

PRESS RELEASE 11/01

■ PROFIT AND LOSS ACCOUNT OF CREDIT INSTITUTIONS AS AT 31 DECEMBER 2010

Based on provisional figures¹, the Commission de Surveillance du Secteur Financier estimates profit before provisions of the Luxembourg banking sector at EUR 4,773 million for the financial year 2010. Compared to 2009, profit before provisions thus decreased by 20.8%.

The sharp fall in profit before provisions mainly stems from the **decline by EUR 1,026 million** in the **interest-rate margin** as compared to last year. It essentially reflects the reduction in their intermediation activity which the Luxembourg banks have had to incur since the financial crisis. Indeed, at the beginning of 2009, the aggregated balance sheet total, which roughly allows to measure the intermediation activity, exceeded EUR 900 billion. At that time, banks recorded substantial intermediation revenues, which resulted in a high interest-rate margin for 2009. In 2010, with an average aggregated balance sheet of EUR 790 billion, the volume of intermediation activity decreased. Furthermore, in a context of less favourable interest rates, the commercial margin which banks benefit on intermediation transactions from, was reduced. The interest-rate margin consequently dropped by 16% as compared to last year.

The *other net income* item whose positive development largely sustained the banks' profits in 2009 decreased by EUR 498 million in 2010. This sharp decline essentially stems from the lower fair value variations which banks recorded in the market value of their securities portfolios. It should also be noted that fair value gains on these securities had been particularly high in 2009 due to a generalised upturn in financial markets as compared to the end of 2008.

Only **commission income recorded an increase**. Its progression, which reached 12.6% on an annual basis, confirms the important position of Luxembourg banks in asset management activities on behalf of private and institutional customers, including services offered to investment funds.

Overall, the above indicated factors resulted in a **banking income which decreased by 11.2%** in 2010 as compared to 2009.

When adding the 2.6% **increase in general expenses**, profit before provisions falls by 20.8%.

Based on the provisional figures currently available but not yet audited, the net impairments of financial assets which have not been booked in item "Other net income" are expected to further decrease as compared to 31 December 2009. The value re-adjustments, motivated by a more favourable economic situation, should thus nevertheless allow a significant increase in the 2010 net profit.



Commission de Surveillance du Secteur Financier

Profit and loss account as at 31 December 2010

Items in million EUR	December 2009	December 2010	%
Interest-rate margin ²	6,404	5,378	-16.0%
Commissions received	2,985	3,360	+12.6%
Other net income	847	349	-58.8%
Banking income	10,236	9,088	-11.2%
Staff costs	2,313	2,347	+1.5%
Other general expenses	1,893	1,968	+3.9%
General expenses	4,206	4,315	+2.6%
Result before provisions	6,030	4,773	-20.8%

Luxembourg, 19 January 2011

¹ Survey carried out on a sample of 98.59% of the profit before provisions of the financial year 2009.

² Including dividends received from subsidiaries

