



# Circular 2020/1 Accounting - Banks

Accounting Rules for Banks, Investment Firms, Financial  
Groups and Conglomerates

Inofficial translation of January 2020



# **Circular 2020/1**

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<b>Reference:</b>	FINMA circ. 20/1 "Accounting – banks"
<b>Issued:</b>	31 October 2019
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<b>Concordance:</b>	previously FINMA circ. 15/1 "Accounting - banks" of 27 March 2014
<b>Legal bases:</b>	FINMASA Article 7(1)(b) BA Article 6 et seqq. BO Article 25 et seqq. FinIA Article 48 FiniO Article 72 FINMA-AO in its entirety
<b>Annex 1:</b>	Details on the individual balance sheet items and off-balance-sheet transactions
<b>Annex 2:</b>	Details on line items of the income statement
<b>Annex 3:</b>	Presentation of the statement of changes in equity
<b>Annex 4:</b>	Details on items in the Notes to the annual stand-alone financial statements/consolidated financial statements
<b>Annex 5:</b>	Presentation of the Cash Flow Statement

## Addressees

	BA	ISA	FinIA	FMIA	CISA	AMLA	OTHERS
X	Banks						
X	Financial groups and congl.						
	Other intermediaries						
	Insurance companies						
	Ins. groups and congl.						
	Distributors						
	Asset management companies						
	Trustees						
	Managers of coll. Inv. schemes						
	Fund management companies						
X	Account-holding investment firms						
X	Non-account holding Investment firms						
	Asset managers for pension funds						
	Trading Venues						
	Central Counterparties						
	Central depositories						
	Trade repositories						
	Payment systems						
	Participants						
	SICAV						
	Limited partnerships for CIS						
	SICAF						
	Custodian banks						
	Representatives of foreign CISs						
	Other intermediaries						
	SROs						
	SRO-supervised institutions						
	Audit firms						
	Rating Agencies						

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## I. Object and scope of application

This Circular shall be based on the rules on accounting and financial reporting of the 32nd title of the Swiss Code of Obligations (Articles 957-963b CO; SR 220) as well as the Banking Act (Articles 6-6b BA, SR 952.0), the Banking Ordinance (Article 25-42 BO, SR 952.02) and the FINMA-Accounting Ordinance (FINMA-AO, SR 952.024.1). 1

The Circular contains the relevant accounting and financial reporting practice and shall form together with the accounting standards in the Banking Act, the Banking Ordinance and the FINMA-AO the accounting standards for institutions pursuant to Article 1(1) FINMA-AO. This set of accounting standards shall be equal to a recognized accounting standard, as per the Ordinance on Recognized Accounting Standards (Article 2(1) ORAS; SR 221.432).

This Circular shall apply to banks pursuant to Article 1a of the BA, securities firms pursuant to Articles 2(e) and 41 Financial Institution Act (FIA; SR 954.1), as well as financial groups and financial conglomerates pursuant to Article 3c(1) and (2) BA. In the following, banks, securities firms, financial groups and financial conglomerates shall be defined as “institutions” and financial groups and conglomerates as “financial groups” 2

## II. Recognition

### A. Other financial instruments at fair value

(Article 15 FINMA-AO)

Changes in valuations as well as any interest accrued related to financial instruments which had been valued at fair value using the fair-value option shall be recognized in item 3 *Net income from trading and from the fair value option* and disclosed in the corresponding Notes. 3

Any impacts on the fair value after the initial recognition due to a change of the institution’s own credit rating may be recognized in the compensation account. 4

### B. Financial investments

(Article 16 FINMA-AO)

Investments to be held to maturity undergoing value changes due to default risk shall be recognized in item 1.6 *Changes in value adjustments for default risks and losses from interest operations* immediately. 5

### C. Structured products

(Article 18 FINMA-AO)

The accounting and valuation policies defined by the institution shall include information on the treatment of structured products. 6

Structured products shall be recognized as follows: 7

- Assets arising from the structured product: Structured products that are valued according to fair value shall be reported in the item 1.8 *Other financial instruments with fair-value valuation*. In the 8

case of structured products that are separated out and valued accordingly, the underlying shall be recognized in accordance with its nature, and the derivative financial instruments shall be recognized in item 1.7 *Positive replacement values of derivative financial instruments* or item 2.5 *Negative replacement values of derivative financial instruments*. The two may be recognized together in the same item as the underlying instrument.

- Liabilities arising from the structured product: Self-issued structured products valued using the fair value option shall be recognized in item 2.6 *Liabilities from other financial instruments valued at fair value*. In the case of self-issued structured products that are separated out and valued accordingly, the underlying instrument shall be recognized in accordance with its nature, and the derivative financial instruments shall be recognized in item 1.7 *Positive replacement values of derivative financial instruments* or item 2.5 *Negative replacement values of derivative financial instruments*. The two may be recognized together in the same item as the underlying instrument. 9

#### D. Hedging relationships

(Article 19 FINMA-AO)

Results from hedging transactions shall be recognized in the same income item as the relevant results from the underlying transaction. In the case of macro-hedges relating to interest operations, the balance may be recorded either in item 1.1 *Interest and discount earned* or item 1.4 *Interest expense*. Accrued interest on hedging transactions reported according to the accrual method does not have to be reported as accruals or deferrals, but rather in a compensation account (in balance sheet item 1.14 *Other assets* or 2.10 *Other liabilities*) in order to avoid double counting already recognized replacement values. 10

Where the effect of the hedging transactions exceeds the effect of the hedged items, the excess portion of the derivative financial instrument shall be treated as equivalent to a trading position. This excess portion shall be recorded in item 3 *Results from trading and from the fair value option* and not in the compensation account. 11

#### E. Tangible fixed assets

(Article 20 FINMA-AO)

Software developed in-house shall be recognized in balance sheet item 1.12 *Tangible fixed assets*, provided the requirements for recognizing self-created intangibles set out in Article 22 FINMA-AO are met. 12

The depreciation methods and the ranges of expected useful lives used for each category of tangible fixed asset shall be disclosed in the notes. Where ranges are relatively broad, an explanation shall be provided for each category in the notes. A disclosure in the notes shall be required if a depreciation method applied is replaced with another method. If the impact of the change in the depreciation method significantly affects the result of the period, a quantitative disclosure by category shall be required. 13

#### F. Value adjustments for default risks

##### a) Treatment of overdue interest

(Article 26 FINMA-AO)

Future interest and loan commissions considered to be an interest component that are non-performing shall no longer be credited to the income statement item 1.1 *Interest and discount income* until no 14

past-due interest is outstanding for more than 90 days. No retroactive cancellation of interest income is explicitly required. Where not retroactively canceled, all receivables arising from such interest that have accrued by the end of the 90 days (interest arrears and accrued interest) shall be written off using item 1.6 *Changes in value adjustments for default risks and losses from interest operations*. Any treatment of past due interest that deviates from these rules with regard to the period shall be disclosed in the notes on the accounting and valuation principles.

Past-due interest shall be calculated according to the gross principle. Value adjustments for interests from another reporting period shall be recognized in income item 1.6 *Changes in value adjustments for default risks and losses from interest operations*. 15

## **b) Option for the treatments of loans with frequent and high fluctuations**

(Article 24 FINMA-AO)

The following recognition option shall be available for credits (including the relevant credit limits) that require risk allowance for credit losses and which use of the credit limit are subject to frequent and high fluctuations (e.g. current account credit facilities): 16

- First-time and subsequent creation of risk allowance for credit losses shall be accounted for globally (i.e. value adjustments for the actual draw-downs and provisions for the unused credit limits) using item 1.6 *Changes in value adjustments for default risks and losses from interest operations*. 17
- In case of a change in the utilization, a reclassification without income statement impact between value adjustments and provisions shall be made and disclosed in item 16 *Presentation of value adjustments and provisions, reserves for general banking risks, and changes therein* during the current year. 18
- The release of value adjustment or provisions no longer necessary shall also take place through item 1.6 *Changes in value adjustments for default risks and losses from interest operations*. 19

Should the institution make use of this option, it shall mention this in the defined accounting and valuation principles. 20

## **G. Liabilities**

(Article 27 FINMA-AO)

In the case of liabilities that have an issue price that is lower or higher than the nominal value (disagio or agio), the difference shall be recorded in item 1.10 *Accrued income and prepaid expenses* or 2.9 *Accrued expenses and deferred income*, respectively, when recognizing the gross amount. 21

In the cases of gross or net recognition, the disagio shall be reversed through item 1.4 *Interest expense* over the maturity of the liability in accordance with the accrual method. Agio shall also be recognized in the same way. 22



## H. Provisions

(Article 28 FINMA-AO)

The creation of provisions and the (partial) release of provisions with income effect no longer necessary shall be recorded as follows: 23

- Tax provisions by using item 12 *Taxes*; 24
- Provisions for pension funds and restructurings related to personnel expenses using item 5.1 *Personnel expenses*; 25
- Other provisions in item 7 *Changes to provisions and other value adjustments, and losses*. 26

## III. Reliable assessment statutory single-entity financial statements

### A. Consistency in presentation and valuation

(Article 37 FINMA-AO)

If errors relating to previous periods are identified during a current period, they shall be corrected and recognized through ordinary items in the income statement in the current period. Restatements using item 10 *Extraordinary expenses* or item 9 *Extraordinary income* shall be permitted in case of non-operating business transactions. Should a restatement be material, the error shall be explained in the notes with a quantitative indication of the impact. 27

### B. Hidden reserves

(Article 38 FINMA-AO)

Hidden reserves in item 2.11 *Provisions* shall be disclosed in the notes in item 16 *Presentation of value adjustments and provisions, reserves for general banking risks, and changes therein* during the current year, in the sub-item Other provisions. 28

Reclassifications of hidden reserves in reserves for general banking risks shall be recorded accordingly in the notes in item 16 *Presentation of value adjustments and provisions, reserves for general banking risks and changes therein*. 29

Revaluations of equity interests and tangible fixed assets up to their purchase value at best shall be disclosed and explained in the notes to the annual financial statements. 30

### C. Value adjustments for default risks

(Article 42 FINMA-AO)

The release with income effect of value adjustments no longer required may be waived. These value adjustments no longer required shall constitute hidden reserves to be reallocated to (reclassified as) without income effect to item 2.11 *Provisions* or item 2.12 *Reserves for general banking risks*. Such a 31

reallocation shall be recorded in the notes in item 16 *Presentation of value adjustments and provisions, reserves for general banking risks, and changes therein* during the current year.

#### D. Provisions

(Article 43 FINMA-AO)

It is possible to waive the release of provisions no longer necessary which had been created through the income statement item 7 *Changes to provisions and other value adjustments and losses* or in accordance with margin nos. 17 and 18. These shall be considered as hidden reserves and shall be treated accordingly (reallocation and disclosure in item 16 *Presentation of value adjustments and provisions, reserves for general banking risks, and changes therein* during the current year under the sub-heading "Other provisions") or reallocated to (reclassified as) item 2.12 *Reserves for general banking risks* without affecting operating results. Such a reallocation shall be recorded in the notes in item 16 *Presentation of value adjustments and provisions, reserves for general banking risks, and changes therein* during the current year. 32

#### E. Reserves for general banking risks

(Article 46 FINMA-AO)

Reserves for general banking risks shall be recognized as follows: 33

- in item 11 *Change in reserves for general banking risks* 34
- in view of a reallocation of value adjustments and provisions required for operations if these were created by debiting item 7 *Provisions and other value adjustments and losses*; or 35
- by reallocating hidden reserves to item 2.11 *Provisions*. 36

If value adjustments and provisions created in a previous period are no longer necessary and they are allocated to reserves for general banking risks within the same period (reclassification), this shall be disclosed in the notes in item 16 *Presentation of value adjustments and provisions, reserves for general banking risks, and changes therein* during the current year. 37

#### F. Employee participation schemes

(Article 49 FINMA-AO)

Any differences at the time of settlement shall be recorded in item 5.1 *Personnel expenses*. 38

## IV. True and fair view statutory single-entity financial statements

#### A. Consistency in presentation and valuation

(Article 51 FINMA-AO)

Margin no. 27 on the consistency in presentation and valuation shall also apply to true and fair view statutory single-entity financial statements. 39

## B. Employee participation schemes

(Article 63 FINMA-AO)

Margin no. 38 on the treatment of any differences upon settlement of employee participation schemes shall also apply to true and fair view statutory single-entity financial statements. 40

## V. True and fair view supplementary single-entity financial statements

(Article 77 FINMA-AO)

Hidden payments made by equity holders shall be recorded in *Capital reserves*. Such payments arise when treasury shares are acquired below fair value or if treasury shares are resold at a price above their fair value or if an equity holder or an affiliated company pays cash or provides goods or services without receiving any compensation from the institution or if the compensation is below the fair value of the cash, goods or services received. 41

No adjustment is necessary for a normal capital increase with an issue price below the actual fair value as long as the incoming funds themselves are recorded at fair value. 42

Hidden payments made to shareholders shall be debited to the *Capital reserves* account. Such payments arise when treasury shares are acquired above fair value or if treasury shares are resold at a price below their fair value or if an equity holder or an affiliated company receives goods or services without the institution receiving any compensation or if the compensation is below the value of the fair value of the cash, goods or services given. 43

## VI. Consolidated financial statements

(Article 95 FINMA-AO)

Margin nos. 41-43 on the treatment of transactions with equity holders shall also apply to consolidated financial statements. 44

## VII. Transitional provisions

When closing the accounts for business year 2020, the treatment related to the creation of value adjustment for default risks as well as provisions for default risks for off-balance sheet transactions may follow the principles of FINMA circular 15/1 "Accounting – banks". 45

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

## Annex 1

### Details on the individual balance sheet items and off-balance-sheet transactions

#### Item 1: Assets

##### Item 1.1: Liquid assets

- Current Swiss coins and bank notes, excluding collectors' pieces; 2
- Foreign coins and bank notes, provided they are freely convertible to Swiss francs; 3
- Balances with postal organizations outside Switzerland, provided these balances are subject to an unrestricted guarantee from the country concerned and are freely transferable; 4
- Sight deposits with the Swiss National Bank; 5
- Sight deposits with a central giro institution (central clearing office) recognized by FINMA; 6
- Sight deposits with a foreign central bank; 7
- Clearing balances of foreign branches with a recognized clearing bank of the country concerned. 8

##### Item 1.2: Amounts due from banks

- All amounts due from banks that are not to be disclosed under another item; 9
- Amounts due from central banks, clearing institutions and foreign postal organizations, provided these are not to be disclosed under item 1.1; 10
- Due but unpaid interest; 11
- Delivery claims arising from precious metal account deposits with banks outside trading activities; 12
- Commercial bills of exchange, if the drawee is a bank; 13
- Own bills of exchange to the order of the bank (simple collateral bills shall be omitted); 14
- Checks, if the issuer is a bank; 15

##### Item 1.3: Amounts due from securities financing transactions

- Receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions. 16

#### Item 1.4: Amounts due from customers

- All amounts due from non-banks that are not to be disclosed under another item; 17
- Receivables secured by mortgage in the form of current account credit facilities used, including construction credits prior to consolidation and commercial loans; 18
- Amounts due to the institution in its capacity as lessor in the context of finance leasing, with the exception of real estate finance leasing; 19
- Delivery claims arising from precious metal account deposits with customers outside trading activities; 20
- Due but unpaid interest; 21
- Commercial bills of exchange, if the drawee is not a bank; 22
- Checks, if the issuer is not a bank; 23

#### Item 1.5: Mortgage loans

- Direct and indirect mortgage claims in the form of secured loans (mortgage certificates pledged or assigned as collateral); 24
- Credits for land in the form of loans and fixed advances; 25
- Real estate finance leasing; 26
- Due but unpaid interest. 27

#### Item 1.6: Trading portfolio assets

- All of the following if held and owned by the institution for trading purposes: 28
- debt securities, money market securities / transactions; 29
  - equity securities; 30
  - precious metals and commodities, physical or held on account; 31
  - crypto currencies; 32
  - other trading portfolio assets. 33

## Item 1.7: Positive replacement values of derivative financial instruments

- Positive replacement values of all derivative financial instruments outstanding on the balance sheet date and arising from transactions for the bank's own account and that of customers (for netting, cf. Article 8(2)(d) FINMA-AO), irrespective of the treatment for income statement purposes, for example of hedging transactions. 34

The following principles shall apply to the recognition of replacement values arising from transactions for the account of customers: 35

The replacement values of derivative financial instruments arising from transactions for the account of customers shall be recognized if a risk may arise for the institution during the remaining term of the contract should the customer or the other counterparty (exchange, exchange member, issuer of instrument, broker, etc.) no longer be able to honor its obligations. 36

The following rules follow from this principle: 37

- Over-the-counter contracts (OTC): 38
  - Institution acting as commission agent: in principle, the replacement values arising from commission agent transactions shall be recognized on the balance sheet unless the institution discloses the identity of the counterparty to the customer. In this case, the institution shall bear a credit risk only if the contract constitutes a loss for the customer.

Consequently, only such positive replacement values shall be recognized. The corresponding double entries on the balance sheet shall be the corresponding negative replacement values, i.e. the profit realized by the counterparty with whom the institution deals in its name but for the account of a third party. However, the transaction does not need be recognized if the contract represents a profit for the customer. If for technical reasons the institution is not in a position to make this distinction, all replacement values arising from commission agent transactions shall be recognized. Institutions shall disclose in the accounting and valuation principles which principles have been followed in the recognition of the replacement values for commission agent transactions. 39

- Institution acting as principal: replacement values shall be recognized. 40

- Institution acting as broker: replacement values are not recognized. 41

- Exchange-traded contracts 42

Institution acting as commission agent: in principle, replacement values are not recognized on the balance sheet unless as a matter of exception the (variation margin) is not fully covered by the initial margin actually required. Only the uncovered portion has to be disclosed. In the case of traded options, disclosure shall only be required if the maintenance margin actually required does not fully cover the customer's daily loss. Here, too, only the uncovered portion shall have to be recognized. Daily gains of customers are never recognized. 43

- Spot transactions with positive replacement values recognized in accordance with the settlement date accounting principle. 44

### Item 1.8: Other financial instruments at fair value

Financial instruments outside trading activities, for which the institution has chosen the fair value option in accordance with Article 15 FINMA-AO. 45

### Item 1.9: Financial investments

The following items held and owned by the institution, albeit not for trading purposes, and – in the case of equity securities and real estate – not for the purpose of permanent investment: 46

- securities and book-entry securities; 47
- money-market instruments such as BIS bills, bankers' acceptances, commercial papers (CPs), certificates of deposit (CDs), treasury bills and money-market book claims; 48
- book-entry securities based on money-market and similar instruments; 49
- debt register claims due from public-sector entities; 50
- real estate, equity securities and commodities whose ownership has been assumed by virtue of a credit transaction and are intended for resale; 51
- physical precious metals; 52
- crypto currencies for the institution's own account; 53
- crypto currencies for customers' accounts if the crypto currencies are not recoverable in the event of the institution's bankruptcy. 54

Financial instruments for which the institution has chosen the fair value option shall be recognized under item 1.8. 55

### Item 1.10: Accrued income and prepaid expenses

All accruals of interest and other income statement items, premiums on asset items and discounts on liability items, and assets arising from other prepaid and accrued items shall be recognized here (transitory assets). 56

### Item 1.11: Equity securities

- Equity securities owned by the institution that are held for the purpose of permanent investment, irrespective of the percentage of voting shares held; 57
- Equity securities owned by the institution and that are of an infrastructure nature for the institution, in particular investments in joint organizations; 58

- Amounts due from undertakings in which the institution holds permanent investments if such amounts are deemed to be equity for taxation purposes. 59

### Item 1.12: Tangible fixed assets

- Real estate except for assets recognized under *Financial investments*; 60
- Balances of construction and renovation accounts; 61
- Constructions on properties owned by third parties; 62
- Other tangible fixed assets; 63
- Tangible assets under finance leases; 64
- Proprietary or acquired software. 65

### Item 1.13: Intangible assets

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- Patents; 67
- Licenses; 68
- Other intangible assets. 69

### Item 1.14: Other assets

- Amount recognized as assets in respect of employer contribution reserves and any other assets (economic benefit) relating to pension schemes; 70
- The credit balance of the compensation account for changes in book value with no income effect in the current period. 71

This includes in particular: 72

- changes in book value with no income effect in respect of replacement values of derivative financial instruments; 73
- changes in book value with no income effect in respect of loan transactions involving assets other than cash; 74
- interest components of financial investments intended to be held to maturity but sold before maturity (Article 16(2) FINMA-AO); 75
- interest components of hedging transactions sold before maturity; 76



- entries made directly to equity, resulting from applying a recognized international financial reporting standard to business transactions in accordance with Article 3(4) FINMA-AO. 77
- Coupons; 78
- Foreign currencies if they are not included in item 1.1; 79
- Accounts maintained strictly for clearing; 80
- Balances arising from the institution's internal business operations; 81
- Commodities; 82
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#### **Item 1.15: Capital not paid in**

#### **Item 1.16: Total assets**

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## **Item 2: Liabilities**

### **Item 2.1: Amounts due to banks**

- Similar to item 1.2: Amounts due from banks 85
- Leasing installments recognized as a liability on the balance sheet and payable for assets leased from banks; 86
  - Mortgages in favor of third parties secured by real estate owned by the bank, provided a bank is the mortgage holder. 87

### **Item 2.2: Liabilities from securities financing transactions**

Obligations from cash collateral received in connection with securities lending and repurchase transactions. 88

### **Item 2.3: Amounts due in respect of customer deposits**

- All financial liabilities due to non-banks that are not disclosed under another item; 89
- Time deposits; 90

## Item 2.4: Trading portfolio liabilities

- All short positions relating to the instruments recorded in item 1.6 Trading portfolio assets; 91
- Liabilities recognized according to the trade date accounting principle in respect of short positions relating to spot short sales, after netting for each security and for each counterparty for OTC transactions. If, in the case of on-exchange transactions, delivery versus payment is planned, netting for each security shall be permitted. 92

## Item 2.5: Negative replacement values of derivative financial instruments

- Negative replacement values of all derivative financial instruments outstanding on the balance sheet date arising from transactions for the institution's own account and that of customers (for netting, cf. Article 8 (2) (d) FINMA-AO; for recognition of replacement values arising from transactions for the account of customers, cf. margin nos. 35–43 of this annex); 93
- Spot transactions with negative replacement values recognized in accordance with the settlement date accounting principle. 94

## Item 2.6: Liabilities from other financial instruments at fair value

Financial instruments outside trading activities, for which the institution has chosen the fair value option in accordance with Article 15 FINMA-AO. 95

## Item 2.7: Medium-term bonds

### Item 2.8: Bond issues and central mortgage institution loans

- Bonds, warrant bonds and convertible bonds issued by the institution; 96
- Money market instruments and similar instruments issued by the institution, if the creditor is not known; 97
- Loans from central mortgage bond institutions; 98
- Loans from central issuing institutions. 99

## Item 2.9: Accrued expenses and deferred income

Similar to Item 1.10 *Accrued income and prepaid expenses* 100

The following shall also be recognized in this item: 101

- accruals for taxes payable; 102
- accruals for share-based compensation, if not recognized in the item *Capital reserve*; 103

- social security contributions and contributions to pension schemes not yet paid. 104

### Item 2.10: Other liabilities

- The debit balance of the compensation account for changes in book value with no income effect in the current period. 105

This includes in particular: 106

- adjustments of replacement values of derivative financial instruments in the case of hedging transactions; 107
- changes in book value in respect of loan transactions involving assets other than cash; 108
- interest components of financial investments intended to be held to maturity but sold before maturity (Article 16(2) FINMA-AO); 109
- interest components of hedging transactions sold before maturity; 110
- Leasing instalments recognized as a liability on the balance sheet and payable for assets leased from non-banks; 111
- Mortgages in favor of third parties secured by real estate owned by the bank, provided a non-bank is the mortgage holder; 112
- “Funds” set up by the institution and possessing no separate legal personality, e.g. pension and charitable funds; 113
- Pure clearing accounts; 114
- Balances arising from the institution’s internal business operations; 115
- Matured, but unredeemed coupons and debt instruments; 116
- Indirect taxes; 117
- Other payables from goods and services as well as non-financial obligations; 118
- Negative goodwill (with the exception of lucky buys, i.e. bargain purchases) relating to expected outflows. 119

### Item 2.11: Provisions

- Provisions to cover risks based on past events that are likely to occur whose amount and due date are uncertain but which can be estimated reliably; 120
- Provisions for deferred taxes; 121

- Provisions for pension benefit obligations; 122
- Restructuring provisions; 123
- Other provisions; 124
- Hidden reserves in reliable assessment single-entity financial statements. 125

### Item 2.12: Reserves for general banking risks

Reserves for general banking risks are created in item 11 in the income statement *Changes in reserves for general banking risks*, and in the case of reliable assessment single-entity financial statements by a reclassification of value adjustments and provisions no longer economically necessary or by way of a reclassification of hidden reserves. Reserves for general banking risks may only be released through income statement item 11 *Changes in reserves for general banking risks*. 126

### Item 2.13: Institution's capital

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- Share premiums from capital increases; 131
- Non-refundable contributions (à fonds perdu); 132
- Reliable assessment statutory single-entity financial statements and true and fair view statutory single-entity financial statements: the tax-exempt capital contribution reserve must be disclosed separately ("of which" item); 133
- True and fair view supplementary single-entity financial statements and consolidated financial statements: result from disposals relating to trading in own equity securities; 134
- True and fair view supplementary single-entity financial statements and consolidated financial statements: amounts relating to share-based compensation in the case of genuine equity instruments as well as any differences in the fulfilment of employee participation schemes; 135
- True and fair view supplementary single-entity financial statements and consolidated financial statements: equity transaction costs; 136
- True and fair view supplementary single-entity financial statements and consolidated financial statements: 137

ments: the item is designated *Capital reserve*.

### Item 2.15: Statutory retained earnings reserve

- Allocations are to comply with the relevant provisions of the Code of Obligations; 138
- Reliable assessment statutory single-entity financial statements and true and fair view statutory single-entity financial statements: 139
  - result from disposals relating to trading in own equity securities; 140
- True and fair view supplementary single-entity financial statements and consolidated financial statements: the item is designated «Retained earnings reserve». 141

### Item 2.16: Voluntary retained earnings reserves

- This item shall only be included in reliable assessment statutory single-entity financial statements and true and fair view statutory single-entity financial statements; 142
- In the case of true and fair view supplementary single-entity financial statements and consolidated financial statements, disclosure is made in the item *Retained earnings reserve*. 143

### Item 2.17: Treasury shares (negative item)

All treasury shares held by the institution (shares of other companies in the financial group are not deemed to be treasury shares of the institution). 144

### Item 2.18: Profit carried forward / loss carried forward

### Item 2.19: Profit / loss (result for the period)

### Item 2.20: Total liabilities

#### Item 2.20.1: Total subordinated liabilities

#### Item 2.20.1.1: of which subject to mandatory conversion and / or debt waiver

## Item 3: Off-balance-sheet transactions

### Item 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 favor of third parties, and unrecorded portions of joint and several liabilities arising from rights of recourse based on an internal legal relationship (e.g. in the case of simple partnerships), or 145

legally binding letters of comfort.

These contingent liabilities shall be characterized by an existing debt on the part of a principal debtor being guaranteed in favor of a third party. 146

- Bid bonds, performance bonds, builders' guarantees, letters of indemnity, other performance guarantees including guarantees in the form of irrevocable letters of credit and similar facilities. 147

These contingent liabilities shall be characterized by the fact that at the time of conclusion and disclosure of the contingent liability, no debt of the principal debtor in favor of a third party exists as yet, but may arise in the future, e.g. if a legal liability arises. 148

- Irrevocable commitments arising from documentary letters of credit; 149
- Other contingent liabilities that can be reliably estimated. 150

### Item 3.2: Irrevocable commitments

- Unused, but firm and irrevocable commitments to grant credit or other facilities as at the balance sheet date. Credit limits granted that the institution can revoke at any time do not have to be disclosed unless the contractual period of notice exceeds six weeks; 151
- Firm commitments to underwrite securities issues less firm subscriptions; 152
- Firm commitments to redeem credits (credit commitments in favor of the buyer, collateralization of the claims of creditors by way of a bank guarantee). Where both commitments forming an indivisible transaction binding upon the institution are structured in such a manner that, from the point of view of settlement as well as from an economic and legal point of view of the transaction, no risk can arise for the institution, only the irrevocable commitment shall 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; 153
- Payment commitment related to depositor protection scheme. 154

### Item 3.3: Obligations to pay up shares and make further contributions

Commitments related to additional payments and further contributions for shares and other equity securities. 155

### Item 3.4: Credit commitments

- Commitments arising from deferred payments; 156
- Commitments arising from acceptances (only liabilities arising from acceptances in circulation); 157
- Other credit commitments; 158

if they are not fulfilled by at least one party. 159

## Annex 2

### Details on the items of the income statement

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

As a general rule, the no-netting principle shall be applied to «income» and «expense» items unless the explanations in the text concerning these individual items expressly state otherwise. Income and expenses can be offset against one another under the items designated as «result» or «change». 2

### Item 1: Results from interest activities

#### Item 1.1: Interest and discount income

- Interest income, taking account of margin nos. 14-15; 3
- Credit commissions considered to constitute an interest component; 4
- Income from discounting bills of exchange; 5
- Income from refinancing trading positions, provided this is charged to the item *Result from trading activities and the fair value option* (cf. also Article 9(2)(f) FINMA-AO); 6
- Similar items directly linked to interest operations. Results from currency swaps, which were undertaken exclusively to operate interest margin business, may be disclosed in this item. 7

Negative interest on the lending business shall be recognized in interest income (reduction of interest income). If such negative interest is material, its impact shall be disclosed in the notes to the annual financial statements. 8

#### Item 1.2: Interest and dividend income from trading operations

This item shall only be disclosed if the institution does not net the interest and dividend income from trading portfolios with the refinancing expense for trading positions in the item 3 Result from trading activities and the fair value option. Institutions that net the refinancing of positions entered into for trading purposes with interest operations shall disclose this in the notes in the accounting and valuation principles. 9

#### Item 1.3: Interest and dividend income from financial investments

#### Item 1.4: Interest expense

- Interest payable; 10
- Other expenses similar to interest; 11

- Interest on subordinated loans; 12
- Interest on third-party mortgages secured by real estate owned by the institution, including the interest components of real estate finance lease instalments. 13
- Negative interest arising from lending operations shall be recognized in interest expense (reduction of interest expense). If this negative item is material, its impact shall be disclosed in the notes to the annual financial statements. 14

### Item 1.5: Results from interest activities

### Item 1.6: Changes in value adjustments due to default risk as well as losses from interest operations

- Creation and reversal of economically necessary value adjustments for default and country risks, provided these are related to the interest operations. 15

The creation / reversal of value adjustments shall be recognized as a net amount (newly created adjustments minus mandatory reversals of items economically no longer necessary). 16

Recoveries of receivables written off in prior periods shall also be recognized in this item. 17

If the institution undertakes a division, portion of value changes due to default risk of financial investments valued according to the lower of cost or market value principle (market-related changes in book value shall be recognized in the items 4.5 *Other ordinary expenses* or 4.4 *Other ordinary income*). 18

For the risk mitigation for credits (with the relevant credit limits), the use of which are typically subject to frequent and high fluctuations (e.g. current account credit facilities): Also see options in margin nos. 16-20. 19

Initial depreciation of the property to the actual market value if the real estate assets were acquired as the result of a forced sale without interested third parties. 20

- Losses relating to interest operations [realized losses on financial investments not intended to be held to maturity (intended for sale) shall be disclosed under item 4.1 *Result from the disposal of financial investments*]. 21

### Item 1.7: Subtotal net results for interest operations

## Item 2: Result from commission business and services

This item shall include not only commissions in the strict sense, but also income and expenses in general arising from the ordinary provision of services. 22



### **Item 2.1: Commission income from securities trading and investment activities**

- Custodian fees; 23
- Brokerage commissions; 24
- Income from securities issuing operations both by way of underwriting on a commission basis or firm underwriting, provided the institution does not elect to disclose the result from primary market trading activities in item 3 Result from trading activities and the fair value option. Institutions that disclose the result from primary market trading activities in item 3 Result from trading activities and the fair value option shall set this out accordingly in the accounting and valuation principles in the notes to the annual financial statements; 25
- Income from coupons; 26
- Fees from asset management activities; 27
- Retrocessions received that are not subject to restitution to clients; 28
- Fees from fiduciary transactions. Income from fiduciary/ Stock and payment thereof to the principal may not be recorded in the income statement; 29
- Investment advisory service fees; 30
- Fees from estate planning, company formation and tax advisory services. 31

### **Item 2.2: Commission income from lending activities**

- Fees from commitment, guarantee, letter of credit confirmation; 32
- Advisory fees. 33

### **Item 2.3: Commission income from other services**

- Safe deposit rentals; 34
- Payment transaction commissions; 35
- Income from the collection of bills of exchange; 36
- Documentary collection commissions, 37

### **Item 2.4: Commission expense**

- Retrocessions paid 38
- Custodian fees paid; 39

- Brokerage fees paid. 40

Retrocessions agreed in advance may be netted with the corresponding commission income. 41

#### **Item 2.5: Subtotal for commission business and services**

### **Item 3: Net results from trading activities and from the fair-value option**

- Gains and losses on trading in securities and book-entry securities, debt register claims, other marketable claims and liabilities, foreign exchange and bank notes, precious metals, commodities, derivative financial instruments (the booking option mentioned in margin no. 7 in this Annex remains applicable), etc.; 42
- Gains and losses on trading portfolio assets lent; 43
- Proceeds from subscription rights; 44
- Valuation result from the translation of foreign exchange positions; 45
- Components directly linked to trading activities and partly included in market prices, such as brokerage, transport and insurance expenses, fees and duties, melting costs, etc.; 46
- When netting the refinancing of trading positions in accordance with margin no. 6 in this Annex, both interest and dividend income from trading portfolios as well as the refinancing expense shall be included in this item; 47
- Gains and losses arising from value adjustments of items for which the fair value option has been chosen in accordance with Article 15 FINMA-AO. 48

### **Item 4: Other result from ordinary activities**

#### **Item 4.1: Result from the disposal of financial investments**

Realized result in connection with financial investments valued according to the lower of cost or market value principle. The realized result corresponds to the difference between the book value and the sale price. Changes in book values already posted in the current period are not to be reclassified to item 4.1  
*Result from the disposal of financial investments.* 49

#### **Item 4.2: Income from equity interests**

- Dividend income from equity interests; 50
- Interest income from loans deemed to be equity capital (cf. also margin no. 59 in Annex 1); 51

- Income from equity interests recognized according to the equity method in true and fair view supplementary single-entity financial statements and consolidated financial statements. 52

Gains and losses from the sale of equity interests shall not be included here but instead under item 9 Extraordinary income or item 10 Extraordinary expenses. 53

### Item 4.3: Result from real estate

Income from the use of real estate not used by the institution (including income from real estate recorded in item 1.9 *Financial investments*), in particular 54

- Rental income, 55
- Maintenance expenses for own real estate. 56

Gains and losses from the sale of real estate disclosed in the item 1.12 *Tangible fixed assets* are not to be included here, but instead in item 9 *Extraordinary income* or in item 10 *Extraordinary expenses*. Gains and losses from the sale of real estate in item 1.9 *Financial investments* are not to be included here, but instead under the item 4.1 *Result from the disposal of financial investments*. 57

### Item 4.4: Other ordinary income

- Positive balance of market-related changes in the book value of financial investments valued according to the lower of cost or market value principle; 58
- If the institution makes such a breakdown: portion of market-related changes in the book value of financial investments valued according to the lower of cost or market value principle, up to the legal maximum limit (changes related to default risk in the book value shall be recognized in item 1.6 *Changes in value adjustments for default risks and losses from interest operations*); 59
- Positive balance due to changes in the book value of crypto currencies for customer accounts if the crypto currencies are not recoverable in the event of the institution's bankruptcy. 60

### Item 4.5: Other ordinary expenses

- Negative balance of market-related and / or default-risk-related changes in the book value of financial investments valued according to the lower of cost or market value principle (it should be noted where real estate assets are acquired as the result of a forced realization without interested third parties, any necessary initial depreciation of the property to the effective market value is deemed equivalent to a default-risk-related value adjustment and shall therefore be recognized via item 1.6 *Changes in value adjustments for default risks and losses from interest operations*); 61
- If the institution makes such a breakdown: portion of market-related changes in book value of financial investments valued according to the lower of cost or market value principle (changes related default risk in the book value are recognized in item 1.6 *Changes in value adjustments for default risks and losses from interest operations*). 62

- Negative balance due to changes in the book value of crypto currencies for customer accounts if the crypto currencies are not recoverable in the event of the institution's bankruptcy. 63

#### Item 4.6: Subtotal other result from ordinary activities

## Item 5: Operating expenses

### Item 5.1: Personnel expenses

All expenses for members of the institution's governing bodies and personnel shall be included, in particular: 64

- Meeting attendance fees and fixed compensation for the members of the institution's governing bodies; 65
- Salaries and benefits, contributions to the Old-Age and Survivors' Insurance (AHV), Disability Insurance (IV), Unemployment Insurance (ALV) and other statutory contributions; cash bonuses, special bonuses, other bonuses; 66
- Premiums and voluntary allocations to pension funds and other such funds as well as in-house funds with the same purpose, but without any separate legal personality, provided they are not distributions associated with the appropriation of profit; 67
- Allocations to the employer contribution reserve of staff pension schemes, provided the employer contribution reserve is not recognized as an asset; 68
- Positive and negative changes in book value for economic benefits and obligations arising from staff pension schemes; 69
- Contributions to staff pension schemes to eliminate a funding gap; 70
- Premiums for life and pension insurance policies; 71
- Ancillary personnel expenses, including direct training and recruitment costs, long-service awards, costs for health checks; 72
- Expenses relating to share-based compensation and alternative forms of variable compensation; 73
- Personnel expenses relating to restructuring, provided these have not already been recognized in item 7 *Changes to provisions and other value adjustments, and losses*; 74
- Release of the corresponding amount of negative goodwill from an acquisition if a corresponding outflow in the current period has been recognized in item 5.1 *Personnel expenses*. 75

## Item 5.2 General and administrative expenses

• Office space expenses	76
• Rent paid and maintenance and repair expenses that do not increase the market value or value-in-use of tangible fixed assets used for the institution's operations;	77
• Operating lease expenses for premises used for the institution's operations;	78
• Expenses for information and communications technology (IT, including the costs for the services of external data processing centers);	79
• Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses. Finance lease installments are not recorded here but recorded, applying the annuity method, as an interest expense and repayment of leasing instalments recognized as liabilities. Depreciation and amortization, provided they do not relate to low-value assets, are not to be recognized here, but instead in item 6 <i>Value adjustments on equity interests, depreciation on tangible fixed assets and amortization of intangible assets</i> ;	80
• Expenses for financial and regulatory audits and other fees of the audit firm(s);	81
• Other operating expenses	82
• Office supplies and consumables, printed matter, costs for all forms of communications, and other transport costs;	83
• Travel allowances;	84
• Insurance premiums;	85
• Advertising expenses;	86
• Legal and debt collection costs, commercial register and land registry fees;	87
• Consultancy fees;	88
• Issuing costs, including expenses associated with raising debt capital, provided they are not regarded as interest expense and are amortized over the term of the loan. In the case of true and fair view supplementary single-entity financial statements and consolidated financial statements, issuing costs relating to own equity securities shall be recognized with no effect on income via the item <i>Capital reserve</i> ;	89
• Donations, provided they are not distributions associated with the appropriation of profit,	90
• Value-added tax, provided it is not a component of the cost price of tangible fixed assets;	91
• Compensation for any cantonal guarantee or any guarantee capital, provided there is a firm	92

commitment and the compensation is independent of the net annual result;

The profit-dependent interest on cantonal banks' endowment capital and cooperative capital, on limited partners' capital contributions and capital accounts, as well as the profit-dependent compensation for the cantonal guarantee and any guarantee capital are not to be treated as other operating expenses, and instead shall be treated as appropriation of profit (cf. also Annex 1 FINMA-AO). 93

- Release of the corresponding amount of negative goodwill from an acquisition if a corresponding outflow in the current period has been recognized in this item. 94

### Item 5.3: Subtotal operating expenses

## Item 6: Value adjustments on equity interests, depreciation on tangible fixed assets and amortization of intangible assets

- Economically necessary value adjustments on equity interests; 95
- Economically necessary depreciation on tangible fixed assets and amortization of intangible assets, including any additional depreciation and amortization required as a result of periodic reviews of values; 96
- Depreciation of items recognized as assets under finance leases (cf. margin no. 64 in Annex 1); 97
- Creation of hidden reserves in reliable assessment statutory single-entity financial statements in item 1.11 *Equity interests* and item 1.12 *Tangible fixed assets*, provided they have not been created in item 7 *Changes to provisions and other value adjustments, and losses* or item 10 *Extraordinary expenses*; 98
- Release of the corresponding amount of negative goodwill from an acquisition if a corresponding outflow in the current period has been recognized in this item. 99

Losses from disposals of equity interests and tangible fixed assets shall be included in item 1.10 *Extraordinary expenses*. 100

## Item 7: Changes to provisions and other value adjustments, and losses

- Creation / release of economically necessary provisions relating to off-balance-sheet transactions (the booking option mentioned in margin nos. 16–20 remains applicable); 101

- Creation / release of economically necessary provisions for other business risks; 102
- Creation / release of other economically necessary provisions, including restructuring provisions unless these have been created in item 5.1 *Personnel expenses* (personnel expenses related to restructuring decisions); 103
- Creation of hidden reserves in reliable assessment statutory single-entity financial statements, provided these are not created in item 6 *Value adjustments on equity interests, depreciation on tangible fixed assets and amortization of intangible assets* or item 10 *Extraordinary expenses*; 104
- Other value adjustments outside interest operations (e.g. in the case of replacement values or payments for bank defaults made as part of the depositor protection scheme); 105
- Losses, e.g. arising from operational risks; 106
- Release of the corresponding amount of negative goodwill from an acquisition if a corresponding outflow in the current period has been recognized in this item. 107

## Item 8: Operating result

## Item 9: Extraordinary income

Non-recurring and non-operating income (cumulative) is deemed to be extraordinary income. Income not relating to the current period shall be included here only if it is attributed to corrections of errors or mistakes relating to non-operating business transactions from previous years. 108

However, the following must be disclosed in this item: 109

- Gains realized from the sale of equity interests, tangible fixed assets and intangible assets; 110
- Appreciation of equity interests and tangible fixed assets up to the legal maximum limit; specifically in connection with a partial or full reversal of an impairment (cf. Articles 41, 54,71 and 89 FINMA-AO); 111
- Release of hidden reserves; 112
- Negative goodwill that corresponds to an acquisition that is actually favorable (a genuine lucky buy, i.e. bargain purchase) shall be recognized immediately (Article 84 (5) FINMA-AO). 113

Guarantees to cover a loss have no impact on the income statement or the balance sheet. 114

## Item 10: Extraordinary expenses

Non-recurring and non-operating expenses (cumulative) shall be extraordinary expenses. 115

Business events that are part of ordinary business and that occur on a repeated basis but only irregularly (e.g. organizing a symposium every four years) are not deemed to be extraordinary. The same applies to unusual items, provided they arise from the normal activities of the institution (e.g. if an extraordinarily high value adjustment is required). 116

Expenses not relating to the current period shall be included here only if they are attributed to the correction of errors or mistakes relating to non-operating business transactions from previous years. 117

However, the following must be disclosed in this item: 118

- Losses realized on the disposal of equity interests, tangible fixed assets and intangible assets; 119
- Creation of hidden reserves in reliable assessment statutory single-entity financial statements, provided these are not created in item 6 *Value adjustments on equity interests, depreciation on tangible fixed assets and amortization of intangible assets* or item 7 *Changes to provisions and other value adjustments, and losses*. 120

## Item 11: Changes in reserves for general banking risks

- Creation of reserves for general banking risks; 121
- Release of reserves for general banking risks. 122

## Item 12: Taxes

- Direct income taxes and capital taxes; 123
- Allocations to provisions for deferred taxes; 124
- Recognition of deferred income taxes. 125

## Item 13: Profit / loss (result for the period)



## Annex 3

### Presentation of the statement of changes in equity

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

\* Only in consolidated financial statements

\*\* Only in true and fair view supplementary single-entity financial statements and consolidated financial statements

\*\*\* Only in statutory single-entity financial statements



	Institution's capital	Capital reserve	Retained earnings reserve	Reserves for general banking risks	Currency translation reserves*	Voluntary retained earnings reserves and profit / loss carried forward	Treasury shares (negative item)	Minority interests*	Result of the period	TOTAL
Currency translation differences*										
Dividends and other distributions										
Other allocations to (transfers from) the reserves for general banking risks										
Other allocations to (transfers from) the other reserves										
Profit / loss (result of the period)										
Equity at end of current period										

\* Only in consolidated financial statements

## Annex 4

### Details on items in the Notes to the annual stand-alone financial statements/ consolidated financial statements

The following comments on the content of individual note items shall cover the most significant components. However, the list of aspects to be included is not exhaustive.	1
The terms used in the notes shall have the following meaning:	2
<ul style="list-style-type: none"> <li>• Disclosure: simple statement without further elaboration; depending on the respective circumstances, this may be expressed in figures or as text. <span style="float: right;">3</span></li> <li>• Explanation: commentary and interpretation of facts; <span style="float: right;">4</span></li> <li>• Justification: disclosure of considerations and arguments on which certain actions or omissions have been based. Impacts shall be quantified. <span style="float: right;">5</span></li> <li>• Breakdown: quantitative segmentation of a figure into its components in order to clarify the composition of the total. <span style="float: right;">6</span></li> <li>• Presentation: two-dimensional table with specific minimum structure of its content. <span style="float: right;">7</span></li> </ul>	
Explanation of the methods used to identify default risks and determine the need for value adjustments	8
<ul style="list-style-type: none"> <li>• Explanations include the creation of value adjustments in accordance with Articles 24 and 25 FINMA-AO as well as provisions for off-balance-sheet transactions pursuant to Article 28(6) FINMA-AO. <span style="float: right;">9</span></li> <li>• Disclosure on whether the institution has created value adjustments for expected losses, inherent default risks or deferred default risk for exposures that are not deemed to be doubtful receivables. <span style="float: right;">10</span></li> <li>• Explanation of the methods used, the data, information and assumptions used; <span style="float: right;">11</span></li> <li>• Institutions that do not create value adjustments for expected losses in accordance with internationally recognized standards shall explain how they determine the residual maturity; <span style="float: right;">12</span></li> <li>• Explanation of the parameters on the type and nature of the use without immediate re-creation and indication of the time period required to re-create value adjustments for expected losses which had not been created based on internationally recognized standards as well as the value adjustments for inherent default risks; <span style="float: right;">13</span></li> <li>• Disclosure if the institution has created the use of value adjustments for expected losses without an immediate re-creation, which had not been created on the basis of an internationally recognized accounting standards or whether the value adjustments for inherent default risks were released during the reporting period; <span style="float: right;">14</span></li> </ul>	

• Disclosure of a possible funding gap in the value adjustments for expected losses or in the value adjustment for inherent default risks as well as, correspondingly, in the provisions for default risks in accordance with Article 28(7) FINMA-AO.	15
Explanations regarding the use of hedge accounting	16
• Explanations of the risk management strategy for each risk category to which the institution applies hedge accounting as well as explanations of the risk management objective which the bank or financial group pursues by establishing the individual hedges.	17
• Explanations of the types of underlyings and the respective hedging transactions.	18
• If the institution has designated groups of financial instruments as underlyings: Explanations of the composition of the groups and of how these groups are treated jointly in the context of risk management.	19
• Explanations of the economic connection between the underlyings and the hedging transactions.	20
• Explanations of how the hedge's effectiveness is measured.	21
• Disclosures on ineffectiveness and explanation of what caused it.	22
<b>1. Breakdown of securities financing transactions (assets and liabilities)</b>	
The breakdown shall show the following information (including data from the previous year):	23
• Book value of the receivables and payables (always before any netting agreements) from cash collateral posted for securities borrowing and lending and (reverse) repos;	24
• Book value of securities in own portfolio lent in connection with securities lending or delivered as collateral in connection with securities borrowing as well as transferred in connection with repo transactions. Collateral or securities where the resale or pledging was agreed upon without restrictions shall be disclosed separately.	25
• Fair value of securities serving as collateral posted for securities lending or securities borrowing transactions or securities received in connection with repo transactions with an unrestricted right to resell or repledge them. Securities resold or repledged shall be disclosed separately.	26
<b>2. Presentation of the collateral posted for loans and off-balance-sheet transactions, as well as impaired loans/receivables</b>	
The presentation of the collateral posted for loans and off-balance-sheet transactions shall show:	27
• the breakdown of lending operations and off-balance-sheet transactions according to whether they are secured by mortgage, other collateral, no collateral, total.	28
• lending operations (before offsetting any value adjustments) broken down in amounts due from	29

customers, amounts due secured by mortgage (broken down by building type: residential property, office and business premises, commercial and industrial real estate, other). Total lending operations broken down according to type of collateral shall be disclosed before and after netting with value adjustments (including figures from the previous year).

- Off-balance-sheet transactions shall be broken down into contingent liabilities, irrevocable commitments, obligations to pay up shares and make further contributions and credit commitments. The total of each type of collateral shall be disclosed including figures from the previous year. 30

The presentation of impaired loans/receivables shall show the gross debt for the reporting year and the previous year (including the portfolios for which the institution has created collective individual valuation allowance), the estimated liquidation value of collateral (the lower of the two values, loan or liquidation value, shall be mentioned for each client), the net debt, the individual valuation allowance (including the collective individual valuation allowances). 31

The firm assumption of mortgage claims and of mortgage certificates pledged or assigned as collateral shall be included in Collateral secured by mortgage. All types of collateral not secured by mortgage shall be included in Other collateral. Loans that have been granted without any valid collateral and those for which collateral has ceased to be valid in form or substance shall be included in "unsecured" loans. The institution shall break down the impaired loans/receivables into those with and without collateral. 32

Receivables resulting from a spot transaction recognized as at trade date may be recorded in Secured by other collateral until the settlement date. 33

The following shall not be 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 institution itself where not traded on a recognized stock exchange, equity interests, debt instruments and guarantees of debtors or of companies affiliated with these debtors, and assignments of future receivables. 34

Collateral shall be considered at its market value. The portion of receivables and off-balance-sheet transactions that is no longer collateralized because the value of the collateral has diminished shall be presented as *Without collateral*. 35

The total of impaired loans/receivables shall be presented under Impaired loans/receivables. Any material changes compared to the previous year must be explained. 36

Overdue receivables that are not in doubt shall not be considered as doubtful receivables. 37

### **3. Breakdown of trading transactions and other financial instruments with fair-value assessment (assets and liabilities)**

Asset-side trading transactions and trading portfolio liabilities (for short positions: recording applying the trade date principle) shall be broken down into debt instruments, money market instruments and transactions, equity shares, precious metals and commodities as well as other trading assets and trading liabilities. Listed debt instruments, money market instruments and transactions shall be presented separately. 38

Other financial instruments valued at fair value and obligations arising from other financial instruments at fair value shall be broken down into Debt instruments, structured products, other. 39

Total trading transactions or obligations arising from trading transactions and other financial instruments valued at fair value shall show the amount which was determined with a valuation model. 40

The total of asset-side trading transactions and other financial instruments valued at fair value shall show the amount of repo-eligible securities in accordance with liquidity requirements. 41

Securities shall be deemed as repo-eligible if they have been classified as repo-eligible in application of provisions issued by the Swiss National Bank (SNB) or other central banks. 42

All breakdowns shall contain the figures of the reporting year and of the previous year. 43

#### 4. Presentation of derivative financial instruments (assets and liabilities)

The presentation shall contain all of the derivative financial instruments that are outstanding as at the balance sheet date where the bank acts either as principal or on behalf of clients. Positive and negative replacement values (RV) as well as the contract volumes shall be presented for each sub-item related to derivative financial instruments, differentiating trading instruments and hedging instruments. This presentation shall show the full total for the positive and the negative RV as well as the contract volume (including that of the previous year). The following shall also be shown in the full total of positive and negative RV (including previous year): 44

- The extent to which the amounts have been determined with a valuation model 45
- The total after taking into consideration netting agreements: 46

Moreover, the total in positive replacement values after netting agreements shall be broken down into central clearing houses, banks and securities dealers, other clients. 47

Derivative financial instruments are broken down as follows: 48

- interest-rate instruments into: futures contracts (including FRAs), swaps, futures, options (OTC), options (exchange-traded); 49
- foreign currencies / precious metals into: futures contracts (including FRAs), combined interest rate / currency swaps, futures, options (OTC), options (exchange-traded); 50
- equity securities / indices into: futures contracts, swaps, futures, options (OTC), options (exchange-traded); 51
- credit derivatives into: Credit Default Swaps, Total Return Swaps, First-to-Default Swaps, other credit derivatives; 52
- Other instruments (example: commodities) into: futures contracts, swaps, futures, options (OTC), options (exchange-traded); 53

Spot transactions not settled as at the balance sheet date that are recognized according to the settlement date principle shall be included in forward transactions.	54
Spot transactions not yet settled shall be treated as over-the-counter transactions.	55
Positive replacement values: derivative financial instruments which are outstanding as at the balance sheet date arising from transactions where the bank acts as principal and from transactions on behalf of clients must all be disclosed if they show a positive replacement value. This amount is exposed to credit risk and shall represent the maximum possible book loss to be incurred by the institution as at the balance sheet date should the counterparties no longer be able to meet their payment obligations. Purchased options shall be included under the positive replacement values. Positive replacement values shall be taken into account prior to considering netting agreements to be disclosed on a gross basis, i.e. without being offset against the negative values. Cash collateral shall not be taken into consideration, i.e. the figures shall be disclosed as gross amounts. Cash collateral shall be included in <i>Total after taking into consideration netting agreements</i> , provided it fulfills the conditions for the netting.	56
Replacement values of derivative financial instruments from client transactions shall be disclosed applying the following principles:	57
<ul style="list-style-type: none"> <li>• Over-the-counter contracts (OTC): <span style="float: right;">58</span> <ul style="list-style-type: none"> <li>• Institution acting as commission agent: replacement values shall be disclosed <span style="float: right;">59</span></li> <li>• Institution acting as principal: replacement values shall be disclosed <span style="float: right;">60</span></li> <li>• Institution acting as broker: no replacement values shall be disclosed <span style="float: right;">61</span></li> </ul> </li> <li>• Exchange-traded contracts: <span style="float: right;">62</span> <ul style="list-style-type: none"> <li>• Institution acting as commission agent: replacement values shall in principle not be disclosed unless, as a matter of exception, the variation margin is not fully covered by the initial margin actually required. Only the uncovered portion must be disclosed. In the case of traded options, disclosure is only required if the maintenance margin actually required does not fully cover the client's daily loss. Here, too, only the uncovered portion must be disclosed. Clients' daily profits are not subject to disclosure. <span style="float: right;">63</span></li> </ul> </li> </ul>	
Negative replacement values: Derivative financial instruments which are outstanding as at the balance sheet date arising from transactions where the bank acts as principal and from transactions on behalf of clients must all be disclosed if they show a negative replacement value. The negative replacement values shall correspond to the amount which the counterparties would lose if the institution were not to honor its commitments. Written options shall be included under negative replacement values. Negative replacement values shall be disclosed on a gross basis, i.e. without netting with positive values. Negative replacement values from client transactions shall be disclosed according to the same basic principles as apply in the case of positive replacement values from customer transactions.	64
The replacement values to be disclosed do not necessarily correspond to the ones that are recognized in the balance sheet. Differences may arise from netting positive and negative replacement values in the	65

balance sheet as provided for in Article 8(2)(d) FINMA-AO and in the derivative financial instruments of client transactions.

Contract volume: the contract volumes of all derivative financial instruments that are outstanding as at the balance sheet date from transactions where the bank acts as principal and from transactions on behalf of clients shall be disclosed. "Contract volumes" are defined as the receivable side of the underlying values or notional amounts of the derivative financial instruments, in accordance with the following requirements. Options, however, shall not be delta-weighted. 66

The contract volume shall be defined as follows: 67

- for instruments such as forward rate agreements, interest rate swaps and comparable instruments: the contract's nominal value or the receivable's net present value consisting of the nominal value and interest; 68
- for currency swaps: the receivable's nominal value, i.e. the indicative value used to calculate interest payments received, or the receivable's net present value consisting of nominal value and interest; 69
- for share index swaps, precious metals swaps, non-ferrous metal swaps and commodity swaps: agreed nominal charge or, if there is no nominal charge, "quantity x fixed price" or market value of the delivery claim or the receivable's net present value consisting of nominal value and interest; 70
- for other forward transactions: market value of the receivable or delivery claim; 71
- for options: just like the other forward transactions. 72

For options, the following values shall be relevant: 73

- Purchase call/sale put:
  - Receivable side = current market value x quantity of the underlying instruments; 74
- Sale call/purchase put: 75
  - Receivable side = exercise price x quantity of the underlying instruments; 76

The following principles apply when disclosing contract volumes for client transactions: 77

- Over-the-counter contracts (OTC): 78
  - Institution acting as commission agent: contract volume to be disclosed; 79
  - institution acts as principal: contract volume to be disclosed; 80
  - institution acts as broker: no contract volume to be disclosed. 81



- Exchange-traded contracts: 82
- Institution acting as commission agent: no contract volume to be disclosed. 83

## 5. Breakdown of financial investments

Financial investments shall be broken down into sub-items debt instruments (broken down into “to be held until maturity” and “destined to be sold”), equity securities (with a separate indication of the qualified interests, i.e. equity securities where at least 10% of the capital or voting rights are held) precious metals, real estate taken over from the lending business and real estate and goods destined to be resold, crypto-currencies. 84

The relevant book values and fair values of the reporting year and the previous year shall be indicated for each sub-item, as well as the total book value and fair value. 85

Repo-eligible securities shall be disclosed from the total of financial investments, in accordance with liquidity requirements. Securities shall be deemed as repo-eligible if they have been classified as repo-eligible in application of provisions issued by the Swiss National Bank (SNB) or other central banks. 86

Should the number of debt instruments in a portfolio be significant, the book values of the debt instruments shall be broken down according to the rating of the counterparties. The institution may rely on internal and external information and, for example, use the rating classes of a recognized rating agency. Should the institution use different names for the credit quality but of a same quality, it shall use at least six classes. 87

## 6. Presentation of equity interests

The presentation of the equity interest shall be broken down according to valuation based on the equity method, always with or without market value (in the consolidated financial statements and in the additional true and fair stand-alone financial statements) and other equity interests, always with/without market value. 88

The breakdown shall contain the following information: acquisition cost, accumulated value adjustments and changes in book value (equity valuation), book value at end of the previous year, changes during the reporting year, book value at end of the reporting year, market value. The changes during the reporting year shall be broken down into reclassifications, additions, disposals, value adjustments and changes in book value in the case of equity interests valued using the equity method / depreciation reversals. A total shall be given for all of this information. 89

Significant impairment losses and partial or full reversals of impairments shall be disclosed individually and disclosed with a quantity. Events and circumstances that led to them shall be explained. 90

Currency translation differences, if any, shall be recorded under *Disposals*. 91

## 7. Disclosure of companies in which the institution holds permanent direct or indirect significant equity interests

The disclosure on permanent direct or indirect significant equity interests shall show the company name, its domicile, its business activities, capital (currency and in 1,000), portion of capital (in %), number of voting rights (in %), direct holding/indirect holding for each equity interest. 92

In the consolidated financial statements, the institution shall indicate which equity interests are consolidated (including the respective method used). Equity interest that is not consolidated because it was purchased without any strategic intention shall be listed separately. A non-consolidation shall be justified with information that allows the balance sheet reader to estimate the significance of the equity interest (e.g. balance sheet total, results). Any contractual commitment shall be disclosed. 93

Significant holdings of equity interests in enterprises that are included in the balance sheet item 1.9 *Financial investments* shall also be disclosed here. 94

Any material changes compared to the previous year shall be disclosed. 95

Obligations to acquire further shares, e.g. by way of a commitment or an option (purchased call option or written put option) or to release shares, e.g. by way of a commitment or an option (purchased put option or written call option) shall be disclosed. 96

## 8. Presentation of tangible fixed assets

The presentation of tangible fixed assets shall contain a breakdown into sub-items buildings used by the institution itself, other property, proprietary or separately acquired software, other tangible fixed assets, items under finance leasing (broken down into those used by the institution itself, other properties, other tangible fixed assets). 97

For each sub-item, the institution shall disclose: acquisition cost, accumulated depreciation and amortization, book value at end of the previous year, changes during the reporting year and book value at end of the reporting year. The changes during the reporting year shall be broken down into reclassifications, additions, disposals, depreciations, appreciation in value. The consolidated financial statements shall present the impact of changes in the scope of consolidation in a separate category. There shall be a total for each piece of information. 98

The total amount of non-recognized lease commitments shall be disclosed. Their maturity structure shall also be presented, with separate disclosure of the obligations that may be terminated within one year. 99

Where tangible fixed assets are insignificant or where their book value is less than CHF 10 million, the breakdown may be limited to the gross additions and disposals and depreciation for the reporting year. If acquisition costs are not determined, this shall be justified. 100

Disclosure of the depreciation method applied and the range used for the effective life span. 101

Any currency translation differences shall be recorded under Disposals. 102

Future lease installments for non-recognized assets from operating leases shall be disclosed as the total of all leasing liabilities not recorded in the balance sheet. 103

Significant impairment losses and partial or full reversals of impairments shall be disclosed individually and disclosed with a quantity. Events and circumstances that led to them shall be explained. 104

## 9. Presentation of intangible assets

The presentation of intangible assets shall contain a breakdown into the sub-items *Goodwill, Patents, Licenses, Other intangible assets*. 105

For each sub-item, the institution shall disclose: purchase value, accumulated depreciation and amortization, book value at end of the previous year, changes during the reporting year and book value at end of the reporting year. The changes during the reporting year shall be broken down into investments, disposals, depreciations. A total shall be disclosed for each piece of information. 106

In consolidated financial statements, the impact of any changes in the scope of consolidation shall be shown separately. 107

Where intangible assets are insignificant or where their book value is less than CHF 10 million, the breakdown may be limited to the gross investments and disposals and amortization for the reporting year. If acquisition costs are not determined, this shall be justified. 108

Significant impairments shall be disclosed individually and quantified. Events and circumstances that led to them shall be explained. 109

Any currency translation differences shall be recorded under *Disposals*. 110

## 10. Breakdown of Other assets and Other liabilities

The breakdown of items 1.14 *Other assets* and 2.10 *Other liabilities* in the reporting year and the previous year shall contain at least the sub-items *Compensation account, Deferred income taxes recognized as assets* (in the case of accumulated deficit losses brought forward: only possible in the additional true and fair stand-alone financial statements and in the consolidated financial statements), *Amount recognized as assets in respect of employer contribution reserves, Amount recognized as assets relating to other assets from pension schemes, Negative goodwill*. 111

## 11. Disclosure of assets pledged or assigned to secure own commitments and of assets under reservation of ownership

The book values shall be disclosed according to the sub-items for assets that are pledged or assigned as collateral and assets under reservation of ownership, and the effective commitments be disclosed and compared to actual obligations. 112

Securities financing transactions shall not be disclosed here but in the corresponding separate breakdown under securities financing transactions. 113

## 12. Disclosure of obligations relating to own pension schemes, and number and nature of equity instruments of the institution held by own pension schemes

Bonds and medium-term notes of the institution as well as negative replacement values shall also be included. 114

The quantity and type of the institution's equity instruments held by its own employee benefit funds shall be disclosed. 115

## 13. Disclosures on the economic situation of the institution's own employee benefit funds

The presentation of the employer contribution reserve (ECR) shall include a breakdown into sub-items employer-sponsored funds / employer-sponsored pension schemes, pension schemes. For each sub-item, the institution shall disclose: nominal value at the end of the reporting year, waiver of use at the end of the reporting year, net amount at the end of the reporting year (must be capitalized in the stand-alone financial statements under true and fair view and in the consolidated financial statements), net amount at the end of the previous year, influence of the employer contribution reserve (ECR) on personnel expenses (reporting year and previous year). 116

For the category "Influence of the employer contribution reserve (ECR) on personnel expenses" for the reporting year as well as for the previous year, the following shall apply: The result of the employer contribution reserve for the reporting year is equal to the difference between the status of assets at the current balance sheet date less the status of assets at the previous balance sheet date, taking into account a possible allocation. If the result of the employer contribution reserve includes interest, this may be recognized either in item 5.1 *Personnel expenses* or item 1 *Result from interest operations*. The form of recognition shall be disclosed. Any discounting of the nominal value of the employer contribution reserve shall be disclosed separately. 117

The presentation of the economic benefit / obligation and pension expenses shall be broken down into sub-items: *Employer sponsored funds / employer sponsored pension schemes, Pension plans without overfunding / underfunding, Pension plans with overfunding, Pension plans with underfunding, Pension schemes without own assets*. 118

These sub-items shall contain the following information: excess funding / underfunding at the end of the reporting year, economic interest of the institution or the financial group (reporting year/previous year), changes in the economic interest compared to the previous year (economic benefit/obligation), contributions paid for the reporting period, pension plan expenses in personnel expenses (reporting year/previous year). 119

The category *Contributions paid for the reporting period* shall include: the contributions accrued for the current period (including the result from the employer contribution reserve), including extraordinary contributions if specific temporary measures have been taken to remedy funding gaps. 120

The category *Pension plan expenses in personnel expenses* shall take into consideration the following: the pension plan expenses along with significant factors — as a component of personnel expenses — for the reporting year and the previous year. The pension plan expenses of the reporting year are equal to the 121

sum of the change in economic benefit/obligation and the contributions accrued to the period (including the result from the employer contribution reserve).

The inclusion of any economic benefit or obligation in the balance sheet shall be explained. 122

Any employer contribution reserves and future economic benefit not capitalized in the statutory stand-alone financial statement with reliable presentation shall be explained. 123

Institutions that apply the relevant valid provisions of an international accounting standard recognized as an alternative shall satisfy the disclosure requirements of the respective standard. 124

#### 14. Presentation of structured products issued

The presentation of the portfolio of structured products issued by the institution itself shall depend on the underlying risk of the embedded derivatives, but cover at least the following asset classes: 125

- Interest rate instruments 126
- Equity shares 127
- Foreign currencies 128
- Commodities / precious metals 129

Those products that are valued as a whole at fair value must be disclosed separately in the notes, and the portion of structured products issued by the institution itself with own debenture components must be visible. Only products without own debenture components shall be considered as trading transactions. For the remaining products, the book values of the host instruments and the derivative components shall be disclosed separately, whereas the portion of products issued by the institution itself with own debenture components must be visible. Totals shall be presented for all sub-items as well as all categories. 130

#### 15. Presentation of outstanding bonds and mandatory convertible bonds

The following information shall be disclosed individually for all outstanding bonds: year of issue, interest rate, type of bond, maturity, option to call it prematurely, outstanding amount. Central mortgage institution loans and loans of central issuing institutions shall be reported as a total amount each. 131

Should the institution have more than 20 issues, the bonds issued may be presented as a summary. In doing so, the following shall be disclosed: weighted average interest rate, maturities, amount. Moreover, the following shall be distinguished: Non-subordinated, subordinated without PONV clause and subordinated with PONV clause. In the case of consolidated financial statements, the breakdown shall be according to issuer. 132

In the case of outstanding bonds, the maturities shall be broken down as follows: Less than a year, more than 1 year and up to and including 2 years, more than 2 years and up to and including 3 years, more than 3 years and up to and including 4 years, more than 4 years and up to and including 5 years, longer than 5 years. In the case of consolidated financial statements, the breakdown shall be according to issuer. 133

## 16. Presentation of value adjustments and provisions, reserves for general banking risks, and changes therein during the reporting year

The total in provisions shall be broken down into its sub-items: Provisions for deferred taxes, provisions for pension fund obligations, provisions for default risks (broken down into provisions pursuant to Article 28(1) FINMA-AO, provisions for expected losses, provisions for inherent default risks, provisions for latent default risks), provisions for other business risks, provisions for restructuring, other provisions. 134

Value adjustments for default and country risks shall be broken down into the sub-items: Value adjustments for default risks arising from impaired loans/receivables, value adjustments for expected losses, value adjustments for inherent default risks, value adjustments for latent default risks. 135

The development of individual provisions, individual value adjustments and reserves for general banking risks arising during the reporting year shall be presented as follows: status as at the end of previous year, conformity of use with designated purpose, reclassifications, foreign currency differences, past-due interest/recoveries, new creations debited to the income statement, releases credited to the income statement, status as at the end of the reporting year. In consolidated financial statements, any changes in the scope of consolidation shall be shown separately. 136

The sum of all reclassifications shall be zero across the entire presentation. For instance, net value adjustments no longer needed that were released without income effect and therefore appear as hidden reserves in the reliable assessment statutory single-entity financial statements, shall be reclassified to item 2.12 *Reserves for general banking risks* or the sub-item *Other provisions*. 137

The sub-item *Provisions for other business risks* shall include provisions for settlement risks, for instance. 138

The sub-item *Other provisions* shall include provisions for litigation expenses or amounts earmarked for severance payments. All hidden reserves contained in the item 2.11 *Provisions* in the statutory stand-alone financial statements with reliable presentation shall be disclosed in this sub-item. 139

Significant provisions shall be briefly explained. Such disclosures shall explain the nature of the obligation and its degree of uncertainty. Should provisions be discounted, the discounting rate shall be disclosed. 140

The institution shall disclose in the reliable assessment statutory single-entity financial statements whether reserves for general banking risks are taxed or not. 141

Should the institution make use of the option provided in margin nos. 16-20, the amounts shall be broken down correctly between valuation adjustments and provisions at each balance sheet date. Should changes arise due to having reached a maximum credit limit, the institution shall disclose the changes in value adjustments and provisions for default risks without income effect. They shall be presented as *Reclassification*. 142

## 17. Presentation of the corporate capital

Corporate capital shall be broken down into: share capital / cooperative capital, participation capital. The paid-in portions shall be listed separately. Also, the institution shall list separately the authorized capital and the conditional capital. All of the capital increases undertaken shall be listed separately. Cantonal 143

banks shall indicate their endowment capital.

The following information shall be provided for the individual capital components for the reporting year and the previous year: total nominal value, number of shares, capital eligible for dividend 144

Any company capital not paid in yet shall be listed separately. 145

Private bankers disclosing this information shall adapt it in line with the composition of their capital. 146

### **18. Number and value of equity securities or options on equity securities held by all executives and directors and by employees, and disclosures on any employee participation schemes**

The institution shall disclose the following information for the reporting year and the previous year: number of equity securities, value of equity securities, number of options, value of options. This information shall be disclosed separately for members of the board of directors, members of executive bodies and employees. 147

The institution shall disclose the following information on any employee participation schemes: the general contractual terms (e.g. exercise conditions, the quantity of equity instruments granted, type of compensation), calculation base for obtaining the fair values and the costs recognized in the income statement. 148

### **19. Disclosure of amounts due from / to related parties**

The institution shall disclose the amounts due from / to related parties separately for the reporting year and the previous year, i.e.: significant equity holders, group companies, affiliated companies, governing bodies of the company, other related parties. 149

A total amount shall be disclosed for each sub-item. 150

Amounts due from / to significant equity holders in the institution who are also part of governing bodies shall be treated as significant equity holders. 151

In the consolidated financial statements, the sub-item *Group companies* shall disclose receivables from and payables to group companies that were not consolidated (for example, because of their insignificance). 152

Under *Affiliated companies*, cantonal banks shall include cantonal public-law entities or companies with a mixed economic purpose, in which the canton has significant holdings. Payables and receivables to the canton itself shall be recorded in the sub-item *Significant equity holders*. 153

Other significant off-balance-sheet transactions shall also be disclosed. 154

The institutions shall confirm that the balance sheet and off-balance-sheet transactions have been granted at arm's length. 155

If this is not the case, the institution shall also disclose the following: 156

- Description of the transactions 157
- Volume of the transactions (generally the amount or ratio) 158
- Significant other conditions. 159

## 20. Disclosure of significant equity holders

The presentation shall include the shareholders and groups of equity holders with pooled voting rights, broken down according to shares with voting rights and those without. It shall also present the nominal value and the percentage held in the reporting year and the previous year. 160

Holders of equity interests that hold more than 5% of the voting rights shall be disclosed. 161

In accordance with the principle of substance over form, both holders of direct and indirect equity interests shall be disclosed. 162

## 21. Disclosure of treasury shares and composition of equity capital

The following information shall be disclosed: 163

- Quantity and type of treasury shares at the beginning and end of the reporting period; 164
- Quantity, type, average transaction price of treasury shares purchased and sold during the reporting period, with the shares issued in connection with share-based compensation plans shall be presented separately. If the average fair value in additional true and fair stand-alone financial statements and in the consolidated financial statements is different from the transaction price, this shall also be disclosed; 165
- Any contingent liabilities associated with sold or purchased treasury shares (e.g. repurchase and resell obligations); 166
- Quantity and type of the institution's equity instruments that are held by subsidiaries, joint ventures, affiliated companies and foundations related to the institution; 167
- Quantity, type and conditions of treasury shares reserved for specific purposes and of equity instruments of the institution held by persons related to the institution (e.g. employee profit-sharing plans or convertible or warrant bonds) at the beginning and end of the reporting period. 168

The following information on the equity components shall be disclosed: details on the individual categories of the institution's capital (quantity and type of issued and paid-up shares, nominal values and rights and restrictions linked to these shares), amount of non-distributable – voluntary or statutory – reserves; 168

The following transactions with shareholders (in their capacity as participants in transactions) shall be disclosed: 170

- Description and amount of transactions with shareholders that were not settled in cash or that were 171



offset against other transactions;

- Justification and valuation basis of transactions with shareholders which were not recognized at fair value; This requirement only applies to the true and fair view supplementary single-entity financial statements and the consolidated financial statements; 172
- Description of transactions with shareholders that were not conducted at arm's length, including the difference between the fair value and the contractually agreed price of the transaction that was recognized in the Capital reserves. This requirement shall only apply to the true and fair view supplementary single-entity financial statements and the consolidated financial statements. 173

## **22. Disclosures as required by the Excessive Compensation Ordinance for exchange-listed public limited companies and as per Article 663c(3) CO for Institutions with exchange-listed shares**

All institutions with shares listed on a stock exchange or a similar institution recognized by the FINMA shall fulfill the relevant requirements. 174

The duty to publish the information required by the Excessive Compensation Ordinance and Article 663c(3) CO shall also apply to companies whose participation certificates are listed on an exchange. 175

The following requirements shall be considered: 176

Generally, the information shall be disclosed in the statutory single-entity financial statements of the company whose shares are listed. These financial statements shall contain a reference to the consolidated financial statements if this information appears there. 177

Compensations paid to affiliated persons that were not customary to the market shall be disclosed separately. The persons concerned do not have to be mentioned by name. The same shall apply to current loans to related parties where such loans are not customary market practice. 178

Compensations paid to former members of the board of directors and of the advisory board shall be disclosed separately for each person, mentioning the name and function of each individual. 179

However, compensations to former members of the management may be disclosed as a total amount. The following exception shall apply: if a former management member received the highest amount paid out to one individual person, the name and function of the person concerned must be disclosed. 180

The highest loan to a management member must be disclosed, regardless of whether or not this person also receives the highest compensation. Thus, the management member receiving the highest loan does not necessarily have to be the same person as the one receiving the highest compensation. 181

Current loans to former members of the board of directors or the advisory board that were not granted at market conditions shall be disclosed individually, mentioning the name of the respective individual. 182

Current loans to former management members that were not granted at market conditions shall be disclosed as a total amount. The following exception shall apply: if a former management member was grant-

ed a loan that was not at market conditions and that exceeded the highest credit granted to any current management member, the former management member's loan and name shall be disclosed.

Equity interests, conversion rights and option rights must be disclosed for each individual management member, including the name of the individual concerned; the equity interests held by parties related to the management member must also be included. 184

This requirement may also be met by extending the annex table 18 *Number and value of equity securities or options on equity securities held by all executives and directors and by employees, and disclosures on any employee participation schemes*. 185

If a requirement is not met, it is recommended that a confirmation shall be made to this effect (negative confirmation). 186

A reference to item 19 *Disclosure of amounts due to / from related parties* shall be possible if the required information is contained there. 187

### 23. Presentation of the maturity structure of financial instruments

The asset items *Liquid assets, Amounts due from banks, Receivables from securities financing transactions, Amounts due from customers, Mortgage receivables, Trading transactions, Positive replacement values of derivative financial instruments, Other financial instruments valued at fair value, and the entire item Financial investments* and the liabilities items *Amounts due to banks, Payables from securities financing transactions, Amounts due in respect of customer deposits, Payables from trading transactions, Negative replacement values of derivative financial instruments, Payables from other financial instruments valued at fair value, Medium-term notes, Bonds and Central mortgage institution loans* shall be broken down according to their maturity and totals (figures from the previous year shall only be at the level of Total assets and Total liabilities). 188

Assets and liabilities shall be broken down into the following maturity bands: at sight, callable, due within 3 months, due within 3 to 12 months, due within 12 months and 5 years, due after 5 years, no maturity. 189

Assets and liabilities shall be disclosed according to their residual maturity, i.e. according to the maturity of the principal. 190

Trading portfolios and equity interests as well as precious metals included in the item Financial investments shall be reported in full under sight deposits. 191

Capital categories that are in principle subject to withdrawal restrictions shall be considered as fully callable. "Callable" means a certain maturity is not established until after withdrawal notice has been given. Call deposits and tied pension assets shall also be deemed callable. 192

Amounts due from customers in the form of current account credits and construction credits are considered to be "callable"; amounts owed to customers in the form of current accounts are considered to be "at sight". 193

## **24. Presentation of assets and liabilities by domestic and foreign origin in accordance with the domicile principle**

The book values of the reporting year and the previous year of individual assets (1.1 to 1.16 of Annex 1 BO) and liabilities (2.1 to 2.20 without 2.14.1 of Annex 1 BO) shall be broken down into domestic and foreign origins. 194

The client's domicile shall be indicative of whether an amount is to be categorized as domestic or foreign, with the exception of mortgage loans, where the location of the property is the determining factor. The Principality of Liechtenstein is deemed to be a foreign country. 195

## **25. Breakdown of total assets by country or groups of countries (domicile principle)**

For example, assets shall be broken down by continents and then by countries on that continent for the reporting year and the previous year. The disclosure shall be made in absolute amounts and percentages. The institution itself shall determine the granularity of the breakdown by country / groups of countries. 196

The breakdown by country / groups of countries is made on the basis of the client's domicile, with the exception of mortgage loans, where the location of the property is the determining factor. The Principality of Liechtenstein is deemed to be a foreign country. 197

## **26. Breakdown of all assets according to the credit rating of regions (risk domicile principle)**

Foreign exposures as at the end of the reporting year and the previous year shall be broken down according to the institution's own country rating. The disclosure shall be made in CHF and percentages. The breakdown shall represent the credit rating determined by the institution. In doing so, the institution may rely on internal or external rating systems. The institution shall disclose on which ratings it bases itself. 198

The assets recognized in the balance sheet shall be disclosed under the heading "Foreign exposures". Netting shall only be permitted in the context of Article 8 FINMA-AO. 199

## **27. Presentation of assets and liabilities broken down by the most significant currencies for the institution or financial group**

The presentation shall contain the following for each currency (e.g. CHF, EUR, USD, etc.) for the reporting year: Assets for each balance sheet item (1.1 - 1.16 Annex 1 BO), Total assets shown in the balance sheet, Delivery claims from spot exchange, forex forwards and forex options transactions (options shall be considered delta-weighted), Total assets, Liabilities for each balance sheet item (2.1 to 2.20, without 2.14.1 of Annex 1 BO), Total liabilities shown in the balance sheet, Delivery obligations from spot exchange, forex forwards and forex options transactions (options shall be delta-weighted), Total liabilities, Net position for each currency (e.g. CHF, EUR, USD, etc.). 200

The institution itself shall determine the granularity of the presentation by currency. 201

## 28. Breakdown and explanation of contingent assets and liabilities

The breakdown shall contain the following sub-items for the reporting year and the previous year: guarantees to secure loans and similar, performance-related guarantees and similar, irrevocable commitments arising from documentary letters of credit, other contingent liabilities, total contingent liabilities, contingent assets from tax losses carried forward (in statutory financial statements), other contingent liabilities, Total contingent liabilities. 202

Contingent liabilities and assets that cannot be estimated reliably are not to be considered. They shall be explained. 203

See margin nos. 145–150 of Annex 1 for the allocation of individual contingent liabilities to the categories Guarantees to secure loans, Performance-related guarantees, Irrevocable commitments and Other contingent liabilities. 204

## 29. Breakdown of credit commitments

Credit commitments shall be broken down as follows: 205

- Commitments arising from deferred payments; 206
- Commitments arising from acceptances (only liabilities arising from acceptances in circulation) 207
- Other credit commitments 208

## 30. Breakdown of fiduciary transactions

Fiduciary transactions shall be broken down as follows: 209

- Fiduciary investments with third-party companies 210
- Fiduciary investments with group companies and affiliated companies (in the consolidated accounts, this shall be sub-item Fiduciary investments with affiliated companies) 211
- Fiduciary loans 212
- Fiduciary transactions arising from securities lending and borrowing, which the institution conducts in its own name for the account of customers 213
- Fiduciary crypto currencies held for customers' accounts if the crypto currencies are recoverable in the event of the institution's bankruptcy 214
- Other fiduciary transactions 215

### 31. Breakdown of assets under management and presentation of their development

The presentation shall contain a breakdown of assets under management for the reporting year and the previous year. The presentation shall comprise: Assets in collective investment schemes managed by the institution, Assets under discretionary asset management agreements, Other managed assets, Total assets under management (including double-counting). Double-counted assets shall be disclosed separately. 216

The presentation of their development shall contain the following information for the reporting year and the previous year: total managed assets (including double counting) at beginning, +/- net new money inflow or net new money outflow, +/- price gains / losses, interest, dividends and currency gains / losses, +/- other effects (significant other effects shall be disclosed individually and explained), Total assets under management (including double-counting) at the end. 217

The consolidated financial statements must adequately present how the changes in the scope of consolidation impacts the total assets under management in both presentations. 218

In addition to the assets in collective investment schemes managed by the institution, both presentations shall contain the assets of investors managed under an asset management agreement (including assets deposited with third parties) and other assets held for investment purposes ("other managed assets"). The institution's own investments are normally not included in managed assets. 219

As a general rule, all assets for which investment advisory or discretionary portfolio management services are rendered shall be considered managed assets. This shall include, in particular, certain components of the item Amounts due in respect of customer deposits (specifically savings accounts, investment accounts, fixed-term deposits), fiduciary deposits, and all portfolio assets with a quantifiable value (this list is not exhaustive, and the details shall be derived on the basis of the principle of the investment purpose). 220

As a rule, assets to be recognized do not include collateralized (lombard) loans. This means that assets financed with collateralized loans shall be included without deducting the collateralized loans in question. 221

Fiduciary deposits held at a branch abroad or at a subsidiary on group level may not be counted twice. 222

Assets held exclusively for custody and transaction settlement purposes ("custody assets") shall not be considered. Typically, the institution does not provide any investment advisory or asset management services for these assets. 223

Institutions shall define and document how they differentiate custody assets from assets under management. These criteria shall be explained in a footnote in each annual publication. The treatment of reclassifications of assets under management to assets not disclosed must also be explained. 224

Institutions subject to publication shall observe the minimum requirements. The presentation of additional information may be possible where the relevant positions are clearly disclosed in accordance with the relevant established definitions. Institutions may opt to break this information down into client segments, to be shown in separate categories. 225

“Double-counted figures” shall primarily consider collective investment schemes managed by the institution that are in custody accounts already included in “managed assets”. 226

Net new money inflow / outflow: when reporting this information for the first time, the previous year values do not need to be disclosed. 227

The net inflow or outflow of assets under management (net new money) during a particular period shall 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 investments (e.g. securities or precious metals) typical for institutions. Net new money inflow/outflow shall be calculated at the level of “total managed assets”, i.e. before the elimination of double-counting. Market-driven value changes (e.g. price changes, interest and dividend payments) are not to be included as inflow or outflow. 228

It shall be up to the institutions to decide how to calculate new money inflows/outflows. The methods used for this shall be explained in each annual publication. The treatment of interest, commissions and fees charged to managed assets shall be disclosed in this context. 229

### 32. Breakdown of the result from trading activities and the fair value option

The breakdown shall take place according to business area (according to the institution’s organization) as well as underlying risks and the use of the fair value option. 230

The breakdown of Results from trading operations and from the fair value option by business segment shall be based on the organization of these business activities. Results that cannot be attributed to a particular business segment because of the overlapping nature of the organization shall be reported as a separate item Combined trading operations. Changes in valuations and any accrued or deferred interest on financial instruments valued using the fair value option shall be recognized separately. 231

Results from commodities trading shall be recognized as Other trading transactions. 232

All results from spot trading and trading in forward / option contracts shall be reported for the individual business area. 233

The breakdown shall take into consideration underlying risks and, based on the application of the fair value option, shall include the following: *Trading results from interest-rate instruments* (incl. funds), *Equity securities* (incl. funds), *Foreign currencies and commodities / precious metals*, *Total trading results*. Results arising from the use of the fair value option shall be broken down according to assets or liabilities. 234

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

### 34. Structure of personnel expenses

Personnel expenses shall be broken down as follows: 235

- Salaries (meeting attendance fees and retainers to institutional authorities, salaries and benefits) 236

- Of which expenses related to share-based remunerations and other variable salary components 237
- Social security benefits 238
- Value adjustments for economic benefits or obligations arising from pension funds 239
- Other personnel expenses 240

### **35. Breakdown of general and administrative expenses**

General and administrative expenses shall be broken down as follows:

- Office space expenses 241
- Expenses for information technology and telecommunications 242
- Expenses for motor vehicles, machinery, furniture and other equipment, as well as operating lease expenses 243
- Audit fee(s) (Article 961a(2) CO) 244
  - of which for financial and regulatory audits 245
  - of which for other services 246
- Other operating expenses 247
  - of which for any cantonal guarantee 248

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

The amounts of significant impairment losses and partial or full reversals of impairment shall also be disclosed individually. Events and circumstances that led to them shall be explained. 249

### **37. Disclosure of and reasons for revaluations of equity interests and tangible fixed assets up to acquisition cost at maximum,**

### **38. Presentation of the operating result broken down according to domestic and foreign origin, according to the principle of permanent establishment**

### **39. Presentation of current and deferred taxes and disclosure of the tax rate**

Expenses for current taxes and expenses for deferred taxes shall be disclosed separately. 250

Institutions shall disclose the average tax rate weighted in view of the operating results. The impact of 251

changes arising from loss carry forwards on income taxes shall be quantified and explained.

#### **40. Disclosures and explanations of the earnings per equity security of exchange-listed institutions**

The diluted and undiluted results shall be disclosed for each equity security. The calculation method for the undiluted result of each equity security shall be disclosed, specifying the time-weighted average number of outstanding equity securities. The institution shall disclose a reconciliation of undiluted to the diluted results for each equity security. In doing so, it shall explain the potentially dilutive effects (e.g. future exercising of options, conversion of convertible bonds). 252



## Annex 5

### Presentation of the Cash Flow Statement

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

The cash flow statement shall comprise at least the following items: 2

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

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

The cash flow statement shall contain the previous year's figures. 8

In general, the cash flow statement shall be based on the following model table. The minimum structure may be amended in line with the institution's specific requirements. 9

## Annex 5

### Presentation of the Cash Flow Statement

<b>Cash flow statement</b>	Cash in-flow	Cash out-flow
<p><b>Cash flow from operating activities (internal financing):</b></p> <ul style="list-style-type: none"> <li>• Result of the period</li> <li>• Change in reserves for general banking risks</li> <li>• Value adjustments on equity securities depreciation and amortization of tangible fixed assets and intangible assets</li> <li>• Provisions and other value adjustments</li> <li>• Change in value adjustments for default risks and losses</li> <li>• Accrued income and prepaid expenses</li> <li>• Accrued expenses and deferred income</li> <li>• Other items</li> <li>• Previous year's dividend</li> </ul> <p><b>Subtotal</b></p>		
<p><b>Cash flow from shareholders' equity transactions:</b></p> <ul style="list-style-type: none"> <li>• Share capital / participation capital / cantonal banks' endowment capital (Dotationskapital) / etc.</li> <li>• Recognized in reserves</li> <li>• Change in own equity securities</li> </ul> <p><b>Subtotal</b></p>		
<p><b>Cash flow from transactions in respect of equity securities tangible fixed assets and intangible assets:</b></p> <ul style="list-style-type: none"> <li>• Equity securities</li> <li>• Real estate</li> <li>• Other tangible fixed assets</li> <li>• Intangible assets</li> <li>• Mortgages on own real estate</li> </ul> <p><b>Subtotal</b></p>		

## Cash flow statement

### Cash flow from banking operations:

- Medium and long-term business (> 1 year):
  - Amounts due to banks
  - Amounts due in respect of customer deposits
  - Liabilities from other financial instruments at fair value
  - Cash bonds
  - Bonds
  - Central mortgage institution loans
  - Loans of central issuing institutions
  - Other liabilities
  - Amounts due from banks
  - Amounts due from clients
  - Amounts due secured by mortgages
  - Other financial instruments at fair value
  - Financial investments
  - Other accounts receivable
- Short-term business:
  - Amounts due to banks
  - Liabilities from securities financing transactions
  - Amounts due in respect of customer deposits
  - Trading portfolio liabilities
  - Negative replacement values of derivative financial instruments
  - Liabilities from other financial instruments at fair value
  - Amounts due from banks
  - Amounts due from securities financing transactions
  - Amounts due from customers
  - Trading portfolio assets
  - Positive replacement values of derivative financial instruments
  - Other financial instruments at fair value
  - Financial investments
- Liquidity:
  - Cash and cash-equivalents

### Subtotal

	Cash in-flow	Cash out-flow
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