



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



ABBL/CSSF RETAIL BANKING SURVEY 2020

METHODOLOGY



POPULATION: OVER 90% OF THE RETAIL BANKING BUSINESS

This survey collects responses from over 90% of the industry, giving a representative overview.



PERIOD: 2018 - 2019

The figures are from end of 2018 and 2019. They are in EUR.



RETAIL BANKING CLIENTS: DEFINITION

Clients classified as retail banking clients for the purposes of this study are private individuals, professionals (self-employed, liberal professionals etc.) and legal entities (generally small companies etc.), excluding corporate and private banking clients.

EXECUTIVE SUMMARY

The retail banking sector is growing, with +7.5% of money under management. We note the changing needs of clients, with a shift towards digital channels for banking products. The mortgage lending market remains strong. Finally, consumers continue to keep most of their assets in savings accounts.

DIGITAL NEEDS

Significant movement towards digital channels to perform basic banking transactions, as well as more complex banking business. This reflects the changing needs of clients and their purchasing/payment behaviour and preferences.

A STRONG MORTGAGE MARKET

This reflects the continuing desire of people to generally own their home. Banks are continuing to lend.

CLIENTS REMAIN RISK AVERSE

Despite the very low interest rate environment, clients keep most of their assets in savings accounts and have a limited risk appetite for investment. Demand for investment products, where clients could potentially achieve a better return, remains low.

ASSETS AND LIABILITIES

GROWTH ANALYSIS

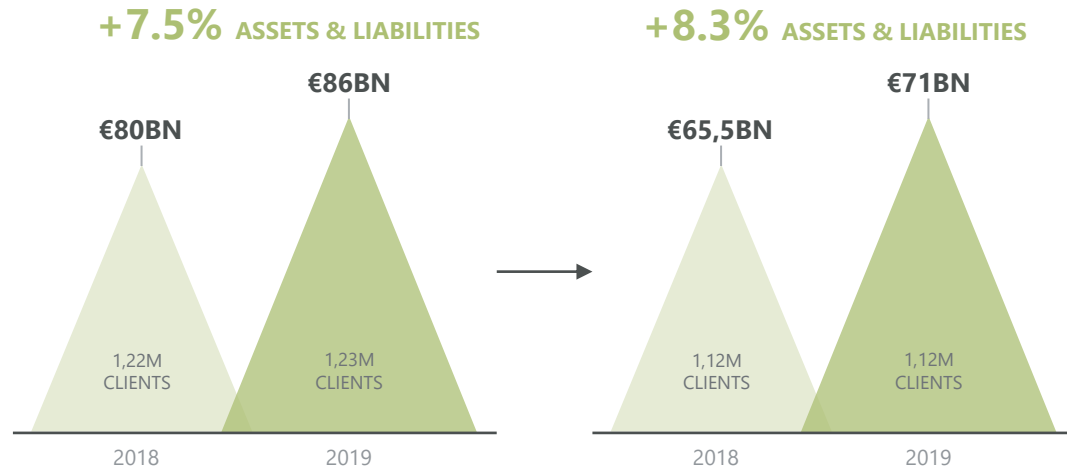
Money under management in Luxembourg for the retail banking sector reached a total of **€86BN** by the end of 2019. This is a **7.5% increase compared to 2018** (€80BN), while the number of clients remains stable.

This increase in assets and liabilities is all the more significant if we consider only private individuals, who represent 83% of total assets and liabilities. We thus arrive at **an increase of 8.3% for private individuals.**

MONEY UNDER MANAGEMENT

ALL CLIENT TYPES (2019): PRIVATE INDIVIDUALS (83%), LEGAL ENTITIES (11%), PROFESSIONALS (6%)

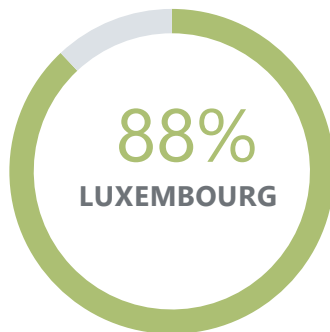
PRIVATE INDIVIDUALS



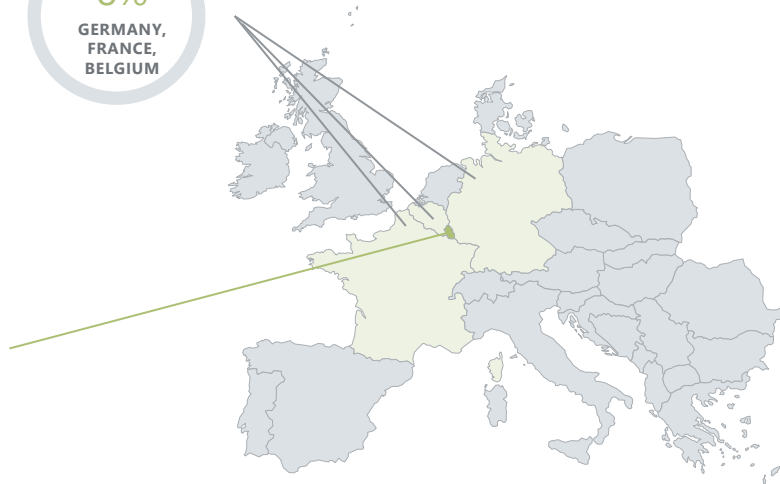
WHERE CLIENTS ARE LOCATED

LOCATION ANALYSIS

Owners of the majority of assets and liabilities are Luxembourg residents (88%). 8% are from the neighbouring countries and only 4% from other locations.



ASSETS & LIABILITIES BY RESIDENCE 2019 - PRIVATE INDIVIDUALS



Other eurozone countries: 2%

Rest of the world: 2%

Survey 2020

HOW ASSETS ARE HELD

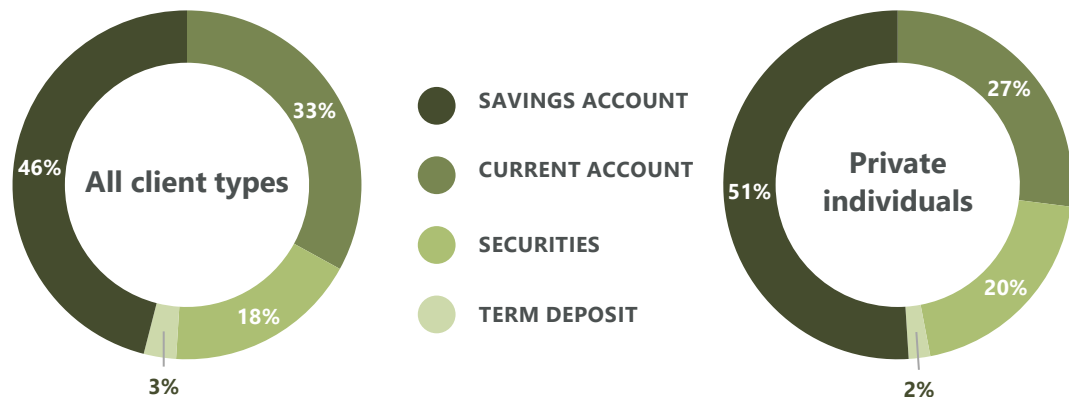
ASSET PLACEMENT ANALYSIS

Despite very low interest rates on deposits, **clients rarely place their assets in investment products**, preferring to keep them in savings or current accounts. This continues the trend seen in previous years.

Only 18% of assets are held in a securities portfolio, while **46% are in savings accounts and 33% in current accounts**. This distribution is practically identical for private individuals: **20% of their assets are in investment products**, while 51% are in savings accounts and 27% in current accounts. **By not moving savings to investments, customers miss an opportunity for higher returns.**

Assets held in term deposits have fallen to 3% for all clients and to 2% for private individuals, mainly due to the current interest rate environment.

PRODUCTS BY ASSETS 2019



LENDING ACTIVITIES

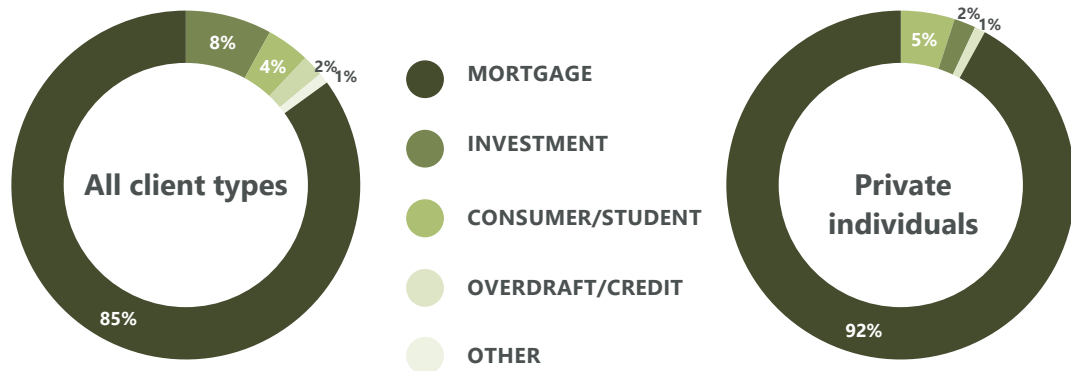
LOAN ANALYSIS

Banks are continuing to lend: overall lending increased by 7% between 2018 and 2019, and by 8% for private individuals.

85% of loans to all clients types are mortgage loans. This proportion increases for individuals, as **92% of loans to private individuals are mortgage loans**, in line with the real estate environment in Luxembourg; consumers want to own their own home, and banks are actively lending to finance property purchases.

The category "other" includes equipment loans and leasing.

BREAKDOWN BY LOAN TYPE
2019



↑ **7%** Lending loans for all clients, compared to 2018

↑ **8%** Lending loans for private individuals, compared to 2018

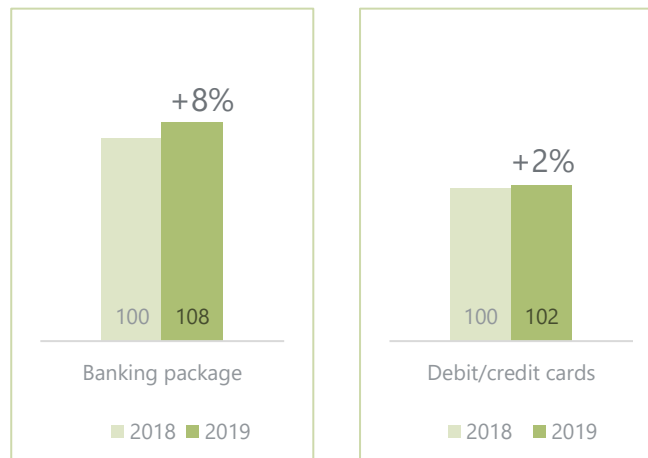
HOW CLIENTS ARE SERVED

SERVICE OFFERING ANALYSIS

As for banking services, **everyday banking usage is on the rise**, with an increasing use of banking packages.

The demand for debit/credit cards is also increasing, due to widespread use of cashless payments and online purchases.

SERVICE OFFERING BY NUMBER OF CLIENTS
BASE 100



DIGITALISATION

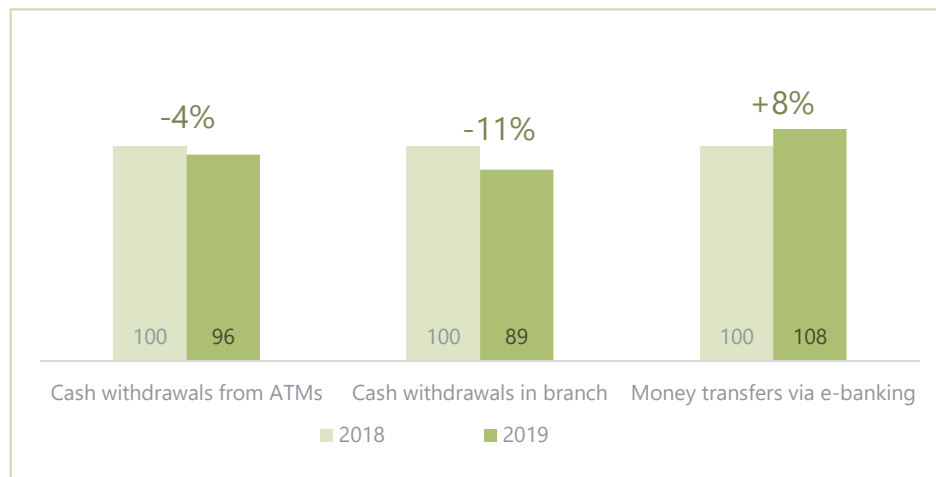
TRANSACTION ANALYSIS

Transactions become digital.

Overall, less visits were made to branches and ATMs, in particular visits to make cash withdrawals at the counter (-11%), which represent 5% of all cash withdrawals. This is due **to more physical payments being made by card and increased acceptance of contactless payments.**

The changing client behaviour is also visible with money transfers: clients chose to transfer money primarily via e-banking, which is up by 8%, year on year.

PAYMENT & WITHDRAWAL BEHAVIOUR BY NUMBER OF TRANSACTIONS – BASE 100



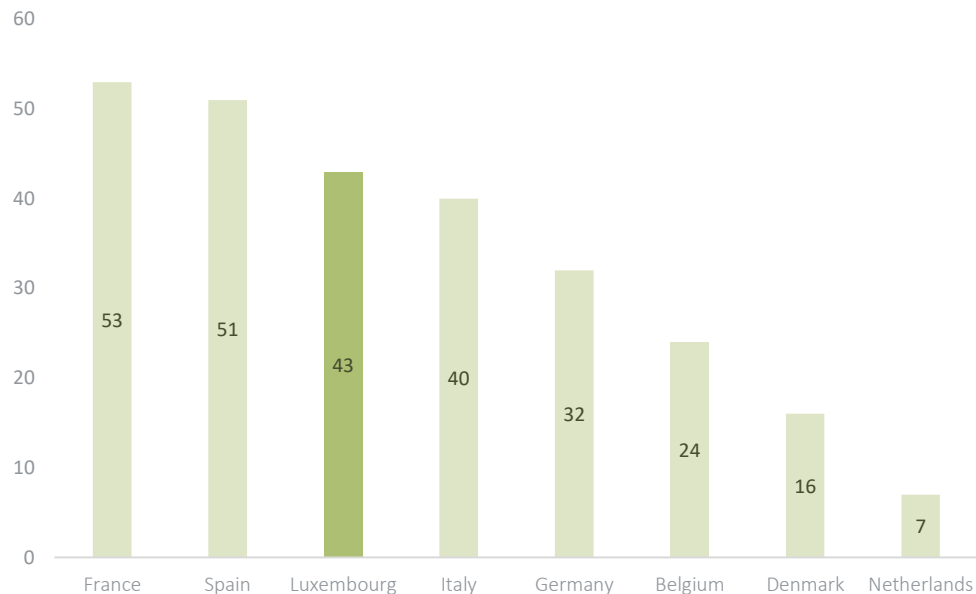
BRANCH NETWORK

ACCESS ANALYSIS

Luxembourg branch network is relatively dense, compared to other European countries.

It means that clients have reasonably **good access** to a branch and its services.

NUMBER OF BRANCHES PER 100,000 INHABITANTS
2019



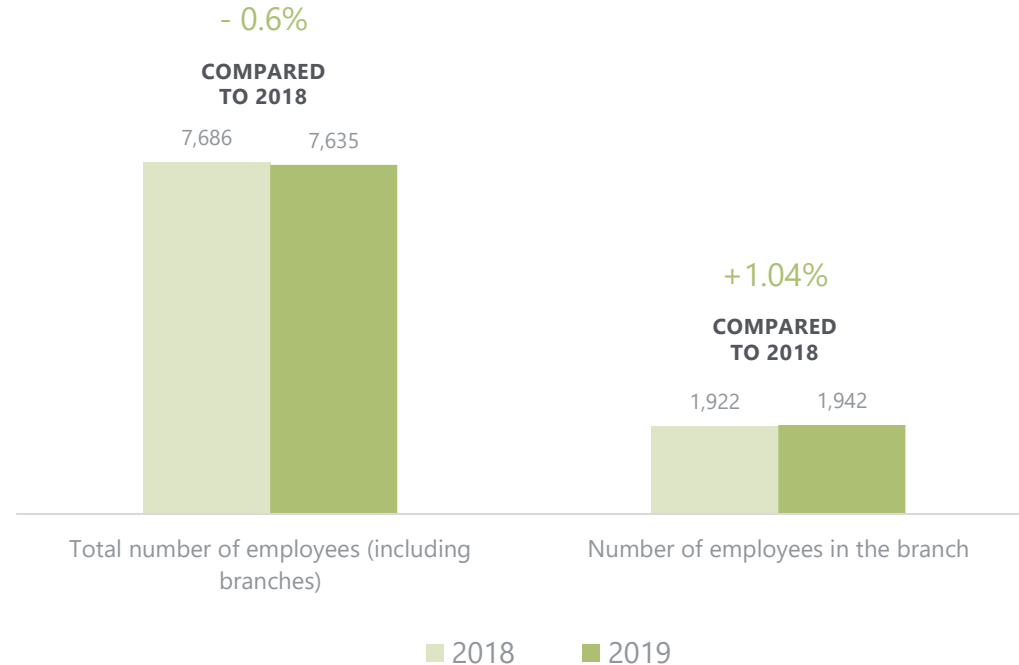
Source: ECB & ABBL

RETAIL BANKING EMPLOYMENT

EMPLOYMENT ANALYSIS

Overall number of staff remains stable.

NUMBER OF EMPLOYEES 2018/2019



LOOKING AHEAD

OPPORTUNITIES

DIGITALISATION

- Acceptance of digital services for banking transactions, accelerated by COVID-19
- Reshape distribution models and enhance remote contacts to strengthen client relationship

PRODUCTS & SERVICES

- Move from savings to investments
- Adapt products to support transition to Sustainable Finance

CHALLENGES

COVID-19

- Maintaining service in branch during pandemic
- Risk of loan defaults and bankruptcy among small business clients
- Taxation of cross-border workers who work from home

LOW INTEREST RATES

- Pressure on margins

REGULATORY

- Resources dedicated to increasing compliance regulations: KYC, AML, MiFID...
- Customers' acceptance of the increased burden of information for compliance purposes