PRESS RELEASE 11/39

DECISION TO RECAPITALISE THE EUROPEAN BANKS

The EU summit decided yesterday to strengthen European banks' capital positions by the end of June 2012. The agreement, whose purpose is to restore investor confidence in the European banking sector, covers two aspects:

1. Establishment of a temporary capital buffer commensurate with the banks' exposures to European sovereign debt. This measure aims to ensure that banks hold sufficient capital to support the latent losses related to the valuation of their European sovereign debt exposures at current market prices, the latter having substantially declined for European countries that are facing a difficult sovereign debt situation.

2. Requirement of a Core Tier 1 (CT1) solvency ratio of at least 9%. This requirement, which includes CT1 capital that only comprises the highest quality capital instruments (subscribed capital, reserves, profit or loss brought forward and profit not available for distribution, except hybrid instruments), is deemed appropriate to ensure that the banking sector has a sufficient capital buffer to withstand potential risks beyond the risks linked to European sovereign debt exposures.

Based on preliminary assessments to be confirmed by the EBA in November 2011, the *Banque et Caisse d'Epargne de l'Etat*, the only Luxembourg bank directly included in EBA's sample, already meets the CT1 requirement of 9% and will thus not need any additional capital.

Please refer to the press release of the European Banking Authority (EBA) for further information:

http://www.eba.europa.eu/News--Communications/Year/2011/The-EBA-details-the-EU-measures-to-restore-confide.aspx

Luxembourg, 27 October 2011