

## PRESS RELEASE

### ■ CREDIT INSTITUTIONS' PROFIT AND LOSS ACCOUNTS AS AT 31 DECEMBER 2007

Based on provisional figures as at 31 December 2007<sup>1</sup>, the Commission de Surveillance du Secteur Financier estimates profit before provisions of the Luxembourg banking sector at EUR 6,191 million. This amount represents a 4.9% decrease as compared to 31 December 2006, when profit before provisions reached EUR 6,510 million.

In 2007, banks increased their interest-rate margin to EUR 5,744 million, representing a growth of 24.3% year-on-year. This growth can be explained essentially by a rise in dividends received by subsidiaries.

As far as commissions received are concerned, the increase reached 8.8%, which confirms the strength of asset management activities during the year 2007.

Despite the strong growth in interest income and commissions, banking income only increased by 0.9% as compared to December 2006. This phenomenon is attributable to the decline in other net income which decreased by EUR 1,322 million over the last year. This decrease has a twofold origin: first, other net income had been unusually high in 2006 owing to extraordinary non-recurrent revenues (EUR 904 million) realised by two banks in the financial centre; second, the banking sector suffered valuation losses on the securities portfolio indirectly linked to the US subprime crisis. In this context, several banks had to make value adjustments to their trading and investment portfolio. Income from financial operations, accounted for in other net income, decreased by EUR 519.6 million as compared to 31 December 2006. It should be noted that this figure does not include the value adjustments to the structural portfolio.

As far as expenses are concerned, general expenses increased by 11.2%. This growth concerned staff costs as well as other operating costs.

This implied a decrease of 4.9% in the profit before provisions. Excluding the non-recurrent effects of the capital gains indicated above (EUR 904 million), the profit before provisions recorded a 10.4% increase as compared to 31 December 2006.

Tensions on financial markets linked to the US subprime crisis again worsened during the fourth quarter of 2007. These tensions will obviously impact the total net profit of the banking sector in 2007. In the absence of final audited figures, the impact is still difficult to evaluate, but it should remain limited. Based on the provisional figures currently available, net constitution of provisions, which includes value adjustments to structural portfolios, increased by EUR 370 million as compared to 31 December 2006. As a conclusion, it can be said that the tensions linked to the subprime crisis do not harm the financial solidity of Luxembourg banks.

It is also important to note that the income generated through the main activities performed in the financial centre, i.e. private banking and UCI activity, are not directly affected by the subprime crisis.



## Commission de Surveillance du Secteur Financier

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Profit and loss accounts as at 31 December 2007

| Items in million EUR            | December<br>2006 | December<br>2007 | %             |
|---------------------------------|------------------|------------------|---------------|
| Interest-rate margin            | 4,621            | 5,744            | 24.3%         |
| of which: dividends received    | 1,159            | 1,746            | 50.7%         |
| Commissions received            | 3,280            | 3,568            | 8.8%          |
| Other net income                | 2,257            | 934              | - 58.6%       |
| <b>Banking income</b>           | <b>10,157</b>    | <b>10,247</b>    | <b>+ 0.9%</b> |
| Staff costs                     | 1,972            | 2,178            | 10.4%         |
| Other general expenses          | 1,674            | 1,878            | 12.1%         |
| <b>General expenses</b>         | <b>3,647</b>     | <b>4,056</b>     | <b>11.2%</b>  |
| <b>Profit before provisions</b> | <b>6,510</b>     | <b>6,191</b>     | <b>- 4.9%</b> |

Luxembourg, 18 January 2008

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

