FINANCIAL SERVICES

Luxembourg Banking Insights 2015

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Contents

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"Rapport d'activités 2014" issued by the Commission de Surveillance du Secteur Financier (CSSF Annual Report 2014)
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"We are shifting our ground."

Pierre GRAMEGNA

THE GOVERNMENT OF THE GRAND DUCHY OF LUXEMBOURG

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> In your interview last year with the Luxemburger Wort newspaper for the Bank Rankings you made reference to enhancing brand image through your determination to implement the automatic exchange of tax information. Did the LuxLeaks affair throw a spanner in the works?

I think that the impact of LuxLeaks was significant as journalists from all over the world were reporting about it. However, I believe that the reforms undertaken since our government came to power in 2014 have made our message much more credible. We didn't wait for LuxLeaks to implement reforms regarding the ruling system. By introducing a legal basis for the rulings through the budgetary law and by adopting a corresponding Grand-Ducal regulation, we acknowledged that it was necessary to improve the legal framework even before this affair.

> What do you mean by this?

Practices were previously based on an administrative circular. Furthermore, we have established a ruling commission with the very purpose of ensuring the greatest possible harmony among those decisions. And we have also introduced a charge for such rulings, since in Luxembourg there has been a practice of requesting rulings for very simple matters, so much so that the ruling in such cases tended to be completely superfluous. By introducing the charge, we create a greater sense of responsibility for all parties involved.

> Let's turn to transparency. Has this acted in the interests of banks? Or conversely, did LuxLeaks work against them?

Difficult to give a definitive answer to the question, but if I look at the first quarter of this year it can be seen that deposits and assets placed in resident banks increased quite appreciably over the first three months of the year. When Luxembourg ratified the end of banking secrecy at international level last November, many observers thought that this would cause a degree of capital flight and make Luxembourg less attractive. However, for the first time since 2013, asset volumes are up once again, and significantly so. It can be provisionally concluded that **the abandonment of banking secrecy has not had a negative effect.** This is certainly due in part to the fact that the announcement was made in advance, 18 months ago in fact. It did not come as a surprise to those involved. With LuxLeaks, which occurred at the same time, in November 2014, we see no further impact on the banks and investment funds. They enjoyed a growth of 15% in 2014, at least half of which is due to net assets. But I repeat that it is **too early to draw any definitive conclusions.**

> As for the number of banks, the net balance has only slightly fallen in the last year.

Absolutely. There are currently 143. Moreover, I had the opportunity to officially open the offices of several Chinese banks recently. And we have had the good news that China has decided to grant Luxembourg an RQFII, in other words a way of accessing the Chinese market directly. For the time being we can see that there have been no discernible negative repercussions. **We must remain prudent as I am not underestimating the transformations currently taking place.**

> Are there any threats in terms of employment? Particularly in terms of the ongoing consolidation process.

In terms of employment we can nonetheless see a degree of stability in the financial sector at around 44,000 jobs.

> The financial sector, yes, but not the banks...

The banks are making efforts in terms of rationalisation and competitiveness. **We have to be realistic. We are a high-salary country.** It is preferable for the banks to find ways of adjusting their costs rather than encouraging them to relocate. A compromise needs to be found here. I would say that, overall, most banks place great value on their human resources in Luxembourg, which contribute a great deal of added value.

> We have also seen demand from banks wishing to set up in Luxembourg. How do you view this development?

We have indeed seen that **the interest of investors for Luxembourg remains intact.** This is reassuring. It is due to a combination of factors, the first being financial predictability and stability. Secondly, we started to implement reforms in 2014. We announced them and we are following through. At the European level we have also pushed on with certain directives, in particular the one covering hybrid products, which will be prohibited as of 2016. **We are in a process of modernisation and are shifting our ground.** We know that service is essential and that banking secrecy no longer exists. We must diversify on this basis and look further afield for new investors. This is what we are currently doing.

> What is the message behind this?

In terms of the rules accepted by the international community, such as automatic exchange of information, we are in full alignment since 1 January. We were among the first to sign the Berlin Convention to implement the exchange of information on a much wider basis from 2017 onwards. Many investors tell us that this is the right approach. It turns out that they prefer to choose a jurisdiction that is fully in line with international standards. Prior to this, **fiscal optimisation and tax reduction were frequently among the priorities.** Now there is a worldwide movement, at country level, in the G20 and in the OECD, but also among many multinational companies, who tell us: **if we need more substance in Luxembourg, that's what we'll do.**

> But there will be some fallout...

We are no doubt going to lose some companies who are here, in part the "letterbox companies". But others who are already here will strengthen their presence in the country and create new jobs. The ones we are going to newly attract will operate in the same spirit.
The BEPS exercise (Editor's note: Base Erosion and Profit Shifting, the name of the OECD programme aimed at combating abusive fiscal optimisation) and the transposition of certain directives do not necessarily have a negative effect on our country.

> And in terms of the banks. Do you know if any are prepared to come?

I don't know if applications have been filed. I know that there is interest and I find that reassuring.

> But following the introduction of the Banking Union, it has become more difficult to obtain a licence.

I have had the opportunity to sign a number of bank licenses, such as that for Rakuten, at the start of the year. The rules are changing. In the past agreements were signed on the basis of the application being assessed by the CSSF. With the arrival of the Single Supervisory Mechanism, the application is assessed jointly by the national and European supervisor, i.e. the ECB.
The CSSF remains involved in the process.
This enables us to remain competitive.

> The European regulations concerning bank supervision has changed. Some banks are directly controlled from Frankfurt. But the Banking Union remains incomplete. And some texts voted on in Brussels will certainly not be transposed in Luxembourg in time. I am thinking in particular of the text on the resolution fund and the one on deposit guarantees. Where are we with these?

These are indeed extremely important provisions.
We are fully aware that as a financial center we must act quickly. I have therefore given instructions to make up for the delay in order to submit these draft laws before the summer.

> Who is in charge of writing the texts? Will you be using external services ?

We are in the process of preparing this in the ministry. These are extremely complex areas at European and even global level. If you look at other countries, most are behind schedule. This is not an excuse. **For us it will be fundamental to submit these texts before the summer.**

> **Coming back to the move to automatic exchange. Gradually announced since 2003, this has literally changed the face of the banking world. In your opinion, what are the fundamental changes? What should be the pillars of Luxembourg banking from now on?**

I think that the existing pillars all have a development potential. But when you think of automatic exchange, you obviously think of the private banking pillar. We see that this sector, which is the most affected, continues to develop. The type of clientele is changing. From a mass clientele coming from neighbouring countries with relatively limited assets we are moving to a more remote clientele (Middle East, Asia and South America) with more substantial assets. Diversification is taking place. And **the search for onshore financial markets is motivating many clients** to take an interest in the Grand-Duchy. Contrary to the false image widely held as recently as just ten years or so ago, Luxembourg is indeed an onshore financial market. Not only because we have no coast but also because we are founding members of major organizations such as the European Union and the OECD and have a solid legal and regulatory framework. We have no choice. **It is up to us to play these cards.**

> **This particularly brings China to mind, which is developing its range of banking services in Europe via Luxembourg.**

Absolutely. We are very satisfied that the six largest Chinese banks have chosen to set up in our country with what we could call their European platform, as some of these banks are diversifying outwards from Luxembourg via their branches into other EU countries. Furthermore, one bank (Editor's note ICBC) has been designated as the clearing house. Then there is also the RQFII. All the factors are in place to strengthen our role in the internationalisation of the RMB (Editor's note: Chinese currency). We are leaders in deposits and credits and investment funds held in RMB. Our Stock Exchange is also leader in the listing of dim sum bonds, bonds denominated in RMB.

> **Have diversification channels evolved?**

We are trying to diversify in several ways. Both geographically and objectively, through the services and products we offer. In this context, I would highlight our sovereign sukuk, namely the government bond which complies with Sharia law and is issued in euros, which has brought us a great deal of attention. During an event at the International Monetary Fund in April **Luxembourg was acknowledged as an international leader in this field.**

We have spoken about the RMB. I think we are also going to widen the range of our products. The Fondation Patrimoniale (family wealth fund) is an excellent example. It is a topic about which we spoke last year. The draft law was practically ready but I insisted on including the latest developments with the new anti-money laundering directive. This is because I think that, when we create new products, they must have durability and credibility over time. This is possibly a more ambitious and complicated approach, but once you put a product on the market you will then know it will be accepted over the medium and long term. **This is an integral part of our policy of predictability.** On the High Committee for the Financial Center (HCPF), which meets on a regular basis and has a dozen working groups, we are working on a great number of products which are possibly not yet mature enough to be announced, but I can see the possibility of certain elements coming to fruition before this year is out.

> **And in terms of geographical diversification?**

In terms of geography, looking at the economic missions we conduct worldwide, sometimes with his Royal Highness the Hereditary Grand Duke, it is clear that we must go regularly to China, at least once a year, and to other countries such as Japan and Korea. We must go at least once a year to the Gulf States. And if possible at least once every 18 months to South America. Because **these countries are on the move.** Because those are markets seeking platforms. **This is where we must position ourselves.**

> **Coming back to Fintech and to the group working on it within the HCPF, there is nevertheless the impression that it takes time to move into areas where agility is required. What is the strategy? Are you intending to make a major announcement?**

The entire Fintech approach is new. I pushed it when I took up my duties to ensure that there was a general awareness that the financial sector has a number of interesting connections with information technology. We must realise that, of the 100 leading Fintech players in the world, a fifth are already present in Luxembourg.

We have noticed many company start-ups in this field. We have started to talk about this abroad. When I was in Korea in January we met several firms. Some visited us in Luxembourg during the following weeks. And discussions are continuing. The same is true of other countries. Canada for example. For the time being premature announcements must be avoided. You know that some of these firms wish to remain discreet. Some of their areas are substantial. I am thinking of virtual currencies where we are following up interesting leads, but which are not yet sufficiently mature to be announced.

> The Luxembourg presidency started on 1 July, what are government priorities in respect of the banks?

I think that there are two main issues that interest the financial sector. First there is everything associated with the unification of capital markets, which is the Commission's major initiative launched this year with a discussion paper which should lead to a whole series of proposals for directives, then there is the tax aspect. In this regard we held a discussion in Riga to understand what were the most imminent and important draft directives. The topic is so vast that it will be challenging to treat all of it in depth. Therefore I believe that we will have a very pragmatic approach during our presidency. In terms of capital unification, we have agreed on the first things we could do. We see two things.
A simplification of the prospectus directive, which enables you to access the capital markets and a text facilitating high-quality securitisation.

> What is its purpose?

To ease access to the capital markets for small companies and the cross-border financing of investments. The Commission has promised to submit a draft directive this year. And we told them that we intend to help them as much as possible to complete this project very quickly. This appears to me to be a matter on which there is general consensus. The second project relates to securitisation and aims to facilitate credible, simple and transparent securitisation. On this point there was also broad consensus. Here I think the devil will be in the detail, but from a timing point of view, the Commission should also complete this proposal after the summer holidays, in autumn. I plan to work on these two projects as soon as the texts are available.

> And with regard to tax reforms?

In terms of taxation, we have the directive on the automatic exchange of rulings on the table. This was submitted by the Commission in March. The technical discussions are ongoing. **The timetable is very ambitious.** Commissioner Moscovici would like to complete the discussion on the directive by the end of the year so that it can be implemented from 1 January 2016.

> This would be symbolic...

It is indeed a strong message **and I have assured him of our wholehearted support.** We shall therefore try to push these discussions forward as quickly as possible. The initial discussions have shown that there were quite a number of questions, which need to be answered. But there is a great desire to make progress in this direction. The Presidency will be on the Commission's side on this issue. I would also like to stress that the Commission has always been a pioneer on the question of automatic exchange. In fact, the EU is a trailblazers on this issue. We must however ensure that the members of the OECD follow.

> Because this does not currently meet the objective of creating a level playing field...

My very point. We, as Luxembourg or as the Presidency, are not going to split hairs if it is not implemented on 1 January in all jurisdictions, but there will have to be **a political act indicating that the OECD will follow the decision of the European Union.**

This article was translated from French to English by KPMG.

> "The efficiencies and competitive edge that FinTech brings can boost the entire banking sector."


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TAKING BANKS TO THE NEXT LEVEL

The banking story this year in Luxembourg has not been one of shake-ups and instability, but rather of continuity and rising potential. With the end of banking secrecy and the extended scope of the automatic exchange of information for tax purposes among EU Member States, an inevitable question mark hovered over the sector. However in 2014, this question mark has all but been erased.

Business process outsourcing, Islamic finance and increased use of alternative asset classes such as private equity are among the topics included in this edition of the Banking Insights.

Technology continued to burst onto the scene and seemed to turn the world upside down. Successive industries have succumbed to this – music with Apple and travel with BlaBlaCar – however the banking industry seems to have had a long wait for its own technology train to pull into the station.

Client experience has and will always be at the heart of the banking sector. Embracing FinTech can significantly improve the experience for the client, provided that FinTech start-ups and banks work together. Although both parties want a piece of the same pie, "it is a win-win situation" as BIL CEO Hugues Delcourt argues in his interview about the *BIL 2020* strategy on page 56. Suffice it to say that the efficiencies and competitive edge that FinTech brings can boost the entire banking sector.

While the banking industry is shifting and changing, it is by no means lacking in the dynamism that has made it a success in the past. Another recent development came with the six main Chinese banks now present in Luxembourg. "The new Chinese banks start with a commercial banking business and then go into private banking," says Serge De Cillia, CEO of ABBL (see page 9). This all ushers in a new era wherein we cast our net wider to keep the country competitive and forward looking. In April 2015, Luxembourg was granted a long-awaited RMB Qualified Foreign Institutional Investor (RFQII) quota by the Central Bank of China, giving Luxembourg a huge opportunity to become an important offshore RMB centre.

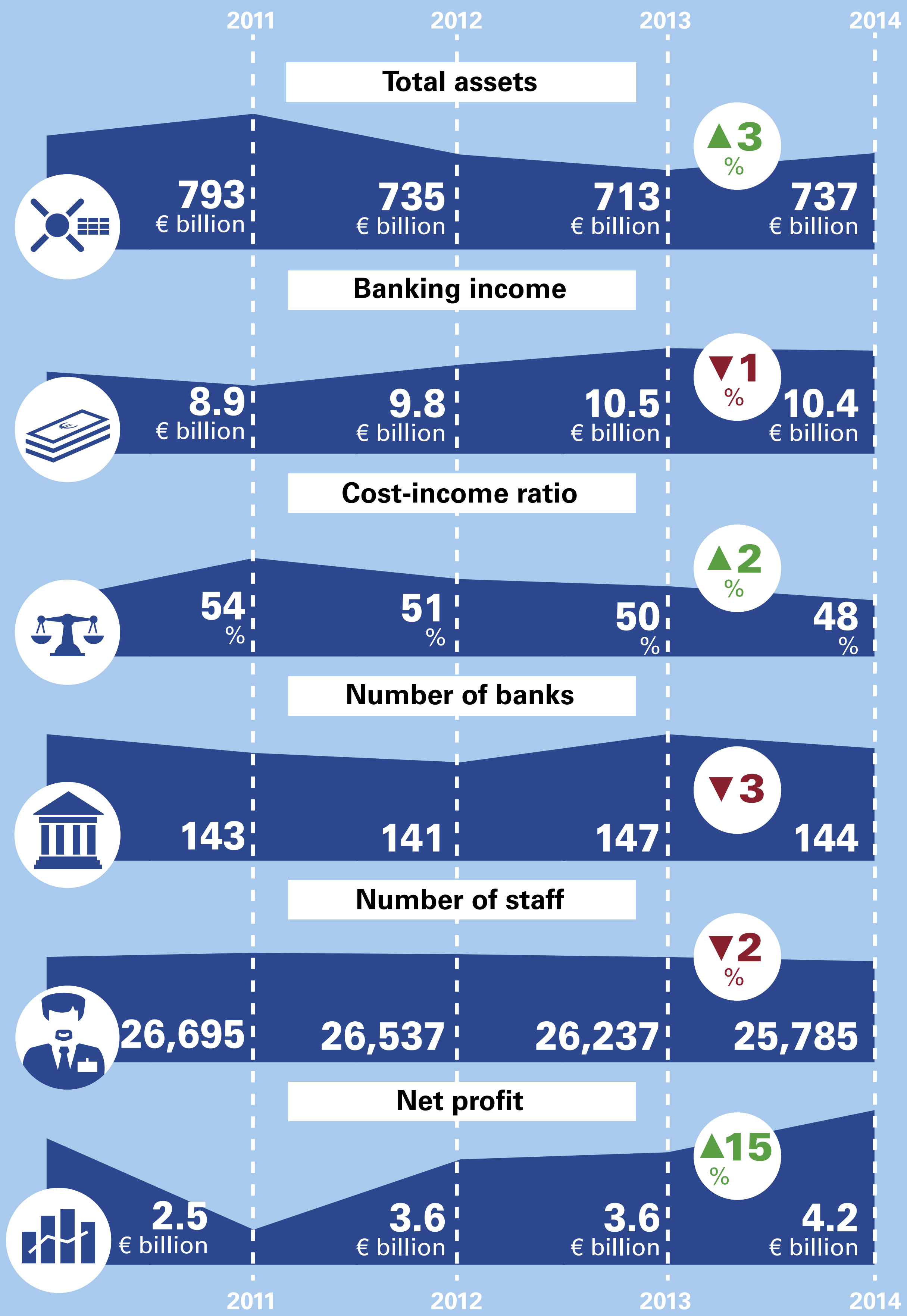
Yet such gains are not won by resting on our laurels. The strong ties we now have with China are the result of a collective effort involving the whole financial sector in Luxembourg working in unison, through roadshows, missions and numerous other initiatives. This example shows how platform-thinking and ecosystems can benefit the whole community.

Talking about potential, Luxembourg banks have bags and bags of it. If we have managed to iron out some of the legacy problems that we have been grappling with for years – banking secrecy included – then we can only succeed if we tackle the new challenges and opportunities with the same verve and vigor. This feeling is shared by many people with whom we speak in the industry.

And another consensus point has also emerged this past year. The shake-up through technology is coming soon ... so we'd better be ready.

Enjoy reading!

Luxembourg banking industry indicators



Source: CSSF

> "The large groups with a long-term global strategy are integrating the Luxembourg subsidiaries within their planning in the form of specific business line expertise ... It's a strategy which pays off."

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> Mr de Cillia, the move to the automatic exchange of tax information constitutes the game changer of the last few years. It has pushed the banks to change their business model. Has this change been fully digested over the financial sector as a whole?

Yes, overall. All the more so in that we did not wait for 2014 to prepare for it. We started well before 2009.

> But we can make an initial assessment now that the initial data has been gathered.

We are waiting for the results of an investigation carried out by the CSSF for the ABBL containing more detailed data. The total assets under management of the private banks of 314 billion in 2013 did not fall in 2014. Quite the opposite, there is obviously a stock market impact, in particular due to the good valuations of shares following the monetary policy of low interest rates pursued by the Central Bank.

> And in terms of clientele?

In terms of "transformation" of the clientele, we know already that we must expect a significant decrease in the number of affluent clients, those who hold around €100,000 in assets. The major question remains the impact of the arrival of new clients: large fortunes, international entrepreneurs, etc.

> What sort of effects could this have on the banking sector?

We must expect consequences in terms of employment. The greater the drop in the number of affluent clients, the less need we will have for advisors and support staff. We will not need the same skills for a client arriving with 20 million in assets who invests on three continents and has complex requirements in terms of finance, holds real estate and even has demands in terms of the management of works of art. For these complex clients we continue to invest massively in the training of our staff in order to enhance the professionalism of the financial sector.

> What is the share of private banks and how many are targeting this clientele?

If we consider the 145 banks in the sector, a good number have no private banking business or do not even have a lending business. Our group of private banks which are potentially affected numbers around sixty. Some work exclusively in private banking, wealth management and/or family office. Others also have a retail banking arm.

> Others may also enter the fray...

Yes. The new Chinese banks start with a commercial banking business and then go into private banking. They have chosen Luxembourg as their headquarters in Europe and are developing their European presence via a network of branches with a range of private banking services in Frankfurt, Paris, Madrid or in other European capitals. They therefore cross-sell to the Chinese community in the country in question.

> You mentioned consolidation. What form might this take?

Consolidation covers a whole range of areas. We are talking about IT structure, databases and processing. We are tending towards a greater industrialisation of certain support activities. There are a number of possible scenarios. Firstly the bank in Luxembourg could become the group entity responsible for the processing centre. This would then be a case not of outsourcing, but rather insourcing.

> Does this happen often?

It happens in the case of a headquarters set up in Luxembourg. For example, a bank has an IT platform in Luxembourg and a dealing room for all the European and non-European subsidiaries. All client orders from abroad are then processed in Luxembourg. But the opposite scenario – admittedly more frequent – concerns groups whose head office has an effective platform and which requires its subsidiaries and branches to communicate transactions to a data processing centre outside Luxembourg.

> How does that work?

We have had regulatory mechanisms in place for years. Relatively strict ones. For example, the processing of nominative data is not possible abroad. The bank is therefore obliged to encrypt information relating to the client before transmission to the processing centre abroad and there is an encrypted return of information to the Luxembourg entity. The time has come to review the general mechanism which is outdated, in terms of the organisation of the large banking groups, the role played by the Luxembourg entities and fiscal transparency. Discussions are ongoing with the Ministry of Finance and the CSSF.

> There is also the issue of consolidation associated with a lack of critical mass.

There are also cases of banks in Luxembourg with dual presence, namely with a subsidiary and a branch. With transparency there are firms which are openly asking the question "is this dual presence still necessary?" In other words, do they always need an S.A. (plc) with extensive and costly regulatory requirements (Editor's note: board of directors, divisions, reporting requirements, etc.) as well as a branch? A trend towards consolidation must be expected among operators who wish to reorganise and simplify their structure in Luxembourg, preferring a branch structure for their European operations.

> Is this a cause for concern?

The market is highly competitive in Europe and within Luxembourg. The degree of transformation varies from establishment to establishment. The large groups with a long-term global strategy are integrating the Luxembourg subsidiaries within their planning in the form of specific business line expertise on behalf of the group (private banking, fund administration, syndicated loans, etc.). It's a strategy which pays off. The official overall employment figures remain stable, those of the banks are slightly down in favour of financial sector professionals and asset management companies.

> What are the other main concerns?

The main issue remains the regulatory cost. We are trying to measure this. For the time being we know that the cost of compliance alone amounts to €400 million a year. To this must be added the cost of supervision. I am thinking of the costs of supervision that our members must pay the CSSF and the European Central Bank's Single Supervisory Mechanism (SSM). The ECB already has a thousand-strong workforce in Frankfurt! And they didn't hire junior staff to supervise the large European banking groups. The CSSF is also recruiting, both Luxembourgers and experienced non-Luxembourgers working in the financial sector (in banks, consultants, legal firms). To this can be added the Single Resolution Board which aims to recruit between 200 and 300 staff in Brussels. All these costs must be covered by the European financial sector. The total annual cost of supervision charged by the CSSF to all the market players amounted to €77.5 million in 2013. The SSM share to be financed by the banks based in Luxembourg is 7 million.

> On the subject of regulation, the transposition of two key directives is taking some time, namely those covering the guarantee fund and resolution. Why such a delay?

We can only call this a delay once July has come and gone. And in reality the list is longer than that.
By 1 January 2014 Luxembourg should have transposed CRD IV (Editor's note: Capital Requirement Directive), the European version of Basel III. The Council of State ruling is yet to be issued. Parliamentary procedure, which is particularly slow, must be respected.

> And what about the directives relating to Banking Union?

We rapidly need a legal basis for bank recovery and resolution. The work to introduce the European resolution authority has started in Brussels. The directive provides for a national authority in every Member State. It has not yet been introduced in Luxembourg. A national/European resolution fund is part of this mechanism into which European banks will ultimately have to pay €55 billion over an eight-year period. A payment of up to €1.2 billion is forecast for the Luxembourg resolution fund, to be paid by the country's banks.

> And what about the deposit guarantee scheme?

The Association for the Guarantee of Deposits (AGDL) will be abolished, it will be replaced by a public authority, in principle the CSSF. We shall move from an ex-post system, based on the constitution of provisions by the banks, to a system which must be financed ex ante by annual cash payments amounting to 0.8% of the deposits covered. On the basis of the provisions constituted over many years now, a good proportion of the final payment is already available. But these are new ex-ante funds that need to be created and organised for the money to be paid in.

> Where do we stand on the drafting of the texts?

As soon as the final text of the European directive was adopted on the new deposit guarantee scheme in 2014, we invited the government to transpose it and are at its disposal to discuss all aspects of governance, financing techniques and fund management in collaboration with the management of the AGDL.

> Does the fact that transposition is taking time not pose a problem?

We would prefer not to see any delay. Decisions must be made. We are in contact with the deposit guarantee associations in other countries. From the options available, France, Germany and the United Kingdom have chosen a 20-day client reimbursement period. We are proposing that our members follow this lead. The AGDL is also preparing to change its articles of association in the very near future to comply with the aspects of the new directive that affect it.

> Coming back to diversification, is it taking shape geographically?

Yes. The first move is that of European headquarters, which is working well with the Chinese banks. With Latin America also, but this is taking time.
Then we have to follow what is happening in the United Kingdom where, following the re-election of David Cameron, a referendum will be held on the UK's continued membership of the EU. If the result was a "Brexit", I do not know whether Luxembourg would wish to welcome the head office of a very large UK bank from the City. We are, on the other hand, answering the questions being put to us by operators based in the United Kingdom. Lastly, Switzerland remains an important country. Following the referendum in February 2014, requests to take over banks in Luxembourg have grown. We must think about those Swiss banks which do not yet have an establishment in the EU.

> And in terms of products?

Islamic finance and the Middle East. Here we are talking about a whole range of financial services that are affected. We are also waiting for the vote on the draft law on the Fondation Patrimoniale (family wealth fund) and the development of new opportunities in the RMB market.

A game changer

Approach

KPMG Luxembourg performs an annual analysis of the Luxembourg banking market based on statistical and annual accounts data of a selection of Luxembourg banks. The analysis takes into account industry data as stated in the reports of the CSSF, the BCL, the Luxemburger Wort and data published or made available by individual banks. Where possible, it seeks to identify from specific information published or included in the annual accounts of individual banks, those elements driving the overall trends observed in the market place.

Of the 105 banks incorporated in Luxembourg, our analysis is based on a selection of 30 banks which, in one way or another, represent the banking sector in terms of net profit, number of employees or total assets. Any one selected bank may not be a significant player in all these areas, but has a characteristic which is relevant to this report. Therefore, this selection is not designed to be and is not to be construed as a formal ranking, rather it is constituted for analytical purposes only.

The banks selected are listed in the table overleaf. Overall, these banks represent € 3.1 billion in net profit (compared to an industry total of € 4.2 billion), 78% of the total number of employees and 67% of the total assets of the banking industry.

Branches of foreign banks (total number: 39) are not considered individually for this report as their annual accounts are not publicly available.

Annual accounts reviewed for the purpose of this report are the unconsolidated annual accounts prepared in accordance with Luxembourg legal and regulatory requirements ("LuxGAAP") or in accordance with International Financial Reporting Standards ("IFRS"). Both these choices are available under Luxembourg banking law.

The industry overall figures are based on FINREP reporting by Luxembourg banks (in accordance with IFRS accounting principles as adopted by the European Union).

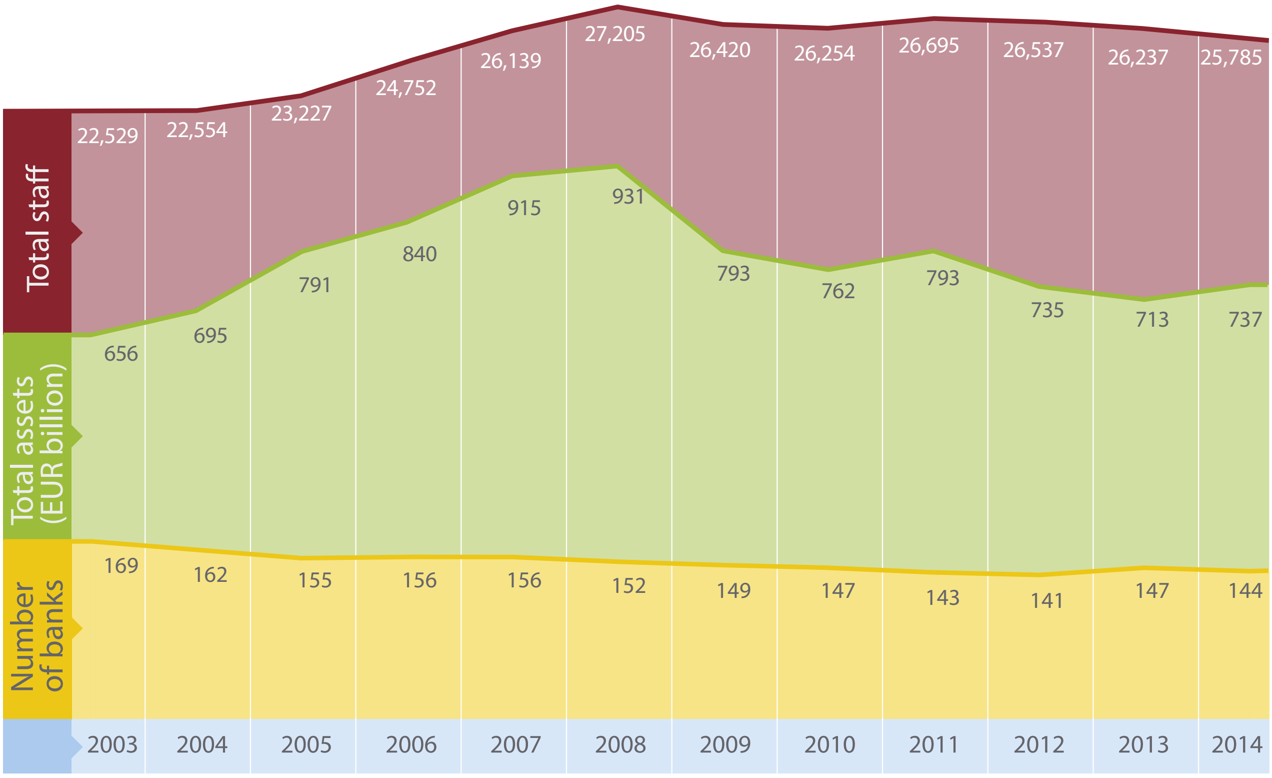
Overview of 30 banks

Overview of selected banks 2014		Net Profit		Staff		Assets	
		Rank	€ million	Rank	Number	Rank	€ million
1	Société Générale Bank & Trust	⇆ 1	610	▲ 5	1,041	▼ 4	35,798
2	Banque et Caisse d'Epargne de l'Etat, Luxembourg	⇆ 2	219	⇆ 3	1,781	▲ 3	41,156
3	State Street Bank Luxembourg	▲ 3	196	⇆ 11	726	▼ 17	11,474
4	Deutsche Bank Luxembourg	▼ 4	185	▲ 23	304	⇆ 1	85,537
5	BGL BNP Paribas	▲ 5	176	⇆ 1	2,594	⇆ 5	31,467
6	Banque Internationale à Luxembourg	⇆ 6	169	⇆ 2	1,929	▼ 8	20,285
7	Société Européenne de Banque	⇆ 7	163	⇆ 31	161	▼ 14	12,928
8	Clearstream Banking	▲ 8	153	▲ 17	414	▼ 15	12,807
9	ING Luxembourg	▲ 9	145	⇆ 9	802	▲ 9	13,811
10	Paypal (Europe)	▲ 10	101	▼ 56	59	▲ 30	5,238
11	CACEIS Bank Luxembourg	▼ 11	85	▼ 7	918	▲ 2	43,171
12	UniCredit Luxembourg	▼ 12	85	▼ 30	178	▲ 7	22,761
13	DekaBank Deutsche Girozentrale Luxembourg	▼ 13	83	▼ 19	399	▼ 25	5,788
14	Nordea Bank	▲ 14	78	▲ 20	351	▼ 35	4,166
15	RBC Investor Services Bank	▲ 15	77	⇆ 4	1,444	▲ 12	13,190
16	KBL European Private Bankers	▲ 16	71	▼ 6	934	▼ 19	8,422
17	Banque de Luxembourg	▼ 17	63	⇆ 10	796	⇆ 11	13,697
18	Pictet & Cie (Europe)	▼ 18	60	▲ 15	515	▲ 23	6,463
19	J.P. Morgan Bank Luxembourg	▼ 19	58	▼ 16	500	▲ 16	12,071
20	Nomura Bank (Luxembourg)	▼ 20	55	▼ 21	345	▼ 27	5,562
21	ICBC (Europe)	▲ 21	53	▲ 26	289	▼ 29	5,322
22	Banque Degroof Luxembourg	▼ 23	49	▼ 25	295	▼ 45	2,688
23	DZ Privatbank	▼ 25	46	⇆ 8	863	▼ 13	12,950
24	UBS (Luxembourg)	▼ 28	38	▲ 14	563	▼ 18	9,583
25	Crédit Agricole Luxembourg	▼ 29	36	⇆ 18	402	▼ 32	4,883
26	Norddeutsche Landesbank	▼ 32	29	▼ 29	201	▼ 10	13,804
27	Banque Privée Edmond de Rothschild Europe	▼ 34	24	⇆ 12	705	▲ 28	5,488
28	Banque Raiffeisen	▼ 41	18	⇆ 13	581	▼ 22	6,658
29	HSBC Private Bank	▼ 57	4	▼ 41	113	▼ 24	6,394
30	Erste Europäische Pfandbrief und Kommunalkreditbank	▼ 95	-22	▲ 78	20	▲ 6	23,259
	Total amount of selected banks		**3,107**		**20,223**		**496,821**
	Total of Luxembourg banks		**4,169**		**25,785**		**737,240**
			75%		**78%**		**67%**

Source: Luxemburger Wort

Executive Summary

Size of the Luxembourg banking industry



Source: CSSF

Trends observed in 2014

- Due to restructuring, the number of banks, as well as the number of employees, decreased in 2014.
- Total assets have been stable since 2009, hovering around the € 700 million to € 800 million point.

144

banks *at 31 December 2014*

25,785

bank staff *at 31 December 2014*

€ 737 billion

total assets *of banks at 31 December 2014*

2014 Perfomance indicators

Banking income

Interest margin	€ 5.0 billion	▼ 2%
Commission margin	€ 4.1 billion	▲ 3%
Other revenue	€ 1.3 billion	▼ 8%
Banking income	€ 10.4 billion	▼ 1%

Expenses

Employee costs	€ 2.6 billion	▼ 4%
Other charges	€ 2.4 billion	▼ 3%
Total expenses	€ 5.0 billion	▼ 4%

Source: CSSF

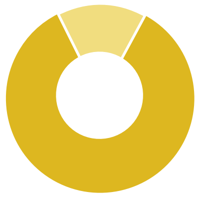
Trends observed in 2014

- Commission income rose to an all-time high due to the positive development of stock markets.
- Despite further decreasing interest rates - the 3 month EURIBOR rate dropped from 0.284% to 0.076% - interest income was nearly stable compard to previous year.
- A decrease in the number of staff and cost saving measures were responsible for the overall decrease in expenses
- A significant reduction in net provisions was the main reason for the increase in net profit.

Net profit before provisions and taxes	Net profit after provisions and taxes
€ 5.4 billion ▲ 2%	**€ 4.2** billion ▲ 15%

Capital, solvency and liquidity indicators

Total capital and reserves € 46 billion



Capital adequacy

20.8%
▲ 1.1% points

Liquidity ratio

70%
⇆ 0%

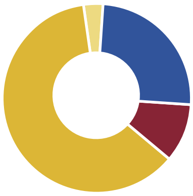
Source: CSSF, BCL

Trends observed in 2014

- The capital adequacy ratio further increased; 95% of Luxembourg banks now have a ratio above 13%.
- From 1 October 2015, banks will need to fulfill a Loan Coverage Ratio (LCR), as introduced by Capital Requirements Regulation (CRR) 575/2013.

Assets under deposit with banks and Assets under Management (AuM) indicators

2014 € 12.8 trillion



Source: CSSF

Trends observed in 2014

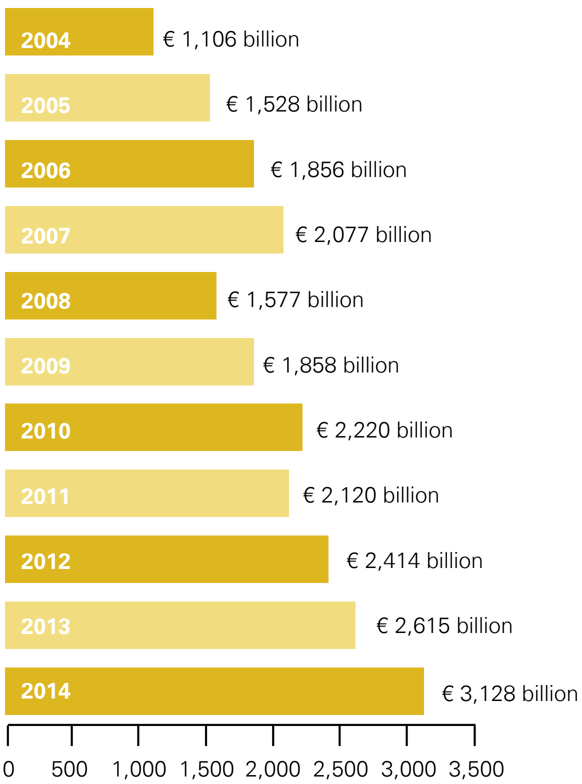
- Despite low and partially negative interest rates, there was a significant increase in assets deposited.

€ 318 billion AuM

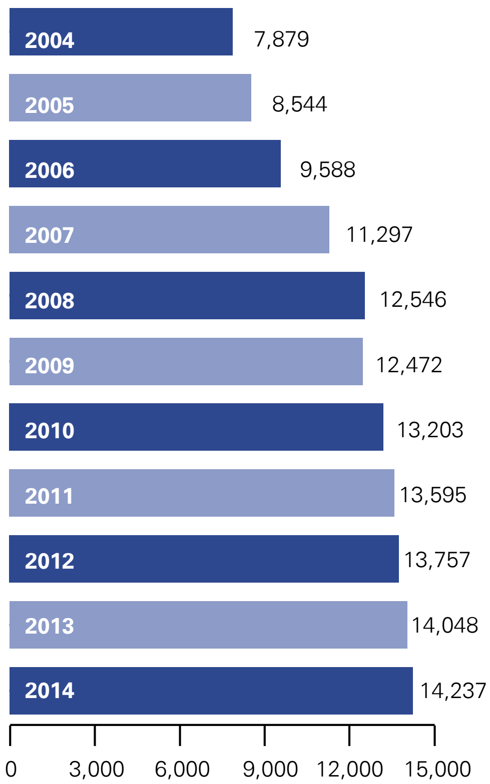
Private Banking - Assets under Management as calculated by Private Banking Group Luxembourg (PBGL)
Source: PBGL General Meeting, June 2015

Size of the Luxembourg investment fund industry

Total net assets



Number of sub-funds



Trends observed in 2014

- This year saw the largest increase in net assets for 10 years, bringing the total to over € 3 trillion in net assets.
- The increase was equally due to net inflows and the evolution of the stock markets (up € 233 million).

206

management companies *at 31 December 2014*

14,237

sub-funds *at 31 December 2014*

€ 3.1 trillion

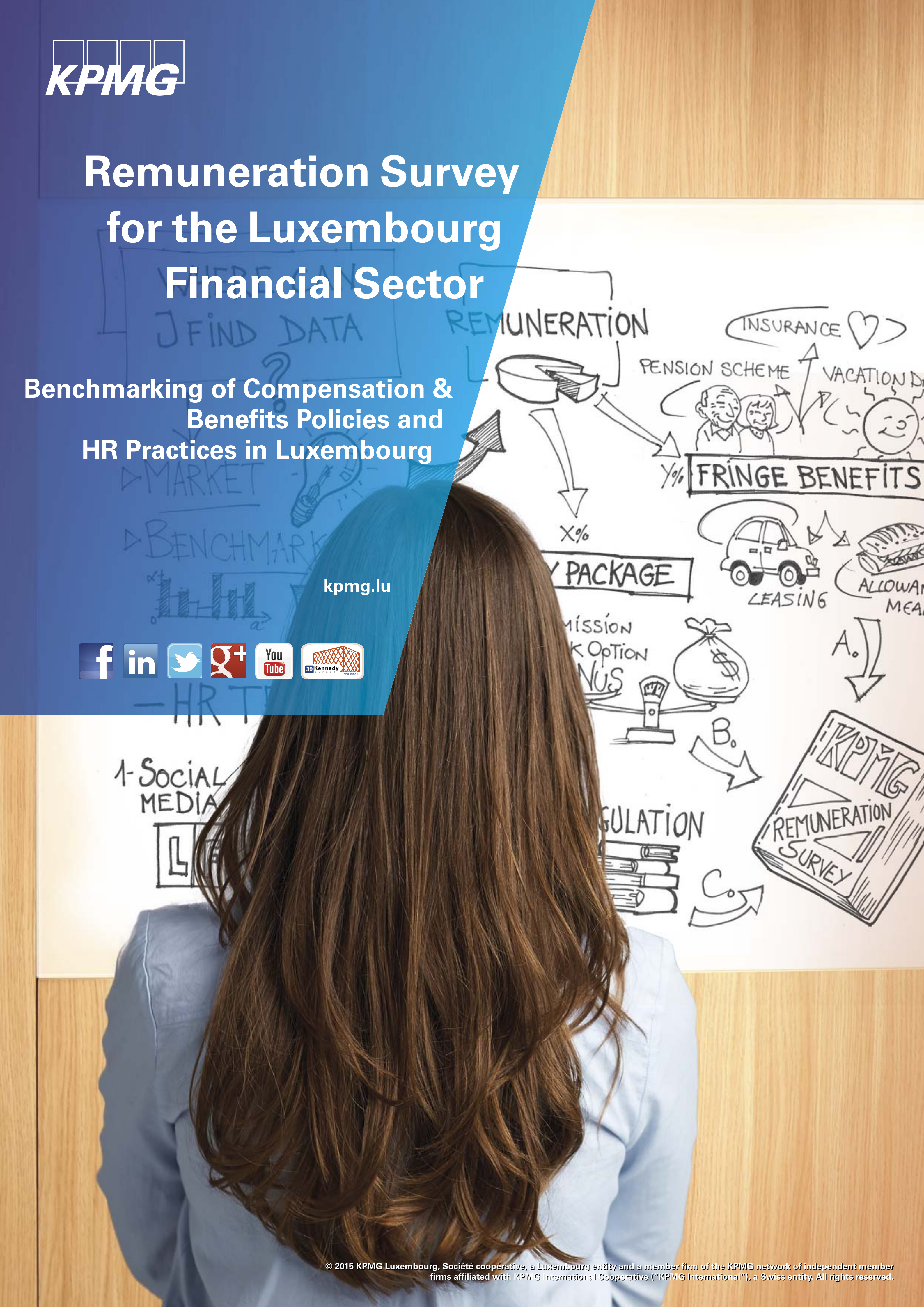
total net assets *of investment funds at 31 December 2014*

KPMG

Remuneration Survey for the Luxembourg Financial Sector

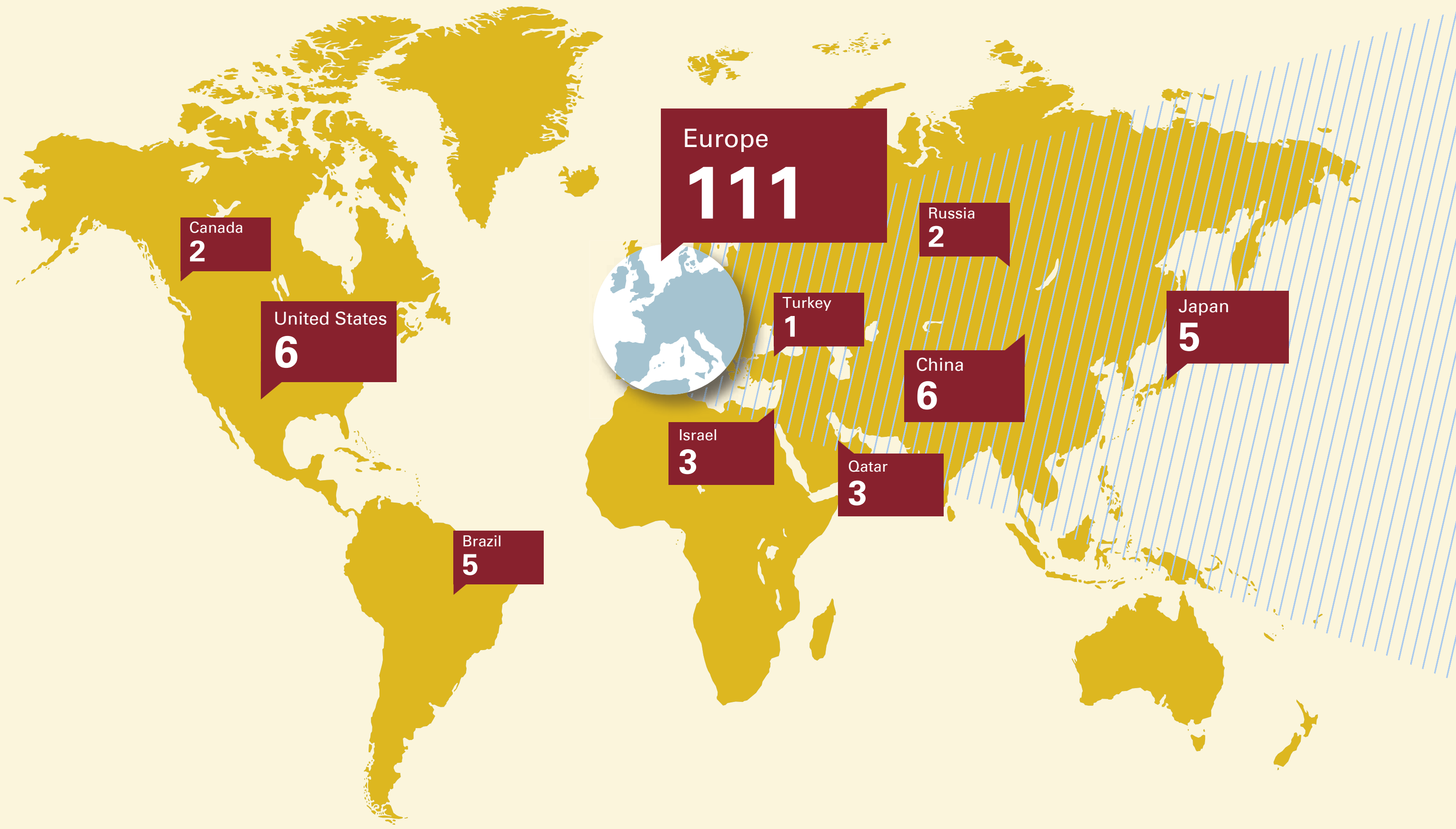
Benchmarking of Compensation & Benefits Policies and HR Practices in Luxembourg

kpmg.lu

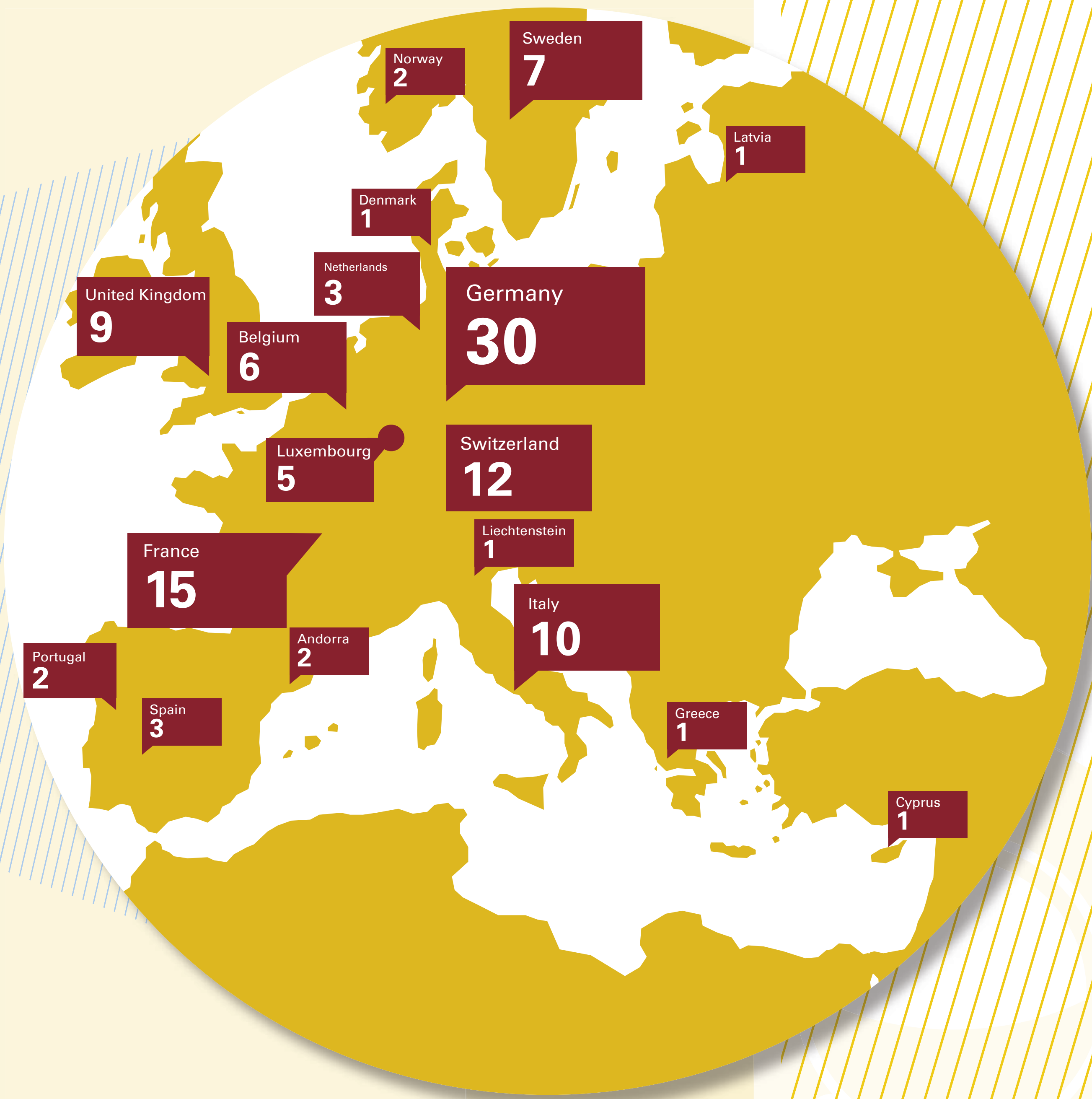


Infographics

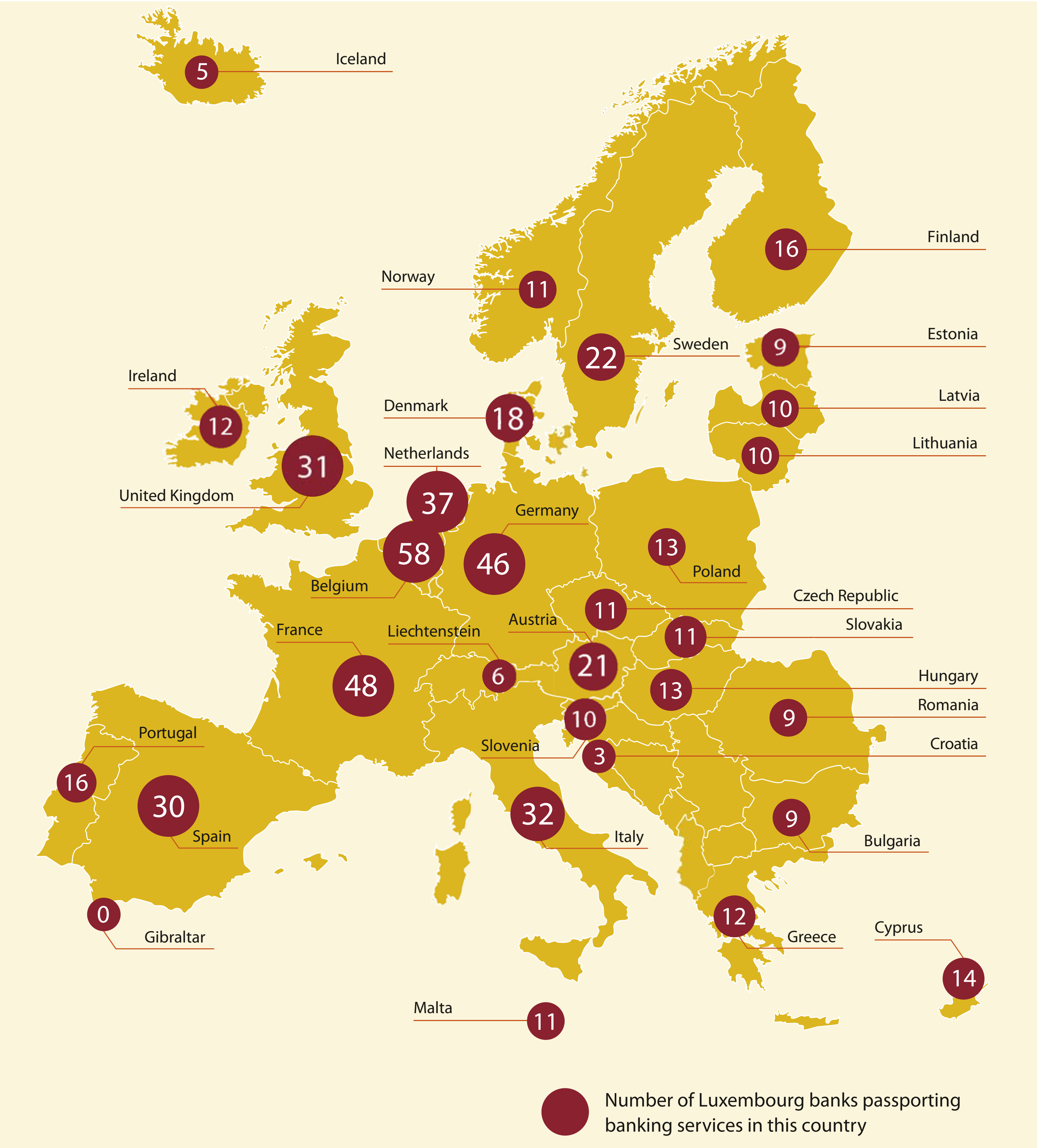
International nature of the Luxembourg banking sector



Number and geographical origin of Luxembourg banks

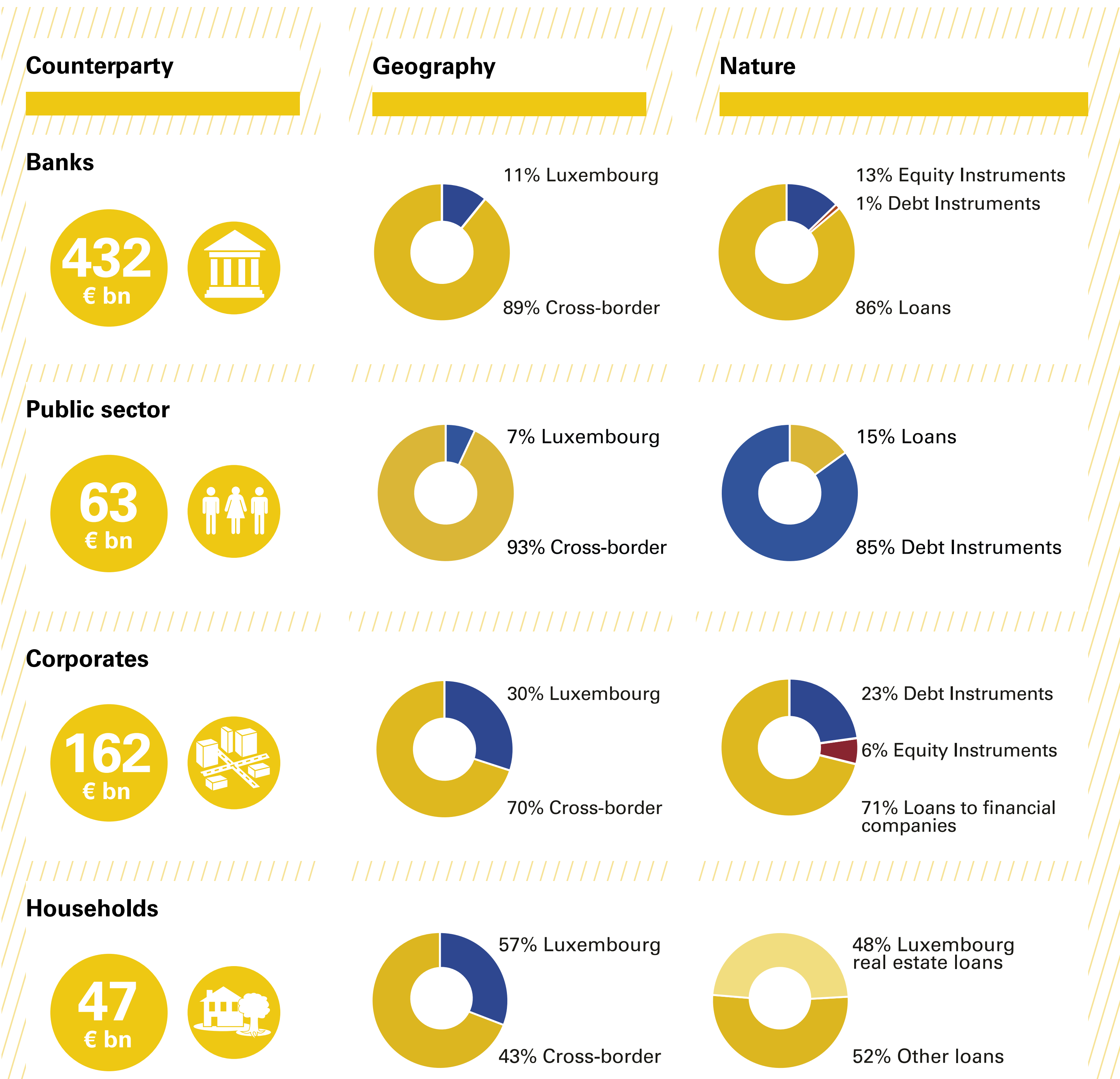


Luxembourg as a European banking hub for passporting banking services in the European Union

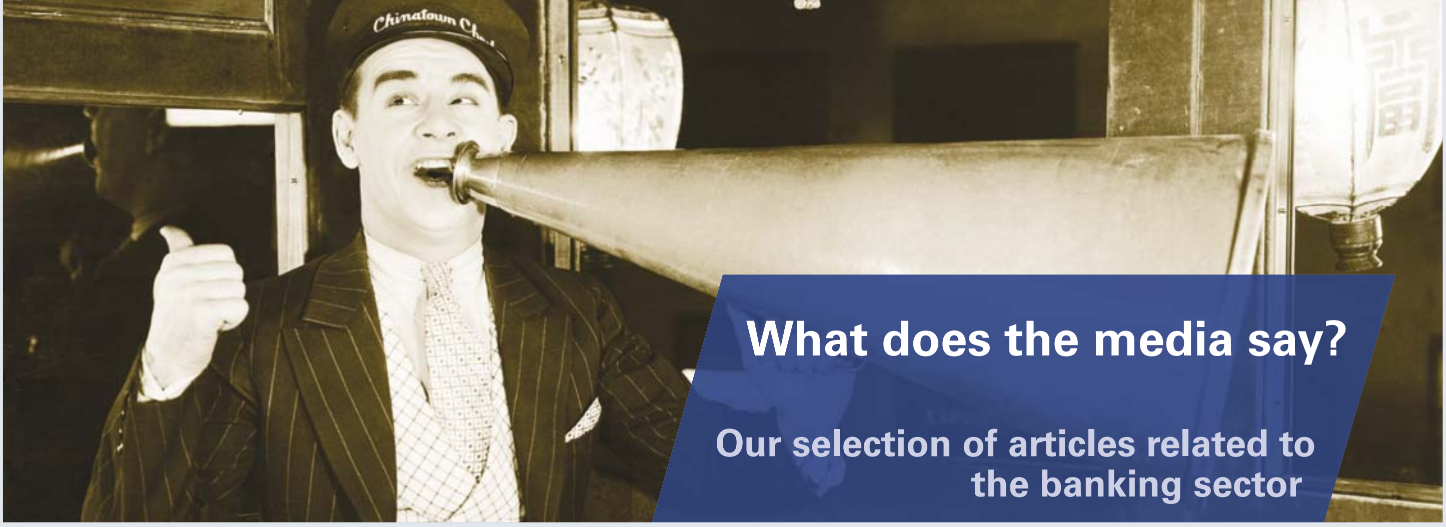



Genossenschaftliche FinanzGruppe
Volksbanken Raiffeisenbanken
FINANZSPEZIALITÄTEN FÜR ANSPRUCHSVOLLE KUNDEN
Performance made in Luxemburg
UNSERE ERFOLGSSTRATEGIE: WIR MACHEN NICHT ALLES – DOCH WAS WIR MACHEN, DAS MACHEN WIR SEHR ERFOLGREICH.
Wir haben uns auf Marktbereiche spezialisiert, für die der Finanzplatz Luxemburg besonders günstige Wachstumsbedingungen bietet: Private Banking, Kreditgeschäft und Fondsdienstleistungen. Eine Spezialisierung, die unsere privaten und institutionellen Kunden zu schätzen wissen. Vermögende Private Banking Kunden profitieren von mehrfach ausgezeichneter Beratung und persönlicher Betreuung. Institutionelle Kunden vertrauen auf die hohe Kompetenz im Private-Label-Fondsbusiness. Unsere ausgezeichnete Private Banking Expertise steht auch den Kunden der rund 1.000 Volksbanken Raiffeisenbanken in Deutschland zur Verfügung. Weitere Informationen finden Sie auf www.dz-privatbank.com
Ihre Fragen beantworten wir gerne, wenn Sie uns eine Mail an info@dz-privatbank.com schicken.
FUCHS REPORT
Platz 1
eurotest
PRIVATE BANKING
» sehr gut «
Ausgabe 12/2014
ELITE REPORT 2015
DZ PRIVATBANK

Luxembourg banking sector main assets



Source: CSSF, BCL, ECB, OECD



What does the media say?

Our selection of articles related to the banking sector

Tageblatt
Banken im Test-Stress
Kapitalquote von mindestens 5,5 Prozent

Dow Jones – Börsen Zeitung
KPMG befürwortet Querschnittsansatz der EZB

blog.kpmg.lu
Can Islamic retail banking go mainstream in Europe?

blog.kpmg.lu
KPMG Racer tackles Solvency II for Asset Managers

Tageblatt
Banken brauchen dickeres Polster

Paperjam
Le groupe Danieli ouvre une banque luxembourgeoise

Tageblatt
Zentralbank stellt „Revue de stabilité financière 2014“ vor

Luxemburger Wort
ESM-Chef zeigt sich zuversichtlich

Banken für Stresstes gut gerüstet

blog.kpmg.lu
Bankers' remuneration: hope for the best, prepare for the worst!

Le Quotidien
Les banques progressent et le moral remonte dans le pays

blog.kpmg.lu
Big Data in the world of Private Equity

Paperjam
Depositary Banking redefined in 2015. Is this good news for Luxembourg?

Tageblatt
HSBC-Sitz könnte nach Luxemburg kommen
Spekulationen um Verlagerung des Headquarters

blog.kpmg.lu
Luxembourg: a very attractive hub for your alternative funds

Tageblatt
Die Banken verdienen wieder mehr

Der Gewinn vor Provisionen steigt um fast 15 Prozent

blog.kpmg.lu
IFRS 15: Revenue from Contracts with Customers

Luxemburger Wort
Classement des banques 2015

blog.kpmg.lu
ELTIF: The birth of a new innovative fund product

Luxemburger Wort
Wachstum bei den Finanzinstituten

Banking sector overview

Luxembourg banking licenses fall into two categories under the law:

Universal banks	Banks issuing covered bonds
139 banks	**5** banks

Since 20 May 2011, electronic money issuers are no longer classified as credit institutions.

The total number of banks in Luxembourg at the end of 2014 was 144, of which 39 are branches of foreign banks.

Banking groups from Luxembourg's three neighbouring countries (Germany, France and Belgium) feature strongly in the Luxembourg banking community, often with the Luxembourg subsidiary constituting the most significant foreign subsidiary within the group.

Banks by country of origin	Number
Germany	30
France	15
Switzerland	12
Belgium/Luxembourg	11
Italy	10
United Kingdom	9
Other	57
Total	**144**

The new entrants and leavers during 2014 were as follows:

ENTRANTS

Private banking

Mirabaud & Cie (Europe) S.A.

RCB BANK LTD, Luxembourg Branch

Depositary

Allfunds Bank S.A.

Credits

Société Générale Capital Market Finance S.A.

Retail / Corporate

Danieli Banking Corporation S.A.

BTG Pactual Luxembourg S.A.

BTG Pactual, Luxembourg Branch

Deutsche Postbank AG Zweigniederlassung

Luxemburg

Novo Banco S.A., succursale de Luxembourg

The Royal Bank of Scotland, Luxembourg Branch

Luxembourg banking sector

LEAVERS

Banking consolidation / restructuring

Svenska Handelsbanken S.A.

Landesbank Berlin International S.A.

LBBW Luxemburg S.A.

Banco Espirito Santo, S.A., succursale de Luxembourg

Erste Europäische Pfandbrief- und Kommunalkreditbank Aktiengesellschaft in Luxemburg

Deutsche Postbank International S.A.

RBS Global Banking (Luxembourg) S.A.

HSBC Securities Services (Luxembourg) S.A.

BHF-BANK Aktiengesellschaft, Frankfurt (Allemagne), succursale de Luxembourg

Closure / Liquidation

Banco Itaú Europa Luxembourg S.A.

Landesbank Berlin AG, Niederlassung Luxemburg

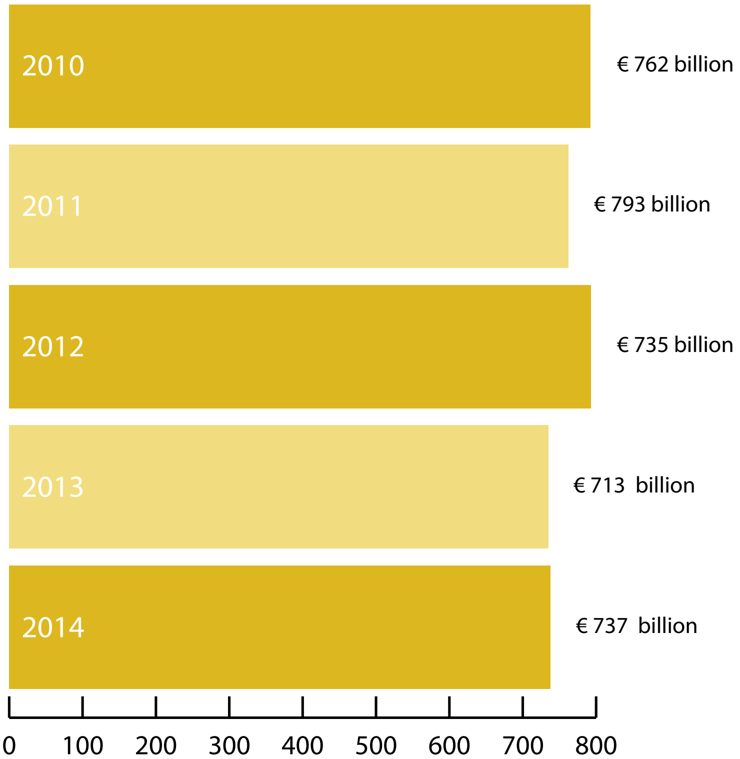
HSBC Trinkaus & Burkhardt (International) S.A.

Bayerische Landesbank, München (Allemagne), succursale de Luxembourg

Assets

Evolution of assets in Luxembourg banks

Evolution of assets in Luxembourg banks



Source: CSSF

Despite low and partially negative interes rates, customer deposits increased by € 25 million. These inflows were used to provide loans to customers and to invest in fixed income securities.

Development of assets	€ billion	Development of liabilities	€ billion
Loans to central banks	▼ 8	Amount owed to central banks	▼ 2
Loans and advances to banks	▲ 5	Deposits from banks	▼ 2
Loans and advances to customers	▲ 12	Deposits from customers	▲ 25
Fixed income securities	▲ 13	Debt Securities	▼ 4
Financial assets held for trading	▲ 1	Capital and reserves	▲ 7
Other assets	▲ 1	Other liabilities	▲ 0

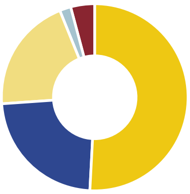
An analysis of the top 10 banks in terms of total assets is shown in the table below:

Total assets € million	Rank	2014	Rank	2013	Rank	2012
Deutsche Bank Luxembourg	1	85,537	1	89,245	1	85,329
CACEIS Bank Luxembourg	2	43,171	3	41,424	2	47,649
Banque et Caisse d'Epargne de l'Etat, Luxembourg	3	41,156	4	40,664	4	40,480
Société Générale Bank & Trust	4	35,798	2	41,877	3	42,383
BGL BNP Paribas	5	31,467	5	31,245	5	32,858
Erste Europäische Pfandbrief- und Kommunalkreditbank*	6	23,259	8	16,681	7	20,471
UniCredit Luxembourg	7	22,761	7	17,348	8	19,319
Banque Internationale à Luxembourg	8	20,285	6	19,496	6	21,306
ING Luxembourg	9	13,811	12	12,389	13	12,137
Norddeutsche Landesbank	10	13,804	8	15,056	9	15,424

** Merged with Hypothekenbank Frankurt on 2014.*
For 2013 and 2013 figures of Hypothekenbank Frankfurt are shown

Asset structure

Composition of assets 2014



Source: CSSF

Asset structure has only changed slightly compared to 2013. There has been a minor shift from loans and advance to credit institutions (-2%) to loans and advances to customers (+1%) and to fixed income securities (+1%).

Asset quality

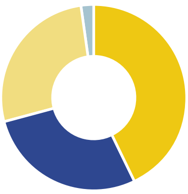
In 2014, the Luxembourg banking sector made provisions, for various reasons, of € 0.4 million against assets, representing 8% of banks' net profit before taxation and provision, down from 16% in previous years.

A limited number of banks are behind this decrease and the reasons are different for each bank.

With a total of € 0.4 million, provisions are back to the pre-financial crisis levels seen before 2007.

The mix of customer loans by counterparty is shown in the diagram below.

Eurozone customer loans



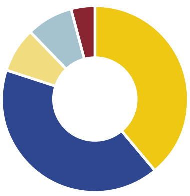
Source: BCL

There have been no significant changes in the loan book in 2014. However, the relative importance of non-financial corporates has increased, while that of other counterparties has slightly decreased. In 2014, total risk weighted assets decreased by € 18 billion, leading to a 1.1% increase in the Capital Adequacy Ratio.

For an overview of the distribution of bank assets by counterparty, geography and nature, please refer to our infographic on pages 24 and 25.

Funding

Composition of liabilities 2014



39%	Liabilities to credit institutions
41%	Customer deposits
8%	Debt securities
8%	Capital and reserves
4%	Other liabilities

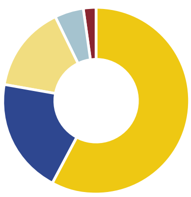
Source: CSSF

Deposits from credit institutions and from customers remain the main source of funding for the Luxembourg banking sector. A decline in interest rates has had no impact on the relative importance of these sources compared to previous years.

Customer deposits

In 2014, customer deposits increased by € 25 billion.

The net increase can mainly be attributed to investment funds, which are included in other financial intermediares in the diagram below.



58% Other financial intermediaries
20% Households
15% Corporates
5% Insurance companies / pension schemes
2% Public authorities

Source: BCL

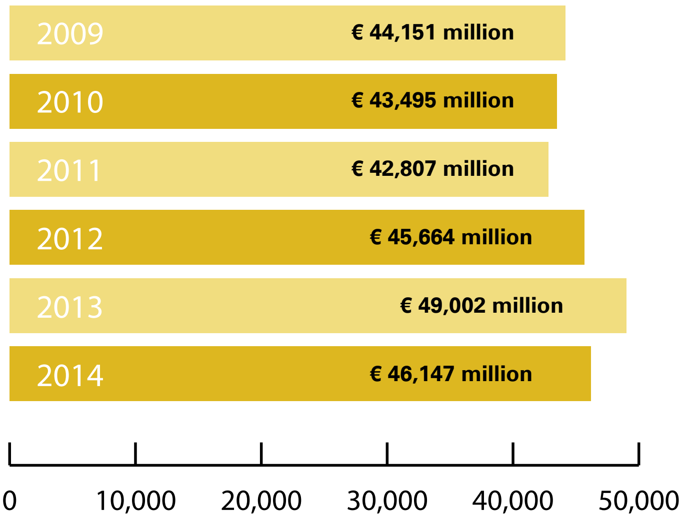
The banks with the highest deposits from customers are given in the table below.

Leading banks in terms of customer deposits - 2014	Total	Change
Banque et Caisse d'Epargne de l'Etat, Luxembourg	€ 25 billion	▲ 0%
BGL BNP Paribas	€ 20 billion	▲ 4%
CACEIS Bank Luxembourg	€ 17 billion	▲ 8%
Deutsche Bank Luxembourg	€ 15 billion	▲ 14%
Banque Internationale à Luxembourg	€ 13 billion	▲ 10%

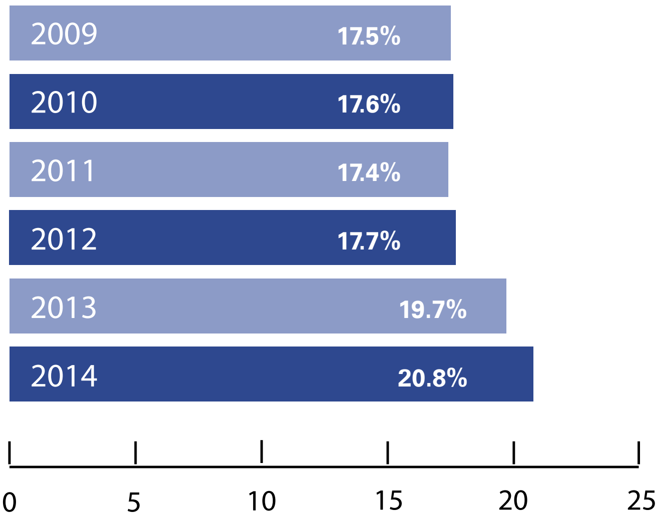
Source: Luxemburger Wort

Capitalisation

Own funds



Solvency ratio



Source: CSSF

Despite a decrease in own funds, the capital ratio rose by 1.1% to 20.8%, more than twice the required minimum of 8%. The increase is mainly due to a decrease in total risk weighted assets, which compensated for the capital decrease.

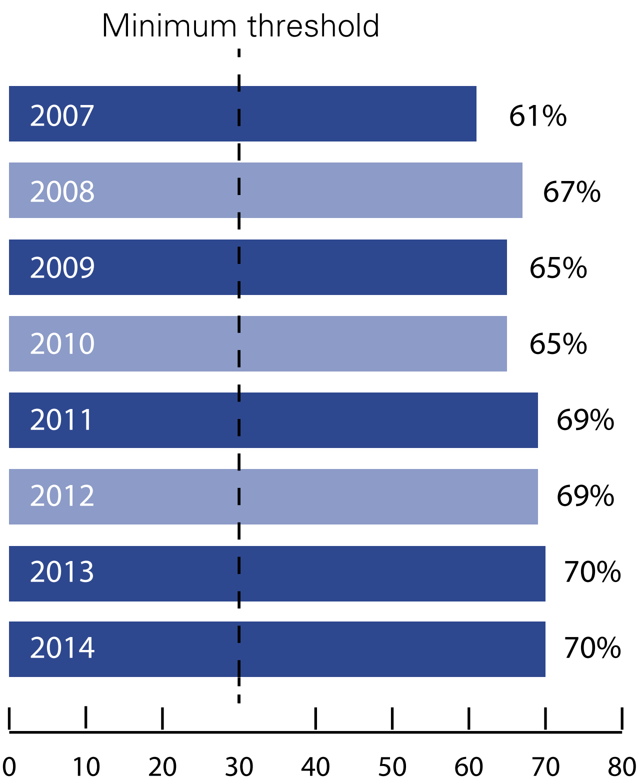
Leading banks in terms of capital and reserves are given below:

Leading banks in terms of capital and reserves - 2014	Total	Change
BGL BNP Paribas	€ 5,542 million	▲ 1%
Deutsche Bank Luxemburg	€ 4,865 million	▲ 2%
Banque et Caisse d'Epargne de l'Etat, Luxembourg	€ 3,469 million	▲ 12%
State Street Bank Luxembourg	€ 2,699 million	▲ 2%
Société Générale Bank & Trust	€ 2,523 million	▲ 2%

Source: Luxemburger Wort

The above mentioned figures include the provision for general banking risks and exclude the profit/loss for the current year.

Liquidity



Source: BCL

The liquidity ratio is calculated as a percentage of liquid assets to current liabilities. The ratio remained at 70% in 2014, well above the required minimum of 30%.

Assets deposited with banks

Total assets deposited with Luxembourg banks increased overall in 2014, mainly due to a rise in market values.

Assets deposited with banks	Amount	Change
By Investment Funds	€ 3.2 trillion	▲ 19%
By Clearing and Settlement organisations	€ 1.3 trillion	▲ 9%
By other Professionals of the Financial Sector	€ 7.9 trillion	▲ 9%
Other assets deposited (including from private banking activities)	€ 366 billion	▲ 7%

Source: CSSF

Investment funds

The value of assets deposited by Investment Funds rose, equally due to an increase in the market value of securities and thanks to net new money flowing into funds in 2014

Private banking Assets under Management

Other assets deposited include assets managed in the context of private banking activities, but exclude investments in funds. Assets under Management (AuM) had risen slightly from €300 billion in 2011 to €318 billion in 2014. The proportion of clients from outside the EU decreased from 43% in 2013 to 39% in 2014.

KPMG

Keep your finger on the pulse, no

KPMG Luxembourg @KPMGLuxembourg . Jul 15
ECB supervision & SSM: a complete shift in the #banking supervision in #Luxembourg http://goo.gl/zIIQ8M

KPMG Luxembourg @KPMGLuxembourg . Jul 15
#FATCA #Risk Reporting #UCITS V #MiFID 2: 4 hot topics which will have a big impact on the banking industry http://goo.gl/ThxYe4
4

KPMG Luxembourg @KPMGLuxembourg . Jul 15
Can Islamic retail #banking go mainstream in Europe? #IslamicFinance http://goo.gl/28QZkY @IFN_news @LutfijeA
12

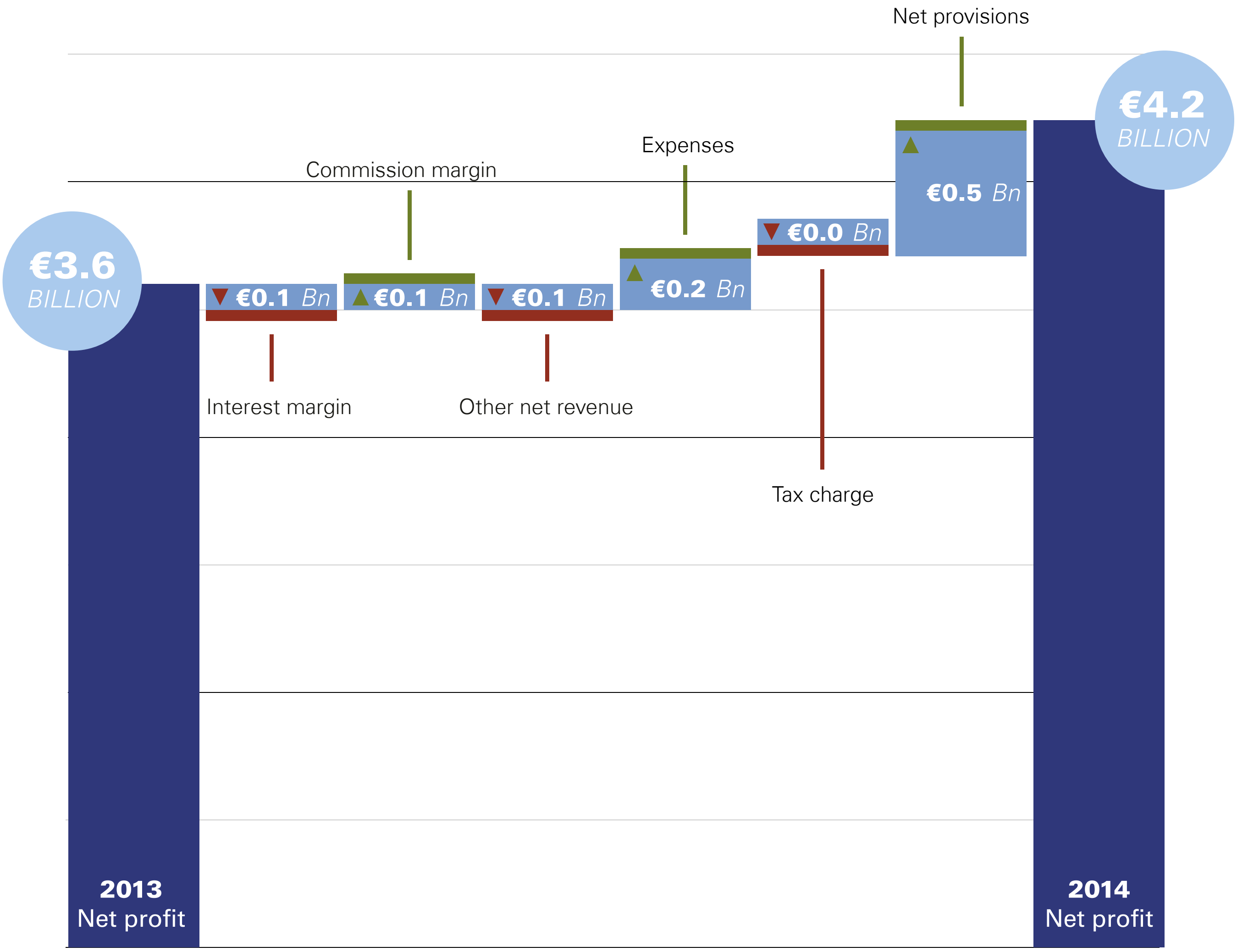
matter where you are

Profitability

The main driver for the increase in net profits was a €0.5 billion reduction in net provisions, coupled with remaining revenues and expenses remaining stable.

The diagram below illustrates the changes in net profit compared to 2013.

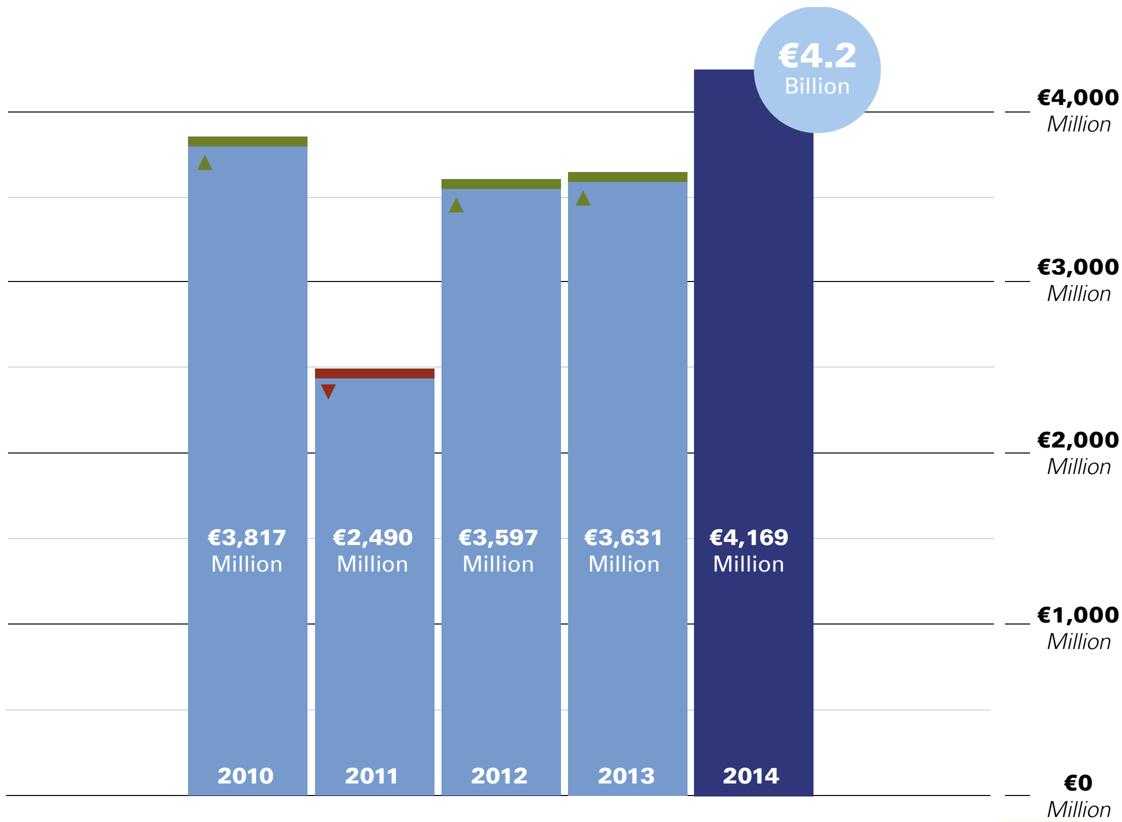
Overview of change in net profit compared to previous year



Source: CSSF

Net profit

The evolution in net profit of Luxembourg banks over the past 5 years is shown below.



Source: CSSF

An analysis of the top 10 banks in terms of profit after tax is shown in the table below.

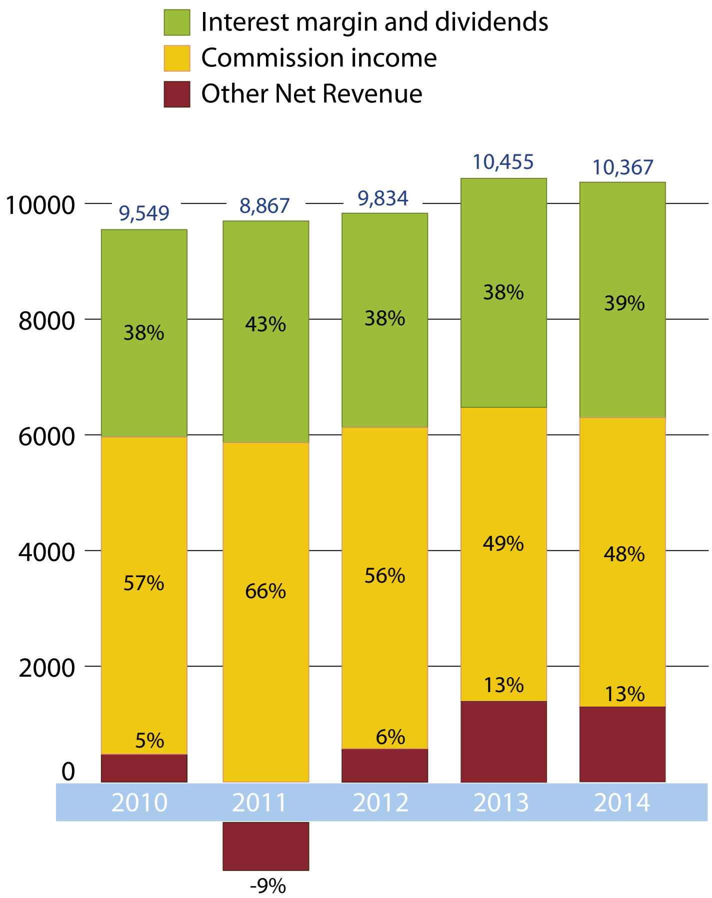
Net Income € million	Rank	2014	Rank	2013	Rank	2012
Société Générale Bank & Trust	1	610	1	312	1	433
Banque et Caisse d'Epargne de l'Etat, Luxembourg	2	219	2	208	4	198
State Street Bank Luxembourg	3	196	4	181	8	154
Deutsche Bank Luxembourg	4	185	3	189	2	251
BGL BNP Parisbas	5	176	8	146	5	191
Banque Internationale à Luxembourg	6	169	6	168	28	31
Société Européenne de Banque	7	163	7	166	10	134
Clearstream Banking	8	153	37	19	11	125
ING Luxembourg	9	145	11	120	9	144
PayPal (Europe)	10	101	14	72	32	28

Banking income and net business income

For the purpose of this report, banking income consists of income from interest , dividends, commission and other net revenues.

Net business income is defined as banking income less other net revenues.

Banking income



Source: CSSF

The reduction in other net revenues is the main reason behind the slight drop in banking income, while an increase in commission income compensated for a decrease in interest income.

The table below shows the top 10 banks in terms of net business income.

Net Business Income € million	Rank	2014	Rank	2013	Rank	2012
BGL BNP Paribas	1	861	1	819	1	862
Banque et Caisse d'Epargne de l'Etat, Luxembourg	2	590	3	598	3	561
Société Générale Bank & Trust	3	547	2	666	2	647
Banque Internationale à Luxembourg	4	415	6	383	5	386
Clearstream Banking	5	410	7	382	7	376
State Street Bank Luxembourg	6	391	8	345	8	313
Deutsche Bank Luxembourg	7	388	5	427	6	379
PayPal (Europe)	8	352	12	252	21	149
RBC Investor Services Bank	9	331	9	318	16	189
CACEIS Bank Luxembourg	10	313	4	449	4	529

Interest margin

The leading banks generating net interest income in absolute terms are:

Leading banks in terms of net interest margin - 2014	Total	Change
BGL BNP Paribas	€ 519 million	▼ 5%
Banque et Caisse d'Epargne de l'Etat, Luxembourg	€ 380 million	▼ 3%
Deutsche Bank Luxembourg	€ 332 million	▼ 9%
Banque Internationale à Luxembourg	€ 257 million	▲ 9%
PayPal (Europe) S.à r.l. et Cie, S.C.A.	€ 223 million	▲ 62%

Source: Luxemburger Wort

Net commission income

The leading banks generating net commission income in absolute terms are:

Leading banks in terms of net comission income	Total	Change
Clearstream Banking	€ 382 million	▲ 7%
J.P. Morgan Bank Luxembourg	€ 267 million	▲13%
State Street Bank Luxembourg	€ 246 million	▲17%
Société Générale Bank & Trust	€ 181 million	▲ 8%
RBC Investor Services Bank	€ 169 million	▼12%

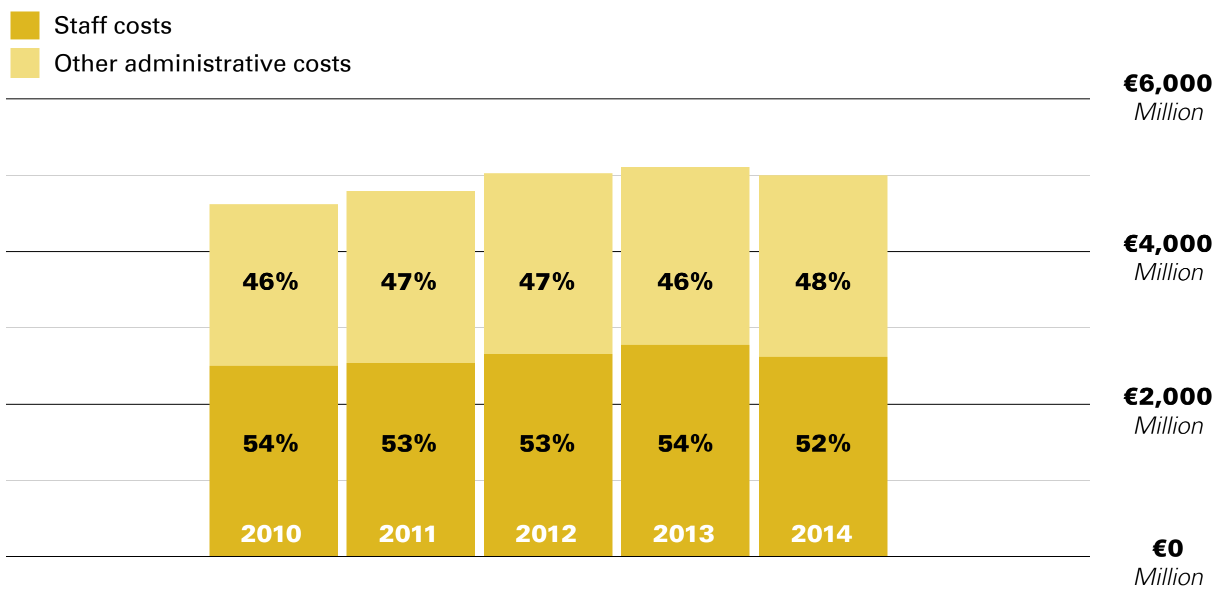
Source: Luxemburger Wort

Other net revenues

Other net revenues were nearly stable in 2014 compared to the previous year and reached € 1.396.

Total expenses

Total expenses consist of staff costs and other general administrative costs.



Source: CSSF

2014 total expenses fell by 3.8%. Staff costs decreased by 4.4%, corresponding to a decrease in the number of staff, whereas general administrative costs fell by 3.1%.

It seems that cost saving measures implemented by several banks have led to initial impovements.

This is also demonstrated by the cost income ratio, which has improved by 2% this year to 48%. This is significantly below the 62% average cost-income ratio for banks within the European Union.

Banks	2014	2013
Cost- income ratio	48%	50%
EU average	62%	65%

Development in number of staff

2014 saw a further increase in staff numbers and in substance for the Professionals of the financial sector and management companies.

However this could not fully compensate for the fact that there are now 452 fewer employees working in the banking sector than in 2013.

Type of financial sector entity	Number of staff	Change in number and %
Banks	25,785	▼452 ▼2.0%
Professionals of the Financial Sector	14,864	▲132 ▲5.0%
Management Companies	3,407	▲154 ▲7.0%

Source: CSSF

The table below shows the top 10 banks in terms of number of employees.

Number of employees as per year end	Rank	2014	Rank	2013	Rank	2012
BGL BNP Paribas	1	2,594	1	2,792	1	2,798
Banque Internationale à Luxembourg	2	1,929	2	1,868	2	1,899
Banque et Caisse d'Epargne de l'Etat, Luxembourg	3	1,781	3	1,797	3	1,787
RBC Investor Services Bank	4	1,444	4	1,472	4	1,626
Société Générale Bank & Trust	5	1,041	7	829	7	841
KBL European Private Bankers S.A.	6	934	5	951	5	979
CACEIS Bank Luxembourg	7	918	6	838	6	848
DZ Privatbank S.A.	8	863	8	810	9	781
ING Luxembourg S.A.	9	802	9	791	8	793
Banque de Luxembourg S.A.	10	796	10	744	10	749

Megatrends: ” What are the key challenges to emerge a winner in 2020?”

Business process outsourcing

Emergence of a new type of BPO

Business process outsourcing (BPO) is certainly not a new concept in the Luxembourg financial landscape: the model has been widely used in the funds industry for many years now. And, when it comes to private banking, several Luxembourg-based subsidiaries have been relying on the IT platforms and shared service centers of their mother companies abroad for some time now, outsourcing certain operational or back office processes elsewhere in their group. Similarly, some international banking groups have also chosen Luxembourg as the location to set up IT and operational hubs providing BPO services to other group entities abroad.

But, over the very past few years, BPO in Luxembourg has taken a different shape, with the building of a market where banks are willing to enter into BPO relationships either as an insourcer or an outsourcer, with external players, outside their group structure.

Although the Luxembourg BPO market is clearly lagging behind the Swiss market, where the outsourcing of operational banking processes to BPO providers has become, if not a standard, at least a very frequent alternative to the implementation of new core banking solutions, there have been several initiatives, on the demand as well as on the supply side, that demonstrate that Luxembourg is now willing to catch up.

The Luxembourg banking BPO market: supply & demand

Demand

Rationale of private banks when moving to a BPO solution:

- Opt for a pragmatic solution to replace their ageing legacy systems, with more limited investments and reduced time-to-implement
- Reduce their Operations & IT running costs to ensure financial sustainability
- Manage regulatory changes more easily and at a lower cost
- Deliver superior business value for clients through access to advanced functionality
- Focus on commercial activities and main value propositions

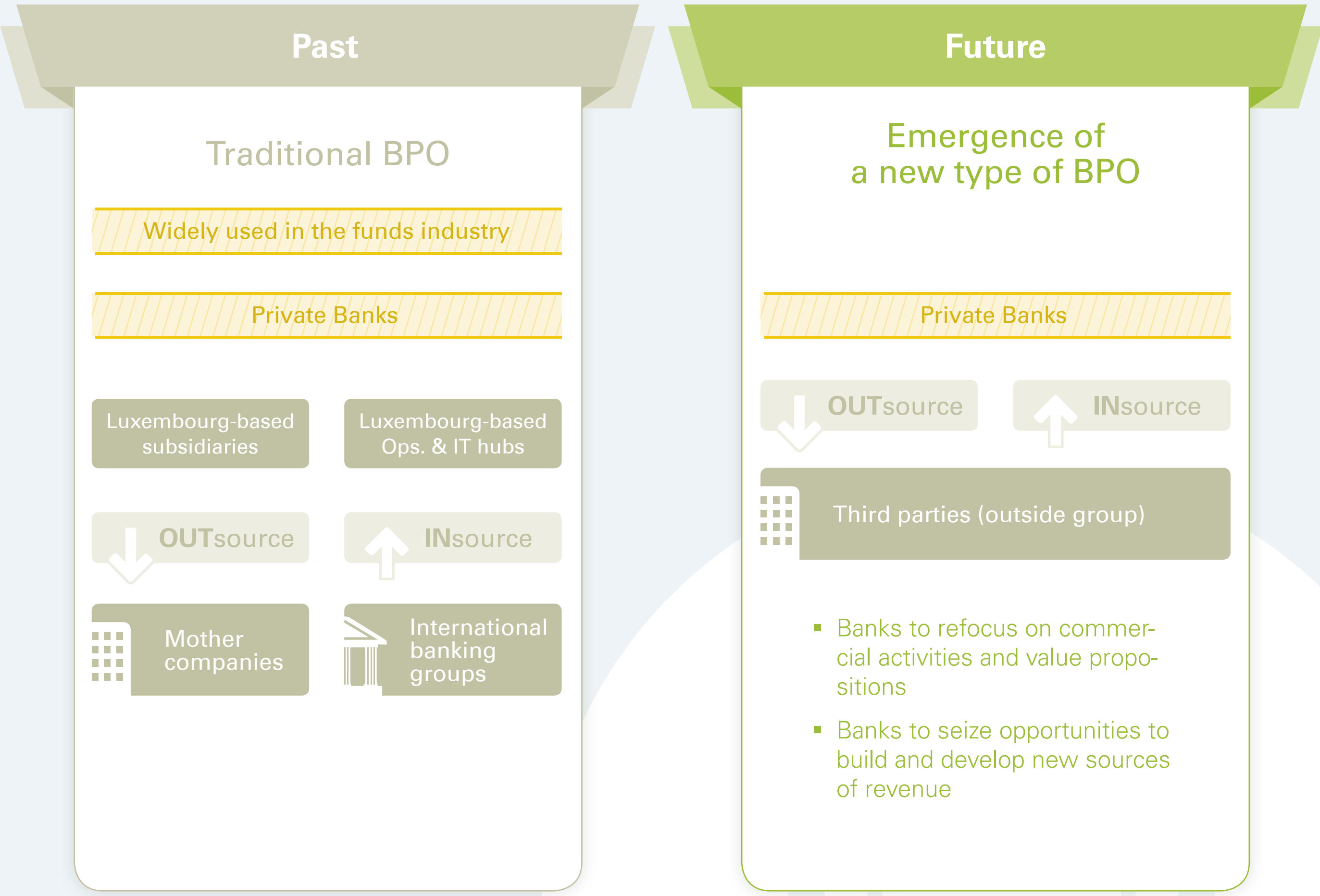
Supply

Supply mainly comes from two types of players:

- IT providers, often in partnership with other IT firms and/or with financial institutions, willing to find new growth drivers in a difficult and very competitive IT market
- Financial institutions, that are willing to:
  - Set up an additional business line, hereby transforming the typical Operations & IT cost centers into profit centers
  - Reduce their Operations & IT running and development costs by mutualizing them with other financial institutions
  - Capture additional institutional business revenues by proposing complementary services (brokerage, custody, reporting, etc.)

The Luxembourg banking BPO market : a trend that is about to accelerate

In a post banking secrecy world, where Luxembourg needs to reinvent itself, the BPO market is undoubtedly about to experience significant growth, with some banks seeing a chance to refocus on their commercial activities and their value propositions and others willing to seize this opportunity to build and develop new sources of revenue.



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"It's a business transformation project towards a new Private Banking world"

Marc LAUWERS

KBL EUROPEAN PRIVATE BANKERS

BIO

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> What are the main challenges for you Marc as COO of a Private Bank operating in multiple locations across Europe? How does this link to your change in IT platform?

ML: As a Bank with many different entities, the challenge for us is trying to combine our collective forces. Most entities in our group have their own IT and operational models – leading to a rather high cost/ income ratio. Your margin for manoeuvre in this situation is very slim.
So, when we started to reflect on our IT platform, we had a number of requirements linked to this challenge.

We did not only wish to reduce operational costs, but also the complexity of the processes in our group. The primary objectives were to find a platform to support group strategy, gain critical mass everywhere and facilitate our quest for High Net Worth and Ultra High Net Worth Individuals in need of cross border services. Given the speed of regulatory change, we also wanted to create a platform which would be easier to upgrade over time and across multiple locations; in addition to allowing us to deliver superior business value to customers through modern mobile digital channels.

> What were the key drivers for moving to a BPO model?

ML: The interesting thing in our story is that we didn't start by considering a BPO, but rather by looking into an IT platform. BPO came into the picture as a challenger model, but during our analysis we realized that it might be a better answer to our needs.

What determined the final choice was certainly not the cost. There are just *different* costs involved in a BPO, than in changing the platform in-house.

> What advantages does BPO – and specifically Lombard Odier's solution - have over a package or "bank in a box" solution?

ML: We hear a lot about the "bank in a box" model – especially from software providers - however I've yet to see one that lives up to this name. A lot of tweaking is needed to get to the end point when you have a business model that is more than that of a pure online player.

AP: If you go towards a packaged solution, you basically buy the tool box: you still have to build the processes, set up and test the parameters and roll out the solution in your own organisation. When people buy Lombard Odier's solution, they also buy all the processes that LO has built over time. KBL epb for example only had to look at our processes, compare them with their own model and identify gaps where adjustments are needed. From a risk and timing point of view, you go much, much faster. What's more you know the cost of operation up front, whereas with a package you don't have that much insight.

ML: One of the reasons the Lombard Odier model came out on top is that there's a high level of overlap in terms of our respective functionalities and activities. While some may view this as a hurdle – as we're essentially combining forces with a competitor – this is also a major advantage. If Lombard Odier's main activities were different – for example corporate or retail oriented – their model would never have been a solution. When you look at successful BPOs across the universe, the more segmented the offering is, the higher the chance of success.

"The quality of our relationship and partnership is essential. If we're not willing to work closely with each other and create a real team, then we should just forget about it."

Alain **PICQUET**

LOMBARD ODIER

LOMBARD ODIER DARIER HENTSCH

BIO

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City Center

> LO has been in the banking BPO for a while (in Switzerland, Belgium), why were Luxembourg banks slower in the adoption of such a model?

AP: The size of the market has played a significant role in this. When you look at the Private Banking industry, Switzerland is 8 or 10 times bigger than Luxembourg, which helps explain why the greater part of software editors and the like are based there. It's also true to say that the market is much more mature, as the BPO model has been around for longer.

A second factor in Luxembourg coming to BPO late lies in a recent shift in the Luxembourg business landscape. Up until now, business was good enough to compensate for inefficiencies in platforms and processes. With recent regulatory changes, the market has now changed.

> What are the key success factors in leading such a major transformation? Anything specific to Luxembourg vs. other countries?

ML: We already have a head start in leading this transformation as Lombard Odier and KBL epb speak the same language. Banking is in Lombard Odier's and KBL epb's genes. When bankers are talking to bankers, rather than to service providers, this makes a huge difference.

AP: The quality of our relationship and partnership is also essential. If we're not willing to work closely with each other and create a real team, then we should just forget about it.

ML: I don't look at this as an IT project: it's a business transformation project. The IT track is important, but there are lots of different elements such as questioning existing operational and business processes. This gives a different angle to our approach. Trust comes from a high level of transparency, intense communication and frequent contact. The first thing we did was to upgrade our video conferencing tools to allow people to have high quality talks face to face. We don't hide things under the table. This might sometimes be hurtful - no one likes to hear that something is not right –but in a good marriage, you have to say how you feel.

A final key success factor is transparency to stakeholders. From the beginning in our bank, we have talked about the possibility of going into BPO and what it would mean. We have prepared our company and been transparent with regulators. You can't overestimate the importance of keeping everyone informed and on board.

> What were the main concerns when taking such a bold decision?

ML: We had to ask ourselves important questions about the sustainability of the provider. This is especially important in a BPO model as the IT capacity lost can't be built up tomorrow. Having a partner who uses and depends on the software makes us believe they're in it for the long haul.

Secondly, there's the question of feasibility. Do they have resources and competencies to take on board a customer like us with a complex variety of different entities? Is there a willingness to sufficiently customize the model? In this case, the answer to both was yes.

Finally, there is also a social impact. It was incredibly important for us to find a way to deal with this as the responsible employer we want to be. A crucial part of our work has been the decision to find internal and external solutions for the social consequences of this story.

> How can banks sharing an IT platform and processes, differentiate themselves on the market vis-à-vis each other?

AP: We see that Lombard Odier infrastructure clients want to differentiate on two elements: the quality of the asset management performance is obviously a factor. You need to have the right tools in place to be the most efficient person to deliver good financial performance. Our portfolio management system called G2, and the respective G2 mobile and G2 web applications, are best in class.
The next factor is quality of customer relations. This is important for our clients. If we had another large banking client, KBL epb would not be happy if they had the very same statements, portfolios and so on. Our system allows full customization of output and the possibility for the banks to go further and have their own developments. We allow flexibility.

ML: Introducing the platform has also created new functions at KBL epb. We need a.o. to invest in new data warehousing infrastructure, as we feel the exploitation of data will be of great worth for both our internal and external customers. This is where the added value needs to lie. To do this, we need a new set of skills, because we will focus more on output than input. This is very different to the classic model and we see a great deal of potential. It's a business transformation project towards a new Private Banking world.

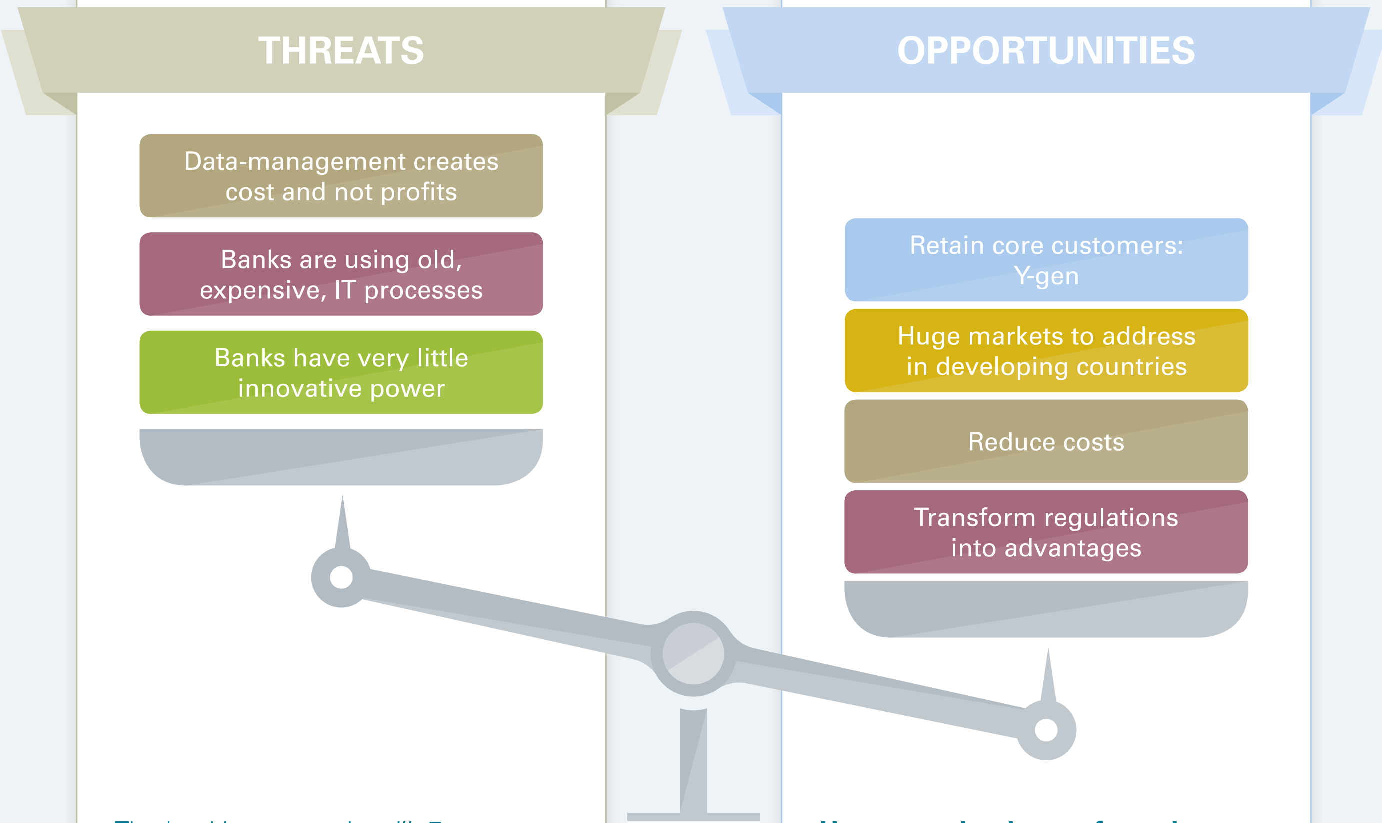
> How do you see banking BPO further developing in Luxembourg?

AP: There has been already some consolidation in the Private Banking world in Luxembourg.
One question I see in the future is whether we will see banks transform themselves into Asset Managers and use custodian banks or rather go towards BPO. The big difficulty is the relatively small size of the organisations. This question remains to be resolved.

ML: There is also the a-ha effect. People are already talking about BPO in Luxembourg but we haven't yet seen a successful venture. The challenge was to show it can be done. I'm convinced that once the concept is proven, this could be a big capitalizer. After all, success creates success.

FinTech

Do they present a threat or an opportunity?



The banking sector is still, 7 years after the financial crisis, struggling to renew itself through growth. Its reputation is damaged.

The upward regulatory trend is seen as a burden by banks who are losing liquidity and need to deleverage.

In order to compete efficiently, banks need to optimize their digital footprint through:

- Data management
- Going digital
- Going cloud
- Regulation-flexible IT systems

How can a bank transform these opportunities into strengths?

1. Foster in-house innovation by recruiting top talent and giving them the means and liberty to innovate
2. Collaborate with FinTech companies by buying their products and keeping a close eye on any new trends
3. Establish a corporate accelerator to create ties with new, promising start-ups whose ideas and solutions may be needed in the future
4. Invest in a corporate venture to buy new innovations

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> The starting point for the strategy was to look at exactly what links the different parts of our bank: we call this our strategic intent.

Hugues **DELCOURT**

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BIO

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> Your new strategy, BIL 2020, lays out a 5 year plan for your bank. What triggered your decision to define a new roadmap?

Our *BIL 2020* strategy is best understood in the context of the first strategy - *BIL is Back* - established after regaining our independence in 2012. As we'd just left a larger group, the main objective at this time was to prove that we could work independently and be recognized as financially stable. We have now surpassed these initial aims, so it's time to better define our direction for the next 5 years.

> What do you see as the underlying drivers of this new strategy (client behaviors, cost efficiency, regulation, technology, etc.)?

There are three main drivers that can be identified. The first is the fact that banks today are working in a complex world. A persistently low interest rate environment and the rising costs associated with regulation are both pushing us to take action to secure long-term sustainability.

A second set of drivers is specific to the environment here in Luxembourg. The paradigm shift brought about by significant regulatory changes, coupled with a shifting competitive landscape, have also led us to reconsider our roadmap for the next 5 years.

The final set of drivers is actually BIL specific. While our IT platform is OK today, as is logical for banks like ours, it is gradually aging. Added to this, we have pockets of inefficiencies here and there and some very complex processes in place. All this had to be taken into consideration when defining our plan.

> Given that these drivers are diverse in nature, how did you ensure that the strategy would be coherent?

The starting point for the strategy was to look at exactly what links the different parts of our bank: we call this our strategic intent. In a nutshell, what do a guy doing private banking in Dubai and a guy doing retail in Walferdange have in common? Rather than a mission statement, we wanted to define the entire organisation in just a few sentences. Based on these, we put down strategic priorities for the bank's main business lines and looked at how can we can all pull together to deliver on them.

The end goal in all this was to find our focus: in today's banking market you have a choice between being relevant or disappearing. We want to be the former.

> Coming back to the strategic priorities, can you share some of the main highlights?

Firstly, we wanted to focus on innovation – including, but not limited to, technology-enabled solutions. As we have now fully defined the clients we want to bank with, our goal is to deliver innovative products and services that are relevant to them.

A second strand involves concentrating our efforts on a select number of markets, starting with Luxembourg and running to Western and Eastern Europe and the Middle East. We have already started adapting our footprint in light of this. We announced recently, for example, that we'd be closing our office in Singapore – as Asia is no longer a target market - and bolstering our Swiss team to better serve our non-EU clients who often choose to bank there. These decisions stem directly from a desire to focus on what we do best.

The third part of our strategy is about long-term value creation, delivered through empowered teams and individuals. Simply put, we don't wish to take decisions today that could potentially be regretted tomorrow. We're lucky to be owned by people who have long-term value creation in mind. Our two majority stakeholders are here for the long term.

> Coming back to technology and innovation, how and where do you see technology having an impact on your banking business model in the future?

The effects of technology and innovation are already being felt in retail banking. In terms of digitalization, we're already advanced and are among the best – if not the best – in mobile banking. However, we still have a lot to do. Going forwards, the name of the game in retail will be getting the right segmentation, with different value propositions, at the right cost to serve. Digitalization is key in delivering this.

In wealth management, we are investing significantly in finding out whether there is a business case - or not - to develop fairly disruptive yet interesting value propositions for internationally mobile customers. Technology could well be critical in better serving those who find themselves hopping between countries as they pursue their career, but wish to have one main bank and point of contact. I firmly believe in a hybrid model, combining digital solutions with video conferencing and face to face contact as there will always be times when the client needs a more in-depth discussion with their banker.

> How should banks anticipate and take a more pro-active stance towards this disruption? And what is BIL doing in particular?

Banks today can cast off the shackles of conventionality and think differently. Here at BIL, we've embedded a start-up culture in our bank, by hiring new people to focus on business innovation. Rather than putting these new hires in a traditional banking environment, we're creating a kind of lab, which reports directly to me. We encourage this group to investigate all the options out there – start-ups included - and doesn't limit themselves to established players: start-ups and disruptive firms included. It may be that we decide against the practicality of certain disruptive ideas, however we will learn a lot in the process that will be useful in all areas of the bank.

> When it comes to the disruption brought by new market players – notably in the Fintech arena – do you see it as a threat or opportunity?

Fintech start-ups are realizing that they have a lot to learn from partnering up with traditional players like banks. They need access to a pool of clients, knowledge of service models and the regulatory environment - which we have – so they soon realize that there's no real threat in this type of partnership. The situation is win-win as they bring innovation, a trial and error approach and the can-do mentality that we have often forgotten. From time to time, it may be that we are on a collision course, as we all want a piece of the same pie. But most of the time, we can build together something that can help both parties and our clients.

> How do you see the outlook for BIL in 2015-2016?

Now we've laid the groundwork, it's all about execution with a certain level of flexibility and agility. Fortunately, we're small enough not to be rigid, while also being sufficiently large and well-financed to be able to look into new opportunities. Right now, the plan is to focus on our strategy. It allows for diversification, but – crucially – not dispersion. It would be suicide to spread ourselves too thinly. By testing this new mix, we'll discover whether it is worth keeping in terms of the complexity - and therefore the cost - of the model.

When it comes to the largest vector of growth, it is important to note that many of our activities are in a mature economy, where much depends on GDP.
As such, our most powerful growth engine will naturally be Wealth Management where the market is larger and we have much to gain

Data analysis/management

A structured approach when interacting with your clients

Banks are facing huge demands from regulators in their quest for:

- greater transparency
- increased investor protection
- efficient data gathering to manage systemic risks

It is the responsibility of bankers not to transfer all this complexity to their clients and to therefore organize the way they are collecting documents and information from new regulatory requirements.

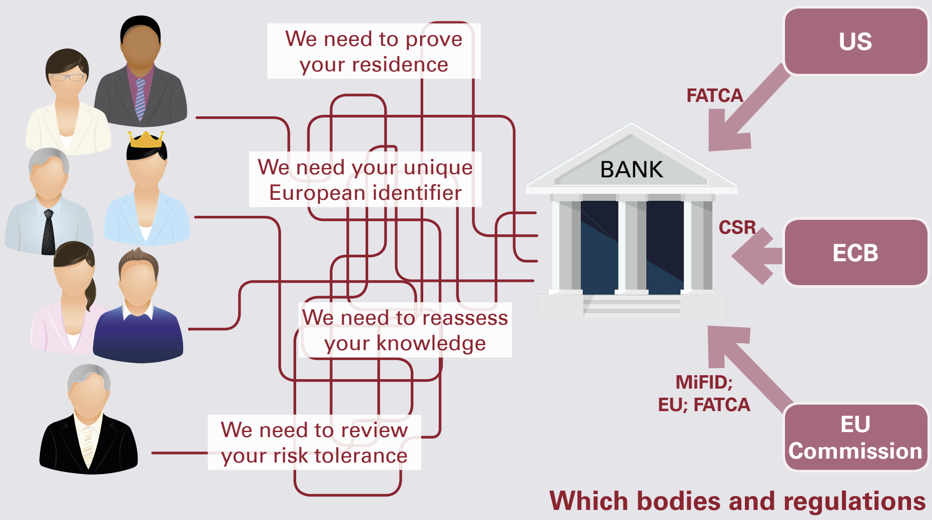
TODAY

What we see today is that banks tend to address each regulation individually.

This is partly due to the fact that each has a different implementation deadline. However, in terms of client satisfaction, this is not the best option.

An incoherent client communication plan could lead to questions about the overall quality of information collected and about the process as a whole.

A piecemeal approach would not allow clients to see the bigger picture. This would not meet bankers' aims of educating clients and sharing the evolving rules with them in a transparent way.



Which bodies and regulations influence the bank?

Politically Exposed Persons

Key Messages

1) The regulatory burden you face should not be perceived negatively by your clients
2) Being structured in your communication with them is key for success
3) Explain what you need and why
4) Give them an important role to play in enhancing their protection
5) Put in place a tool to easily exchange info and data at their disposal
6) List all the identified needs and target dates
7) Contact your client once you have a clearer view
8) Coordinate all projects when it comes to direct contact with clients
9) Distinguish the MUST HAVE and the NICE TO HAVE
10) Explain, raise awareness, educate

TOMORROW

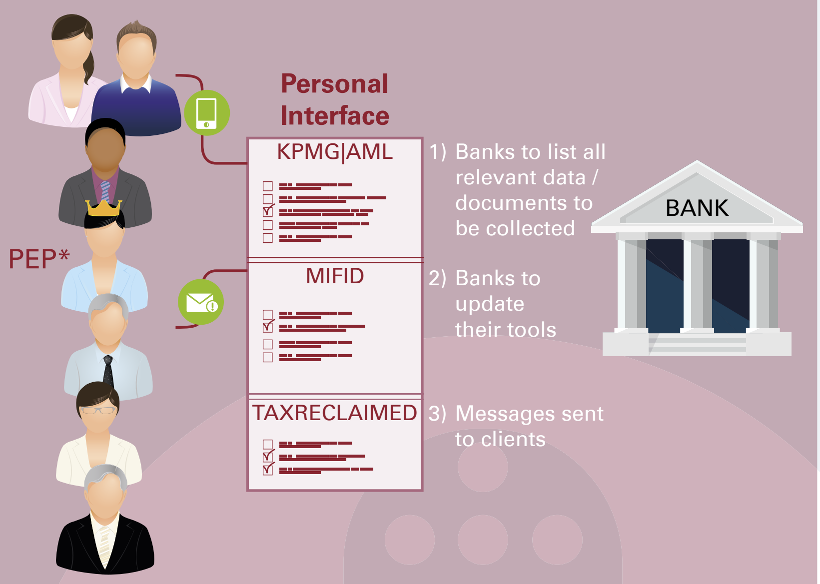
Breathe and take your time to structure your approach towards your clients before interacting with them from many angles at once.

You should only contact them once you have a clear view of what you need and when.

1. List all the identified needs (additional information, new documents for evidencing some of the qualitative data you already have, etc) **COORDINATION**
2. Link those required documents to implementation plans **PLANNING**
3. Put a **tool** to easily exchange data at clients' disposal, information **SYSTEMS**

It is key to your success that you explain what you need from them and why. You should give them an active role to play in enhancing the protection they will get from you.

Help them to understand the background of your request: explain, raise awareness, educate your people and your clients.



* **P**olitically **E**xposed **P**ersons

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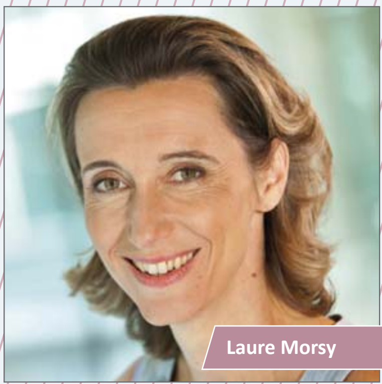
“Adapting to the new legal and regulatory framework”


Laure Morsy

BGL BNP Paribas

Laure Morsy, BGL BNP Paribas in Luxembourg, member of the Management Board, Chief Operating Officer (COO) and Head of Corporate and Investment Banking (CIB).

Laure’s experience includes:
- management of the Financial Institutions Coverage department including the teams of Senior Bankers in charge of Financial Institutions clients worldwide;
- contribution to BNP Paribas strategy;
- management of capital allocation to clients and Counterparty Risk management and;
- promoting the exchange of best practices/ innovative solutions, client knowledge accross the teams.

> What are the main regulatory implications arising from the 2008 banking crisis?

Following the 2008 financial crisis, the European banking industry has been facing successive waves of legal and regulatory reforms which put strain not only on the business model of the players but on their operational model as well.

MIFID2/MIFIR, AEoI, BCBS 239 are still on the roadmap of projects to be implemented and raise many challenges for a universal and G-SIB bank such as BNP Paribas.

> Talking about challenges, what are the biggest obstacles you are facing in terms of regulation? How will BCBS 239 (Basel Committee on Banking Supervision “Principles for effective risk data aggregation and risk reporting”) impact BGL BNP Paribas in Luxembourg?

The first challenge is linked to the diversity of the businesses that BNP Paribas is performing in Luxembourg across different legal entities.

BNP Paribas Securities Services, Cardif Lux Vie, BNP Paribas Investment Partners and BGL have all sorts of businesses and client interactions which lead them, at a certain point in time, to ensure consistency of views on the way they implement the new set of regulations. Just to mention one of many examples - the difficulty we are going to encounter in the implementation of BCBS 239 rules is that the legal entities operating in Luxembourg do not use the same client referential.

Legal entities will have to work together to build risk data models which are unified or automatically reconciliable across entities with unified naming conventions.

> How do you manage this regulatory avalanche in terms of timing and project management?

The timetable for the implementation of the new regulations is another challenge that the whole banking industry is facing as all the projects are coming at the same time. In our view, this situation requires a strong and efficient Project Management Office organization in order to perform the gap analysis, design and monitor the transformation plans.

In 2013, BGL moved towards a single unified PMO structure serving all the businesses and functions of the bank. This organization is proving to be particularly well adapted to the current environment as regulatory projects are transversal. Having a unified PMO structure is fostering consistency and harmonization of approaches between business lines. It is helping us as well to identify the common requirements across the different regulatory projects in order to avoid duplication of work to be done.

All these factors constitute a good lever to optimize the cost of these projects which are now consuming a large part of the change budget of the bank.

> Banks are facing a myriad of issues around data quality and management. How do you cope with this? What impact will new regulatons have on your data management and IT systems?

The set of new regulations which is underway is also pushing the banking industry to completely reconsider the way they deal with their data framework. Volume and granularity of data to be exchanged will increase dramatically.

The scope of the network in which the information has to be exchanged is also becoming more and more complex (reporting to fiscal authorities and to multiple regulatory bodies in Europe but also in the US, increased disclosure of information to clients ...).

Due to unflexible legacy systems, most of the banking industry IT architecture is currently not designed to comply with such significant requirements. This is why BGL has set investing in simplifying and renovating its core banking system and, as a result, lowering IT running costs as a priority.

This is the only way to be able to move swiftly and at the most appropriate cost towards meeting regulatory standards that we expect to evolve continuously over time.

The ability of the Luxembourg finance centre to evolve towards a more flexible banking secrecy regulation would certainly help in the solutions BGL is exploring to achieve this objective.

> All change management processes involve people. What measures have been taken by the bank to ensure that your people are up-to-speed with new requirements and operational challenges?

Adapting to the new legal and regulatory framework also leads to broadening the scope of responsibilities that are endorsed by banking officers. This should not be underestimated as it might put staff at risk. On our roadmap, we know we have to deal with the complexity of the information to be mastered both in functions and business lines.

Complexity is stemming from our business model: a universal and integrated bank. We are dealing with all types of clients (international high networth clients, domestic private clients, large and mid-sized corporates, financial institutions). We are confronted by divergences between regulations (FATCA/CRS/EUDAC, European/US rules on sanctions and embargos).

The revised policies on KYC and KYT are also more granular in the detail of information required from our clients.

Resources and tools have to be further developed in order to train efficiently our staff to master their new environment.

This has to be considered as well from a client management standpoint as you cannot envisage educating your clients if you have not first educated your own staff.

> Clients are the “raison d’être” for banks . Some banks are still struggling to rebuild a relationship of trust with their customers and adapt to commercial, digital and regulatory challenges at the same time. How do you remain client-focused despite these challenges?

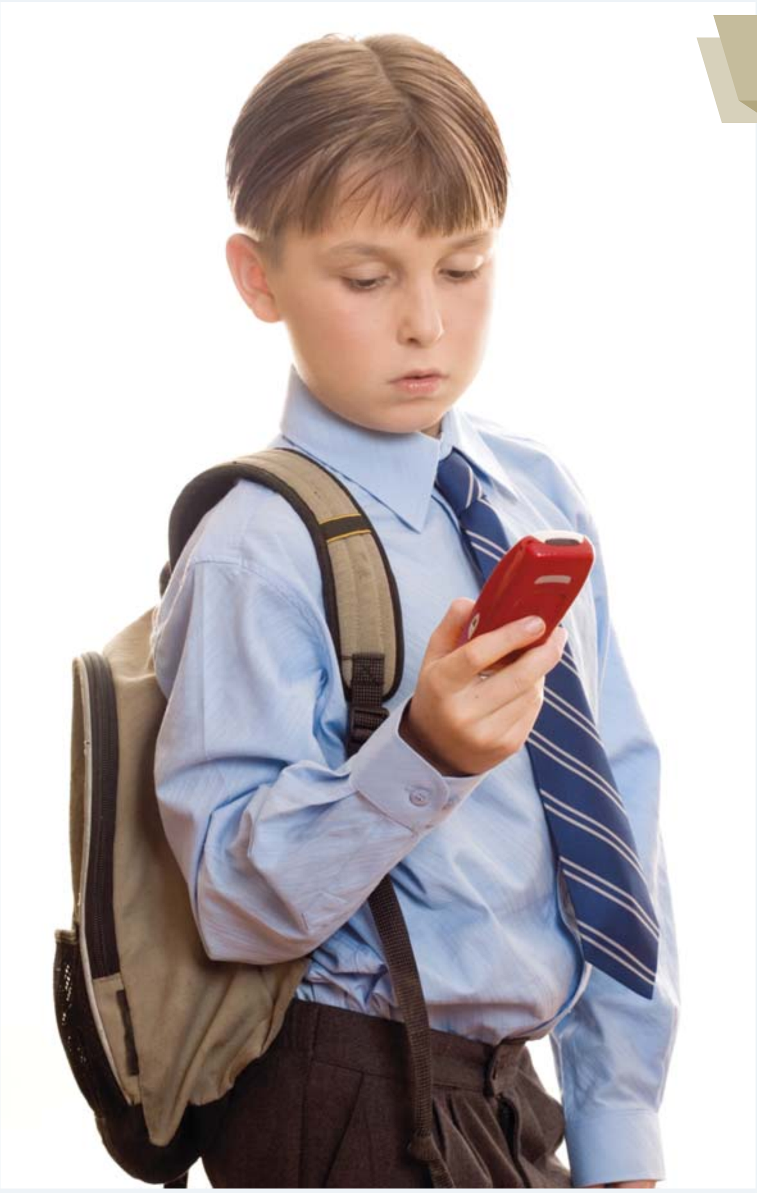
We are putting great emphasis on trying to manage in the best possible way the impact for our clients. The regulatory challenges should not be perceived negatively by our clients. If it is easy to say it in principle, it is much more complex to turn it into reality. Nevertheless, the Management Committee as well as the Board of Directors of BGL is strongly committed to achieving this objective. We are working on all options which can help preserve the time our commercial teams dedicate to serve their clients.

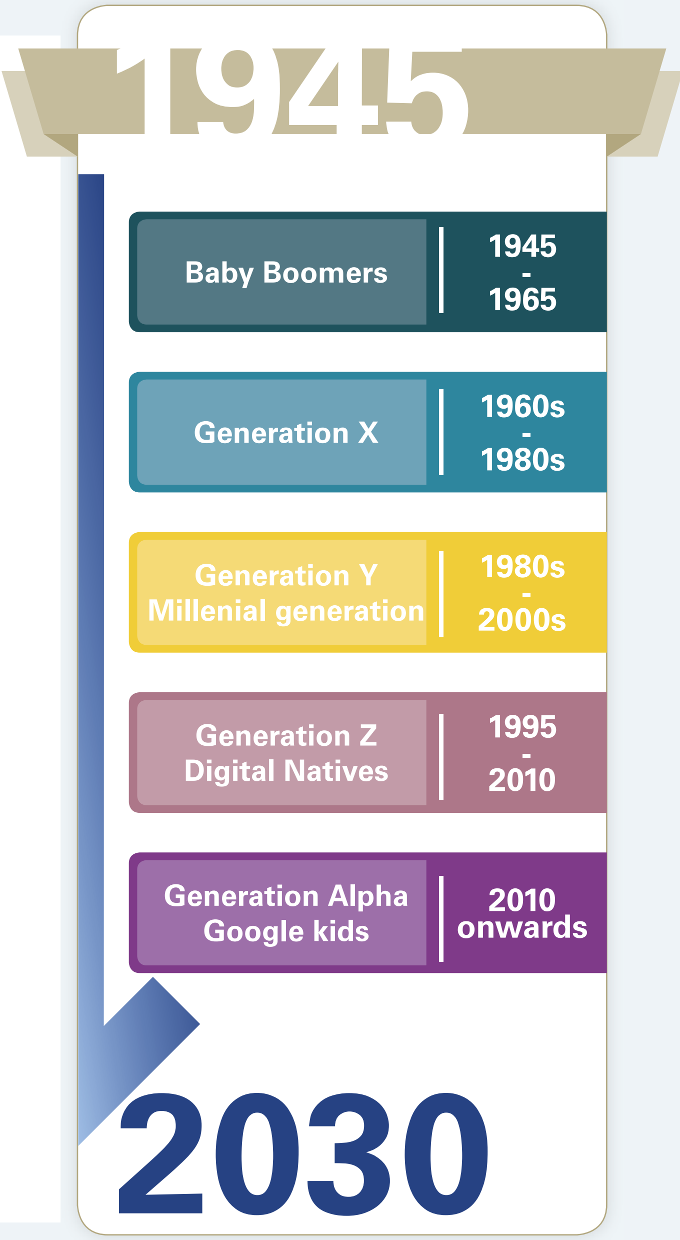
We need to find the right balance between the information requiring intimacy with clients (which relies firstly on relationship managers) and information which can be extracted automatically from the big data framework.

We are also considering the set-up of competence centers, mutualized across businesses, to address the issue of mastering complex and continuously evolving regulations.

This being said, there is a long way ahead of us to digest the bulk of the regulation.

New client behavior





"At UBS, we have always considered digital technologies as a clear opportunity"

René **MOTTAS**

BIO

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> From a global standpoint for the industry, how have you perceived the evolution of your client base over the past two years in Luxembourg and abroad?

International competition across private banking centers around the globe is increasing, and clients become more and more demanding on private banking services. The challenge is hence on the one hand to differentiate Luxembourg from the other financial centers, and on the other hand to understand and answer clients' new expectations and requirements. What we observe is that clients demand more flexibility in their investment portfolio and ask for tailored solutions which fit their needs. They seek more interactive service models and access to relevant and timely advice via a wide variety of media.

> Like many, have you seen a change in the type of customers you are serving, moving from a large number of mass affluent types of customers to a reduced number of HNWIs or UHNWIs with more sophisticated needs, a different mindset and higher consumer expectations?

We expect future growth in Wealth Management to mostly stem from UHNW, HNW and FIM segments as well as clients of our Asset Servicing platform, which provides Fund Structuring solutions, accounting services, risk and performance analytics, global custody, execution and analysis tools, prime services and direct access to our UBS Investment Bank.

From a geographical point of view, leveraging our European passport to further attract international business is also a key factor to support our growth strategy. Whilst the core of our Wealth Management activities remains on cross-border business in neighboring countries, increasing attention and investments are dedicated to other markets such as the Nordic countries.

> Does the potentially new client behaviors have an impact on the way the daily work of your account managers is organized? More availability needed from account managers? More commercial and less admin time needed?

The standard job profile of Client Advisors has changed; it is today more specialized as the cross-border environment has become very challenging, and particular attention is given to trainings on the regulatory framework in order to ensure that private bankers protect the clients and the bank's interests.

In addition, clients' needs become more and more complex and our client advisors, on top of being relationship managers are as well investment advisors. At UBS, they are however supported by investment and product specialists across the whole world, who constantly observe markets and assess investment opportunities.

> After having presented above the main changes, how your Bank is adapting itself to this new environment and do you see a need to speed up on the adaption of the traditional private banking model.

The adaptation of business models which has been in motion for the past years has prepared most actors to the new regulatory and client landscape, and early movers will likely be rewarded.

Difficult decisions have been taken in the past years at UBS. But it is only thanks to these decisions that we are today in such a solid position, with record-profits for the first quarter of 2015, and one of the strongest capital ratios of the industry, well ahead of most of our competitors.

> Do you see digital technology as a threat or opportunities to traditional wealth management activities? Customers turning their back on their account managers as information is freely available (all the more in a MIFiD II context, where advice is now being provided for a fee)? Customers easily swapping banks? Customers more easily comparing transaction or management fees?

At UBS, we have always considered digital technologies as a clear opportunity, as it offers more and more flexible ways for clients to get in touch with their client advisor, execute transactions or look into the performance of their investments.

You are right in saying that more and more information is freely available, but handling this volume of information significantly increased complexity for clients, who now, more than ever, need client advisors to guide them and help them to make the right investments. In addition, many clients do not have the time or the wish to closely follow financial markets. This explains the importance of our discretionary offering, which allows clients to delegate to dedicated teams of professionals the day to day management of their portfolio strategy, in line with their wishes and profiles.

UBS has been recognized as the Best Private Bank in Luxembourg by Euromoney this year, and we observe every day that satisfied clients do not swap banks.

> In your opinion, should any future IT investments rather be focused on the front office tools (both for clients' and account managers' usage) or on middle and back office solutions?

The industry is driven by various trends. On one hand clients expect seamless real time and 24/7 interaction, pointing to the need for state of the art, reliable and multi-platform front applications, whether in-house or online. On the other hand clients expect from their wealth managers straight-through and flawless execution of their orders, complete and accurate reporting tools and reliable security systems. So budgets need to be smartly spread between these interlocking investment objectives.

> Do you see new competitors emerging on the wealth management market, mainly coming from the technological world and putting forward purely digital-based offers?

The banking sector went through an important transformation in the last 10 years. Due to the increasing regulatory requirements and the related increase in costs and complexity to serve clients, as well as the growing competition across banks and booking centers, the number of banks has decreased, most of the leaving banks being smaller institutions which had not reached critical size.

Technological actors can easily take ground in straight-through processes, such as payments or order execution. But wealth management is a different business. It is based on the capacity to be a partner and a guide to clients. Our client advisors support their clients through all cycles of life, in an ever more complex regulatory environment, and in an increasingly unstable market environment. I really believe that providing advice require human interaction, and cannot be fully replaced by technology.

> UBS is a Swiss bank, what your colleagues are perceiving the Luxembourg place. Allies or competitors or both.

We are seen as complementary financial center. Our ambition is to position UBS Luxembourg as a center of excellence for certain UBS group activities in Europe. This is reflected in our motto "Solutions for Europe – Made in Luxembourg".

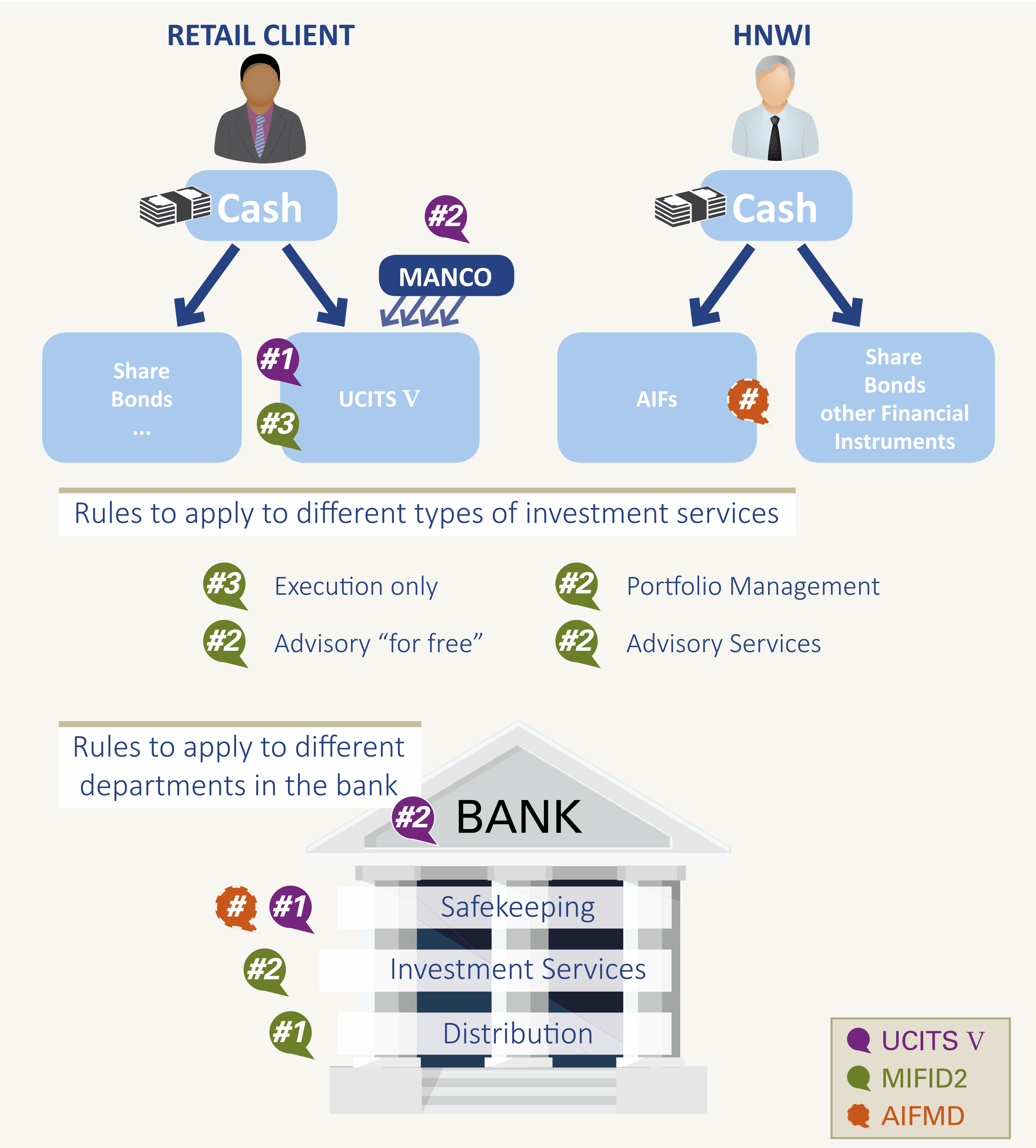
The Luxembourg place is recognized as a leading market for financial services. It is the #1 private banking center in the Euro zone and the world's 2nd largest domicile for fund management behind the US. Our integrated Asset Servicing business unit has been established in Luxembourg in order to leverage on this expertise in the investment fund industry, and to accelerate asset gathering and business growth.

> Finally can you say a word on your expectations for UBS Luxembourg in this game changer.

I have very high ambitions for UBS Luxembourg for the next years. In 2014, we have launched two branches of UBS Luxembourg in Sweden and Denmark. A team of strong and senior professionals was hired, which shows the strong commitment of UBS in these two countries. This goes along high expectations as well. In Luxembourg, our whole wealth management team is now focused on growth again after the last two transition years, and our Asset Servicing unit in particular will play a central role in the European strategy of UBS.

Investor protection

Applying the main AIFMD, UCITS V and MiFID2 rules



Applying the main AIFMD, UCITS V and MiFID2 rules

Applying the main AIFMD, UCITS V and MiFID2 rules

#1 **Ban on Inducements – Impact on the business model and on investors?**

- No more trailer fees for portfolio management services and independent advice – STRICT BAN!
- For other advisory services, full transparency/ reporting to clients
  - End of open architecture? Therefore less choice for investor.
  - Increase in advisory fee, which may lead to smaller investors no longer being able to access advice.
  - Development of brokerage platforms, like in the UK?

#2 **Significant increase in documentation and reporting to client receiving advisory and portfolio management services:**

- Difficult to assess the level of awareness of investors and their willingness to share personal data more regularly ➔ Feeder for an effective Suitability Assessment,
- Requirement to perform and document suitability of advice EX-ANTE may lead to delays in capturing investment opportunities.

#3 **New definition of complex products**

- Need to look through UCITS to understand and assess the complexity of the investment strategy and pay back model. UCITS label cut into 2 pieces.
- Alerts to be generated for retail clients willing to invest in complex products, although not enough financial wealth to afford advice which is personalized.

#1 **New rules applicable to UCITS depositaries**

In addition to safekeeping duties and stricter asset segregation rules, the text introduces oversight duties and cash flow monitoring requirements.

- Highly probable that we will see an increase in the depositaries fees paid by UCITS to the detriment of investors, achieving lower profitability.
- Will depositaries exclude from their responsibility "exotic" assets where they are at risk due to the strict liability regime introduced by UCITS V?

This may also limit retail investors' access to new emerging markets.

#2 **Stricter Independence rules**

- ManCos and their depositaries to further document and monitor conflict of interest related risks.

Regulators' objectives are to:

➔ Protect investors' assets in case of depositary bank bankruptcy,

➔ Ensure there are strict rules in place to allow the clients' interests to be served first,

➔ Improve transparency as to the costs attached to the services received and their impact on the performance of the investments.

Regulations are all converging to the same objective, which is "Investor Protection". However, the different client segments may not benefit equally from these new measures as the associated costs might be too high.

For those who maintain an advisory relationship with their banker, the benefit can only improve quality.

> KPMG contact: anne-sophie.minaldo@kpmg.lu

"Each customer relationship encompasses discretion, commitment and trust as well as transparency of costs and processes..."

DZ PRIVATBANK

BIO

Title:
Administrative Director and Director

Company:
DZ Privatbank S.A.

Website:
www.dz-privatbank.com/dzpb/en/luxembourg_location.html

Location:
Strassen

DZ PRIVATBANK has positioned itself as a competence center in private banking, loans across all currencies and fund services in the German market as well as the close cooperation with the cooperative financial network (Genossenschaftliche FinanzGruppe). The business model is based on the proximity to the local partner banks through the nationwide presence in nine German cities in addition to the strengths of international locations in Luxembourg, Zurich and Singapore.

> Are you of the opinion that the current regulatory developments significantly contribute to an improvement of investor protection, or rather pose an administrative burden for financial service providers?

As a result of the financial market crisis, the adaptation of the regulatory framework for credit institutions is important and crucial. However due to the wide-ranging scope and the speed of implementation, the accuracy and practicality of the proposed rules seem to get lost. The feedback from our customers shows that the regulatory development - intending to improve investor protection – is not perceived by the majority of investors. Especially experienced customers with an appropriate business routine fail to realize the value of those repetitive and time-consuming measures. Subsequently from my point of view the flood of regulation is an administrative burden of the financial industry in its current complexity, and rather weakens the opportunities to strengthen the capital base on the background of the ongoing low interest rates.

> Do you think that investors are willing to accept increasing costs if they are accompanied by a significant increasing level of their protection? Where do you see the limits of their readiness?

I do not believe that investors will accept increasing costs and therefore assume that the limit of their readiness has already been reached. Customers - particularly in the German market - are very price sensitive and are increasingly make use of advice-free distribution forms, placing orders outside of established intermediaries and an excessive formalized investment advice. It is difficult to convey to the consumer that he should bear higher administrative expenses and additional administrative costs for his protection which he already obtained in the past. By sacrificing his pension provision agreements in terms of the low interest rate policy and within his capacity as a taxpayer the consumer already pays for a significant contribution to tackle the debt crisis.

> How do your customers perceive the regulatory developments which should contribute to their protection? Which approach you follow to communicate regulatory developments and changes influencing your service offering?

As already mentioned, the customers often don't realize the added value of the regulatory provisions and feel overloaded as a consequence of the formalism; sometimes they even feel patronized by the legislator. In principle, they understand the background of the required adjustments and consider them meaningful. In practice they wish for – similar to the financial institutions - more pragmatism and respect of ownership as part of the ordinary business relationship. DZ PRIVATBANK has timely amended its consulting approach and procedures in line with the German Securities Trading Act.

(Deutsches Wertpapierhandelsgesetz). The transposition of regulatory changes is carried out actively and in terms of the individual customer advice. It includes - also at our location in Luxembourg - written interview documentation in addition to key investor information documents, a MIFID brochure and the provision of product information sheets.

> Do you believe that your clients appreciate the increase in transparency requirements on product offerings (e.g. PRIPS) or would this cause additional concerns on their side?

Each customer relationship encompasses discretion, commitment and trust as well as transparency of costs and processes – not only within the financial industry. Subsequently it can be assumed that banks and customer advisers already acted honest and responsible within long term partnerships with their clients. Higher level of transparency is therefore well appreciated by those customers that have seen a need for optimization or are entering into investment advice. It would be welcomed if the quality of investment advice and the suitability of customers' solutions are improved through more transparency. However, the requirements should not make the customers and suppliers feel the barriers as a burden and decide not to consider certain investment options due to excessive formalism.

> How do you see competition evolving for service providers? Do you believe that the current regulation encourages competition leading to an increase in quality of service provision and investor protection?

In Germany it can already be assessed today that numerous banks retreated from the investment advice of securities. More specifically smaller organizations focusing on retail business have limited their proposals due to the load of temporal and administrative expense. The predatory competition has already been started and will not stop in front of Luxembourg as market place. In the long term, smaller companies, if not niche players, will struggle to survive due to the cost pressure.

The initial quality improvement could reverse, if the overall number of service providers decreases and the competition becoming lower per se. Based on the already implemented advisory models and the focus on the management of the target group of high net wealth customers in the market segments of private banking, fund services and credits, DZ PRIVATBANK considers itself fit for the future.

> Which of the following concrete examples of regulatory changes in terms of Investor Protection are affecting your business model?

All three examples have particularly impact on our market segment of fund services.

The ban of inducements as one of the corner stones of MiFID II:

Portfolio commissions currently represent a significant component of our fund initiator contracts. Because of the omission of these revenues, we will have to seek new solutions to compensate the distribution expenses.

The adaption of the liability regime on depositaries in UCITS 5 towards AIFMD:

The liability regime in AIFMD which has already been implemented, must now be expended and applied to UCITS 5. This leads to increased costs and could also lead to the release of niche products.

The aggravation of regulations in the field of independence and conflicts of interests within UCITS 5 (e.g. ownership structures between custodians and Management Company):

If necessary, shareholder structures must be reviewed and restructured (new models) and processes adapted to certain conflict of interests. A complete separation would raise fundamental questions to our business model.

> The recent regulation put emphasis on an empowerment of the regulator in combination with strict sanctioning of compliance violations. Do you believe that regulators will make more use of sanctions in the future? Do you see a change in the attitude of how oversight is currently executed?

To be taken seriously, the supervisory authorities must make use of the sanctions provided in the directives. They have to accept their task to monitor the financial markets, particularly with regards investor protection. The globalization offers less room for interpretation and leads to "stricter" controls. The supervisory authorities will increase their staff – the CSSF increased its staff by 12.5% in 2014 – and will forward the incurred expenses to the financial industry. In any case the use of sanctions should be carefully considered.

Digital transformation … are you ready?

kpmg.lu

Tax challenges for Luxembourg banks

Tax transparency

Exchange of information
Exchange of information between tax authorities on an ongoing basis via automatic, spontaneous or upon request (e.g. FATCA, Revised DAC, CRS)

Base Erosion and Profit Shifting (BEPS)
OECD action plan to combat base erosion and profit shifting by multinational companies exploiting gaps in tax rules to artificially shift profits to low or non-tax locations and reach double non-taxation

Transfer pricing and country-by-country reporting

Increased focus on transfer pricing
Review and documentation of profit allocation and remuneration determination methods within group entities

Introduction of country-by-country reporting
Providing more and better information to tax authorities and to the public on the activities of companies operating at a global level through many subsidiaries located in several jurisdictions

The future

Compliance with increasing number of rules, regulations and laws

Full transparency is the new normal

Develop a **tax communication strategy** and align the corporate setup with the strategy

Elimination of tax friction

Direct and indirect tax costs associated with the execution of financial transactions

- Withholding tax reclaims (EU and third countries)
- OECD's TRACE project: automatic upfront withholding tax reduction system

Modernization of Luxembourg tax environment

- Tax reform from 2017: reduction of nominal corporate income tax rate?
- Modernization of the ruling procedure
- Development of the practice consisting administrative circular letters

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"In my opinion, for an economy that is as open to the world as Luxembourg's, BEPS should be considered at least as seriously as the CRS."

Francis **NEU**

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Kirchberg

> How does tax transparency impact Luxembourg banks?

For financial institutions, tax transparency is now of course an unavoidable topic. It changes the way Luxembourg financial institutions do business. Every financial institution has to comply with Foreign Account Tax Compliance Act ("FATCA") today and with the Common Reporting Standard ("CRS") tomorrow. It is an onerous task but banks are doing their best to comply. Furthermore, when we think about the costs related to these new regulations, we should not only consider those related to the internal setup, but also the recurring costs involved in daily operations.

> You just mentioned the CRS, this new standard for an automatic exchange of financial account information. It seems to be the next big thing to come, what do you think?

Yes indeed, in our bank, CRS is our growing project for the time being. The other exchange of information measure, FATCA, is still in the production stage. Even if one could say that there is a lot of crossover between FATCA and CRS rules, there are still many real differences between these two regulations. These differences are of a limited number but can have material consequences. What's more, whereas Luxembourg banks typically only had a limited number of U.S. clients and thus reportable under FATCA, CRS will hit the vast majority of the clients of Luxembourg financial institutions. In terms of scope, a CRS project is therefore bigger than a FATCA project is. For banks which have not yet anticipated CRS's implementation, things could be more difficult in the coming months.

> What is your opinion on the Base Erosion and Profit Shifting ("BEPS") initiative from the Organisation for Economic Cooperation and Development ("OECD")?

In my opinion, for an economy that is as open to the world as Luxembourg's, BEPS should be considered at least as seriously as the CRS. A lot of international groups are established or have a presence in Luxembourg, and not only in the financial sector. BEPS will lead to significant changes that will need to be observed by both the government and the taxpayer. In certain cases, businesses will have to be reorganized and the substance increased. Compliance with the regulations derived from the BEPS action plan - be they Global, European or National - will further complicate the taxation of companies with more regulations to be observed and implemented within a short period of time. With regards to the initiatives taken to improve tax transparency, the smallest countries are of course disadvantaged in this respect for several reasons, in particular the fact that smaller economies are usually more open and cross-border. Here again, this means additional costs. Companies as well as the tax authorities will need to hire more and more specialized employees, increasing both the cost burden on companies and also public expenditure. Finding the right people will also in itself represent a challenge in certain cases.

> With the Capital Requirement Directive ("CRD") IV, the European Union package of rules for banks and investment firms, financial institutions appear to be especially targeted?

I am above all else concerned about the privacy of the information delivered to the public authorities of the member states. Financial institutions have their financial strategy and it is difficult to imagine any reason why information would be made available to the public. Multinational groups should anticipate their Country-by-Country ("CBC") reporting. Forewarned is forearmed. One should be ready to justify taxes being paid, where and why. This naturally leads us to transfer pricing and the key issue of documentation.

It is also interesting to note that there is a duplication of certain rules, for instance within BEPS and the Common Consolidate Corporate Tax Base ("CCCTB") initiative at the European Union level. Here again, it is costly and time-consuming. On a legal level, this could lead to differences of interpretation between countries. In the end, this means legal uncertainty and legal uncertainty is never good for business and thus for the economy.

> And this could lead to more double taxation issues.

Yes, governments should further develop arbitration possibilities and ensure more legal certainty. To give security to companies about legal matters, rulings are a big part of the solution. However, today rulings are associated with tax evasion. However, those believing this are sadly mistaken: the core function of rulings is to assure a certain level of legal certainty to the taxpayer. This is probably why most EU member States have ruling procedures in place, including all our neighboring countries and not only Luxembourg. A lot of half-truths and myths are spread out by the media in this regard.

I am also of the opinion that the disclosure of rulings, as currently discussed on an EU level, should be extended to include pure national rulings. Restricting this disclosure to cross-border rulings only puts smallest member states in the EU like Luxembourg at a disadvantage once more. Everything should be put on the table.

> What would be your wish-list for the planned tax reform in Luxembourg?

Well as you know, nothing is known for sure at this point in time. What we can say, however, is that the taxable basis of certain corporate taxpayers is expected to be enlarged in the future as a result of initiatives like BEPS that we were discussing before. To stay competitive, there are not many options available: one should adjust the tax rate. Based on publicly available information, it seems that the Government is considering the idea of lowering the statutory rate to somehow compensate future increases in the taxable basis, which is good. Of course the next question is how low? If the wish is for Luxembourg to remain competitive, the statutory rate should be as close as possible to those applicable in competing jurisdictions like the United Kingdom or Ireland, maybe about 15%. Besides, to my mind this reform represents a unique chance to dramatically simplify our corporate tax system. A modern tax environment cannot continue with the corporate income tax, municipal business tax and the unemployment fund contribution that we see in place today. The question of the abolishment of the net wealth tax also has to be raised. This tax that do not exist in most western countries, at least for corporate entities, and is totally anti-economic.

> In your opinion the government should decrease the income tax rate for companies, but this would also lead to lower tax revenues for the authorities, wouldn't it?

Not really. According to the English and Irish research and articles on this, written after the income tax rate in the UK and Ireland was lowered, it turned out that - despite the decrease in the rate in these countries - the tax revenues kept increasing thanks as the lower rates attracted new foreign investors in particular. This might not be the case in year one, obviously, but we are speaking here about a long-term vision and a long-term strategy.

And, as a final comment, I am of the opinion that we should keep some tax competition within the EU. It helps with the efficient governance of public funds. We should not forget that Europe needs to face the global competition, coming in particular from Asia. I sometimes have the feeling that we are keep, economically speaking, fighting against one another in Europe whereas our real competitors are Asian. Future consumers are in Asia, Asia is developing its infrastructures and has a skilled and often cheaper workforce. We should not forget this.

ILA: Bank's governance on top of the agenda

Increase in independent directorships

The question is no longer whether there should be independent directors on boards; the value of independent directors who bring a fresh perspective to the board has been proven. The question is now how many independent directors should there be. Regulation now encourages banks to have independent directors on board. For example, Luxembourg Circular 12/522 states that the CSSF recommends that larger institutions have one or several independent directors and that it is the chairman who is in charge of proposing the election of independent directors. Basel Committee Guidelines state that "the board should be comprised of a sufficient number of independent directors."

Director qualifications

The standards for director qualifications are rising. Under CRD IV, banks are now required to demonstrate that candidates for boards are "fit and proper" for the position and, if the candidate is not, the CSSF has the authority to refuse to approve the proposed candidate.

Enhanced board and management dialogue

There is an increase in the level of dialogue required between the board of Directors and Management. The Board of Directors is to actively enquire about the management of the bank. There must be regular meetings between Board and Management, as well as the key control functions. There is also a requirement that support be given to independent non-executive directors and non-executive directors to ensure they have the information they need to make fully informed decisions.

Succession planning

Succession planning is becoming a much more structured process. Succession planning now includes a documented plan that is approved at a board level and reviewed regularly. For significant banks, under CRD IV, there is also a requirement for the board to consider "a broad range of qualities and competencies, including diversity" when making nominations to the Board. Further details have not yet been provided.

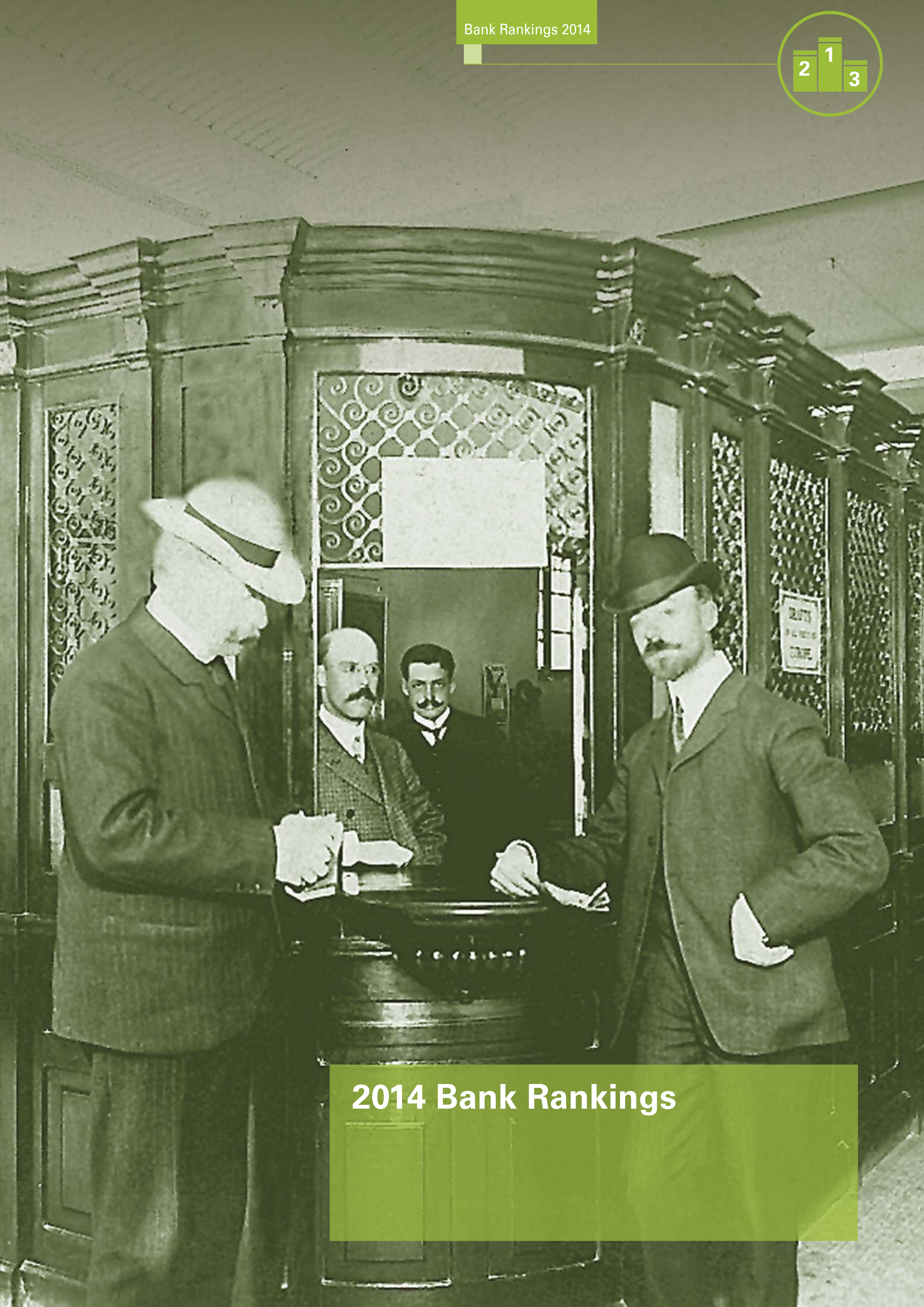
Expansion of Board Committees

The number of Board Committees is also on the rise. Banks are increasingly operating through the use of an audit committee, a risk committee, a nomination committee and remuneration committee. The principle of proportionality does apply, permitting smaller institutions to consider the scale and complexity of its operations when determining if these four committees are required and how their mandates might be structured.

Board assessments

The Board is advised, and in many cases required, to carry out an assessment of the internal governance of the institution at least once a year. The board of directors must assess the institution's ability to manage risk, the guiding principles of the institution, the manner in which management meets its responsibilities, the adequacy of the organisational structure and the efficiency and effectiveness of internal control mechanisms. Many credit institutions are beginning to consider how to practically implement this.

**> ILA Banking commission is organising a 2 day training program for directors in October 2015.
A registration form is available on the ILA website (www.ila.lu)**



2014 Bank Rankings

Overview

	Bank
1	Deutsche Bank Luxembourg S.A.
2	CACEIS Bank Luxembourg
3	Banque et Caisse d'Epargne de l'Etat, Luxembourg
4	Société Générale Bank & Trust
5	BGL BNP Paribas
6	Erste Europäische Pfandbrief- und Kommunalkreditbank Aktiengesellschaft in Luxemburg
7	UniCredit Luxembourg S.A.
8	Banque Internationale à Luxembourg
9	ING LUXEMBOURG S.A.
10	Norddeutsche Landesbank Luxembourg S.A.
11	Banque de Luxembourg S.A.
12	RBC Investor Services Bank S.A.
13	DZ PRIVATBANK S.A.
14	Société Européenne de Banque S.A.
15	Clearstream Banking S.A.
16	J.P. Morgan Bank Luxembourg S.A.
17	State Street Bank Luxembourg S.A.
18	UBS (Luxembourg) S.A.
19	KBL European Private Bankers S.A.
20	NORD/LB COVERED FINANCE BANK S.A.
21	Banque Safra-Luxembourg S.A.
22	Banque Raiffeisen
23	Pictet & Cie (Europe) S.A.
24	HSBC Private Bank (Luxembourg) S.A.
25	DekaBank Deutsche Girozentrale Luxembourg S.A.
26	Crédit Suisse (Luxembourg) S.A.
27	Nomura Bank (Luxembourg) S.A.
28	Banque Privée Edmond de Rothschild Europe
29	Industrial and Commercial Bank of China (Europe) S.A., en abrégé ICBC (Europe) S.A.
30	PayPal (Europe) S.à r.l. et Cie, S.C.A.
31	Société Générale Capital Market Finance
32	Crédit Agricole Luxembourg
33	Natixis Bank
34	MEDIOBANCA INTERNATIONAL (LUXEMBOURG) S.A.
35	Nordea Bank S.A.
36	Eurobank Private Bank Luxembourg S.A.
37	The Bank of New York Mellon (Luxembourg) S.A.
38	Skandinaviska Enskilda Banken S.A.
39	UBI Banca International S.A.
40	UniCredit International Bank (Luxembourg) SA
41	Banco Bradesco Europa S.A.
42	Hypo Pfandbrief Bank International S.A.
43	ABN Amro Bank (Luxembourg) S.A.
44	Commerzbank International S.A.
45	Banque Degroof Luxembourg S.A.
46	Fideuram Bank (Luxembourg) S.A.
47	DNB Luxembourg S.A.
48	Compagnie de Banque Privée Quilvest S.A., en abrégé CBP Quilvest S.A.
49	Mitsubishi UFJ Global Custody S.A.
50	John Deere Bank S.A.
51	Banco Popolare Luxembourg S.A.
52	Danske Bank International S.A.
53	Dexia LdG Banque S.A.
54	Société Nationale de Crédit et d'Investissement
55	VP Bank (Luxembourg) S.A.

Total Assets € million		Amounts owed to customers € million		Net interest income € million		Net fee and commission income € million		Profit for the financial year € million		Own funds € million		Staff number	
2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
85,537	89,245	15,072	13,251	332	365	-27	1	185	189	4,865	4,750	304	299
43,171	41,424	16,807	15,600	99	174	121	114	85	171	882	625	918	838
41,156	40,664	25,119	25,113	380	391	94	90	219	208	3,469	3,098	1,781	1,797
35,798	41,877	11,938	12,934	186	242	181	169	610	312	2,523	2,477	1,041	829
31,467	31,245	19,827	18,999	519	548	145	180	176	146	5,542	5,482	2,594	2,792
23,259	16,681	2,045	1,412	0	27	-1	-1	-22	45	616	445	20	10
22,761	17,348	1,510	2,322	111	151	27	17	85	129	1,316	1,316	178	186
20,285	19,496	13,444	12,247	257	235	151	143	169	168	926	859	1,929	1,868
13,811	12,389	11,402	9,891	161	163	73	66	145	120	1,171	1,147	802	791
13,804	15,056	2,153	2,113	86	91	-13	-11	29	27	723	699	201	229
13,697	12,845	11,087	10,242	67	88	133	126	63	69	655	637	796	744
13,190	12,117	10,294	9,275	42	39	169	191	77	26	843	841	1,444	1,472
12,950	13,766	5,541	5,782	79	92	129	135	46	45	739	740	863	810
12,928	14,646	3,519	4,071	152	163	17	18	163	166	1,290	1,240	161	166
12,807	11,247	1,345	797	28	26	382	356	153	19	1,017	676	414	322
12,071	7,353	11,096	6,538	31	42	267	236	58	112	859	643	500	518
11,474	8,741	8,378	5,570	141	135	246	211	196	181	2,699	2,639	726	715
9,583	9,891	7,994	8,176	18	18	122	124	38	40	468	500	563	438
8,422	8,413	0	0	56	53	74	88	71	35	1,149	1,132	934	951
7,086	6,329	991	693	8	6	-5	0	0	0	77	77	0	0
7,003	5,888	3,827	2,930	83	49	21	18	35	27	248	221	121	131
6,658	6,354	5,499	5,237	93	91	18	17	18	18	292	274	581	580
6,463	4,526	4,546	3,399	24	9	168	145	60	87	276	224	515	268
6,394	5,337	1,340	1,151	15	20	10	6	4	11	172	156	113	111
5,788	8,242	4,389	4,233	17	23	70	73	83	122	533	529	399	405
5,677	5,070	4,359	3,924	20	15	71	59	2	-2	182	184	302	211
5,562	5,249	3,077	3,492	5	6	77	74	55	54	344	288	345	350
5,488	5,570	5,006	4,953	10	9	136	134	24	27	187	185	705	656
5,322	5,492	3,383	963	77	82	28	16	53	23	263	240	289	43
5,238	3,774	132	189	223	137	131	115	101	72	2,277	1,491	59	52
4,954	N/A	4,876	N/A	9	N/A	-7	N/A	0	N/A	11	N/A	4	N/A
4,883	4,827	3,424	3,419	60	45	64	74	36	41	475	517	402	359
4,731	2,250	2,646	456	20	31	10	11	11	16	825	825	122	114
4,347	4,290	1,231	1,051	23	16	7	7	19	15	246	231	9	5
4,166	4,504	3,357	3,823	50	43	113	100	78	52	389	330	351	313
4,164	6,229	1,194	871	26	31	4	3	21	30	270	240	80	74
3,922	3,100	3,569	2,758	0	2	36	34	-31	0	69	69	242	210
3,607	3,162	2,960	2,650	16	21	33	30	19	25	196	171	208	180
3,315	4,896	970	1,568	17	20	9	10	-13	-11	101	115	101	73
3,162	3,188	1,000	1,144	13	11	0	0	5	5	263	244	16	17
3,158	2,214	885	661	23	26	9	8	20	18	334	309	37	40
3,002	3,610	1,029	1,555	2	7	0	0	-14	0	154	154	14	14
2,904	2,999	2,349	2,476	23	24	18	19	15	6	205	205	131	142
2,894	3,000	1,119	1,241	17	16	30	34	18	21	342	347	107	127
2,688	2,572	2,178	1,929	16	22	72	69	49	59	231	206	295	289
2,153	2,049	1,982	1,847	5	5	19	21	15	17	69	66	45	48
1,986	1,739	1,140	1,054	11	8	5	4	6	5	43	39	40	30
1,978	1,234	1,874	1,133	11	8	22	21	4	5	54	49	115	105
1,941	2,048	863	1,324	5	6	50	41	16	19	95	83	147	129
1,860	1,775	0	0	69	67	1	1	45	33	245	215	113	61
1,477	2,225	1,319	2,072	7	7	6	6	3	3	72	69	33	34
1,465	1,409	796	675	16	17	17	17	10	16	150	131	91	91
1,384	2,396	0	0	2	-1	0	0	-41	14	108	149	0	0
1,333	1,312	35	34	5	5	0	0	47	38	1,250	1,212	14	12
1,289	1,433	966	1,004	7	6	15	11	3	0	124	120	107	110

	Bank
56	M.M. Warburg & CO Luxembourg S.A.
57	Union Bancaire Privée (Europe) S.A.
58	EFG Bank (Luxembourg) S.A.
59	Danieli Banking Corporation S.A.
60	Banque Havilland S.A.
61	Société Générale LDG
62	HSH Nordbank Securities S.A.
63	Sal. Oppenheim jr. & Cie Luxembourg S.A.
64	Banque LBLux S.A.
65	East West United Bank S.A.
66	Advanzia Bank S.A.
67	Banque BCP S.A.
68	Banca Popolare dell'Emilia Romagna (Europe) International S.A.
69	BSI Luxembourg S.A.
70	BHF-BANK International
71	Mizuho Trust & Banking (Luxembourg) SA
72	SMBC Nikko Bank (Luxembourg) S.A.
73	Cornèr Banque (Luxembourg) S.A.
74	Credem International (Lux)
75	Bank Leumi (Luxembourg) S.A.
76	Delen Private Bank Luxembourg S.A.
77	Banque Carnegie Luxembourg S.A.
78	Banque de Patrimoines Privés
79	TD Bank International S.A.
80	Andbank Luxembourg
81	Catella Bank S.A.
82	China Construction Bank (Europe) S.A.
83	Banque Transatlantique Luxembourg S.A.
84	Fortuna Banque s.c.
85	Sumitomo Mitsui Trust Bank (Luxembourg) S.A.
86	La Française AM Private Bank
87	Bankinter Luxembourg S.A.
88	Banque Puilaetco Dewaay Luxembourg S.A.
89	Frankfurter Volksbank International S.A.
90	ABLV Bank Luxembourg S.A.
91	Europäische Genossenschaftsbank S.A. - European Cooperative Bank S.A. - Banque Coopérative Européenne S.A.
92	Brown Brothers Harriman (Luxembourg) S.C.A.
93	Mirabaud & Cie (Europe) S.A.
94	Freie Internationale Sparkasse S.A.
95	Banco BTG Pactual (Luxembourg) S.A.
96	GPB International S.A.
97	Société Générale Financing and Distribution
98	Argentabank Luxembourg S.A.
99	Bank of China (Luxembourg) S.A.
100	Lombard Odier (Europe) S.A.
101	Keytrade Bank Luxembourg S.A.
102	BEMO EUROPE - BANQUE PRIVEE
103	Banque Hapoalim (Luxembourg) S.A.
104	Banque Öhman S.A.
105	Allfunds Bank S.A.

Total Assets € million		Amounts owed to customers € million		Net interest income € million		Net fee and commission income € million		Profit for the financial year € million		Own funds € million		Staff number	
2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
1,220	1,212	1,165	1,134	5	5	17	15	4	4	93	33	132	128
1,052	875	793	685	1	1	32	25	14	13	117	102	45	33
965	1,136	536	670	5	6	22	24	4	7	55	50	108	83
963	N/A	0	N/A	6	N/A	0	N/A	-11	N/A	1	N/A	5	N/A
957	627	530	330	11	8	5	4	7	0	142	111	52	51
907	907	0	0	4	5	0	0	3	4	76	81	2	3
888	1,030	26	28	4	4	4	4	13	14	178	N/A	65	84
807	1,822	612	1,592	-1	0	15	15	-24	3	168	168	100	106
797	3,606	10	1,680	3	58	13	19	52	-46	454	376	147	183
733	1,132	498	273	19	19	0	2	2	11	140	92	68	51
729	733	651	653	91	72	6	5	28	21	62	50	84	79
680	625	220	196	8	8	4	4	1	1	31	30	70	71
665	542	558	422	3	3	2	2	2	2	46	45	18	17
561	2	322	2	4	4	9	8	-3	-2	46	42	75	63
538	544	189	171	1	4	2	1	0	0	47	47	27	31
516	1,334	304	295	1	1	24	20	-5	-2	61	53	124	122
514	705	375	555	1	2	9	11	0	5	127	122	87	86
459	521	149	185	1	2	3	3	0	0	49	48	23	23
440	715	235	387	1	1	27	22	19	15	121	115	26	25
426	529	265	312	5	5	5	5	-3	3	34	31	16	31
396	402	262	287	0	1	52	48	41	38	36	30	43	45
393	384	354	336	3	4	8	8	4	5	24	24	40	40
391	314	303	265	2	2	10	8	4	4	28	24	40	36
384	377	358	349	2	3	5	5	-2	0	24	27	44	39
374	394	311	87	3	4	4	4	0	1	50	50	54	38
284	260	213	192	3	4	20	16	0	-5	28	33	146	110
258	208	0	0	5	0	0	0	2	-1	199	200	26	18
238	294	113	177	2	2	7	8	2	2	20	20	29	29
233	233	220	220	3	3	0	0	0	0	11	11	21	18
218	260	0	0	0	1	5	5	1	1	36	31	21	19
200	145	0	48	33	1	-5	0	0	0	20	20	26	26
186	87	55	32	2	1	0	0	-2	-1	30	18	0	12
163	150	136	128	0	0	11	12	3	4	19	15	27	28
160	N/A	125	157	2	2	0	0	0	0	33	33	7	7
124	36	101	19	0	0	0	0	-3	-3	16	15	15	13
118	155	0	0	0	0	0	0	0	0	12	12	5	5
86	53	0	0	0	0	101	88	31	28	36	23	344	363
55	N/A	32	N/A	0	N/A	3	N/A	-4	N/A	22	N/A	8	N/A
48	60	32	40	1	0	2	2	2	1	4	0	15	16
45	N/A	0	N/A	0	N/A	0	N/A	-1	N/A	46	N/A	3	N/A
38	20	0	0	0	0	0	0	-7	-1	19	19	15	9
23	N/A	0	0	1	N/A	3	N/A	2	0	20	N/A	5	5
18	75	0	2	0	1	3	2	1	1	15	17	18	22
N/A	856	N/A	441	N/A	15	N/A	4	N/A	3	N/A	217	31	20
N/A	675	N/A	575	N/A	1	N/A	25	N/A	-8	N/A	31	N/A	22
N/A	188	N/A	172	N/A	2	N/A	3	N/A	3	N/A	13	N/A	10
N/A	171	N/A	156	N/A	2	N/A	2	N/A	0	N/A	14	N/A	9
N/A	98	N/A	1	N/A	0	N/A	0	N/A	-1	N/A	9	N/A	21
N/A	94	N/A	71	N/A	1	N/A	7	N/A	1	N/A	10	N/A	30
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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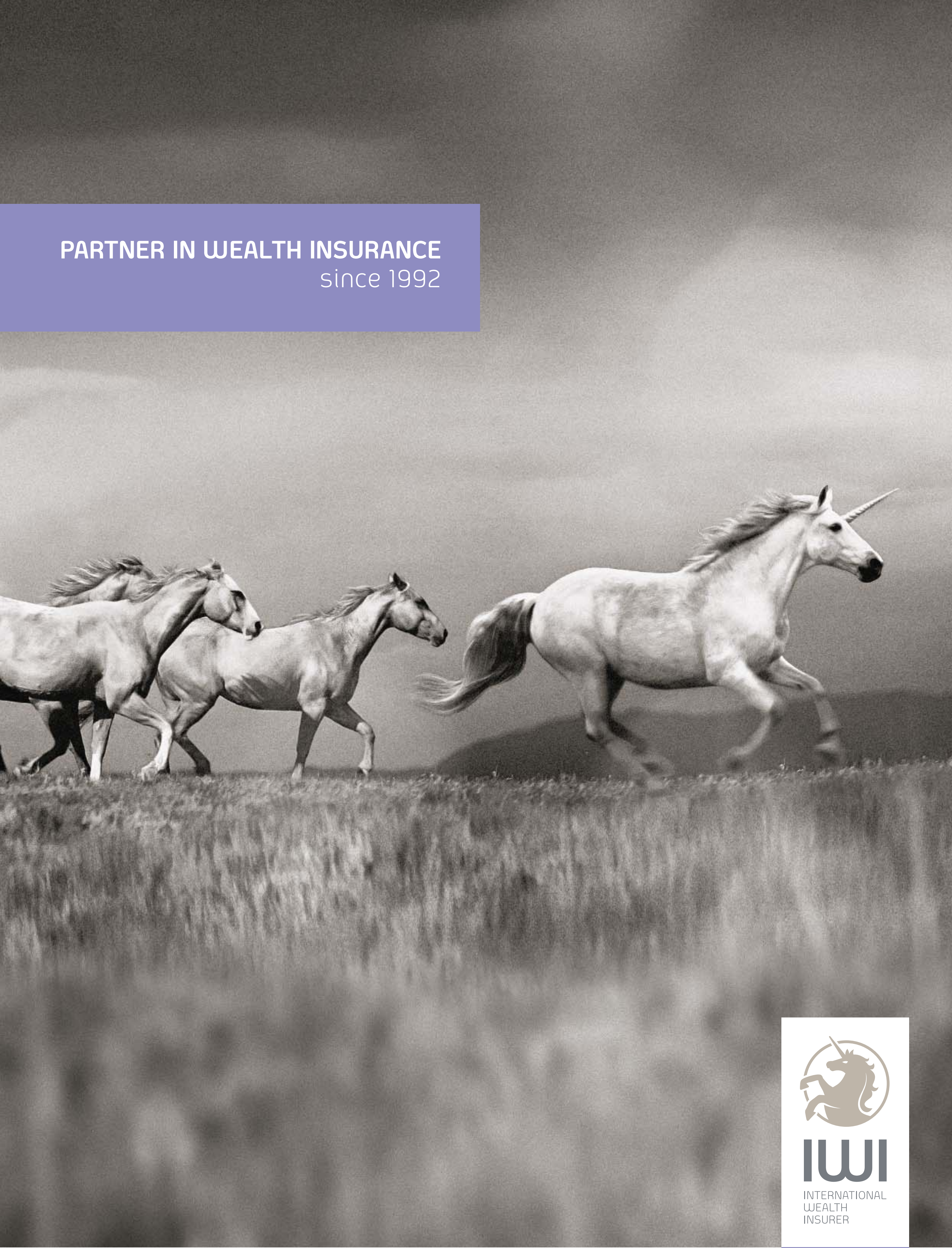

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