In case of discrepancies between the French and the English text, the French text shall prevail

Law of 17 June 1992 relating to:
- the annual accounts and consolidated accounts of credit institutions governed by the laws of Luxembourg;
- the obligations regarding publication of the accounting documents of branches of credit institutions and financial institutions governed by foreign laws
as amended

- by the law of 3 May 1994
  - transposing into the law on the financial sector Directive 92/30/EEC of 6 April 1992 on the supervision of credit institutions on a consolidated basis
  - introducing certain other amendments into the law on the financial sector and into the law relating to the accounts of credit institutions

  (*Mém.* A 39, p.702)
- by the law of 19 December 2002 concerning the trade and companies register, as well as the accounting and annual accounts of companies and amending certain other legal provisions
  (*Mém.* A 149, p.3630)
- by the law of 16 March 2006 relating to the introduction of the international accounting standards for credit institutions and transposing:
  - Directive 2001/65/EC of the European Parliament and of the Council of 27 September 2001 amending Directives 78/660/EEC, 83/349/EEC and 86/635/EEC on the valuation rules applicable to the annual accounts and consolidated accounts of certain types of companies and those of the banks and other financial institutions
  - Articles 5 and 9 of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of the international accounting standards
  - Directive 2003/51/EC of the European Parliament and of the Council of 18 June 2003 amending Directives 78/660/EEC, 83/349/EEC, 86/635/EEC and 91/674/EEC of the Council on the annual accounts and consolidated accounts of certain categories of companies, the banks and other financial institutions and insurance companies.

  (*Mém.* A 55, p.1146)

Part I: Scope

Art. 1. (1) (Law of 16 March 2006)

"Articles 2 to 112bis and 118 shall apply to all credit institutions governed by the laws of Luxembourg as defined in the amended law of 5 April 1993 on the financial sector."

However, the aforementioned Articles shall not apply to the affiliated rural banks referred to in Article 12 of the aforementioned law. In their case, without prejudice to application of this law to the central body, the group consisting of the central body and its affiliated institutions shall be included in consolidated accounts and a management report prepared, audited and published pursuant to this law.

(Law of 16 March 2006)

"Articles 83 to 106, 107 (1), (6), (7), (9), (10), (13) and (14), 108 (2), 109 and 112bis shall not apply to credit institutions whose securities are admitted to trading on the regulated market of a Member State within the meaning of point 14 of paragraph (1) of Article 4 of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments, amending Directives 85/611/EEC and 93/6/EEC of the Council and Directive 2000/12/EC of the European Parliament and of the Council and repealing Directive 93/22/EEC of the Council."

(2) "Articles 113, 114 and 118 shall apply:"[1]

- to all branches of credit institutions governed by foreign laws established in the Grand Duchy of Luxembourg pursuant to the aforementioned law;

- to branches of financial institutions having their registered office in another EEC country, insofar as the measure of Directive 86/635/EEC is applicable to them in their home country (Directive on the annual accounts and consolidated accounts of banks and other financial institutions).

1 Law of 16 March 2006 relating to the introduction of the international accounting standards for credit institutions.

Part II: Annual accounts

Chapter 1 - General provisions

Art. 2. (1) The annual accounts consist of the balance sheet, the profit and loss account and the notes to the accounts. The said documents constitute a set.

(Law of 16 March 2006)

"Credit institutions may include other financial statements in the annual accounts, in addition to the documents indicated in the first paragraph."

(2) The annual accounts shall be prepared clearly and in accordance with this law.

(3) The annual accounts shall give a true and fair view of the company's assets, financial position and profit or loss.

(4) Where application of this law will not suffice to give the true and fair view referred to in paragraph (3), additional information shall be provided.

(5) If, in exceptional cases, the application of a provision of this law proves to be contrary to the obligation referred to in paragraph (3), the provision in question may be derogated from in order to give a true and fair image within the meaning of paragraph (3). Any such derogation shall be reported in the notes to the accounts and duly reasoned, along with an indication of its impact on the assets, the financial position and the profit or loss.

Chapter 2 - General provisions concerning the balance sheet and the profit and loss account

Art. 3. The layout of the balance sheet and the profit and loss account, and in particular the form of their presentation, may not be changed from year to year. Derogations from this principle shall be allowed in exceptional cases. Where such derogations are used, they shall be reported in the notes to the accounts and duly reasoned.

Art. 4. (1) In the balance sheet, and in the profit and loss account, the headings referred to in Articles 7, 41 and 42 shall appear separately and in the order indicated. A more detailed subdivision of the headings is authorised if it respects the structure of the layouts. New headings may be added insofar as their content is not covered by any of the headings provided in the layouts.

(2) The subheadings of the balance sheet and the profit and loss account preceded by a lower case letter may be rearranged:

a) if they show a negligible amount relative to the objective of paragraph (3) of Article 2;

b) if the rearrangement improves clarity and the rearranged headings are presented separately in the notes to the accounts. Rearrangement under a) and b) may take place only with the prior consent of the executive board of the *Commission de surveillance du secteur financier*.

(3) Each balance sheet and profit and loss account heading shall indicate the previous financial year's figure for the same heading. Any lack of comparability of the figures from year to year and, where relevant, any adaptation of the figures for the previous year made to facilitate such comparability, shall be reported in the notes to the accounts and duly commented on.

(4) A balance sheet or profit and loss account heading containing no figure shall not be indicated unless a corresponding heading exists for the previous year pursuant to paragraph (3).

(Law of 16 March 2006)

"(5) The presentation of the amounts indicated under the profit and loss account and balance sheet headings shall refer to the substance of the relevant transaction or contract."

Art. 5. A Grand-Ducal Regulation may adapt the balance sheet and profit and loss account layouts to show the appropriation of profit or treatment of loss.

Art. 6. Any offsetting of asset and liability headings, or expenditure and income headings, is prohibited, except in cases envisaged by this law.

Chapter 3 - Layout of the balance sheet

Art. 7. The following layout shall be used to present the balance sheet:

Assets	*Liabilities*
1. Cash in hand, balances with central banks and post office banks.	1. Amounts owed to credit institutions: a) on demand; b) with agreed maturity dates or periods of notice.
2. Treasury Bills and other bills eligible for refinancing with the central bank: a) Treasury Bills and similar securities; b) other bills eligible for refinancing with the central bank.	2. Amounts owed to customers: a) savings deposits; b) other amounts owed: ba) on demand; bb) with agreed maturity dates or periods of notice.
3. Loans and advances to credit institutions: a) on demand; b) other loans and advances.	3. Debts evidenced by certificates: a) debt securities in issue; b) others.
4. Loans and advances to customers.	4. Other liabilities.
5. Leasing transactions.	5. Settlement accounts.
6. Bonds and other fixed-income securities: a) of public issuers; b) of other issuers.	6. “Provisions”[2]: a) provisions for pensions and similar obligations; b) provisions for taxes; c) other provisions.
7. Shares and other variable-yield securities.	7. Subordinated liabilities.
8. Participating interests.	8. Special items with a reserve quota portion.
9. Shares in affiliated undertakings.	9. Subscribed capital.
10. Intangible assets.	10. Issue premiums.
11. Tangible assets.	11. Reserves.
12. Own shares.	12. Revaluation reserve.
13. Other assets.	13. Profit or loss brought forward.
14. Unpaid subscribed capital: called-up portion.	14. Profit or loss for the financial year.
15. Settlement accounts.	
TOTAL ASSETS	TOTAL LIABILITIES

Off-Balance-Sheet Headings

1. Contingent liabilities, consisting of:
   - endorsements of rediscounted bills and acceptances, - guarantees and assets pledged as collateral security.
2. Commitments arising out of repurchase transactions.
3. Fiduciary transactions.

2 Law of 16 March 2006 relating to the introduction of the international accounting standards for credit institutions.

(Law of 16 March 2006)

“Credit institutions may adopt in its place the balance sheet presentation layout indicated in Article 7bis.”

(Law of 16 March 2006)

“**Art. 7bis.** Credit institutions may substitute for the balance sheet presentation layout indicated in Article 7 a presentation based on classification of the items by type and in order of relative liquidity, as long as the information provided is at least equivalent to that provided in Article 7.”

Art. 8. (1) Assets pledged by the credit institution as security for its own commitments or those of third parties, or given to third parties as security, shall remain under the relevant headings of the balance sheet.

(2) Only assets pledged in favour of the credit institution, or lodged with it as security and which consist of cash deposits with that same credit institution, shall appear on its balance sheet.

Art. 9. (1) Where loans are granted by a syndicate composed of several lenders, the credit institution concerned shall only be required to indicate its contribution to the total amount of the financing.

(2) If, where a loan is granted by a syndicate as envisaged in paragraph (1), the amount of the contribution secured by a credit institution is greater than the financing made available, the said institution shall be required to enter the additional security in the off-balance-sheet items (second indent of heading 1) as a contingent liability.

Art. 10. The only amounts deemed to be on demand are those which may be withdrawn at any time without notice or in respect of which a notice period of twenty-four hours or one working day has been agreed.

Art. 11. (1) Repurchase transactions are transactions through which a credit institution or a client (the transferor) assigns asset items belonging to it, such as bills, loans or securities, to another institution or client (the transferee) under the terms of an agreement which provides for the same asset items to be subsequently returned to the transferor at an agreed price.

(2) If the transferee undertakes to return the assets on a date specified or to be specified by the transferor, the transaction in question shall be deemed to be a genuine sale and repurchase transaction.

(3) If, on the other hand, the transferee is merely entitled to return the assets at the purchase price or for a different amount agreed in advance on a date specified or to be specified, the transaction in question shall be deemed to be a sale with an option to repurchase.

(4) The following accounting method shall be used for such transactions:

a) In the case of transactions based on a genuine sale and repurchase agreement, the asset items transferred shall continue to appear on the transferor’s balance sheet; the transfer price received by the transferor shall be shown as a debt owed to the transferee. Moreover, the amount of the asset items transferred shall be shown in the notes to the transferor’s accounts. The transferee shall not be entitled to show the asset items acquired in its balance sheet; the transfer price paid by the transferee shall be shown as an amount owed by the transferor.

b) In the case of transactions based on a sale with an option to repurchase, however, the transferor shall no longer be entitled to show on its balance sheet the transferred asset items which will appear among the transferee’s assets. The transferor shall show an amount equal to the price agreed in the event of repurchase under heading 2 of the off-balance-sheet items.

(5) Swap transactions, forward transactions, bond issues in which the issuer undertakes to redeem some or all of the bonds before maturity, and other similar transactions, do not constitute repurchase transactions within the meaning of this Article.

Chapter 4 - Provisions specific to certain balance sheet headings

Art. 12. *Assets: heading 1 - Cash in hand, balances with central banks and post office banks*

(1) The cash in hand consists of currencies which are legal tender, including banknotes and coins in foreign currencies.

(2) Only balances with central banks and post office banks of the country or countries in which the credit institution is established may be shown under this heading. Such balances must be available at all times. Other loans and advances to such institutions shall be entered as loans and advances to credit institutions (asset heading 3) or as loans and advances to customers (asset heading 4).

Art. 13. *Assets: heading 2 - Treasury Bills and other bills eligible for refinancing with the central bank*

(1) This heading shall comprise under a), “Treasury Bills and similar securities”, Treasury instruments, Treasury Bills and similar debt instruments of public bodies, provided that they are eligible for refinancing with the central bank of the country or countries in which the credit institution is established. Debt instruments of public bodies which do not meet the aforementioned condition shall be shown under assets sub-heading 6 a).

(2) This heading shall comprise, under (b), bills eligible for refinancing with central banks, i.e. all bills held in portfolio which were purchased from credit institutions or from customers insofar as they are eligible, under national law, for refinancing with the central banks of the country or countries in which the credit institution is established.

Art. 14. *Assets: heading 3 - Loans and advances to credit institutions*

(1) Loans and advances to credit institutions shall comprise all loans and advances arising out of banking transactions with domestic or foreign credit institutions held by the credit institution preparing the annual accounts, regardless of their actual designation.

The only debts excluded are those evidenced by securities which must appear under asset heading 6 and those arising from leasing transactions which must appear under asset heading 5.

(2) For the purposes of this Article, credit institutions shall comprise all undertakings included in the list published in the Official Journal of the European Communities pursuant to “Article 11 of Directive 2000/12/EC”[3], as well as the central banks and official banking bodies, both national and international, and likewise all private or public undertakings not established in the Community having bank or credit institution status and which appear in the official list of banks and credit institutions in their respective countries, if such a list exists, along with other institutions whose business consists of receiving deposits or other repayable funds from the public and granting loans for their own account.

Claims on undertakings which do not meet the aforementioned conditions will be shown under asset heading 4.

Art. 15. *Assets: heading 4 - Loans and advances to customers*

Loans and advances to customers shall comprise all asset items which represent claims on domestic or foreign customers other than credit institutions, regardless of their actual designation.

The only debts excluded are those evidenced by securities which must appear under asset heading 6 and those arising from leasing transactions which must appear under asset heading 5.

Art. 16. *Assets: heading 5 - Leasing transactions*

This heading shall comprise debts arising from leasing transactions which relate to movable or immovable property specially purchased for such leasing by an institution which retains ownership thereof under a lease having a contractual term which corresponds to the presumed economic lifetime of the property or which grants the lessee an option to purchase some or all of the leased property, during the lease or upon its expiry, upon payment of a price determined in the lease.

3 Law of 16 March 2006 relating to the introduction of the international accounting standards for credit institutions.

Art. 17. *Assets: heading 6 - Bonds and other fixed-income securities*

(1) This heading shall comprise bonds and other fixed-income securities issued by credit institutions, other undertakings or public bodies; the bonds and other fixed-income securities issued by public bodies shall appear under this heading only if they do not come under asset heading 2.

(2) Securities with variable income based on a specific parameter, e.g. the interest rate of the interbank market or the Euromarket, shall be treated as bonds and other fixed-income securities.

Art. 18. *Assets: heading 8 - Participating interests*

Within the meaning of this law, participating interests are rights in the capital of other undertakings, regardless of whether they are evidenced by certificates, which, by creating an enduring link with the said undertakings, are intended to contribute to the company's business. A holding in another company's capital shall be deemed to constitute a participating interest if it exceeds twenty per cent.

Art. 19. *Assets: heading 9 - Shares in affiliated undertakings*

Undertakings are affiliated if they conform to the definition given in Article 109 of this law.

Art. 20. *Assets: heading 10 - Intangible assets*

(1) This heading collectively encompasses the following headings:

- a) Formation expenses
- b) Research and development expenses
- c) Concessions, patents, licences, trademarks and similar rights and entitlements, if they were:
  - ca) acquired in return for payment and did not form part of the goodwill of a business
  - cb) created by the undertaking itself
- d) Goodwill, provided that it was acquired in return for payment
- e) Deposits paid.

(2) The amounts relating to headings a) and d) of paragraph (1) shall be reported separately in the notes to the accounts.

Art. 21. *Assets: heading 11 - Tangible assets*

(1) This heading collectively encompasses the following headings:

- a) Land and buildings
- b) Plant and machinery
- c) Other fixtures and fittings, tools and machinery
- d) Deposits paid and tangible fixed assets in progress.

(2) The amount relating to the portion of the land and buildings used by the credit institution for its own business shall be reported in the notes to the accounts.

(3) Real property rights and similar rights, as defined by the civil laws, shall be indicated under the "Land and Buildings" heading.

(4) Land and buildings not used for the undertaking's own business and which are intended for resale shall appear not under this heading but under heading 13 - Other assets.

Art. 22. *Assets: heading 12 - Own shares*

The nominal value of the own shares held, or, if there is no nominal value, the par value, should also be indicated.

Art. 23. *Assets: heading 13 - Other assets*

This heading is residual relative to the other asset headings.

Art. 24. *Assets: heading 15 - Settlement accounts*

Expenditure incurred during the financial year that relates to a subsequent financial year shall be shown under this heading, as shall income relating to the financial year becoming due after it has closed.

Art. 25. The value adjustments shall include all adjustments intended to take account of the depreciation, definitive or otherwise, of the asset items existing on the balance sheet date.

Art. 26. *Liabilities: heading 1 - Amounts owed to credit institutions*

(1) Amounts owed to credit institutions shall comprise all debts contracted through banking transactions by the credit institution preparing the annual accounts with domestic or foreign credit institutions, regardless of their actual designation.

The only debts excluded are those evidenced by bonds or any other security which must appear under liability heading 3.

(2) For the purposes of this Article, credit institutions shall comprise all undertakings which conform to the definition given in paragraph (2) of Article 14.

Art. 27. *Liabilities: heading 2 - Amounts owed to customers*

(1) This heading shall comprise the amounts due to creditors which are not credit institutions within the meaning of Article 26, regardless of their actual designation.

The only debts excluded are those evidenced by bonds or any other security which must appear under liability heading 3.

(2) Savings bonds shall only appear under the relevant sub-heading if they are evidenced by a negotiable certificate.

Art. 28. *Liabilities: heading 3 - Debts evidenced by certificates*

(1) This heading shall comprise bonds and debts evidenced by transferable certificates, including certificates of deposit and short-term notes, as well as own acceptances and outstanding promissory notes.

(2) Own acceptances consist exclusively of acceptances issued by the credit institution for its own refinancing on which it is shown as the first party liable ("drawee").

Art. 29. *Liabilities: heading 4 - Other liabilities*

This heading is residual relative to the other liability headings.

Art. 30. *Liabilities: heading 5 - Settlement accounts*

Income received before the balance sheet date that relates to a subsequent financial year, and likewise charges relating to the financial year which will not be paid until a subsequent financial year, shall be shown under this heading.

Art. 31. "*Liabilities: heading 6 – Provisions"*[4]

(Law of 16 March 2006)

"(1) The provisions are intended to cover losses or debts of a clearly defined nature which, on the balance sheet date, are either probable or certain, but indeterminate as to their amount or their date of occurrence."

(2) It shall also be permissible for provisions to be established with the intention of covering charges originating in the financial year or a previous financial year which are clearly defined as to their nature but which, on the balance sheet date, are either probable or certain, but indeterminate as to their amount or their date of occurrence.

(Law of 16 March 2006)

"(3) The provisions must not be intended to adjust the values of the asset items."

4 Law of 16 March 2006 relating to the introduction of the international accounting standards for credit institutions.

Art. 32. *Liabilities: heading 7 - Subordinated liabilities.*

Where, contractually, the rights attaching to debts, whether evidenced by certificates or otherwise, may only be exercised after those of the other creditors in the event of liquidation or insolvency, they shall appear under liability heading 7.

Art. 33. *Liabilities: heading 8 - Special items with a reserve quota portion*

Amounts which may be subject to fiscal immunity shall be shown under these headings. The immunity relates, inter alia, to capital gains made by virtue of Articles 53, 54 and 54bis LIR. The notes to the accounts shall include a breakdown of the different headings and give details of the basis on which they were calculated.

Art. 34. *Liabilities: heading 9 - Subscribed capital*

This heading shall comprise all amounts which, regardless of their specific designation, and given the legal form of the institution concerned, shall be deemed to be shares subscribed by the partners or other contributors to its capital and reserves. The portion of the subscribed capital unpaid at the close shall be shown under asset heading 14. The portion called shall be entered separately under a sub-heading.

Art. 35. *Liabilities: heading 11 - Reserves*

This heading shall comprise the following types of reserves:

1. Legal reserve.
2. Reserve for own shares.
3. Statutory reserves.
4. Other reserves.

These different types of reserves shall be completed separately as subheadings of liability heading 11, except for the revaluation reserve, which shall be shown under heading 12.

Art. 36. *Liabilities: heading 12 - Revaluation reserve*

The revaluation reserve to be shown under this heading is that resulting from application of Article 53.

Art. 37. *Off-balance-sheet items: heading 1 - Contingent liabilities*

All transactions in respect of which an institution stands guarantor for the obligations of a third party shall be shown under this heading.

The following are to be included under subheadings:

- Liability arising out of the endorsement of rediscounted bills and acceptances other than own acceptances.

- Guarantees and assets pledged as collateral security, which include guarantees given and all assets pledged as collateral security for the account of third parties, as well as sureties and irrevocable letters of credit.

Art. 38. *Off-balance-sheet items: heading 2 - Commitments*

This heading shall comprise all irrevocable commitments which could give rise to a credit risk.

Commitments arising out of repurchase transactions include commitments contracted by the credit institution in the context of repurchase transactions (on the basis of a sale with an option to repurchase) within the meaning of Article 11.

Art. 39. *Off-balance-sheet items: heading 3 - Fiduciary transactions*

(1) This heading shall comprise all fiduciary transactions expressly subject to application "of the Law of 27 July 2003 relating to trusts and fiduciary contracts"[5].

(2) Fiduciary transactions which are not expressly subject "to the Law of 27 July 2003"[6] shall appear in the balance sheet. The total amount of such assets and commitments shall be indicated separately or reported in the notes to the accounts and broken down relative to the different asset and liability headings.

(3) Assets acquired for and on behalf of third parties shall not appear in the balance sheet.

Chapter 5 - Layout of the profit and loss account

Art. 40. Credit institutions shall use one of the two layouts contained in Articles 41 and 42 for the presentation of the profit and loss account.

(Law of 16 March 2006)

"Notwithstanding paragraph (1) of Article 2 of this law, credit institutions may present a statement of their profit or loss, instead of a profit and loss account presented pursuant to Article 41 or Article 42, on condition that the information provided is at least equivalent to that required by the said Articles."

Art. 41. Vertical presentation

1. Interest receivable and similar income
   of which:
   on fixed-income securities.
2. Interest payable and similar charges.
3. Income from transferable securities
   a) income from shares and other variable-income securities;
   b) income from participating interests;
   c) income from shares in affiliated undertakings.
4. Commissions received.
5. Commissions paid.
6. Profit or loss on financial transactions.
7. Other operating income.
8. General administrative expenses:
   a) staff costs
      of which:
      - wages and salaries,
      - social security costs, with separate indication of pension costs;
   b) other administrative expenses.
9. Value adjustments in respect of items shown under asset headings 10 and 11.
10. Other operating costs.
11. Value adjustments in respect of loans and advances and provisions for contingent liabilities and commitments.
12. Value re-adjustments in respect of loans and advances and provisions for contingent liabilities and commitments.
13. Value adjustments in respect of securities held as financial fixed assets, participating interests and shares in affiliated undertakings.
14. Value re-adjustments in respect of securities held as financial fixed assets, participating interests and shares in affiliated undertakings.
15. Allocations to "special items with a reserve quota portion".
16. Income from the writing back of "special items with a reserve quota portion".
17. Tax on profit or loss on ordinary activities.

5 Law of 16 March 2006 relating to the introduction of the international accounting standards for credit institutions.
6 Law of 16 March 2006 relating to the introduction of the international accounting standards for credit institutions.

18. Profit or loss on ordinary activities after tax.
19. Extraordinary income.
20. Extraordinary charges.
21. Extraordinary profit or loss.
22. Tax on extraordinary profit or loss.
23. Extraordinary profit or loss after tax.
24. Other tax not covered by the above headings.
25. Profit or loss for the financial year.

Art. 42. Horizontal presentation

A. Charges	*B. Income*
1. Interest payable and similar charges.	1. Interest receivable and similar income of which: on fixed-income securities.
	2. Income from transferable securities a) income from shares and other variable-income securities; b) income from participating interests; c) income from shares in affiliated undertakings.
2. Commissions paid.	3. Commissions received.
3. Net loss on financial transactions.	4. Net profit on financial transactions.
4. General administrative expenses a) staff costs of which: - wages and salaries, - social security costs, with separate indication of pension costs; b) other administrative expenses.	
5. Value adjustments in respect of items shown under asset headings 10 and 11.	5. Value re-adjustments in respect of loans and advances and provisions for contingent liabilities and commitments.
	6. Value re-adjustments in respect of securities held as financial fixed assets, participating interests and shares in affiliated undertakings.
6. Other operating costs.	7. Other operating income.
7. Value adjustments in respect of loans and advances and provisions for contingent liabilities and commitments.	
8. Value adjustments in respect of securities held as financial fixed assets, participating interests and shares in affiliated undertakings.	
9. Allocations to “special items with a reserve quota portion”.	8. Income from the writing back of “special items with a reserve quota portion”.
10. Tax on profit or loss arising from ordinary activities.	.
11. Profit or loss arising from ordinary activities after tax.	9. Profit or loss arising from ordinary activities after tax.

12. Extraordinary charges.	10. Extraordinary income
13. Tax on extraordinary profit or loss.	
14. Extraordinary profit or loss after tax.	11. Extraordinary profit or loss after tax.
15. Other tax not included under the previous headings.	
16. Profit for the financial year.	12. Loss for the financial year.

Chapter 6 - Provisions specific to certain profit and loss account headings

Art. 43. Headings 1 and 2 of Article 41 (vertical presentation),

Headings A1 and B1 of Article 42 (horizontal presentation)

Interest receivable and similar income; Interest payable and similar charges.

These headings shall comprise all profit or loss arising from banking activities, including:

1) all income from items shown under asset headings 1 to 6 of the balance sheet, regardless of the manner of their calculation. They also cover income arising from the spreading on a time basis of the discount on assets acquired at an amount below the sum payable at maturity and on commitments entered into above that amount;
2) all charges associated with the commitments under asset headings 1, 2, 3 and 7, regardless of the manner of their calculation. They also cover the charges arising from the spreading on a time basis of the premium on assets acquired at an amount above the sum payable at maturity and on commitments entered into below that amount;
3) the income and charges arising from hedged forward contracts, spread over the effective term of the transaction in the form of interest;
4) commissions in the form of interest calculated on the basis of the term or the amount of the debt or the commitment.

Art. 44. Heading 3 of Article 41 (vertical presentation),

Heading B2 of Article 42 (horizontal presentation)

Income from shares and other variable-income securities; income from participating interests; income from shares in affiliated undertakings.

This heading shall comprise all dividends and other income from variable-income securities and participating interests or shares in affiliated undertakings. Income from shares in investment firms shall be also shown under this heading.

Art. 45. Headings 4 and 5 of Article 41 (vertical presentation),

Headings A2 and B3 of Article 42 (horizontal presentation)

Commissions received and paid.

Without prejudice to Article 43, the commissions received or commissions paid comprise the income received for services rendered to third parties or the charges arising from recourse to the services of third parties, these include:

- commissions for guarantees, loan administration for other lenders and securities transactions for third parties,
- commissions for settlement of commercial transactions and other charges or income associated therewith, account administration fees, and commissions for the safe custody and administration of securities,
- commissions for foreign currency transactions and for the sale and purchase of coin and precious metals on behalf of third parties,
- commissions received for brokerage services relating to savings or insurance contracts or loans.

Art. 46. Heading 6 of Article 41 (vertical presentation),

Heading A3 or B4 of Article 42 (horizontal presentation)

Profit or loss on financial transactions

This heading shall comprise:

1) the net profit or loss on securities transactions which cannot be categorised as long-term investments, as defined in Article 56, as well as value adjustments and re-adjustments of such securities, taking account, in the event of paragraph (3) of Article 58 being applied, of the difference arising through application of the said Article. However, for credit institutions which make use of the right provided for in Article 62, such items shall be included only insofar as they relate to securities included in the commercial portfolio.
2) the net profit or loss on exchange activities, without prejudice to point 3 of Article 43.
3) the net profits and losses on other buying and selling transactions involving financial instruments, including precious metals.

Art. 47. Headings 11 and 12 of Article 41 (vertical presentation),

Article 42, headings A7 and B5 (horizontal presentation)

Value adjustments in respect of loans and advances and provisions for contingent liabilities and commitments

and

Value re-adjustments in respect of loans and advances and provisions for contingent liabilities and commitments

(1) These headings shall comprise, on the one hand, the charges for the value adjustments made to the loans and advances shown under asset headings 3, 4 and 5 and the provisions for contingent liabilities and commitments shown under off-balance-sheet items headings 1 and 2, and, on the other hand, the income arising from recovery of written-off loans and value re-adjustments and provisions previously made.

(2) For credit institutions which take the option provided for in Article 62, these headings shall also comprise the net profit or loss on securities transactions included under asset headings 6 and 7 which cannot be categorised as long-term investments, as defined in Article 56, and which are not included in the commercial portfolio, as well as value adjustments and re-adjustments of such securities, taking account, in the event of paragraph (3) of Article 58 being applied, of the difference arising through application of the said Article. In this eventuality, the titles of these headings shall be changed as follows:

Value adjustments on loans and advances and securities which cannot be categorised as long-term investments, and which are not included in the commercial portfolio, and on provisions for contingent liabilities and commitments

and

Value re-adjustments on loans and advances and securities which cannot be categorised as long-term investments, and which are not included in the commercial portfolio, and on provisions for contingent liabilities and commitments

(3) Credit institutions may offset charges against income under these headings, so that only the (positive or negative) balance is shown.

Art. 48. Headings 13 and 14 of Article 41 (vertical presentation),

Headings A8 and B6 of Article 42 (horizontal presentation)

Value adjustments in respect of securities held as financial fixed assets, participating interests and shares in affiliated undertakings

and

Value re-adjustments in respect of securities held as financial fixed assets, participating interests and shares in affiliated undertakings

(1) These headings shall comprise:

- the charges for value adjustments made to the items shown under asset headings 6, 8 and 9,
- the income arising from value re-adjustments previously made,

insofar as such charges and income relate to securities treated as long-term investments, as defined in Article 56, participating interests and shares in affiliated undertakings. These headings shall also comprise the net profits and losses on sales relating to fixed-income securities treated as long-term investments as defined in Article 56.

(2) Credit institutions may offset charges against income under these headings, so that only the (positive or negative) balance is shown.

Art. 49.

(1) Income or charges not arising from the institution's ordinary activities shall be shown under the "Extraordinary Income" or "Extraordinary Charges" heading.

(2) If the income and charges referred to in paragraph (1) are significant for evaluation of the profit or loss, explanations concerning the amount and nature thereof shall be given in the notes to the accounts. The same shall apply to income and charges attributable to another financial year.

Art. 50. The tax on the profit or loss for ordinary activities and the tax on extraordinary profit or loss may be combined and entered in the profit and loss account under a heading preceding the heading "Other tax not covered by the above headings". The title of this new heading shall be "Tax on ordinary and extraordinary profit or loss". In such cases, the headings "Profit or loss on ordinary activities after tax" and "Extraordinary profit or loss after tax" are deleted.

When this exception is applied, the credit institutions must provide details in the notes to the accounts of the extent to which the tax on the profit or loss affected the profit or loss on both the ordinary activities and the extraordinary activities.

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Chapter 7 - Valuation rules

Art. 51.

(1) The following general principles shall be applied to valuation of the headings of the annual accounts:

a) the company shall be presumed to be still trading;

b) the valuation methods shall not be changed from year to year;

c) the principle of prudence shall be observed at all times and, inter alia:

aa) only the profits realised by the balance sheet date may be entered;

(Law of 16 March 2006)

"bb) all risks which have arisen during the financial year or a previous financial year shall be taken into account, even if such risks only become known during the period between the balance sheet date and the date of its final preparation;"

cc) depreciation shall be taken into account, whether the financial year ends with a loss or a profit;

d) the charges and income pertaining to the financial year to which the accounts relate shall be taken into account, regardless of the date of payment or collection of such charges or income;

e) the items of the asset and liability headings shall be valued separately;

f) the opening balance sheet of a financial year must correspond to the closing balance sheet of the previous financial year.

(Law of 16 March 2006)

"(1)bis In addition to the amounts recorded pursuant to point c) bb) of paragraph (1) of Article 51, credit institutions may take into consideration all foreseeable risks and potential losses arising during the financial year or a previous financial year, even if such risks or losses only become known during the period between the balance sheet date and the date of its final preparation."

(2) Derogations from these general principles shall be permitted in exceptional circumstances. Where use is made of such derogations, they shall be reported in the notes to the accounts and duly reasoned, with indication of their impact on the assets, the financial position and the profit or loss.

Art. 52. Valuation of the headings of the annual accounts shall take place pursuant to the provisions of Articles 54 to 64, based on the principle of the acquisition cost or the production price.

Art. 53. Notwithstanding Article 52, a Grand-Ducal Regulation may authorise or impose the following measures for all credit institutions:

a) valuation on the basis of the replacement value for tangible fixed assets whose use is limited in time, and for stocks;

b) valuation of the headings of the annual accounts, including the capital and reserves, on the basis of methods other than that provided for under a), intended to take account of inflation;

c) "revaluation of the fixed assets"[7].

The regulation stipulating the valuation methods referred to in a), b) or c) shall determine their content, limits and implementing rules in accordance with the provisions of Article 33 of Directive 78/660/EEC of 25 July 1978.

Art. 54.

(1) a) The formation expenses shall be amortised over a maximum period of five years.

b) Insofar as the formation expenses have not been fully amortised, any distribution of profits is prohibited unless the amount of the reserves available for that purpose and the profit or loss brought forward is at least equal to the amount of the undepreciated costs.

(2) Items shown under the "Formation expenses" heading shall be commented on in the notes to the accounts.

(3) Costs which relate to the creation or extension of an undertaking, a part of an undertaking or a business segment, as opposed to costs arising from routine administration, may be shown under assets as formation expenses.

Art. 55.

1) (1) and (2) of Article 54 shall apply to the "Research and development expenses" heading.

2) Point a) of paragraph (1) of Article 54 shall apply to the "Goodwill" heading.

Art. 56.

(1) The following assets shall be valued as fixed assets:

a) asset headings 10 and 11.

b) Long-term investments. These shall comprise participating interests (asset heading 8), shares in affiliated undertakings (heading 9), bonds and other fixed-income securities intended to support the undertaking's activities in the long term (asset heading 6).

c) Other items shown under assets if they are intended to support the undertaking's activities in the long term.

(2) a) The fixed assets, as specified above, shall be valued at the acquisition cost or the production price without prejudice to b), c), d) and e).

b) The acquisition cost or the production price of fixed assets whose use is limited in time shall be reduced by value adjustments calculated to systematically amortise the value of such items throughout their useful life.

c) aa) Long-term investments may be subject to value adjustments made to give such items the lower value attributed to them on the balance sheet date.

bb) Regardless of whether their use is limited in time, fixed asset items shall be subject to value adjustments made to give such items the lower value which is to be attributed to them on the balance sheet date, if the depreciation is expected to be ongoing.

cc) The valuation at the lower value referred to in aa) and bb) shall not be maintained if the reasons giving rise to the value adjustments have ceased to exist.

d) Where the acquisition cost of bonds and other fixed-income securities treated as long-term investments exceeds their redemption price, the difference shall be shown in the profit and loss account under the heading "Interest payable and similar charges" (heading 2 - vertical presentation; heading A1 - horizontal presentation). However, it shall also be

7 Law of 16 March 2006 relating to the introduction of the international accounting standards for credit institutions.

permissible for the difference to be amortised in stages. The said difference, which corresponds to the cumulative depreciation value since the date of acquisition, shall be indicated separately in the balance sheet or in the notes to the accounts.

e) Where the acquisition cost of such securities is below their redemption price, the difference may be released to income in stages throughout the entire unexpired period until maturity, under the heading “Interest receivable and similar income” (heading 1 - vertical presentation; heading B1 - horizontal presentation). This difference, which corresponds to the cumulative proportional value since the date of acquisition, shall be indicated separately in the balance sheet or in the notes to the accounts.

f) If extraordinary value adjustments have been made to the fixed assets solely on account of the tax legislation, the amount thereof shall be reported in the notes to the accounts and duly substantiated.

(3) The acquisition cost shall be arrived at by adding the incidental costs to the purchase price.

(4) a) The production price shall be arrived at by adding the costs directly attributable to the product in question to the acquisition cost of the raw materials and consumables.

b) A reasonable fraction of the costs which are only indirectly attributable to the product in question may be added to the production price insofar as such costs relate to the period of manufacture.

(5) Inclusion in the production price of interest on capital borrowed to finance the manufacture of fixed assets shall be permitted insofar as such interest relates to the period of manufacture. In such cases, its entry in the assets shall be reported in the notes to the accounts.

Art. 57. Tangible assets and raw materials and consumables which are constantly renewed and whose global value is of secondary importance to the undertaking may be capitalised at a fixed quantity and a fixed value if their quantity, value and composition do not vary to any great extent.

Art. 58.

(1) All assets not referred to in paragraph (1) of Article 56 shall be valued as current assets.

(2) a) Current assets shall be valued at the acquisition cost or the production price, without prejudice to b and c).

b) The value of the current assets shall be adjusted to give them the lower market value or, in specific circumstances, another lower value attributed to them on the balance sheet date.

c) If they become necessary on account of a reasonable commercial valuation, extraordinary value adjustments may be made to avoid an imminent change of value brought about by value fluctuations. The amount of such value adjustments shall be indicated separately in the profit and loss account or the notes to the accounts.

d) Valuation at the lower value referred to in b) and c) shall not be maintained if the reasons giving rise to the value adjustments have ceased to exist.

e) If extraordinary value adjustments have been made to the current assets solely on account of the tax legislation, the amount thereof shall be reported in the notes to the accounts and duly substantiated.

(3) Notwithstanding paragraph (2)a), credit institutions shall be authorised to show fixed-income securities which cannot be categorised as long-term investments at their higher market value on the balance sheet date. The difference between the acquisition value and the higher market value shall be reported in the notes to the accounts.

(4) The definition of the acquisition cost or the production price given in paragraphs (3) and (4) of Article 56 shall apply. Paragraph (5) of Article 56 shall also apply. The distribution costs may not be included in the production price.

Art. 59. The acquisition cost or the production price of stocks of items in a single category and all fungible items, including securities, may be calculated either on the basis of the average weighted prices, or according to the “first in, first out” (FIFO), or “last in, first out” (LIFO), methods or a similar method.

Art. 60.

(1) Where the amount to be repaid on debts is greater than the amount received, the difference may be capitalised. It shall be indicated separately in the balance sheet or in the notes to the accounts.

(2) The difference shall be amortised in reasonable annual amounts by the time the debt is repaid, at the latest.

Art. 61. (Law of 16 March 2006) “The amount of the provisions shall not exceed the requirements.”

Art. 62.

(1) Loans and advances to credit institutions and customers (asset headings 3 and 4), leasing transactions (asset heading 5), and bonds, shares and other variable-income securities coming under asset headings 6 and 7 which do not constitute long-term investments, as defined in paragraph (1) of Article 56, and which are not included in the commercial portfolio, may be indicated at a value lower than that which results from application of paragraph (2) of Article 58 of this law where prudential reasons require it in view of the specific risks inherent in banking transactions. The spread between these two values shall not exceed 4 per cent of the total amount of the aforementioned assets after application of the said Article 58.

(2) The valuation at the lower value obtained pursuant to paragraph (1) may be maintained until such time as the credit institution decides to adjust it.

Art. 63.

(1) Credit institutions may create a heading 8bis on the liabilities side of the balance sheet known as the “general banking risk fund”. This heading shall comprise the amounts which the credit institution decides to allocate to the hedging of such risks where prudential reasons require it in view of the specific risks inherent in banking transactions.

(2) Allocations to the “general banking risk fund” and income arising from the partial or total dissolution of the fund shall be shown separately in the profit and loss account under headings titled “Allocations to the general banking risk fund” (heading 16bis of the vertical layout and heading A 9bis of the horizontal layout) and “Income from the writing back of amounts applied to the general banking risk fund” (heading 16ter of the vertical layout and B 8bis of the horizontal layout) respectively.

Art. 64.

(1) Asset or liability items denominated in foreign currencies shall be converted into the currency of the capital at the spot market rate applicable on the balance sheet date.

However, it shall be permissible for asset items treated as long-term investments and tangible assets and intangible assets which are not hedged on the spot market or the futures market to be converted into the currency of the capital at the rate applicable on the date of their acquisition, without prejudice to the following reservation. If the currency in which such assets are denominated is expected to depreciate enduringly, the value of such items shall be adjusted to give them the lower value applicable on the balance sheet date.

(2) Spot-market transactions in foreign currencies which are not yet unwound shall be converted into the currency of the capital at the spot market rate applicable on the balance sheet date.

Futures transactions in foreign currencies which are not yet unwound shall be converted into the currency of the capital at the futures rate for the unexpired portion of the term as of the balance sheet date.

(3) Without prejudice to point 3) of Article 43, any differences between the book value of the asset or liability items and the futures transactions, on the one hand, and the amounts arising from a conversion made pursuant to paragraphs (1) and (2), on the other, shall be treated as follows:

a) For spot headings hedged with futures and futures headings hedged with spots, such differences shall be offset in the settlement accounts without the profit or loss for the financial year being affected thereby.

b) For unhedged spot headings, such differences shall be entered in the profit and loss account if they are negative. A positive valuation result may be entered in the profit and loss account.

c) For unhedged futures transactions, these differences shall be posted to the profit and loss account if they are negative. On the other hand, positive valuation results shall be ignored.

(4) Where a method described in Article 76 of this law is applied, the translation differences may be offset in whole or in part in the settlement accounts. The positive and negative translation differences thus posted shall be shown separately in the balance sheet or the notes to the accounts.

(Law of 16 March 2006)

"Chapter 7bis. – Fair-value valuation

Art. 64bis. Notwithstanding Article 52, credit institutions may value financial instruments at fair value.

Art. 64ter. Notwithstanding point c) of paragraph (1) of Article 51, credit institutions may enter a change of value brought about through valuation of a financial instrument pursuant to Article 64bis either in the profit and loss account or directly into a fair value reserve capital and reserves account, as appropriate.

Art. 64quater.

In the event of the fair-value valuation method being used for financial instruments, the notes to the accounts shall show:

a) the main assumptions underpinning the valuation models and techniques used, as appropriate;

b) for each category of financial instruments, the fair value, the variations in value entered directly in the profit and loss account, and the variations entered in the fair value reserve;

c) for each category of derivative financial instruments, indications concerning the volume and nature of the instruments, including the main terms and conditions likely to influence the amount, the schedule and the definitive status of future cash flows, and

d) a table indicating the movements recorded in the fair value reserve during the financial year.

Art. 64quinquies. Notwithstanding Article 52, credit institutions may value certain categories of assets other than financial instruments by reference to their fair value.

Art. 64sexies. Notwithstanding point c) of paragraph 1 of Article 51, credit institutions may enter in the profit and loss account a change of value brought about by the valuation of an asset made pursuant to Article 64quinquies."

Chapter 8 - Contents of the notes to the accounts

Art. 65. In addition to the references stipulated by other provisions of this law, the notes to the accounts shall contain the following indications relating to the balance sheet headings shown in the layout presented in Article 7 of this law:

1) Re heading 8, Assets: the amount of the participating interests in other credit institutions.

2) Re heading 9, Assets: the amount of the shares held in affiliated undertakings which are credit institutions.

3) Re heading 2 a), Liabilities: the aggregate amount of the savings deposits which are on demand and have agreed maturity dates or periods of notice.

4) Separately and individually for asset headings and subheadings 3 b), 4 and 5 and liabilities subheadings 1 b), 2 a), 2 b) bb) and 3 b), the amount of those receivables and debts, broken down as follows according to their residual term:

- three months and under,

- more than three months to one year,
- more than one year to five years,
- more than five years.

In addition, the amount of the open-ended loans shall be indicated for asset heading 4. In the case of receivables or debts repayable in instalments, "residual term" shall mean the period between the balance sheet date and the due date for each payment.

5) For asset heading 6 (bonds and other fixed-income securities) and liabilities sub-heading 3 a) (debt securities in issue), the amount of the asset or liability items reaching maturity in the year following the balance sheet date.

6) The breakdown of the securities shown under asset headings 6 to 9, indicating whether or not they are admitted to trading.

7) The breakdown of the securities shown under heading 6, indicating whether or not they were deemed to be long-term investments within the meaning of Article 56, as well as the criterion used to distinguish the long-term investments category.

8) The breakdown of the leasing transactions (asset heading 5), according to whether they were entered into with credit institutions or with customers.

9) The composition of the main constituent items of the "Other Assets" and "Other Liabilities" headings of the balance sheet if they are significant for assessment of the annual accounts. Explanations concerning the amount and nature thereof must also be given.

10) The number and nominal value or, if there is no nominal value, the par value, of the shares subscribed during the financial year, not exceeding the authorised capital.

11) Where several share categories exist, the number and nominal value of each of them or, if there is no nominal value, the par value.

12) The existence of any participating shares, convertible bonds and similar securities or rights, with indication of the number thereof and the scope of the rights they confer.

13) The charges the credit institution paid for subordinated liabilities during the financial year.

The following should also be indicated:

- for each bond issue which exceeds 10 per cent of the total amount of the subordinated liabilities:
  - i) the amount of the issue, the currency in which it is denominated, the interest rate and the maturity or a note indicating that it is a perpetual issue;
  - ii) where applicable, the circumstances in which early redemption is required;
  - iii) the conditions of subordination, the existence of any provisions which allow conversion of the subordinated liability into capital or some other form of liability, as well as the conditions imposed by such provisions;
- for other bonds, generally, the terms and conditions governing them.

14) The global amount of the asset items and the global amount of the liability items denominated in foreign currencies, converted into the currency in which the annual accounts are prepared.

15) A. The movements of the following asset items deemed to be fixed assets within the meaning of Article 56:

1. Participating interests (heading 8)
2. Shares in affiliated undertakings (heading 9)
3. Bonds and other fixed-income securities treated as long-term investments (shown under heading 6)
4. Intangible assets (heading 10), including:
   - a) Formation expenses
   - b) Research and development expenses
   - c) Concessions, patents, licences, trademarks and similar rights and entitlements, if they were:
     - ca) purchased independently of any goodwill
     - cb) created by the undertaking itself

d) Goodwill, provided that it was acquired in return for payment

e) Deposits paid.

5. Tangible assets (heading 11), including:

a) Land and buildings

b) Plant and machinery

c) Other fixtures and fittings, tools and machinery

d) Deposits paid and tangible fixed assets in progress.

6. The other asset items referred to in paragraph (1) c) of Article 56.

To this end, the cumulative value adjustments on the balance sheet date and the corrections made during the financial year to value adjustments made in previous financial years, relative to the acquisition cost or the production price, shall be shown for each of these headings and subheadings separately, as shall the transfers for the financial year. However, the obligation to show the value adjustments separately shall not apply to participating interests, shares in affiliated undertakings or securities treated as long-term investments. In such cases, the value adjustments may be incorporated within other headings.

B. If, when the first set of annual accounts is prepared pursuant to this law, the acquisition cost or the production price of a capitalised asset item cannot be determined without unjustified costs or delays, the residual value at the start of the financial year may be deemed to be the acquisition cost or the production price. Any application of this exception shall be reported in the notes to the accounts.

C. If Article 53 is applied, movements under the various capitalised asset headings referred to in point A of this paragraph shall be indicated on the basis of the revalued acquisition cost or the production price.

Art. 66. Credit institutions shall indicate the following in either the balance sheet or the notes to the accounts:

1) Separately for each relevant heading:
   - claims, whether or not evidenced by certificates, on affiliated undertakings which come under asset headings 2 to 6,
   - claims, whether or not evidenced by certificates, on undertakings with which the institution has a participating link and which come under asset headings 2 to 6,
   - debts, whether or not evidenced by certificates, with affiliated undertakings which come under liability headings 1, 2, 3 and 7,
   - debts, whether or not evidenced by certificates, with undertakings with which the institution has a participating link and which come under liability headings 1, 2, 3 and 7.

2) Separately for each heading of the layout and the subheadings created by virtue of paragraph (1): subordinated assets.

   These are assets, whether or not evidenced by certificates, to which rights attach which, in the event of liquidation or insolvency, may only be exercised after those of the other creditors.

3) a. Where an asset or liability item comes under several layout headings, its relationship to other headings, where such indication is necessary for a proper understanding of the annual accounts.

   b. Own shares and shares in affiliated undertakings may only be shown under headings provided for that purpose.

Art. 67.

(1) With regard to the contingent liabilities shown under heading 1 of the off-balance-sheet items, credit institutions shall specify in the notes to the accounts the nature and amount of any type of contingent liability which is significant relative to the activities overall.

If the aforementioned contingent liabilities exist in relation to affiliated undertakings, this shall be indicated separately.

(2) Credit institutions shall provide information on the assets they have pledged as collateral for their own commitments or those of third parties (including contingent liabilities) in order to show the total amount of the assets concerned for each liabilities or off-balance-sheet heading.

If the assets have been pledged to secure commitments of affiliated undertakings, this shall be indicated separately.

(3) With regard to the commitments shown under heading 2 of the off-balance-sheet items, credit institutions shall specify in the notes to the accounts the nature and amount of any type of commitment which is significant relative to their activities overall. Commitments relating to affiliated undertakings shall be indicated separately.

Commitments which are not included in the balance sheet or in the off-balance-sheet items shall also be shown insofar as their indication is conducive to a proper understanding of the general situation. Commitments in regard to pensions and those relating to affiliated undertakings shall be shown separately.

(4) A statement shall be provided which shows the types of futures transactions that were still unwound on the balance sheet date and indicates, for each transaction type, whether a significant portion thereof was allocated to the hedging of interest-rate, exchange-rate or market-price fluctuations and whether a significant portion thereof represents commercial transactions.

These types of transactions include all those whose income or charges come under heading 6 of Article 41, subheading A3 or B3 or B4 of Article 42 or point 3) of Article 43, for example: currencies, precious metals, securities, short-term notes and other assets.

(5) The fact of the institution providing management and representation services to third parties shall be indicated where the volume of such activities is significant relative to the institution's activities overall.

Art. 68. Credit institutions shall also disclose the following information in the notes to the accounts:

1) The valuation methods applied to the various headings of the annual accounts, as well as the methods used to calculate value adjustments. For items in the annual accounts which are, or were originally, expressed in foreign currency, the bases of conversion used to express them in the currency of the capital shall be indicated.

2) The name and registered office address of undertakings in which the company holds, either directly or through a person acting in his own name but on that company's behalf, at least twenty per cent of the capital, with disclosure of the fraction of the capital held, the amount of the capital and reserves and the amount arising from the undertaking concerned's previous financial year in respect of which the books have been closed. Such information may be omitted if it is of only negligible interest relative to the objective of paragraph (3) of Article 2. The disclosure of the capital and reserves and the profit or loss may also be omitted if the undertaking concerned does not publish its balance sheet and if the company directly or indirectly holds less than 50% of its shares.

3) The breakdown of the income relating to headings 1, 3, 4, 6, and 7 of Article 41 or headings B1, B2, B3, B4 and B7 of Article 42, by geographic market, insofar as considerable differences exist between those markets from the standpoint of the credit institution's organisation.

4) Explanations on the amount and nature of the main items comprising the "Other Operating Costs" and "Other Operating Income" headings, if they are significant for a proper assessment of the profit or loss.

5) The average number of staff members employed during the financial year, broken down by category.

6) The extent to which the profit or loss calculation for the financial year was affected by a valuation of the headings made, notwithstanding the principles of "Articles 51 and 54 to 64quater"[8], during the financial year or a previous financial year with a view to obtaining tax relief. Where such a valuation significantly influences the future tax charge, indications shall be given.

8 Law of 16 March 2006 relating to the introduction of the international accounting standards for credit institutions.

7) The difference between the tax charge applied to the financial year and to previous financial years and the tax charge already paid or to be paid in respect of those financial years, insofar as such difference is specifically relevant to the future tax charge. The said amount may also be shown cumulatively in the balance sheet under an appropriately titled special heading.

8) The amount allocated to the members of the administrative, management or supervisory bodies during the financial year as remuneration for their functions, as well as commitments arising or contracted in regard to retirement pensions for former members of the aforementioned bodies. Such information shall be given globally for each category.

9) The amounts of the loans and advances granted to members of their administrative, management or supervisory bodies, as well as commitments made on behalf of such persons relative to any guarantee. Such information shall be given globally for each category.

10) a) The name and registered office address of the undertaking which prepares the consolidated accounts of the largest group of undertakings which the company belongs to as a subsidiary company.

b) The name and registered office address of the undertaking which prepares the consolidated accounts of the smallest group of companies included in the group of undertakings referred to in point a) which the company belongs to as a subsidiary company.

c) The place where the consolidated accounts referred to in points a) and b) may be obtained shall be indicated, unless they are unavailable.

(Law of 16 March 2006)

"11) In the event of the fair-value valuation method not being used for the financial instruments pursuant to Chapter 7bis of this law:

a) for each category of derivative financial instruments:

i) the fair value of the instruments, if such value may be determined using one of the following methods:

- a market value, in the case of financial instruments for which a reliable market is easily identifiable. Where a market value cannot be easily identified for a given instrument, but can be for its constituent elements or for a similar instrument, the market value may be calculated on the basis of the value of its constituent elements or the similar instrument, or
- a value resulting from generally accepted valuation models and techniques, in the case of instruments for which a reliable market cannot be easily identified.

Such valuation models and techniques guarantee a reasonable estimate of the market value.

ii) indications concerning the volume and nature of the instruments, and

b) for the long-term investments referred to in Article 64bis entered in the books at an amount above their fair value without the option to adjust the value pursuant to point c) aa) of paragraph 2 of Article 56 having been exercised:

i) the book value and the fair value of the assets in question, taken individually or appropriately rearranged;

ii) the reasons why the book value was not reduced, including, inter alia, the nature of the elements which give grounds for believing that the book value will be recovered.

12) Separately, the total fees paid during the financial year to the statutory auditor or auditing firm for the statutory auditing of the annual accounts, the total fees paid for insurance services, the total fees paid for tax consultancy services and the total fees paid for other services."

Art. 69.

(1) The indications required under paragraph (2) of Article 68 may be omitted where they are likely to seriously prejudice an undertaking referred to in paragraph (2) of Article 68. Any omission of such indications shall be reported in the notes to the accounts.

(2) Paragraph (1) shall also apply to the indications required under paragraph (3) of Article 68.

(3) The information referred to in the first sentence of paragraph (2) of Article 68 concerning the amount of the capital and reserves, and the amount for the last financial year concerned for which accounts were prepared, may be omitted:

a) where the undertakings concerned are included in the consolidated accounts prepared by the parent company or the consolidated accounts of a larger group of undertakings as described in paragraph (2) of Article 80 of this law or

b) where the rights held in their capital appear in the parent company's annual accounts pursuant to Article 76 or the consolidated accounts which the said parent company prepares pursuant to Article 103 of this law.

Chapter 9 - Content of the management report

Art. 70.

(Law of 16 March 2006)

"(1) a) At very least, the management report shall contain a true and fair statement concerning the credit institution's business trend, profit or loss and general situation, as well as a description of the main risks and uncertainties confronting it.

The said statement shall consist of a balanced and exhaustive analysis of the credit institution's business trend, profit or loss and general situation, consistent with the volume and complexity of its business.

b) To the extent necessary for a proper understanding of the credit institution's business trend, profit or loss or general situation, the analysis shall include key performance indicators, both financial and, where applicable, non-financial, relating to the credit institution's specific activity, including information relating to environmental issues and staff matters.

c) Where applicable, the analysis provided in the management report shall include references to the amounts shown in the annual accounts and additional explanations relating thereto."

(2) The report shall also contain indications on:

a) significant events having occurred after the close of the financial year;

b) the company's foreseeable development;

c) its research and development activities;

d) in regard to own-share acquisitions, the indications referred to in paragraph (2) of Article 49-5 of the Law of 10 August 1915 on commercial companies.

(Law of 16 March 2006)

"e) any branches the credit institution has;

f) in regard to the undertaking's use of financial instruments and, where this is relevant to the valuation of its assets and liabilities and evaluation of its general situation and profit or loss:

- the credit institution's objectives and policy with regard to financial risk management, including its hedging policy for each main category of transactions in relation to which hedging accounting is used, and
- the credit institution's exposure to price risk, credit risk, liquidity risk and cash flow risk."

Chapter 10 – Publication

Art. 71.

(Law of 16 March 2006)

"(1) The credit institutions' duly approved annual accounts, the management report and the report prepared by the person(s) responsible for auditing the accounts (hereinafter referred to as the “statutory auditor(s)”) shall be filed within one month of their approval, and not later than seven months after the close of the financial year, pursuant to paragraph (1) of Article 79 of the Law of 19 December 2002 on the commercial register, together with the undertakings’ accounting documents and annual accounts.”

(2) The credit institutions’ annual accounts shall be published in any EEC Member State in which they have branches.

Art. 72. When any full publication takes place, the annual accounts and the management report shall be reproduced in the form and with the text on the basis of which the person(s) responsible for auditing the accounts drew up the report.

They shall be accompanied by the full text of the report drawn up by the person(s) responsible for auditing the accounts. “…”[9]

Art. 73. Where the annual accounts are not published in full, it shall be stated that they are in abbreviated form and reference shall be made to the registry where they were filed by virtue of paragraph (1) of Article 71.

Where such filing has not yet taken place, this fact shall be indicated. “The statutory auditors’ report shall not accompany such publication, but it shall be stated whether an attestation without reservations, an attestation qualified by reservations or a negative attestation was issued, or whether the statutory auditors found themselves unable to issue an attestation. It shall, moreover, be stated whether reference is made to any question to which the statutory auditors draw special attention without including a reservation in the attestation.”[10]

Art. 74. The following shall be published at the same time as the annual accounts and in the same manner:

- the proposal for appropriation of profit or treatment of loss,
- the appropriation of profit or treatment of loss,

if these items are not shown in the annual accounts.

(Law of 16 March 2006)

“Art. 74bis. In addition to publication in the currency or unit of account in which they are prepared, the annual accounts may also be published in euros using the conversion rate of the balance sheet date. The said rate shall be reported in the notes to the accounts.”

Chapter 11 - Auditing

Art. 75.

(Law of 16 March 2006)

“The statutory auditors responsible for the statutory auditing of the annual accounts pursuant to paragraph (1) of Article 10 of the amended law of 5 April 1993 relating to the financial sector shall also give an opinion as to whether the management report is consistent with the annual accounts for the same financial year.”

(Law of 16 March 2006)

“Art. 75bis.

(1) The statutory auditors’ report shall comprise the following elements:

a) an introduction which, at very least, identifies the annual accounts to which the audit relates and the presentational framework within which they were prepared;

b) a description of the scope of the audit which, at very least, provides an indication of the standards according to which it was conducted;

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c) an attestation which clearly expresses the statutory auditors' conclusions as to the true and fair nature of the view given by the annual accounts and the conformity of those accounts with the presentational framework used and, where applicable, their compliance with the applicable legal requirements. It may take the form of an attestation without reservations, an attestation qualified by reservations, a negative attestation, or, if the statutory auditors are unable to issue an attestation, a declaration indicating that they were unable to issue an attestation;

d) a reference to any question to which the statutory auditors draw special attention without including a reservation in the attestation;

e) an opinion indicating whether the management report is consistent with the annual accounts for the same financial year.

(2) The rapport shall be signed and dated by the statutory auditors."

Chapter 12 - Application of the equity accounting method to the annual accounts

Art. 76.

(1) Credit institutions may enter in the balance sheet participating interests, within the meaning of Article 18, held in the capital of undertakings in which they exert significant influence over the management and the financial policy, pursuant to paragraphs (2) to (8) below under a sub-heading of the "Participating interests" or "Shares in affiliated undertakings" headings, whichever applies. The title of the sub-heading is "Undertakings accounted for by the equity method". It shall be presumed that a company exerts significant influence over another undertaking when it holds 20% or more of that undertaking's shareholders' or partners' voting rights. Article 78 of this law shall apply.

(2) When this Article is first applied to a participating interest covered by paragraph (1), the said interest shall be entered in the balance sheet:

a) either at its book value calculated pursuant to the rules set forth "in Chapter 7 or 7bis of Part II"[11] of this law. The difference between such value and the amount corresponding to the fraction of the capital and reserves that the said participating interest represents shall be indicated separately in the balance sheet or in the notes to the accounts. The said difference shall be calculated on the date on which the method is applied for the first time;

b) or at the amount corresponding to the fraction of the capital and reserves that the said participating interest represents. The difference between this amount and the book value calculated pursuant to the "valuation rules laid down in Chapter 7 or 7bis of Part II"[12] of this law shall be indicated separately in the balance sheet or in the notes to the accounts. The said difference shall be calculated on the date on which the method is applied for the first time.

c) The balance sheet or the notes to the accounts shall indicate whether point a) or point b) was applied.

d) For application of point a) or point b), the calculation of the difference may take place on the date of acquisition of the shares or, if the acquisition takes place in several stages, on the date on which the shares became a participating interest within the meaning of paragraph (1).

(3) Where asset or liability items of an undertaking in which a participating interest is held within the meaning of paragraph (1) have been valued using methods different from those used by the company preparing its annual accounts, such items may, for calculation of the difference referred to in point a) or point b) of paragraph (2), be valued again in accordance with the methods used by the company preparing its annual accounts. If no such new valuation has been made, this shall be reported in the notes to the accounts.

(4) The book value referred to in point a) of paragraph (2), or the amount corresponding to the fraction of the capital and reserves referred to in point b) of paragraph (2), shall be increased or reduced by the amount of the variation, having arisen during the financial year, in the

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fraction of the capital and reserves that the said participating interest represents; it shall be reduced by the amount of the dividends corresponding to the participating interest.

(5) Insofar as a positive difference indicated in point a) or point b) of paragraph (2) cannot be incorporated within an asset or liability items category, it shall be amortised over a maximum period of five years.

(6) The fraction of the profit or loss attributable to the participating interests referred to in paragraph (1) shall be shown in the profit and loss account only insofar as it corresponds to dividends already received or whose payment may be claimed.

It shall be entered under a separate heading titled "Income from Undertakings accounted for by the Equity Method", which is a sub-heading of headings 3 b) and 3 c) - vertical presentation, or B 2 b) and B 2 c) - horizontal presentation.

(7) The eliminations referred to in point d) of paragraph (1) of Article 95 of this law shall be carried out insofar as their items are known or accessible. Paragraphs (2) and (3) of Article 95 of this law shall apply.

(8) Where an undertaking in which a participating interest within the meaning of paragraph (1) is held prepares consolidated accounts, the provisions of the preceding paragraphs shall apply to the capital and reserves entered in those consolidated accounts.

(Law of 16 March 2006).

"Part IIbis: Annual accounts prepared according to the international accounting standards

Art. 76bis. The credit institutions may depart from the provisions of Part II of this law and prepare their annual accounts pursuant to the international accounting standards adopted in accordance with the procedure described in paragraph (2) of Article 6, of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards.

In such cases, the credit institutions concerned shall nevertheless remain subject to the provisions of points 2), 5), 8), 9), 10) and 12) of Article 68, paragraph (1) of Article 69, and Articles 70, 71, 72, 73, 75 and 75bis of this law."

Part III: Consolidated accounts

Chapter 1 - Conditions for the preparation of consolidated accounts

Art. 77.

(1) Any credit institution referred to in the first Article of this law shall be obliged to prepare consolidated accounts and a consolidated management report if that institution:

a) holds a majority of the voting rights of an undertaking's shareholders or partners,

or

b) is entitled to appoint or dismiss a majority of the members of an undertaking's administrative, management or supervisory body and is at the same time a shareholder or partner in that undertaking,

or

c) is a shareholder or partner in an undertaking and, by virtue of an agreement entered into with other shareholders or partners in that undertaking, has sole control of a majority of its shareholders' or partners' voting rights,

or

(Law of 16 March 2006)

"d) da) may exercise, or effectively exercises, a dominant influence or control over another undertaking, or,

db) is placed under the same management as another undertaking."

(2) For the purposes of this law, the institution holding the rights referred to in paragraph (1) shall be known as the parent undertaking. The undertakings in which such rights are held shall be known as subsidiary undertakings.

Art. 78.

(1) For application of points a), b) and c) of paragraph (1) of Article 77, a parent undertaking's rights to vote, appoint or dismiss shall be added to the rights of any other subsidiary undertaking and those of a person acting in his own name but on behalf of the parent undertaking or any other subsidiary undertaking.

(2) For application of points a), b) and c) of Article 77, the rights indicated in paragraph (1) of this Article shall be reduced by the rights:

a) relating to shares held on behalf of a person other than the parent undertaking or a subsidiary undertaking

b) relating to shares held in pledge, provided that such rights are exercised pursuant to instructions received, or that the holding of such shares is, for the shareholder undertaking, a current transaction of its lending business, and provided that the voting rights are exercised in the interest of the guarantor.

(3) For application of points a) and c) of paragraph (1) of Article 77, all the voting rights of the shareholders or partners of the subsidiary undertaking shall be reduced by the voting rights relating to the shares held by that undertaking itself, by a subsidiary undertaking thereof or by a person acting in his own name but on behalf of the said undertakings.

Art. 79.

(1) The parent undertaking and all its subsidiary undertakings shall be consolidated, without prejudice to "Article 83"[13], regardless of where those subsidiary undertakings' registered office is located.

(2) For application of paragraph (1), any subsidiary undertaking of a subsidiary undertaking shall be deemed to be a subsidiary undertaking of the parent undertaking having overall control of the undertakings to be consolidated.

Art. 80.

(1) Notwithstanding Article 77, any parent undertaking which is at the same time a subsidiary undertaking whose own parent undertaking is governed by the law of a European Community Member State shall be exempted from the obligation to prepare consolidated accounts and a consolidated management report in the following two cases:

a) If the parent undertaking holds all the exempted undertaking's shares. The shares in that undertaking held by members of its administrative, management or supervisory bodies by virtue of an obligation in law or in the articles of association shall not be taken into consideration;

b) If the parent undertaking holds 90% or more of the said exempted undertaking's shares and that undertaking's other shareholders or partners have approved the exemption.

(2) Exemption shall be contingent on all the following conditions being met:

a) The exempted undertaking and, without prejudice to "Article 83"[14], all its subsidiary undertakings, shall be consolidated in the accounts of a larger group of undertakings whose parent undertaking is governed by the law of a European Community Member State;

b) aa) the consolidated accounts referred to in point a) and the consolidated management report of the larger group of undertakings shall be prepared by that group's parent undertaking and audited pursuant to the law of its home Member State;

bb) the consolidated accounts referred to in point a) and the consolidated management report referred to in point aa), as well as the report of the person responsible for auditing those accounts, shall be published by the exempted undertaking pursuant to the terms and conditions laid down in paragraph (1) of Article 112.

c) The parent undertaking must be a credit institution within the meaning of paragraph (2) of Article 14 of this law;

d) the notes to the exempted undertaking's annual accounts shall contain:

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aa) the name and registered office address of the parent undertaking which prepares the consolidated accounts referred to in point a), and

bb) a reference to the exemption from the obligation to prepare consolidated accounts and a consolidated management report.

(Law of 16 March 2006)

“(3) This Article shall not apply to credit institutions whose securities are admitted to trading on a regulated market of a European Community Member State within the meaning of point 14 of paragraph (1) of Article 4 of Directive 2004/39/EC.”

Art. 81. In cases other than those referred to in paragraph (1) of Article 80, any parent undertaking which is at the same time a subsidiary undertaking whose own parent undertaking is governed by the law of a European Community Member State shall be exempted from the obligation to prepare consolidated accounts and a consolidated management report if all the conditions enumerated in paragraph (2) of Article 80 are met and if shareholders or partners of the exempted undertaking holding at least 10% of the shares in that company’s subscribed capital, if the exempted company is a public limited company or a partnership limited by shares, or at least 20%, if it is a company having a different legal form, did not request implementation of consolidated accounting at least six months before the end of the financial year.

Art. 82.

(1) Notwithstanding Article 77, any parent undertaking which is at the same time a subsidiary undertaking whose own parent undertaking is not governed by the law of a European Community Member State shall be exempted from the obligation of preparing consolidated accounts and a consolidated management report if all the following conditions are met:

a) if the exempted company and, without prejudice to “Article 83”[15], all of its subsidiary undertakings, are consolidated in the accounts of a larger group of undertakings,

b) if the consolidated accounts referred to in point a) and, where applicable, the consolidated management report, are prepared in conformity with the provisions of this law or on an equivalent basis,

c) if the consolidated accounts referred to in point a) have been audited by one or more persons authorised to audit accounts under the national law governing the undertaking which prepared the said accounts.

(2) Points b) bb), c) and d) of paragraph (2) of Article 80 and Article 81 shall apply.

Art. 83.

(1) An undertaking may be left outside the consolidation if it is of only negligible interest relative to the objective referred to in paragraph (3) of Article 85.

(2) If several undertakings meet the criteria indicated in paragraph (1), they shall be included in the consolidation insofar as such undertakings are of significant interest relative to the objective referred to in paragraph (3) of Article 85.

(3) An undertaking may also be left outside the consolidation if:

a) severe and long-lasting restrictions substantially impede the parent company’s exercise of its rights relative to that undertaking’s assets or management;

b) the information required to prepare consolidated accounts pursuant to this law cannot be obtained without disproportionate costs or unjustified delays.

c) the said undertaking’s shares are held solely with a view to their subsequent disposal. Where a subsidiary undertaking which is a credit institution as defined in paragraph (2) of Article 14, is not included in the consolidated accounts, but the said undertaking’s shares are held temporarily in connection with a financial assistance operation with a view to reorganising it or saving it, that undertaking’s annual accounts shall be attached to the consolidated accounts and further information shall be provided in the notes to the

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accounts concerning the nature of the financial assistance operation and its terms and conditions.

Art. 84.

"…"[16]

Chapter 2 – Implementation of consolidated accounting

Art. 85.

(1) The consolidated accounts comprise the consolidated balance sheet, the consolidated profit and loss account and the notes to the accounts. The said documents constitute a set.

(Law of 16 March 2006)

"Credit institutions may incorporate other financial statements in the consolidated accounts, in addition to the documents referred to in the first paragraph."

(2) The consolidated accounts shall be prepared clearly and in compliance with this law.

(3) The consolidated accounts shall give a true and fair view of the assets, general situation and profit or loss of the group of undertakings included in the consolidation.

(4) Where application of this law does not suffice to present the true and fair view referred to in paragraph (3), additional information shall be provided.

(5) If, in exceptional cases, application of a provision of Articles 86 to 108 and Article 115 proves to be contrary to the obligation referred to in paragraph (3), the provision in question may be derogated from in order to give a true and fair image within the meaning of paragraph (3). Any such derogation shall be reported in the notes to the accounts and duly reasoned, along with an indication of its impact on the assets, the financial position and the profit or loss.

Art. 86.

(1) Articles 3 to 50 of this law shall apply to the layout of consolidated accounts, without prejudice to the provisions of this Part and subject to the essential adjustments arising from the specific features of consolidated accounts compared with annual accounts.

(2) Stocks may be grouped together in the consolidated accounts if the cost of providing a breakdown would be disproportionate.

Art. 87. The asset and liability items of the undertakings included in the consolidation shall be fully shown in the consolidated balance sheet.

Art. 88.

(1) The book values of the shares in the undertakings included in the consolidation shall be offset by the fraction of the capital and reserves of the undertakings included in the consolidation which they represent.

a) Such offsetting shall be effected on the basis of the book values existing on the date on which the undertaking is included in the consolidation for the first time. The differences resulting from the offsetting shall be applied, to the fullest extent possible, directly to the headings of the consolidated balance sheet which have a value higher or lower than their book value.

b) Such offsetting may also be done on the basis of the value of the identifiable asset and liability items on the date of acquisition of the shares or, if the acquisition takes place in several stages, on the date on which the undertaking became a subsidiary undertaking.

c) The difference which remains after application of point a), or that which results from application of point b), shall be entered in the consolidated balance sheet under the heading titled "Initial Consolidation Differences". This heading shall appear between headings 10 (Intangible Assets) and 11 (Tangible Assets) on the assets side, and headings 12 (Revaluation Reserve) and 13 (Profit or Loss Brought Forward) on the liabilities side, of the layout as described in Article 7 of this law. This heading, the

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16 Repealed by the law of 16 March 2006 relating to the introduction of the international accounting standards for credit institutions.

methods applied and, if they are substantial, the changes compared with the previous financial year, shall be commented on in the notes to the accounts. The positive and negative differences may be offset, subject to a breakdown thereof being given in the notes to the accounts.

(2) However, paragraph (1) shall not apply to shares in the parent undertaking held either by itself or by another undertaking included in the consolidation. In the consolidated accounts, such shares shall be deemed to be own shares within the meaning of this law.

Art. 89.

(1) Instead of the method described in Article 88, consolidating companies may carry out offsetting between the book values of the shares in an undertaking included in the consolidation and the corresponding fraction of the capital of that single undertaking, provided that:

a) the shares held represent at least 90% of the nominal value or, if there is no nominal value, the par value, of the undertaking's shares other than those conferring a limited right of participation in dividend distributions or a share of the corporate assets in the event of liquidation;

b) the proportion referred to in point a) has been reached through an arrangement which provides for shares to be issued by an undertaking included in the consolidation;

c) the arrangement referred to in point b) does not provide for a cash payment above 10% of the nominal value or, if there is no nominal value, the par value, of the shares issued.

(2) Any difference resulting from application of the provisions of paragraph (1) shall be added to the consolidated reserves or deducted from them, as applicable.

(3) The application of the method described in paragraph (1), the movements in the reserves resulting therefrom and the name and registered office address of the undertakings concerned shall be reported in the notes to the accounts.

Art. 90. The amounts attributable to shares held in consolidated subsidiary undertakings by persons outside the undertakings included in the consolidation shall be entered in the consolidated balance sheet under a separate heading titled "Minority Interests". This heading shall appear after the "Initial Consolidation Differences" heading, as defined in Article 88.

Art. 91. The income and charges of the undertakings included in the consolidation shall be fully restated in the consolidated profit and loss account.

Art. 92. The amounts attributable to the shares held in the profit or loss of the consolidated subsidiary undertakings by persons outside the undertakings included in the consolidation shall be entered in the consolidated profit and loss account under a separate heading titled "Minority Interests' Share". This heading shall appear in the balance sheet and the profit and loss account as follows:

Profit or loss for the financial year

of which: Group share

Minority Interests' Share.

Art. 93. Implementation of consolidated accounting shall take place according to the principles laid down in Articles 94 to 97.

Art. 94.

(1) The particulars of consolidation may not be changed from year to year.

(2) Derogations from paragraph (1) shall be permitted in exceptional cases. Where such derogations are used, they shall be reported in the notes to the accounts and duly reasoned, with indication of their impact on the assets, the financial position and the profit or loss of the group of undertakings included in the consolidation.

Art. 95.

(1) The consolidated accounts shall show the assets, the financial position and the profit or loss of the undertakings included in the consolidation as they would show those of a single undertaking as indicated below:

a) claims and liabilities between the undertakings included in the consolidation shall be eliminated from the consolidated accounts,

b) reciprocal rights and commitments relating to the off-balance-sheet accounts shall also be eliminated,

c) income and charges relating to the transactions carried out between the undertakings included in the consolidation shall be eliminated from the consolidated accounts,

d) profits and losses arising from transactions carried out between the undertakings included in the consolidation which are included in the book value of the assets shall be eliminated from the consolidated accounts.

Such eliminations may be effected in proportion to the fraction of the capital held by the parent undertaking in each of the subsidiary undertakings included in the consolidation.

(2) Point d) of paragraph (1) may be derogated from when the transaction is concluded pursuant to the normal market conditions and the elimination of the profit or loss could give rise to disproportionate costs. Derogations from the principle shall be reported and, if they have a significant impact on the assets, the financial position and the profit or loss of the group of undertakings included in the consolidation, this fact shall be reported in the notes to the consolidated accounts.

(3) Derogations from points a), b), c) and d) of paragraph (1) shall be permitted where the amounts concerned are of only negligible interest relative to the objective referred to in paragraph (3) of Article 85.

Art. 96.

(1) The consolidated accounts shall be prepared on the same date as the parent undertaking's annual accounts.

(2) However, the consolidated accounts may be prepared on another date to align them with the balance sheet date of the most numerous or the largest undertakings included in the consolidation. Where use is made of this derogation, it shall be reported in the notes to the consolidated accounts and duly reasoned. Moreover, any significant events affecting the assets, the general situation or the profit or loss of an undertaking included in the consolidation which occurred between that undertaking's balance sheet date and the closing date of the consolidated accounts should be noted or reported.

(3) If the balance sheet date of an undertaking included in the consolidation predates the closing date of the consolidated accounts by more than three months, that undertaking shall be consolidated on the basis of interim accounts prepared as of the closing date of the consolidated accounts.

Art. 97. If the composition of the group of undertakings included in the consolidation has undergone substantial change during the financial year, the consolidated accounts shall contain information which facilitates comparison of successive sets of consolidated accounts.

If the change is major, this obligation may be met by the preparation of a special opening balance sheet and a special profit and loss account.

Art. 98.

(1) The asset and liability items included in the consolidation shall be valued according to uniform methods and in conformity with "Chapters 7 and 7bis and Article 99"[17] of this law.

(2) a) The undertaking preparing the consolidated accounts shall apply the valuation methods to them which it used for its own annual accounts. Other valuation methods compliant with the aforementioned Articles may nevertheless be applied to the consolidated accounts.

[17] Law of 16 March 2006 relating to the introduction of the international accounting standards for credit institutions.

b) Where use is made of such derogations, they shall be reported in the notes to the accounts and duly reasoned.

(3) Where asset and liability items included in the consolidation have been valued by undertakings included in the consolidation using methods which are not identical to those used for the consolidation, those items shall be revalued in accordance with the methods used for the consolidation unless the result of the revaluation is of only negligible interest relative to the objective referred to in paragraph (3) of Article 85. Derogations from this principle shall be permitted in exceptional cases. They shall be reported in the notes to the consolidated accounts and duly reasoned.

Where asset or liability items of the affiliated undertaking have been valued using methods which are not identical to those used for the consolidation pursuant to paragraph (2) of Article 98, those items may be revalued for calculation of the difference referred to in point a) or point b) of paragraph (2) of this Article, applying the methods used for the consolidation. If such a new valuation has not been made, this shall be reported in the notes to the accounts.

(4) The difference, resulting from the valuation methods described above, between the tax charge attributable to the financial year and previous financial years and that already paid or to be paid in respect of those financial years, insofar as it is likely that one of the consolidated undertakings would actually incur such a charge in the foreseeable future, shall be shown on the balance sheet and the consolidated profit and loss account.

(5) Where exceptional value adjustments have been made to asset items included in the consolidation solely on account of the tax legislation, such elements may not be shown in the consolidated accounts until the corrections have been eliminated. Such elements may nevertheless be shown in the consolidated accounts without elimination of the said corrections if the notes to the consolidated accounts indicate and duly substantiate the amount thereof.

Art. 99.

(1) Translation differences arising upon consolidation from a re-conversion of the capital and reserves in an affiliated undertaking at the beginning of the financial year, or the capital and reserves in an undertaking with which the institution has a participating link at the beginning of the financial year, may be posted in whole or in part to a heading titled “Translation Differences”, as may the differences resulting from the conversion of any transaction intended to hedge such capital and reserves.

This heading shall appear after the “Minority Interests” heading, as defined in Article 90.

(2) The income and expenditure of the affiliated undertakings and the participating interests may be converted at the average rates in force during the accounting period.

Art. 100.

(1) If it is positive, the “initial consolidation difference” resulting from application of point c) of paragraph (1) of Article 88 shall be amortised over a maximum period of five years.

(2) The positive consolidation difference may be deducted immediately and plainly from the consolidated reserves.

Art. 101. If it is negative, the “initial consolidation difference” resulting from application of point c) of paragraph (1) of Article 88 may be entered in the consolidated profit and loss account only:

a) if, on the date of acquisition, it relates to a forecast adverse change in the future profit or loss of the undertaking concerned or forecast charges which this would give rise to, insofar as the said forecast proves to be accurate, or

b) insofar as it relates to an actual capital gain.

Art. 102.

(1) Where an undertaking included in the consolidation manages another undertaking jointly with one or more undertakings not included in the consolidation, that undertaking may be included in the consolidated accounts in proportion to the rights in its capital held by the undertaking included in the consolidation.

(2) Articles 83 to 101 apply *mutatis mutandis* to the proportional consolidation referred to in paragraph (1).

(3) When this Article is applied, Article 103 shall not apply if the undertaking subject to proportional consolidation is an affiliated undertaking within the meaning of Article 103.

Art. 103.

(1) Where an undertaking included in the consolidation exerts significant influence over the management and the financial policy of an undertaking not included in the consolidation (an affiliated undertaking) in which it holds a participating interest within the meaning of Article 18 of this law, the said participating interest shall be entered in the consolidated balance sheet under a special heading titled "Participating Interests accounted for by the Equity Method". It shall be presumed that an undertaking exerts significant influence over another undertaking when it holds 20% or more of that undertaking's shareholders' or partners' voting rights. Article 78 shall apply.

"…"[18]

(2) When this Article is first applied to a participating interest referred to in paragraph (1), that interest shall be entered in the consolidated balance sheet:

a) either at its book value calculated pursuant to the rules laid down in Part II of this law. The difference between such value and the amount corresponding to the fraction of the capital and reserves that the said participating interest represents shall be indicated separately in the consolidated balance sheet or the notes to the accounts. The said difference shall be calculated on the date on which the method is applied for the first time,

b) or at the amount corresponding to the fraction of the capital and reserves of the affiliated undertaking that the said participating interest represents. The difference between this amount and the book value calculated pursuant to the valuation rules laid down in Part II of this law shall be indicated separately in the consolidated balance sheet or the notes to the accounts. The said difference shall be calculated on the date on which the method is applied for the first time.

c) The consolidated balance sheet or the notes to the accounts shall indicate whether point a) or point b) was applied. The difference obtained through application of these two methods shall be entered under a heading titled "Equity Accounting Difference".

d) For application of points a) or b), the calculation of the difference may take place on the date of acquisition of the shares or, if the acquisition takes place in several stages, on the date on which the undertaking became an affiliated undertaking.

(3) Where asset or liability items of the affiliated undertaking have been valued using methods which are not identical to those used for the consolidation pursuant to paragraph (2) of Article 98, those items may be revalued for calculation of the difference referred to in point a) or point b) of paragraph (2) of this Article, applying the methods used for the consolidation. If such a new valuation has not been made, this shall be reported in the notes to the accounts.

(4) The book value referred to in point a) of paragraph (2), or the amount corresponding to the fraction of the capital and reserves of the affiliated undertaking referred to in point b) of paragraph (2), shall be increased or reduced by the amount of the variation in the fraction of the capital and reserves that the said participating interest represents during the financial year; it shall be reduced by the amount of the dividends corresponding to the participating interest.

(5) Insofar as a positive difference indicated in point a) or point b) of paragraph (2) cannot be incorporated within an asset or liability items category, it shall be treated pursuant to Article 100 and paragraph (3) of Article 115.

(6) The fraction of the profit or loss of the affiliated undertaking attributable to such participating interests shall be entered in the consolidated profit and loss account under a separate heading titled "Proportion of the Profit/Loss of the undertakings accounted for by the equity method".

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18 Repealed by the law of 16 March 2006 relating to the introduction of the international accounting standards for credit institutions.

(7) The eliminations referred to in point d) of paragraph (1) of Article 95 shall be carried out insofar as their elements are known or accessible. Paragraphs (2) and (3) of Article 95 shall apply.

(8) Where an affiliated undertaking prepares consolidated accounts, the provisions of the preceding paragraphs shall apply to the capital and reserves entered in those consolidated accounts.

(9) Application of this Article may be waived where the participating interests in the capital of the affiliated undertaking are of only negligible interest relative to the objective referred to in paragraph (3) of Article 85.

Chapter 3 - Contents of the notes to the accounts

Art. 104. In addition to the references stipulated by other provisions of this law, the notes to the accounts shall contain the following indications relating to the balance sheet headings included in the layout presented in Article 7 of this law which take account of the essential adjustments arising from the specific features of consolidated accounts compared with annual accounts:

1) Re heading “Participating Interests”, Assets: the amount of any (non consolidated) participating interests in other credit institutions.

2) Re heading “Shares in Affiliated Undertakings”, Assets: the amount of any shares in (non consolidated) affiliated undertakings which are credit institutions.

3) Re heading “Amounts Owed to Customers - Savings Deposits”, Liabilities: the aggregate amount of the savings deposits which are on demand and have agreed maturity dates or periods of notice.

4) Separately for each of the headings and subheadings 3 b), 4 and 5 of the assets and 1 b), 2 a), 2 b) bb) and 3 b) of the liabilities, the amount of those receivables and debts, broken down according to their residual term as follows:

   - three months and under,
   - more than three months to one year,
   - more than one year to five years,
   - more than five years.

   In addition, the amount of the open-ended loans shall be indicated for asset heading 4.

   In the case of receivables or debts repayable in instalments, “residual term” shall mean the period between the balance sheet date and the due date for each payment.

5) For consolidated asset heading 6 (bonds and other fixed-income securities) and sub-heading 3 a) consolidated liabilities (debt securities in issue), the global amount of the asset or liability items reaching maturity in the year following the balance sheet date.

6) The breakdown of the securities shown under asset headings 6 to 9, indicating whether or not they are admitted to trading.

7) The breakdown of the securities shown under heading 6, indicating whether or not they were deemed to be long-term investments within the meaning of Article 56, as well as the criterion used to distinguish that category.

8) The breakdown of the leasing transactions (asset heading 5), indicating whether they were entered into with credit institutions or with customers.

9) The composition of the main constituent items of the “Other Assets” and “Other Liabilities” headings of the consolidated balance sheet if they are significant for assessment of the annual accounts. Explanations concerning the amount and nature thereof shall also be given.

10) The number and nominal value or, if there is no nominal value, the par value, of the shares subscribed during the financial year, not exceeding the authorised capital.

11) Where several share categories exist, the number and nominal value or, if there is no nominal value, the par value, of each of them.

12) The existence of any participating shares, convertible bonds and similar securities or rights, with indication of the number thereof and the scope of the rights they confer.

13) The charges paid for subordinated liabilities during the financial year, on a consolidated basis.

The following should also be indicated:

- for each bond issue which exceeds 10 per cent of the total consolidated amount of the subordinated liabilities:
    i) the amount of the issue, the currency in which it is denominated, the interest rate and the maturity or a note indicating that it is a perpetual issue;
    ii) where applicable, the circumstances in which early redemption is required;
    iii) the conditions of subordination, the existence of any provisions allowing the subordinated liability to be converted into capital or some other form of liability as well as the conditions imposed by such provisions;
- for other bonds, generally, the terms and conditions governing them.

14) The global amount of the asset items and the global amount of the liability items denominated in foreign currencies, converted into the currency in which the consolidated accounts are prepared.

15) A. The movements of the following asset items deemed to be fixed assets within the meaning of Article 56:

1. Participating interests (not included in the consolidation)
2. Shares in affiliated undertakings (not included in the consolidation)
3. Bonds and other fixed-income securities treated as long-term investments.
4. Intangible assets, including:
    a) Formation expenses
    b) Research and development expenses
    c) Concessions, patents, licences, trademarks and similar rights and entitlements, if they were:
        ca) purchased independently of any goodwill
        cb) created by the companies included in the consolidation.
    d) Goodwill, provided that it was acquired in return for payment
    e) Deposits paid.
5. Tangible assets, including:
    a) Land and buildings
    b) Plant and machinery
    c) Other fixtures and fittings, tools and machinery
    d) Deposits paid and tangible fixed assets in progress.
6. The other asset items referred to in paragraph (1) of Article 56 c).

To this end, the inputs and outputs and the transfers for the financial year shall be shown separately for each of these headings and subheadings, relative to the acquisition cost or the production price, as shall the cumulative value adjustments on the balance sheet date and the corrections made during the financial year to the value adjustments of previous financial years.

The obligation to show the value adjustments separately shall not apply to participating interests, shares in affiliated undertakings or securities treated as long-term investments. In such cases, the value adjustments may be incorporated within other headings.

B. If, when the first set of annual accounts is prepared pursuant to this law, the acquisition cost or the production price of a capitalised asset item cannot be determined without unjustified costs or delays, the residual value at the start of the financial year may be deemed to be the acquisition cost or the production price. Any application of this exception shall be reported in the notes to the accounts.

C. If Article 53 is applied on a consolidated basis, movements under the various capitalised asset headings referred to in point A shall be indicated on the basis of the revalued acquisition cost or the production price.

Art. 105. Credit institutions shall indicate the following in either the consolidated balance sheet or the notes to the accounts:

(1) Separately for each relevant heading:

- claims, whether or not evidenced by certificates, on affiliated undertakings not included in the consolidation which come under asset headings 2 to 6,
- claims, whether or not evidenced by certificates, on undertakings not included in the consolidation with which a participating link exists and which come under asset headings 2 to 6,
- debts, whether or not evidenced by certificates, with affiliated undertakings not included in the consolidation which come under liability headings 1, 2, 3 and 7,
- debts, whether or not evidenced by certificates, with undertakings not included in the consolidation with which a participating link exists and which come under liability headings 1, 2, 3 and 7.

(2) Separately for each of the headings of the layout and the subheadings created by virtue of paragraph (1): subordinated assets.

These are assets, whether or not evidenced by certificates, to which rights attach which, in the event of liquidation or insolvency, may only be exercised after those of the other creditors.

(3) a. Where an asset or liability item comes under several layout headings, its relationship to the other headings, where such indication is necessary for a proper understanding of the consolidated accounts.

b. Own shares and shares in affiliated undertakings may only be shown under headings provided for that purpose.

Art. 106.

(1) With regard to the contingent liabilities shown as consolidated off-balance-sheet items, the notes to the accounts shall specify the nature and amount of any type of contingent liability which is significant relative to the consolidated activities overall.

If the aforementioned contingent liabilities exist in relation to affiliated undertakings not included in the consolidation, this shall be reported separately.

(2) The notes to the accounts shall contain information on the assets which the undertakings included in the consolidation have pledged to secure their own commitments or those of third parties outside the group (including contingent liabilities) in order to show the total amount of the assets concerned for each consolidated liabilities or off-balance-sheet heading. If the assets have been pledged to secure commitments of affiliated undertakings not included in the consolidation, this shall be reported separately.

(3) With regard to the commitments shown as consolidated off-balance-sheet items, the notes to the accounts shall specify the nature and amount of any type of commitment which is significant relative to the consolidated activities overall.

Commitments relating to affiliated undertakings not included in the consolidation shall be reported separately. Commitments which are not included in the consolidated balance sheet or among the consolidated off-balance-sheet items shall also be shown insofar as such indication is conducive to a proper understanding of the consolidated financial situation. Commitments in regard to pensions and those relating to affiliated undertakings not included in the consolidation shall be shown separately.

(4) A statement shall be provided which shows the types of futures transactions that were still unwound on the balance sheet date and indicates, for each transaction type, whether a significant portion thereof was allocated to the hedging of interest-rate, exchange-rate or market-price fluctuations and whether a significant portion thereof represents commercial transactions.

These types of transactions include all those whose income or charges come under heading 6 of Article 41, subheading A3 or B3 or B4 of Article 42 or point 3) of Article 43, for example: currencies, precious metals, securities, short-term notes and other assets.

(5) The fact of the institution providing management and representation services to third parties shall be indicated where the volume of such activities is significant relative to the institution's consolidated activities overall.

Art. 107. The notes to the consolidated accounts shall also include the following indications:

1) The valuation methods applied to the various headings of the consolidated accounts, as well as the methods used to calculate value adjustments. For items in the consolidated accounts which are, or were originally, expressed in foreign currency, the bases of conversion used to express them in the currency of the capital shall be indicated.

2) a) The name and registered office address of the undertakings included in the consolidation; the fraction of the capital held in the undertakings included in the consolidation other than the parent undertaking by the undertakings included in the consolidation or by a person acting in his own name but on behalf of the said undertakings; the condition referred to in Article 77 on the basis of which the consolidation was carried out after application of Article 78. This last indication shall not be necessary, however, where the consolidation was carried out on the basis of point a) of paragraph (1) of Article 77 and the capital fraction and the proportion of the voting rights held coincide.

b) The same indications shall be given concerning undertakings left outside the consolidation by virtue "of Article 83, as well as"[19] the reasons for their exclusion.

3) a) The name and registered office address of the undertakings affiliated to an undertaking included in the consolidation within the meaning of paragraph (1) of Article 103, with indication of the fraction of their capital held by undertakings included in the consolidation or by a person acting in his own name but on behalf of the said undertakings.

b) The same indications shall be given concerning the affiliated undertakings referred to in paragraph (9) of Article 103, as well as the reasons why that provision was applied.

4) The name and registered office address of the undertakings which were subject to proportional consolidation by virtue of Article 102, the elements giving rise to joint management, and the fraction of their capital held by the undertakings included in the consolidation or by a person acting in his own name but on behalf of the said undertakings.

5) The name and registered office address of the undertakings other than those referred to in paragraphs (2), (3) and (4) in which the undertakings included in the consolidation "…"[20] hold, either themselves or through a person acting in his own name but on behalf of the said undertakings, at least twenty per cent of the capital, with indication of the fraction of the capital held, the amount of the capital and reserves and the amount of the undertaking concerned's profit or loss for the previous financial year in respect of which the books have been closed. Such information may be omitted if it is of only negligible interest relative to the objective referred to in paragraph (3) of Article 85. The indication of the capital and reserves and the profit or loss may also be omitted if the undertaking concerned does not publish its balance sheet and if less than 50% of its shares are directly or indirectly held by the aforementioned undertakings.

6) The breakdown of the income relating to headings 1, 3, 4, 6 and 7 of Article 41 or headings B1, B2, B3, B4 and B7 of Article 42, by geographic market, insofar as considerable differences exist between those markets from the standpoint of the organisation of the group of undertakings included in the consolidation.

7) Explanations concerning the amount and nature of the main items comprising the "Other Operating Costs" and "Other Operating Income" headings if they are significant for a proper assessment of the consolidated profit or loss.

8) a) The average number of staff members employed during the financial year by the undertakings included in the consolidation, broken down by category.

b) The average number of staff members employed during the financial year by the undertakings to which Article 102 is applied shall be reported separately.

9) The extent to which the profit or loss calculation for the financial year was affected by a valuation of the headings made, notwithstanding the principles of "Articles 51 and 54 to 64quater"[21], Article 99 and paragraph (5) of Article 98, during the financial year or a previous financial year with a view to obtaining tax relief. Where such a valuation

19 Law of 16 March 2006 relating to the introduction of the international accounting standards for credit institutions.
20 Law of 16 March 2006 relating to the introduction of the international accounting standards for credit institutions.
21 Law of 16 March 2006 relating to the introduction of the international accounting standards for credit institutions.

significantly influences the future tax charge of the group of undertakings included in the consolidation, indications shall be given.

10) The difference between the tax charge applied to the profit and loss accounts for the financial year and the previous financial years and the tax charge already paid or to be paid in respect of those financial years, insofar as such difference is specifically relevant to the future tax charge. The said amount may also be shown cumulatively in the balance sheet under an appropriately titled special heading.

11) The amount allocated to the members of the parent undertaking's administrative, management or supervisory bodies during the financial year as remuneration for their functions in the parent undertaking and its subsidiary undertakings, as well as the amount of the commitments arising or contracted in the same way in regard to retirement pensions for former members of the aforementioned bodies. Such information shall be given globally for each category.

12) The amounts of the loans and advances granted to members of the administrative, management or supervisory bodies of the parent undertaking by that undertaking or by a subsidiary undertaking, as well as commitments made on behalf of such persons relative to any guarantee. Such information shall be given globally for each category.

(Law of 16 March 2006)

"13) In the event of the fair-value valuation method being used for financial instruments, the notes to the accounts shall show:

a) the main assumptions underpinning the valuation models and techniques used, where applicable;

b) for each category of financial instruments, the fair value, the variations in value entered directly in the profit and loss account, as well as the variations entered in the fair value reserve;

c) for each category of derivative financial instruments, indications concerning the volume and nature of the instruments, including the main terms and conditions likely to influence the amount, the schedule and the definitive status of future cash flows, and

d) a table indicating the movements recorded in the fair value reserve during the financial year.

14) In the event of the fair-value valuation method not being used for the financial instruments pursuant to Chapter 7bis of this law:

a) for each category of derivative financial instruments:

i) the fair value of the instruments, if such value may be determined using one of the following methods:

- a market value, in the case of financial instruments for which a reliable market value is easily identifiable. Where a market value cannot be easily identified for a given instrument, but can be for its constituent elements or for a similar instrument, the market value may be calculated on the basis of the value of its constituent elements or the similar instrument, or
- a value resulting from generally accepted valuation models and techniques, in the case of instruments for which a reliable market cannot be easily identified.

Such valuation models and techniques guarantee a reasonable estimate of the market value.

ii) indications concerning the volume and nature of the instruments, and

b) for the long-term investments referred to in Article 64bis entered in the books at an amount above their fair value without the option to adjust the value pursuant to point c) aa) of paragraph (1) of Article 56 of this law having been exercised:

i) the book value and the fair value of the assets in question, taken individually or appropriately rearranged;

ii) the reasons why the book value was not reduced, including, inter alia, the nature of the elements which give grounds for believing that the book value will be recovered.

15) Separately, the total fees paid to the statutory auditor or auditing firm during the financial year for the statutory auditing of the consolidated accounts, the total fees

paid for insurance services, the total fees paid for tax consultancy services and the total fees paid for other services.”

Art. 108.

(1) The indications required under paragraphs (2), (3), (4) and (5) of Article 107 may be omitted where they are likely to seriously prejudice an undertaking referred to in the provisions. Any omission of such indications shall be reported in the notes to the accounts.

(2) Paragraph (1) shall also apply to the indications required under paragraph (6) of Article 107.

Chapter 4 - Affiliated undertakings

Art. 109.

(1) Undertakings between which relationships exist as described in Article 77, and other undertakings which maintain a relationship with an undertaking as indicated above, are affiliated undertakings within the meaning of this law.

(2) Article 78 and paragraph (2) of Article 79 shall apply.

Chapter 5 - Consolidated management report

Art. 110. Consolidated management report

(Law of 16 March 2006)

“(1) At very least, the consolidated management report shall contain a true and fair statement on the business trend, profit or loss and general situation of the group of undertakings included in the consolidation, as well as a description of the main risks and uncertainties confronting them.

The said statement shall consist of a balanced and exhaustive analysis of the business trend, profit or loss and general situation of the group of undertakings included in the consolidation, consistent with the volume and complexity of its business. To the extent necessary for a proper understanding of the undertakings’ business trend, profit or loss or general situation, the analysis shall include key performance indicators, both financial and, where applicable, non-financial, relating to the specific activity of the undertakings, including information relating to environmental issues and staff matters.

Where applicable, the analysis provided in the consolidated management report shall include references to the amounts shown in the consolidated accounts and additional explanations relating thereto.”

(2) With regard to such undertakings, the report shall also contain indications on:

a) significant events having occurred after the close of the financial year;

b) the foreseeable development of those undertakings overall;

c) those undertakings’ overall research and development activities;

d) the number and nominal value or, if there is no nominal value, the par value, of all the shares of the parent undertaking held by that undertaking itself, by subsidiary undertakings or by a person acting in his own name but on behalf of the said undertakings.

(Law of 16 March 2006)

“e) with regard to the undertaking’s use of financial instruments and, where this is relevant to the valuation of its assets and liabilities, its general situation and its profit or loss:

- the credit institution’s objectives and policy with regard to financial risk management, including its hedging policy for each main category of transactions in relation to which hedging accounting is used, and

- the credit institution’s exposure to price risk, credit risk, liquidity risk and cash flow risk.”

(Law of 16 March 2006)

“(3) Where a consolidated management report is required as well as the management report, they may be presented together as a single report. During preparation of such a single report, it may be appropriate to emphasise aspects of importance to all the undertakings included in the consolidation.”

Chapter 6 - Auditing of consolidated accounts

Art. 111.

(Law of 16 March 2006)

“(1) The credit institution which prepares the consolidated accounts must have them audited by the statutory auditor(s) to whom the auditing of the annual accounting documents has been entrusted.

The statutory auditors responsible for auditing the consolidated accounts shall also give an opinion as to whether the consolidated management report is consistent with the consolidated accounts for the same financial year.

(2) The statutory auditors’ report shall comprise the following elements:

a) an introduction which, at very least, identifies the consolidated accounts to which the audit relates and the presentational framework within which they were prepared;

b) a description of the scope of the statutory audit which, at very least, provides an indication of the standards in accordance with which it was conducted;

c) an attestation which clearly expresses the statutory auditors’ conclusions as to the true and fair nature of the view given by the consolidated accounts and the conformity of those accounts with the presentational framework used and, where applicable, their compliance with the applicable legal requirements. It may take the form of an attestation without reservations, an attestation qualified by reservations, a negative attestation, or, if the statutory auditors are unable to issue an attestation, an abstention;

d) a reference to any question to which the statutory auditors draw special attention without including a reservation in the attestation;

e) an attestation stating whether the consolidated management report is consistent with the consolidated accounts for the same financial year.

(3) The report shall be signed and dated by the statutory auditors.

(4) In cases where the parent undertaking’s annual accounts are attached to the consolidated accounts, the statutory auditors’ report required by this Article may be combined with the statutory auditors’ report on the parent undertaking’s annual accounts required by Article 75 of this law.”

Chapter 7 – Publication

Art. 112.

(Law of 16 March 2006)

“(1) The credit institutions’ duly approved consolidated accounts, the management report and the report drawn up by the statutory auditor(s) shall be published by the credit institution which prepared the consolidated accounts pursuant to paragraphs (1) and (2) of Article 341 of the amended law of 10 August 1915 on commercial companies.”

(2) Articles 72 and 73 of this law shall apply.

(3) The credit institutions’ consolidated accounts shall be published in any EEC Member State in which they have branches.

(Law of 16 March 2006)

“(4) In addition to publication in the currency or unit of account in which they are prepared, the consolidated accounts may also be published in euros using the conversion rate applicable on the consolidated balance sheet date. The said rate shall be reported in the notes to the accounts.” (Law of 16 March 2006)

“Part IIIbis: Consolidated accounts prepared according to the international accounting standards

Art. 112bis. Credit institutions whose securities are not admitted to trading on the regulated market of a Member State within the meaning of point 14 of paragraph (1) of Article 4 of Directive 2004/39/EC may depart from the provisions of Part III of this law and prepare their consolidated accounts pursuant to the international accounting standards adopted in accordance with the procedure described in paragraph (2) of Article 6 of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards.

In such cases, the credit institutions concerned shall nevertheless remain subject to the provisions of Articles 77 to 82, points 2), 3), 4), 5), 8), 11), 12) and 15) of Article 107, paragraph (1) of Article 108, and Articles 110, 111 and 112 of this law.”

Part IV: Obligations regarding publication of the accounting documents of branches of credit institutions and financial institutions governed by foreign laws

Chapter 1 - Publication of accounting documents by branches having their registered office in the EEC

Art. 113.

(1) Branches of credit institutions and financial institutions having their registered office in the EEC shall file their annual accounts, consolidated accounts, management report, consolidated management report and the reports drawn up by the person responsible for auditing their institution’s annual accounts and consolidated accounts each financial year pursuant to Article 9 of the amended law of 10 August 1915 on commercial companies.

(2) The documents referred to in paragraph (1) must have been prepared and audited pursuant to the aforementioned Directive 86/635/EEC in the manner prescribed by the legislation of the EEC Member State in which the credit institution or financial institution has its registered office.

(3) Branches shall not be required to publish annual accounts relating to their own activities.

Chapter 2 – Publication of accounting documents by branches of credit institutions having their registered office outside the EEC

Art. 114.

(1) Branches of credit institutions having their registered office outside the EEC shall file their annual accounts, consolidated accounts, management report, consolidated management report and the reports prepared by the person responsible for auditing their credit institution’s annual accounts and consolidated accounts each financial year pursuant to Article 9 of the amended law of 10 August 1915 on commercial companies, duly prepared and audited in accordance with the legislation of the country in which their registered office is established.

(2) Where the documents in question have been prepared pursuant to Parts II, III and V of this law or on an equivalent basis, paragraph (3) of Article 113 shall apply.

(3) In all cases other than those referred to in paragraph (2), the documents in question shall be reprocessed in order to establish the conformity or equivalence required by paragraph (2).

Part V: Final and transitional provisions and amending provision

“…”[22]

22 Repealed by the law of 16 March 2006 relating to the introduction of the international accounting standards for credit institutions.