

Press release

CFS Financial Center Index indicates turnaround - Index of the financial industry in Germany moves upward for the first time since 2006

FRANKFURT, 16 July 2009. For the first time since the end of 2006, the CFS Financial Center Index shows a positive turn with a current value of 98.4 points. In the previous quarter, it had still dropped to 97.3 points.

The index participants now have a much more optimistic view of their future business as it was the case in the previous quarter. An upward movement is particularly evident with regard to profit (+1.9) and investments (+2.7). The group of financial sector service providers, mainly covering the accounting and consulting business, which was notably negatively affected by the impact of the financial crisis in the last survey, was again positioned more positively. This is reflected in their view on the development of sales, profit and investments, but not in their job situation. In contrast, the subgroup "supervisory and academic institutions", to which supervisory authorities, universities and research institutes belong, now seem to be caught up by the financial crisis. Their negative feedback applies to all index components. The assessment of their employment situation is particularly pessimistic. "The initial euphoria after the G20 summit has dissipated. There is disillusionment within the group of supervisory authorities and academic institutions." concludes CFS Director Professor Dr. Jan Pieter Krahenen.

Clear vote on internationally harmonized financial regulation

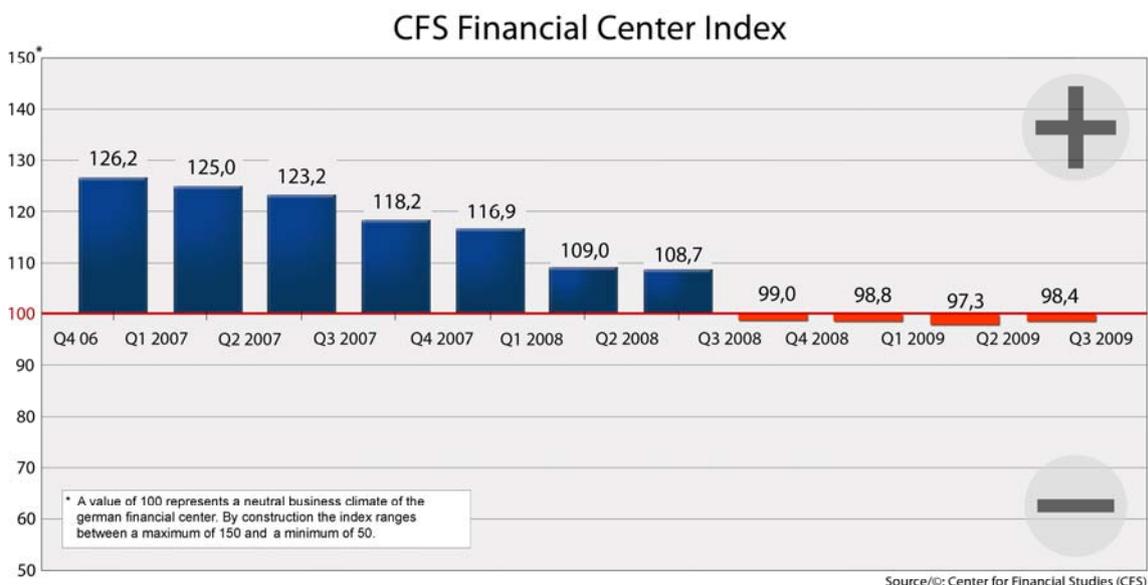
The first part of the recent special survey deals with the regulation of the international financial system. Nearly three-quarters of the participants support the decision of the European Council for a European system of financial supervision (ESFS), although it is accompanied by a loss of national regulatory power. The majority of interviewees (52%) also favours the transmission of individual exposure data of financial institutions to an international organization. Stress tests in Europe are considered as an effective means to ensure the stability of banks and to monitor their need for recapitalisation by a large part of the respondents. Despite intensive efforts to standardize the regulation of the international financial sector, the majority fears that national solo runs may lead to a further fragmentation of the international financial system. 53% of the respondents classify this risk as high or very

Press release

high. Furthermore, a declining value creation contribution of the global financial industry is seen as a negative consequence of increased regulation by more than half of all participants.

Fair value is an option without alternative

The second part of the special survey is dedicated to the issue of fair value valuation. With 72% of the interviewees expressing agreement, there is consensus that the transition to fair value accounting appears to be procyclical, ie intensifying the crisis. The majority of respondents (59%) calls for a restriction of the market valuation to the trading book of banks. However, a fundamental departure from the fair value option is refused by 56% of the votes. This attitude is reflected most distinctively within the accounting/consulting sector with 73% and among asset managers with 67%. "Although fair value accounting is blamed to be exacerbating the financial crisis, there are no doubts about its importance for a transparent capital market." summarizes Krahenen.



Press release

Index calculation of the CFS Financial Center Index

The CFS - Financial Center Index is based on a quarterly management survey of currently 400 enterprises of the financial center of Germany. The survey contains four questions about the participant's view on different business parameters (transaction volume, profits, employment and investment in product- and process innovations). The answers to the questions may be given as "positive", "neutral", or "negative" and a response is requested for the previous and the current quarter. The index is compiled from different sub-indices, as all participants are allocated to branch-specific groups. Within each group, a balance of the share of positive and negative responses is evaluated and transformed into performance data. These performance data are then aggregated in order to constitute the CFS Financial Center Index. Due to construction, the maximum index value is 150, the minimum index value is 50; a value of 100 signalizes a neutral business sentiment. The survey-panel consists of enterprises and institutions of the financial industry and selected companies, which profit from the financial sector.

History and Future prospects

The CFS Financial Center Index is part of the Hessian project "Financial Center Monitoring", which is to measure the competitiveness of the financial center of Germany in a European context. Further partners of the project are Landesbank Hessen-Thüringen (Helaba), Frankfurt Main Finance e.V. and Frankfurt School of Finance and Management. More Information about CFS-Financial Center Index, e.g. an overview of the survey and a broad definition of the German financial center can be found at: www.financialcenterindex.com.

Profile CFS

The Center for Financial Studies (CFS) is a financially independent research institute, affiliated to the University of Frankfurt (Goethe-Universität). CFS conducts independent and internationally-oriented research on financial markets, financial intermediaries and monetary economics and interacts as the German partner with other international research centres specifically on the subject of financial market architecture and the role played by banks and stock exchanges. President of CFS is Prof. Dr. Dr. h.c. mult. Otmar Issing. Chairman of the supporting association: Dr. Rolf-E. Breuer. Overall management of the institute by the directors Prof. Dr. Jan Pieter Krahen und Prof. Volker Wieland Ph.D.

For further information, please contact:

Corinna Wolf

Tel.: (069) 798-30090

Fax: (069) 798-30077

E-Mail: wolf@ifk-cfs.de

Center for Financial Studies

Goethe-Universität Frankfurt - House of Finance

Grüneburgplatz 1, HPF H5, 60323 Frankfurt am Main

www.financialcenterindex.com