

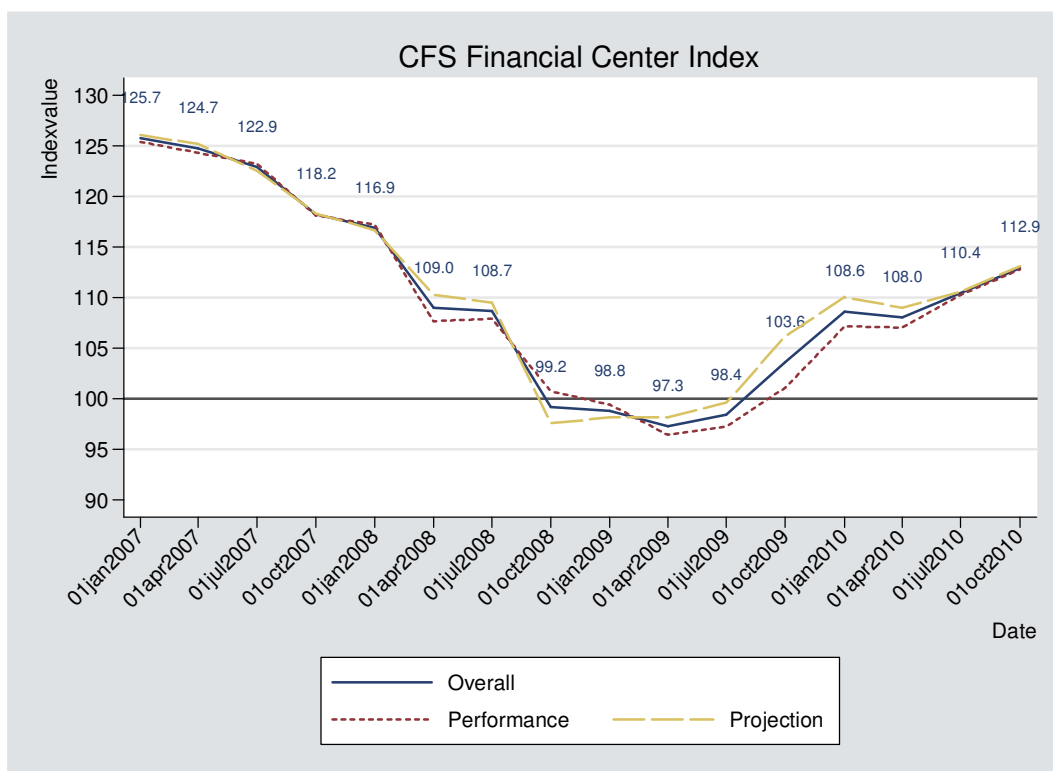
Press release

Financial sector further on the rise: CFS Financial Center Index up by 2.5 points

Service providers create jobs / Financial sector expects a stabilizing effect from Basel III / Banks estimate a decline in returns

FRANKFURT, 26 October. The CFS Financial Center Index has moved up by 2.5 points compared to the last quarter and has reached a level of 112.9 points. Continuing the upward trend since April 2009, the index is now 13 points below its record high of 125.7 points that was registered in January 2007. The rise is reflected in both sub-indices “performance” and “projection”, which have moved up in equal measure.

Figure 1:



The positive trend is recorded among all branch-specific groups of the survey (financial institutions and brokerage, financial sector service providers, supervisory and academic institutions, connected enterprises) and across all areas of value creation (revenue, profits, employment, investments). Most striking is the above-average growth (+ 4.2 points) in the group of financial sector service providers, whereas financial institutions comparatively

Press release

underperform with a minor increase of 1.2 points. Service providers such as accountancy firms and consultancies have profited from an overall strong Q3 (7.2 points) with employment figures going up by 11.7 points. This rise, however, is not expected to continue. The financial institutions are less optimistic and remain especially reluctant in hiring new staff.

The international importance of Germany as a financial center has increased by 6.0 points. But this figure has considerably fluctuated recently and its trend points rather downwards since the beginning of 2009.

“The results show that, in light of a strengthening economy, accountancy and consultancy firms, and other financial sector service providers have invested in new capacities. In contrast to this, banks have shown declining returns and employment figures, which seem to coincide with the regulatory reforms of Basel III”, explains CFS Director Professor Dr. Jan Pieter Krahenen.

Capital standards and transition period of Basel III earns approval

With regard to the stricter capital standards under Basel III, the financial sector very much agrees on the consequences. The majority expects higher levels of stability, credit-tightening effects and lower returns, and a lower risk appetite of banks. The same question was posed to the panel a year ago and the results prove to be very similar. In fact, the results only reveal a difference in the opinion about the stabilizing effects that are expected to arise from Basel III (77% of today’s panelists expect stabilizing effects compared to 67% last year). The survey showed no major discrepancies between the various groups.

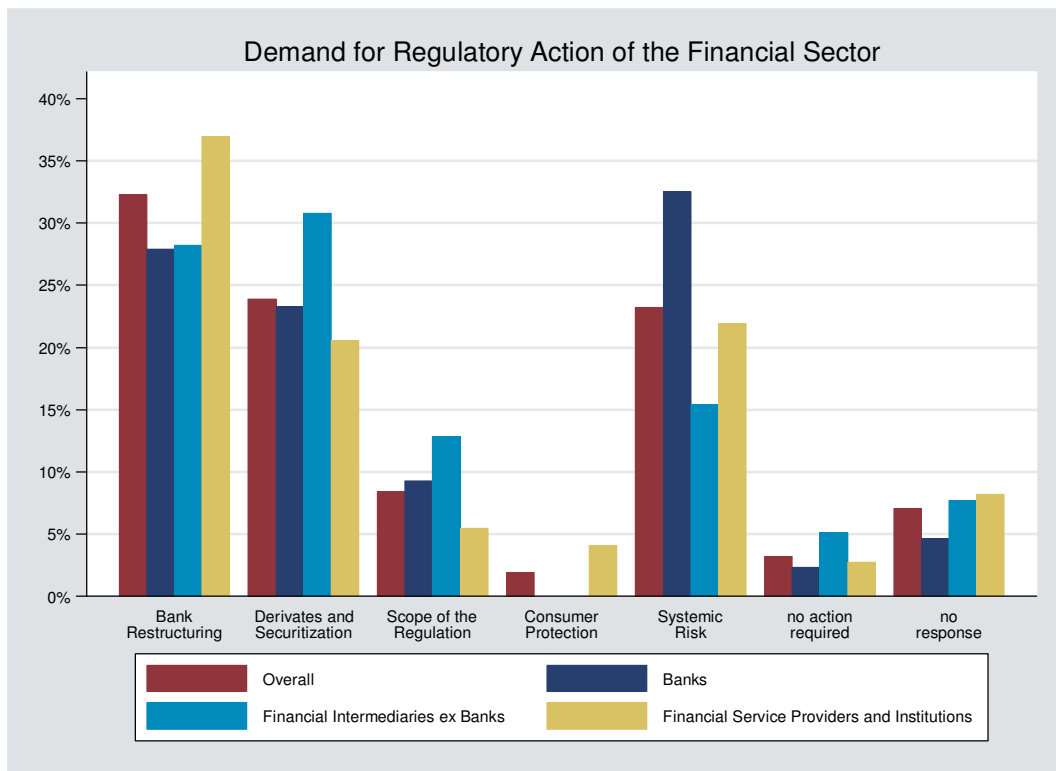
Most panelists think that the transition period of Basel III is appropriate. However, 10% of the panelists argue that the period is too short, while 10% say that it is too long. This last group claims that there are still imminent risks arising from systemic risk. The share of panelists who regard the amount of time as appropriate is comparatively higher among banks. Panelists who consider the credit supply being at peril argue that the transition periods are too short.

Panel respondents argue that additional demand for regulatory action exists mainly in 3 areas (Figure 2): bank restructuring/“too-big-to-fail” problem (32%), derivatives/securitization (24%) and systemic risk (23%). The survey groups, however, differ in the way they prioritize

Press release

those areas. Banks regard systemic risk as the most eminent issue to be dealt with (33%), while non-banks such as asset managers and insurance companies rather see the highest demand for regulatory action within the area of derivatives/securitization (31%).

Figure 2:



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. The project is supported by Helaba, the Landesbank Hessen-Thüringen. More information about the 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 Goethe University Frankfurt. 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 centers 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 is conducted by the directors Prof. Michael Haliassos, Ph.D., Prof. Dr. Jan Pieter Krahen, Prof. Dr. Uwe Walz.

Profile Frankfurt Main Finance

In Frankfurt Main Finance, the financial industry, the State of Hesse, the City of Frankfurt, as well as scientific institutions and the services sector have joined forces in order to strengthen Frankfurt's position in competition among the world's financial centres. As of October 15, 2009, Frankfurt Main Finance has 27 members: Bankhaus Metzler, Commerzbank, Corealcredit Bank, Crédit Agricole Cheuvreux, Deutsche Bank, die Deutsche Börse, Deutsche Vereinigung für Finanzanalyse und Asset Management (DVFA), DWS Investments, DZ Bank, Fides Falk Financial Services, Frankfurter Sparkasse, Frankfurt School of Finance and Management, Frankfurter Volksbank, Helaba Landesbank Hessen-Thüringen, House of Finance, ICF Kursmakler, Interxion, KDB Krall Demmel Business Consulting, the State of Hesse, Morgan Stanley, P. Keppler Verlag, Royal Bank of Scotland, the City of Frankfurt, Tata Consultancy Services Deutschland, vwd Vereinigte Wirtschaftsdienste, White & Case, WHU – Otto Beisheim School of Management and Wolfgang Steubing AG.

Press release

For further information, please contact:

Florian Hense
Center for Financial Studies
Goethe-Universität Frankfurt
House of Finance
Grüneburgplatz 1, HPF H5
60323 Frankfurt am Main

Tel.: +49 69 798-30090
Fax: +49 69 798-30077
E-Mail: hense@ifk-cfs.de
www.finanzplatzindex.de
www.financialcenterindex.com

Josef Schießl
Frankfurt Main Finance e.V.
c/o NewMark Finanzkommunikation
Main Triangel
Zum Laurenburger Hof 76
60594 Frankfurt

Tel.: +49 69 94 41 80 26
Fax: +49 69 94 41 80 19
E-Mail: josef.schiessl@frankfurt-main-finance.com
www.frankfurt-main-finance.com