

PRESS RELEASE

■ CREDIT INSTITUTIONS' PROFIT AND LOSS ACCOUNTS AS AT 30 SEPTEMBER 2007

Based on provisional figures as at 30 September 2007¹, the Commission de Surveillance du Secteur Financier estimates gross profit before provisions of the Luxembourg banking sector at EUR 4,265 million. This amount represents a 13.4% decrease as compared to 30 September 2006, when profit before provisions reached EUR 4,926 million.

In the third quarter of 2007, the volume of intermediation activities remained at a high level allowing banks of the financial centre to increase their interest-rate margin to EUR 3,723 million. This figure represents an increase of 16.6% year-on-year. As far as commissions received are concerned, the increase reaches 11%, linked to a market environment with business volumes which remain high. Despite the strong growth in interest income and commissions, banking income decreased by 4.7% as compared to September 2006. This drop is attributable to the strong variation of other net income which decreased of EUR 1,181 million year-on-year. It should be borne in mind that this income had been unusually high in the third quarter of 2006 owing to non-recurring extraordinary revenues earned by two banks in the financial centre. Disregarding this extraordinary income (EUR 904 million), the variation of banking income over one year reached EUR 546 million (+8%).

As far as expenses are concerned, general expenses increased by 10.9%. Growth concerns at the same time staff costs and other operating fees, hence a decrease of 13.4% in the profit before provisions. Excluding the non-recurrent effects of the capital gains indicated above, the profit before provisions shows an increase of 6.1% as compared to September 2006.

The recent turmoil on the financial markets following the deterioration of several "subprime" market segments in the US only had limited effects on the results of Luxembourg banks. This statement is not surprising, considering that the main activities performed in the financial centre are private banking and UCI administration. Luxembourg banks are committed only to a limited extent in the investment banking activity, which is particularly affected by these tensions. Nevertheless, several banks had to make value adjustments on their securities portfolio. Income from financial transactions, accounted for in other net income, decreased by EUR 289 million as compared to 30 September 2006. These results include the value adjustments in the trading book. The value adjustments of the structural portfolio are not reflected in the profit before provisions. It may however be pointed out that the net creation of provisions increased by EUR 100 million as at 30 September 2007 as compared to 30 September 2006, which confirms that the impact of the "subprime" crisis has only had a limited impact at this level as well.



Commission de Surveillance du Secteur Financier

Profit and loss account as at 30 September 2007

Items in million EUR	September 2006	September 2007	%	% (except for extraordinary products)
Interest-rate margin ²	3,192	3,723	16.6%	16.6%
Commissions received	2,677	2,970	11.0%	11.0%
Other net income	1,829	647	-64.6%	-30.0%
Banking income	7,698	7,340	-4.7%	8.0%
Staff costs	1,517	1,682	10.9%	10.9%
Other general expenses	1,255	1,393	10.9%	10.9%
General expenses	2,772	3,074	10.9%	10.9%
Profit before provisions	4,926	4,265	-13.4%	6.1%

Luxembourg, 16 October 2007

¹ Survey carried out on a sample of 98% of the profit before provisions of the financial year 2006.

² Including dividends received from subsidiaries.

