



**Private  
Banking**

 **Cluster**

# Clarity on performance of Luxembourg private banks

Private banking report 2024

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# Foreword

Luxembourg has long been a key player in the world of private banking, renowned for its stability, innovative spirit, and robust regulatory framework. However, as the world around us evolves — shaped by digital transformation, shifting client expectations, and the global economy's and geopolitical dynamics — our industry is at a crossroads.

We must ask ourselves critical questions:

- How do we, as private bankers, remain relevant in an increasingly digital-first world?
- How do we effectively engage with the next generation of entrepreneurs and wealth creators, while retaining the loyalty of our existing clients?
- How can Luxembourg compete with global financial centers like Switzerland, London, Singapore, and Dubai?

The findings of this year's ABBL Private Banking Group's survey, conducted with KPMG on the basis of the 2023 figures provided by the CSSF, highlight both the resilience and adaptability of Luxembourg's private banking sector. Despite ongoing global consolidation, assets under management (AuM) in Luxembourg based private banks continue to grow, reflecting a decade of upward momentum. Even as net new money (NNM) slightly declined compared to 2022, Luxembourg's performance remains commendable, particularly when benchmarked against larger banking centers such as Switzerland.

While the clientele remains predominantly European, the future holds immense potential in markets such as Latin America and Southern Europe. These regions represent opportunities for growth, provided we adapt our strategies to better understand their unique cultural and financial behaviors and expand our marketing and public relations initiatives on site. Luxembourg's reputation in these markets for stability, combined with our transparent and robust regulatory framework, positions us well to seize the opportunities we are presented with.

My optimism in this matter is also underpinned by the fact that our country is fortunate with a government that recognises the importance and contribution of the financial sector, and which on numerous occasions, both in word and deed, has confirmed the support it wishes to give the sector in its long-term development.

Equally important is the need to evolve our service offerings to meet the demands of an increasingly sophisticated and wealthy client base. This requires continued investment in talent, technology, and training to maintain our edge. As we continue to climb the added-value ladder, we must also embrace change management, new working models, and innovative approaches to attract the next generation of financial professionals, especially in IT and digital roles.

Looking ahead, the ABBL is committed to supporting its members as they navigate these challenges with a special focus on talent attraction and streamlining regulation.

We aim to attract the best talent by actively engaging with students and showcasing the unique opportunities Luxembourg has to offer. That is why in the coming years the ABBL will enhance its presence on university campuses and at recruitment fairs. We will also encourage students to experience Luxembourg by fostering the internships on offer and promoting other job opportunities. We are confident that once students have had a taste of our country's unique advantages firsthand, they will pursue their career in our member institutions.

But attracting talent requires more than just professional opportunities. It also requires ensuring they have access to suitable housing. While solving the housing crisis isn't solely the responsibility of banks, the ABBL is actively engaging with the government, proposing measures to revitalize the housing sector. Our members involved in residential housing finance are mobilizing resources and

collaborating to restore confidence among first-time buyers and investors. We also advocate for innovative financing models through public-private partnerships.

On the business side, onboarding and KYC processes remain significant pain points for our industry. We will continue to capitalise on our position as the preferred interlocutor for our supervisory authority, to work closely with the CSSF to create more agile and proportionate regulatory frameworks. At the same time, we are promoting mutualization initiatives within the financial center to ease these processes for both clients and institutions.

I invite you to get involved in our working groups on these various subjects and to explore this report to reflect on how, together, we can shape the future of our industry.

**Yves Stein**

Chair of ABBL's Private Banking Group Luxembourg



# About this research

Based on data for the 2023 financial year, KPMG Luxembourg and the Private Banking Cluster of the Luxembourg Bankers' Association (ABBL) have collaborated for the fourth time to publish this latest edition of the KPMG-ABBL Private Banking Report. This report outlines key trends in the sector's performance, segmenting banks into three categories based on their assets under management (AuM):

- small banks (AuM below EUR5 billion)
- medium banks (AuM between EUR5 billion and EUR20 billion) and
- large banks (AuM over EUR20 billion).

45 private banks took part in the survey and submitted their answers, which corresponds to 100% participation rate.

In 2023, Luxembourg's private banking sector saw a marked improvement, with banks rebounding strongly after a challenging 2022. The sector reported gains in median profitability and better cost-income ratios overall. However, a closer analysis reveals that much of this success was driven by a sharp rise in interest income. As interest income growth slows, banks will need to explore new ways to manage steadily increasing costs.

Similar pressures are evident in the Swiss private banking sector, where total AuM growth remained modest compared to previous years.

Despite these challenges, Luxembourg demonstrated its enduring appeal, attracting EUR14.0 billion in net new money (NNM). This was largely fueled by new client acquisition, often through referrals from existing clients, as well as by hiring additional relationship managers. Net income across the sector rose by 14 percent, with medium-sized banks seeing the most substantial gains, achieving a 27 percent increase in net income due to a high net interest margin. When compared with the Swiss market, Luxembourg's medium and large banks also achieved higher AuM per full-time equivalent (FTE) staff member, underscoring the relative efficiency of Luxembourg's private banking sector.

Although recent years have seen a trend of consolidation in the market, this has slowed temporarily. Given the persistent pressures of rising costs and relatively low NNM growth, acquisitions are likely to re-emerge as a key strategy for growth in the sector.

# Key messages

After what had been a challenging 2022, **in 2023 the Luxembourg private banking sector demonstrated asset growth of 7.3 %** from EUR585 billion to

**EUR628 billion** AuM.

Generating NNM remains a challenge: **reported NNM for 2023 stood at**

**EUR14.0 billion.**

**77%** of Luxembourg private banks increased their operating income in 2023.



Operating income grew by

**13.7%**,

due to **37.1%**

increase in net interest income.

In 2023,

**64%**

of Luxembourg banks saw  
an increase in AuM per FTE,

while **85%**

of banks in Switzerland  
experienced a decrease.

Personnel costs  
in Luxembourg  
account for  
approximately

**42%** of

total costs, which  
is significantly lower  
than in Switzerland,  
where personnel  
expenses represent

**70%**

of total costs.



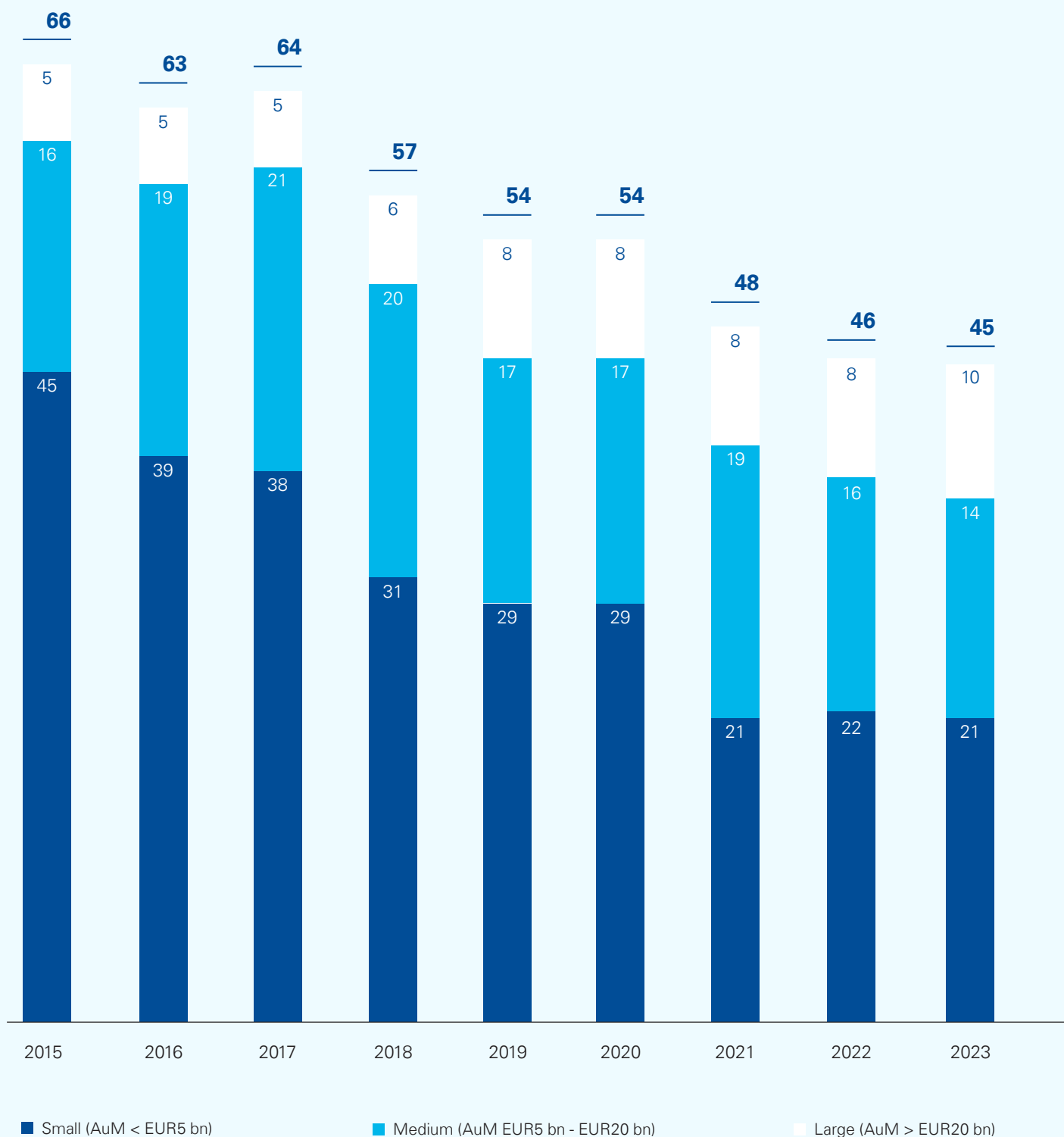
A photograph of a modern, multi-story apartment building with a grid-like facade. The building features numerous balconies with glass railings and dark metal frames. The windows are large and rectangular, some of which are illuminated from within, casting a warm orange glow. The overall color palette is dominated by purples, pinks, and oranges, suggesting a sunset or sunrise setting. The building's design is contemporary, with a focus on geometric forms and materials like metal and glass.

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# Number of private banks and M&A



# Trend in number of Luxembourg private banks



# Luxembourg private banking M&A review

The year 2023 was not a particularly noteworthy one in terms of the level of new mergers and acquisitions (M&A) activity in the Luxembourg private banking sector. Unlike the sustained consolidation trend observed in prior years, it saw only one notable transaction begun: the acquisition of a majority stake in Bank Degroof Petercam by Cr dit Agricole Indosuez Wealth (Europe), which was announced in June 2023 and completed in June 2024.

## Appeal of the Luxembourg market to international players

Even amid subdued M&A activity, Luxembourg has attracted significant interest from international banking players. New market entrants, such as Banco Votorantim, Bank of America and Banco Inversis reflect the country's enduring appeal as a gateway to the eurozone. Notably, these entrants were primarily in the form of branches of foreign subsidiaries, highlighting Luxembourg's strategic position as a platform for broader European expansion.

## Key factors impacting the level of M&A activity

### Rising interest rates and increased profitability

The record profitability achieved by Luxembourgish banks in 2023 reduced the immediate pressure for smaller, underscaled institutions to pursue consolidation. With total banking income rising by 24 percent and net profit growing by an impressive 67 percent over 2022, many players experienced enhanced margins, alleviating the financial strain that has often driven M&A in the past. However, this situation is considered temporary, as the effects of declining interest rates in 2024 are expected to renew the challenges for subscale institutions in the coming months.

### Regulatory scrutiny and supervision

Regulatory pressures remain a key consideration. In 2024, the revocation of the banking licenses of Banque Havilland and East-West United Bank underscored the strict oversight at both a European level and in the Luxembourg banking sector itself. Supervisory authorities continue to focus on financial stability and compliance, creating additional complexity for potential transactions. Despite these challenges, regulatory bodies recognize that consolidation does have a role to play in improving efficiency and mitigating risks, particularly for smaller banks.



**Table of private banking M&A transactions involving a Luxembourg banking entity announced, completed or abandoned in 2023–2024**

Target	Acquirer	Seller(s)	Completion date
Bank Degroof Petercam SA (c.65% stake)	Credit Agricole Indosuez Wealth (Europe) SA	Private shareholders, Copeba, Marinvests	<b>Jun-24</b>
Banque Havilland S.A.'s depository, custody and related services business (100% stake)	Banco Inversis SA	Banque Havilland S.A.	<b>May-24</b>
FIS Privatbank SA (100% Stake)	Banco BTG Pactual SA	Private shareholders	<b>Sept-23</b>

**Table of banks obtaining or disposing of a Luxembourg banking license in 2023–2024**

Company	Notes	Date
<b>Obtaining a banking license</b>		
Banco Inversis S.A., Luxembourg Branch	Subsidiary of Banca March, began operations in Luxembourg after acquiring Banque Havilland's institutional depository business unit	<b>May-24</b>
Bank Pictet & Cie (Europe) AG, Succursale de Luxembourg	Closed the Luxembourg bank and the German entity of the Pictet group opened a Luxembourg branch	<b>May-23</b>
<b>Disposing of a banking license</b>		
Credit Suisse (Luxembourg) S.A.	Merger with UBS	<b>Sept-24</b>
Banque Havilland S.A.	Compliance challenges	<b>Aug-24</b>
Credit Suisse AG, Luxembourg Branch	Closed the branch of the Swiss entity, in the context of the merger with UBS	<b>Feb-24</b>
Pictet & Cie (Europe) S.A.	Closed the Luxembourg bank and the German entity of the Pictet group opened a Luxembourg branch	<b>Jun-23</b>





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# Main trends

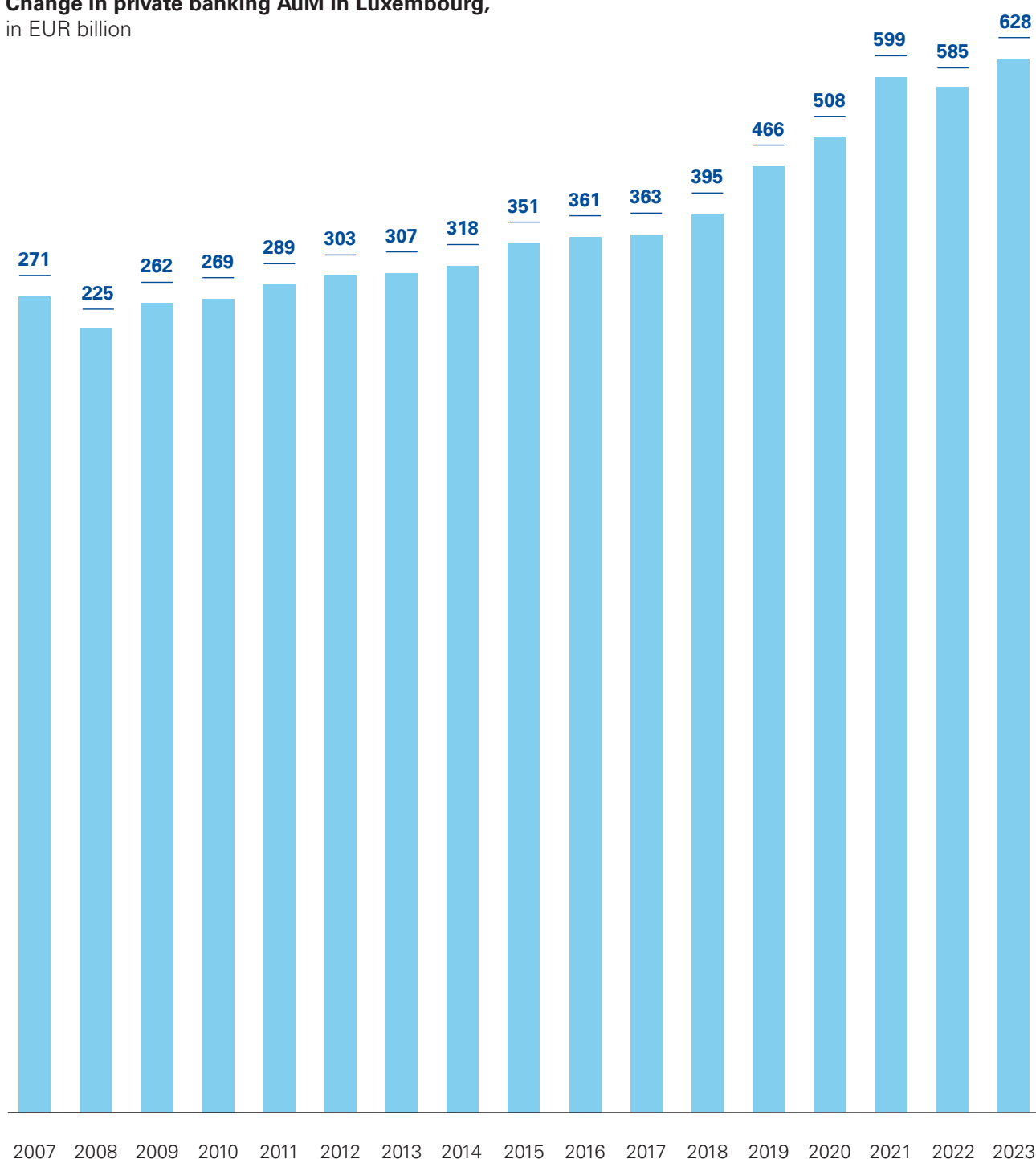




# **Assets under management and service offerings**

# Change in private banking AuM in Luxembourg, in EUR billion

Change in private banking AuM in Luxembourg,  
in EUR billion



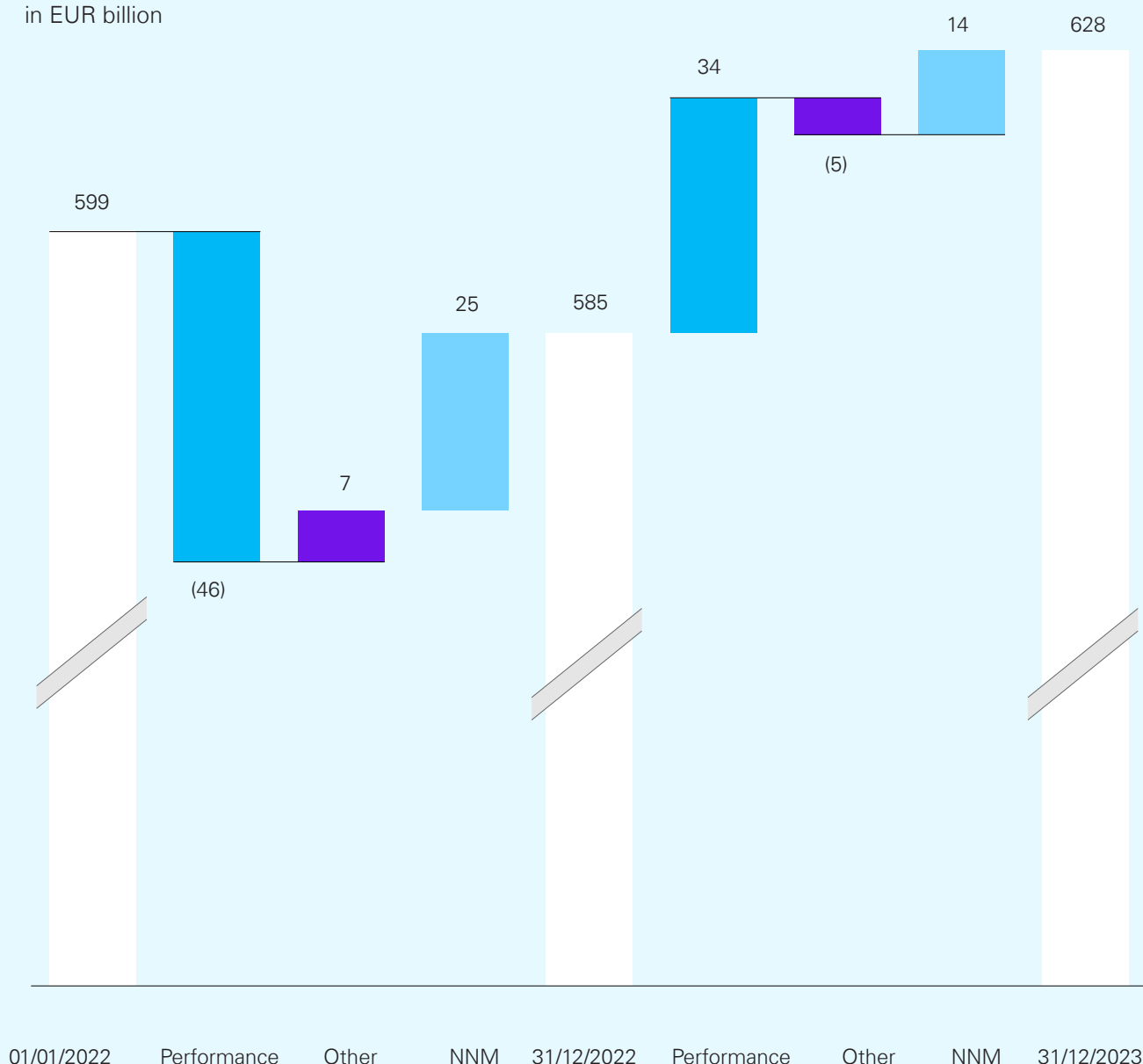


## AuM development

In 2023, financial markets concluded the year on an unexpectedly strong note, rebounding after the difficulties of 2022. Both the EURO STOXX 50 and the S&P 500 indexes rose by approximately 20 percent, generating a substantial impact on AuM growth.

At the same time, NNM made a relatively modest contribution to AuM growth. Reported NNM for 2023 stood at EUR14.0 billion, a decline from EUR28.0 billion in 2021 and EUR24.5 billion in 2022. This indicates that, while the market recovery significantly boosted AuM, the inflow of new funds was comparatively low.

### AuM development Luxembourg, in EUR billion



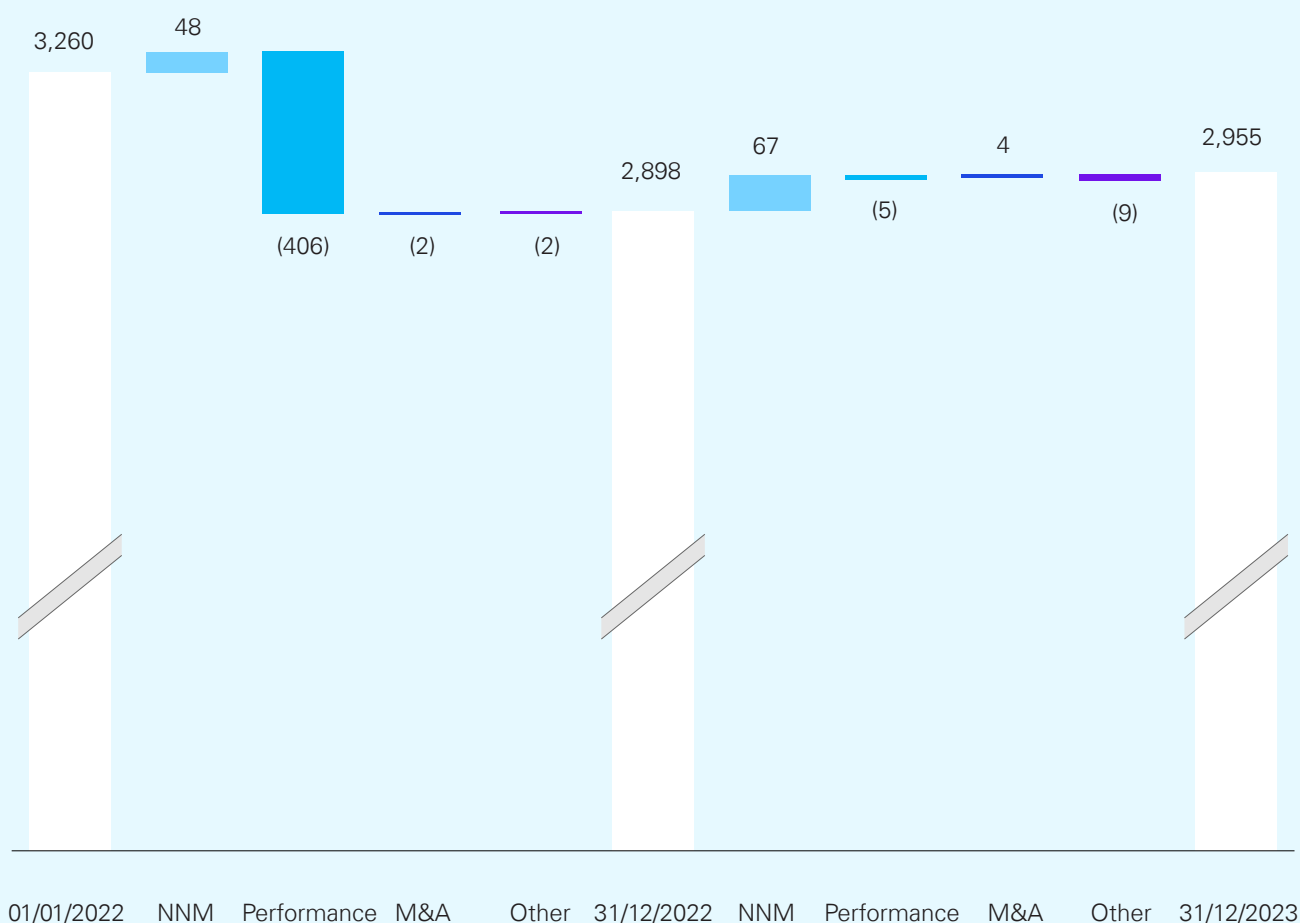
N.B: Ten of the 45 banks contacted did not respond, representing an estimated additional decrease in NNM of approximately EUR2.9 billion (estimate based on an 8 percent change in market value (MV)).

# Swiss private banking survey — AuM

Despite positive market performance, its effect in Switzerland was completely offset by the appreciation of Swiss Franc against major currencies.

At the same time, NNM was relatively low to make a significant difference to AuM.

## AuM development in CHFbn



[Clarity on Swiss Private Banks - KPMG Switzerland](#)

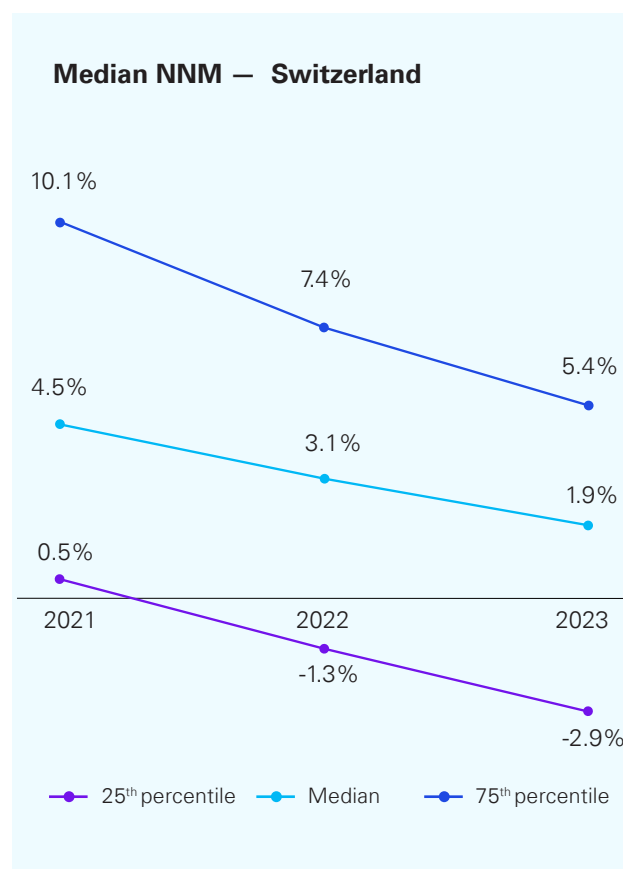


# Median NNM growth — Luxembourg vs. Switzerland

In 2023, the dynamics of median NNM highlighted the strong performance of small and medium private banks in Luxembourg. While median NNM growth slowed for large banks (falling from 4.5 percent to 1.9 percent), both small and medium banks saw increases. Small banks' median NNM grew from 3.7 percent to 4.9 percent, and medium banks experienced a substantial rise from 0.8 percent to 4.6 percent.

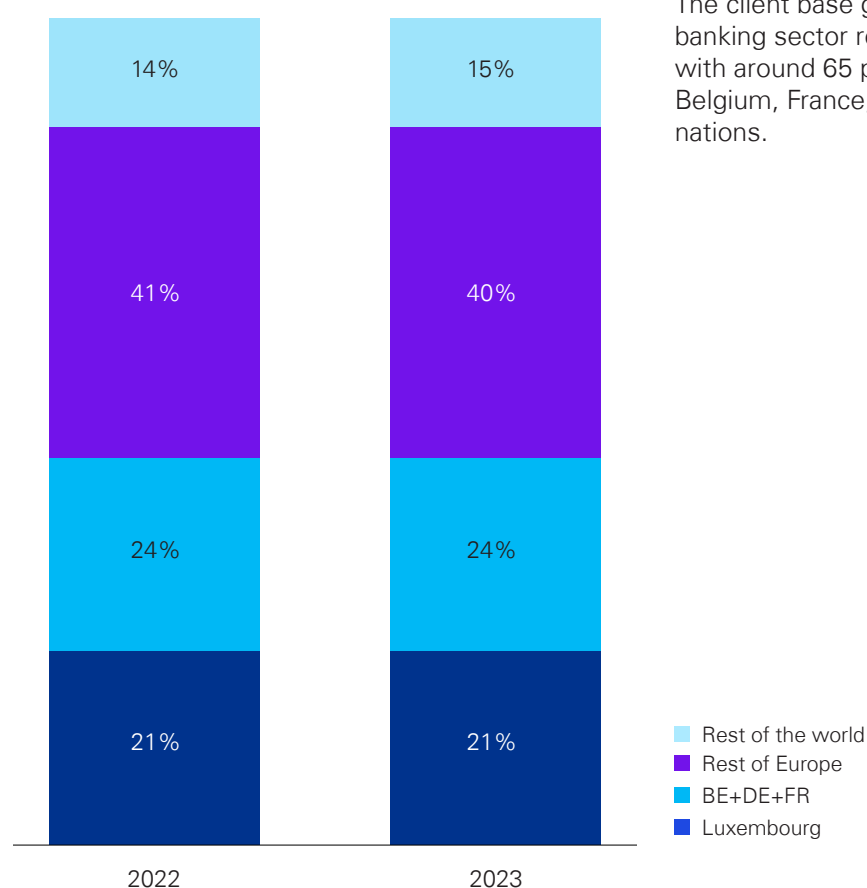
In Luxembourg, the overall median NNM decreased slightly from 3.8 percent to 3.6 percent. However, in Switzerland, the decline was more pronounced, with the median NNM falling from 3.1 percent to 1.9 percent, reflecting a more significant slowdown in Switzerland's private banking sector.

Notably, in Luxembourg 11 out of the 35 banks responding to our survey reported decreased NNM, indicating that despite the positive performance of certain banks, challenges remain within the sector.



# Geographic distribution of clients

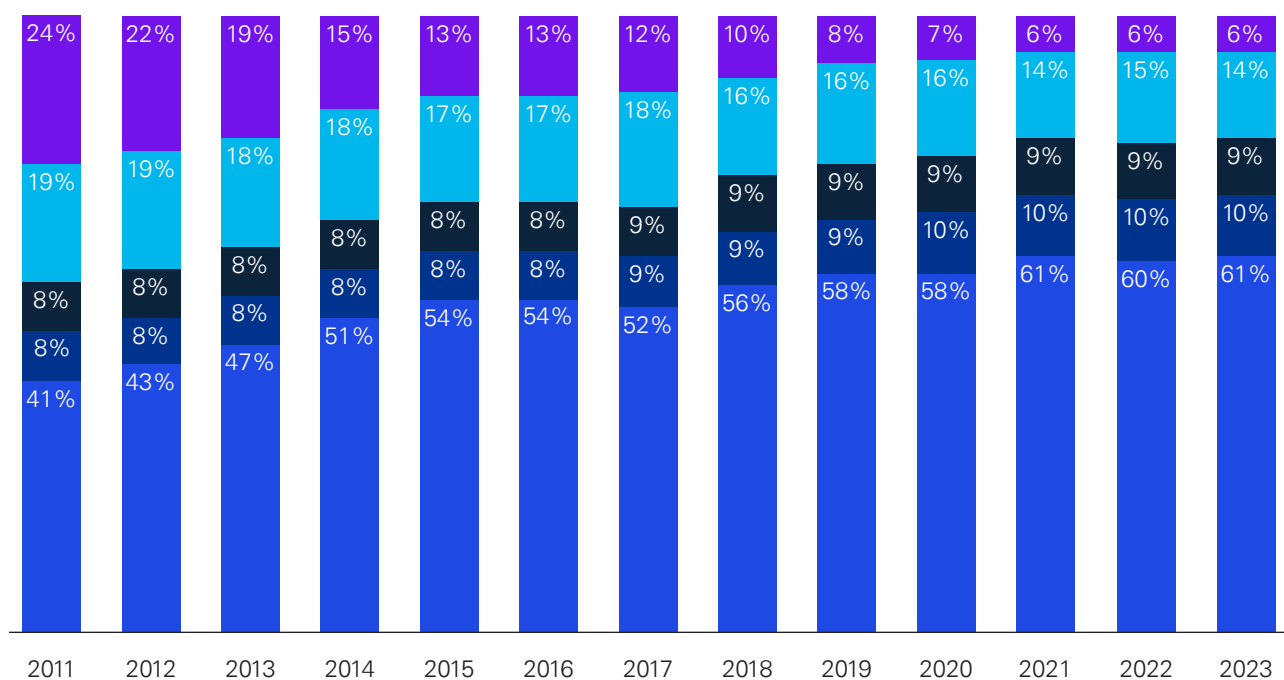
Client distribution by geographic region



The client base geography of Luxembourg's private banking sector remained largely consistent in 2023, with around 65 percent of clients originating from Belgium, France, Germany and other European nations.



# Assets under management — client type distribution



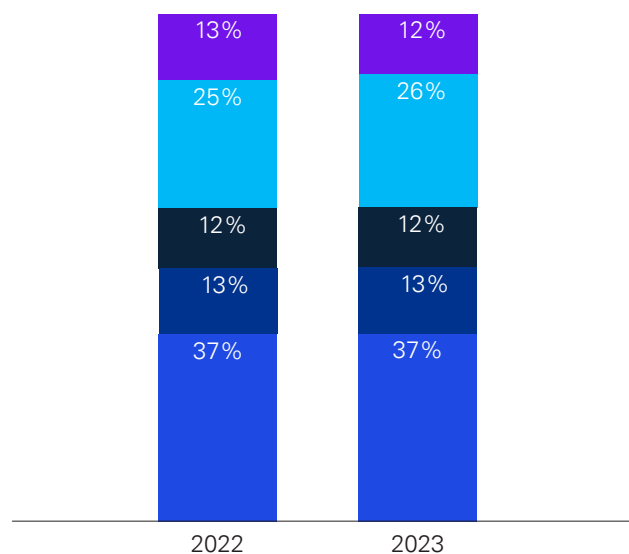
- < EUR1 m
- EUR1 m - 5 m
- EUR5 m - 10 m
- EUR10 m - 20 m
- > EUR20 m

The overall distribution of client types in Luxembourg's private banking sector has remained steady in recent years. However, over a decade private banks in Luxembourg have shifted from serving a predominantly personal banking clientele to UHNWI, demonstrating their added value to the latter.

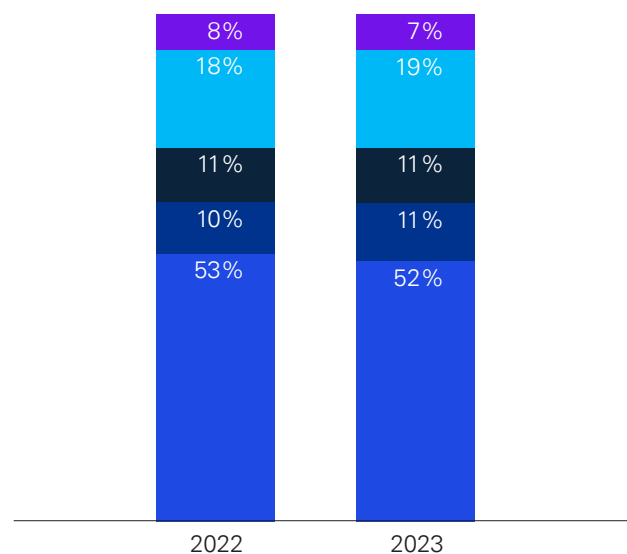
Additionally, clear differences emerge when comparing banks by size. For high net worth individuals (HNWIs, with EUR5 million to EUR20 million AuM), the distribution is relatively uniform across small, medium and large banks, with the

share for the upper end of HNWI (those with EUR5 million to EUR10 million) ranging from 9 percent to 13 percent of AuM. However, ultra high net worth individuals (UHNWIs, with over EUR20 million AuM) dominate the AuM composition in medium and large banks, accounting for 52 percent of AuM in medium banks and 67 percent in large banks.

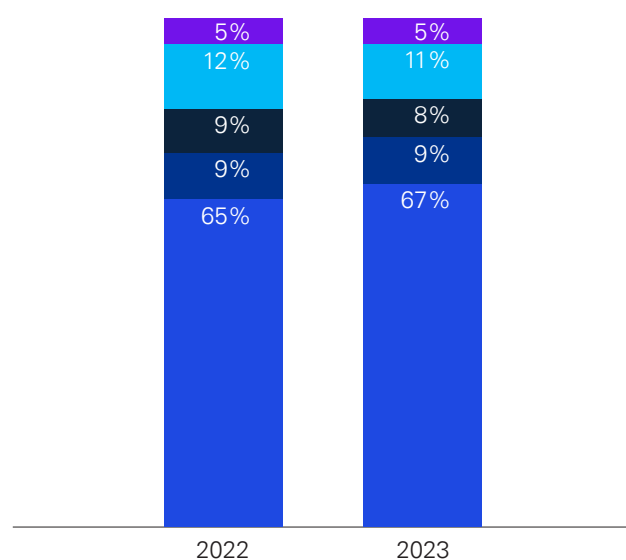
This indicates that medium and large banks serve a higher proportion of UHNWIs, shaping their business models and investment strategies accordingly.

**Small banks (AuM <EUR5 bn)**

■ < EUR1 m  
 ■ EUR1 m - 5 m  
 ■ EUR5 m - 10 m  
 ■ EUR10 m - 20 m  
 ■ > EUR20 m

**Medium banks (AuM EUR5 bn – 20 bn)**

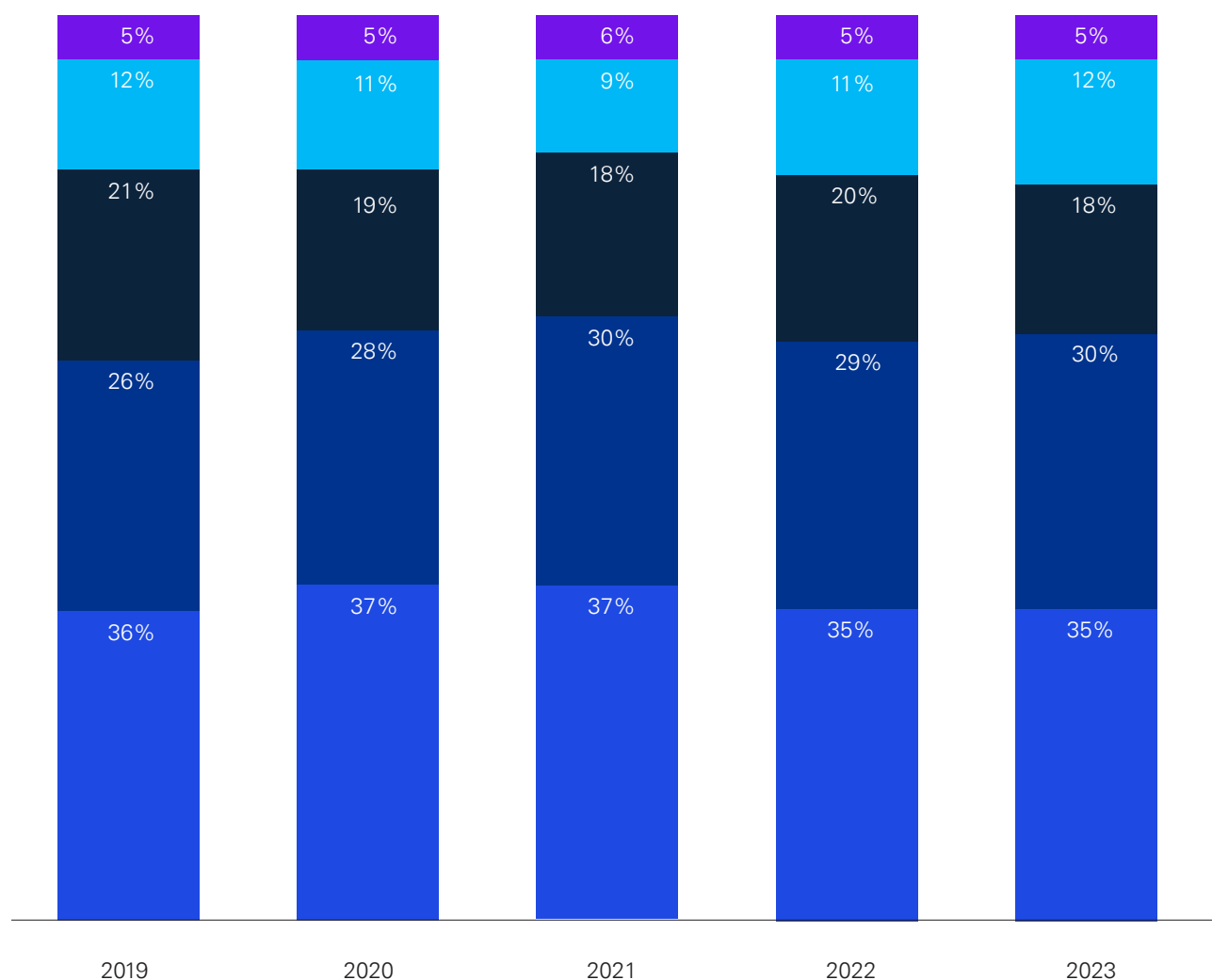
■ < EUR1 m  
 ■ EUR1 m - 5 m  
 ■ EUR5 m - 10 m  
 ■ EUR10 m - 20 m  
 ■ > EUR20 m

**Large banks (AuM >EUR20 bn)**

■ < EUR1 m  
 ■ EUR1 m - 5 m  
 ■ EUR5 m - 10 m  
 ■ EUR10 m - 20 m  
 ■ > EUR20 m

# Composition of client portfolios, by asset type (all service types together)

## Portfolio structure



- Other (commodities, derivatives, structured products, etc.)
- Bonds
- Cash (term deposits/savings accounts/current accounts)
- Equities
- Investment funds

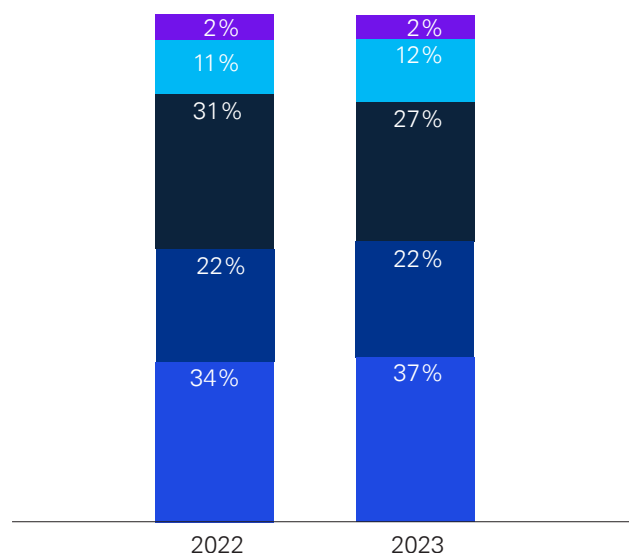
Investment fund exposure in Luxembourg's private banking sector remained stable at 35 percent in 2023. Cash exposure, which had seen a slight uptick in 2022, reverted to 2021 levels.

Meanwhile, after a period of decline, bonds have been experiencing renewed client interest, with exposure rising from 9 percent to 12 percent over the past two years. This shift suggests a growing client preference for bond offerings as a strategic component within their portfolios.



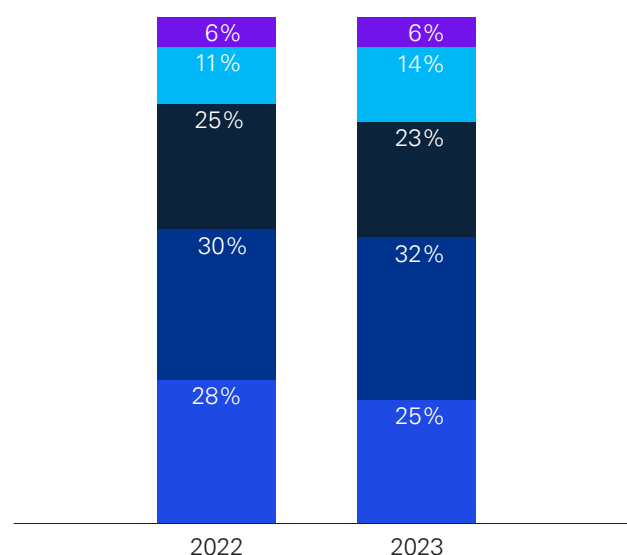
# Composition of client portfolios, by asset type and bank size

**Small banks (AuM <EUR5 bn)**



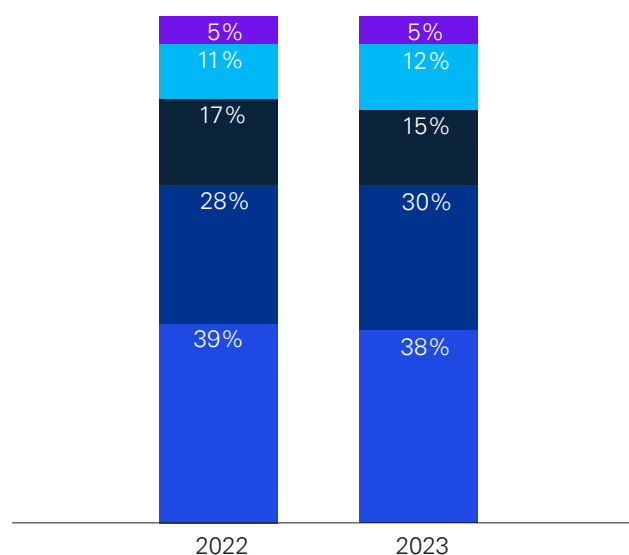
- Other (commodities, derivatives, structured products, etc.)
- Bonds
- Cash (term deposits/savings accounts/current accounts)
- Equities
- Investment funds

**Medium banks (AuM EUR5 bn – 20 bn)**



- Other (commodities, derivatives, structured products, etc.)
- Bonds
- Cash (term deposits/savings accounts/current accounts)
- Equities
- Investment funds

**Large banks (AuM >EUR20 bn)**

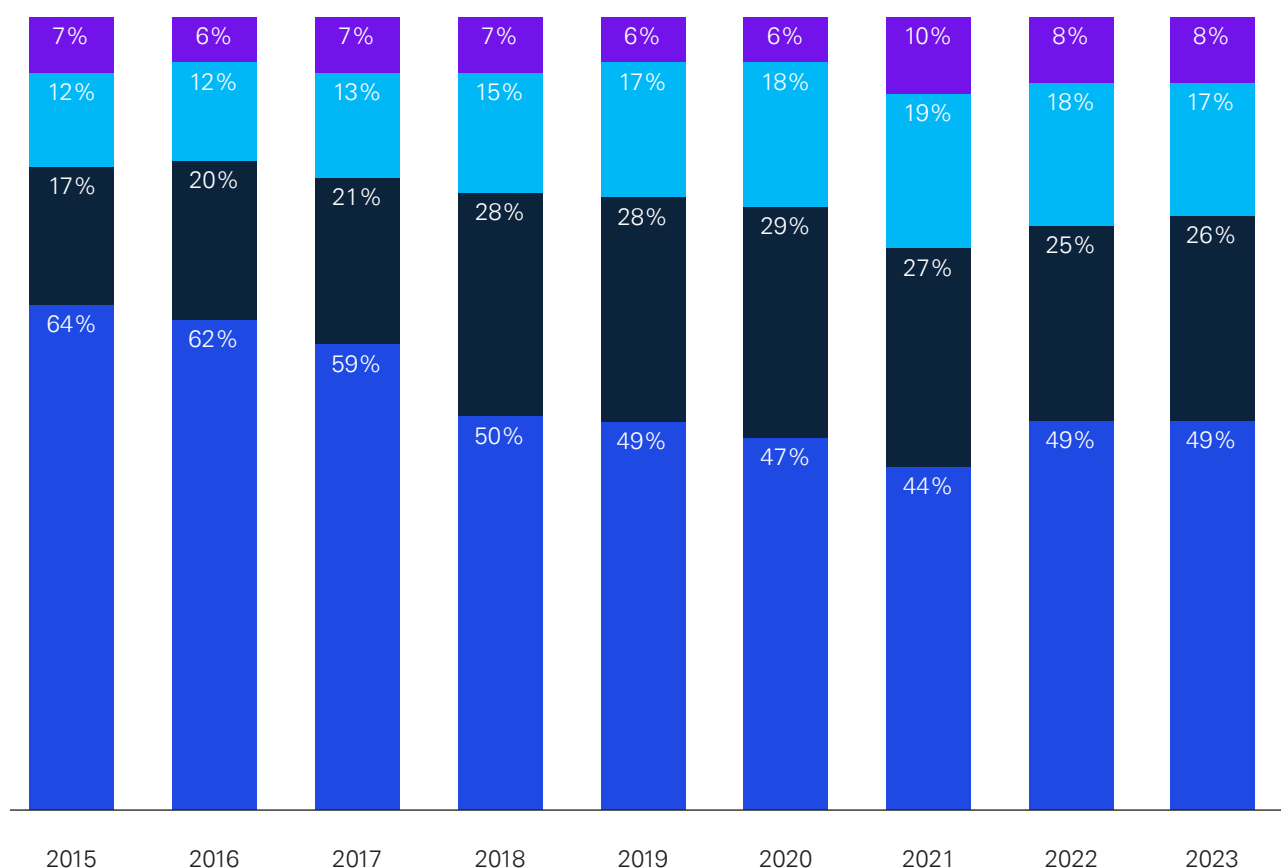


- Other (commodities, derivatives, structured products, etc.)
- Bonds
- Cash (term deposits/savings accounts/current accounts)
- Equities
- Investment funds

When comparing clusters by size, banks' portfolio structures vary significantly. Small banks' portfolios have a higher exposure to cash, while large banks predominantly structure their portfolios around investment funds and equities. These portfolio differences align with variations in client wealth bands, as outlined earlier.

# Investment service offering as a percentage of AuM

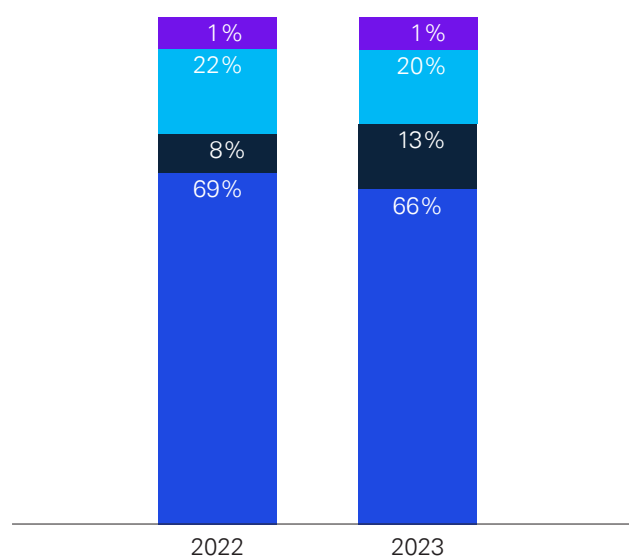
Investment service offering, as a percentage of AuM,  
2015–2023



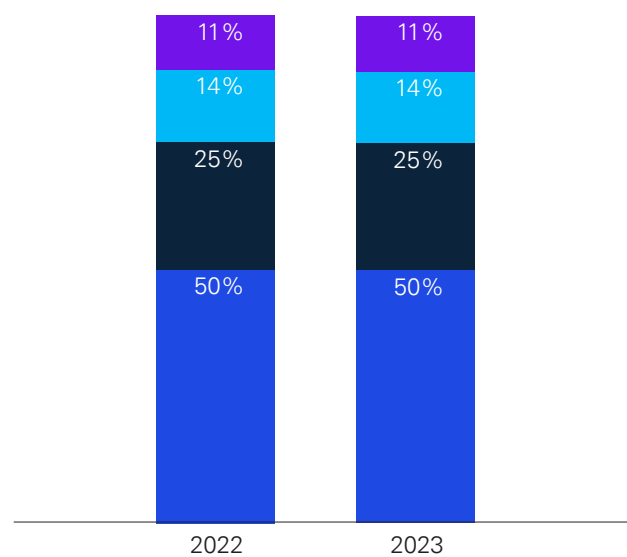
- Portfolio management by third party
- Discretionary portfolio management
- Fee-based advisory service (under mandate)
- Other (execution only)

The investment service offerings in Luxembourg's private banking sector have remained relatively consistent in recent years, with execution-only services continuing to make up the majority, at 49 percent, in both 2022 and 2023.

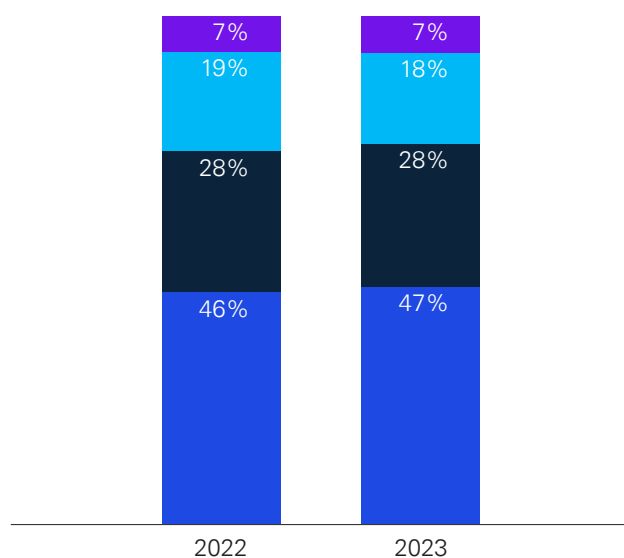
Examining the differences across bank size clusters reveals that small banks encounter challenges in providing fee-based advisory services, which require considerable resources. Advisory services represent only 13 percent of services for small banks, compared to 25 percent for medium banks and 28 percent for large banks. This discrepancy highlights the resource-intensive nature of advisory services and the associated challenges smaller banks face in scaling this offering.

**Small banks (AuM <EUR5 bn)**

- Portfolio management by third party
- Discretionary portfolio management
- Fee-based advisory service (under mandate)
- Other (execution only)

**Medium banks (AuM EUR5 bn – 20 bn)**

- Portfolio management by third party
- Discretionary portfolio management
- Fee-based advisory service (under mandate)
- Other (execution only)

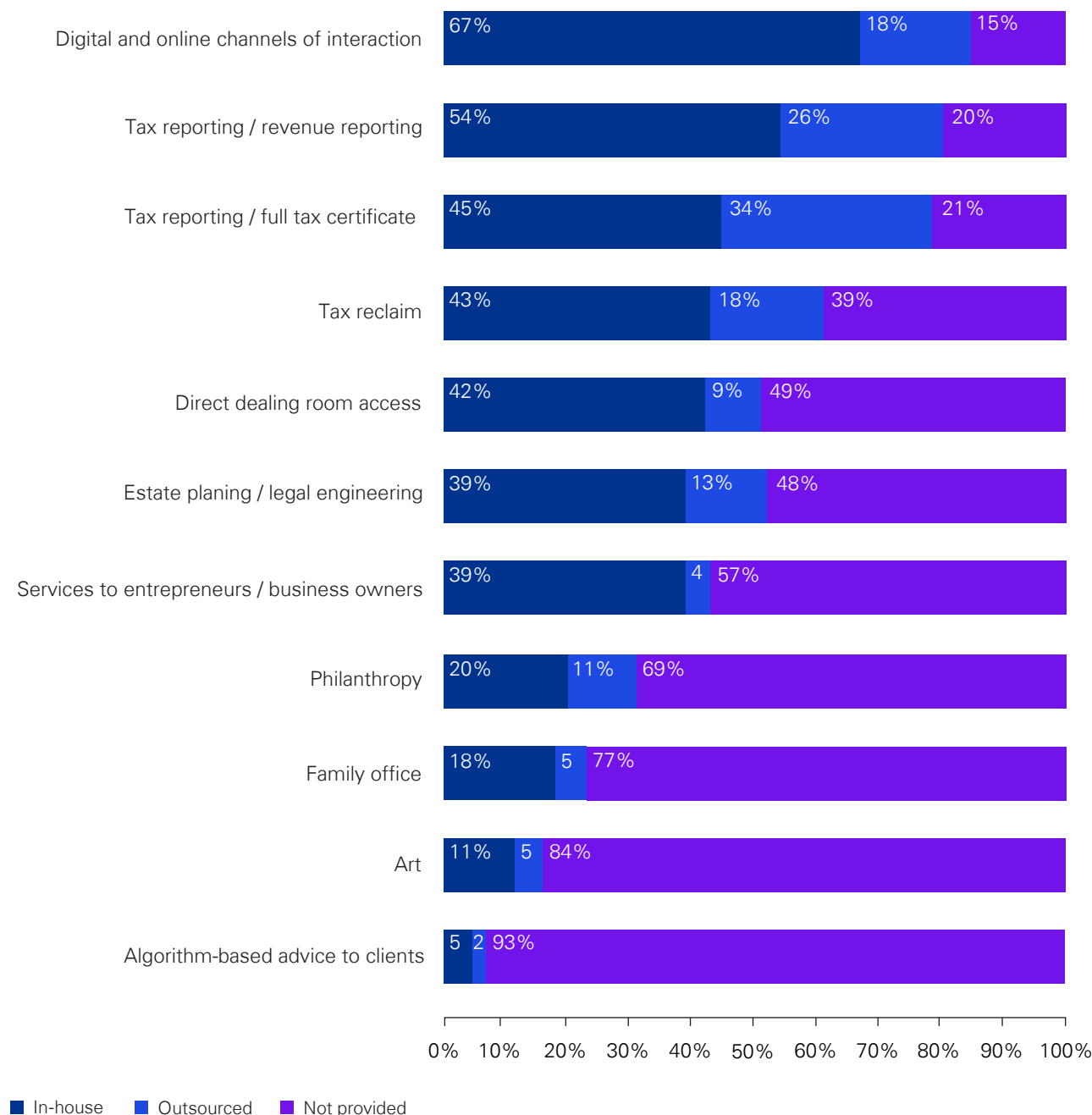
**Large banks (AuM >EUR20 bn)**

- Portfolio management by third party
- Discretionary portfolio management
- Fee-based advisory service (under mandate)
- Other (execution only)



# Additional service offerings

**Additional services provided by private banks, by % of banks, 2023**



Although Luxembourg private banks are focused on introducing digital and online interaction channels, some still lack these capabilities that have become essential for a modern customer experience.

According to the ABBL-KPMG report on Luxembourg banks and digitalization, while universal banks are aggressively pursuing digitalization and are

aiming for comprehensive digital engagement, private banks are integrating digital elements more cautiously and at a slower pace, leveraging technology primarily for security and transparency.

Additionally, the private banks, unlike universal banks, largely lack the in-house capabilities and autonomy to support digital transformation projects.



03

# Financial performance



# Summary

- The profitability of private banks in Luxembourg in 2023 was largely supported by high interest rates.
- In 2023, banks across all size clusters saw improvements in cost efficiency, with the median cost-income (C/I) ratio declining from 69.9 percent to 63.4 percent.
- On the cost front, IT expenditure rose by 24.5 percent as banks continued their digital investments.
- Luxembourg private banks' net interest income rose by 37.1 percent year on year, a higher growth than that observed in Switzerland (26.5 percent). Commission income declined in both countries, but Luxembourg's fall was limited to 1.2 percent, compared to a 4.2 percent decrease in Switzerland.
- Staff expenses rose sharply in Luxembourg, increasing by 13.2 percent, while in Switzerland they grew by a much smaller 3.8 percent. However, staffing costs in Luxembourg accounted for roughly 42 percent of total expenses, significantly lower than in Switzerland, where they represented 70 percent of total costs. This difference underscores the distinct cost structures of the two markets.



# Cost-income ratio

## — Luxembourg vs. Switzerland

### Luxembourg

The Luxembourg private banking sector has demonstrated a consistent improvement in its median cost-income (C/I) ratio, with the overall median ratio standing at 63.4 percent, which is notably lower than Switzerland's 74 percent.

### Small banks

For small banks, the median C/I ratio improved significantly, from 65.6 percent to 57 percent (compared to 73.4 percent in Switzerland).

Small banks were the main beneficiaries of high interest rates in 2023, with net interest income growing by 66 percent. However, it is important to note that the exceptional interest rate environment of 2023 may not persist, and this trend could change in the near future.

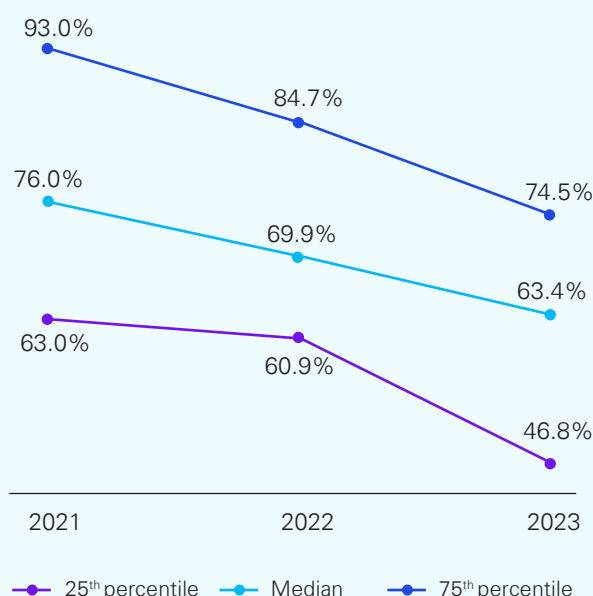
### Medium banks

Medium-sized banks saw a notable improvement, with their median C/I ratio decreasing from 68.6 percent to 61.1 percent (compared to 81.9 percent in Switzerland). Like small banks, medium banks also benefited from a significant (55 percent) increase in net interest income. In contrast to Switzerland, where medium banks are the weakest performers, Luxembourg's medium banks showed strong results, achieving a 48 percent growth in gross operating profit.

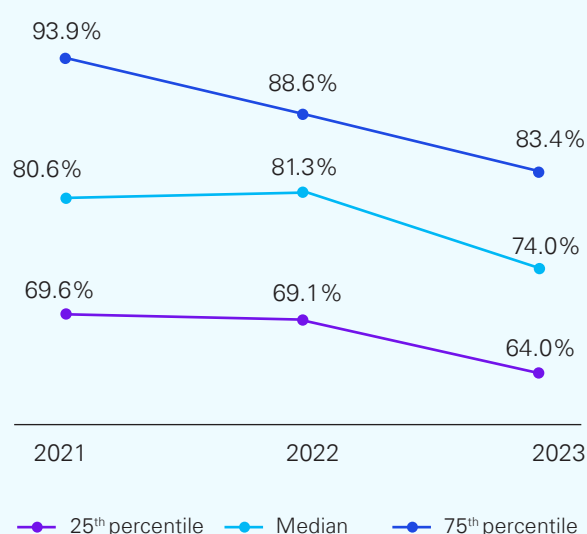
### Large banks

Large banks in Luxembourg saw a more modest improvement in their C/I ratio, from 75.2 percent to 69.9 percent (compared to 71.2 percent in Switzerland).

### Median cost-income ratio — Luxembourg



### Median cost-income ratio — Switzerland



# Gross AuM per FTE

## — Luxembourg vs. Switzerland

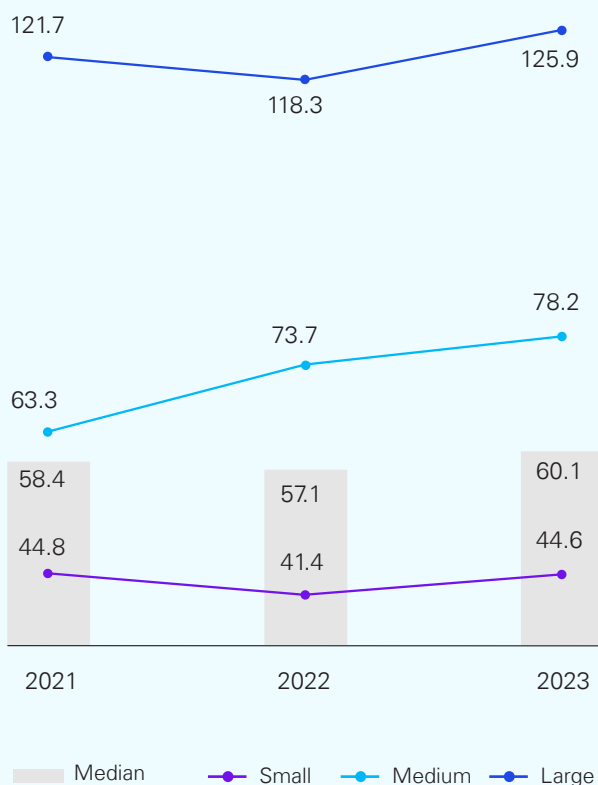
While Switzerland's private banks experienced an overall decline in AuM per FTE in 2023, largely due to a significant drop in efficiency coupled with rising costs, Luxembourg's banks managed to improve their AuM per FTE despite facing similar challenges. Some 36 percent of Luxembourg private banks saw a decrease in AuM per FTE, compared to 85 percent of banks in Switzerland.

This performance is particularly notable given the pressure of rising personnel expenses. After multiple salary indexations, personnel costs in Luxembourg still account for approximately 42

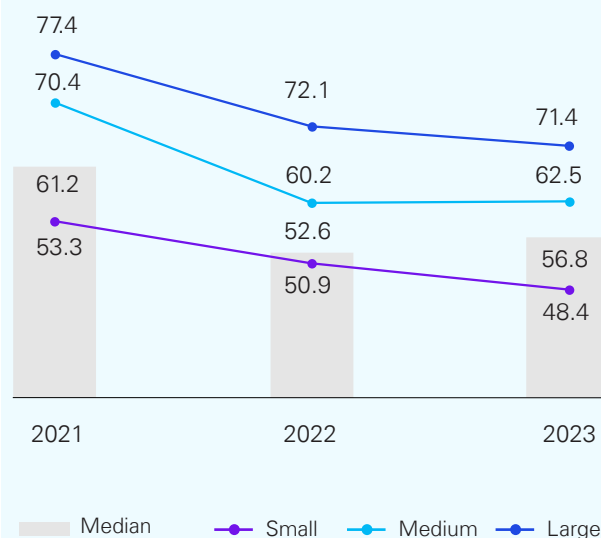
percent of total costs, significantly lower than in Switzerland, where personnel expenses represent 70 percent of total costs.

The ten largest Luxembourg private banks exhibit notably higher AuM per FTE figures than their Swiss counterparts, with the figure for Luxembourg's largest banks averaging EUR125.9 million per FTE, compared to EUR71.4 million in Switzerland. This suggests that Luxembourg's larger banks are operating with higher efficiency than their Swiss counterparts, despite the challenges faced by the sector.


**Gross AuM per FTE in Luxembourg (in EUR m)**



**Gross AuM per FTE in Switzerland (in EUR m)**







# **Financial performance**

## **All banks**



# Financial performance — all banks

In 2023, the private banking sector in Luxembourg reported a 13.7 percent increase in operating income, which was primarily driven by a significant increase in net interest income (by more than 37 percent).

Operating expenses have grown by 8.5 percent, being primarily affected by rising staff expenses (13.2 percent in 2023) due to several wage indexations.

## Financial KPIs

2022-2023

KPIs		2022	2023	change	#answers
AuM	75 <sup>th</sup> percentile	16.66	19.02	14.2%	45/45
	Median (EUR bn)	7.08	8.07	14%	
	25 <sup>th</sup> percentile	2.19	2.54	16.2%	
FTEs	75 <sup>th</sup> percentile	197	204	3.4%	42/45
	Median	112	120	7.3%	
	25 <sup>th</sup> percentile	44	44	1.3%	
Cost-income ratio	75 <sup>th</sup> percentile	85%	74%	(11pp)	39/45
	Median	70%	63%	(7pp)	
	25 <sup>th</sup> percentile	61%	47%	(14pp)	
Return on AuM	75 <sup>th</sup> percentile	0.74%	0.88%	0.14pp	38/45
	Median	0.64%	0.69%	0.05pp	
	25 <sup>th</sup> percentile	0.41%	0.48%	0.07pp	
Average AuM per relationship manager	75 <sup>th</sup> percentile	468.83	505.8	7.9%	39/45
	Median (EUR m)	249.72	282.66	13.2%	
	25 <sup>th</sup> percentile	181.96	202	11%	

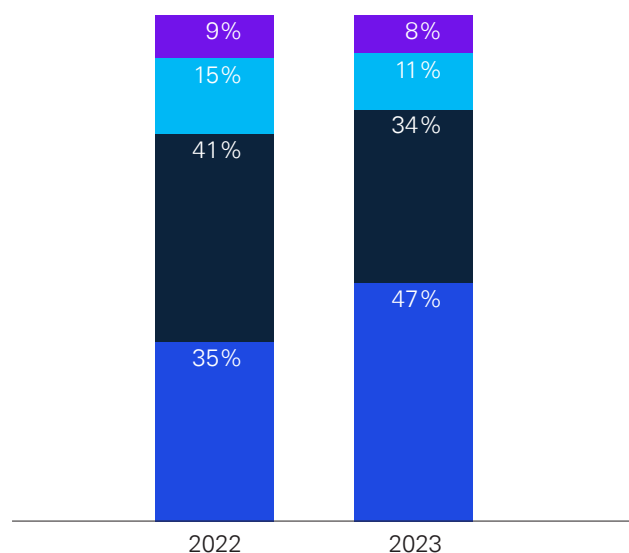


## Aggregated financial KPIs

### 2022-2023

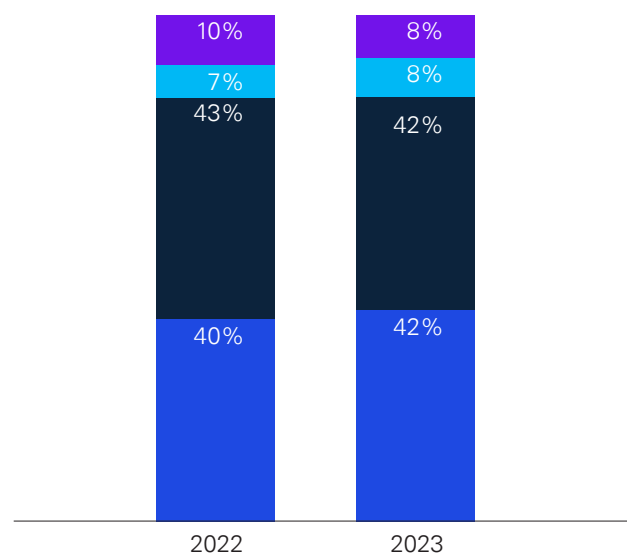
EUR million	2022	2023	change
Net interest income	1,146.6	1,572.1	37.1%
Net commission income	1,792.2	1,770.1	(1.2%)
<b>Operating income</b>	<b>2,938.8</b>	<b>3,342.2</b>	<b>13.7%</b>
Staff expenses	802.2	907.9	13.2%
Indirect costs	860.2	908.7	5.6%
Other direct costs	340.4	357.3	5.0%
<b>Operating expenses</b>	<b>2,002.8</b>	<b>2,173.84</b>	<b>8.5%</b>
<b>Gross operating profit</b>	<b>936.0</b>	<b>1,168.34</b>	<b>24.8%</b>
<b>Gross operating profit margin</b>	<b>32%</b>	<b>35%</b>	<b>3pp</b>

### Composition of operating income



- Other revenues
- Net trading income
- Net commission income
- Net interest income

### Composition of operating expenses



- Other direct costs - occupancy, regulatory, market data
- IT costs
- Indirect costs (rebilling)
- Direct costs — staff expenses

## Performance clusters 2023



- Small banks
- Medium banks
- Large banks

In the representation above, we have grouped the banks analyzed into four performance clusters, by plotting their operating income growth against operating cost growth.

A limited number of banks achieved cost-efficient growth, increasing their income and decreasing costs. Most respondents experienced cost-induced growth when income and costs both increased.



The background is an abstract geometric pattern composed of various shades of purple and blue. It features a network of thin, dark lines that intersect to form a series of triangles and polygons of different sizes. Some of these shapes are filled with a lighter, translucent blue or purple, creating a layered, crystalline effect. The overall composition is dynamic and modern, with a strong sense of depth and structure.

# **Financial performance Small banks**

# Financial performance — small banks

Among the aggregated financials of small private banks in Luxembourg, operating income rose by 14.7 percent, primarily driven by a remarkable 65.8 percent increase in net interest income, which offset a 10.9 percent decline in net commission income. Despite this drop in commission income, small banks achieved a notable 40.2 percent growth in gross operating profit, aided by a modest 2.6 percent increase in overall operating expenses.

When comparing the income structure of Luxembourg's small banks with that of their Swiss counterparts, a clear difference emerges. In Switzerland, commission income is typically the dominant revenue source, often contributing more than 50 percent of operating income. However, in Luxembourg, the situation is reversed. With rising interest rates, net interest income now accounts for 48 percent of operating income for small banks, highlighting the sector's growing reliance on interest-driven revenues rather than commission-based income.

## Financial KPIs 2022-2023

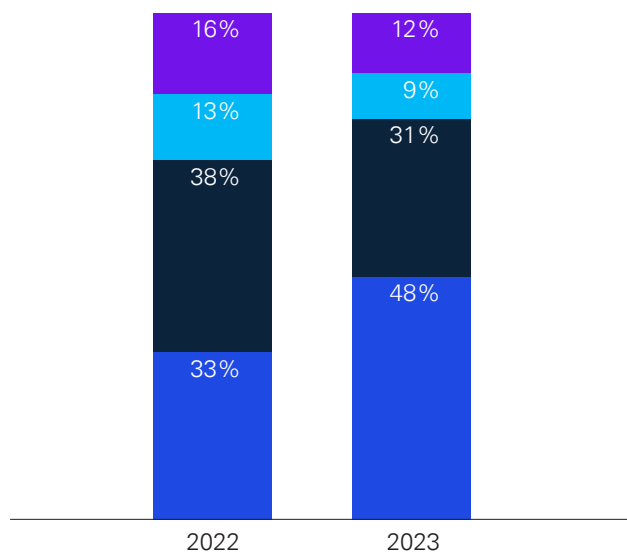
KPIs		2022	2023	change	#answers
AuM	75 <sup>th</sup> percentile	3.06	3.32	8.4%	21/21
	Median (EUR bn)	2.02	2.11	4.1%	
	25 <sup>th</sup> percentile	1.25	1.42	13.9%	
FTEs	75 <sup>th</sup> percentile	90	79	(12.6%)	19/21
	Median	39	44	12.4%	
	25 <sup>th</sup> percentile	24	31	30.3%	
Cost-income ratio	75 <sup>th</sup> percentile	85%	68%	(17pp)	17/21
	Median	66%	57%	(9pp)	
	25 <sup>th</sup> percentile	59%	40%	(19pp)	
Return on AuM	75 <sup>th</sup> percentile	0.82%	0.99%	0.17pp	17/21
	Median	0.66%	0.70%	0.04pp	
	25 <sup>th</sup> percentile	0.44%	0.47%	0.03pp	
Average AuM per relationship manager	75 <sup>th</sup> percentile	324.74	364.18	12.1%	19/21
	Median (EUR m)	186.09	202.84	9%	
	25 <sup>th</sup> percentile	117.74	151.62	28.8%	



## Aggregated financial KPIs 2022-2023

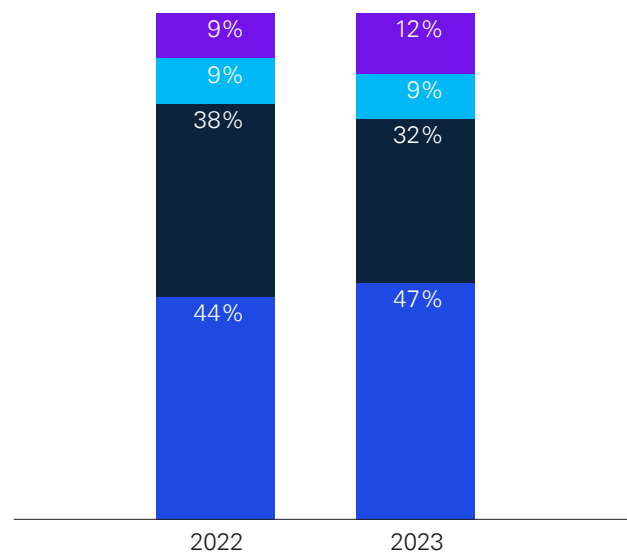
EUR million	2022	2023	change
Net interest income	122.9	203.9	65.8%
Net commission income	245.9	219.1	(10.9%)
<b>Operating income</b>	<b>368.8</b>	<b>422.9</b>	<b>14.7%</b>
Staff expenses	108.9	120.3	10.5%
Indirect costs	95.8	82.7	(13.7%)
Other direct costs	45.5	53.7	18.1%
<b>Operating expenses</b>	<b>250.2</b>	<b>256.8</b>	<b>2.6%</b>
<b>Gross operating profit</b>	<b>118.6</b>	<b>166.2</b>	<b>40.2%</b>
<b>Gross operating profit margin</b>	<b>32%</b>	<b>39%</b>	<b>7pp</b>

### Income structure — small banks (AuM <EUR5 bn)



- Other revenues
- Net trading income
- Net commission income
- Net interest income

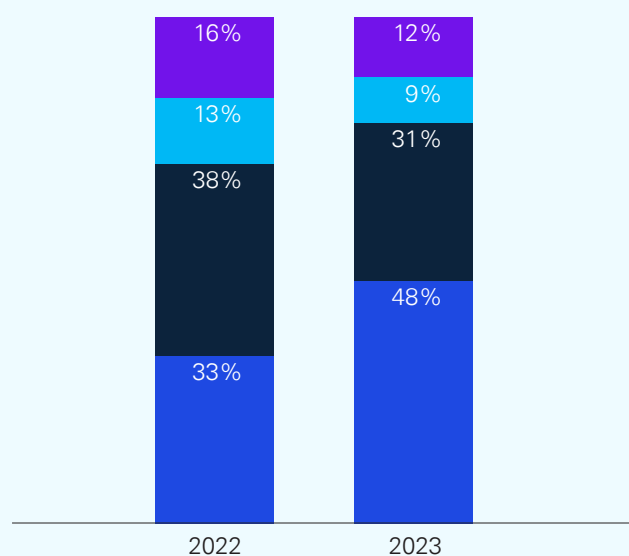
### Cost structure — small banks (AuM <EUR5 bn)



- Other direct costs - occupancy, regulatory, market data
- IT costs
- Indirect costs (rebilling)
- Direct costs — staff expenses

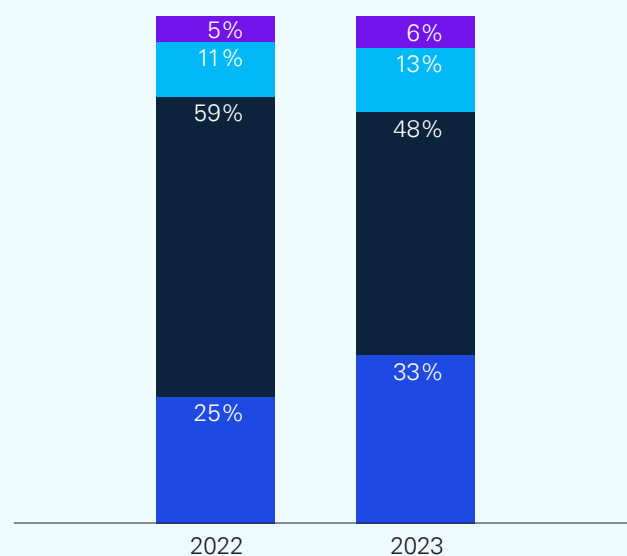
# Operating income structure— small banks (Luxembourg vs. Switzerland)

Income structure — small banks (AuM <EUR5 bn)



■ Other revenues  
■ Net trading income  
■ Net commission income  
■ Net interest income

Income structure - Swiss small banks (AuM <CHF 10bn)



■ Other revenues  
■ Net trading income  
■ Net commission income  
■ Net interest income



# **Financial performance**

## **Medium banks**



# Financial performance — medium banks

In 2023, medium private banks in Luxembourg emerged as the strongest-performing size cluster, achieving 48 percent growth in gross operating profit. Their operating income increased by 26.8 percent, driven primarily by a 55.4 percent surge in net interest income. Unlike small banks, medium banks were able to improve their net commission income, albeit modestly, with a 1.7 percent increase.

Comparing Luxembourg's medium banks to their Swiss counterparts, we see that the Luxembourg banks demonstrate a stronger reliance on interest income. In 2022, this accounted for 47 percent of their operating income, and by 2023, this figure had risen to 57 percent. This shift highlights the growing importance of interest-driven revenue for Luxembourg's medium-sized banks, especially in contrast to Swiss medium banks, which may rely more heavily on commission income.

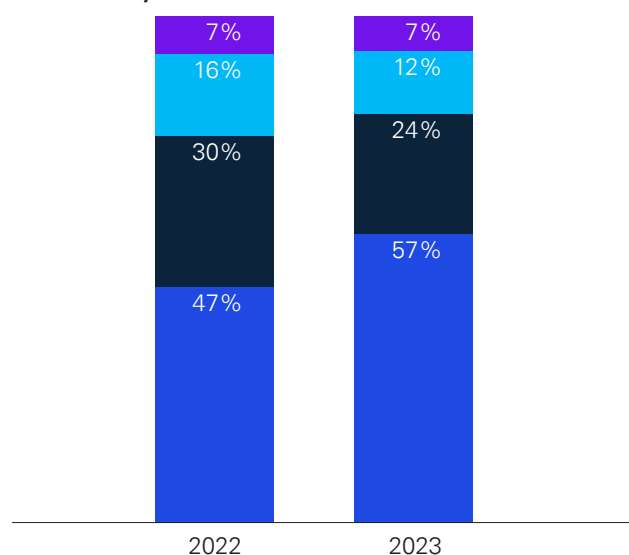
## Financial KPIs 2022-2023

KPIs		2022	2023	change	#answers
AuM	75 <sup>th</sup> percentile	15.32	15.36	0.3%	14/14
	Median (EUR bn)	11.36	12.75	12.2%	
	25 <sup>th</sup> percentile	9.62	9.96	3.5%	
FTEs	75 <sup>th</sup> percentile	183	209	14.4%	13/14
	Median	169	174	2.7%	
	25 <sup>th</sup> percentile	137	138	0.4%	
Cost-income ratio	75 <sup>th</sup> percentile	78%	73%	(5pp)	12/14
	Median	69%	61%	(8pp)	
	25 <sup>th</sup> percentile	59%	48%	(11pp)	
Return on AuM	75 <sup>th</sup> percentile	0.70%	0.89%	0.19pp	12/14
	Median	0.67%	0.73%	0.06pp	
	25 <sup>th</sup> percentile	0.48%	0.58%	0.10pp	
Average AuM per relationship manager	75 <sup>th</sup> percentile	439.22	499.08	13.6%	12/14
	Median (EUR m)	302.67	344.53	13.8%	
	25 <sup>th</sup> percentile	203.7	241.46	18.5%	

## Aggregated financial KPIs 2022-2023

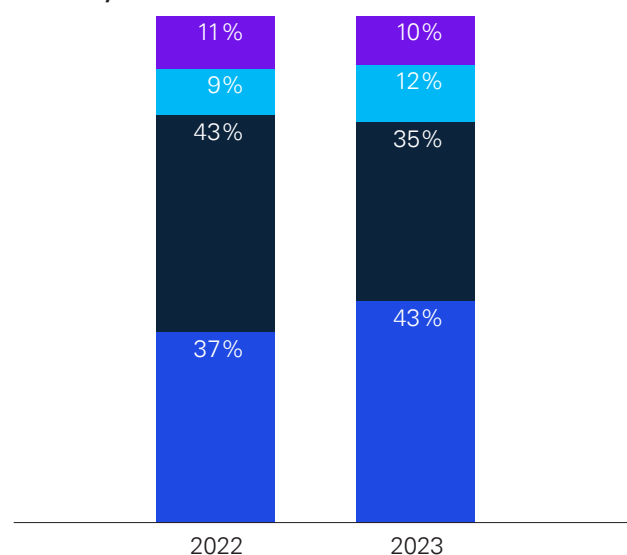
EUR million	2022	2023	change
Net interest income	464.9	722.4	55.4%
Net commission income	531.5	540.5	1.7%
<b>Operating income</b>	<b>996.4</b>	<b>1,262.9</b>	<b>26.7%</b>
Staff expenses	234.7	310.0	32.1%
Indirect costs	268.8	253.7	(5.6%)
Other direct costs	123.4	152.1	23.2%
<b>Operating expenses</b>	<b>626.9</b>	<b>715.8</b>	<b>14.2%</b>
<b>Gross operating profit</b>	<b>369.5</b>	<b>547.1</b>	<b>48.1%</b>
<b>Gross operating profit margin</b>	<b>37%</b>	<b>43%</b>	<b>6pp</b>

Income structure — medium banks (AuM EUR5 bn – 20 bn)



- Other revenues
- Net trading income
- Net commission income
- Net interest income

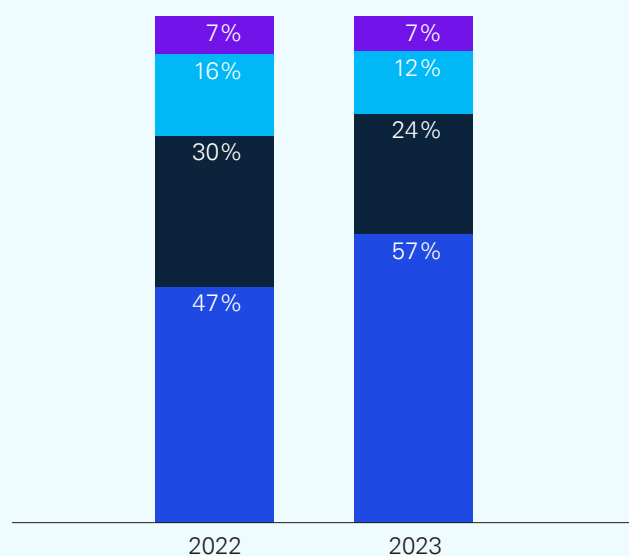
Cost structure — medium banks (AuM EUR5 bn – 20 bn)



- Other direct costs - occupancy, regulatory, market data
- IT costs
- Indirect costs (rebilling)
- Direct costs — staff expenses

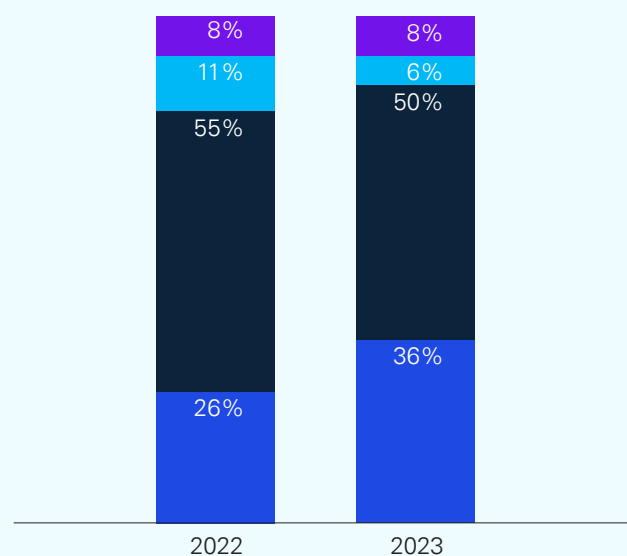
# Operating income structure— medium banks (Luxembourg vs. Switzerland)

Income structure — medium banks (AuM EUR5 bn – 20 bn)



- Other revenues
- Net trading income
- Net commission income
- Net interest income

Income structure — Swiss medium banks (AuM CHF10 bn – 100 bn)



- Other revenues
- Net trading income
- Net commission income
- Net interest income





# Financial performance Large banks

# Financial performance — large banks

In 2023, large private banks in Luxembourg reported more modest results than their small and medium counterparts. The higher interest expense led to a more moderate 15.6 percent growth in net interest income that, combined with the slight decline in net commission income (-0.4 percent), meant operating income increased by only 5.3 percent.

When comparing large Luxembourg banks to their Swiss peers, the operating models are quite

similar. In 2022, both Swiss and Luxembourg large banks generated almost 49 percent of their income from commission. However, in 2023, despite the 15.6 percent increase in net interest income, stagnating commission income caused the share of commission-based income to drop to 42 percent for Luxembourg's large banks. This shift reflects the growing influence of interest income, though commission still plays a significant role in the overall revenue structure.

## Financial KPIs 2022-2023

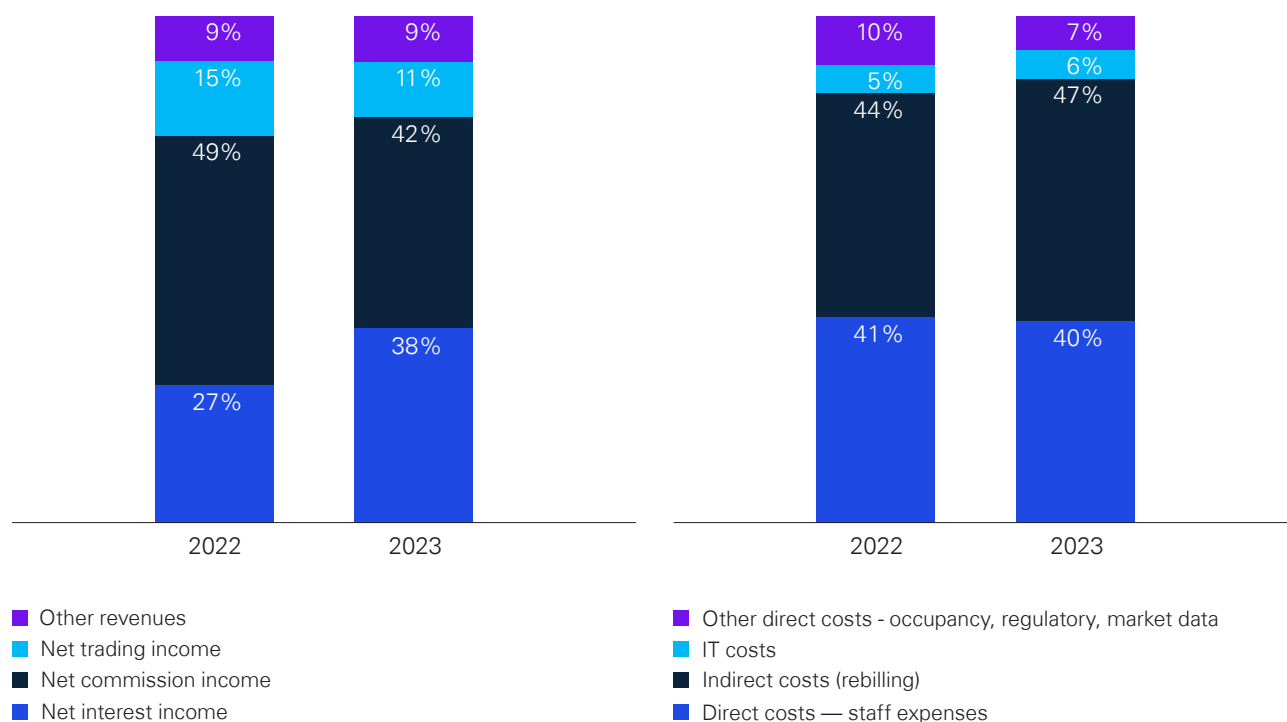
KPIs		2022	2023	change	#answers
AuM	75 <sup>th</sup> percentile	47.35	48.06	1.5%	10/10
	<b>Median (EUR bn)</b>	27.66	29.6	7.0%	
	25 <sup>th</sup> percentile	21.44	23.66	10.3%	
FTEs	75 <sup>th</sup> percentile	415	430	3.4%	10/10
	<b>Median</b>	309	348	12.3%	
	25 <sup>th</sup> percentile	202	145	(28.1%)	
Cost-income ratio	75 <sup>th</sup> percentile	85%	77%	(8pp)	10/10
	<b>Median</b>	75%	70%	(5pp)	
	25 <sup>th</sup> percentile	65%	61%	(4pp)	
Return on AuM	75 <sup>th</sup> percentile	0.63%	0.66%	0.03pp	9/10
	<b>Median</b>	0.53%	0.53%	-	
	25 <sup>th</sup> percentile	0.33%	0.45%	0.12pp	
Average AuM per relationship manager	75 <sup>th</sup> percentile	716.11	758.34	5.9%	8/10
	<b>Median (EUR m)</b>	420.63	407.79	(3.1%)	
	25 <sup>th</sup> percentile	262.04	283.51	8.2%	



## Aggregated financial KPIs 2022-2023

EUR million	2022	2023	change
Net interest income	558.7	645.81	15.6%
Net commission income	1,014.8	1,015.5	(0.4%)
<b>Operating income</b>	<b>1,573.5</b>	<b>1,656.3</b>	<b>5.3%</b>
Staff expenses	458.7	477.58	4.1%
Indirect costs	495.5	572.24	15.5%
Other direct costs	171.4	151.5	(11.6%)
<b>Operating expenses</b>	<b>1,125.7</b>	<b>1,201.3</b>	<b>6.7%</b>
<b>Gross operating profit</b>	<b>447.9</b>	<b>455.0%</b>	<b>1.6%</b>
<b>Gross operating profit margin</b>	<b>28%</b>	<b>27%</b>	<b>(1pp)</b>

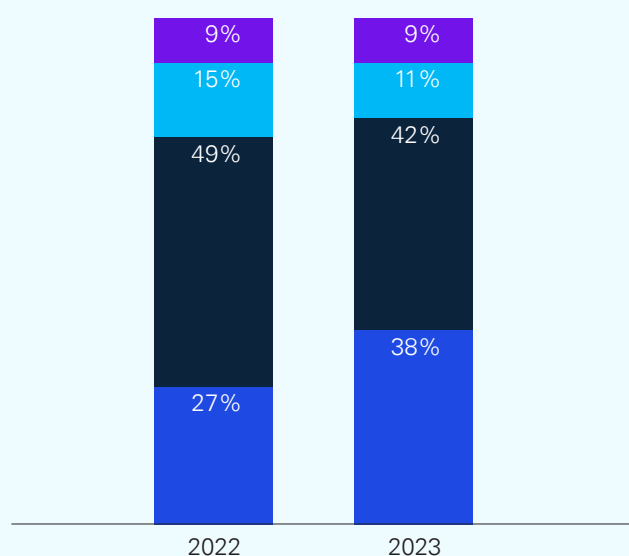
## Income structure — large banks (AuM >EUR20 bn)    Cost structure — large banks (AuM >EUR20 bn)





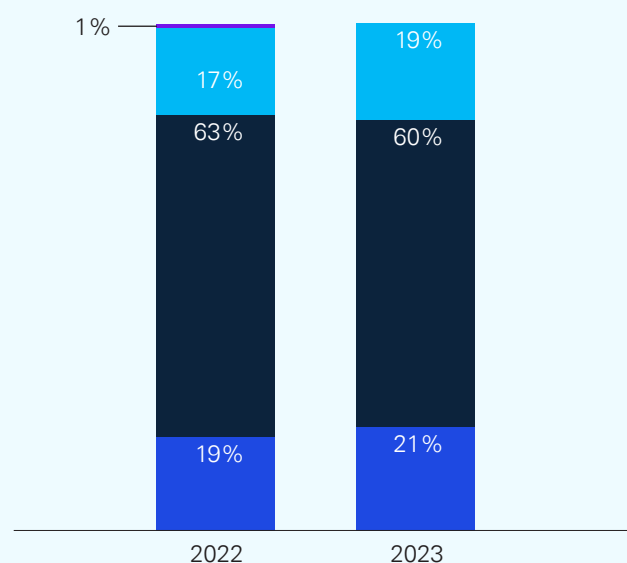
# Operating income structure—large banks (Luxembourg vs. Switzerland)

Income structure — large banks (AuM >EUR20 bn)



■ Other revenues  
■ Net trading income  
■ Net commission income  
■ Net interest income

Income structure — Swiss large banks (AuM >CHF100 bn)



■ Other revenues  
■ Net trading income  
■ Net commission income  
■ Net interest income



04

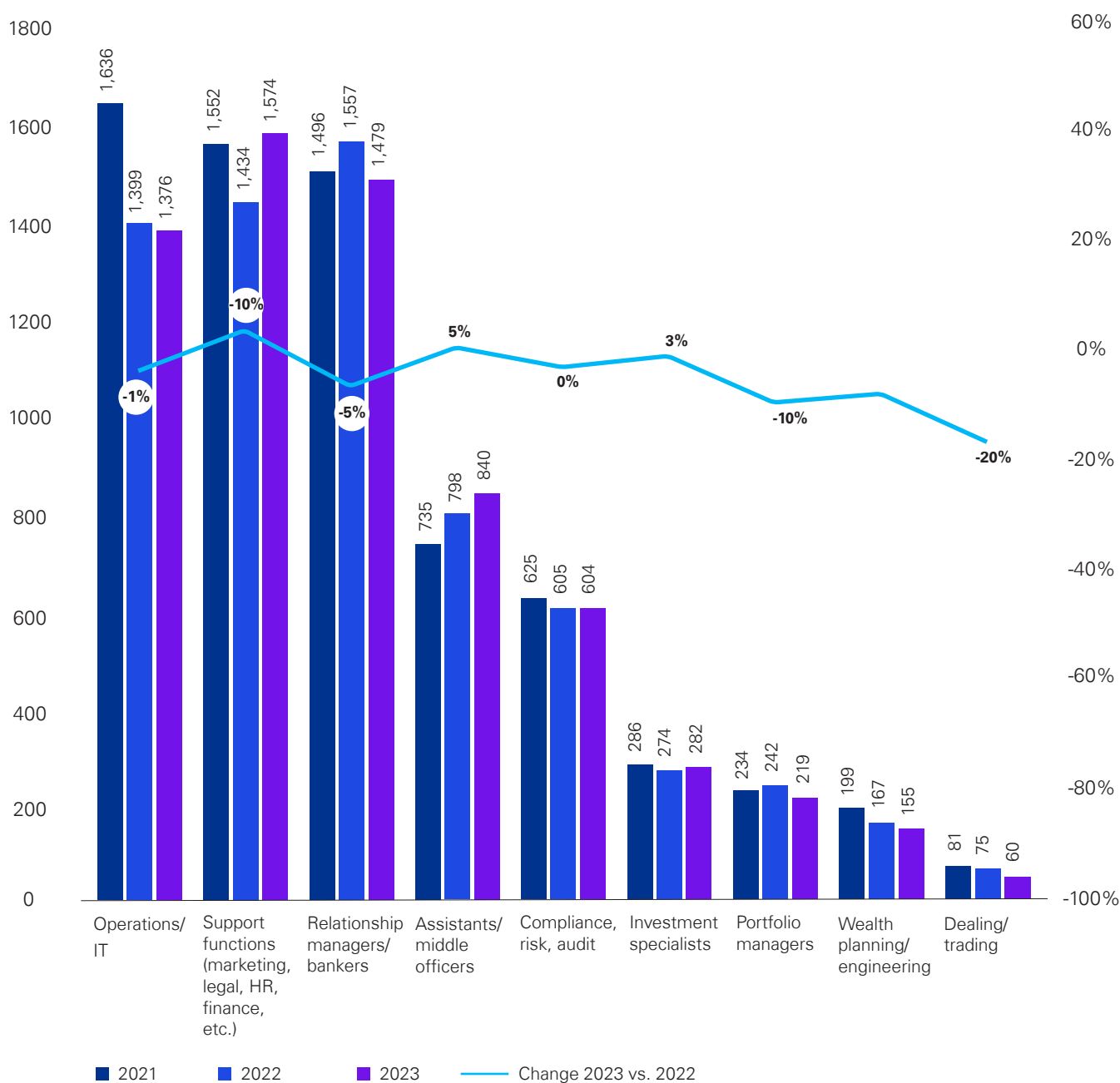
# Human resources

In 2023, the number of FTEs employed by private banks in Luxembourg remained stable, with approximately 5,300 FTEs based in Luxembourg and up to 1,300 FTEs working in branches.

A sharp decline in demand for IT specialists in 2022 can mainly be attributed to the ongoing trend of outsourcing.

Support functions saw the highest FTE growth compared to other employee categories, increasing by 10 percent. Additionally, the number of middle officers has been rising steadily in recent years, growing by 14 percent from 2021 to 2023.

### Number of FTEs by role







05

# Operating models



The background of the slide is an abstract composition. At the top, there is a series of vertical black bars of varying heights, creating a fence-like effect. Below this, the background is a dark blue field with a grid of thin black lines. Overlaid on this grid are numerous diagonal, parallel bands of a vibrant reddish-pink color, creating a strong sense of depth and movement.

# **Operating models**

## **All banks**

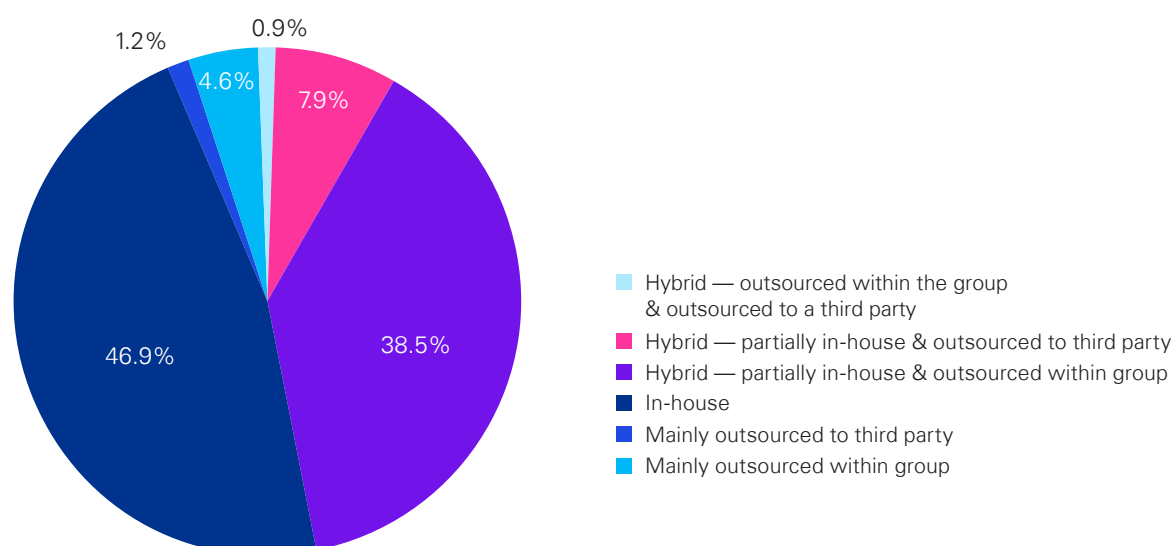
# Proportion of total activities undertaken in-house/outourced/hybrid — all banks

Similar to the situation observed in 2022, in 2023 the share of private banks' activities performed entirely in-house remained on a par with the share of hybrid models (where some functions are handled internally and others are outsourced within the group or to third parties, or both).

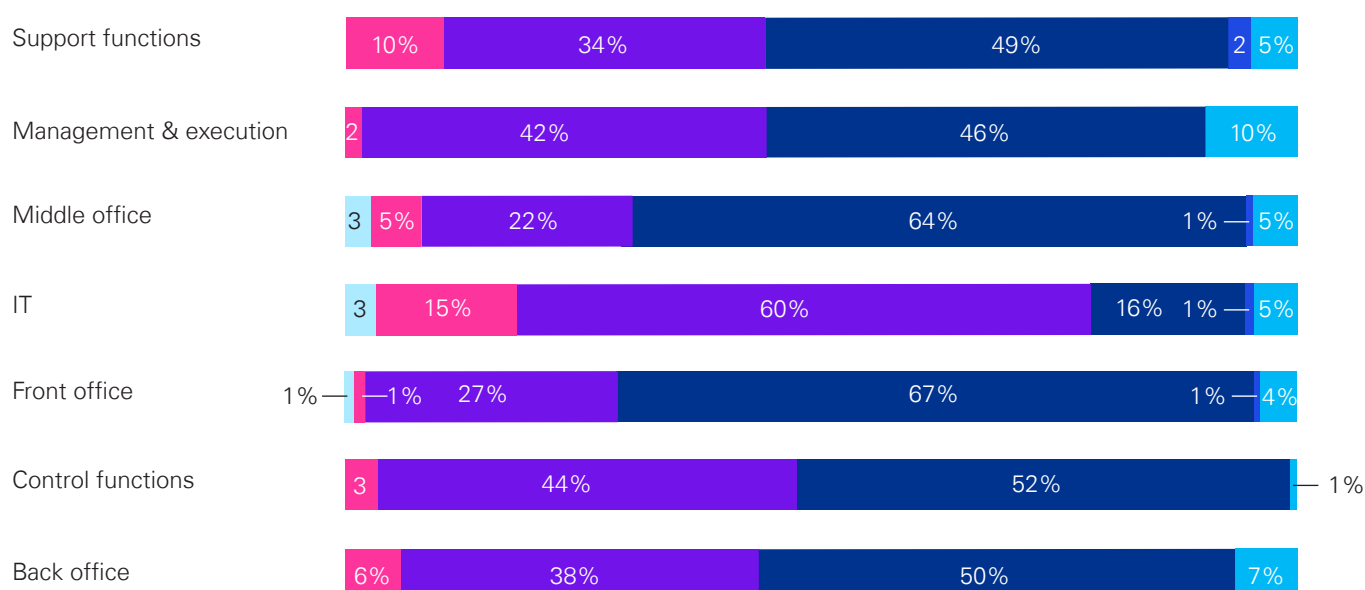
IT functions have seen a steady rise in being performed with hybrid models, with their total

hybrid share growing from 52 percent in 2021 to 78 percent in 2023. IT continues to be the largest category among outsourced activities, reflecting the ongoing trend of leveraging external expertise and resources for technological functions within the private banking sector. Aside from IT, other activities showed little to no change in their operating model in 2023, compared to 2022, indicating stability in outsourcing patterns across most functions.

**Proportion of total activities undertaken in-house/outourced/hybrid — all banks, 2023**



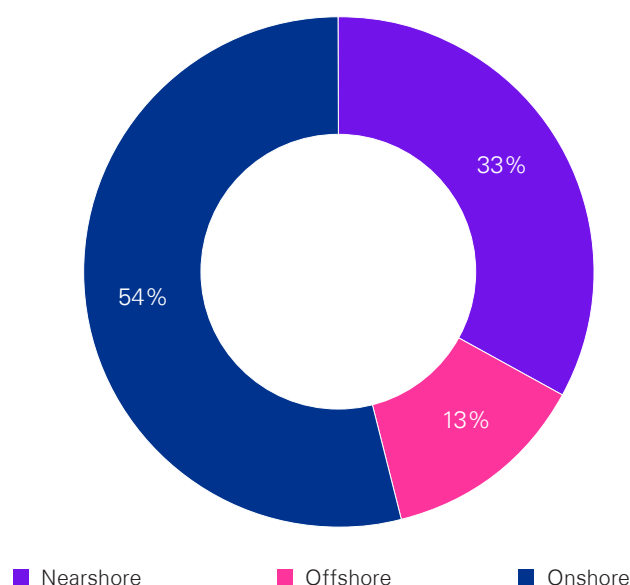
**Proportion of activities undertaken in-house/outourced/hybrid — all banks, 2023**



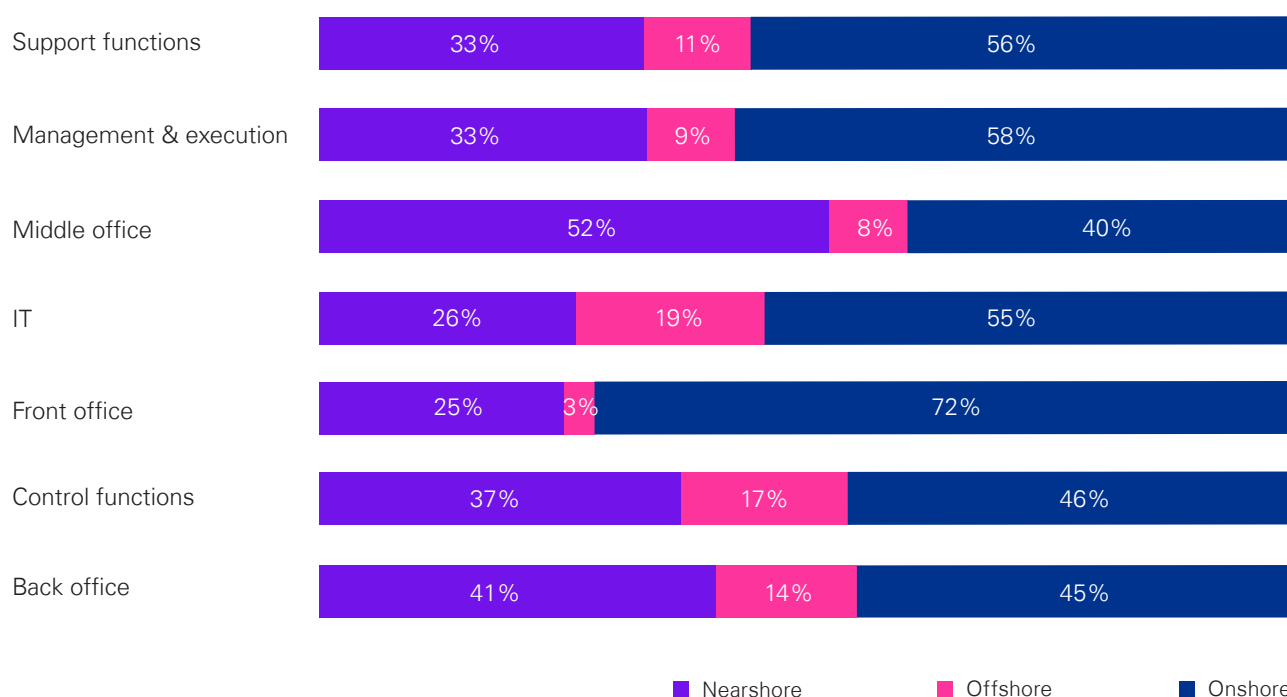


# Type of sourcing for activities outsourced within the group — all banks

Type of sourcing for all activities outsourced within the group — all banks, 2023



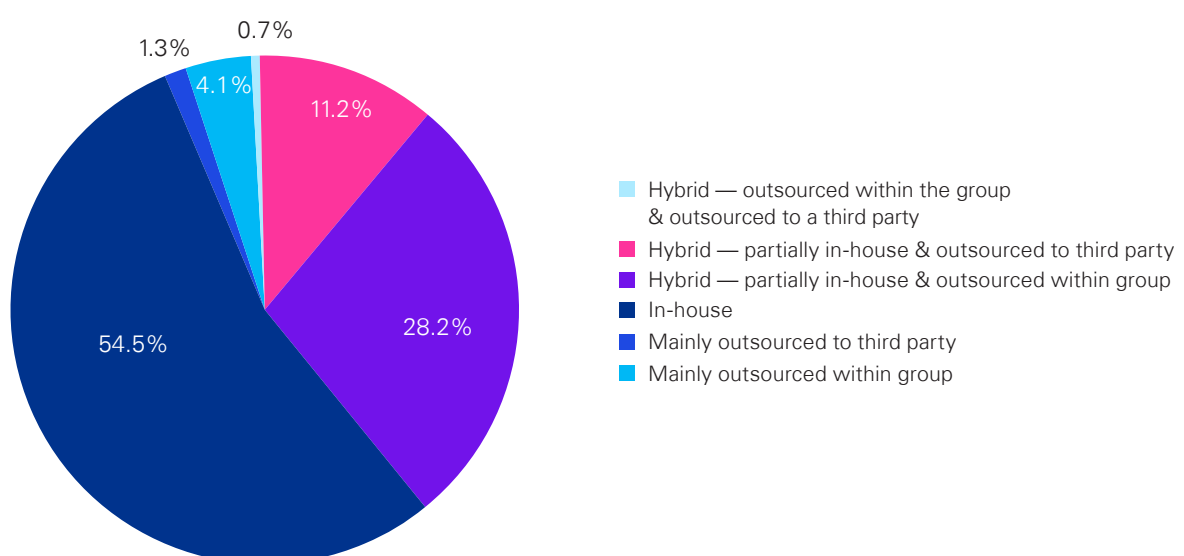
Type of sourcing by activity — activities outsourced within the group — all banks, 2023



# Operating models Small banks

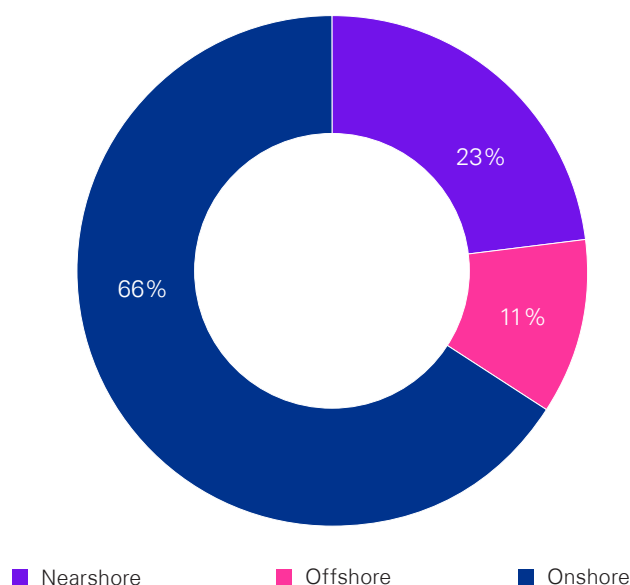
## Operating models — outsourcing — small banks

Proportion of total activities undertaken in-house/outourced/hybrid — small banks, 2023

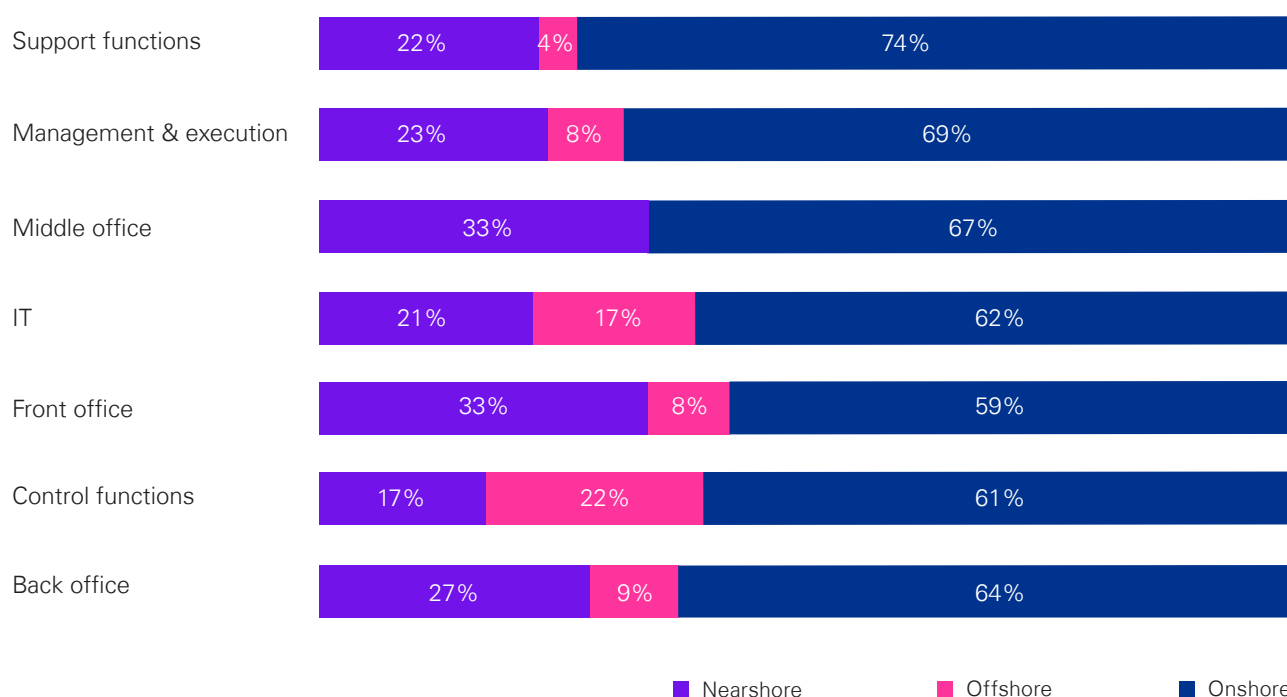


# Type of sourcing for activities outsourced within the group — small banks

Type of sourcing for all activities outsourced within the group — small banks



Type of sourcing by activity — activities outsourced within the group — small banks

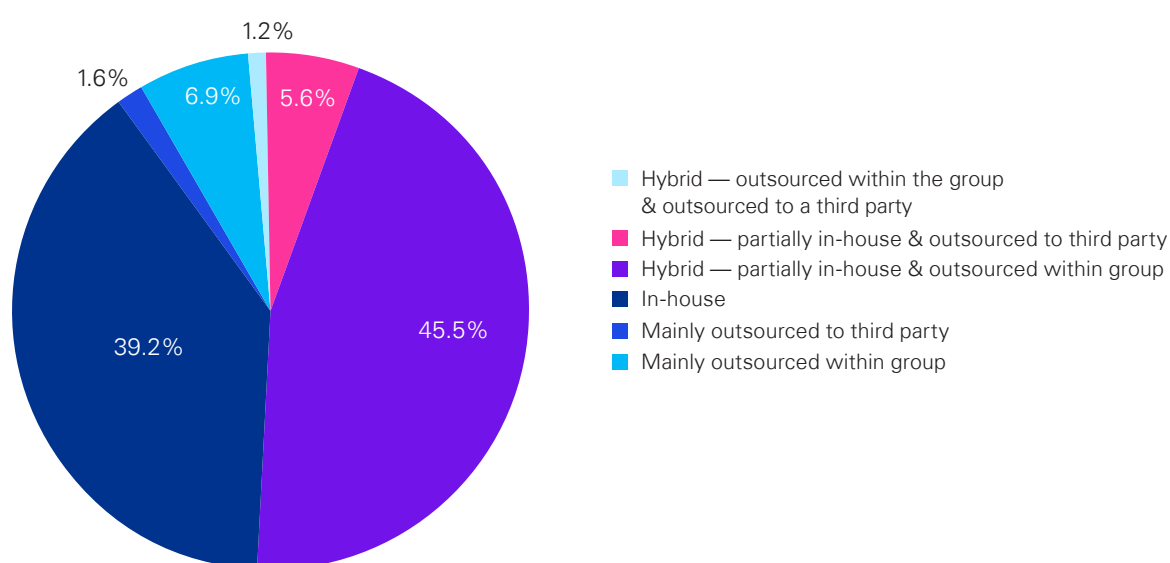




# Operating models Medium banks

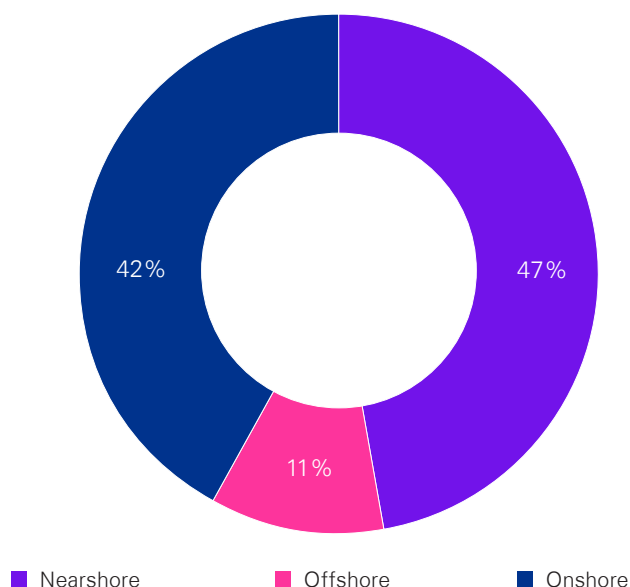
## Operating models — outsourcing — medium banks

Proportion of total activities undertaken in-house/outourced/hybrid — medium banks, 2023

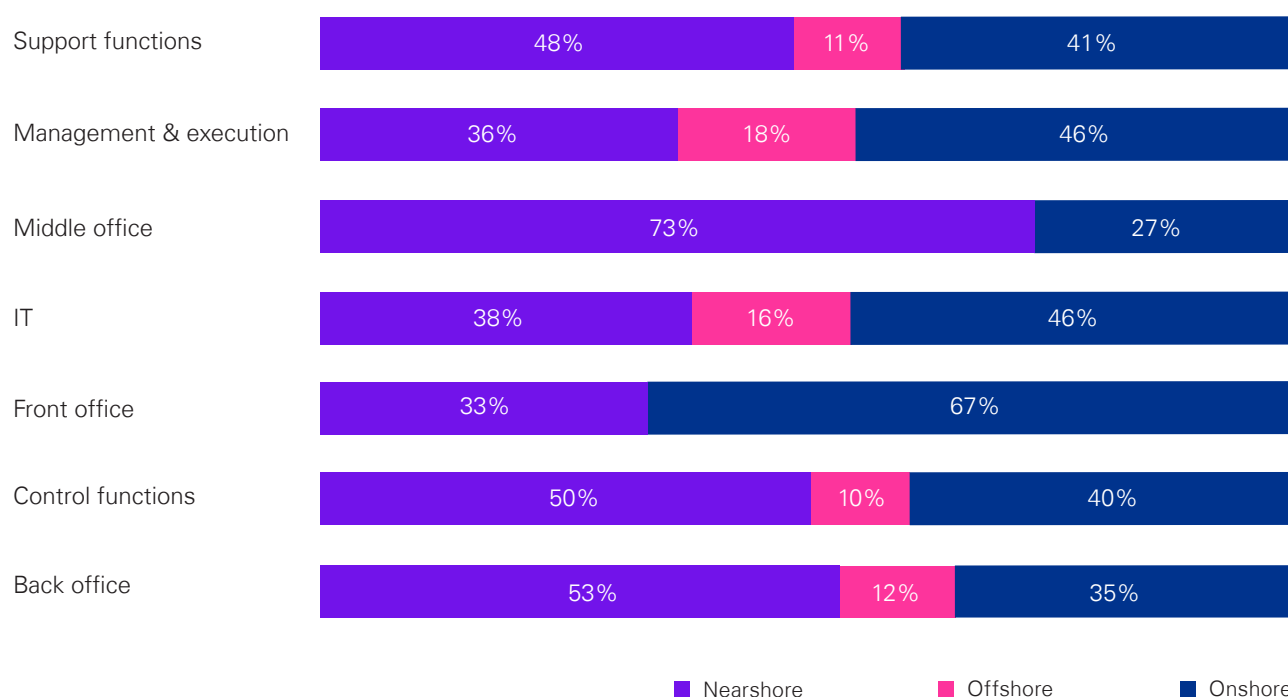


# Type of sourcing for activities outsourced within the group — medium banks

Type of sourcing for all activities outsourced within the group — medium banks



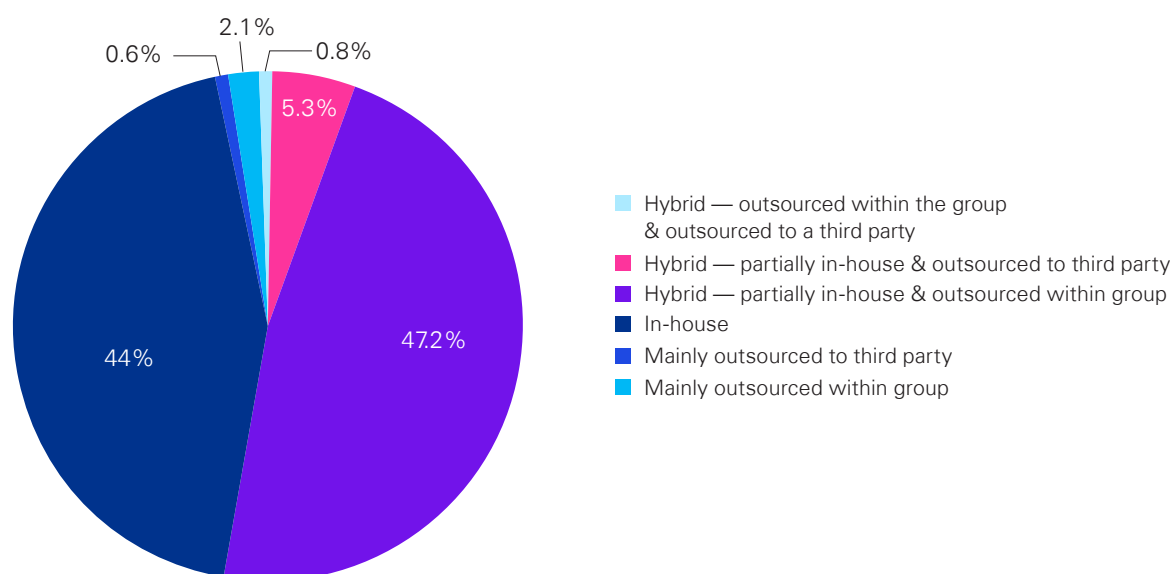
Type of sourcing by activity — activities outsourced within the group — medium banks



# Operating models Large banks

## Operating models — outsourcing — large banks

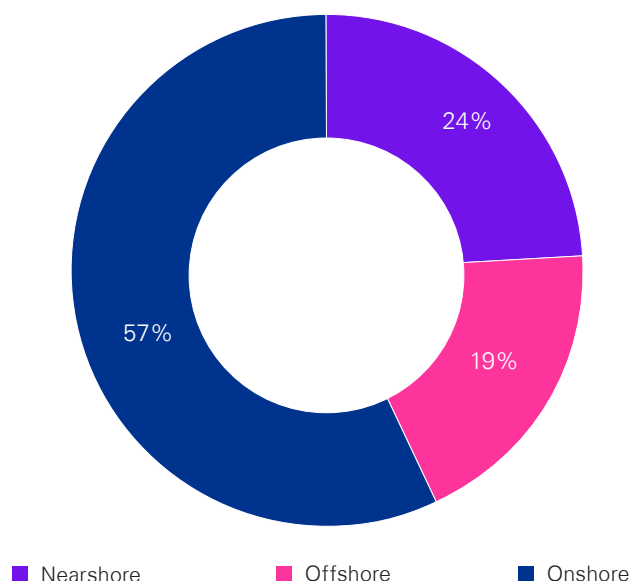
Proportion of total activities undertaken in-house/outourced/hybrid — large banks, 2023



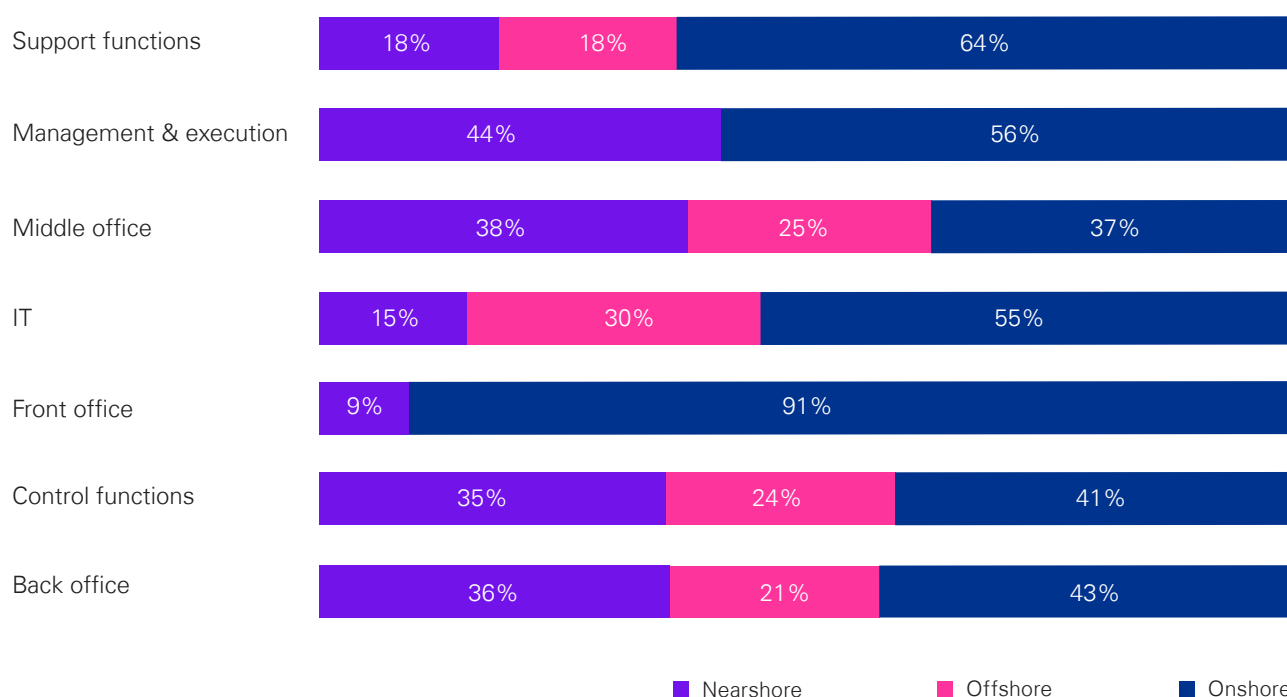


# Type of sourcing for activities outsourced within the group — large banks

Type of sourcing for all activities outsourced within the group — large banks



Type of sourcing by activity — activities outsourced within the group — large banks



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