

Council Directive of 8 December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions (86/635/EEC)

SECTION 8

**CONTENTS OF THE NOTES ON THE ACCOUNTS**

*Article 40*

1 Article 43 (1) of Directive 78/660/EEC shall apply, subject to Article 37 of this Directive and to the following provisions.

2 In addition to the information required under Article 43 (1) (5) of Directive 78/660/EEC, credit institutions shall disclose the following information relating to Liabilities item 8 (Subordinated liabilities):

- a in respect of each borrowing which exceeds 10 % of the total amount of the subordinated liabilities:
  - (i) the amount of the borrowing, the currency in which it is denominated, the rate of interest and the maturity date or the fact that it is a perpetual issue;
  - (ii) whether there are any circumstances in which early repayment is required;
  - (iii) the terms of the subordination, the existence of any provisions to convert the subordinated liability into capital or some other form of liability and the terms of any such provisions.
- b an overall indication of the rules governing other borrowings.

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- a In place of the information required under Article 43 (1) (6) of Directive 78/660/EEC, credit institutions shall in the notes on their accounts state separately for each of the Assets items 3 (b) and 4 and the Liabilities items 1 (b), 2 (a), 2 (b) (bb) and 3 (b) the amounts of those loans and advances and liabilities on the basis of their remaining maturity as follows:
  - not more than three months,
  - more than three months but not more than one year,
  - more than one year but not more than five years,
  - more than five years.

For Assets item 4, loans and advances on call and at short notice must also be shown.

If loans and advances or liabilities involve payment by instalments, the remaining maturity shall be the period between the balance sheet date and the date on which each instalment falls due.

However, for five years after the date referred to in Article 47 (2) the Member States may require or permit the listing by maturity of the assets and liabilities referred to in this Article to be based on the originally agreed maturity or period of notice. In that event, where a credit institution has acquired an existing loan not evidenced by a certificate, the Member States shall require classification of that loan to be based on the remaining maturity as at the date on which it was acquired. For the purposes of this subparagraph, the originally agreed maturity for loans shall be the period between the date of first drawing and the date of repayment; the period of notice shall be deemed to be the period

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between the date on which notice is given and the date on which repayment is to be made; if loans and advances or liabilities are redeemable by instalments, the agreed maturity shall be the period between the date on which such loans and advances or liabilities arose and the date on which the last instalment falls due. Credit institutions shall also indicate for the balance sheet items referred to in this subparagraph what proportion of those assets and liabilities will become due within one year of the balance sheet date.

- b Credit institutions shall, in respect of Assets item 5 (Debt securities including fixed-income securities) and Liabilities item 3 (a) (Debt securities in issue), indicate what proportion of assets and liabilities will become due within one year of the balance sheet date.
- c The Member States may require the information referred to in subparagraphs (a) and (b) to be given in the balance sheet.
- d Credit institutions shall give particulars of the assets which they have pledged as security for their own liabilities or for those of third parties (including contingent liabilities); the particulars should be in sufficient detail to indicate for each Liabilities item and for each Off-balance sheet item the total amount of the assets pledged as security.

4 Where credit institutions have to provide the information referred to in Article 43 (1) (7) of Directive 78/660/EEC in Off-balance sheet items, such information need not be repeated in the notes on the accounts.

5 In place of the information required under Article 43 (1) (8) of Directive 78/660/EEC, a credit institution shall indicate in the notes on its accounts the proportion of its income relating to items 1, 3, 4, 6 and 7 of Article 27 or to items B 1, B 2, B 3, B 4 and B 7 of Article 28 by geographical markets, in so far as, taking account of the manner in which the credit institution is organized, those markets differ substantially from one another. Article 45 (1) (b) of Directive 78/660/EEC shall apply.

6 The reference in Article 43 (1) (9) of Directive 78/660/EEC to Article 23 (6) of that Directive shall be deemed to be a reference to Article 27 (8) or Article 28 (A 4) of this Directive.

7 By way of derogation from Article 43 (1) (13) of Directive 78/660/EEC, credit institutions need disclose only the amounts of advances and credits granted to the members of their administrative, managerial and supervisory bodies, and the commitments entered into on their behalf by way of guarantees of any kind. That information must be given in the form of a total for each category.