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PROFIT AND LOSS ACCOUNT OF CREDIT INSTITUTIONS AS AT 31 DECEMBER 2011: STRONG DECREASE OF NET PROFIT AGAINST A SATISFACTORY OPERATIONAL BACKGROUND

Based on provisional figures, the CSSF estimates net profit of the Luxembourg banking sector at EUR 2,906 million as at 31 December 2011.

In a difficult economic and financial context, Luxembourg banks succeeded in increasing their recurrent operational income. Indeed, the interest-rate margin and the net commissions received improved by nearly 7% over a year.

However, these increases are not sufficient to compensate the strong decrease of other net income during 2011. These incomes, which are more volatile, recorded such a downturn notably due to value changes of securities portfolios valued at market price, as well as the non-recurring losses on the sale of portfolios under difficult market conditions. Consequently, **banking income**, representing the total of banking revenue, registered a fall of nearly 2% during the financial year. Conversely, the underlying development of banking income, i.e. without the above-mentioned non-recurring impact, shows an increase of 4%.

General expenses recorded a significant rise of nearly 5% mainly due to integration and restructuring costs caused by the different acquisitions and disposals of activities among professionals of the financial sector.

In 2011, the development of banking income and general expenses leads to **profit before provisions** that dropped by 8% year-on-year. At this level, the underlying development shows a positive development of 3%.

Net depreciation was substantially affected by value adjustments in Greek exposures as at 31 December 2011. In that respect, the figures are still provisional; they depend in particular on the outcome of the negotiations concerning the private sector involvement in the Greek debt restructuring.

In short, **net profit** of the Luxembourg banking sector **registered a decrease of 24%** over a year. As stated above, net profit was strongly impacted by non-recurrent events without which the decrease of the banks' net profit would have reached only 15% in 2011.

Profit and loss account as at 31 December 2011

Items in million EUR	December 2010	December 2011	%
Interest-rate margin[1]	5,479	5,844	+6.7%
Commissions received	3,587	3,830	+6.8%
Other net income	484	-312	
Banking income	**9,549**	**9,362**	**-1.9%**
Staff costs	2,497	2,553	+2.3%
Other general expenses	2,112	2,264	+7.2%
General expenses	**4,609**	**4,817**	**+4.5%**
Result before provisions	**4,939**	**4,545**	**-8.0%**
Net profit	**3,817**	**2,906**	**-23.9%**

Luxembourg, 3 February 2012

[1] Including dividends received from subsidiaries