Source: Swiss GAAP FER 24. δ

in accordance with the minimum classification as per Table H "Maturity Analysis of Current Assets, Financial Investments and Third-Party Liabilities" (Section XI).

Assets and liabilities are to be disclosed according to their remaining period to maturity, i.e. according to the capital maturities. 178

Portfolios of securities and precious metals held for trading purposes and equity securities and precious metals included in financial investments must all be reported under sight deposits. 179

Categories of capital that are in principle subject to withdrawal restrictions are to be reported in full in the "cancellable" column in Table H. "Cancellable" means a certain maturity is not established until after withdrawal notice has been given. Call deposits are to also be included in the "cancellable" column. 180

Amounts due from customers in the form of current account credits and construction credits are considered to be "cancellable"; obligations toward customers in the form of current accounts are considered to be "at sight". 181

m) Position 3.13: Disclosure of amounts due from/to related companies as well as loans to members of governing bodies

One total amount to be disclosed for each. 182

For the definition of related companies and loans to members of governing bodies, cf. margin nos. 219 and 246.

Amounts due from / to holders of qualified participations in the bank are to be recorded in the Positions as provided for in Art. 25 para. 1 no. 1.13.2 and no. 2.20.2 BO and not to be included here, even if they possess the function of a member of a governing body. 183

Cantonal banks must include, under affiliated companies, public-law institutions of the respective canton or public-private enterprises in which the canton has a qualified participation. Amounts due to / from the respective canton itself are to be reported in the positions as provided for in Art. 25 para. 1 no. 1.13.2 and no. 2.20.2 BO. 184

The amounts to be disclosed according to margin nos. 67, 92 and 182 are considered transactions with related parties. All significant transactions and the resulting amounts due from / to related parties are to be disclosed according to the no-netting principle (margin nos. 67, 92 and 182). The following information is to be additionally disclosed:[9] 184a

- Description of the transactions,
- Volume of the transactions (generally the amount or ratio),
- Significant other conditions.

Individual and consolidated financial statements prepared in accordance with the true and fair view principle are to additionally disclose the following transactions with shareholders in their 184b

[9] Source: Swiss GAAP FER 15. δ

capacity as shareholders to transactions:[10] δ

- Description and amount of transactions with shareholders that were not settled in cash or that were offset against other transactions;
- Indication of the reasons for using a different valuation basis, and the basis itself, applied to transactions with parties that could not be recognised at net market values;
- Description of transactions with shareholders that were not conducted at arm's length, including the difference between the net market value and the contractually agreed price of the transaction that was recognised in the capital reserves.

The disclosures pursuant to Art. 663b$^{\text{bis}}$ and Art. 663c CO are to be made here. δ 184c

n) Position 3.14: Presentation of assets and liabilities by domestic and foreign origin

Presentation in accordance with the minimum classification as per Table I "Analysis of Assets and Liabilities by Domestic and Foreign Origin" (Section XI). 185

The breakdown according to domestic and foreign origin is to be done according to the domicile of the customer, with the exception of mortgage loans, for which the domicile of the real estate property is the determining factor. The Principality of Liechtenstein is deemed to be of foreign origin. 186

o) Position 3.15: Presentation of total assets broken down by country or group of countries

Presentation in accordance with the minimum classification as per Table J "Analysis of Assets by Country / Group of Countries" (Section XI). The level of detail in the breakdown by country / group of countries may be established by the bank as needed. 187

The breakdown by country or group of countries is to be done according to the domicile of the customer, with the exception of mortgage loans, for which the domicile of the real estate property is the determining factor. The Principality of Liechtenstein is deemed to be of foreign origin. 188*

Model Table 6 "Geographical Credit Risk" of FINMA Circular 08/22 "Capital Adequacy Disclosure — Banks" may be used instead of Table J "Analysis of Assets by Country / Group of Countries". δ 188a

p) Position 3.16: Presentation of assets and liabilities broken down by the most significant currencies for the bank

Presentation in accordance with the minimum classification as per Table K "Analysis of Assets and Liabilities According to Currency" (Section XI). 189

The level of detail in the breakdown by currency may be established by the bank as needed. 190

[10] Source: Swiss GAAP FER 24. δ

D. Position 4: Information on off-balance-sheet transactions

a) Position 4.1: Analysis of contingent liabilities

See margin no. 93 concerning the allocation of individual contingent liabilities to the categories "guarantees to secure credits", "performance guarantees", "irrevocable commitments" and "other contingent liabilities". 191

b) Position 4.2: Analysis of commitment credits

See margin no. 96 concerning the allocation of individual confirmed credits to the categories "commitments arising from deferred payments", "commitments arising from acceptances" and "other confirmed credits". 192

c) Position 4.3: Analysis of derivative financial instruments outstanding at financial year end *

Presentation to be done in accordance with the minimum classification as per Table L "Outstanding Derivative Financial Instruments" (Section XI). 193

Margin nos. 97-101 are applicable with regard to the disclosure of the contract volumes and positive and negative replacement values. 194

Unsettled spot transactions as of the balance sheet date that are recognised according to the settlement date are to be included in forward transactions. 195

In all cases, a distinction is to be made between over-the-counter transactions and exchange-traded transactions. Unsettled spot transactions are to be treated as over-the-counter transactions. 196

In addition, the provisions concerning the disclosure of the balance of the adjustment account must be adhered to (cf. explanations in margin nos. 63 and 76). 197

d) Position 4.4: Analysis of fiduciary transactions

Presentation to be done in accordance with Art. 25c para. 1 no. 4.4 BO. 198

e) Position 4.5: Disclosure of managed assets $^{\delta}$

Information on managed assets is to be disclosed (cf. Table Q, section XI) if the balance of Positions 1.2.2. "commission income from securities trading and investment activities" and 1.2.4 "commission expense" is higher than a third of the Positions 1.1.5 "result from interest operations", 1.2.5 "result from commission business and services" and 1.3 "result from trading activities". 198a

For the calculation of the relevant value according to margin no. 198a, the positions are to be accumulated over the last 3 years (smoothing of yearly fluctuations). 198b

This table is to contain, in addition to the assets in collective investment schemes managed by the bank, the assets of investors managed under an asset management agreement (including assets deposited with third parties) as well as other assets held for investment purposes ("other managed assets"). The bank's own investments are normally not to be included in 198c "managed assets". δ

As a general rule, all assets are considered managed assets for which investment advisory or discretionary portfolio management services are rendered. This includes, in particular, amounts owed to customers in savings and deposit accounts (as per Art. 25 no. 2.3 BO), fixed-term deposits, fiduciary funds and all valued portfolio assets (this list is not exhaustive; details are to be derived from the principle of investment purpose). δ 198d

The table is not to include assets that are held exclusively for custody and transaction settlement purposes ("custody assets"). The bank typically does not provide any investment advisory or asset management services for these assets. δ

Each bank must establish and document criteria with regard to its specific differentiation of custody assets vs. assets under management. These criteria are to be explained in each annual publication the form of a footnote at the end of Table Q. By the same token, an explanatory note is to be included on the treatment of reclassifications between assets under management and assets not disclosed in Table Q. δ 198e

Banks subject to a publication requirement must take the schedule of publication scheme (cf. Table Q) into account. The presentation of additional information is possible where the relevant positions and positions are disclosed in a clear-cut manner in accordance with the respective established definitions. Any voluntary subdivision into customer segments is to be shown in separate columns. δ 198f

The row "of which double-counted" primarily takes into account collective investment schemes managed by the bank that are in custody accounts already included in "managed assets". δ 198g

Disclosure of net new money inflows/outflows: When reporting this information for the first time, disclosure of the previous year values is not mandatory. δ 198h

The net inflow or outflow of assets under management (net new money) during a particular period is to include new clients acquired, client departures, and the inflow and outflow of investments of existing clients. The term "net new money" not only includes cash inflows and outflows but also the inflow and outflow of other typical investments (e.g. securities or precious metals). The calculation of net new money inflow/outflow is be done at the level of "total managed assets", i.e. before the elimination of double-counting. Market-driven asset value changes (e.g. price changes, interest and dividend payments) are not to be included as inflow or outflow. δ 198i

Each bank decides how new money inflows/outflows are to be calculated. The methods used are to be commented upon in each annual publication in the form of a footnote at the end of Table Q. The treatment of interest, commissions and fees charged to managed assets is to be disclosed in this context. δ 198j

E. Position 5: Information on the income statement[11]

a) Position 5.1: Disclosure of significant refinancing Income in the Position "interest and discount income" 199

[11] See also margin nos. 29b-6, 119, 137a.

b) Position 5.2: Analysis of result from trading activities

The breakdown of trading income by business segment is to be done in accordance with the organisation of these business activities. Trading gains or losses that cannot be attributed to a particular business area because of the overlapping nature of the organisation are to be reported in the position "combined trading operations". 200

Gains or losses from commodities trading are to be reported as "other trading transactions". 201

All gains/losses from spot trading and trading in forward / option contracts in all business segments are to be reported. 202

c) Position 5.3: Analysis of the position "personnel expenses"

- Salaries: meeting attendance fees and retainers to bank authorities, salaries and benefits; 203
- Social insurance benefits (cf. also margin no. 125);
- Value adjustments for economic benefits or obligations arising from pension funds; [δ]
- Other personnel expenses.

d) Position 5.4: Analysis of the position "general and administrative expenses"

See margin no. 126 for the allocation of individual general and administrative costs to the categories "office space expenses" and "IT expenses, machinery, furniture, motor vehicles and other equipment and fixtures, and other business expenses". 204

e) Position 5.5: Explanatory notes on significant losses, extraordinary income (i.e. additional capital contributions from shareholders) and extraordinary expenses, as well as significant releases of hidden reserves, reserves for general banking risks, and value adjustments and provisions no longer required 205

The amounts of significant impairment losses and partial or full reversals of impairment are to be disclosed individually. Events and circumstances that led to them are to be commented upon. [δ] 205a

f) Position 5.6: Disclosure and justification of revaluations of fixed assets up to acquisition cost at maximum (Art. 665 and 665a CO) 206

g) Position 5.7: Disclosure of income and expenses from ordinary banking operations analysed according to domestic and foreign origin, according to the principle of permanent establishment 207

IX. Classification of the consolidated financial statement (Art. 25d to Art. 25k BO) and supplementary individual financial statement δ

The respective provisions on the statutory δ individual financial statements as per Sections V to VIII accordingly apply as a general rule to the classification of the balance sheet, income statement, cash flow statement, and notes to the consolidated financial statement and supplementary individual financial statement. They are to be accordingly applied in keeping with the specifics and special requirements of consolidated financial statements. Significant departures from the aforementioned provisions are expressly indicated below. 208

Insignificant participating interests may be excepted from consolidation. 209

A. Consolidated balance sheet (Art. 25f BO) / balance sheet of the supplementary individual financial statement δ

The consolidated balance sheet (and the balance sheet of the supplementary individual financial statement) δ is to be classified in accordance with Art. 25f and Art. 25 BO as follows:

1. Assets 210
   - 1.1 Liquid assets
   - 1.2 Amounts due arising from money-market instruments
   - 1.3 Amounts due from banks
   - 1.4 Amounts due from customers
   - 1.5 Mortgage loans
   - 1.6 Trading portfolios of securities and precious metals
   - 1.7 Financial investments
   - 1.8 Non-consolidated participating interests/participating interests[12] δ
   - 1.9 Tangible fixed assets
   - 1.10 Intangible assets
   - 1.11 Accrued income and prepaid expenses
   - 1.12 Other assets
   - 1.13 Unpaid-up capital
   - 1.14 Total assets
     - 1.14.1 Total subordinated claims
     - 1.14.2 Total amounts due from non-consolidated participating interests and holders of qualified participations

2. Liabilities 210a
   - 2.1 Liabilities from money-market instruments
   - 2.2 Amounts due to banks
   - 2.3 Amounts due to customers in savings or deposit accounts
   - 2.4 Other amounts due to customers
   - 2.5 cash bonds
   - 2.6 Bond issues and central mortgage institution loans
   - 2.7 Accrued expenses and deferred income
   - 2.8 Other liabilities
   - 2.9 Value adjustments and provisions
   - 2.10 Reserves for general banking risks

[12] In supplementary individual financial statements. δ

2.11 Bank's capital
2.12 Capital reserves
- Reserves for own shares of the parent company not considered to be held for trading purposes are to be recorded here
2.13 Profit reserves
2.13a Own shares (negative position) δ
2.14 Minority interests in equity[13]
2.15 Revaluation reserves
- Upward revaluation reserves are to be disclosed here.
2.16 Consolidated profit / profit for the year[14]
2.16.1 Of which minority interests in profit [15]

Less
2.17 Consolidated loss / loss for year [16] δ
2.17.1 of which minority interests in loss [17]
2.18 Total liabilities
2.18.1 Total subordinated liabilities
2.18.2 Total amounts due to non-consolidated participating interests and holders of qualified participations

3. Off-balance-sheet transactions 210b
3.1 Contingent liabilities
3.2 Irrevocable commitments
3.3 Liabilities for calls on shares and other equities
3.4 Commitment credits
3.5 Derivative financial instruments
3.6 Fiduciary transactions

B. Consolidated income statement (Art. 25g BO) / income statement of the supplementary individual financial statement δ

Classification of the consolidated income statement (and the income statement of the supplementary individual financial statement δ) is to be done in accordance with Art. 25g and Art. 25a BO as follows: 211

1. Income and expenses from ordinary banking operations 211a

1.1. Result from interest operations
1.1.1 Interest and discount income
1.1.2 Interest and dividend income from trading portfolios
1.1.3 Interest and dividend income from financial investments
1.1.4 Interest expense
1.1.5 Subtotal result from interest operations

1.2 Result from commission business and services 211b
1.2.1 Commission income from lending activities
1.2.2 Commission income from securities trading and investment activities

[13] In consolidated financial statements. δ
[14] In supplementary individual financial statements. δ
[15] In consolidated financial statements *
[16] In supplementary individual financial statements *
[17] In consolidated financial statements *

1.2.3 Commission income from other services
1.2.4 Commission expense
1.2.5 Subtotal result from commission business and services

1.3 Result from trading activities 211c

1.4 Other result from ordinary activities 211d
1.4.1 Result from the disposal of financial investments
1.4.2 Total income from participating interests
1.4.2.1 of which from participating interests accounted for by the equity method
1.4.2.2 of which from other non-consolidated participating interests
1.4.3 Result from real estate
1.4.4 Other ordinary income
1.4.5 Other ordinary expenses
1.4.6 Subtotal other result from ordinary activities

1.5 Operating expenses 211e
1.5.1 Personnel expenses
1.5.2 General and administrative expenses
1.5.3 Subtotal operating expenses

1.6 Gross profit 211f

2. Consolidated profit / consolidated loss 211g

2.1 Gross profit
2.2 Depreciation and amortisation of fixed assets
2.3 Value adjustments, provisions and losses
2.4 Result before extraordinary items and taxes
2.5 Extraordinary income
2.6 Extraordinary expenses
2.7 Taxes
2.8 Consolidated profit/loss / profit/loss for the year[18] δ
2.8.1 of which share of minority interests in result[19]

C. Consolidated cash flow statement (Art. 25h BO) / Cash flow statement of the supplementary individual financial statement δ

Table A in Section XI is a model and may be adapted to the bank's requirements and the specifics of the consolidated financial statement, subject to compliance with the minimum classification requirements as provided for in Art. 25b para. 2 and para. 3 BO. 212

[18] In supplementary individual financial statements. δ
[19] In consolidated financial statements. δ

D. Notes to the consolidated financial statement (Art. 25i BO) and supplementary individual financial statement [δ]

The information on accounting and valuation policies, the principles concerning how business transactions are recorded, and the explanatory notes regarding risk management pursuant to Art. 25c para. 1 no. 2 BO are to be supplemented by disclosures concerning the principles underlying the preparation of the consolidated financial statement and supplementary individual financial statement [δ]. 213

The presentation of fixed assets and the statement of shareholders' equity must follow tables M and N respectively (Section XI). The other analyses according to the tables set out in Section XI apply in the same manner to the consolidated financial statement and the supplementary individual financial statement [δ] as they do to the statutory individual financial statement. Table F (Bank's Capital) is not applicable to consolidated financial statements. 214

Table N is to be supplemented with the disclosures of margin no. 176a. [δ] 214a

The consolidation goodwill [δ] must be capitalised and amortised over its estimated useful life. The amortisation is to be done applying the straight-line method unless another method of amortisation is more appropriate in a particular case. The amortisation period may not exceed five years unless a longer period, which may not exceed twenty years as calculated from the time of acquisition, is justified. 215

E. Disclosure exemptions in the statutory individual financial statement (Art. 25k BO)

Banks that are subject to the preparation of consolidated financial statements or that prepare supplementary individual financial statements are exempt from the disclosure of the following information in the statutory individual financial statement, i.e. without limitation also where the consolidated financial statements are prepared in accordance with internationally recognised standards: [δ] 216*

- Cash flow statement (Art. 25b BO, Table A)
- In the notes (Art. 25c para. 1 BO):

3.1	Overview of collateral for loans and off-balance-sheet transactions (Table B)
3.2	Breakdown of trading portfolios of securities and precious metals, financial investments and participating interests (Table C)
3.3	Company name, registered office etc. of significant participating interests
3.4	Presentation of fixed assets (Table D)
3.6	Subsection on disclosures of securities lending and repurchase transactions [δ]
3.7	Subsection on disclosures of pension funds [δ]
3.8	Outstanding bonds
3.12	Maturity analysis of current assets, financial investments and third-party liabilities (Table H)
3.14	Analysis of assets and liabilities by domestic and foreign origin (Table I)
3.15	Analysis of assets by country/group of countries (Table J)
3.16	Analysis of assets and liabilities according to currency (Table K)
4.1	Analysis of contingent liabilities
4.2	Analysis of commitment credits
4.3	Analysis of outstanding derivative financial instruments (Table L)

4.5 Disclosure of managed assets (Table Q)[20]
5.1 Refinancing income in the position “interest and discount income”
5.3 Analysis of the position “personnel expenses”
5.4 Analysis of the position “general and administrative expenses”
5.7 Income and expenses analysed according to domestic and foreign origin applying the principle of permanent establishment

- Interim financial statements (Art. 23b BO)

[20] Where Table Q is published in consolidated financial statements on a voluntary basis, the exemption from disclosure is applicable only when margin nos. 198a-198j are fully adhered to.

X. Definitions

Accrual method (amortised cost method) 217

According to the accrual method, the interest component is to be recognised in the income statement pro rata or applying the compound interest method over the term until maturity. When allocating premiums and/or discounts of fixed-interest debt instruments over their respective term, the expression "amortised cost method" is also used in this context.

Activity abroad 218

Banks with their registered office in Switzerland are active abroad where they have branches outside of Switzerland, when they directly or indirectly hold more than 50% of the voting rights in the capital of banks, securities dealers, finance companies or real estate companies with a registered office located outside of Switzerland, or they exercise a controlling influence over such enterprises in another manner such that they are to be included in the consolidated financial statement as provided for in Art. 23a and Art. 25e BO.

Affiliated companies 219

Companies that are not part of the group constituted by the bank, but are integrated under the same management in a group structure by a company situated above the bank, are considered affiliated companies.

Banks 220

For accounting purposes, banks are deemed to be: (a) in Switzerland: the institutions subject to the banking law in terms of Art. 1 para. 1 BA, central mortgage bond and securities dealers subject to the Federal Law on Stock Exchanges and Trading in Securities (Art. 10 Stock Exchange Act, SESTA); (b) abroad: central banks, credit and other institutions that are banks and savings banks under the laws of the respective country; securities dealers, brokerages 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) 221

According to the provisions of Art. 412 para. 1 CO, a bank acts as a broker if, upon the instructions of a customer and in exchange for the payment of a fee, it introduces the customer to another party willing to enter into a contract and advises the parties during the contract negotiations. If a contract comes about, it is concluded bilaterally between the two parties. The bank assumes no market or credit risk.

Capital reserves 222

Capital reserves consist of the premium resulting from issuing shares and exercising conversion or option rights, as well as from gains from buying back the bank's own shares.

Commission agent 223

A commission agent pursuant to Art. 425 para. 1 CO is 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 exchange for payment of a commission. Since the bank is acting in its own name, but for the account of a customer, it is obligated to honour its contractual obligations towards the counterparty if customers do not honour their obligations. If, on the other hand, the counterparty defaults, the bank is liable to its customers only if it did not disclose to them the name of the party with whom it was dealing for the customer accounts. 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 acting for its own account (cf. Art. 437 CO).

Completed transaction 224

A transaction is regarded as completed if the contractual agreements between the contracting parties have been concluded in accordance with the general provisions of contract law and are legally binding.

Contract volume 225

The contract volume corresponds to the receivable side of the underlying value or notional amount on which the derivative financial instrument is based, subject to the provisions of margin nos. 27–31 of FINMA Circular 08/19 "Credit Risks — Banks" under the existing law. Derivative financial instruments outstanding on the balance sheet date from customer transactions and proprietary transactions (bank acting as principal) are taken into account. Transactions undertaken by the bank for other banks are deemed to be customer transactions.

Customers (clients) 226

Customers are all commercial partners that are not banks as defined in margin no. 220.

Debt servicing 227

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

Derivative financial instruments ò (derivatives) 228

Derivative financial instruments are financial contracts whose value is derived from the price of one or more of their underlying asset values (equity securities or other financial instruments, commodities) or reference rates (interest, currencies, indexes, credit ratings). In general, they do not require any or only a small initial investment as compared to the direct purchase of their underlying instruments. Derivative financial instruments may be essentially subdivided into the following 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.

When defining derivative financial instruments banks may apply the more comprehensive terms of IAS/IFRS or US GAAP. δ

Derivative financial instruments traded over the counter (OTC derivatives) 229

These are financial instruments that are not standardised and not traded in terms of the definition of derivative financial instruments traded on a qualified stock exchange. According to this definition, the following are also included under OTC derivatives: spot, forward and premium transactions are deemed OTC transactions if the daily margining requirement is not satisfied.

Exchange-traded 230

See “exchange-traded derivative financial instruments”.

Exchange-traded derivative financial instruments (exchange-traded derivatives) 231

This refers to all derivative financial instruments traded on EUREX or another options and/or financial futures stock exchange that is subject to appropriate governmental or stock exchange supervision of the market and market participants, and guarantees financial security comparable to that of EUREX for the performance of contracts through a clearing house, which participates in each stock market transaction as a contracting party or guarantor.

Fair value 232

The fair value corresponds to the amount at which an asset can be traded or a liability settled in an arm’s length transaction between knowledgeable, interested and independent parties. Where a price-efficient and liquid market exists, valuation at fair value may be based on the prevailing market price. In the absence of such a market, the fair value is to be established on the basis of a valuation model.

Fiduciary transactions 233

“Fiduciary transactions” encompass customer deposits, loans, participations, and securities lending and borrowing transactions entered into or granted by the bank in its own name however exclusively for the customer’s account and risk on the basis of written instructions. 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.

Fixed assets 234

Fixed assets extend to the infrastructure elements for the bank's use on an ongoing basis (real estate, investments in furniture etc.), intangible assets (goodwill), and participating interests.

Goodwill 235

Where the acquisition cost exceeds the worth of net assets assumed and valued according to uniform group standards, the remaining difference is to be labelled goodwill.

Group companies 236

Group companies are all legally independent entities and their branches that are directly or indirectly under the single management of the bank which is the parent bank.

Hidden reserves 237

“Hidden reserves” refers to the difference between book values and the legally permissible maximum values. Compulsory reserves — defined as the difference between the legal maximum values and their economic real values — are not considered hidden reserves.

Hybrid instruments (structured products) δ 238

A hybrid or structured product consists of at least two components: an underlying or host contract (host instrument) and an embedded derivative. Together they form a combination investment product.

Impaired loans/receivables 239

Loans/receivables for which the debtor will unlikely be able to fulfil its future obligations. Indications for an impaired loan/receivable include:

- Considerable financial difficulties on the part of the debtor
- Actual breach of contract (e.g. default on or delay in interest or principal payments)
- 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 would not be granted under normal conditions
- High probability of bankruptcy or otherwise need for restructuring on the part of the debtor
- Recording of impairment for the respective asset in a previous reporting period
- Disappearance of an active market for this particular financial asset due to financial difficulties
- Prior experience in connection with debt collection that indicates that the total face value of a portfolio of receivables is not collectible.

Impairment of receivables 240

An impairment is applicable where the projected collectible amount (including collateral) is lower than the book value of the receivable.

Individual financial statement, statutory 241

Financial statement according to Art. 6 BA; statutory financial statements are subject to approval by the general meeting of shareholders.

Generally, these financial statements are prepared so as to provide as reliable an assessment as possible of the bank's financial position (net assets, financial and earnings situation) ("individual financial statement"). They can also be voluntarily prepared in accordance with the true and fair view principle ("combined individual financial statement"). δ

Interest operations 242

Interest operations extend to transactions where a bank, using its available equity and monies accepted by it from third parties, grants loans to third parties, acquires financial investments and finances its trading activities with the objective of earning a positive interest margin between the interest received and paid. Income and expenses from interest hedging transactions also fall under interest operations.

Latent default risks 243

Inherent default risks are risks that experience shows to be present in a credit portfolio on a specific valuation date and that, however, cannot be allocated to a particular borrower or receivable. The determination of latent default risks is based on rule-of-thumb values, for example.

Liquidation value 244

The liquidation value represents an estimated realisable disposal value. Determining the liquidation value is based on the item's estimated market value. The following have to 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 real estate liens, the interest from preceding liens must also be taken into account.

Listed equity holdings 245

Listed equity holdings are equity securities traded on a recognised stock exchange or regularly traded on a representative market.

Daily margining takes place for each contract traded on the stock exchange, i.e. a daily re-evaluation is undertaken with new additional margin cover requirements, as applicable.

Loans to members of governing bodies 246

All amounts owed to the bank by members of a bank's governing bodies and by members of governing bodies of the parent company are deemed to be loans to governing bodies for the purpose of the financial statements at the individual institute level. Where consolidated financial statements are published for a subgroup, all amounts owing by members of the governing bodies of the sub-holding company are to be additionally taken into account. At the consolidated level, loans to governing bodies encompass all receivables owed to the parent company and to the individual group companies by the governing bodies of the parent. “Governing bodies” refers to members of the body responsible for the bank's overall direction, 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 247

Money-market book claims are short-term receivables that are not documented as securities, but rather are carried in debt registers as portions of large loan that issuers have taken out with a large number of investors subject to uniform terms and conditions and that are publicly offered.

Money-market instruments 248

Receivables in the form of certificates for short-term funds, as a rule of up to one year, made available by debtors of good credit-worthiness.

Mortgage business 249

Lending business that is directly or indirectly secured by a mortgage inscribed in the land register (mortgage assignment, certificate of land charge or mortgage note). In the case of direct collateral, the mortgagor receives the land directly as security. In the case of indirect collateral, the mortgagor is given a mortgage note as pledged or assigned collateral.

Non-performing loans/past due receivables 250

Loans are non-performing where at least one of the following payments has not yet been effected in full as of ninety days from the due date:

a) interest payments

b) commission payments

c) amortisation (partial repayments of principal)

d) full repayment of principal

If payments for interest, commission and/or amortisation are overdue, the face value of the loan is to also be considered to be non-performing. Loans to debtors undergoing liquidation are to always be considered non-performing. Loans subject to special conditions based on the borrower's credit standing (e.g. significant reductions in interest rates, with interest dipping below the bank's refinancing costs) are to be considered non-performing.

Past due receivables are frequently a component of impaired loans/receivables according to margin no. 239.

Over-the-counter/OTC 251

See "derivative financial instruments traded over the counter (OTC derivatives)".

Principal 252

The bank acts as a principal for proprietary transactions (i.e. transactions effected for the bank's own account). In customer transactions, the bank acts as a principal when it acts as a contracting party interposed directly between two counterparties. The bank must also fulfil the contract vis-à-vis one of the counterparties if the other counterparty fails to fulfil its contractual obligations.

Profit reserves 253

Profit reserves are equity earned by the group; they include negative goodwill arising upon initial consolidation and elimination of participating interests, undistributed profits, foreign exchange differences, differences arising from changes in the scope of consolidation.

Provisions ð 254

See margin nos. 29d-1 et seq.

Public-sector entities 255

Public-sector entities are corporations, foundations and establishments that are organised under public law, e.g. the Confederation, cantons, local municipal bodies (political communes, communes of citizen, religious communes and school communities), state-owned and operated enterprises. Outside of Switzerland, by analogy: states, countries, departments and municipalities. Public-private enterprises, publicly owned but subject to private law, do not fall into this category, irrespective of the extent of the shareholding unless public funds are used to guarantee their liabilities in full and without limitation. In any event, cantonal banks are deemed to be banks for accounting purposes as defined in margin no. 220.

Related parties 256

Related persons are deemed natural persons or legal entities that have direct or indirect material influence on the financial or operational decisions of a company or a group of companies. Companies that in turn are themselves controlled by related parties are also considered related.

The following are considered related parties according to the provisions of this Circular: group companies and holders of qualified participations (margin nos. 67 and 92) as well as related companies (margin no. 219) and the members of governing bodies.

Replacement value 257

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.

Repurchase and reverse repurchase agreements 258

Repurchase and reverse repurchase agreements are contracts for the purpose of transferring securities from 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 in exchange for the repayment of this cash amount or for a predetermined different cash amount. As a general rule, margin agreements are established, this causing the beneficial ownership of the securities to remain with the transferor. The transferee is generally in the position of a secured creditor.

Reserves for general banking risks 259

The reserves for general banking risks are reserves that are established as a precaution and charged to "extraordinary expenses" for the purpose of covering latent banking risks.

Restatement 260

When changes are made to the accounting and valuation policies applied in supplementary individual financial statements and consolidated financial statements, a restatement of the previous year's figures is to be performed accordingly. The financial statements including the previous year's figures are to be presented as if the amended accounting and valuation policies had always been in effect. In so doing, the new accounting and valuation policies 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 with a reasonable amount of effort restatement is not possible, it may be waived. However, the reasons must be disclosed.

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. As an example, new findings may result in a reduction or extension of the depreciation period for tangible fixed assets. Changes of estimates impact the current (and possibly future) business year(s). In this case, no previous years are to be restated.

Changes in the accounting and valuation policies and as the result of estimates are to be disclosed in the notes as specified in margin no. 10. If the figures of the previous year have been restated, this is to be disclosed.

A restatement is never mandatory in statutory individual financial statements. However, it is permissible when posting is done via the position “reserve for general banking risks”. [δ]

Securities 261

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 262

Securities dealers are natural persons, legal entities and partnerships as defined in Art. 2 let. d SESTA and Art. 2 SESTO.

Settlement date accounting 263

Between the trade date and settlement date, replacement values of assets purchased and sold are recognised in the balance sheet in the positions “other assets” or “other liabilities”. Recognition in or derecognition from the relevant asset position is done on the settlement date. The associated payable or receivable is recognised at the same time.

Subordination 264

Claims are deemed to be subordinated where they arise from an irrevocable written declaration that in the event of liquidation, bankruptcy or restructuring, they rank after the claims of all other creditors and may not be offset against amounts payable to the debtor nor secured by its assets.

Sub-participation 265

A sub-participation is the assumption of shares 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 its share of the interest income in keeping with 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 accordance with the respective borrower.

Trade date accounting 266

Assets acquired as the result of a spot trade are recorded in the related asset position as of the trade date. The obligation to effect payment is recognised at the same time in the balance sheet. Sold assets are derecognised from their associated asset positions as of the trade date, with the receivable corresponding to the sales price being recognised at the same time.

Trading 267

"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. The classification as a trading position is to be established and accordingly documented when the transaction is concluded. Results from trading transactions are to be disclosed exclusively in the income statement positions "result from trading activities" and "interest and dividend income from trading portfolios".

Value adjustments 268

Value adjustments are corrections of value for assets to adjust for losses in value that have already occurred or are expected to occur. Value adjustments are allocated to specific assets.

XI. Tables

A. Table according to Art. 25b BO (individual and consolidated financial statements)

CASH FLOW STATEMENT	Source of funds	Use of funds
Cash flow from operating activities (internal financing) Profit / loss for the year Depreciation of fixed assets Value adjustments and provisions Accrued income and prepaid expenses Accrued expenses and deferred income Other positions Previous year dividend **Subtotal**		
Cash flow from shareholder's equity transactions Share / participation / dotation capital etc. Share premium **Subtotal**		
Cash flow from investment activities Participating interests 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)** - Amounts due to banks - Amounts due to customers - Debenture bonds - Cash bonds - Central mortgage institution loans - Loans of central issuing institution - Savings and deposits - Other amounts payable - Amounts due from banks - Amounts due from customers		

- Mortgage loans - Financial investments - Other amounts receivable **Short-term business** - Liabilities from money-market instruments - Amounts due to banks - Amounts due to customers - Amounts due from money-market instruments - Amounts due from banks - Amounts due from customers - Trading portfolios of securities and precious metals **Liquidity** - Liquid assets **Total**		

B. Table according to Art. 25c para. 1 no. 3.1 BO
(individual and consolidated financial statements)

OVERVIEW OF COLLATERAL FOR LOANS AND OFF-BALANCE-SHEET TRANSACTIONS					
		TYPE OF COLLATERAL			
		Secured by mortgage	**Other collateral**	**Unsecured**	**Total**
Loans and advances Amounts due from customers Mortgage loans - Residential property - Office and business premises - Trade and industry - Other					
Total loans and advances	Current year Previous year				
Off-balance-sheet Contingent liabilities Irrevocable commitments Liabilities for calls on shares and other equities					

Commitment credits					
Total off-balance sheet	Current year Previous year				

Impaired loans/receivables:

	Gross debt amount	Estimated liquidation proceeds 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.

C. Tables according to Art. 25c para. 1 no. 3.2 BO
(individual and consolidated financial statements)

TRADING PORTFOLIOS OF SECURITIES AND PRECIOUS METALS		
	CURRENT YEAR	**PREVIOUS YEAR**
Trading portfolios of securities and precious metals		
- Debt securities		
- Listed**		
- Unlisted		
- of which own issued bonds and cash bonds***		
- Equity securities		
Of which own equities shares***		
- Precious metals		
Total trading portfolios of securities and precious metals		
of which securities eligible for repo transactions in accordance with liquidity regulations [δ]		

** Listed = traded on a generally recognised exchange
*** Applies only to individual financial statements [δ]

C. Tables according to Art. 25c para. 1 no. 3.2 BO (individual and consolidated financial statements) (continued)

FINANCIAL INVESTMENTS	Book value		Fair value	
	Current year	Previous year	Current year	Previous year
Debt securities • of which own issued bonds and cash bonds*** • of which held until maturity • of which recognised in accordance with the lower of cost or market principle Equity securities • of which qualified participations** Precious metals Real estate				
Total				
including securities eligible for repo transactions in accordance with liquidity regulations δ			---	---

** minimum of 10% of capital or voting rights
*** Applies only to individual financial statements δ

C. Tables according to Art. 25c para. 1 no. 3.2 BO (continued)

DISCLOSURES OF OWN SHARES IN FINANCIAL INVESTMENTS (applies only to individual financial statements °)				
	Quantity		Book value	
	Current year	Previous year	Current year	Previous year
Opening balance				
Purchased				
Sold				
Write-downs	---	---		
Revaluations	---	---		
Closing balance				

PARTICIPATING INTERESTS (individual and consolidated financial statements)		
	Current year	Previous year
With listed value		
Without listed value		
Total participating interests		

D. Table according to Art. 25c para. 1 no. 3.4 BO (statutory individual financial statements)

STATEMENT OF FIXED ASSET ADDITIONS AND DISPOSALS								
	Cost value	Accumulated depreciation	Book value Previous year end	Current year				
				Reclassifications **	Additions	Disposals	Depreciation	Book value Current year end
Participating interests - Majority participations - Minority participations								
Total participating interests								
Real estate - Bank buildings - Other real estate Other tangible fixed assets Finance lease assets Other***								
Total tangible fixed assets								

Fire insurance value of real estate Fire insurance value of other tangible fixed assets

Commitments: future leasing instalments arising from operating leases

** where required

*** including self-produced or purchased software. Intangible assets are to be reported separately in combined individual financial statements. Any goodwill is to be reported separately (e.g. goodwill from mergers).[δ]

E. Table according to Art. 25c para. 1 no. 3.9 BO
(individual and consolidated financial statements)

VALUE ADJUSTMENTS AND PROVISIONS / RESERVES FOR GENERAL BANKING RISKS							
	Balance at previous year end	Use in conformity with designated purpose	Re-designation of purpose (reclassifications) **	Recoveries, past due interest, currency translation differences	New provisions charged to income	Releases to income	Balance at current year end
Provisions for deferred taxes							
Value adjustments and provisions for default and other risks: – Value adjustments and provisions for default risks (collection and country risks) – Value adjustments and provisions for other business risks – Restructuring provisions δ – Provisions for pension benefit obligations δ – Other provisions **Subtotal**							
Total value adjustments and provisions							
Less: Value adjustments directly offset against assets		–	–	–	–	–	
Total value adjustments and provisions as per		–	–	–	–	–	

balance sheet							
Reserves for general banking risks							

** for statutory individual financial statements only
In consolidated financial statements, the impact of any changes in the scope of consolidation is to be shown in a separate column.[δ]

F. Table according to Art. 25c para. 1 no. 3.10 BO (statutory individual financial statements) *

BANK'S CAPITAL						
	CURRENT YEAR			PREVIOUS YEAR		
Bank's capital	Total par value	No. of shares/interests	Capital eligible for dividend	Total par value	No. of shares/interests	Capital eligible for dividend
Share capital / endowment capital Participation capital						
Total bank's capital						
Authorised capital of which capital increases completed Conditional capital of which capital increases completed						
For cantonal banks: donation capital according to maturity						

	CURRENT YEAR		PREVIOUS YEAR	
Significant shareholders and groups of shareholders with pooled voting rights	Nominal	% of equity	Nominal	% of equity

With voting rights Without voting rights	....				

G. Table according to Art. 25c para. 1 no. 3.11 BO (statutory individual financial statements)

STATEMENT OF SHAREHOLDERS' EQUITY	
Equity at beginning of current year Paid-up capital General statutory reserve Reserve for own shares** Revaluation reserve Other reserves Reserves for general banking risks Distributable profit / accumulated loss	
Total equity at beginning of current year (before appropriation of profit/coverage of losses)	
+ / - Capital increases / decreases + Share premium + / - Other transfers to / from reserves - Dividends and other distributions from previous year's profit + / - Profit / loss for the current year	
Total equity at end of current year (before appropriation of profit/coverage of losses)	
of which Paid-up capital General statutory reserve Reserve for own shares** Revaluation reserve Other reserves Reserves for general banking risks Distributable profit / accumulated loss	

** In combined individual financial statements, the "reserve for own shares" is to be replaced by the negative position "own shares". °

H. Table according to Art. 25c para. 1 no. 3.12 BO
(individual and consolidated financial statements)

MATURITY ANALYSIS OF CURRENT ASSETS AND THIRD-PARTY LIABILITIES								
	At sight	Cancellable	Due					Total
			within 3 months	within 3 to 12 months	within 12 months to 5 years	after 5 years	No maturity	
Current assets								
Liquid assets		–	–	–	–	–	–	
Amounts due from money-market instruments							–	
Amounts due from banks							–	
Amounts due from customers							–	
Mortgage loans							–	
Trading portfolios of securities and precious metals		–	–	–	–	–	–	
Financial investments								
Total current assets **Current year**								
Previous year								
Third-party capital								
Liabilities from money-market instruments								
Amounts due to banks								
Amounts due to customers in savings and deposit accounts								
Other amounts due to customers								
Cash bonds	–	–						
Bond issues and central mortgage institution loans	–	–						
Total third-party capital **Current year**								
Previous year								

I. Table according to Art. 25c para. 1 no. 3.14 BO
(individual and consolidated financial statements)

ANALYSIS OF ASSETS AND LIABILITIES BY DOMESTIC AND FOREIGN ORIGIN				
	CURRENT YEAR		PREVIOUS YEAR	
	Domestic	Foreign	Domestic	Foreign
Assets				
Liquid assets				
Amounts due from money-market instruments				
Amounts due from banks				
Amounts due from customers				
Mortgage loans				
Trading portfolios of securities and precious metals				
Financial investments				
Participating interests				
Tangible fixed assets				
Accrued income and prepaid expenses				
Other assets				
Unpaid-up capital				
Total assets				
Liabilities				
Liabilities from money-market instruments				
Amounts due to banks				
Amounts due to customers in savings or deposit accounts				
Other amounts due to customers				
Cash bonds				
Bond issues and central mortgage institution loans				
Accrued expenses and deferred income				

Other liabilities				
Value adjustments and provisions				
Reserves for general banking risks				
Bank's capital				
General statutory reserve				
Reserve for own shares				
Revaluation reserve				
Other reserves				
Profit / loss carried forward				
Profit / loss for the year				
Total liabilities				

The positions are to be adapted for individual and consolidated financial statements prepared in accordance with the true and fair view principle. [δ]

J. Table according to Art. 25c para. 1 no. 3.15 BO (individual and consolidated financial statements)

ANALYSIS OF ASSETS BY COUNTRY / GROUP OF COUNTRIES				
	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				

K. Table according to Art. 25c para. 1 no. 3.16 BO (individual and consolidated financial statements)

ANALYSIS OF ASSETS AND LIABILITIES ACCORDING TO CURRENCY		CHF	EUR	USD	ETC.	…	…
Assets	Liquid assets Amounts due from money-market instruments Amounts due from banks Amounts due from customers Mortgage loans Trading portfolios of securities and precious metals Financial investments Participating interests Tangible fixed assets Accrued income and prepaid expenses Other assets Unpaid-up capital						
Total assets shown in balance sheet							
Delivery entitlements from spot exchange, forward forex and forex options transactions**							
TOTAL ASSETS							
Liabilities	Liabilities from money-market instruments Amounts due to banks Amounts due to customers in savings or deposit accounts Other amounts due to customers Cash bonds Bond issues and central mortgage institution loans Accrued expenses and deferred income Other liabilities Value adjustments and provisions						

Reserves for general banking risks Bank's capital General statutory reserve Reserve for own shares Revaluation reserve Other reserves Profit / loss carried forward Profit / loss for the year						
Total liabilities shown in balance sheet						
Delivery obligations from spot exchange, forward forex and forex options transactions**						
TOTAL LIABILITIES						
NET POSITION PER CURRENCY						

The positions are to be adapted for individual and consolidated financial statements prepared in accordance with the true and fair view principle. *

** Options are to be delta-weighted δ

L. Table according to Art. 25c para. 1 no. 4.3 BO
(individual and consolidated financial statements)

OUTSTANDING DERIVATIVE FINANCIAL INSTRUMENTS

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

	▪ Options (OTC) ▪ Options (exchange-traded)						
Total before netting contracts:	Current year						
	Previous year						

Total after netting contracts:	Positive replacement values (cumulative)	Negative replacement values (cumulative)
Current year		
Previous **year**		

** e.g. commodities
*** Hedging instruments as defined in margin no. 29g [δ]

M. Table according to Art. 25i para. 4 and Art. 25c para. 1 no. 3.4 BO (supplementary individual/consolidated financial statements)

STATEMENT OF FIXED ASSET									
	Cost value	Accumulated depreciation and value adjustments (equity valuation) [δ]	Carry value, previous year end	Current year					
				Reclassifica-tions	Additions	Disposals	Depreciation	Value adjustment in case of equity valuation/depreciation reversals	Book value, current year end
Participating interests - Participations valued according to equity method - Other participating interests									
Total participating interests									
Real estate Bank buildings Other real estate Other tangible fixed assets Finance lease assets Other**									
Total tangible fixed assets									
Goodwill Other intangible assets									

Total intangible assets									

Fire insurance value of real estate Fire insurance value of other tangible fixed assets

Commitments: future leasing instalments arising from operating leases

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

** including self-produced or purchased software.

N. Table according to Art. 25i para. 5 and Art. 25c para. 1 no. 3.11 BO (supplementary individual financial statements [δ]/consolidated financial statements)

STATEMENT OF SHAREHOLDERS' EQUITY	
Equity at beginning of current year Paid-up capital Capital reserves Profit reserves Revaluation reserves Reserves for general banking risks Consolidated profit / loss** + / - Foreign-currency translation - Own shares	
Subtotal	
+ / - Effect of restatement	
Total equity at beginning of current year	
+ / - Capital increases / decreases + Share premium + / - Other transfers to / from reserves - Dividends and other distributions + / - Consolidated profit / loss for the year - Purchases of own shares (acquisition cost) + Sales of own shares (acquisition cost) +/- Gains / losses on sales of own shares +/- Translation differences	
Total equity at end of current year	
of which Paid-up capital Capital reserves Profit reserves Revaluation reserves	

Own shares:	Quantity
Own shares on 1 January	
+ purchases	
- sales	
= Balance as at 31 December	

Reserves for general banking risks Consolidated profit / consolidated loss + / - Foreign currency translation - Own shares	

** or profit/loss for the year in supplementary individual financial statements. °

O. Table according to Art. 25i para. 5 and Art. 25c para. 1 no. 3.6 BO (individual and consolidated financial statements)

A) **Pledged or assigned assets and assets subject to retention of title, excluding lending transactions and securities repurchase agreements**	
Book value of pledged assets and assets assigned as collateral:	Effective obligations:

B) **Lending transactions and securities repurchase agreements**	**Current year**	**Previous year**
Receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase agreements		
Obligations from cash collateral received in connection with securities lending and repurchase agreements		
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		
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		
including repledged or resold securities		

P. Model Table of Summarised Presentation of Bonds Outstanding under Margin No. 168

Issuer	Weighted average interest rate	Maturities	Amount	
				Non-subordinated
				Subordinated
				Non-subordinated
				Subordinated
				Non-subordinated
				Subordinated
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 only to consolidated financial statements (where presentation according to issuer is selected).

Q. Table associated with margin nos. 198a and 198b (individual and consolidated financial statements)

Managed assets: [δ]

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-counted items		
Net new money inflow/outflow (including double-counting)		

In consolidated financial statements, the impact of any changes in the scope of consolidation on the total of managed assets is to be presented appropriately. [δ]

XII. Overview of the various disclosure options according to BAG

Subject	Individual financial statements (assessment to be as reliable as possible)	Combined individual financial statements	Supplementary individual financial statements (and consolidated financial statements)
Formal consideration			
Balance sheet/assets	Intangible assets are to be included under tangible fixed assets.	Intangible assets are to be recognised separately (between tangible fixed assets and accrued income and prepaid expenses)	Intangible assets are to be recognised separately (between tangible fixed assets and accrued income and prepaid expenses)
Balance sheet/own capital	In addition to the bank's own capital: ▪ General statutory reserve ▪ Reserve for own shares ▪ Revaluation reserve ▪ Other reserves ▪ Profit / loss carried forward ▪ Profit / loss for the year	In addition to the bank's own capital: ▪ General statutory reserve ▪ Revaluation reserve ▪ Other reserves ▪ Profit / loss carried forward ▪ Profit / loss for the year ▪ - Own shares	In addition to the bank's own capital: ▪ Capital reserves ▪ Profit reserves ▪ Minority interests ▪ Revaluation reserves ▪ Profit/loss ▪ - Own shares
Own shares	Capitalisation in accordance with CO, with simultaneous creation of "reserve for own shares".	Direct deduction under negative position from own capital instead of capitalisation with simultaneous creation of "reserve for own shares" (dividend payments and resale gains and losses are to be allocated to "other reserves").	Direct deduction from own capital (dividend payments and resale gains and losses are to be allocated to "capital reserve").
Income statement/income from participating interests	Summarised presentation of income	Summarised presentation of income with a comment in the notes on the effects	Breakdown of income from participating interests in:

Subject	Individual financial statements (assessment to be as reliable as possible)	Combined individual financial statements	Supplementary individual financial statements (and consolidated financial statements)
		that would have occurred if the equity method had been applied. [δ]	▪ participations consolidated according to the equity method ▪ other participations.
Notes	Disclosure exemptions where individual supplementary financial statements or consolidated financial statements are prepared. To be mentioned in the notes to statutory individual financial statements: further information is contained in the notes to the financial statements prepared in accordance with the true and fair view principle.		
Material consideration			
Arbitrary hidden reserves	The following is permissible in accordance with the options established herein: ▪ No understatement of current assets (including financial investments) ▪ Hidden reserves in the subposition “other provisions” under liabilities ▪ Creation by charging to “value adjustments, provisions and losses” or “extraordinary expenses” ▪ Understatement of fixed assets as the result of unnecessary depreciation	No arbitrary hidden reserves. Released and reallocated value adjustments and provisions no longer necessary are to be disclosed in the notes, Table E (also “default risks” row), gross as releases or newly created items.	No arbitrary hidden reserves. Released and reallocated value adjustments and provisions no longer necessary are to be disclosed in the notes, Table E (also “default risks” row), gross as releases or newly created items.

Subject	Individual financial statements (assessment to be as reliable as possible)	Combined individual financial statements	Supplementary individual financial statements (and consolidated financial statements)
	and amortisation (charged to "depreciation and amortisation of fixed assets" or "extraordinary expenses") ▪ Option of not releasing provisions no longer required but rather allocating them to arbitrary hidden reserves without any effect on income ("Re-designation of purpose (reclassifications)" in Table E).		
Compulsory hidden reserves	Arise due to the application of the lower of cost or market principle. Bonds and notes held until maturity are to be valued according to the accrual method. Exception to the rule: trading transactions, to which the fair value is to be applied.	Arise due to the application of the lower of cost or market principle. Bonds and notes held until maturity are to be valued according to the accrual method. Exception to the rule: trading transactions, to which the fair value is to be applied. As the valuation of participations upon which a material influence can be exercised is not done according to equity method, the effects of this are to be disclosed in the notes.	The same situation as with statutory individual financial statements, with the following exception: the equity method must be applied to the valuation of participations upon which a material influence can be exercised.
Reserve for general banking risks	Allocation possible by: ▪ charging to "extraordinary expenses" ▪ reclassification of value adjustments and provisions no longer necessary ▪ transfer from hidden reserves formerly	Creation possible only by charging to "extraordinary expenses".	Creation possible only by charging to "extraordinary expenses".

Subject	Individual financial statements (assessment to be as reliable as possible)	Combined individual financial statements	Supplementary individual financial statements (and consolidated financial statements)
	classified as “other provisions”.		
Goodwill paid upon acquisition of participations	Remains under the position “participating interests”.	Is to be separated out and allocated to “intangible assets”. Amortisation of goodwill is to be reduced in the amount of the appreciation in value of the participation, which cannot be recorded in the income statement, due to the equity method not being applied.	Is to be removed and allocated to “intangible assets”.
Own debt instruments (repurchased securities)	May either be capitalised or offset against the corresponding liability item.	Must be offset.	Must be offset.
Taxes *	▪ Tax effects of losses carried forward may not be recorded in the balance sheet. ▪ Brief comment in the notes on whether “reserves for general banking risks” have been taxed.	Full application of margin nos. 29b-1 – 29b-6, with the following precision: tax effects of losses carried forward may not be recorded in the balance sheet (margin no. 29a). The uncapitalised amount is to be disclosed in the notes.	Full application of margin nos. 29b-1 – 29b-6 (capitalisation is permitted where it is highly probable that the tax effects of losses carried forward can be utilised [future profits]).
Change in valuation principles applied	No obligation to restate previous year’s figures.	No obligation to restate previous year’s figures.[6]	Obligation to restate previous year’s figures.
“Results before extraordinary items and taxes” position	To be disclosed only if extraordinary income and expenses have a material impact on profit/loss for the year.	To always be disclosed if extraordinary income and/or extraordinary expenses occur.	To always be disclosed if extraordinary income and/or extraordinary expenses occur.

List of modifications

The amendments of 21 December 2006 made by the SFBC to its Circular "RRV-EBK" of 14 December 1994 are indicated with this symbol "δ".

This Circular has been modified as follows:

These modifications were adopted on 19 November 2009 and will enter into force on 1 January 2010 (indicated with an asterisk *):

Modified margin no.	167a-2

These modifications were adopted on 4 March 2011 and will enter into force immediately (indicated with an asterisk *):

Modified margin nos.	1h, 29j-8, 48, 49, 62, 79a, footnote to margin no. 89, 188, heading before margin no. 193, footnote to margin nos. 210a and 216

These modifications were adopted on 1 June 2012 and will enter into force on 1 January 2013:

References to the Capital Adequacy Ordinance (CAO; SR 952.03) have been adapted according to the version which will enter into force on 1 January 2013.

This modification will enter into force on 26 June 2013 (indicated with an asterisk *):

Modified margin no.	45

The appendices have been modified as follows:

These modifications were adopted on 4 March 2011 and will enter into force immediately (indicated with an asterisk *):

modified	Chapter XI, Tables F and K Chapter XII, subject "taxes"