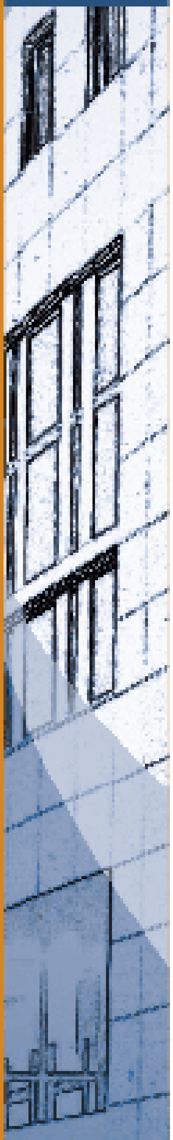

PRESS RELEASE 11/14

CSSF ANNUAL REPORT 2010

SOLID RESILIENCE OF THE FINANCIAL SECTOR

In 2010, the Luxembourg financial centre showed a solid resilience against the challenges resulting from changes introduced by the financial crisis in 2008 and against difficulties of the financial year 2010, particularly, the uncertainties related to the development of public finances in Europe. Besides the results realised by the banking sector, although more modest than before the crisis, it is mainly worth mentioning that the investment fund sector in a broad sense, which is somehow the driving force of the Luxembourg financial sector, improved. It is important now to consolidate these experiences in order to get back the solid bases which allow the financial sector to be advantageously compared to the rival financial sectors and the financial actors to gain an important place in the international groups to which they belong.

The 2010 trends for the different financial centre segments may be summarised as follows.

Section of international supervision

The harmonisation of the existing regulations remain the main objective at international level, notably as regards risk management and coverage. Moreover, the functioning of the colleges of supervisors for cross-border banking groups strengthened the cooperation between the national supervisory authorities and increased the European and international prudential supervision. As from 2011, the European dimension will be enhanced by the implementation of the new European supervisory authorities EBA, ESMA and EIOPA.

147 credit institutions

Balance sheet total: EUR 766.4 billion

Net profit: EUR 3,849 million

The number of banks decreased by 2 entities and reached 147 entities as at 31 December 2010. During the year, four banks started their activities while four banks merged with other banks of the financial centre and two banks terminated their activities.

The aggregated balance sheet total decreased by 3.4% in 2010, i.e. a drop less marked than in 2009. This fall is recorded in a context of uncertainties as regards the public finances in Europe which reduced the intermediation activity and a context of post-crisis which is synonymous with cessation of activities and reduction of risks for a certain number of banks. However, it should be borne in mind that 60% of the banks of the financial centre registered a rise in the balance sheet which shows a trend reversal.

Net profit of the Luxembourg banking sector reached EUR 3,849 million in 2010. This remarkable improvement compared to 2009 mainly results from the strong drop in creation of provisions. Indeed, due to more favourable forecasts in relation to growth, financial valuation and economic data, the need for additional provisions is diminished. Nevertheless, 45% of banks ended their financial year with a decreased net result compared to the previous year.

3,667 UCIs
12,937 units
Total net assets: EUR 2,199.0 billion

In 2010, the UCI sector registered a 19.4% growth in net assets managed originating for 45% from the net issues and for 55% from the increase in stock exchanges. Net capital investments in Luxembourg UCIs amounted to EUR 161.6 billion in 2010, which proves the investors' renewed confidence in the markets.

The number of UCIs grew by 5.9% during the year. This growth almost entirely results from the continuing boom of the specialised investment funds which represent 32.5% of the total number of UCIs (as regards managed assets, they represent 9.7%). When considering umbrella funds, a total of 12,937 economic entities were active on 31 December 2010, which represents a new record.

179 management companies

The number of management companies authorised in accordance with Chapter 13 of the law of 20 December 2002 relating to UCIs decreased from 192 as at 31 December 2009 to 179 at the end of 2010 corresponding to seven new authorisations and twenty withdrawals mainly due to mergers and rationalisations of the Luxembourg structures initiated by the promoters. The management companies focus more on the activity of collective management and slowly abandon the ancillary activities.

15 pension funds

The sector of pension funds stagnated in 2010 since no new pension fund was authorised during the year.

247 SICARs
Balance sheet total: EUR 25.1 billion

The number of investment companies in risk capital (SICAR) continued its growth with 31 new authorisations against twenty withdrawals during 2010. The initiators of SICARs are mainly French, followed by Swiss, German and Luxembourg. As regards the investment policy, the SICARs were more inclined towards private equity.

26 authorised securitisation undertakings

The slow but ongoing development of the securitisation activity, at least as regards authorisation and supervision, continued with 3 new securitisation undertakings authorised in 2010.

301 PFS (109 investment firms, 113 specialised PFS, 79 support PFS)

Balance sheet total: EUR 11.42 billion

Net profit: EUR 1,452.3 million

With 33 new entities authorised during 2010 and 18 withdrawals, the PFS sector continued attracting new promoters. The positive development in the number is mainly attributable to PFS other than investment firms and, to a lesser extent, to support PFS.

The aggregated total balance sheet of PFS reached EUR 11.42 billion as at 31 December 2010, as against EUR 22.46 billion at the end of 2009. This important drop of 49.14% is mainly attributable to the decrease of the activity volume of a professional carrying on lending operations.

The net results of PFS also fell but to a lesser extent (-7.91%). This development hides some differences between the various categories of PFS: the net results of investment firms and support PFS remained almost stable, registering a slight increase, whereas the negative development of the other PFS' results is mainly due to two important actors.

Total employment in the supervised establishments: 42,752 people

(of which banks: 26,254 people, PFS: 14,159 people, management companies: 2,339 people)

Total employment in the financial sector improved by 1.3%, i.e. 539 people. However, depending on the category of actors of the financial centre, the situation diverges.

Following the economic restructuring and measures to reduce costs caused by the financial crisis, the downward trend in the banking employment continued in 2010 (-0.6%) even though the drop is more moderate than the previous year. 59.8% of banks maintained or increased their staff in 2010 by taking advantage of the opportunities offered at the moment by the working market.

The number of employment in the PFS sector increased by 5.0% mainly due to support PFS (+768 jobs). However, this increase does not correspond to the creation of a large number of jobs in the sector of support PFS. Indeed, a large part of this rise is attributable to support PFS newly authorised in 2010, among which are companies already active before. The existing personnel of these companies is counted, as from the date of the authorisation, in the statistics regarding support PFS.

Employment in management companies slightly increased in 2010 (+1.3%).

1.1 million of trades reported

1,390 prospectuses, base prospectuses and other documents approved

723 supervised issuers

The number of files submitted in Luxembourg for the approval of prospectuses to be published when securities are offered to the public or admitted to trading on a regulated market remained stable compared to 2009.

The CSSF supervises issuers whose transferable securities are admitted to trading on a regulated market and for which Luxembourg is the home Member State for the purposes of the Transparency law. Their number reached 723, of which 244 Luxembourg issuers. The supervision involves a general follow-up of regulated information to be published by issuers and an assessment of compliance of the financial information with the information presentation.

In 2010, the CSSF received about 1.1 million financial assets transaction reports which allow observing the trends on the markets and detecting possible offences. It started eight investigations in relation to insider dealing and/or market manipulation and dealt with 48 requests from foreign authorities.

Public oversight of the audit profession

The public oversight of the audit profession covers 74 "cabinets de révision agréés" (approved audit firms) and 232 "réviseurs d'entreprises agréés" (approved statutory auditors) as at 31 December 2010. 48 third-country auditors and audit firms duly registered in accordance with the law of 18 December 2009 concerning the audit profession are added to the previous figure.

The "réviseurs d'entreprises agréés" (approved statutory auditors) and "cabinets de révision agréés" (approved audit firms) are subject to a quality assurance review, organised according to the modalities defined by the CSSF in its capacity as supervisory authority, of the missions that the former carry out in the framework of statutory audits and other missions exclusively entrusted to them by the law.

499 customer complaints

By virtue of its specific task of mediating as regards handling of customer complaints, the CSSF received 499 complaints during the previous year. The main part of the complaints concerned banking activities linked to e-banking. Complaints in relation to private banking were also a greater part of the files dealt with by the CSSF.

362 agents

Operating costs of the CSSF in 2010: EUR 37.8 million

2010 was marked by the ongoing increase in the CSSF's human resources (+40 agents) in order to face the growing workload resulting, among others, from the introduction of new prudential requirements, the cooperation between authorities, the active participation in works of international organisations and, in general, the increase in the volume and the complexity of the financial products. In addition, numerous on-site inspections are carried out which are an important part of the prudential supervision exercised by CSSF.

The 2010 Annual Report is available free of charge at the CSSF, L-2991 Luxembourg, e-mail: direction@cssf.lu on request. It is also available for download on the website www.cssf.lu. An English version of the report will be published on the website in July 2011.

Luxembourg, 28 April 2011