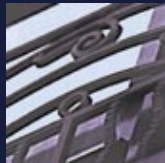




Association
des Banques
et Banquiers
Luxembourg

Banking in Luxembourg

Facts and figures 2004



The Grand Duchy of Luxembourg: general background



► Luxembourg,
in the heart of
Europe

Situated in the heart of Europe, between Belgium, France and Germany, Luxembourg covers an area of 2,586 km² (approximately 1,000 square miles). Its international character and outlook is highlighted by the fact that foreigners, most of them from European Union member States, account for 38.6% of the Grand Duchy's total population of 451,600.

Luxembourg is also the headquarters of a number of major European institutions, such as the European Investment Bank, the Court of Justice and the Court of Auditors.

Luxembourg is a constitutional monarchy with democratic institutions and coalition governments generally formed between two of the three traditional parties: Christian Demo-

crat, Socialist and Liberal. All three are committed to the development of Luxembourg as a financial centre.

As regards the country's economy, the financial sector accounts for 24% of GDP and provides employment for some 27,000 persons, i.e. 10% of the working population. A large surplus of the balance of service transactions allows the Grand Duchy to more than offset the deficit on its trade balance.

Profit and loss accounts of Luxembourg banks

(EUR million)	1980	1990	2000	2003
Interest margin	736	2,335	3,567	4,135
Net income from commissions	62	389	3,025	2,552
Other net income	104	870	1,091	1,000
Gross income	902	3,594	7,683	7,687
Staff costs	201	702	1,620	1,790
Other expenditures (*)	164	640	1,814	1,704
Result before provisions	537	2,252	4,249	4,193
Net provisions	213	1,584	742	651
Tax on income	164	196	921	665
Net profit	160	472	2,586	2,877

(*) Including write-downs of non-financial fixed assets and taxes other than on income

Source: Central Bank of Luxembourg

Luxembourg banks' balance sheet total

(EUR billion)	1970	1980	1990	2000	2003
Total ASSETS	5.8	97.1	309.3	647.7	656.0
Due from banks	2.7	50.4	186.8	311.6	346.6
Loans	2.1	34.1	74.1	131.3	117.7
Securities	0.7	9.0	39.6	169.2	172.2
Other assets	0.3	3.6	8.8	35.6	19.5
Total LIABILITIES	5.8	97.1	309.3	647.7	656.0
Due to banks	3.3	71.3	145.2	290.3	308.3
Non-bank deposits	2.1	18.1	124.4	226.9	218.4
Bonds and notes	0.1	0.9	13.8	59.4	74.4
Other liabilities	0.3	6.8	25.9	71.1	54.9

Source: Central Bank of Luxembourg

Major constituents of the financial centre

The banks

► At the end of June 2004, 167 banks were registered in the Grand Duchy's capital. Some of these are also active on the domestic market, while the great majority - subsidiaries or branches of major banking institutions - focus their activities on the international markets.

The Stock Exchange

► Some 30,000 securities - the vast majority Eurobonds - issued by more than 4,100 companies from 100 different countries are currently quoted on the Luxembourg Stock Exchange.

Clearstream International

► Clearstream International is the premier International clearing and settlement organisation offering comprehensive services for bonds and equities both domestic and cross-border. The Company was formed from the merger of Cedel International and Deutsche Börse Clearing and currently has EUR 7.3 trillion in assets under custody and handles some 61.8 million transactions per year. Its shareholders consist of the world's major financial institutions.

The investment funds

► The undertakings for collective investment established in Luxembourg may take the form of mutual funds, open-end investment companies or closed-end investment companies. The law also provides for the creation of umbrella funds in which each compartment is managed in accordance with a specific investment policy.

The holding companies

► In Luxembourg, there are two categories of investment companies: holding companies registered under

Growth in the number of banks

	1970	1980	1990	2000	June 2004
Luxembourg-Belgium	14	12	22	25	19
Germany	3	29	38	61	48
United States	7	11	12	9	6
France	4	6	20	16	17
Italy	-	5	11	21	16
Japan	-	4	9	5	5
Scandinavia	-	14	20	10	10
Switzerland	4	7	16	15	13
Other countries	2	12	24	40	33
Multinational joint ventures	3	11	5	-	-
Total	37	111	177	202	167

Source: Luxembourg Financial Supervisory Authority (CSSF)

Activities and products

Luxembourg investment funds

(EUR billion)	1980	1990	2000	June 2004
	Total assets	Total assets	Total assets	Total assets
Mutual funds	1.8	34.5	462.8	492.8
SICAVs *	-	35.3	404.0	550.8
Other funds	1.1	2.4	7.8	3.2
Total	2.9	72.2	874.6	1,046.8

* Société d'investissement à capital variable (open-end investment fund)

Source: Luxembourg Financial Supervisory Authority (CSSF)

the Law of July 31, 1929 and the "SOPARFis" (Sociétés de participation financière) governed by the Law of August 10, 1915 on commercial companies. As compared to holding companies whose core business is to acquire, manage and exploit participations in domestic or foreign companies, the activity exercised by "SOPARFis" as commercial companies is not limited to securities investments only. As such, the two categories of companies are subject to different tax regimes.

Insurance and reinsurance companies

► By the end of 2003, 95 insurance companies and 270 reinsurance companies had chosen Luxembourg as their base. As borders in Europe are coming down, banks and insurance companies do not only co-operate more closely with each other, but an increase in the integration of banking and insurance activities can be observed.

Intermediaries

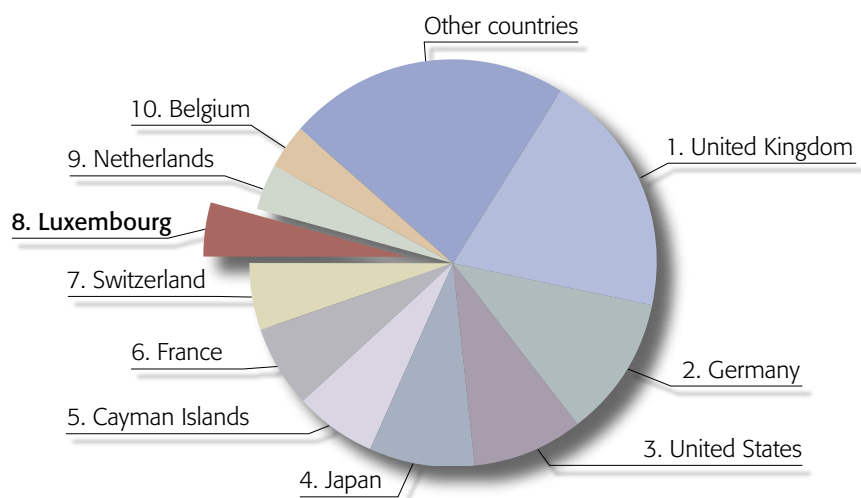
► A wide range of intermediaries (registered investment advisors, auditors, brokers, lawyers...) complete the financial scene.

► Luxembourg's credentials as a multinational financial centre extend considerably beyond Eurobonds and syndicated Euro lending. The financial community in the Grand Duchy makes available a complete range of commercial and investment services both to institutional and private investors. These include time deposits, foreign exchange dealing, precious metals and securities custody, loans and wealth management. In addition to products offered to private investors, services aimed at institutional investors comprise i.e. the setting up of financial holdings and reinsurance companies, domiciliation and administration of investment funds (in accordance with the EC Directive), global custody, trust services and fiduciary transactions.

In these diverse financial service areas, the multinational character of Luxembourg plays a particularly decisive role. Each bank, through its own market specialities and related know-how, contributes to the success of Luxembourg as a financial centre.

The world's financial centres

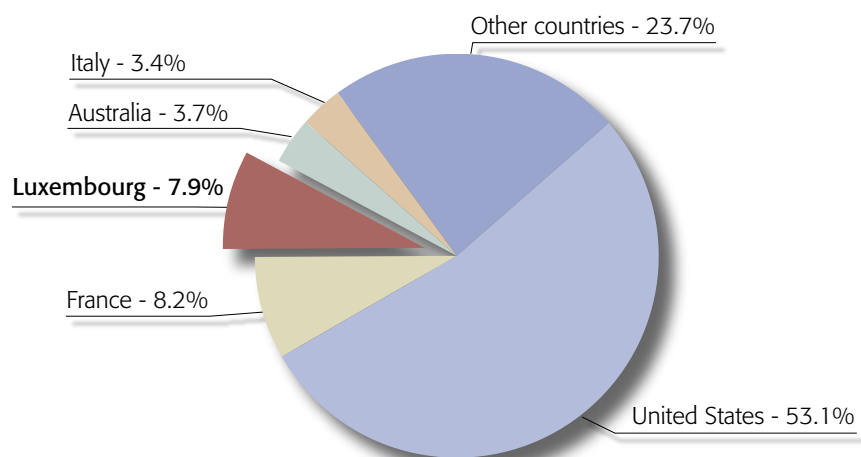
External positions (assets) as at December 2003



Source: Bank for International Settlements

The world fund industry

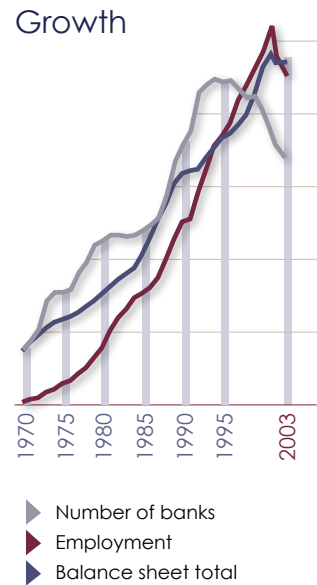
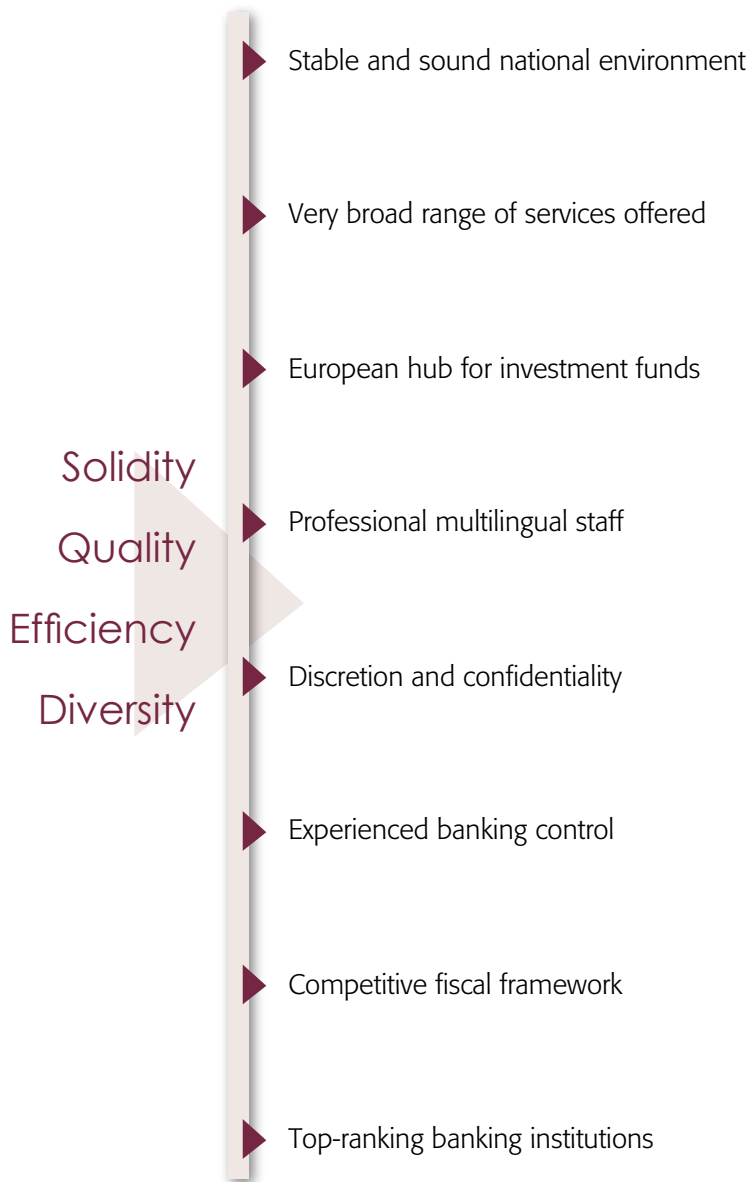
Net assets of UCITS* and Money Market Funds as at December 2003



* Undertakings for Collective Investment in Transferable Securities

Sources: FEFSI and ICI

The reasons for banking in Luxembourg





Carré Bonn
20, rue de la Poste
B.P. 13
L-2010 Luxembourg

Tel.: (352) 46 36 60-1
Fax: (352) 46 09 21
E-mail: mail@abbl.lu
Internet: www.abbl.lu