

### PRESS RELEASE 10/02

#### ■ PROFIT AND LOSS ACCOUNT OF CREDIT INSTITUTIONS AS AT 31 DECEMBER 2009

On the basis of provisional figures<sup>1</sup>, the *Commission de Surveillance du Secteur Financier* estimates profit before provisions of the Luxembourg banking sector at EUR 5,770 million for 2009. This figure represents a 1.4% increase as compared to the financial year 2008.

This slight improvement in profit before provisions was generated on the background of a **sharp rise in “Other net income”**. This income, which generally closely follows the development in financial markets, increased in 2009 by EUR 1,257 million, mainly due to the fair value changes of securities held by banks. In 2008, the overall decline on financial markets negatively affected the value of these securities as shown by the accounting loss of EUR 528 million recorded in item “Other net income” as at 31 December 2008. Since then, the risk premiums requested by investors were lowered, contributing to the rise in these securities’ market value. Thus, the “Other net income” recorded a surplus of EUR 729 million for 2009.

On the other hand, the figures also show an **important reduction in recurring income (interest-rate margin and commissions received)**.

The “Commissions received” item dropped by 13.3% year-on-year. This decline results from the financial crisis and the simultaneous fall in stock market values, which reduced the assets under management used as basis for the calculation of management fees and which discouraged stock exchange transactions generating brokerage commissions.

The interest-rate margin underwent a trend reversal in the last quarter of 2009. Fewer liquidity transformation opportunities and the drop in the banks’ balance sheet totals over one year created less interest income. Moreover, dividend income, included in the interest-rate margin figures also registered an important decrease. These dividends were particularly high in 2008 due to the very good results recorded in 2007. This explains the drop in the interest-rate margin (dividends included) by 11.7%.

Overall, the above indicated factors taken as a whole resulted in a **banking income which remained nearly unchanged in 2009** as compared to the financial year 2008.

The 2.9% **decrease in general expenses** thus led to the slight increase of profit before provisions.

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 significantly decrease as compared to 31 December 2008. At that date, the net result had been historically low due to the important impairment of financial assets generated by the financial crisis. A very steep rise in the 2009 net results will therefore be registered, although they will not match the extraordinary results of the years 2005-2007.



## Commission de Surveillance du Secteur Financier

### Profit and loss account as at 31 December 2009

Items in million EUR	December 2008	December 2009	%
Interest-rate margin <sup>2</sup>	7,072	6,247	-11.7%
Commissions received	3,603	3,125	-13.3%
Other net income	-528	729	-
<b>Banking income</b>	<b>10,147</b>	<b>10,100</b>	<b>-0.5%</b>
Staff costs	2,403	2,391	-0.5%
Other general expenses	2,056	1,940	-5.6%
<b>General expenses</b>	<b>4,459</b>	<b>4,331</b>	<b>-2.9%</b>
<b>Profit before provisions</b>	<b>5,687</b>	<b>5,770</b>	<b>+1.4%</b>

Luxembourg, 20 January 2010

<sup>1</sup> Survey carried out on a sample of 97.25% of the profit before provisions of the financial year 2008.

<sup>2</sup> Including dividends received from subsidiaries.

