



Private
Banking

ABL Cluster

Clarity on performance of Luxembourg private banks

Private banking report 2025

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Foreword

Staying relevant in a shifting private banking landscape

Luxembourg stands as the largest private banking center in the European Union.

From here, our private banks serve a diverse and international clientele — high-net-worth individuals (HNWIs) and ultra-high-net-worth individuals (UHNWIs), often entrepreneurial families managing wealth across multiple jurisdictions.

They have chosen Luxembourg for decades. Why? Because of our expertise, our diversity, and our comprehensive toolbox. But above all, because **we have been a haven of stability in a turbulent world.**

Today, stability is not only a virtue — it is a competitive advantage. As global wealth becomes increasingly mobile and complex, Luxembourg continues to offer clarity, continuity, and confidentiality, all within a transparent, EU-aligned framework.

In 2024, Luxembourg's private banks once again proved their strength. Assets under management reached record levels, supported both by strong market performance and sustained net new money — extending over a decade of near-uninterrupted growth.

Yet, while Luxembourg fares well compared to its European peers, including Switzerland, **we cannot afford complacency.** Staying relevant, especially for a younger generation of wealth holders, requires us to adapt to evolving client dynamics and seize new opportunities.

Relevance, for Luxembourg and European banks, means above all remaining financially sustainable and competitive. It also means addressing the challenge of regulatory amplitude. In a world where some jurisdictions choose to deregulate recklessly, Europe risks losing ground.

At the ABBL, we are clear: we do not believe in deregulation for its own sake. **We believe in regulation that is smart, clear, and enabling.** As our mission states: we support financial services that are regulated, innovative and responsible. Well-designed regulation protects, builds trust, and ensures a level playing field. But too often, new layers of rules have been added without asking the essential question: do they work?

Our message is simple:

- **Regulation — yes.**
- **Ineffective regulation — no.**

That is why we have presented forty targeted proposals to improve European regulation. That is why we actively engage with the Ministry of Finance and the Commission de Surveillance du Secteur Financier (CSSF), with whom we enjoy a constructive and open dialogue.

But being relevant goes further. It means **showcasing the right value proposition**. The future of Luxembourg's financial center does not lie in being the back office for global groups. We must continue climbing the ladder of value creation.

This requires focusing on **qualitative growth** — attracting international and European players whose activities complement our ecosystem, and to whom Luxembourg can offer clear added value. A central challenge remains: drawing more players and skills into asset management.

It also requires **continuously refining our toolbox**. Together with the Haut Comité de la Place Financière, we must identify and create missing vehicles that allow entrepreneurial families to better structure and preserve both private and business assets.

Supporting our existing teams is equally vital. Investment in training is central, as highlighted in the collective agreement for the banking sector. **Attracting and retaining talent** means ensuring education meets market needs and smoothing young professionals' path to the job market.

In this respect, I am particularly proud of two recent ABBL initiatives:

1. Together with the Ministry of Finance, we were instrumental in McGill University's decision to launch its first European program in Luxembourg, with a Master in Finance.
2. And by the time you read this, the ABBL will have hosted the first session of its new **Masterclass for students of the University of Luxembourg's Master in Wealth**

Management. Developed in close collaboration with our members, this immersive program gives future wealth managers hands-on insights into our sector and demonstrates our commitment to reinforcing Luxembourg's leadership in private banking.

Remaining relevant also means **strengthening our thought leadership**. Over the past year, the ABBL has established a Strategic Committee to support management decisions and reinforce our middle management. We are also deepening our research capacity, working closely with leading consulting partners.

This is why this edition of the private banking survey has been expanded to cover new dimensions:

- A clearer generational overview of client types.
- Greater granularity in asset distribution, specifically to gain deeper insights into investment fund distribution.
- An analysis of sustainable assets, including regulatory classifications and ESG preferences.
- And for the first time, insights into the sector's growth outlook for 2025.

I warmly thank our partners at KPMG for their professionalism and foresight, as well as our member representatives who worked closely with the ABBL team to interpret these results.

I hope you enjoy this report, and above all, that it inspires confidence in Luxembourg's continued role as a global hub for private banking and wealth management.

Yves Stein

Chairman of ABBL's Private Banking Cluster Luxembourg

Introduction

Summary of underlying assumptions

Assumptions we make during our evaluations:

This report focuses on 42 Luxembourg-based private banks. As of 31 December 2024, the number of banks included in this analysis has decreased by three (3) compared to the previous year, due to one (1) license withdrawal by the ECB, one (1) withdrawal from private banking activities, and one (1) merger with another participant.

For the financial year 2023, data was sourced from both last year's survey and this year's survey. Where discrepancies between both sources arose, priority was given to the most recent data (i.e. of 2024) to ensure accuracy and timeliness, though this may affect direct year-on-year (YoY) comparability. For certain trend analyses, such as assets under management (AuM), figures from banks no longer participating were included in the 2023 baseline to maintain consistency.

To facilitate meaningful comparisons, banks are categorized by size based on AuM:

- Small: AuM below EUR 5 billion.
- Medium: AuM between EUR 5 billion and EUR 20 billion.
- Large: AuM above EUR 20 billion.

This approach ensures reliable and comparable insights into the Luxembourg private banking sector.

For additional context and where appropriate, this report's findings are compared with a similar study of 71 Swiss private banks, conducted by our colleagues at KPMG Switzerland in cooperation with the Institute of Management and Strategy at the University of St. Gallen¹. In line with this report's approach, a private bank is defined as a Swiss bank with a Swiss Financial Market Supervisory Authority (FINMA) bank license that focuses significantly on private wealth management. Private banks are also classified as large, medium-sized, and small based on the size of their AuM:

- Small: AuM below CHF 10 billion.
- Medium: AuM between CHF 10 billion and CHF 100 billion.
- Large: AuM above CHF 100 billion.

¹ KPMG Switzerland and University of St. Gallen, [Clarity on Swiss Private Banks](#), June 2025.

Key trends

What trends are emerging?

Where is the Luxembourgish market heading?

1 Continued market growth

The Luxembourg private banking sector saw a record 14% YoY surge in its AuM. This was fueled by strong market performance (i.e. around 10%) and a doubling of net new money (NNM) from 2% in 2023 to 4% in 2024.

2 Consolidation trend

The market's consolidation trend continues. This is evident in the number of private banks, which decreased from 45 in 2023 to 42 in 2024. This trend also shows that "big players win more", as they continue to grow faster than their smaller competitors.

3 Increased cost-to-income (C/I) ratio

Total costs rose YoY by EUR 122 million (primarily from staff and IT expenses), while income fell by EUR 85 million YoY (mostly due to a drop in net interest income).



4

Stronger focus on the ultra-wealthy

Our findings indicate a heightened emphasis on serving UHNWIs. This trend is especially notable among medium and large private banks.

5

Growth in FTEs

The number of full-time equivalent (FTE) employees has grown across all roles. The most significant increase was in IT staff, which saw a 10% rise.

6

Shifts in product preferences

The importance of investment funds in client portfolios is rising. This is primarily driven by three factors: the use of (1) third-party funds, specifically (2) UCITS that are (3) passively managed. Among alternative investment funds (AIFs), private equity is especially popular. However, the market has not (yet) adopted direct investments into crypto assets.

Key trends in Swiss private banking

What do the Luxembourg and Swiss private banking markets have in common?

1 – Continued market growth

The Swiss private banking industry saw a median AuM growth of 13% last year, primarily driven by positive market performance.

2 – Consolidation trend

Although the number of consolidation deals remains low, there has been a significant acceleration in these deals after several years of stagnation. This trend is expected to lead to a decline in the number of Swiss private banks.

3 – Increased cost-to-income (C/I) ratio

Nearly two-thirds of banks reported a worsening C/I ratio last year. Similar to the situation in Luxembourg, this was mainly caused by increasing costs and reduced incomes.

In a Nutshell:

We clearly see **parallels** between those trends identified in our analyses and those mentioned in the Swiss study.

However, **Luxembourg's industry is growing more dynamically** than Switzerland's.

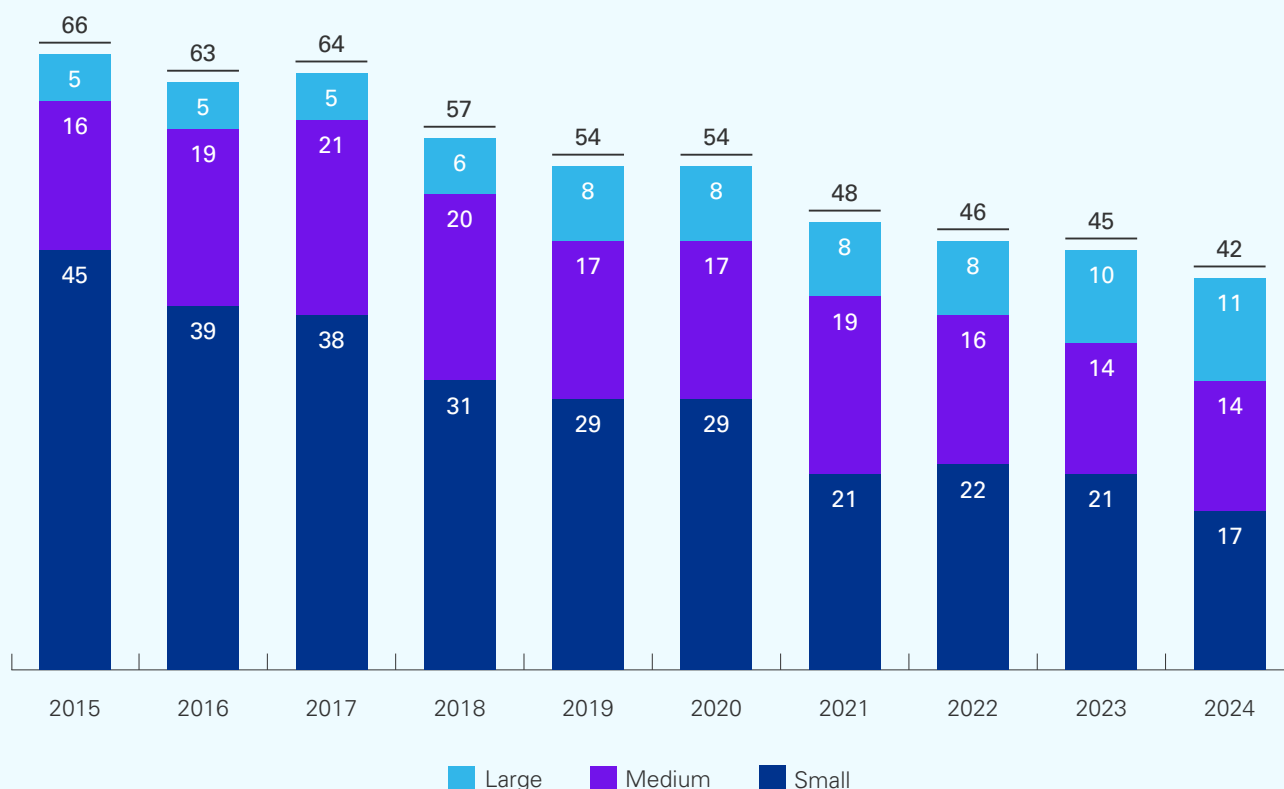


01

Number of private banks

Trend in number of Luxembourg private banks

Trend in number of Luxembourg private banks



Note: As described on page 5, to facilitate meaningful comparisons, banks are categorized by size based on AuM: (1) Small: AuM below EUR 5 billion, (2) Medium: AuM between EUR 5 billion and EUR 20 billion and (3) Large: AuM above EUR 20 billion. This approach ensures reliable and comparable insights into the Luxembourg private banking sector.

Since 2015, the Luxembourg private banking sector has undergone significant consolidation, with the total number of private banks falling from 66 to 42 by 2024. This 36% reduction in total institutions is underpinned by a sharp decline in the number of small banks — down by 62% from 45 to 17 — while the number of large banks has more than doubled over the same period (from five to 11). The composition shift highlights a market where scale has become increasingly critical.

This consolidation is driven by several distinct factors. First, international and pan-European players have seen broad-based consolidation on a global level regarding their Luxembourg operations. These moves are typically driven by strategic considerations, such as to strengthen market

positioning, achieve operational synergies, and optimize global footprints. Second, local activities among domestic players have consolidated, mainly motivated by cost pressures and the need to reach a critical size to remain competitive. Smaller local institutions are finding it increasingly difficult to absorb rising regulatory, technological and operational costs, prompting many to exit or merge.

In summary, Luxembourg's evolving private banking landscape is emblematic of a worldwide shift toward fewer and larger institutions, as the industry adapts to new market realities. The dual nature of consolidation — both global strategic realignment among international groups and local rationalization among domestic players — underscores the multifaceted pressures shaping the sector.

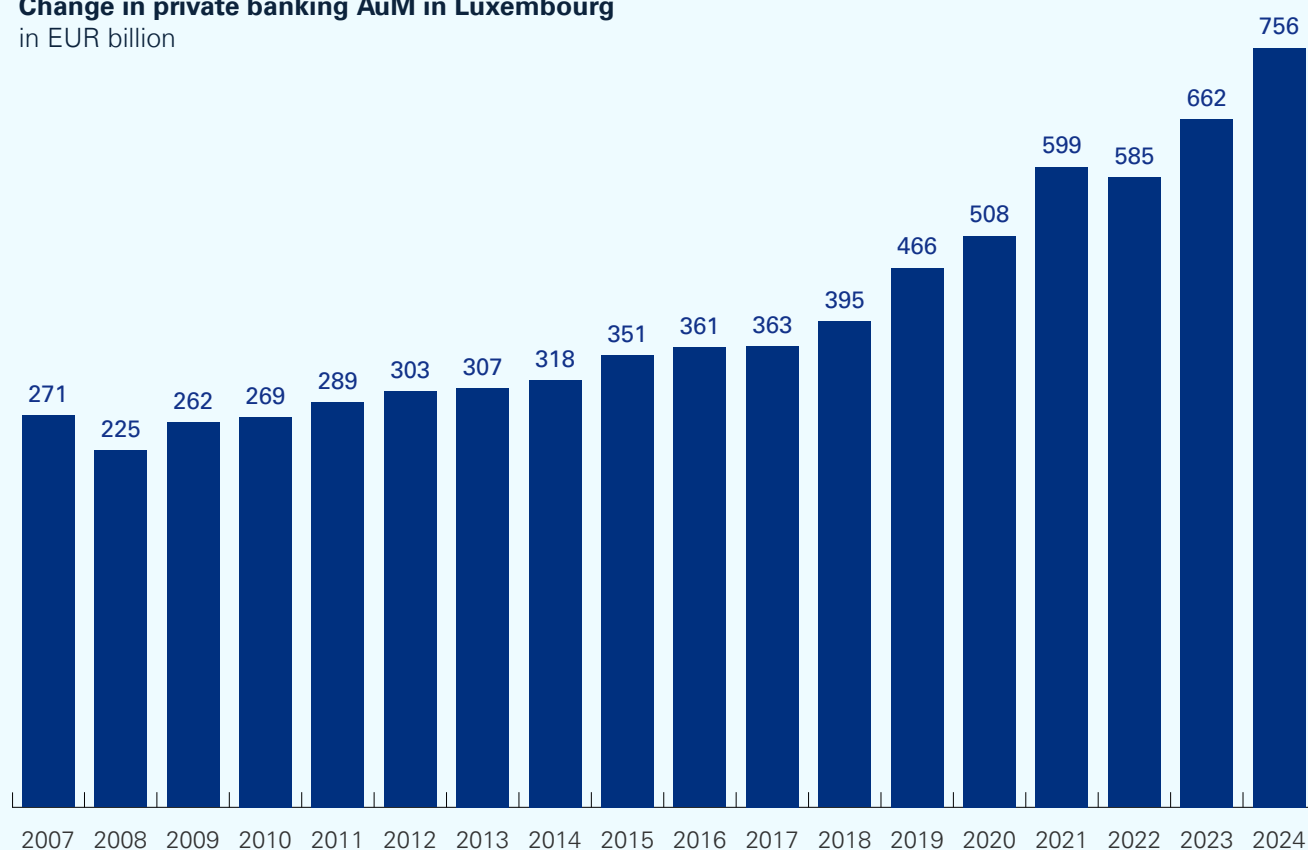
The background is a dark purple field with a network of thin, light purple lines forming a triangular grid. Scattered throughout are small, semi-transparent purple circles of varying sizes. A diagonal sequence of five rounded, rectangular purple shapes with metallic-looking edges runs from the top left towards the bottom right. The text '02' is positioned to the left of this sequence, and 'Main trends' is written in large white letters across the lower half of the image.

02

Main trends

AuM and service offerings

Change in private banking AuM in Luxembourg
in EUR billion



The Luxembourg private banking sector has enjoyed robust and sustained growth in AuM between 2007 and 2024, with total AuM rising between 2023 and 2024 from EUR 662 billion to EUR 756 billion. This represents an average annual growth rate of approximately 10%, underscoring Luxembourg's enduring appeal as a leading European wealth management hub.

Notably, 2024 marked a record-breaking increase, with AuM rising by EUR 94 billion — a **14% YoY surge**, the highest annual increment observed since 2007. Approximately EUR 78 billion of this amount is attributable to the large bank category.

In 2024, 24 of the 42 private banks operating in Luxembourg registered AuM growth rates of **over 10%**:

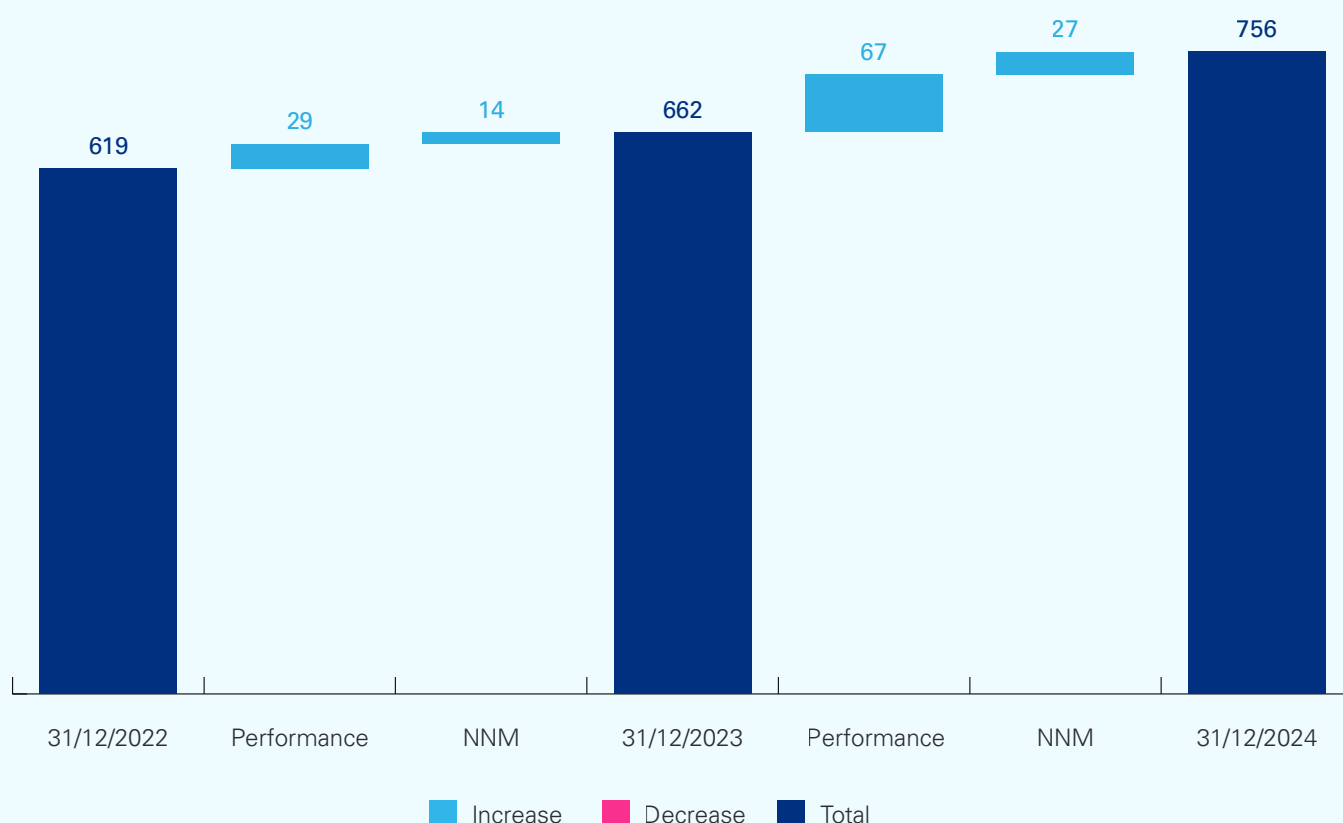
- nine out of 17 small banks
- six out of 14 medium banks and
- nine out of 11 large banks.

This widespread outperformance suggests sector-wide momentum rather than isolated successes.

Luxembourg's AuM development

AuM development

in EUR billion



Our analysis of AuM growth between 31 December 2023 and 31 December 2024 reveals a total increase of EUR 94 billion, providing critical insight into the sector's underlying expansion drivers.

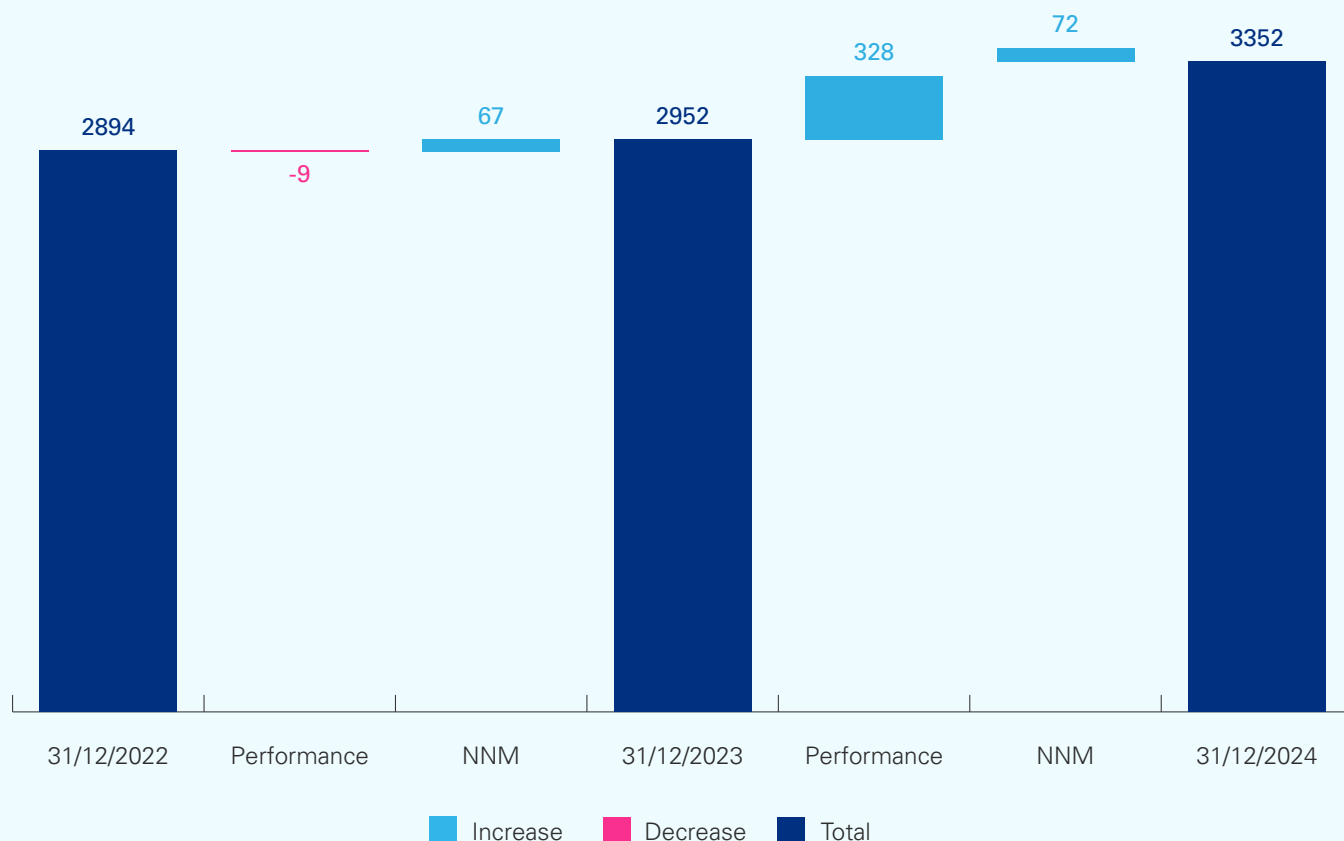
Of this total AuM growth, over EUR 67 billion (10%) was due to strong market performance. This highlights the significant role that favorable market conditions played in amplifying asset valuations, which in turn underpinned the sector's record AuM increase.

NNM contributed EUR 27 billion to the overall AuM growth, marking a 92% YoY increase. This substantial inflow of around 4% of total growth demonstrates sustained client confidence in Luxembourg as a private banking center. This trust is likely due to the country's reputation as a center of excellence, with highly skilled talent who provide expertise and specialized services, even in the face of rising global competition.

Switzerland's AuM development, in CHF billion

AuM development

1 January 2022 to 31 December 2024, in CHF billion



Positive financial markets and favorable currency movements (a stable CHF/EUR and a positive CHF/USD) added over CHF 335 billion to the industry's AuM. This market-driven growth was higher even than the record year of 2021, when all asset classes were rising.

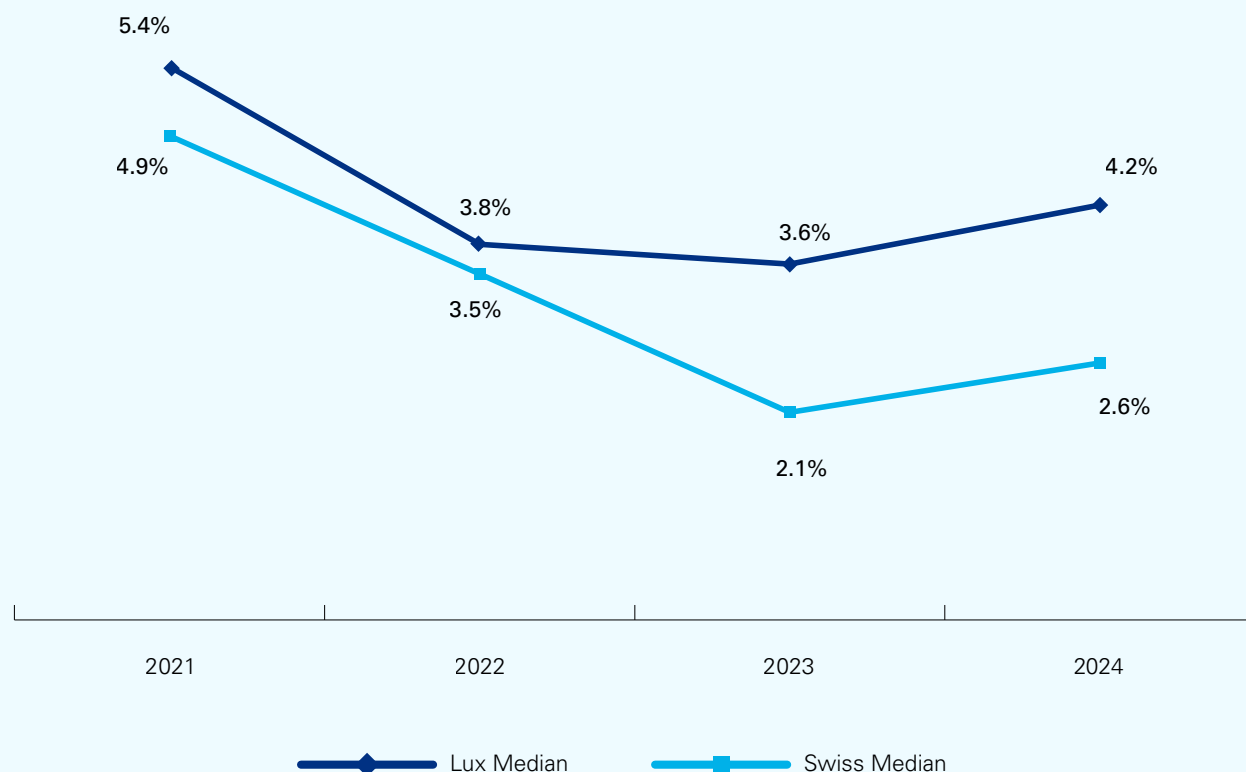
The industry's NNM remained relatively low, increasing by just 2.43% YoY. However, this masks a split performance between different bank sizes:

- Medium-sized banks saw a significant jump in NNM, growing their AuM from CHF 7.2 billion in 2023 to CHF 24.6 billion in 2024.
- Large banks, on the other hand, failed to maintain their already low levels of NNM from 2023.

Median NNM growth, Luxembourg vs. Switzerland

Median NNM Luxembourg vs. Switzerland

% Growth



Median NNM growth trends highlight Luxembourg's ongoing strength relative to Switzerland. From 2021 to 2023, both markets saw declining median NNM: Luxembourg fell from 5.4% to 3.6%, while Switzerland dropped from 4.9% to 2.1%. In 2024, both jurisdictions growth intensified again, with Luxembourg's median NNM rising to 4.2% and Switzerland's to 2.6%.

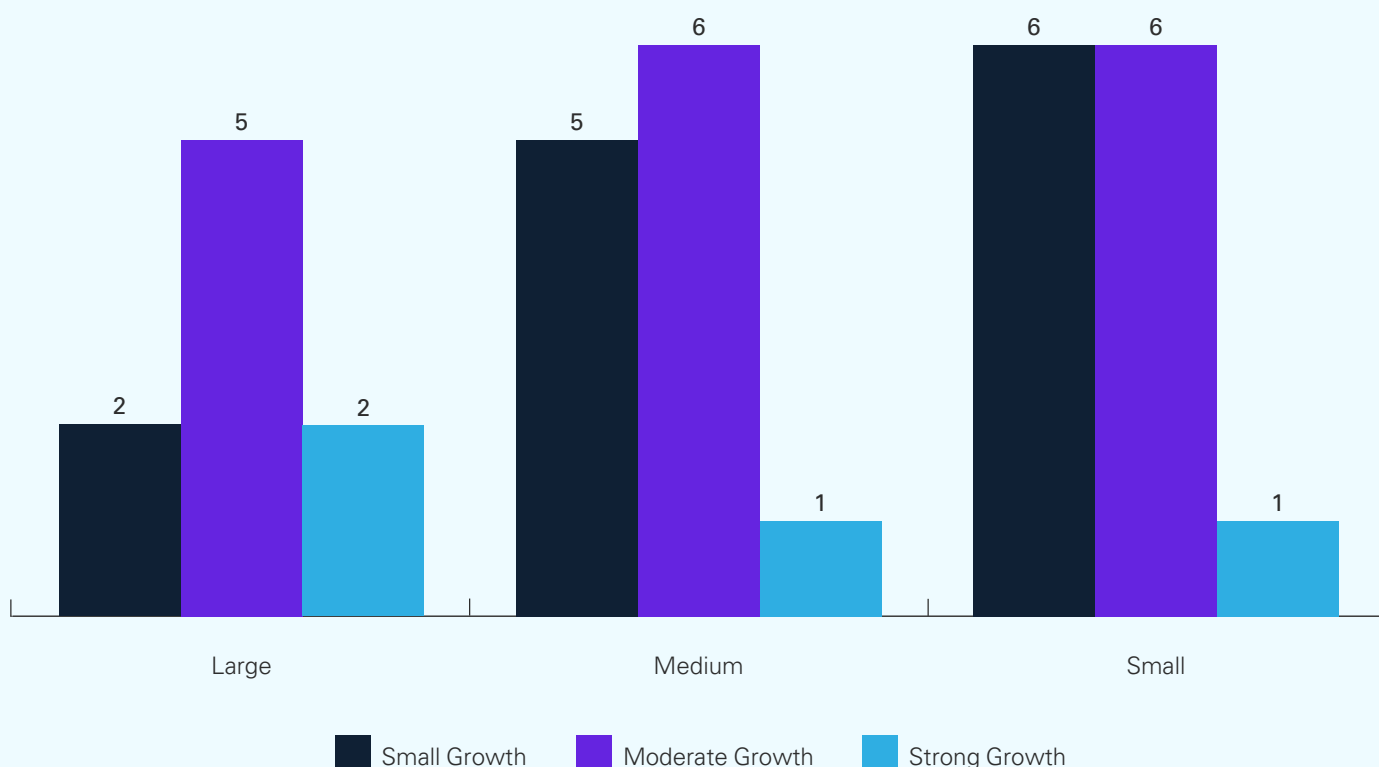
Switzerland remains a global hub for private banking, while Luxembourg serves as a regional center primarily catering to European clients. Switzerland's private banking sector is experiencing slower growth, likely due to intensifying global competition in wealth management. In contrast, Luxembourg is seeing stronger growth, supported by its continued appeal as a stable financial center in an otherwise uncertain regional environment.

A granular look at Luxembourg's private banking sector in 2024 reveals broad-based asset-gathering capabilities. 30 out of 42 private banks posted positive NNM, with large banks leading—90% of them reported net inflows. Medium-sized and smaller banks also demonstrated solid performance, with 71% and 59% respectively achieving positive NNM, indicating that while scale remains a key driver, growth is not limited to the largest institutions.

In Switzerland, NNM growth remains quite flat, with only 15 out of 85 banks achieving NNM above 10%, while 22—including one large bank—reported negative NNM in 2024. This suggests that while some Swiss banks are successfully attracting new assets, a significant portion continues to face net outflows.

Private banks' NNM Expectations

2025 private banks' NNM Expectations



When asked about their NNM Expectations, our private bank respondents shared a general sense of optimism.

Private banks could choose from four options: decreasing (below 0%); small growth (up to 2%); moderate growth (up to 5%); and strong growth (more than 5%).

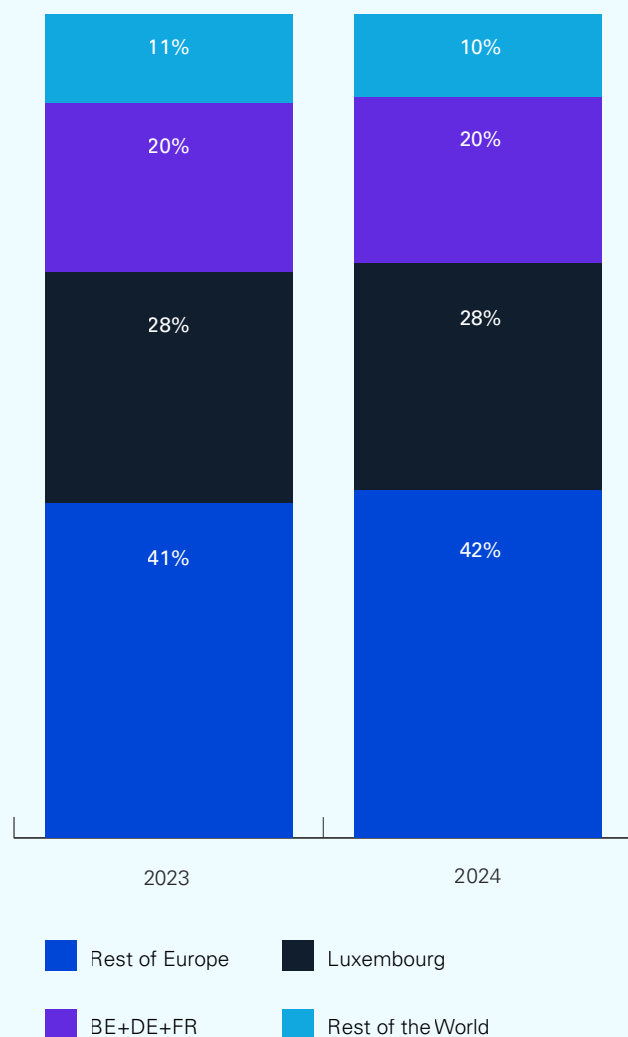
Around 88% of the private banks that responded to this question (34 out of 42) anticipate growth of more than 2%, with nearly half of them expecting growth to exceed 5%. This is a more ambitious target than the 4% actual growth seen in 2024.

Sentiment is especially positive among smaller banks, which feel confident in their ability to attract new customers.

Geographic distribution of clients

Client distribution by geographic region

Client distribution by geographic region, based on total AuM



Luxembourg's private banking sector remained highly international and stable in both 2023 and 2024. In 2024, 72% of AuM came from non-domestic clients. Luxembourg-domiciled clients* accounted for 28%, while clients from Belgium, Germany and France made up 20%. The largest share, 42%, came from the rest of Europe, and only 10% from other regions.

This geographic distribution highlights Luxembourg's strength as a cross-border private banking hub. The dominance of European clients, particularly those outside of its immediate neighbors, reflects the country's enduring appeal to HNWIs seeking a stable, well-regulated place for their wealth.

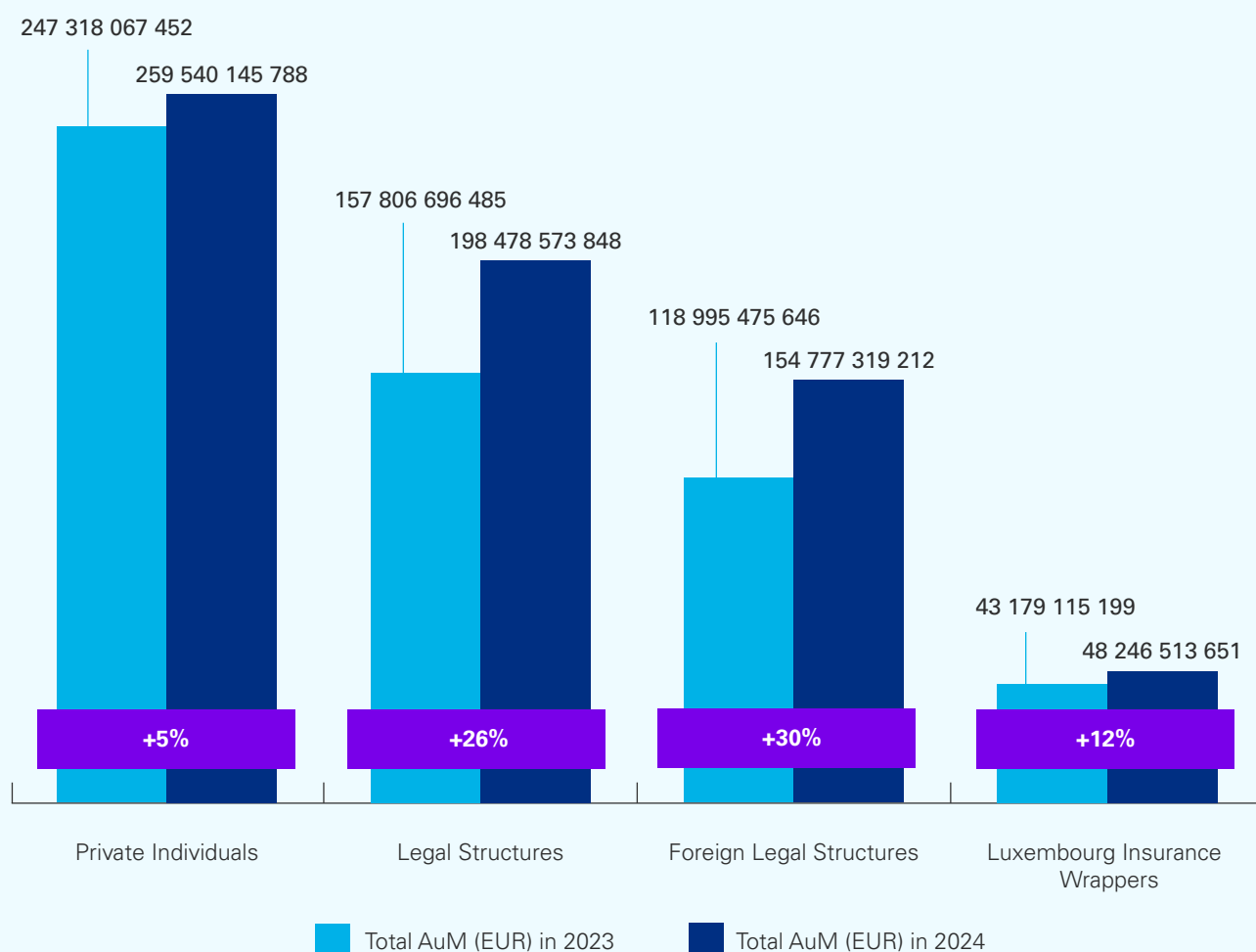
The relative consistency of this client base from 2023 to 2024 demonstrates that Luxembourg's growth is primarily driven by its strong relationships with European clients, rather than a push into new international markets. However, clients from outside Europe still make up a constant and significant 10% of total AuM.

In summary, Luxembourg's private banking sector continues to thrive as a regional hub that primarily serves European clients. This strategic focus on its established European client base, rather than broad global expansion, has reinforced its reputation as a leading center for cross-border wealth management in the region.

* Participating banks may have reported Luxembourg if the ultimate beneficial owner's (UBO) location cannot be easily retrieved, e.g. for life insurance wrappers.

Distribution of accounts by type

Distribution of accounts by type (based on total AuM)



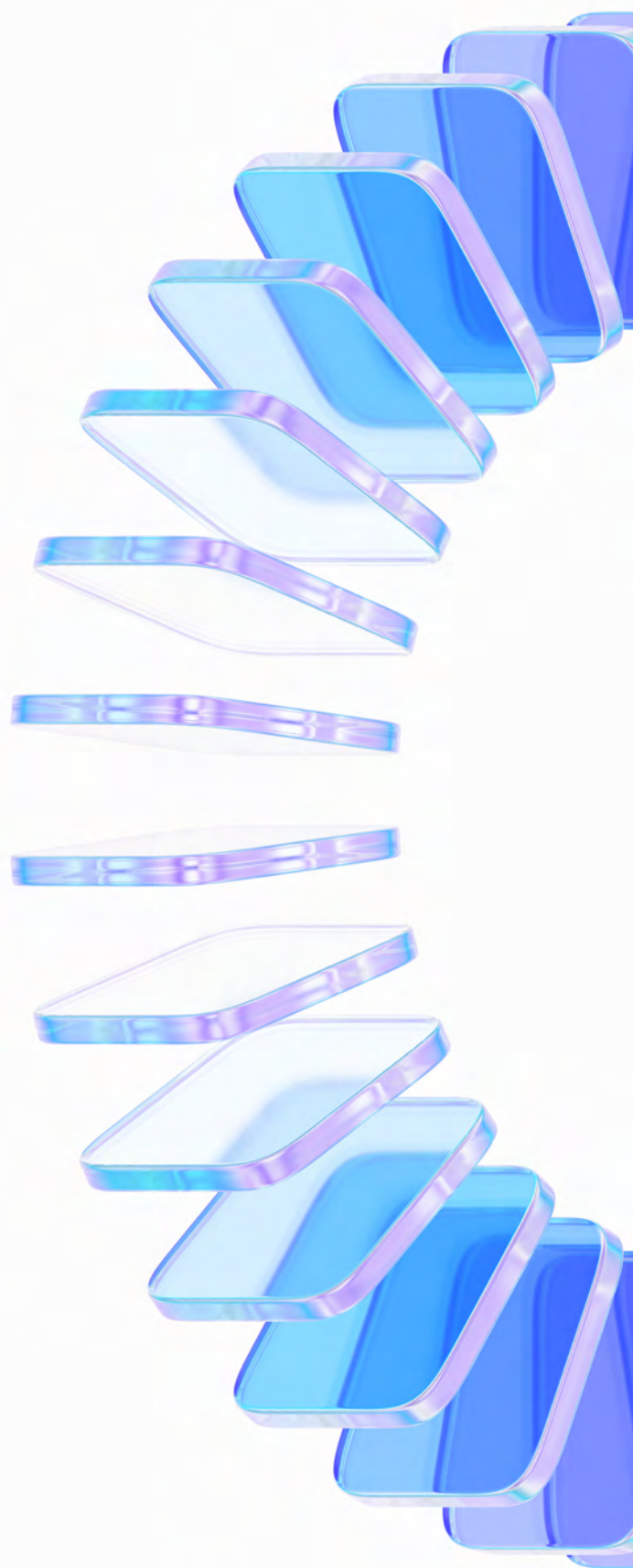
Key findings:

- Between 2023 and 2024, Luxembourg private banks experienced **notable growth across all major account types**.
- AuM for **private individuals** increased by nearly 5%, confirming the continued strength of this core client segment.
- **Legal structures and foreign legal structures** saw particularly strong growth, rising by 26% and 30% respectively, which highlights Luxembourg's growing role as a centre for sophisticated and cross-border wealth structuring.
- Additionally, **Luxembourg insurance wrappers** grew by 12%, reflecting sustained client interest in flexible and tax-efficient investment vehicles.

Distribution of accounts by type

Possible explanations:

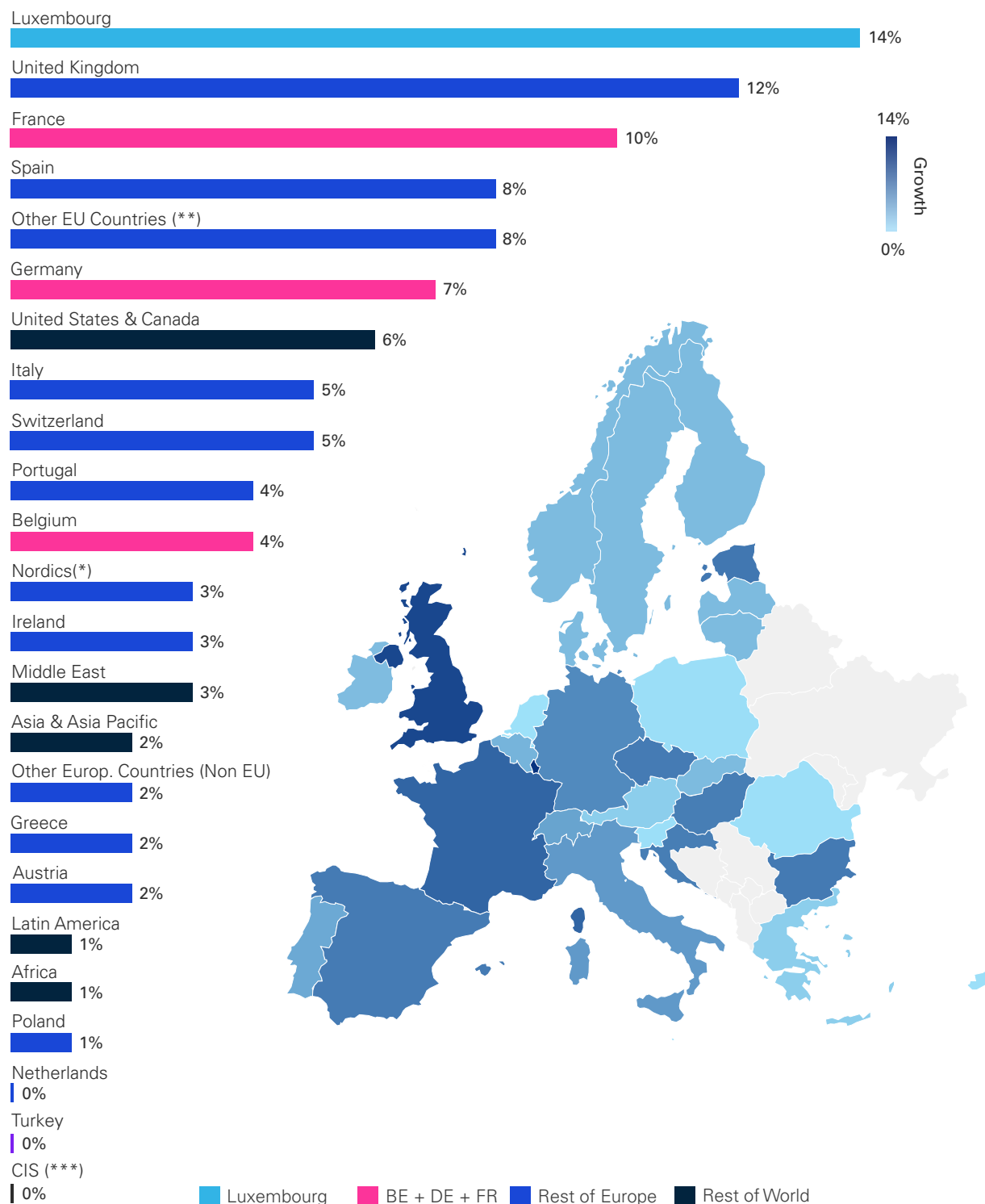
- Broad-based growth across all segments:** All account types saw notable AuM growth between 2023 and 2024. The strongest gains were in foreign legal structures (+30%) and legal structures (+26%), showing Luxembourg's continued appeal for specialized wealth structuring and cross-border solutions.
- Private individuals remain the largest segment:** The private individual group, which holds the greatest share of assets, grew by 5%. This reflects ongoing client inflows, positive investment performance, and Luxembourg's reputation for stability and client service.
- Strong momentum in legal and foreign legal structures:** The significant increases in AuM within these structures have two possible explanations. This growth could be due to legacy AuM benefiting from an exceptionally strong market in 2024, or it could signal a heightened demand for complex wealth structuring. This latter trend may be driven by international clients seeking regulatory certainty, tax efficiency and asset protection in a changing geopolitical and regulatory environment. This assumption aligns with the study's conclusion that private banks are increasingly focused on serving UHNWIs, who often prioritize wealth structuring.
- Growth in Luxembourg insurance wrappers:** The 12% rise in insurance wrappers points to sustained interest in these vehicles. This is likely due to their flexibility, estate planning benefits, and favorable regulatory treatment in Luxembourg.
- Economic and market impact factors:** These results are shaped by Luxembourg's position as a leading international wealth management hub. Ongoing regulatory and tax developments across Europe, along with global economic uncertainties, are prompting clients to diversify and protect their assets. The country's legal and regulatory framework, along with its expertise in cross-border solutions, continues to attract new clients and retain existing ones.



Growth in AuM by geography

Distribution of AuM growth by geographic region, 2024

Distribution of AuM growth by geographic region – 2024



(*) Nordics: Denmark, Norway, Iceland, Sweden and Finland.

(**) Other EU Countries: Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Romania, Slovakia and Slovenia.

(***) CIS: Azerbaijan, Armenia, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan and Uzbekistan.

(****) Other European countries (non-EU): Albania, Andorra, Bosnia and Herzegovina, Kosovo, Liechtenstein, North Macedonia, Monaco, Montenegro, San Marino, Serbia and Vatican City.

Growth in AuM by geography

Distribution of AuM growth by geographic region, 2024

As shown on page 9, 2024 was a banner year for Luxembourg's private banks. Their AuM soared by EUR94 billion, representing a 14% YoY surge and marking the highest growth rate since 2007. The accompanying chart provides a detailed look at the geographic sources of this AuM growth, illustrating contributions from clients in different countries and regions.

The top five sources of AuM growth are:

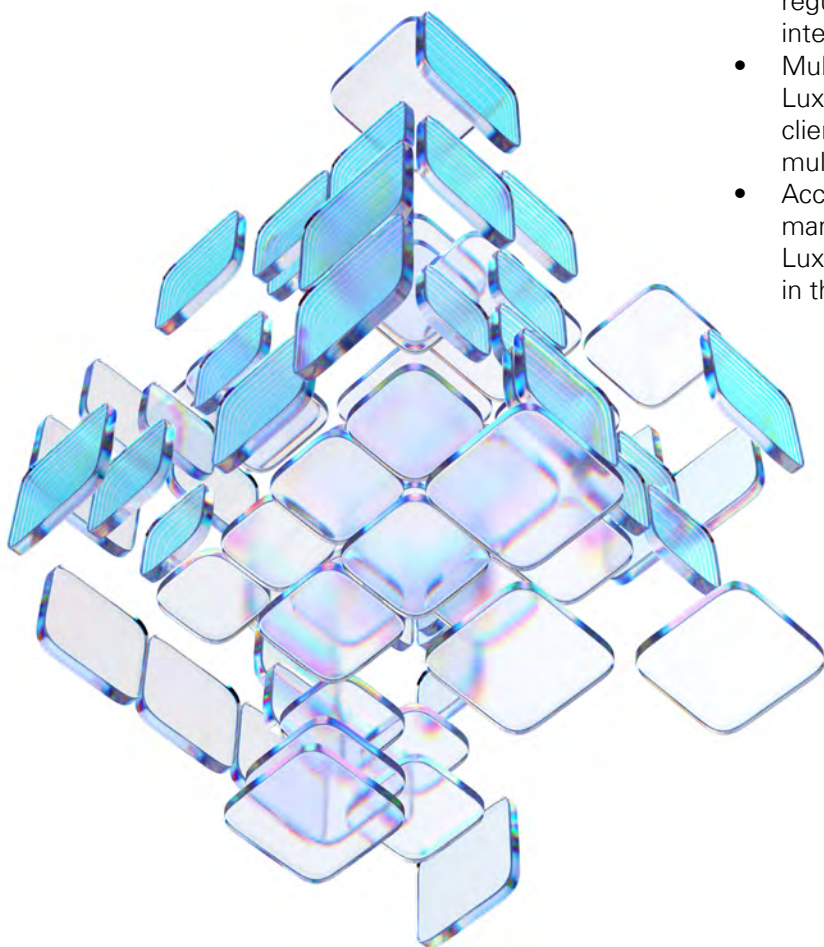
- (1) Luxembourg: 14%; (2) United Kingdom: 12%; (3) France: 10%; (4) Spain: 8%; and (5) other EU countries: 8%. Combined, these top-five regions account for 50% of the total AuM growth, indicating a strong concentration of new client money from these areas. The remaining 19 regions each contributed less than 7% individually, with a long tail of smaller contributors.

Macroeconomic factors

- Wealth concentration: The top contributing regions have high concentrations of wealth and significant populations of HNWI's.
- Political and economic stability: Luxembourg is seen as a safe haven, especially during periods of uncertainty in neighboring countries.
- Cross-border mobility: High levels of cross-border economic activity within the EU make it easier to acquire clients from neighboring markets.

Sector-specific drivers (locally):

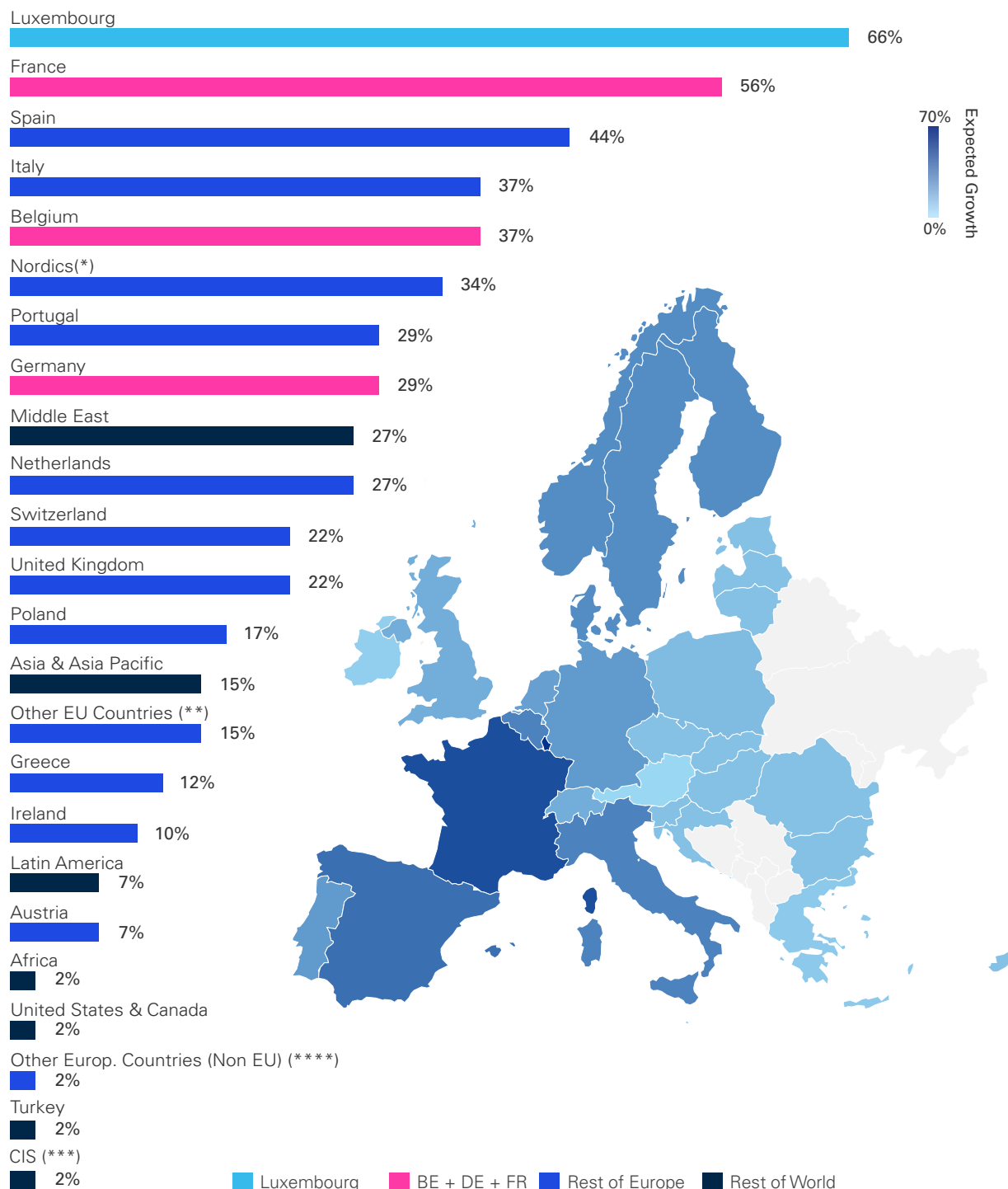
- Reputation and expertise: Luxembourg is globally recognized for its expertise in private banking, fund administration, and wealth management.
- Regulatory environment: The country offers a stable, transparent and business-friendly regulatory framework that appeals to international clients.
- Multilingual and multicultural services: Luxembourg's banks cater to a diverse clientele with tailored services offered in multiple languages.
- Accessibility: Proximity to major European markets and excellent connectivity make Luxembourg a convenient choice for clients in the region.



Expected growth regions for 2025

Geographic growth region expectations, 2025

Geographical growth expectations for private banking sector



(*) Nordics: Denmark, Norway, Iceland, Sweden and Finland.

(**) Other EU Countries: Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Romania, Slovakia and Slovenia.

(***) CIS: Azerbaijan, Armenia, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan and Uzbekistan.

(****) Other European countries (non-EU): Albania, Andorra, Bosnia and Herzegovina, Kosovo, Liechtenstein, North Macedonia, Monaco, Montenegro, San Marino, Serbia and Vatican City.

Expected growth regions for 2025

Geographic growth region expectations, 2025

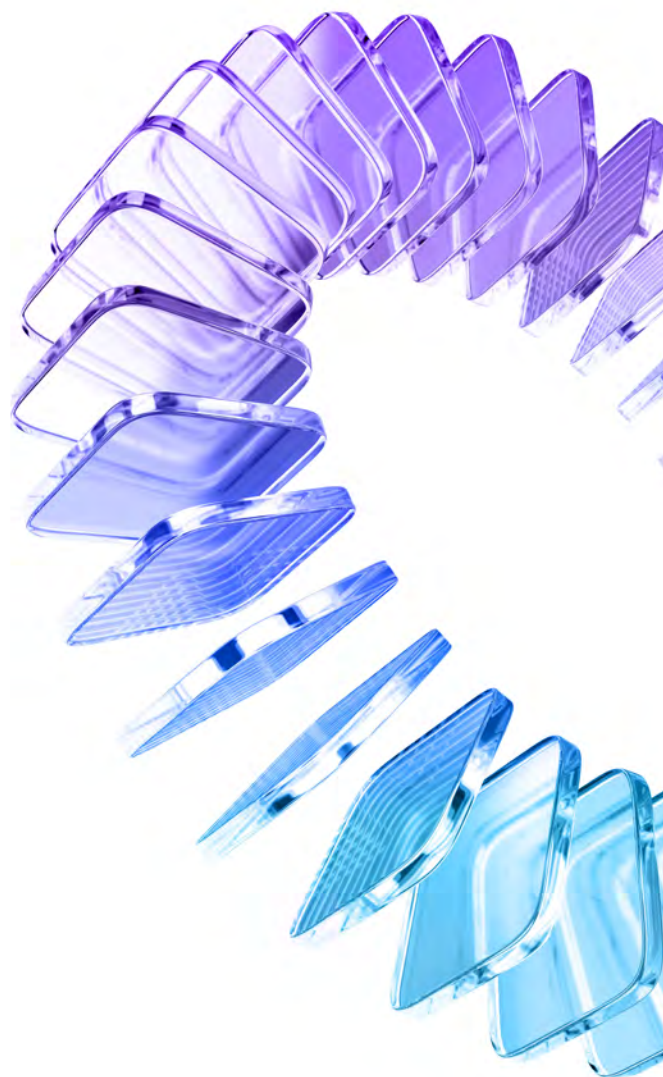
Europe is expected to remain the primary driver of growth in Luxembourg's private banking sector, as indicated by 89% of survey respondents. This may not come as a surprise, as many private banks in Luxembourg are regional hubs within globally active groups.

More than half of the private banks surveyed (66%, or 27 banks out of 42) consider Luxembourg to be a main growth driver, followed by France and Spain. This expectation is tied to several factors:

- Specialization in complex wealth structures: Luxembourg's expertise in handling intricate, cross-border structures appeals to HNWIs with international needs.
- Relocation of assets and structures: Regulatory changes and market shifts have prompted many clients to move assets held by wealth structures to Luxembourg.
- While participants were asked to identify the UBOs' country of origin for these structures, banks may not always have this information, such as with life-insurance wrappers.

The Middle East is the only non-European region with notable growth expectations, cited by 27% of private banks — a figure comparable to the leading European countries. However, the region currently accounts for just 2% of the total AuM in Luxembourg private banks.

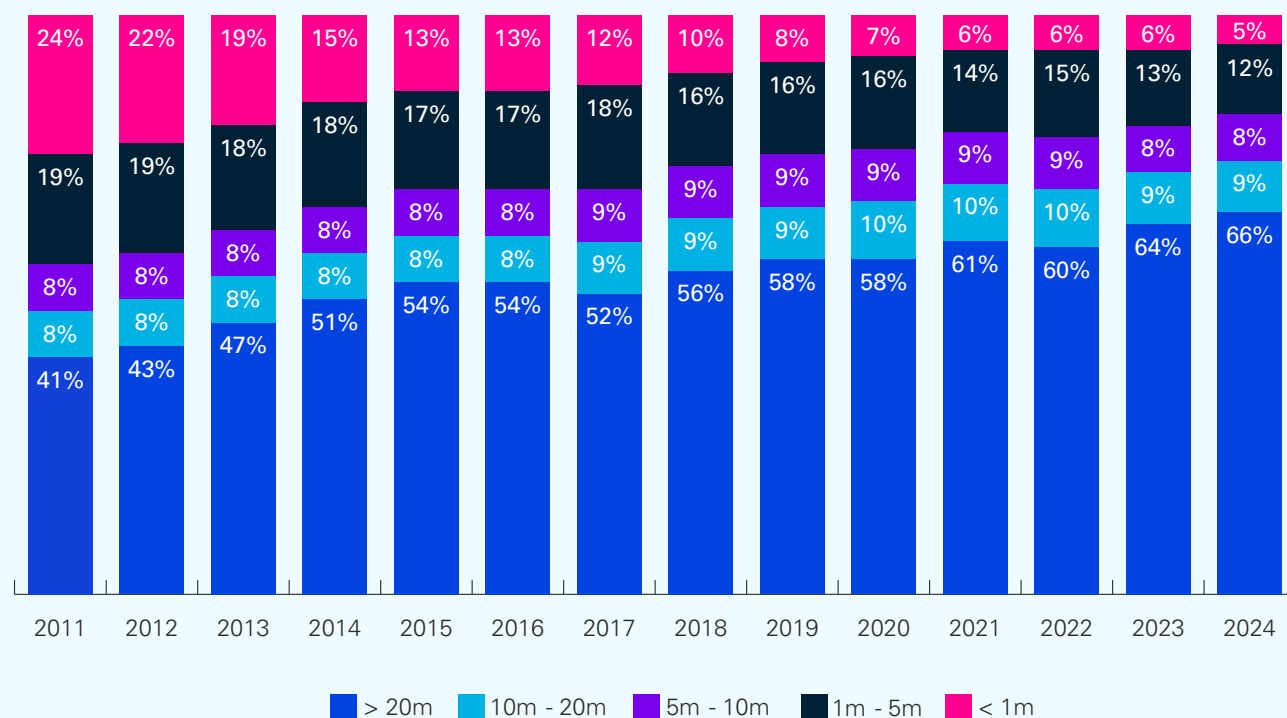
Surprisingly, other geographic areas, such as "Other EU countries" (i.e. Eastern Europe) or Latin America, are not projected to be major drivers of future growth.



AuM: client type distribution

Overall, for all bank sizes

Assets under management – client type distribution



Between 2011 and 2024, Luxembourg's private banking sector has clearly shifted toward a wealthier clientele. In 2011, clients with less than EUR 1 million represented 24% of total AuM; by 2024, that share had steadily dropped to just 5%. Similarly, the proportion of assets from clients in the EUR 1 – 5 million range fell from 19% to 12% over the same period.

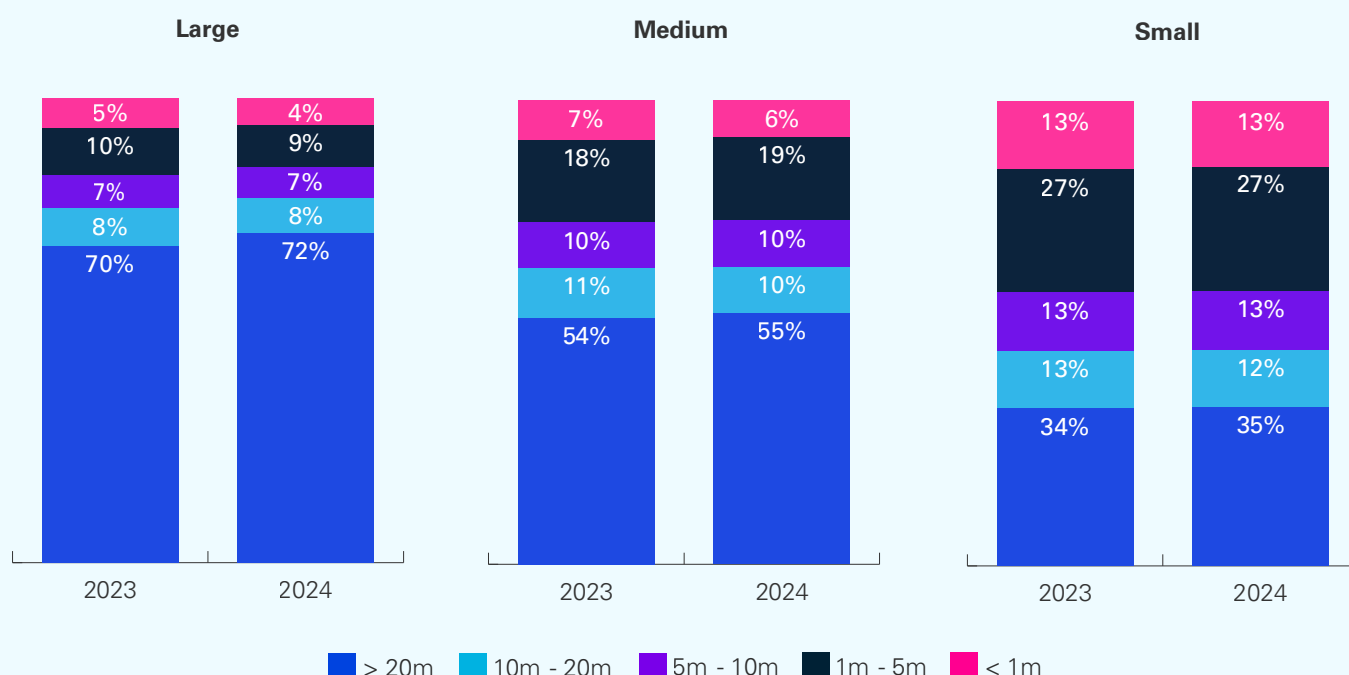
At the same time, the share of assets held by clients with more than EUR 20 million grew significantly, rising from 41% in 2011 to 66% in 2024.

This long-term trend underscores the increasing concentration of assets among UHNWIs, as Luxembourg private banks continue to successfully attract and retain the wealthiest clients.



AuM: client type distribution

By bank size 2023 – 2024



Larger banks in Luxembourg are increasingly focusing on UHNWIs, as shown by the growing concentration of assets held by clients with over EUR 20 million. These institutions are well-suited to attract and serve this clientele due to their extensive international networks, broad service offerings, and advanced capabilities in areas like wealth structuring, cross-border advisory and alternative investments. As a result, their client base is becoming more exclusive and globally diversified, centered on complex, high-value mandates.

Medium-sized banks are following a similar but less pronounced trend, gradually increasing their focus on wealthier clients while still maintaining some diversity in their client base. Many are

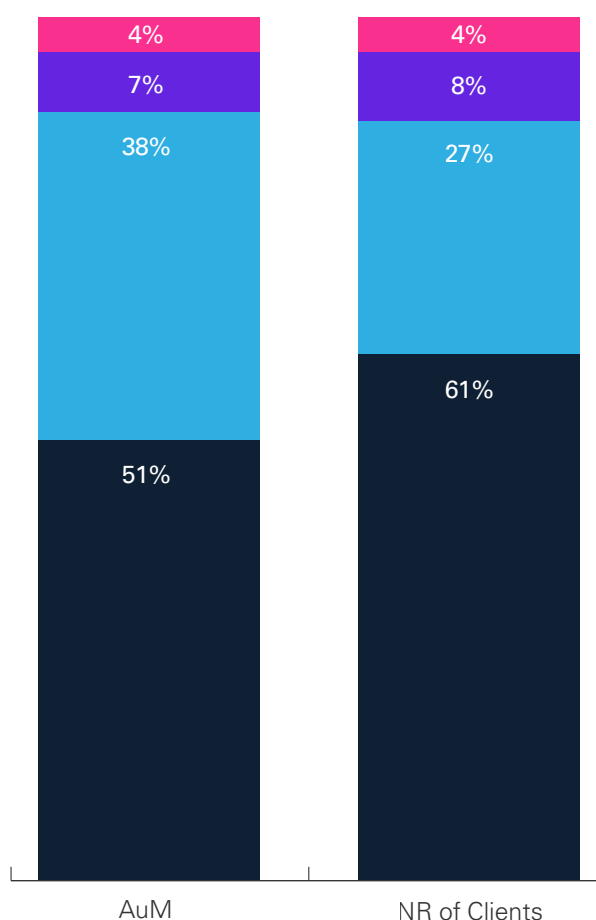
actively developing specialized expertise and tailored solutions to move upmarket, but still serve a significant portion of affluent and lower-HNW clients. Their strategy typically balances the pursuit of larger mandates with the need to maintain longstanding client relationships and a broader service offering.

In contrast, small banks continue to serve a variety of client segments. They have a higher proportion of smaller accounts, as they are often less equipped than their larger counterparts to address the complex needs of international UHNW clients. This strategic difference highlights the varied approaches that banks of different sizes are taking within Luxembourg's private banking sector.

Generational client distribution

Overall, for all bank sizes

Generational client distribution, 2024



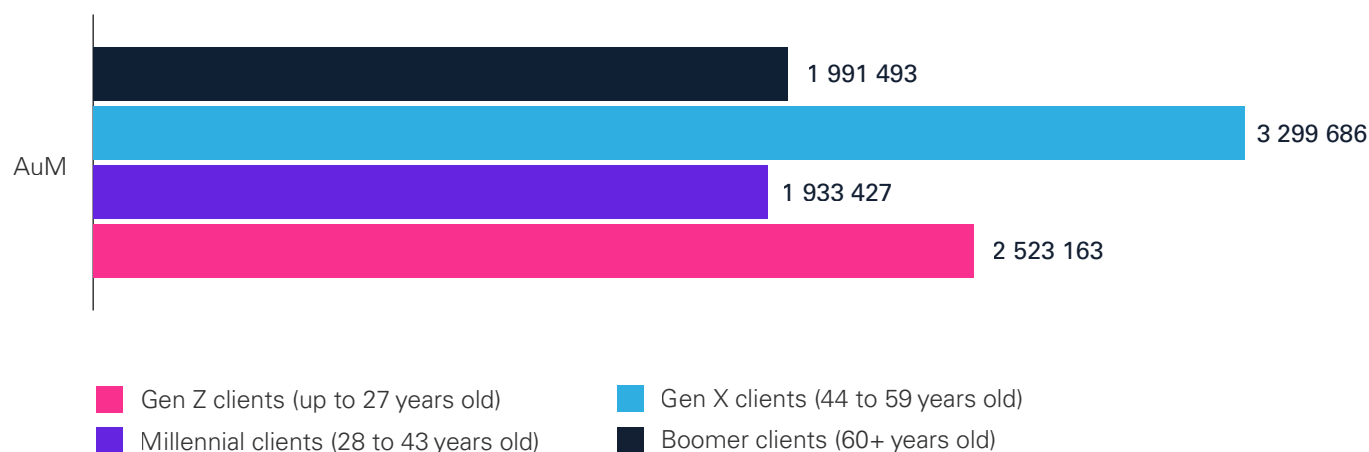
Please note that the following data is a general indication, as it is based on reported information for all account types (i.e. individuals, legal structures and life-insurance wrappers), and details for legal structures and life-insurance wrappers may be imprecise.

The generational breakdown of AuM in Luxembourg's private banking sector highlights that the majority of wealth remains concentrated among older clients. Clients over 60 years old accounted for 51% of total AuM and 61% of the client base in 2024. Gen X clients, aged 44 to 59, represented 38% of AuM and 27% of clients, while Millennials and Gen Z collectively accounted for just over 10% of both AuM and clients.

However, a look at the average AuM per client tells a different story. In 2024, Gen X stood out with the highest figure at EUR 3.3 million, surpassing all other groups. Notably, Gen Z, despite representing just 4% of clients and holding only 4% of total AuM, had an average AuM per client of EUR 2.5 million, which was higher than that of Boomers.

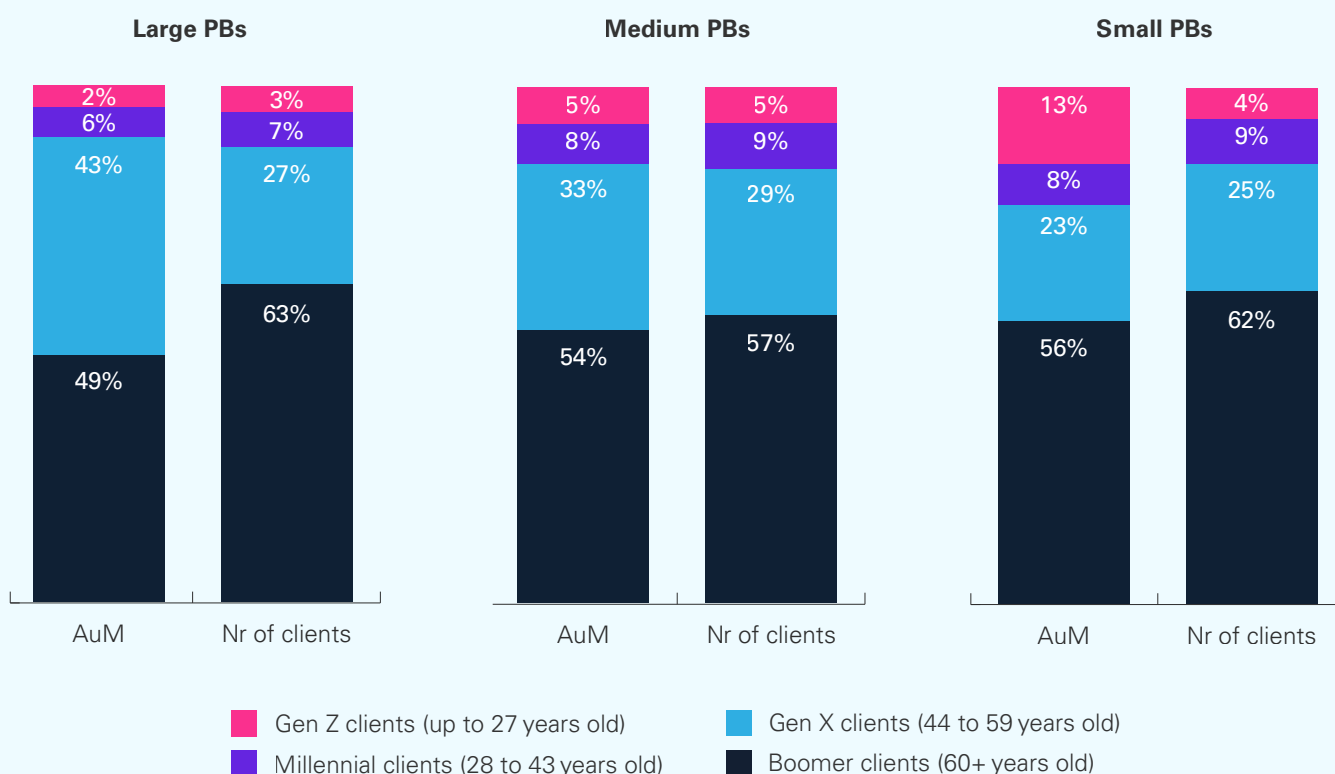
This suggests that while older generations still hold the bulk of the wealth, younger clients — particularly Gen X and Gen Z — are emerging as significant individual wealth holders. This trend signals evolving client dynamics and points to promising future opportunities for the private banking sector.

Average AuM per generational clients clusters



Generational client distribution

By bank sizes



Based on generational data, the client bases of Luxembourg's private banks show distinct patterns that vary by the bank's size.

In small private banks, Boomers held the majority of both assets (56% of AuM) and clients (62%) in 2024. However, Gen Z clients had a notable presence, accounting for 13% of AuM despite representing only 4% of clients. This suggests that some younger clients in these institutions are already significant asset holders.

Medium-sized banks showed a similar concentration of wealth among Boomers (54% of AuM, 57% of clients), yet Gen X clients commanded a higher share of assets (33%) compared to small banks.

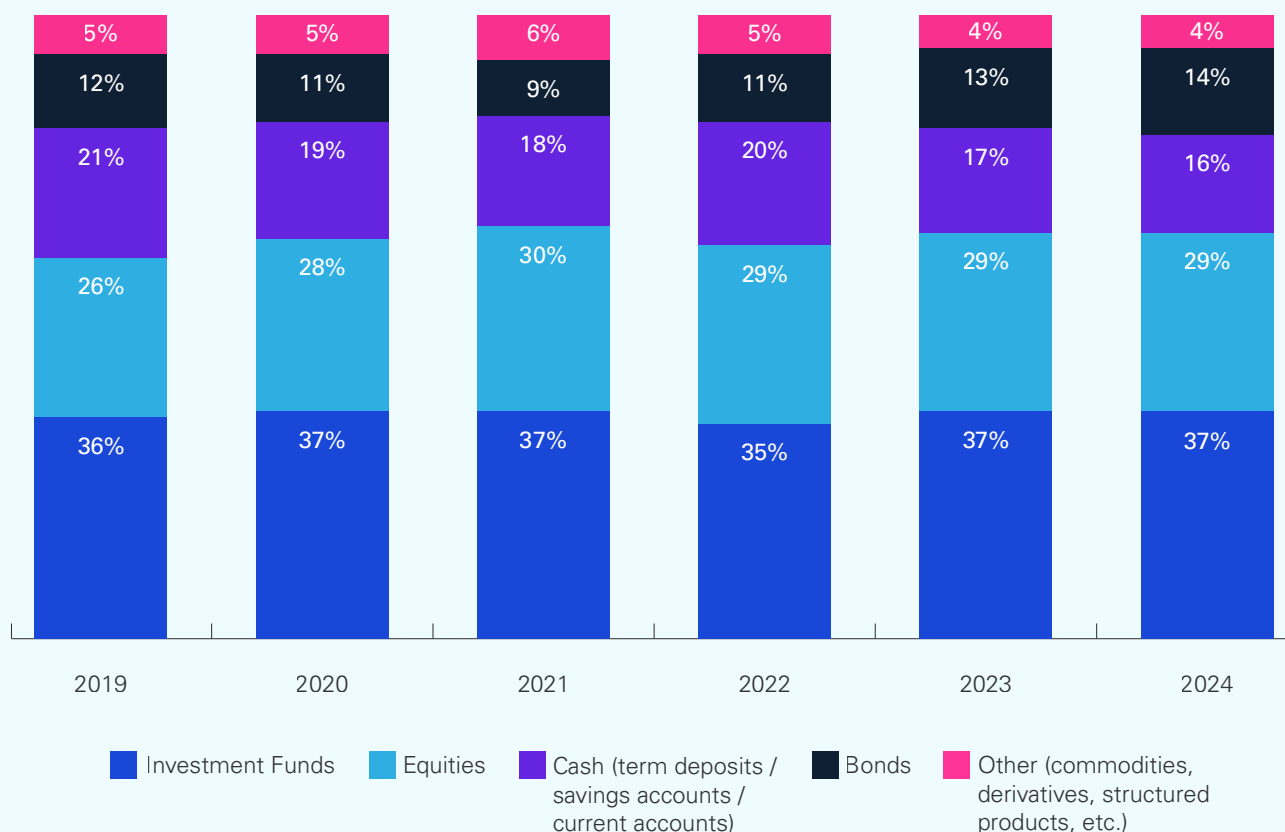
Large private banks are defined by a pronounced tilt toward Gen X, who accounted for 43% of AuM, by far the largest share among all generational groups. Despite this, Boomers remained the largest client group by number (63%). Gen Z and Millennial clients had a more limited presence in these institutions, both in terms of assets and client numbers.

The relatively high share of Gen X clients in large banks likely reflects these institutions' greater ability to serve UHNWIs, many of whom are Gen X, with more sophisticated, international and complex wealth management solutions.

Composition of client portfolios

By asset type (all service types together)

Portfolio structure, as percentage share



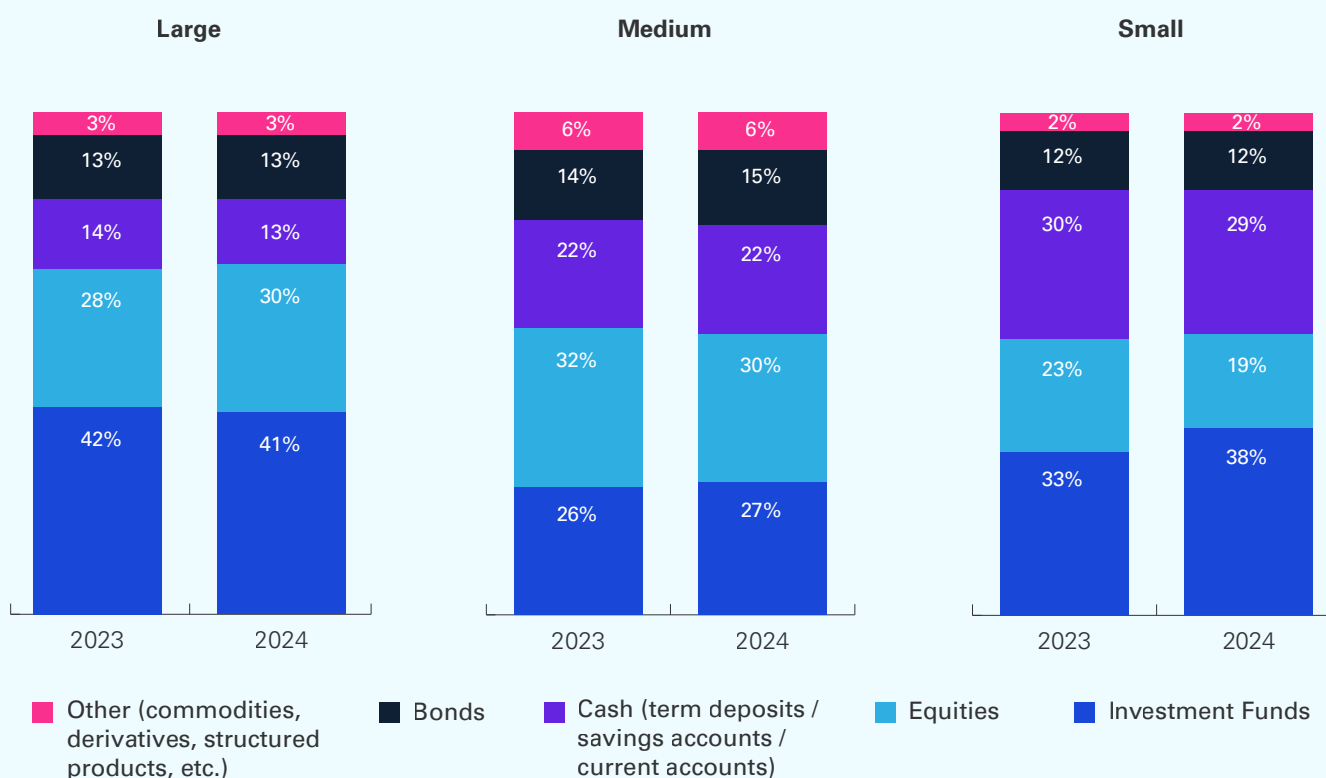
Client portfolios: key findings from 2019 to 2024

- Investment funds:** Between 2019 and 2024, investment funds have consistently represented the largest share of client portfolios, standing at 36% in 2019 and 38% in 2024. Their share has remained relatively stable, with a low of 35% in 2022 and a high of 38% in 2024.
- Equities:** The share of equities grew from 26% in 2019 to a peak of 30% in 2021, before stabilizing at around 29% from 2022 to 2024.
- Cash:** These holdings, which include term deposits, savings and current accounts, have steadily declined throughout this period, falling from 21% in 2019 to 16% in 2024.
- Bonds:** The representation of bonds in client portfolios has followed a U-shaped trend, initially dropping from 12% in 2019 to a low of 9% in 2021, before rebounding to reach 14% by 2024.
- Other:** This category, which includes commodities, derivatives and structured products, remains the smallest portion of client portfolios. Its share has been minor, fluctuating between 4% and 6%, and ending the period at 4% in 2023 and 2024.

Composition of client portfolios

By asset type and bank size

Portfolio structure, as percentage share



The investment landscape seems to be mostly dominated by investment funds and equities. However, at small banks, clients hold the largest share of their portfolios in investment funds and cash.

Overall, investment allocations have remained stable across most bank categories. A notable exception is at small banks, where the share of investment funds rose from 33% in 2023 to 38% in 2024. Conversely, there was a slight decrease in small banks' allocation to equities.

Because their clients hold a comparatively small share of equities, this suggests that small banks may

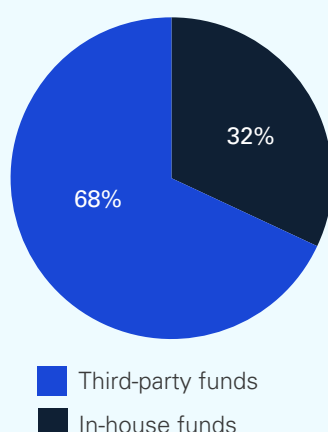
be less equipped to offer advice and investment solutions. It may also indicate they have fewer UHWN clients who hold significant stakes in listed companies.

If interest rates continue to drop, it is likely that more cash will be invested in other asset classes like equities and funds. Small private banks have the most to gain from this shift. If they can capitalize on this trend, they could see a significant increase in their commission income in the coming years.

Investment funds

Investment funds' 2024 distribution

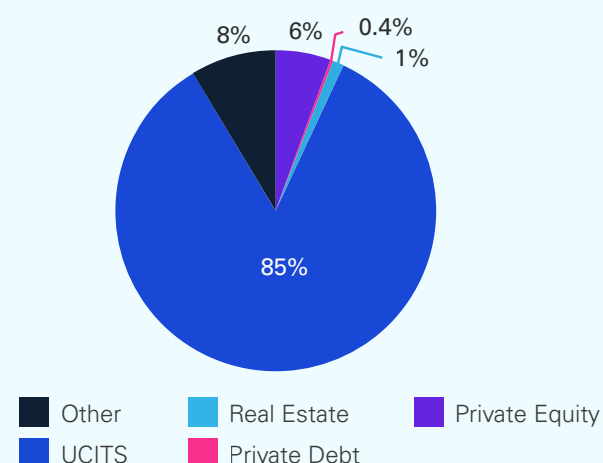
Investment Fund by Provider (2024)*



* The results are based on a cluster of 35 out of 42 private banks participating in the survey

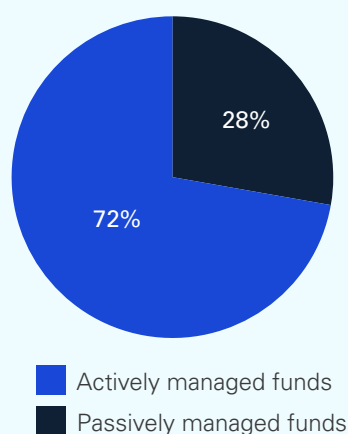
Investment Funds by Type (2024)*

AlFs in total: 15.5%



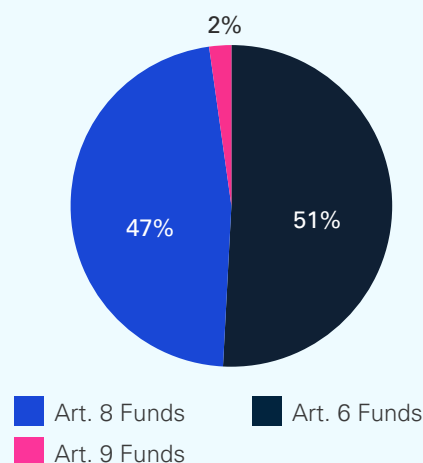
* The results are based on a cluster of 22 out of 42 private banks participating in the survey.

Investment Funds Management Type (2024)*



* The results are based on a cluster of 22 out of 42 private banks participating in the survey.

Investment Funds SFDR art. (2024)*



* The results are based on a cluster of 32 out of 42 private banks participating in the survey

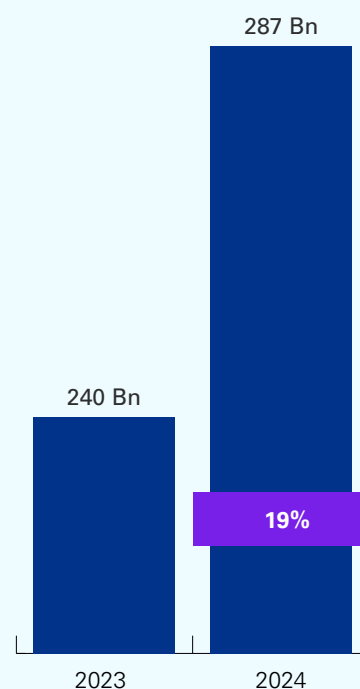
Investment funds are growing faster than the broader private banking sector, with their AuM rising by 19% to about EUR 287 billion among respondents in 2024. This growth outpaced the 10% increase in the overall AuM for the sector.

Third-party funds made up the largest share, accounting for 68%, while in-house funds represented 32%. This shows that Luxembourg private banks operate as open platforms, offering a wide range of products to navigate a complex and rapidly changing environment.

AIFs had a small but growing presence in client portfolios, making just 15.4% of the total. While they grew by 18% YoY, they are not expanding as quickly as the UCITS segment, which saw a 25% YoY growth. Within the AIF category, private equity (6%) and the “other” category (8%) were the main drivers, while private debt (0.4%) and real estate (1%) held only marginal shares.

Regarding portfolio composition, actively managed funds still dominated, accounting for 72% of private banks’ portfolios in 2024. However, there is a clear trend toward passively managed funds. Their share grew by approximately 2 percentage points compared to 2023, indicating a gradual realignment of investment strategies toward more cost-efficient solutions.

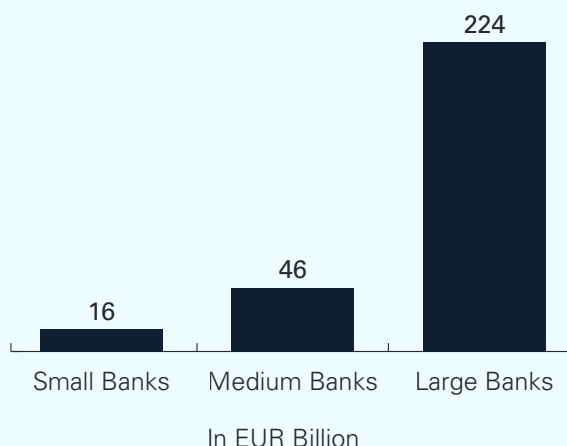
Investment funds’ AuM, 2023–2024*



* The results are based on a cluster of 41 out of 42 private banks participating in the survey.

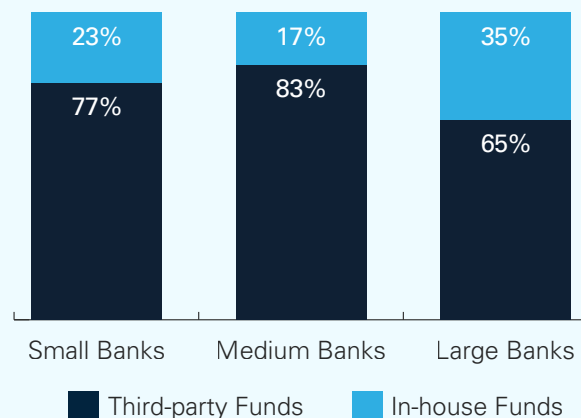
Investment funds' 2024 distribution per type and bank size

Investment Funds AuM (2024)*



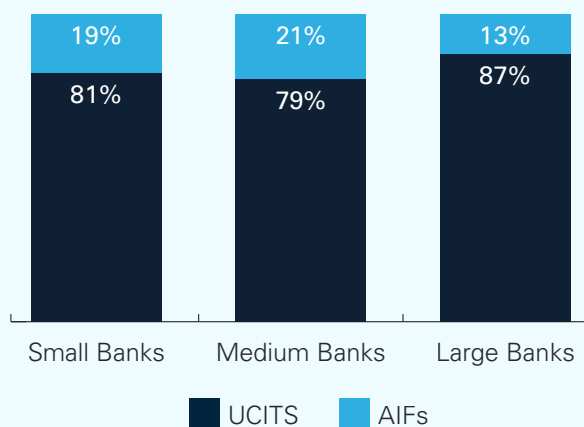
* The results are based on a cluster of 41 out of 42 PBs participating in the survey

Investment Fund Provider (2024)*



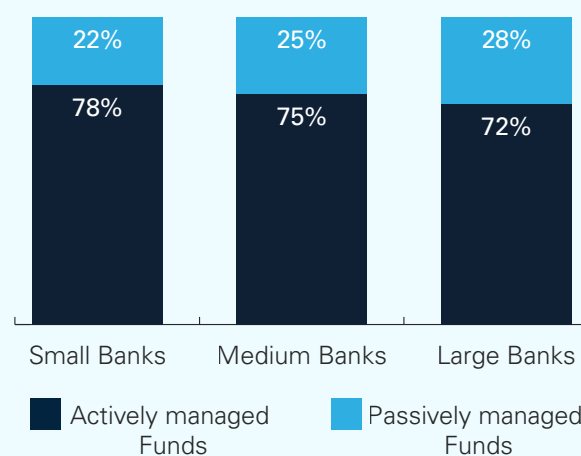
* The results are based on a cluster of 35 out of 42 PBs participating in the survey

Investment Funds Type (2024)*



* The results are based on a cluster of 31 out of 42 PBs participating in the survey

Investment Funds Management Type (2024)*



* The results are based on a cluster of 22 out of 42 PBs participating in the survey

What is clear from the data is that third-party funds are a key component of private banking.

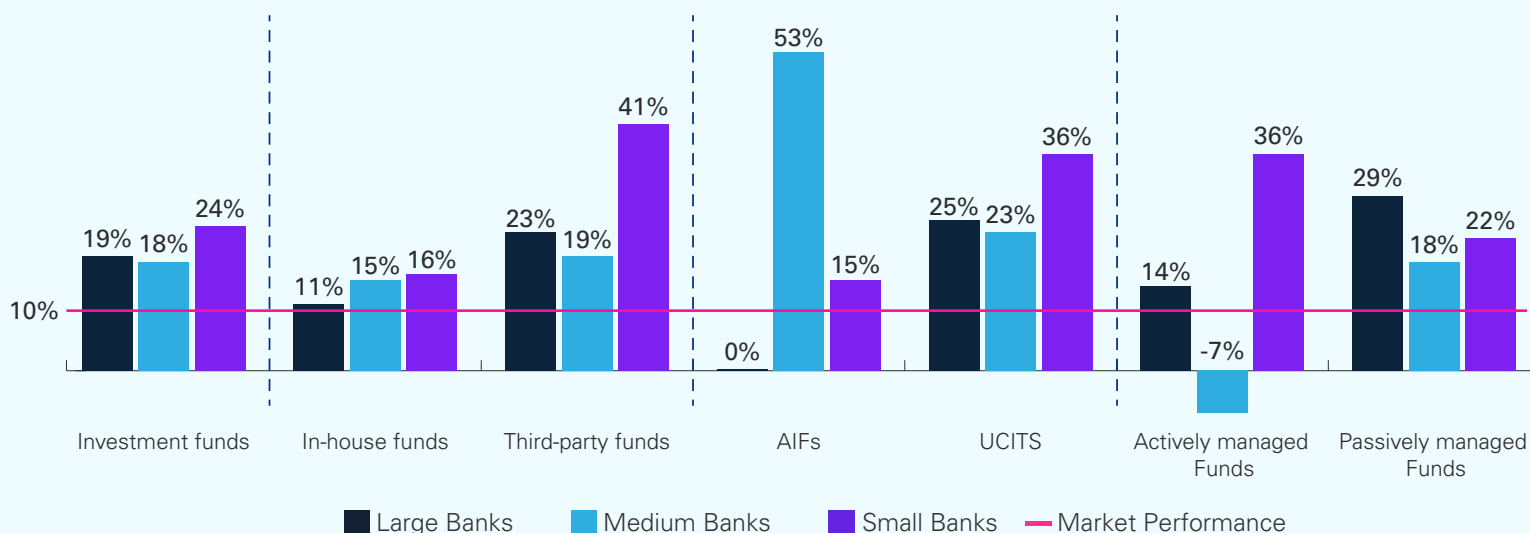
- Small and medium banks rely heavily on these external funds, making up 77% and 83% of their portfolios respectively. This shows they use an open platform to expand their own product range.
- In contrast, large private banks are less reliant on third-party funds (65%). Instead, they

leverage their in-house asset management teams to provide a more comprehensive product range.

The data also reveals that passive funds accounted for about a quarter of the total investment fund AuM across all bank sizes in 2024. Notably, smaller banks tend to allocate a higher share of assets to active funds.

Investment fund trends per bank size

Investment fund YoY% change



Investment funds' AuM saw a consistent YoY growth across all bank sizes: small at 24%, medium at 18%, and large at 19%. This broad growth is due to a combination of 2024's strong market performance of approximately 10% across all asset classes (as shown by the red line in the graph) and NNM flowing into these funds.

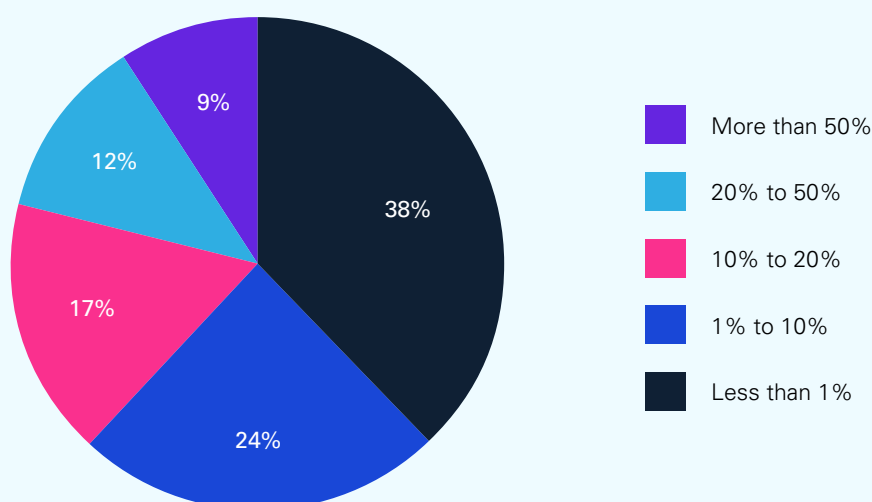
Medium and large private banks are seeing passive funds grow at a rate more than three times faster than actively managed funds. While active funds still make up the majority of their portfolios, the trend is a clear shift toward passive strategies. In contrast, small private banks show an opposite trend: while both types are growing, actively managed funds are increasing at a faster rate than passively managed funds.

Medium-sized banks stand out for their dynamic approach to investing. In 2024, they significantly increased their exposure to AIFs by 53%. They also showed a growing preference for passively managed funds, which increased by 18%, at the expense of actively managed funds, which saw a 7% decrease. This behavior suggests these banks are more willing to innovate and diversify their offerings, likely to adapt to changing market conditions and differentiate themselves from competitors.

Sustainability

Proportion of private banks' clients with a preference for sustainable finance

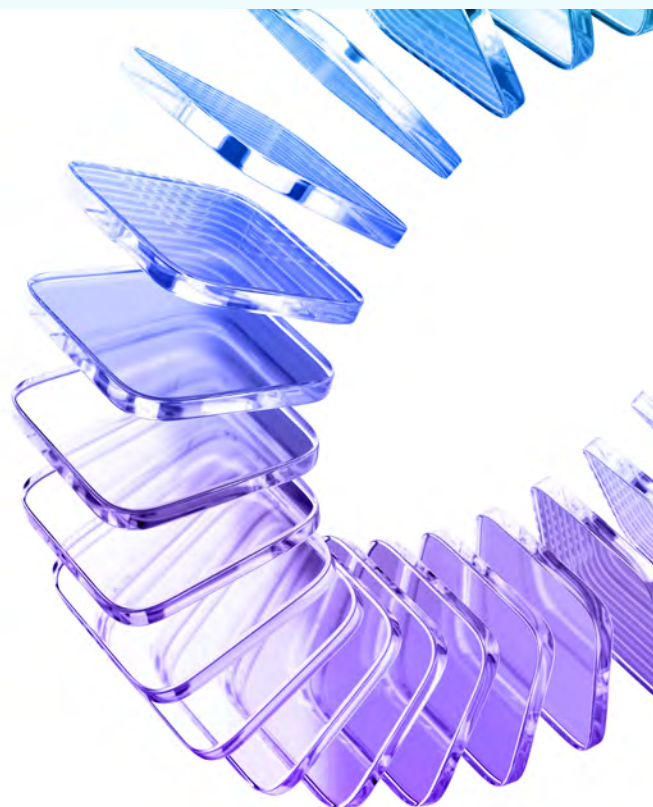
Proportion of clients with a preference for sustainable finance



Among the 42 private banks surveyed, 62% indicated that less than 10% of their clients currently prefer sustainable finance, with 38% reporting this figure as less than 1%. This limited demand is consistent across large, medium and small banks, with only four institutions reporting that more than half of their clients show a preference for sustainable finance.

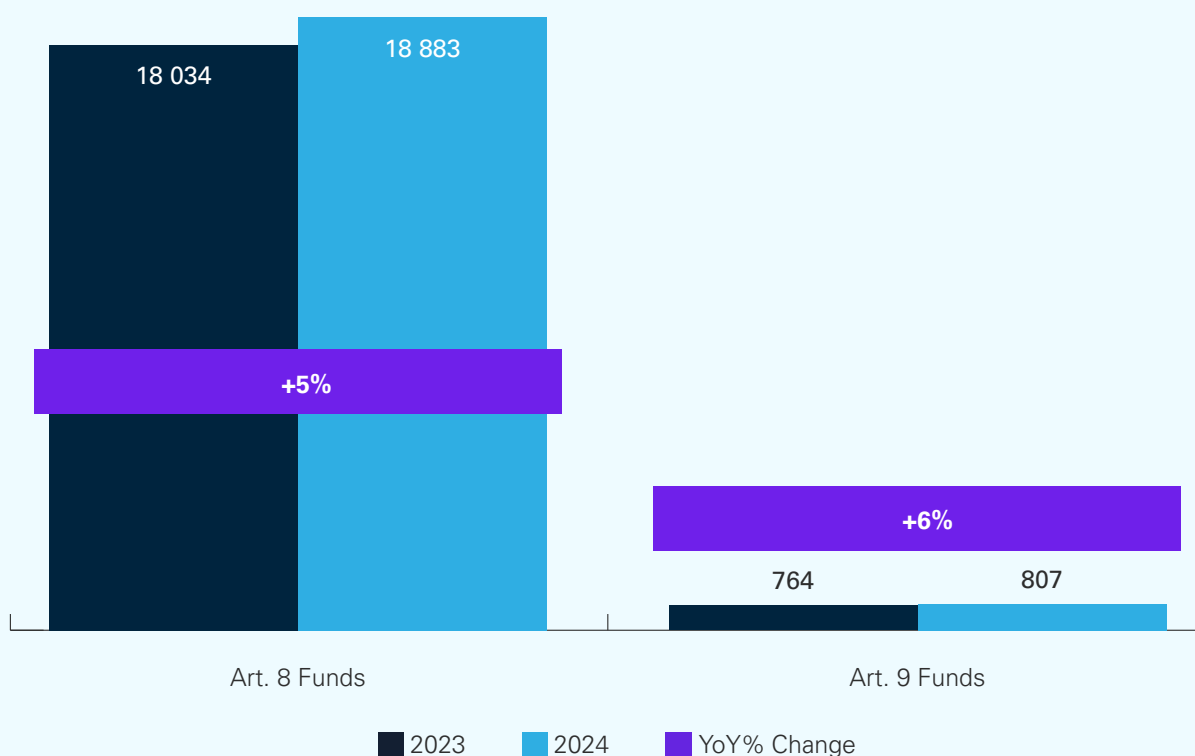
Despite the industry-wide focus on environmental, social and governance (ESG) principles, the growth of sustainable investments faced ongoing challenges in 2024. External factors – such as changing market dynamics and the strong performance of alternative investment themes like technology and innovation – prompted many clients to prioritize short-term returns over long-term sustainability goals.

In this evolving landscape, it is crucial for private banks to adapt. By continuing to refine their product offerings and client engagement strategies, they can better address evolving preferences and position themselves for future shifts in demand for sustainable finance.



Deep dive: Article 8 and Article 9 funds

Sustainable funds, 2023–2024, in EUR million ¹



Between 2023 and 2024, funds classified as Article 8 and Article 9 under the Sustainable Finance Disclosure Regulation (SFDR) saw modest growth, increasing by 5% and 6% respectively. This performance was significantly lower than the overall market performance of 10%, as well as the investment fund sector as a whole, which expanded by 19%.

¹ The results are based on a cluster of 16 out of 42 private banks participating in the survey.

Loan book

Evolution of private banks' loan books and composition by loan type in Luxembourg, 2023 – 2024

Private banks' loan books, by loan type, in absolute and relative numbers

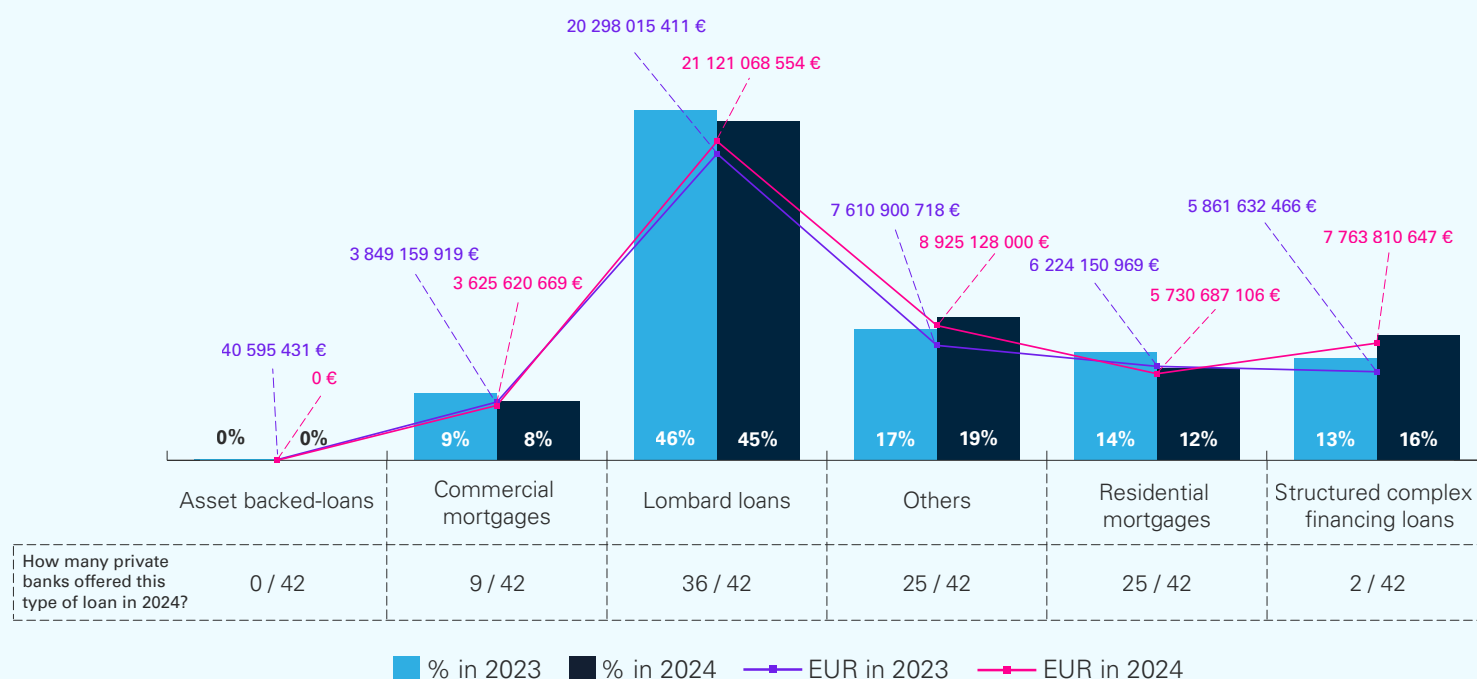


Chart description:

The chart provides a dual view of loan activity:

- It plots the **absolute value** of loan books for all Luxembourg private banks that participated in our 2023 and 2024 surveys. This is visualized with lines and markers to show YoY changes.
- It displays the **relative composition** of loan books for each year using column charts, showing the percentage of total loans for each loan type.

The analysis covers six distinct types of loans:

- **Asset-backed loans:** loans secured by specific assets, such as inventory and receivables.
- **Commercial mortgages:** loans secured by commercial property, typically for business purposes.
- **Residential mortgages:** loans secured by residential property, generally for home purchases.
- **Lombard loans:** secured loans backed by liquid assets like securities or cash held in custody.
- **Structured complex financial loans:** highly customized loans involving multiple financial instruments or sophisticated structures.
- **Other loans:** a category for loans that do not fit into the other categories, such as personal loans.

Evolution of private banks' loan book and composition by loan type in Luxembourg, 2023 – 2024

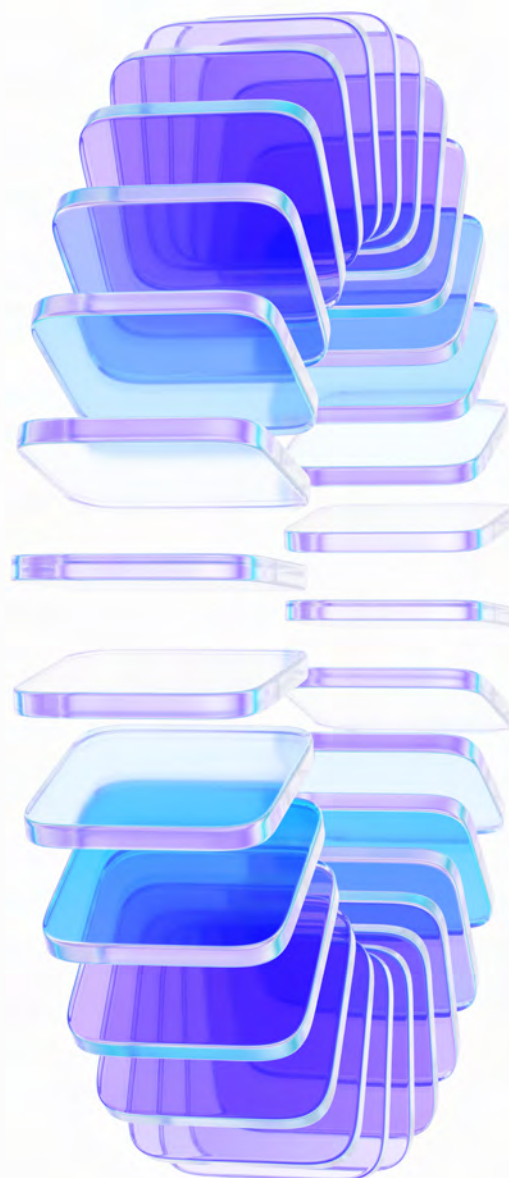
Key findings:

a. In absolute terms

- Asset-backed loans were completely phased out, dropping by 100% from EUR 40.6 million in 2023 to zero in 2024.
- Commercial mortgages dropped by 6%, from EUR 3.85 billion to EUR 3.63 billion.
- Lombard loans saw a healthy increase of 4%, from EUR 20.3 billion to EUR 21.1 billion.
- Other loans grew significantly by 17%, from EUR 7.61 billion to EUR 8.93 billion.
- Residential mortgages declined by 8%, falling from EUR 6.22 billion to EUR 5.73 billion.
- Structured complex financing loans surged by a remarkable 33%, from EUR 5.86 billion to EUR 7.76 billion.

b. In relative terms

- Lombard loans are by far the most prevalent, making up nearly half of all loans in both years (46% in 2023 and 45% in 2024).
- Residential mortgages and commercial mortgages represent a smaller, slightly declining share of the total.
- Asset-backed loans were absent from the loan book in both years.
- The share of structured complex financial loans increased from 13% to 16%. However, only two out of 42 private banks indicated they offer these loans.
- The share of "other loans" also grew slightly, from 17% to 19%.
- The data further highlights the selective approach to lending: almost half of the banks surveyed do not offer mortgage loans at all, and less than a quarter provide commercial real estate financing.



Interpretation of results:

- **Lombard loans dominance:** Luxembourg's private banks cater to HNWIs who often have significant liquid assets. This makes Lombard lending a very attractive option due to its flexibility and quick access to liquidity. The stable or slightly declining share could reflect a cooling enthusiasm.
- **Decline in residential and commercial mortgages:** Rising interest rates in the eurozone since 2022 have made traditional property financing less attractive, leading to reduced demand for both residential and commercial mortgages. Higher property prices and tighter lending standards may also have contributed to the decrease. For commercial mortgages, economic uncertainty and a post-COVID-19 shifting demand for office space may play a role.
- **Limited offering of mortgage and commercial real estate loans:** The fact that almost half of the surveyed banks do not offer mortgage loans, and less than a quarter provide commercial real estate financing, highlights a clear focus on core private banking activities rather than traditional retail or corporate lending. This selective product offering may stem from risk appetite, regulatory considerations, or the international client base's limited demand for local property financing.
- **Increase in structured complex financial loans:** The growing sophistication of clients and demand for tailored solutions may be driving this uptake of complex, structured financing. Luxembourg's role as a financial hub encourages innovation in loan structuring, especially for international clients or corporate groups. Regulatory changes or tax structuring opportunities could also make these products more attractive.
- **Absence of asset-backed loans:** Private banking clients in Luxembourg may have limited need for asset-backed loans, which are more common in corporate or trade finance. Regulatory or risk management policies may discourage such loans, given their complexity and risk profile compared to Lombard lending.
- **Slight increase in "other" loans:** This indicates a diversification of product offerings or custom-made lending arrangements not captured in standard categories. It may also show a growing demand for flexible or short-term credit solutions.



Comparison of Loan-to-Asset ratio and loan composition of private banks by size in Luxembourg, in 2024

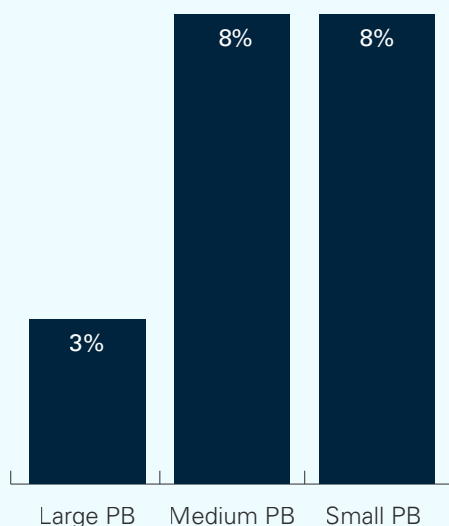
The chart on the left illustrates the median loan-to-asset ratios for Luxembourg's private banks in 2024. Small banks reported the highest ratio, with loans representing 8% of their assets. Medium-sized banks followed at 8%, while large banks had a significantly lower ratio of 3%, indicating they rely less on lending.

The chart on the right excludes more specialized lending activities to focus on core private banking services. It compares Lombard lending against traditional residential mortgages, as these are the most significant in terms of both the number of respondent banks offering them and the total volume of loans. The data shows that smaller private banks have a heavy concentration of residential mortgages on their loan books, whereas large private banks place a stronger emphasis on Lombard lending.

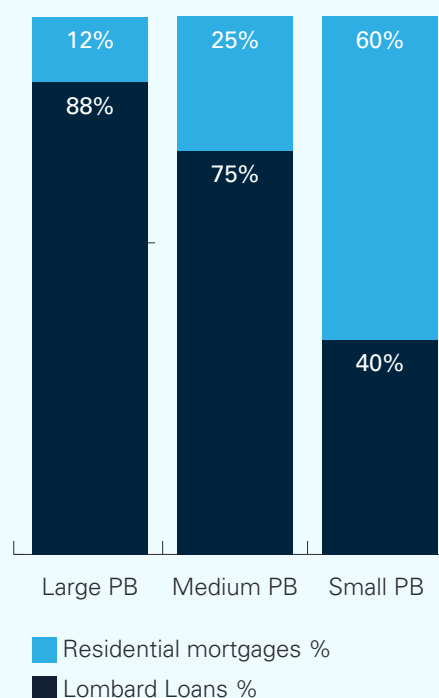
These differences point to varying business models across institutions of different sizes. Larger banks appear to prioritize Lombard lending as a core service, likely leveraging other entities within their group to perform other lending activities.

Smaller banks, which are not always part of a group, may be seeking additional revenue streams. This is particularly relevant as their service model often relies heavily on "execution-only" activities, meaning they simply execute trades without providing advice.

Median Loan-to-Asset Ratio of Large, Medium and Small Banks



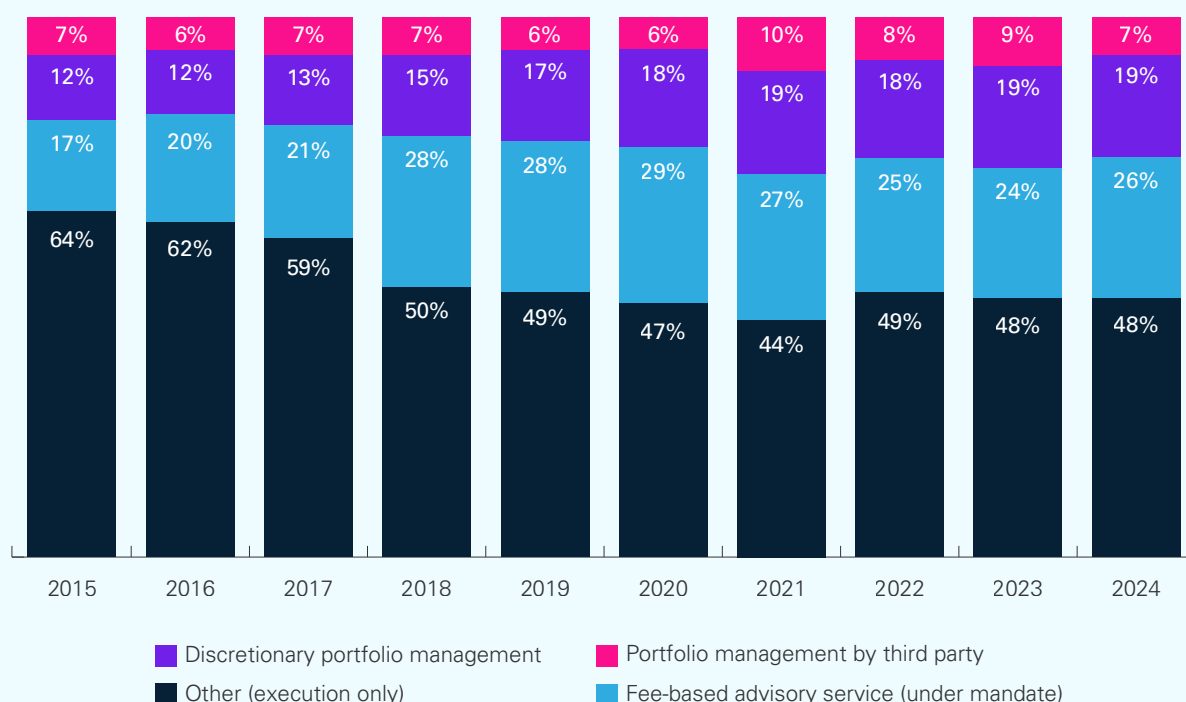
Loan composition of Large, Medium and Small Banks



Investment service offering

As a percentage of AuM, 2015 – 2024

Investment service offering as a percentage of AuM, 2015 – 2024

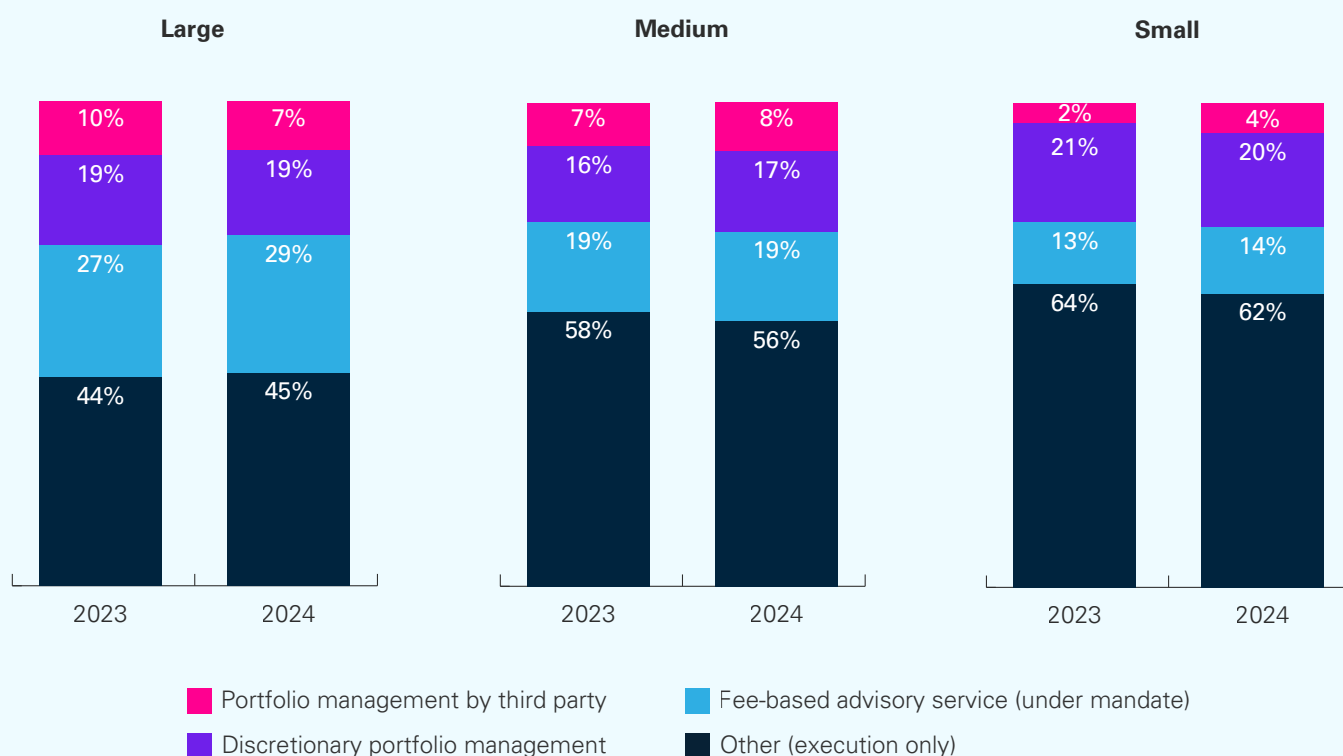


Despite a decline in recent years, other investment service offerings, such as execution only, still accounted for the largest share of offerings at 48% in 2024.

Overall, the allocation across investment service offerings has remained relatively stable, especially compared to 2023. For example, third-party portfolio management decreased slightly by 2%, while fee-based advisory services (under mandate) marginally increased from 24% in 2023 to 26% in 2024.

As a percentage of AuM, 2023 & 2024 for small, medium and large banks

As a percentage of AuM, 2023 – 2024



Overall, there were no significant shifts in how AuM were allocated across the different investment services between 2023 and 2024.

This suggests a relatively stable environment where banks keep their service offerings consistent. The most notable change was in third-party portfolio management, which saw its share increase from 2% to 4% at small banks while decreasing from 10% to 7% at large banks.

Execution-only services remain the dominant offering across all bank categories, holding the largest share of AuM in both years. This trend highlights a continued strong demand from third-party asset managers, especially at small banks (62% in 2024) and medium-sized banks (56% in 2024).

Additional service offerings

Provided by private banks, by % of banks, 2024

Additional service offerings

Tax reporting / revenue reportings



Estate Planning / Legal engineering



Tax reporting / full tax certificate



Tax Reclaim



Direct dealing room access



Family Office



Philanthropy



Art



Algorithm-based advice to Clients



Crypto asset services / Custody or Brokerage



■ In-house ■ Outsourced ■ Not provided

Overall, distributions in 2024 were similar to those of 2023, with no major trends to report. Private banks made little to no expansion in their additional service offerings, with tax services being the most prominent.

Other services remain very rare. For example, 81% of respondent banks did not offer art-related

services in 2024, and 95% did not provide algorithm-based advice to clients.

Despite a significant increase in the value of crypto assets and record highs for cryptocurrencies like Bitcoin, 98% of private banks did not offer crypto-asset services in 2024. This highlights the sector's conservative attitude and focus on wealth preservation.

Additional service offerings

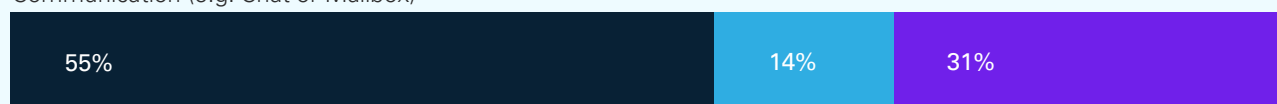
Provided by private banks, by % of banks, 2024

Digital and online channels of interaction

Financial Situation



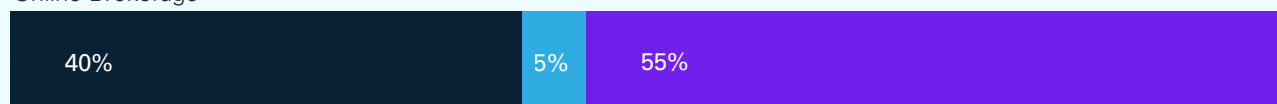
Communication (e.g. Chat or Mailbox)



Payment Instruction



Online Brokerage



E-Signature



■ In-house ■ Outsourced ■ Not provided

There is a **trend toward in-house solutions for most digital interaction channels**. This suggests that banks prefer to maintain control over how they interact with clients.

Outsourcing is less common, especially for key functions like payment instructions and access to financial situation data. This indicates that banks view these services as **core to the client relationship**.

A significant portion of banks **choose not to offer some services directly**. For example, over half (55%) of banks did not provide online brokerage in 2024, and almost half (48%) did not offer e-signature services. This suggests they view these services as non-essential, too niche, or more suitable for third-party solutions.

The background of the slide is a deep blue with flowing, liquid-like patterns that create a sense of movement and depth. The patterns are composed of smooth, curved lines that swirl and flow across the frame, giving it a dynamic and organic feel.

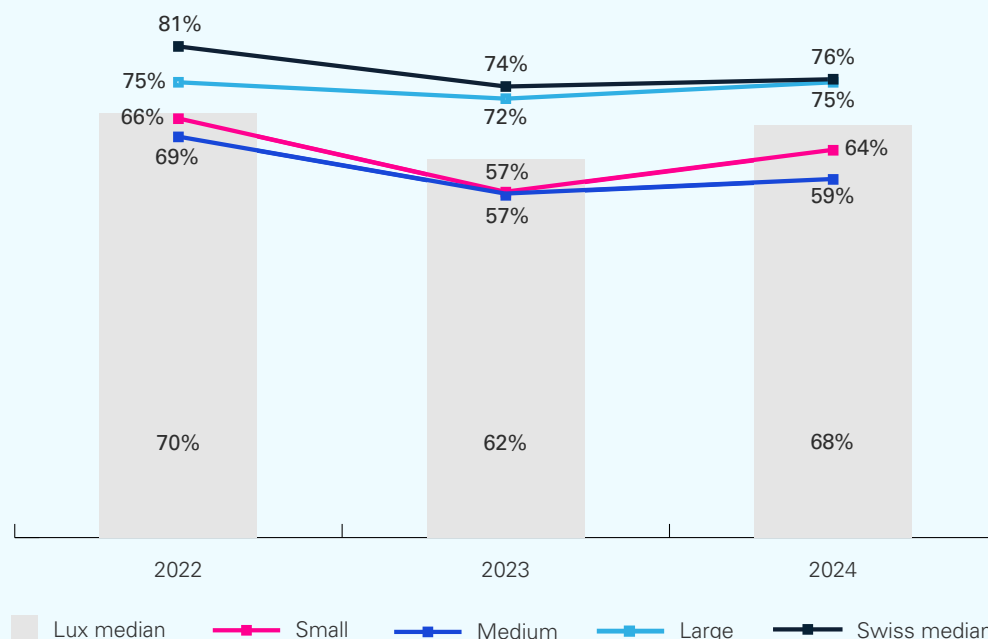
03

Financial performance

C/I ratio

Median C/I ratio: Luxembourg in %, 2022 – 2024

Median C/I ratio: Luxembourg in %, 2022 – 2024



Between 2022 and 2023, Luxembourg's private banking sector made real progress on efficiency, with the median C/I ratio falling from 70% to 62%. This was primarily driven by strong revenue growth from rising net interest margins. Medium-sized banks led the way, with their median C/I ratio falling to 57% in 2023, while small banks also performed well, reaching 57%.

However, the landscape shifted in 2024. Although banks still enjoyed strong interest income and robust early-year markets, falling rates in the second half of the year started to squeeze efficiency. The median C/I ratio climbed back up to 68%. This was particularly noticeable for small banks (from 57% in 2023 to 64% in 2024) and medium banks (from 57% to 59%). This increase is reflective of their asset composition, as small banks hold a significant amount of their clients' assets in cash. Large banks also saw their C/I ratio rise, reverting to their 2022 level of 75%, though their increase was not as significant as that of smaller banks.

This shift created a wider spread in C/I ratios across the sector. Banks that effectively managed costs and adapted their income streams fared better, while others struggled with rising expenses and volatile revenue sources. As a result, the gap between the most and least efficient players has become more pronounced.

From 2022 to 2024, Luxembourg's private banks consistently demonstrated greater efficiency than their Swiss counterparts, as seen in their lower C/I ratios. This suggests they have more effectively managed the challenges of fluctuating interest rates and evolving cost structures.

- 2022: 70% in Luxembourg versus 81% in Switzerland.
- 2023: 62% in Luxembourg versus 74% in Switzerland.
- 2024: 68% in Luxembourg versus 76% in Switzerland.

Gross AuM per relationship manager (RM) and FTE:

Luxembourg in EUR million, 2022 – 2024

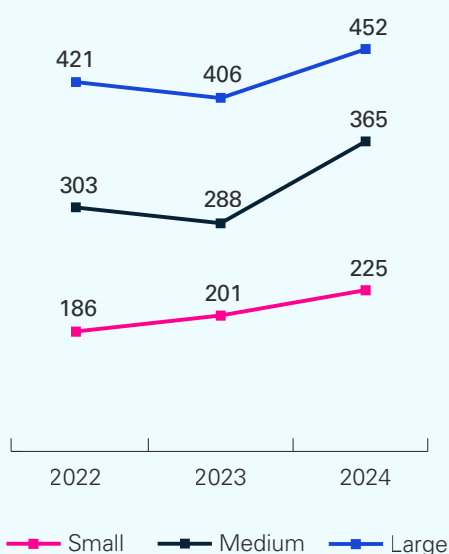
The increase in AuM across private banks in 2024 shows that banks are effectively optimizing their resources. This is reflected in the rise of AuM per both relationship manager (RM) and FTE employees.

The upward trend in AuM per RM was evident across all banking categories and not solely due to favorable market conditions. While the number of RMs increased (see Chapter 04), the growth in AuM signified a notable improvement in per-head productivity. This suggests that the efficiency strategies implemented by banks are working, allowing more RMs to serve clients with higher asset levels.

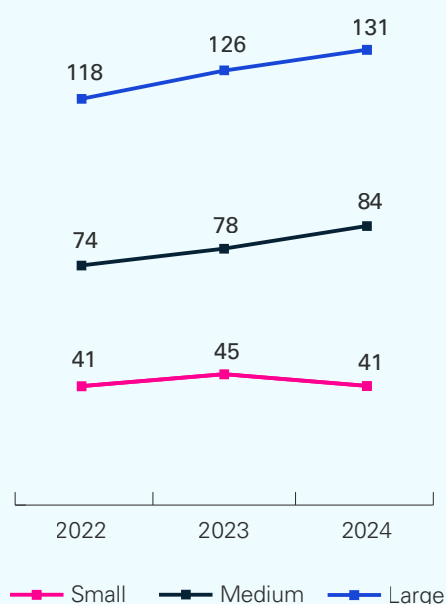
Medium banks stood out with a remarkable increase of over 25% in median AuM per RM in 2024. This substantial growth indicates a widespread improvement within this cluster, driven by collective enhancements rather than a few exceptional cases.

The analysis of AuM per FTE also reveals a general increase in efficiency, particularly among large and medium private banks. These institutions successfully aligned their staffing levels with their AuM growth, which enhanced their overall operational effectiveness. In contrast, small private banks are facing challenges, as their FTE count grew at a rate that exceeded their AuM growth.

Gross AuM per RM and size cluster, in EUR million



Gross AuM per FTE in Luxembourg, in EUR million



Financial performance — by bank size

In the small banks segment, recent financial trends point to growth. AuM have seen significant increases, signaling that these institutions are successfully attracting and managing client capital. Staffing levels also rose by more than 10%, reflecting an investment in talent and sustainable growth. However, their C/I ratio worsened and return on AuM fell, even though the average AuM per RM increased. This suggests a decrease in efficiency, likely in non-core activities.

Medium banks experienced modest yet encouraging asset growth: AuM grew by 3.98% between 2023 and 2024. Similarly, their FTEs grew by 3.99%, and their C/I ratio increased slightly. Their return on AuM, however, remained stable while the average AuM per RM increased significantly. This likely implies that the rise in costs was driven by higher salaries and, potentially, increases in IT expenses.

For large banks, the data underscores solid asset growth. However, this growth was accompanied by an increase in FTEs (5.32%). Their C/I ratio increased only moderately compared to other bank segments. Both their return on AuM and average AuM per RM increased.

Financial KPIs 2023 – 2024

KPIs	Private bank size	2023	2024	Change
Median AuM	Large PBs	28.46	31.86	11.95%
	Medium PBs	11.03	11.47	3.98%
	Small PBs	2.09	2.37	13.71%
FTEs	Large PBs	371.99	391.79	5.32%
	Medium PBs	148.00	153.90	3.99%
	Small PBs	41.93	47.93	14.31%
C/I ratio	Large PBs	72%	75%	3 pp
	Medium PBs	57%	59%	2 pp
	Small PBs	59%	64%	5 pp
Return on AuM	Large PBs	0.73%	0.76%	0.03 pp
	Medium PBs	0.71%	0.73%	0.02 pp
	Small PBs	0.85%	0.76%	(0.09 pp)
Average AuM per RM	Large PBs	406.47	452.37	11.29%
	Medium PBs	287.95	365.08	26.79%
	Small PBs	201.18	225.24	11.96%

Financial performance – all banks (Cont'd)

The financial performance of banks declined from 2023 to 2024. Net interest income dropped by 15%, which was not fully offset by a 9% increase in net commission income.

At the same time, operating expenses rose, driven by increases in staff and indirect costs.

The combination of these trends — lower revenues and higher operational costs — significantly affected gross operating profit, which decreased by 19%. This highlights the ongoing challenges banks face in maintaining profitability amid changing income dynamics and rising expenses.

Aggregated financial KPIs 2023 – 2024

EUR milion	2023	2024	Change
Net interest income	1 604	1 369	(15%)
Net commission income	1 680	1 829	9%
Operating Income	3 284	3 198	(3%)
Staff expenses	930	974	5%
Indirect costs	928	982	6%
Other direct costs*	347	371	7%
Operating expenses	2 205	2 328	6%
Gross operating profit	1 078	870	(19%)
Gross operating profit margin	33%	27%	(6 pp)

* Other Direct Costs include IT Costs, Occupancy Costs, Market Data Costs and Regulatory Costs

Financial performance

– large, medium & small banks (Cont'd)

Aggregated financial KPIs

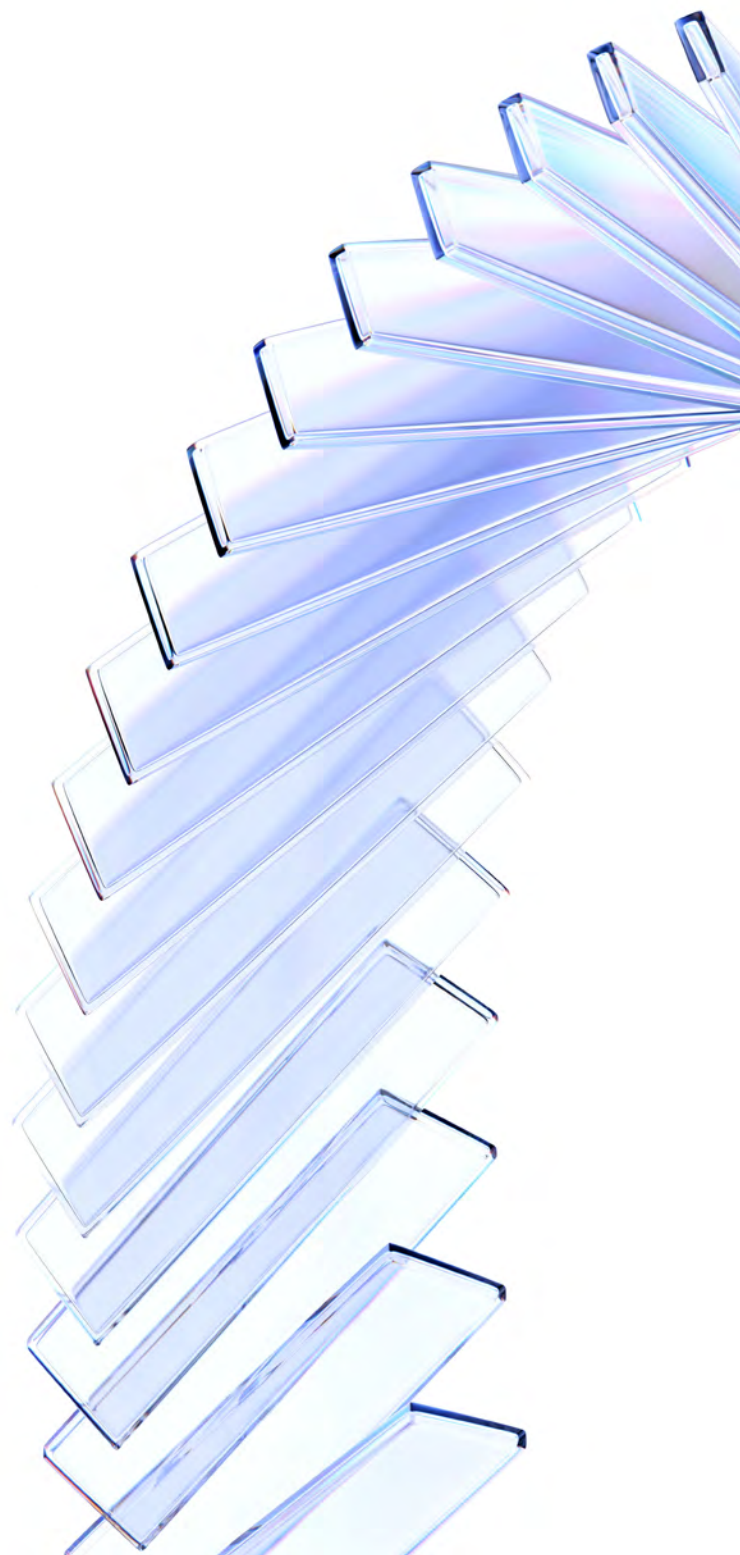
2023 – 2024

EUR million	Size	2023	2024	Change
Net interest income	Large PBs	793 014 352	625 904 053	(21%)
	Medium PBs	642 298 560	580 092 604	(10%)
	Small PBs	168 605 547	163 320 465	(3%)
Net commission income	Large PBs	1 022 527 800	1 100 385 074	8%
	Medium PBs	478 244 560	536 480 381	12%
	Small PBs	179 050 326	191 893 907	7%
Operating Income	Large PBs	1 815 542 151	1 726 289 126	(5%)
	Medium PBs	1 120 543 119	1 116 572 984	0%
	Small PBs	347 655 873	355 214 372	2%
Staff expenses	Large PBs	505 871 428	525 454 352	4%
	Medium PBs	319 606 486	322 907 522	1%
	Small PBs	104 907 827	125 738 969	20%
Indirect costs	Large PBs	587 809 827	606 850 089	3%
	Medium PBs	270 420 050	303 698 579	12%
	Small PBs	70 210 678	71 760 960	2%
Other direct costs*	Large PBs	181 946 957	186 741 425	3%
	Medium PBs	120 751 318	133 480 415	11%
	Small PBs	43 941 179	50 973 950	16%
Operating expenses	Large PBs	1 275 628 212	1 319 045 865	3%
	Medium PBs	710 777 854	760 086 515	7%
	Small PBs	219 059 684	248 473 879	13%
Gross operating profit	Large PBs	539 913 939	407 243 261	(25%)
	Medium PBs	409 765 265	356 486 470	(13%)
	Small PBs	128 596 189	106 740 493	(17%)
Gross operating profit margin	Large PBs	30%	24%	(6 pp)
	Medium PBs	37%	32%	(5pp)
	Small PBs	37%	30%	(7pp)

Small banks saw a decline in net interest income, but this was offset by gains in net commission and trading income. This **reflects an agile response to market shifts and a move toward more fee-based services**. Rising expenses show strategic investments in technology and digital transformation, which, **while raising short-term costs, lay the groundwork for future improvements and competitiveness**.

Medium-sized banks also demonstrated agility **by diversifying their revenue streams**, with a shift toward higher net commission and trading income. Like small banks, they have made significant investments in technology and digital capabilities, paving the way for long-term gains in efficiency and customer experience.

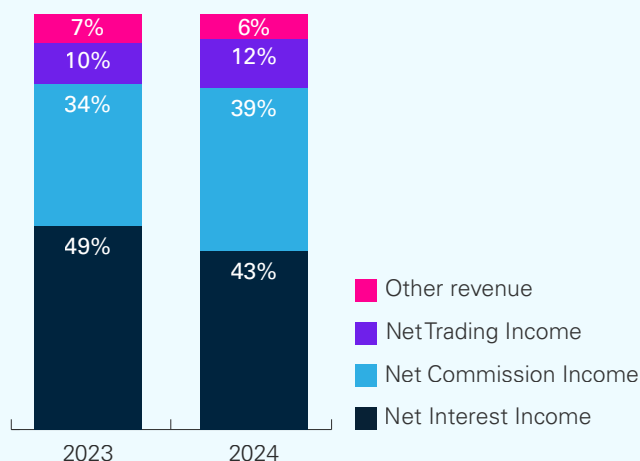
Large banks continue to face pressure on their **net interest income**, but **growth in net commission and trading income is helping sustain profitability**. Their IT investments are focused on upgrading their digital infrastructure. While these initiatives raise short-term costs, they are essential for boosting operational excellence and **staying competitive in the digital landscape**.



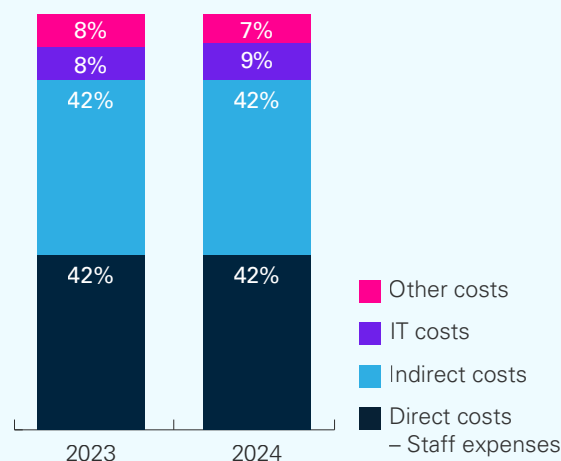
Financial performance: all banks

Composition of operating income and expenses, 2023–2024

Composition of operating income



Composition of operating expenses



Key findings for operating income:

- In 2023, net interest income was the largest contributor to operating income at 49%, followed by net commission income (34%), net trading income (10%), and other revenues (7%).
- By 2024, the share of net interest income dropped to 43%, while net commission income rose to 39%. Net trading income also increased to 12%, and other revenues saw a slight decrease to 6%.

Interpretation of income:

- **Decreased net interest income:** The smaller share of net interest income suggests a less favorable interest rate environment, increased competition compressing margins, or a shift in client demand toward non-interest-bearing products.
- **Increased net commission income:** The notable rise in net commission income indicates a successful pivot toward fee-generating services like wealth management, advisory, and asset servicing.
- **Growth in net trading income:** The increase in trading income could be due to higher client

trading activity (potentially from market volatility) or banks engaging in more active proprietary trading. It may also reflect banks' efforts to diversify their income streams to compensate for lower interest margins.

- **Slight drop in other revenues:** The decline in other revenues suggests that banks are focusing their income streams on core banking activities and potentially phasing out one-off or non-core income sources.

Macroeconomic and sector-specific factors:

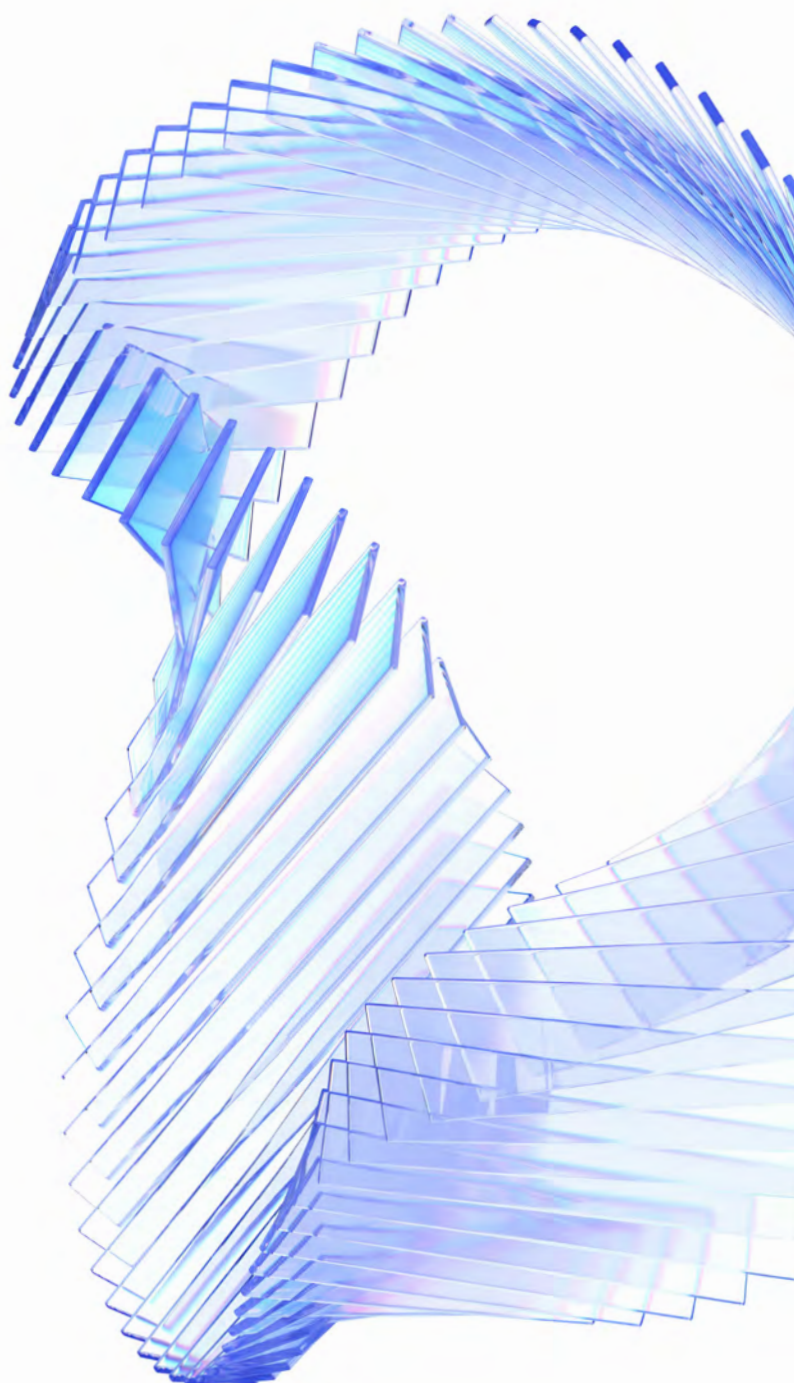
- The shift from interest-based income to commission and trading income aligns with broader European banking trends, where institutions are seeking to reduce their reliance on interest rates in favor of more resilient, fee-based revenue streams.
- Serving a sophisticated international clientele, Luxembourg's private banks are well-placed to benefit from the growing demand for advisory, investment and trading services.
- The changes may also be a response to regulatory pressure for stable, recurring income sources and the sector's response to ongoing digitalization and evolving client expectations.

Key findings for operating expenses:

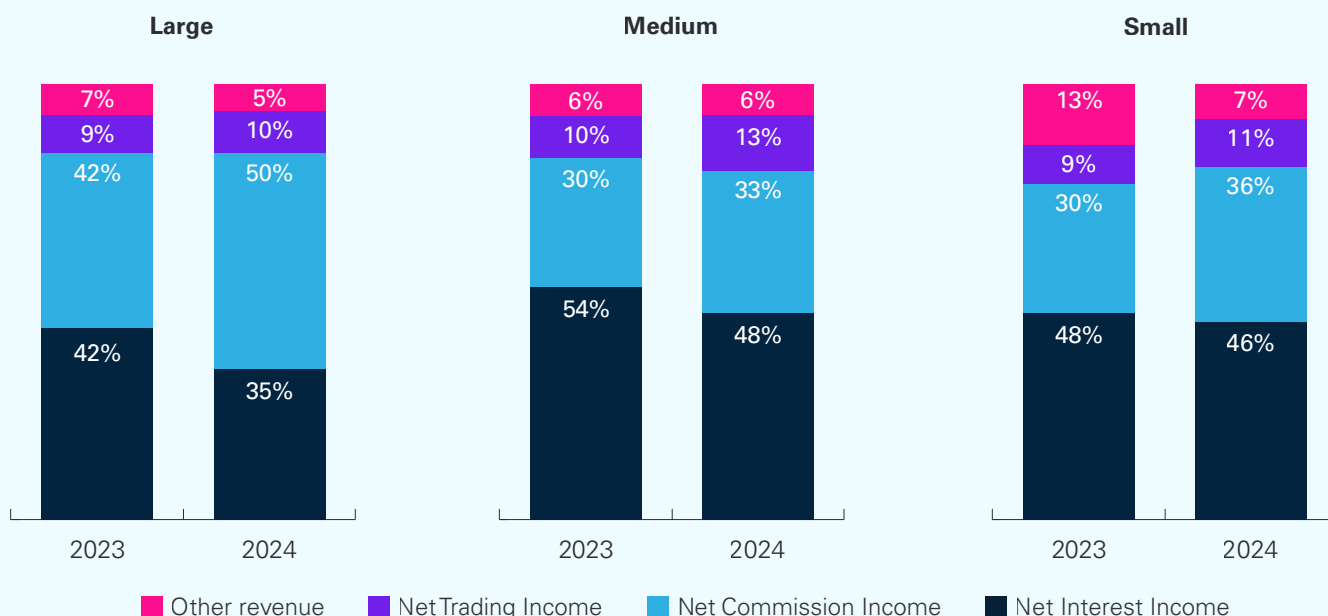
- In both 2023 and 2024, direct costs (staff expenses) and indirect costs each made up 42% of total operating expenses.
- IT costs increased slightly from 8% in 2023 to 9% in 2024.
- Other costs decreased from 8% to 7% over the same period.

Interpretation of expenses:

- **Stable core expense structure:** The consistent share of direct and indirect costs highlights the ongoing importance of personnel and general operating expenses in the sector.
- **Increased IT investment:** The modest rise in IT costs points to ongoing or growing investment in digitalization, cybersecurity and technology upgrades. This trend is consistent with the industry's efforts to enhance digital client offerings, improve operational efficiency, and comply with regulatory requirements for IT resilience.
- **Reduction in other costs:** The slight drop in other costs may reflect banks' efforts to optimize costs or to reprioritize investment toward more strategic areas like IT.
- **Sector context:** The Luxembourg private banking sector is facing rising expectations for digital services and regulatory compliance, prompting a gradual but clear shift in spending priorities. The steady expense base in direct and indirect costs also suggests that banks are prudently managing their headcount and overheads in a competitive environment.



Income per bank size, Luxembourg, 2023 – 2024



As highlighted in previous sections of this report, a significant trend has emerged. Net interest income declined across all three categories from 2023 to 2024: large banks from 42% to 35%, medium banks from 54% to 48%, and small banks from 48% to 46%. This drop is primarily due to the shift toward a lower interest rate environment that began in the latter half of 2024, which is expected to continue or even intensify through 2025. This is forcing banks to reconsider how they generate revenue.

To boost commission income, banks can focus on two key strategies, depending on the fee structure. First, they can encourage more clients to move into advisory or discretionary mandates. Second, they can reallocate client assets from cash into securities that generate transaction-based fees.

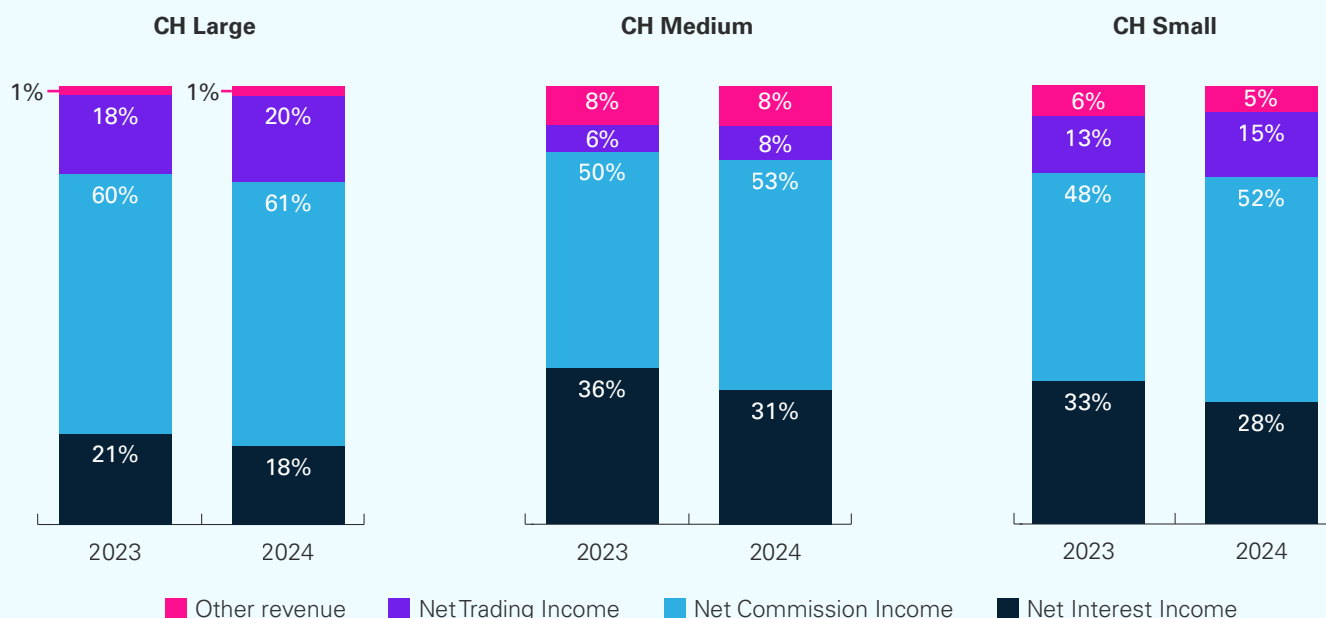
This move toward increasing income streams, particularly net commission income, is already happening, signaling a strategic move toward an advisory banking model. Net commission income

increased in all categories from 2023 to 2024: large banks from 42% to 50%, medium banks from 30% to 33%, and small banks from 30% to 36%. Net trading income also saw moderate increases, especially for medium (10% to 13%) and small banks (9% to 11%). Other revenues declined or remained stable: large banks from 7% to 5%, medium banks at 6% for both years, and small banks from 13% to 7%.

This argument is tempered by the fact that net interest income has also fallen due to the overall decline in market interest rates.

In this context, large banks appear to be especially well-prepared for ongoing challenges. Their robust advisory and service models, coupled with a greater share of commission-based revenues (50% in 2024), provide a significant advantage and enhance their ability to buffer against the volatility of fluctuating interest rates.

Income per bank size, Switzerland, 2023 – 2024



Similar to the Luxembourg market, data from the benchmark study by our colleagues indicates that Swiss private banks have also seen their net interest income influenced by the central bank's economic policies.

One of the most striking aspects of the Swiss private banking sector is its comparatively lower reliance on interest income, even as of 2023: large banks at 21%, medium banks at 36%, and small banks at 33%.

Swiss private banks have consistently and strategically focused on diversifying their revenue streams. On average, commission income now constitutes more than 50% of total income for each cluster, highlighting a robust transition toward a commission-based business model.

Several factors contributed to this rise in commission income. The AuM volume increased by 14%, largely due to positive market performance. Clients are also holding less cash, with the median invested AuM growing from 78% in 2022 to 81% in 2023 and 82% in 2024. Higher mandate penetration also played a part, with discretionary mandates growing from 19% in 2023 to 21% in 2024.

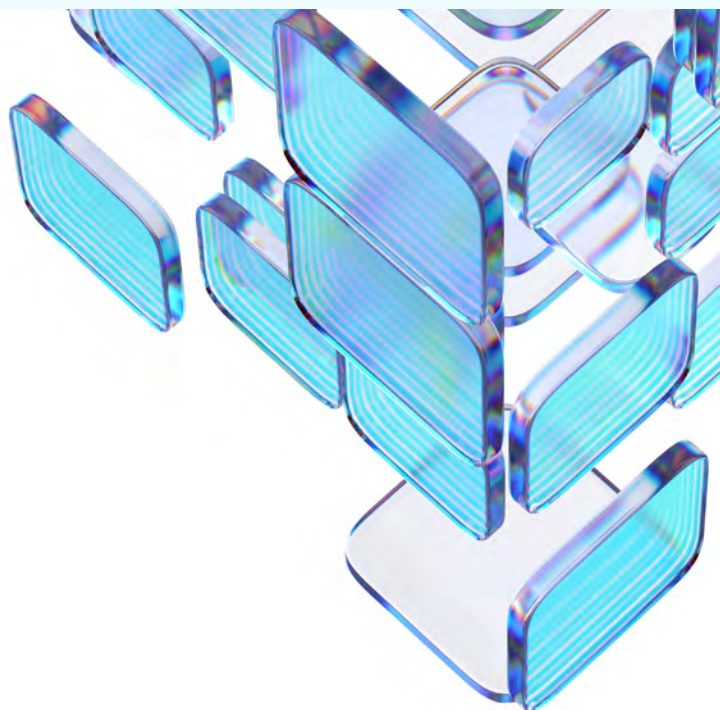
- Apart from that, net trading income forms a significant part of the revenue mix, especially for large and small banks, while other revenues remain relatively minor across all bank sizes (ranging from 1% to 8%). Net interest income declined from 2023 to 2024 in all categories.

Performance clusters

2024



- This analysis groups 41 private banks (11 large, 14 medium-sized and 16 small) into four performance clusters, by plotting their operating income growth against their operating cost growth.
- In 2024, most banks fell into either the cost-efficient growth or cost-induced growth clusters.
- Compared to our 2023 findings, the overall trend had shifted, with more banks achieving cost-efficient growth.
- Interestingly, it was the larger banks that entered a “cooldown” trend, with their costs increasing significantly compared to their peers.
- The bottom line: private banks have become more efficient.



Note: One outlier with an income increase of 188.40% and a cost increase of 156.87% (therefore falling into the cost-induced growth cluster) is not shown for visualization purposes.



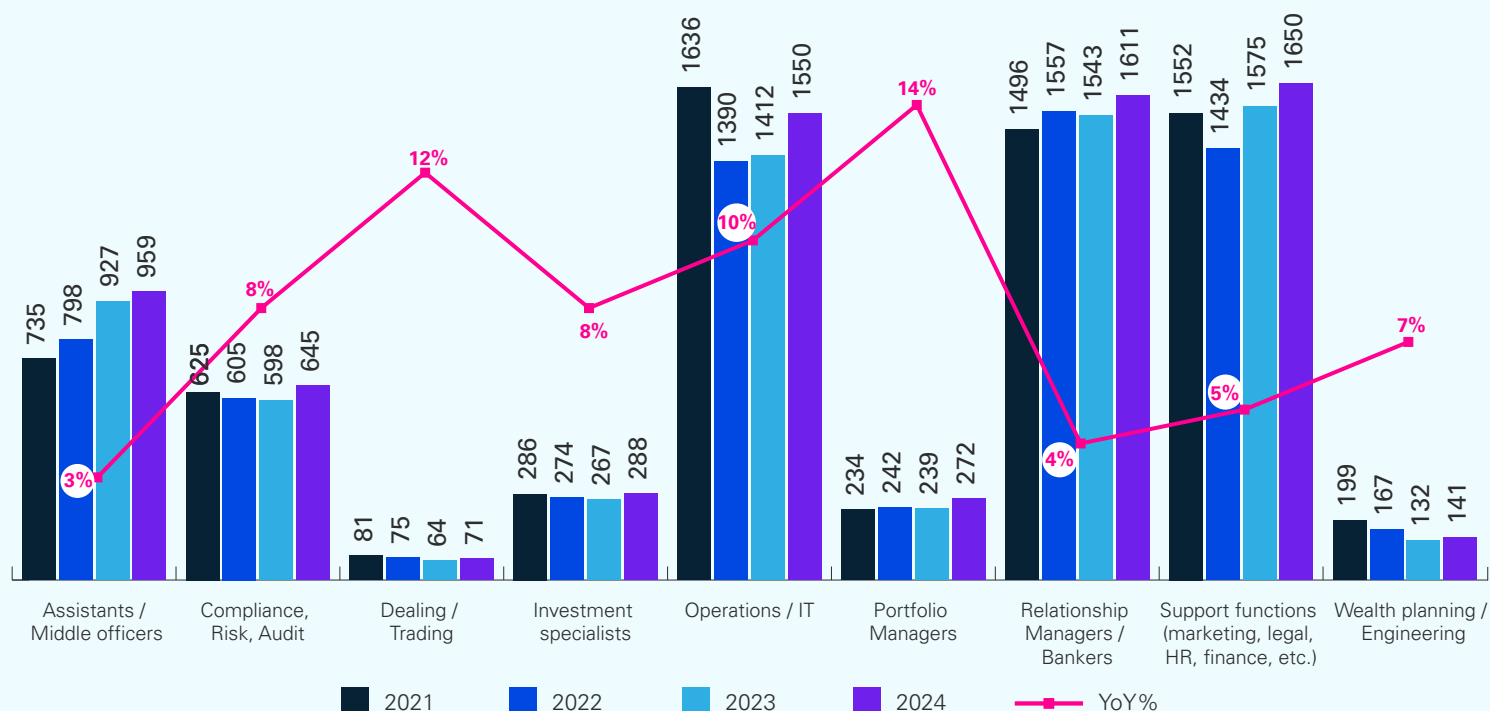
04

Human resources

Number of FTEs by role

2022 – 2024, including 2024 vs. 2023 change in %

Number of FTEs by role



Most FTEs in total:

- **Support functions** continued to have the highest total number of FTEs, leading all other departments in 2024.
- **Operations/IT** also had a very high total number of FTEs, reaching 1,550 in 2024. This highlights its critical role in the banking infrastructure.
- **RMs/bankers** also made up a significant portion of the workforce, with 1,611 FTEs in 2024. This underscores the essential nature of client-facing roles in a competitive market.



Strongest growth:

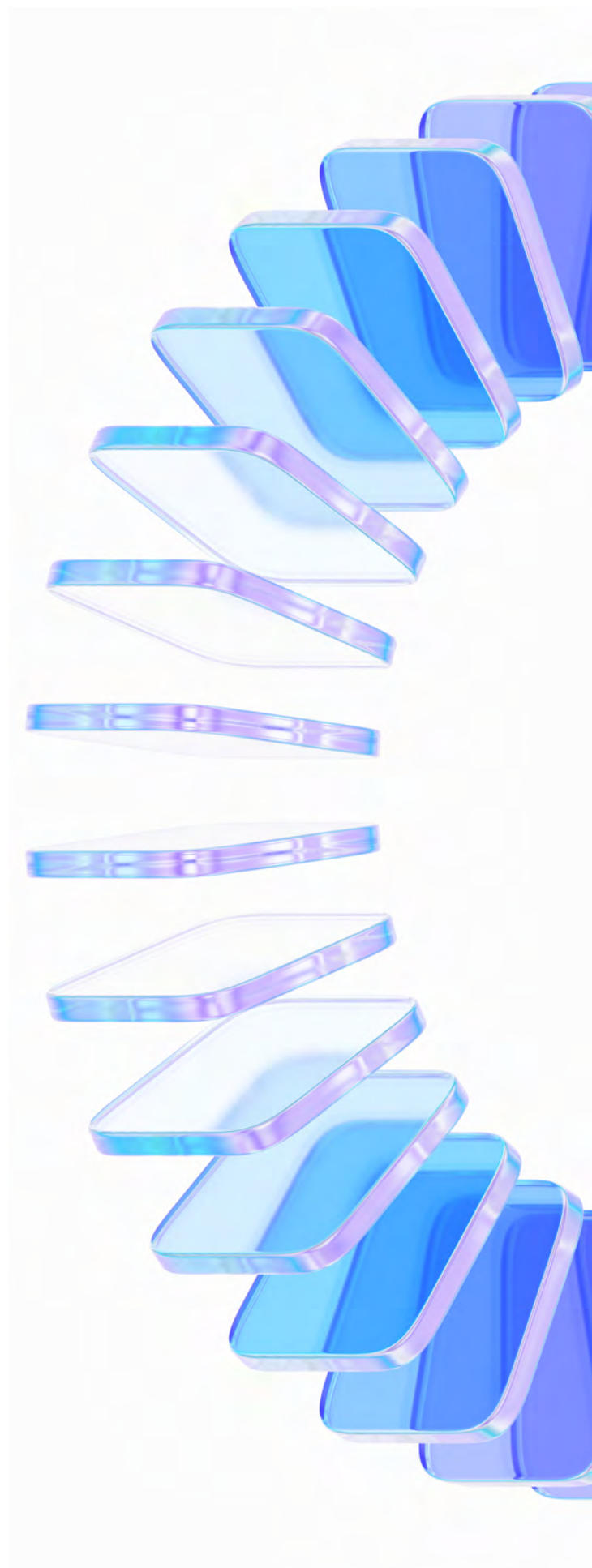
- **Portfolio managers** saw a remarkable 14% growth in FTEs from 2023 to 2024. This surge was directly tied to the industry's record-breaking YoY increase in AuM in 2024 (14%, or EUR 94 billion). Despite this increase in staff, the relative share of portfolio management activity in services offerings remained stagnant at 19% in 2024.
- **Operations/IT** demonstrated a strong recovery with a 10% increase in 2024. This suggests that banks are increasingly recognizing the need for technological advancements and operational efficiency to navigate the evolving regulatory landscape and improve service delivery.

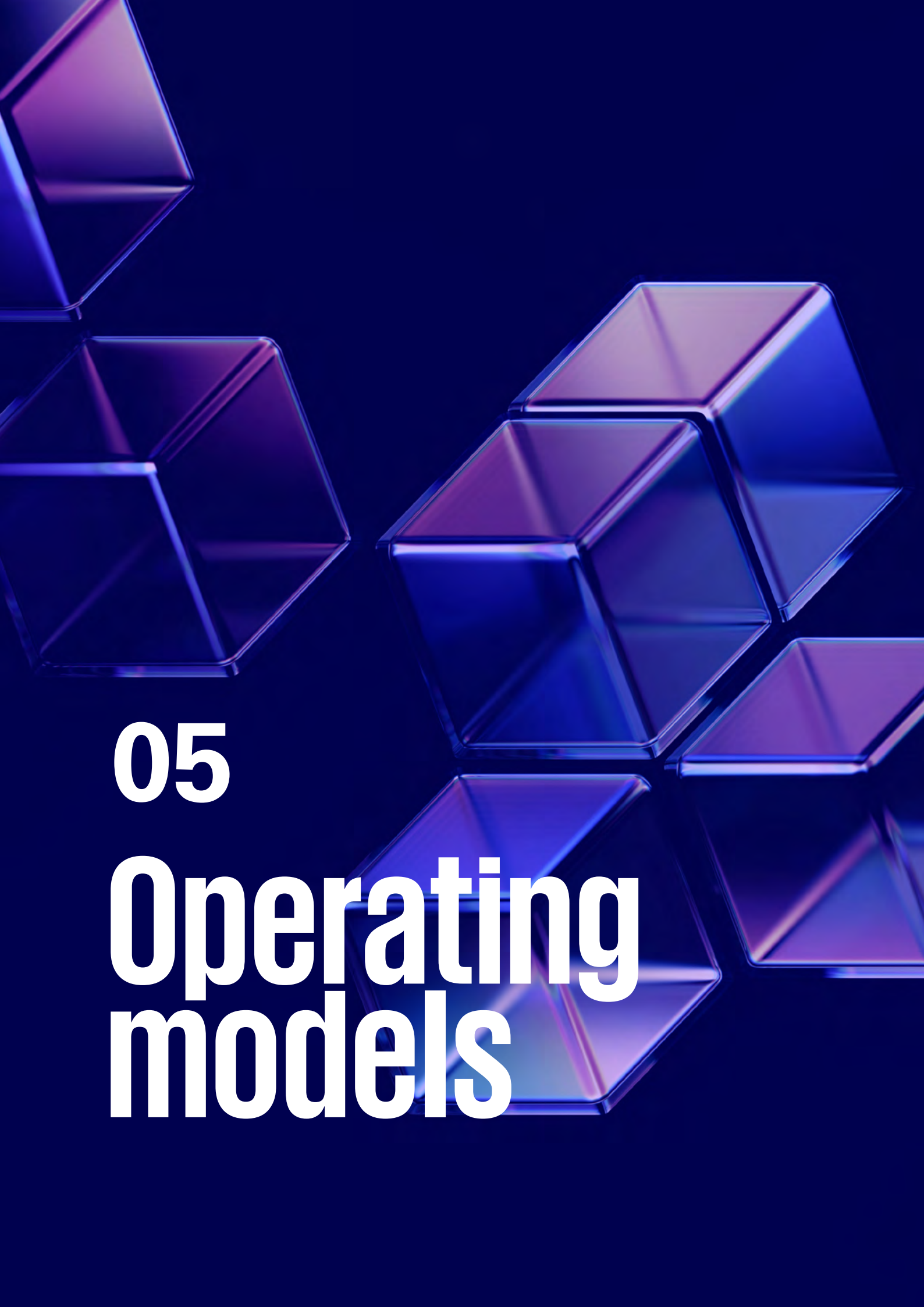
Upscaling of assistants/middle officers and operations/IT staff:

- The Luxembourg private banking sector is significantly increasing the number of these roles. This is primarily driven by regulatory requirements, such as the EU's Digital Operational Resilience Act (DORA) and stricter anti-money laundering (AML) and know-your-customer (KYC) rules, which demand enhanced compliance and operational resilience. To meet these needs, banks are hiring additional personnel to manage documentation, conduct due diligence, and monitor operations.
- Our findings indicate that this trend mainly impacts the first line of defense within banks. Interestingly, while operations/IT staff were only marginally affected in previous years, they saw a 10% growth from 2023 to 2024, indicating a shift toward prioritizing operational resilience and compliance.

Overall growth in FTEs across all roles:

- The total number of FTEs across all roles increased from 6,703 in 2021 to 6,826 in 2024, a total growth of 123 FTEs over three years. This collective increase indicates a proactive approach by banks to meet rising market demands and capitalize on the opportunities presented by AuM growth and new regulatory requirements. This overall growth reflects the sector's strategic positioning for continuous expansion and its commitment to enhancing the workforce to serve clients better and maintain compliance.



The background features a dark blue gradient with several translucent, three-dimensional geometric shapes. These shapes, which resemble cubes or prisms, are arranged in a cluster on the right side and a few on the left. They have a metallic or glass-like texture with sharp edges and facets that catch the light, creating highlights and shadows. The overall aesthetic is modern and technological.

05

Operating models

The background is a deep blue with a subtle grid of thin, lighter blue lines. Scattered across this grid are numerous translucent, blue-tinted lenses or magnifying glasses. Some lenses are in sharp focus, while others are blurred, creating a sense of depth. The lenses are oriented in various directions, some showing reflections. The overall aesthetic is technological and modern.

Operating models All banks

Proportion of total activities undertaken in-house/outourced/hybrid – All banks, 2024

Private banks are strongly leaning toward in-house activities. In 2024, approximately 90% of participating banks' operations were conducted at least partially internally, and a notable 60% of their activities were performed entirely in-house. This highlights how crucial private banks consider managing client relationships and delivering exceptional service.

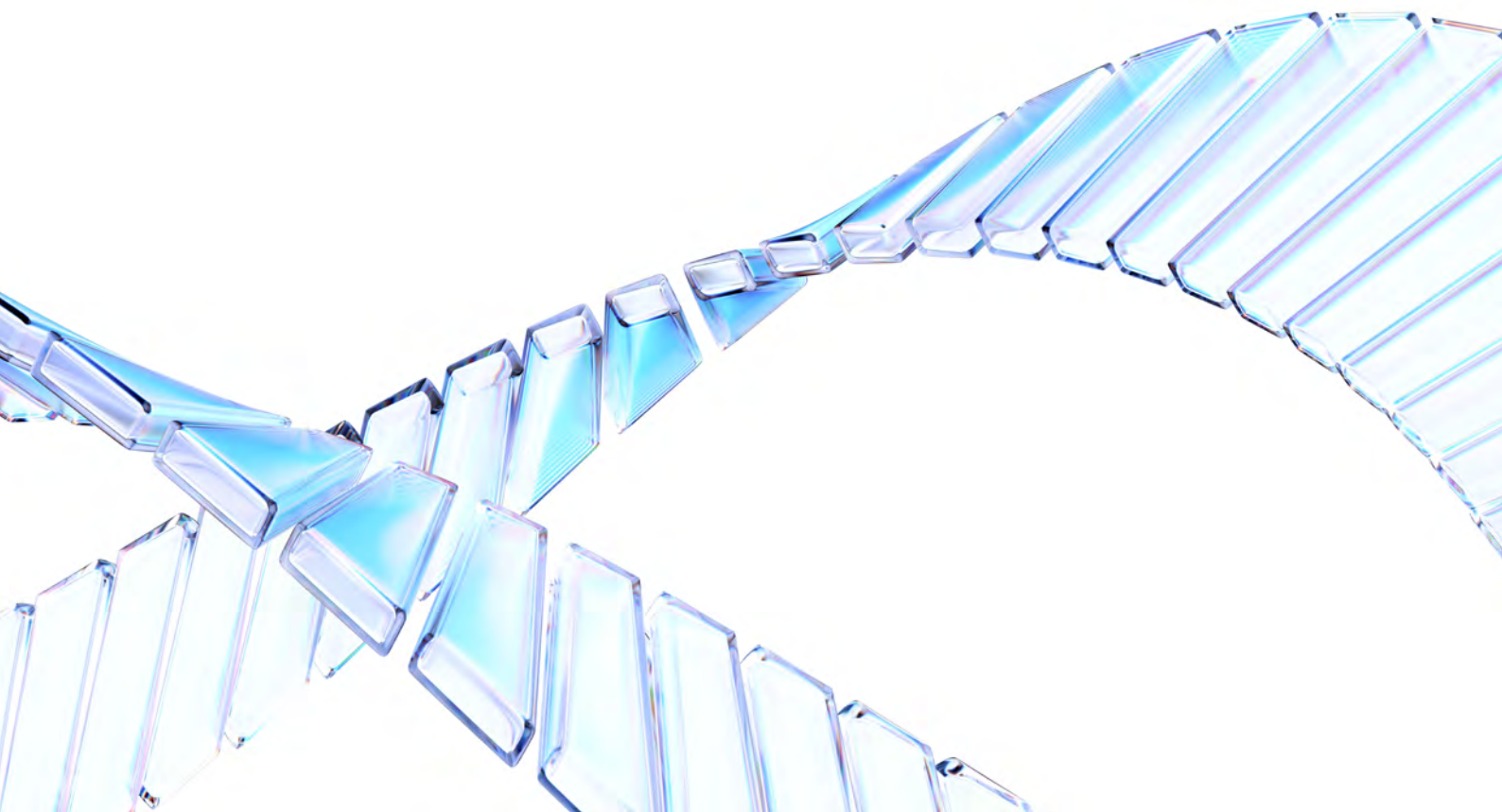
The main functions executed in-house include front office, middle office, and support activities. This shows a deliberate strategy to maintain control over client interactions and service quality.

A significant trend among private banks is the centralization of IT functions within their groups.

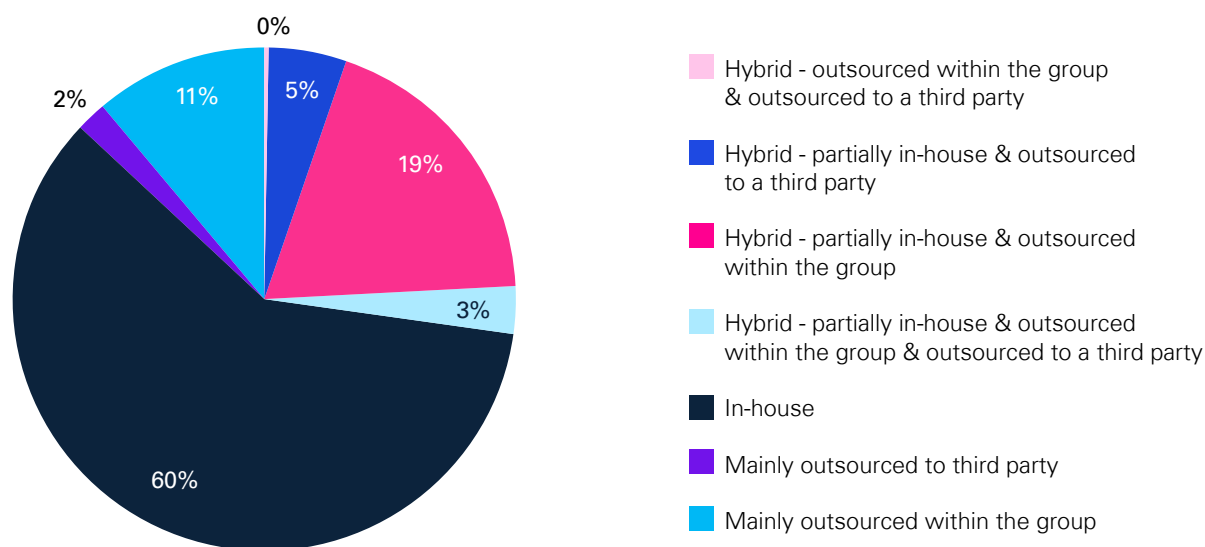
This strategy aims to harmonize operations across various locations, which enhances the overall client experience and lowers service delivery costs.

As private banks continue to integrate Software as a Service (SaaS) and other outsourcing models, they will need to assess how these changes affect their operational efficiency and client service quality. Striking the right balance between in-house capabilities and outsourced functions will be essential for staying competitive.

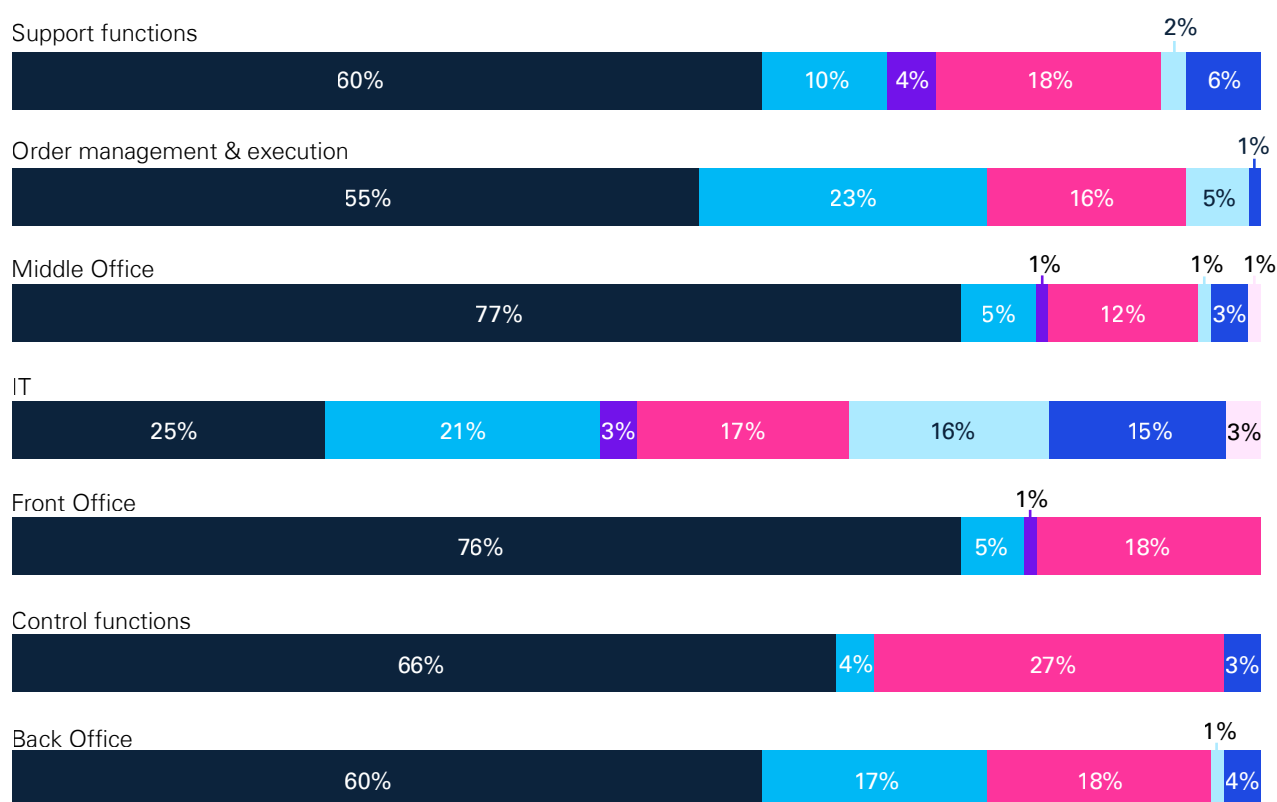
Additionally, as technological advancements continue to reshape the industry, banks must remain flexible and adaptable to ensure they align with client needs and emerging market trends.



Proportion of total activities undertaken in-house/outsourced/hybrid — all banks, 2024

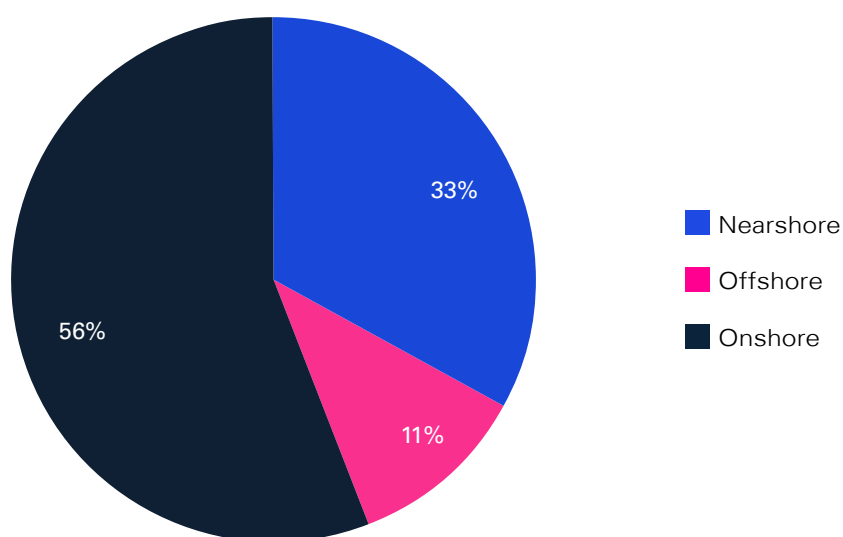


Proportion of activities undertaken in-house/outsourced/hybrid — all banks, 2024



Type of sourcing for all activities outsourced within the group – all banks, 2024

Type of sourcing for all activities outsourced within the group - all banks, 2024



Type of sourcing by activity - activities outsourced within the group - all banks, 2024

Bank Office



Control functions



Front Office



IT



Middle Office

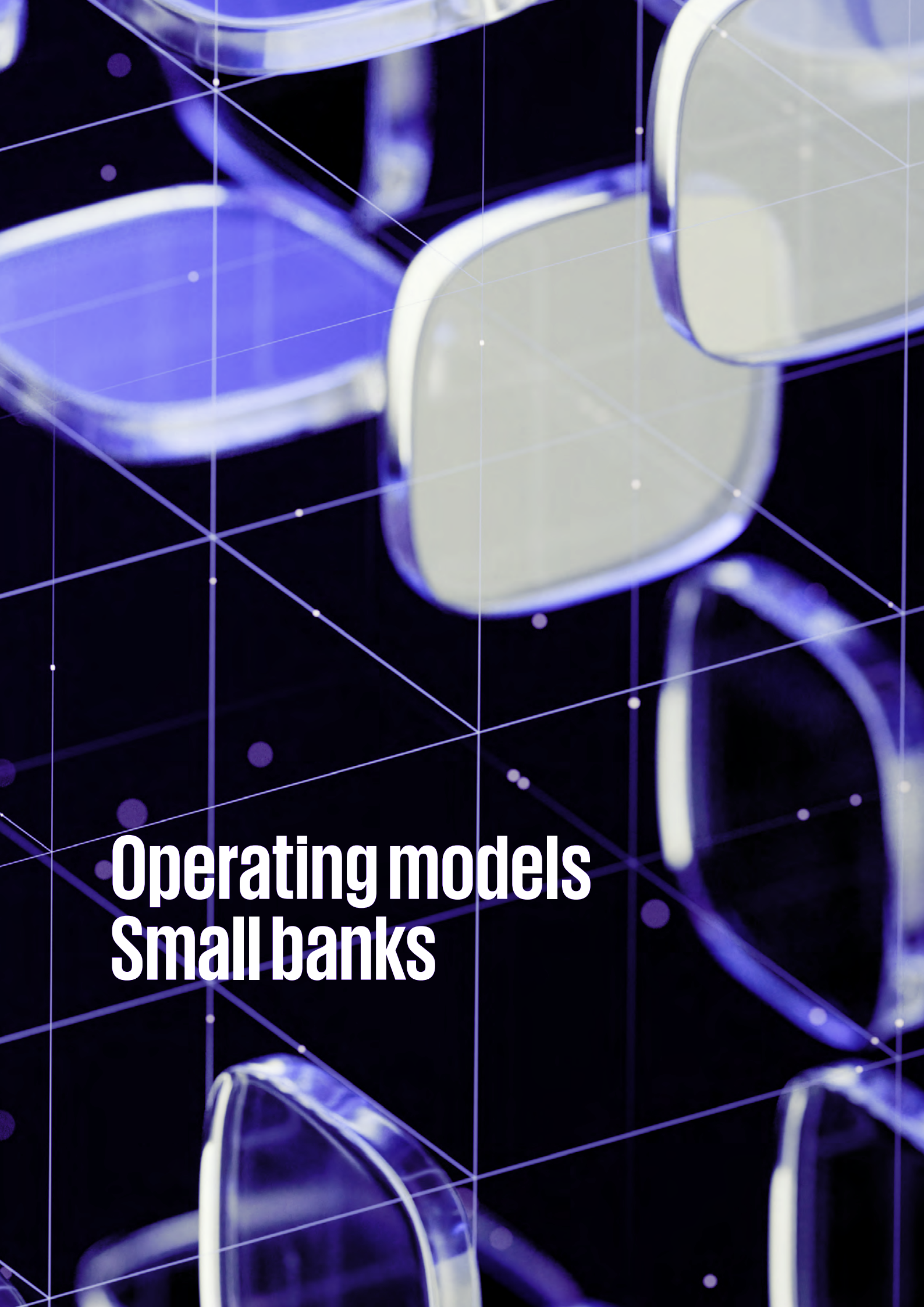


Order management & execution



Support functions

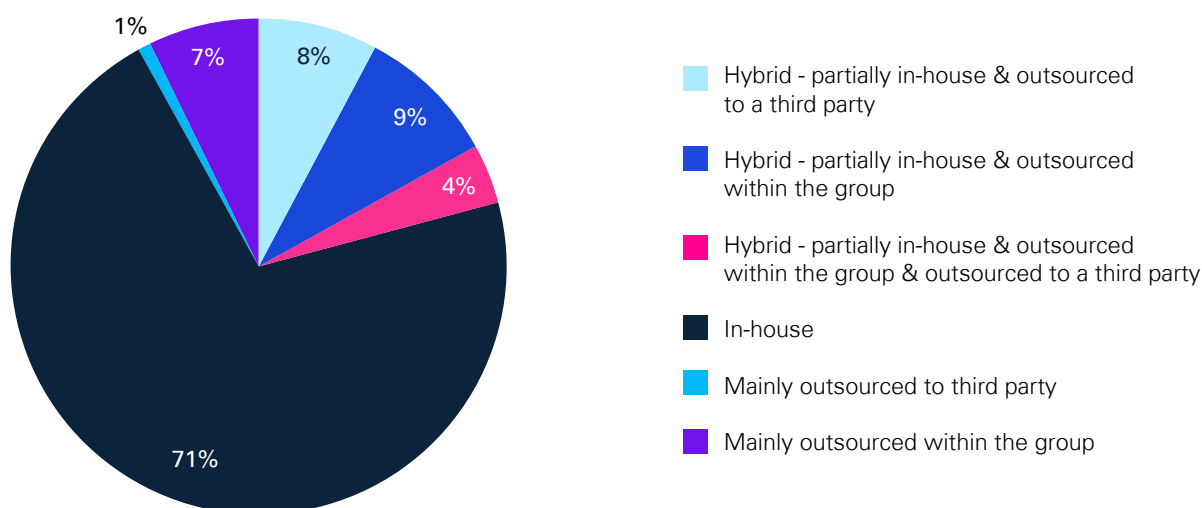




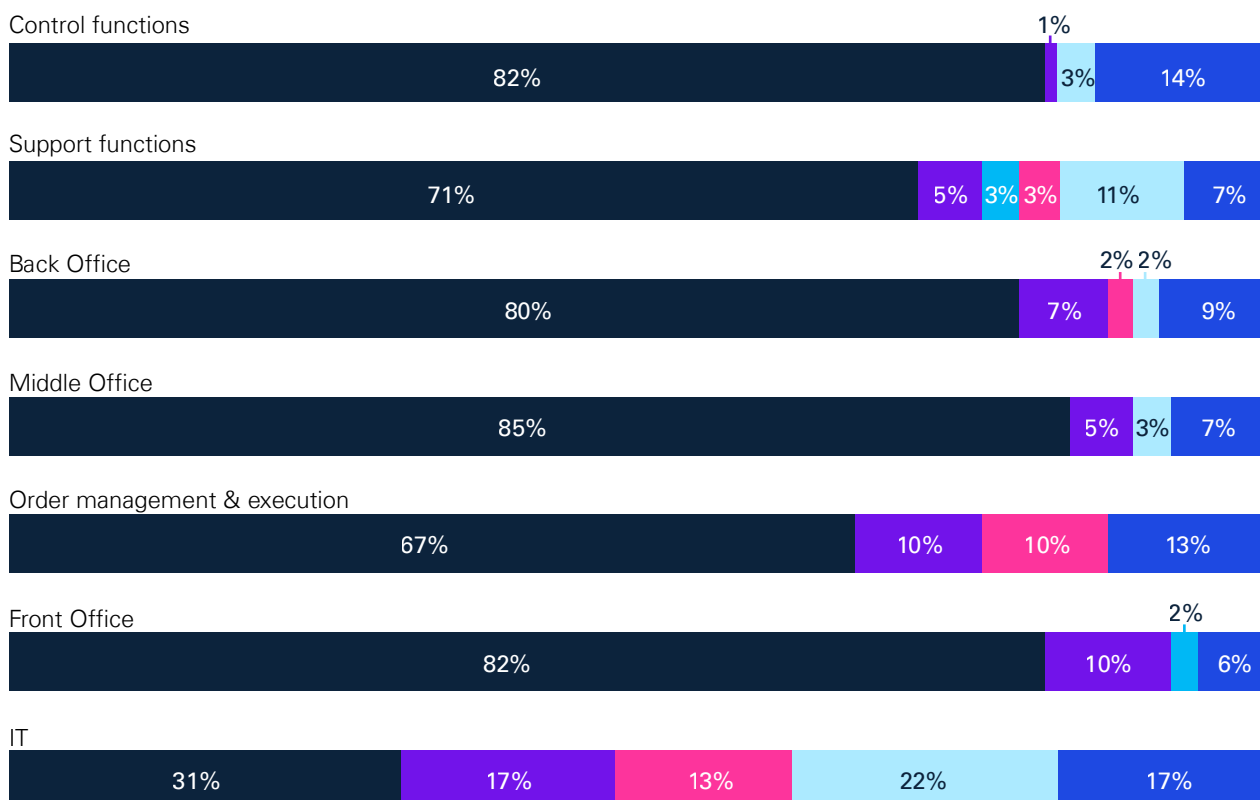
Operating models Small banks

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

Proportion of total activities undertaken in-house/outsourced/hybrid — Small banks, 2024

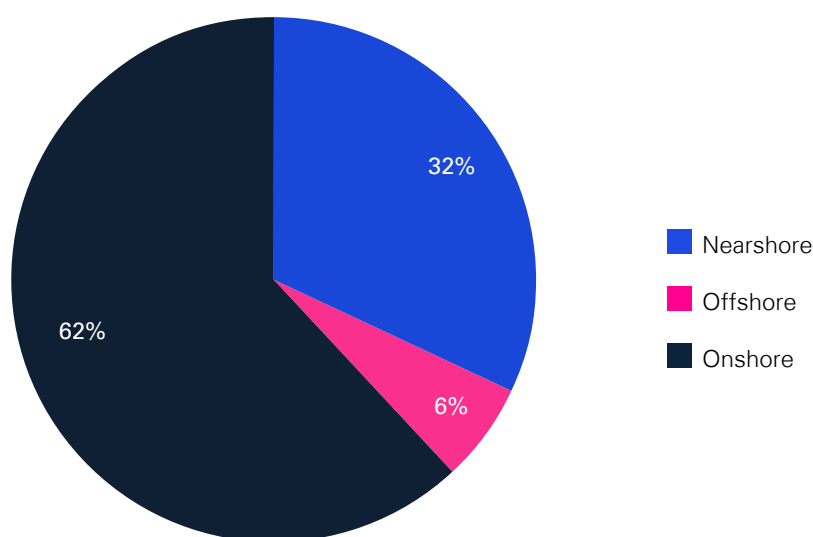


Proportion of activities undertaken in-house/outsourced/hybrid — Small Banks, 2024



Type of sourcing for all activities outsourced within the group – small banks, 2024

Share of activities nearshored, offshored and onshored



Shares across functions

Back Office



Control functions



Front Office



IT



Middle Office

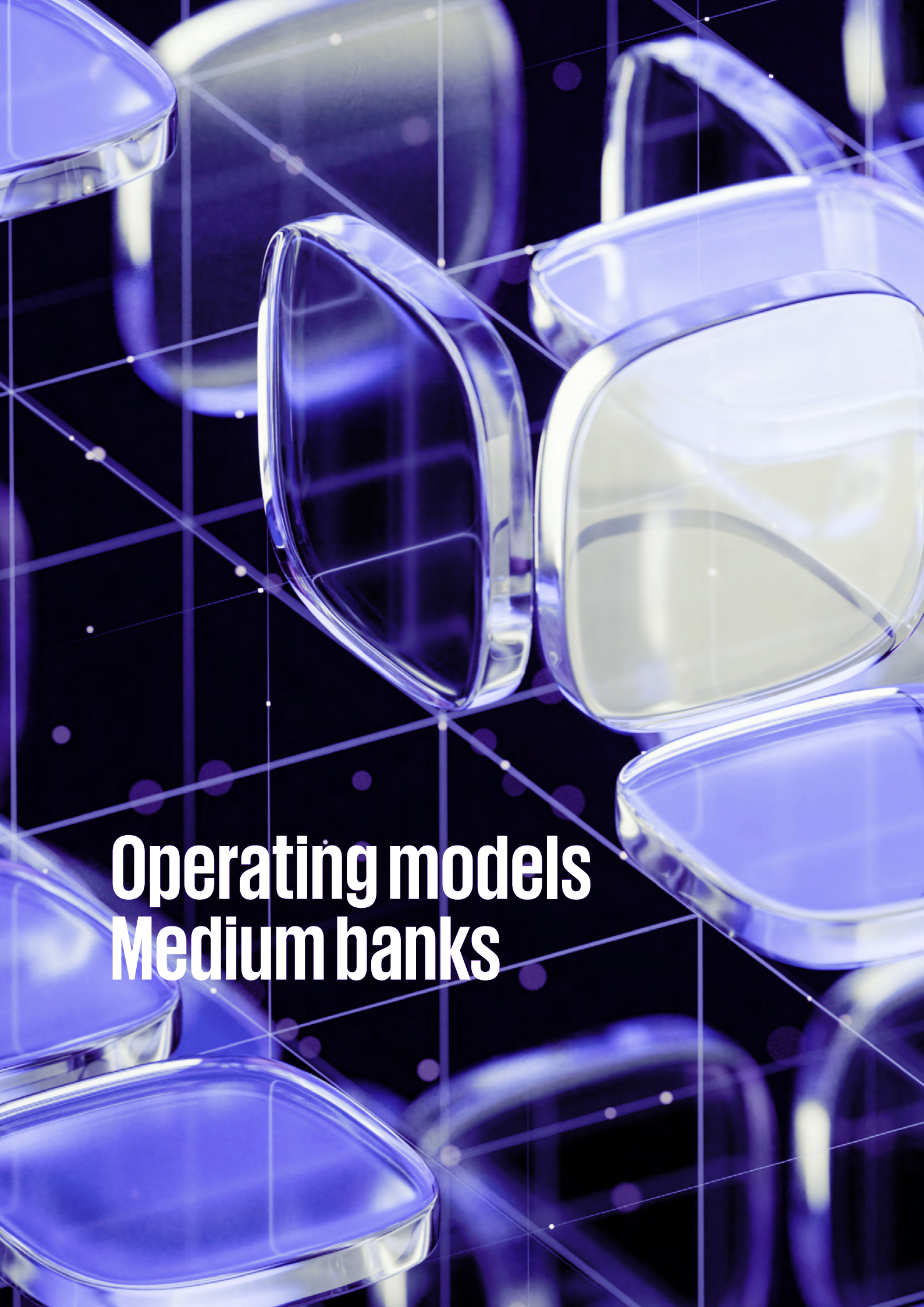


Order management & execution



Support functions

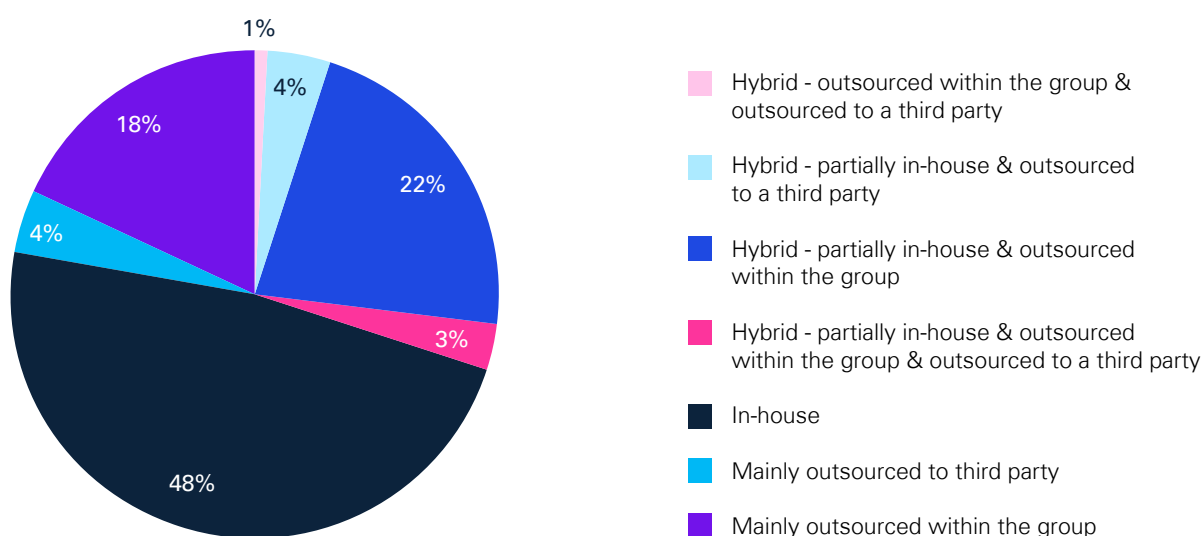


The background is a complex, abstract composition of various geometric shapes and lines. It features a network of thin, light blue lines that intersect to form a grid-like pattern. Overlaid on this are several large, translucent, three-dimensional shapes in shades of blue and purple. These shapes resemble stylized, rounded cubes or prisms, some of which are tilted at different angles, creating a sense of depth and movement. The overall color palette is dominated by cool tones, with a gradient from deep blue to a lighter, almost white, purple. The lighting appears to come from the upper left, casting soft shadows and highlighting the edges of the geometric forms.

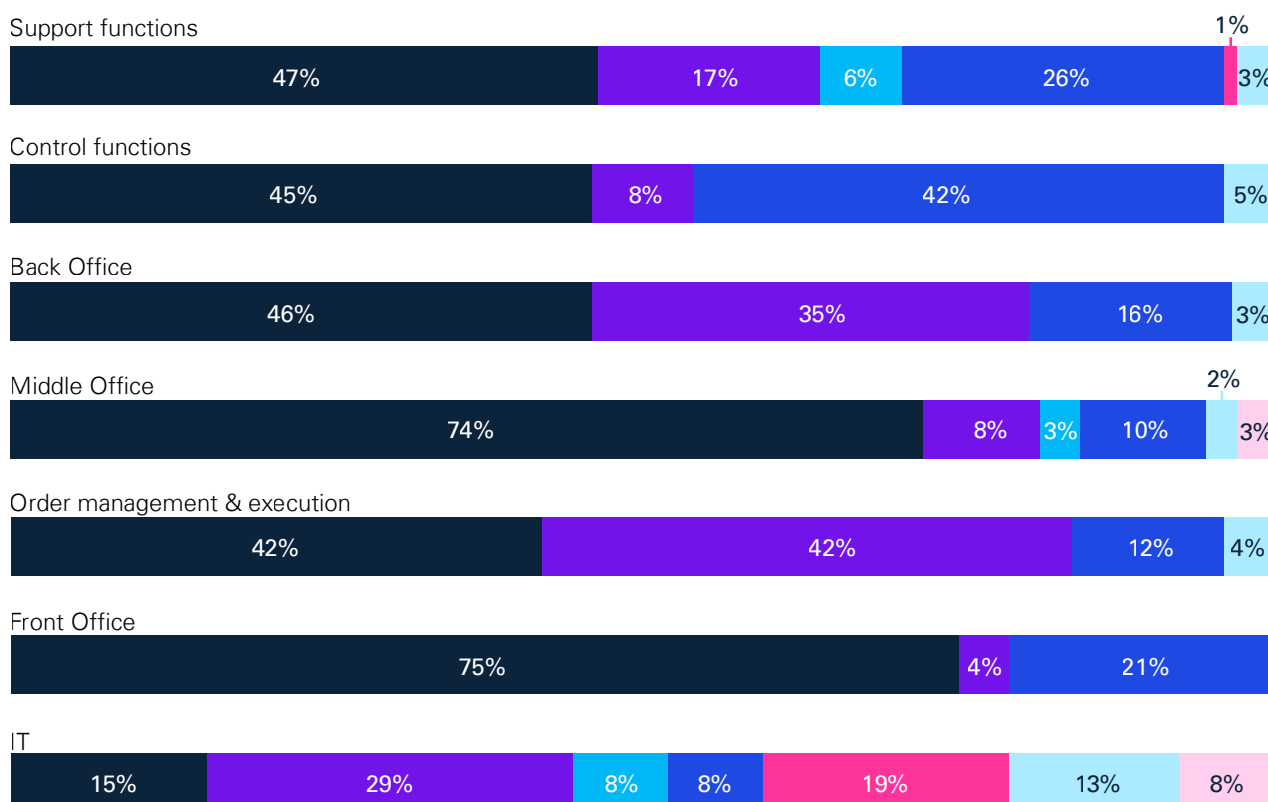
Operating models Medium banks

Proportion of total activities undertaken in-house / outsourced / hybrid – medium banks

Proportion of total activities undertaken in-house/outsourced/hybrid - Medium banks, 2024

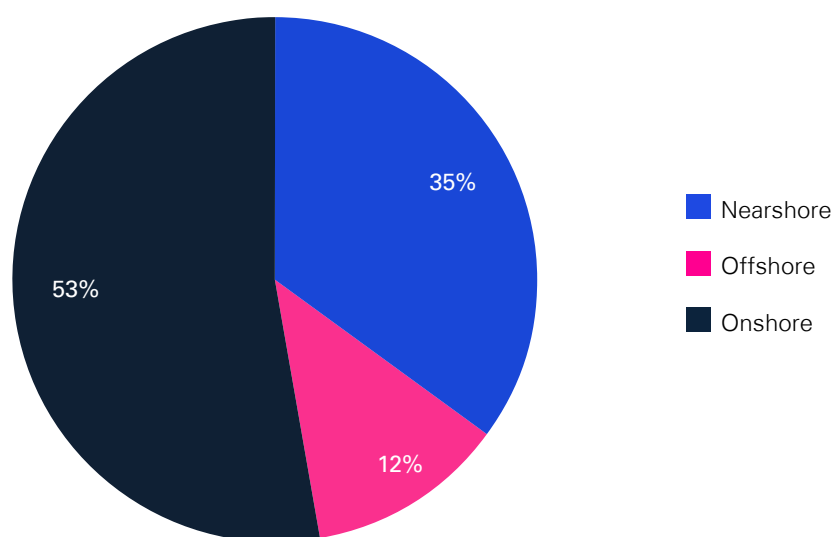


Proportion of activities undertaken in-house/outsourced/hybrid – Medium Banks, 2024



Type of sourcing for all activities outsourced within the group – medium banks, 2024

Share of activities nearshored, offshored, onshored



Shares across functions

Back Office



Control functions



Front Office



IT



Middle Office



Order management & execution



Support functions

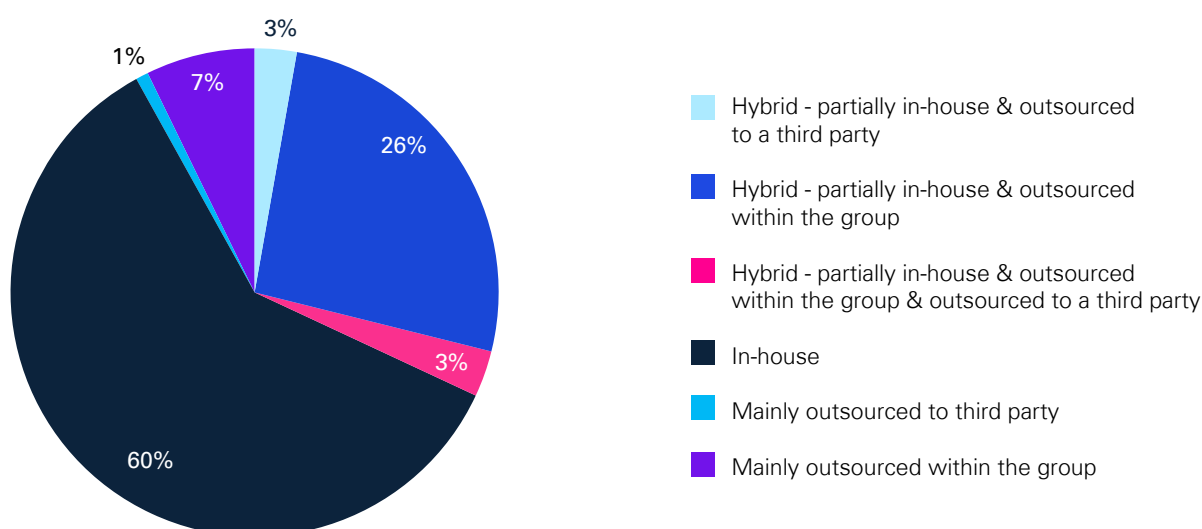


The background is a deep blue with a network of thin, light blue lines intersecting at various angles. Scattered throughout are small, semi-transparent blue circles of different sizes. In the center, two rounded rectangular shapes, resembling liquid-filled glass vessels, are positioned diagonally. They have a glossy, reflective surface that catches the light, giving them a three-dimensional appearance. The overall aesthetic is modern, technological, and abstract.

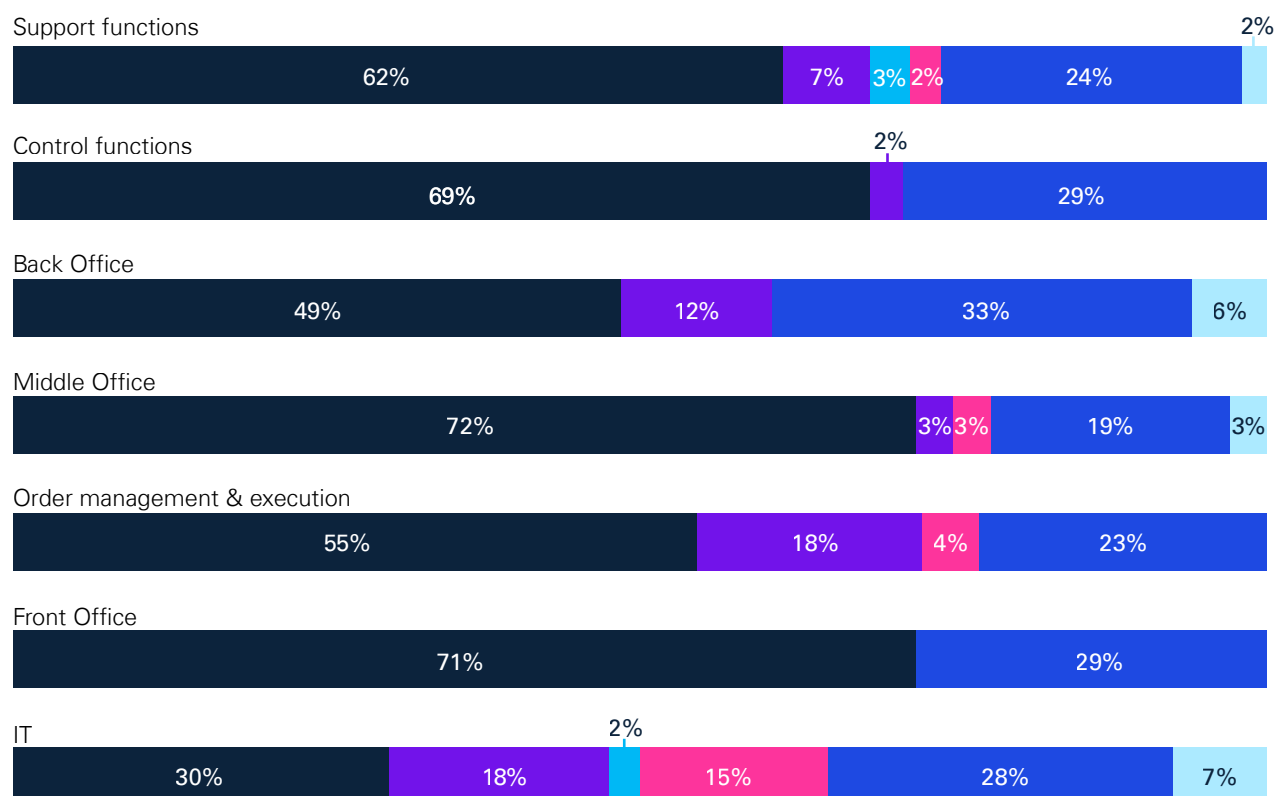
Operating models Large banks

Proportion of total activities undertaken in-house / outsourced / hybrid – large banks

Proportion of total activities undertaken in-house/outsourced/hybrid - Large banks, 2024

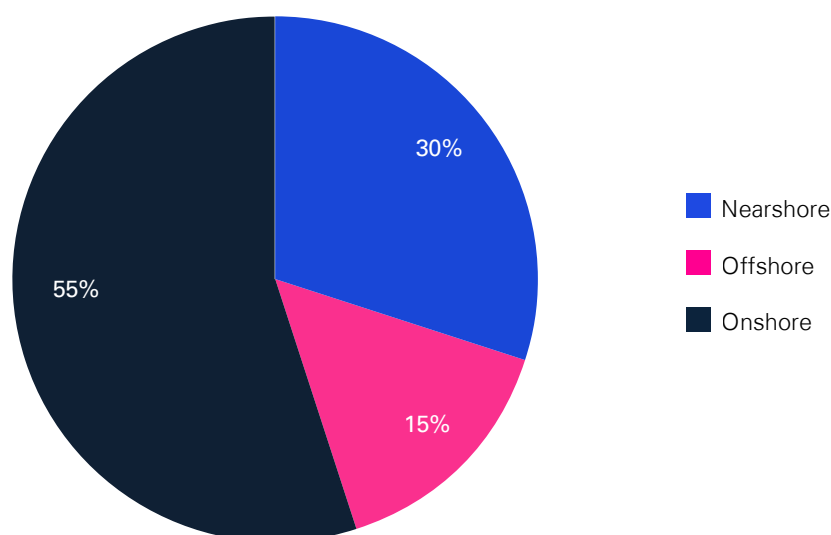


Proportion of activities undertaken in-house/outsourced/hybrid – Large Banks, 2024



Type of sourcing for all activities outsourced within the group – large banks, 2024

Share of activities nearshored, offshored, onshore

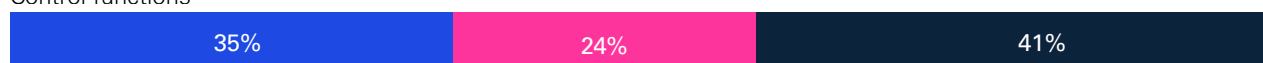


Shares across functions

Back Office



Control functions



Front Office



IT



Middle Office



Order management & execution



Support functions



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