



## Press release

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### RESULTS OF THE 15th ABBL/CSSF PRIVATE BANKING SURVEY

Facing an increasingly complex environment, the ABBL Private Banking Group Luxembourg (PBGL) and KPMG Luxembourg have come together to compile the results of its annual Private Banking Survey for 2021, an analysis based on a detailed questionnaire sent to the senior executives of the financial institution members of the Private Banking Cluster through the CSSF. The objective of the survey is to gain a unique insight into the health of the private banking sector in Luxembourg, to measure trends affecting the industry and to identify future challenges. The survey highlights the positive dynamics of the sector, but also the trend towards an upscaling of the clientele. The study also clearly identifies digital transformation and the advent of sustainable finance as the two most important challenges that are interestingly also major opportunities for the sector.

#### Private Banking – asset growth, continued market polarisation

2021 was a very good year for the Luxembourg private banking sector. Nevertheless, it is not to be forgotten that 2022 has unfortunately started in a different way, with the negative effect of another major crisis impacting both real economy and financial markets. *"This is a strong reminder that private banks, like any other business, are subject to economical cycles. After more than ten years of steady growth, many people believed that sky was the limit. This is simply not true!"*, stresses Pierre Etienne, Managing Director of Pictet & Cie (Europe) and chair of the PBGL.

**Growth in assets** – Assets under management rose by almost 18% year on year, to reach EUR 600 billion at the end of 2021. The growth is due to three factors: net inflows for existing banks, assets from new banks relocating parts of their business to Luxembourg post-Brexit, and overall market performance in 2021. The number of banks active in private banking decreased to 48 (54 in 2020) due to a number of M&A deals reinforcing the consolidation trend observed in previous years among the smaller structures.

**Client distribution** – Client segmentation continues to evolve, confirming another trend. The proportion of 'affluent' clients, i.e. clients with less than EUR 1 million in assets, is around 6% compared to 13% in 2015. At the other end of the scale, the figures for ultra high net worth clients, with assets above EUR 20 million have increased to 60% of the total, compared to 54% in 2015.

**Geographical distribution** – Figures clearly show that Europe remains the core market of the Luxembourg private banking sector, accounting for 86% of total AuM, with the remaining 14% allocated to the "rest of the world". Furthermore, 20% of assets are from Luxembourg (this including Luxembourg-based structures and insurance wrappers), with the UK, Belgium, Italy and Switzerland completing the top 5. There has been a marked change in the source of assets, with neighbouring countries France and Germany no longer figuring in the top 5. In 2007, Belgium, France and Germany accounted for 50% of client assets.

**Stable workforce** - The number of staff members in private banks didn't change significantly during 2021, totaling around 6,000 when taking into account only Luxembourg-based personnel, and reaching up to c. 6,700 when including staff from branches and subsidiaries.

In 2021, whilst the evolution of the Private Banking industry in Luxembourg is comforting in terms of growth figures, specific challenges in terms of profitability remain to be addressed, especially for smaller organisations, who are proportionally more affected by the cost of regulation. This erosion effect was further reinforced in a context of low - respectively negative - interest rate levels, combined with a marked increase of operating costs essentially due to the need to comply with a sustained flow of complex and often interconnected regulatory changes. *"Despite this, Luxembourg has managed to maintain its position and develop as an international private banking centre, mainly due to its triple A rating, cross-border expertise, qualified workforce, and the comprehensiveness of the financial ecosystem that can be found here,"* says Emilie Serrurier-Hoël, Head of Wealth Management BiL and vice-chair of the PBGL.

#### Forthcoming main challenges and opportunities for private banks

**Sustainable finance** - *"Today, clients have become increasingly demanding in the complex world of private banking. As a consequence, the private banker's role has become even more complex. Faced with all these endless flow of information, the private banker must remain focused on the understanding and translation of clients' needs and the development of tailored solutions to meet them,"* underlines Jean-Pascal Nepper, Partner, Head of Banking & Insurance at KPMG Luxembourg. With the incorporation of client's sustainable preferences in the advice process as per the changes applied in the MIFID II regulation on 2<sup>nd</sup> August 2022, one of the challenges facing private banks today is the need for customisation when integrating sustainability into their businesses. This requires the ability to offer tailor-made sustainable investment solutions.

**Digitization** - For years now, the digitization of customer relations has been driven by the international dimension of the private banking clientele in Luxembourg. Indeed, clients travel less to see their banker and the reverse is also true. However, client interactions were also largely disrupted for advisors during the pandemic. Private banks have therefore invested more in the digitalization of customer relations and have begun to integrate this aspect into their in-depth knowledge of their customers (in particular, understanding behaviors, needs, and desires of clients through data). *"Combining digital banking services with personal elements will be crucial for banks to successfully serve their clients, particularly the new generations"* analyzes Fabio Mandorino, senior adviser ABBL and coordinator of the PBGL. Furthermore, Luxembourg private banks should further explore and benefit from the flourishing local fintech ecosystem (i.e. cooperation, acting as incubator).

48 banks have participated in this 15th edition of the ABBL - CSSF - KPMG private banking survey. Although performed on a purely voluntary basis by the participants, the Survey achieved a market coverage exceeding 99% of the industry segment.

#### About the ABBL

The ABBL is the oldest and largest professional association in the financial sector, representing the majority of financial institutions as well as regulated financial intermediaries and other professionals in Luxembourg, including law firms, consultancies, auditors, market infrastructures, e-money and payment institutions. This makes the ABBL truly representative of



Association des Banques et Banquiers, Luxembourg  
The Luxembourg Bankers' Association  
Luxemburger Bankenvereinigung

the diversity of the Luxembourg financial centre, placing it in a unique position, able to give the entire sector a voice at both national and international level.

The ABBL provides its members with the intelligence,resources and services they need to operate in a dynamic financial market and in an increasingly complex regulatory environment. It facilitates an open platform to discuss key industry issues and to define common positions for the entire sector.

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