

July 2021

Retail Banking Survey 2021



Executive Summary

Overall, the trends identified in last years survey continue, with stable employment figures and client numbers, increased assets and lending. As expected, there are major changes in customer behaviour due to the health pandemic, particularly the use of digital solutions for transactions.

Growth in assets

Money under management (assets and liabilities) has increased by 9.3%. The number of clients reported is slightly lower (-1.3%) – this could be for several reasons: natural reduction due to inheritance and consolidation of accounts.

Asset distribution

Once again, term deposits for individuals are down, and the majority of assets are held on current or savings accounts. There has been no significant shift to investment products. Overall spending is down, due to the slowdown of the economy linked to the health pandemic.

Digital solutions

Unsurprisingly, e-banking use is up. It should be noted that the most significant increase in usage was seen with professionals (32%). Whilst this is a continued trend already identified in previous years, it has been accelerated by effect of the pandemic.

Methodology

A representative survey

Responses have been collected from over 90% of the retail banking sector in Luxembourg. The figures shown cover the period from end 2019 to end 2020.

Retail banking clients

This study covers retail banking clients classified as follows:

- Individuals
- Professionals (self-employed, liberal professions etc.)
- Legal persons (generally small businesses)

It does not include large companies or private banking clients.

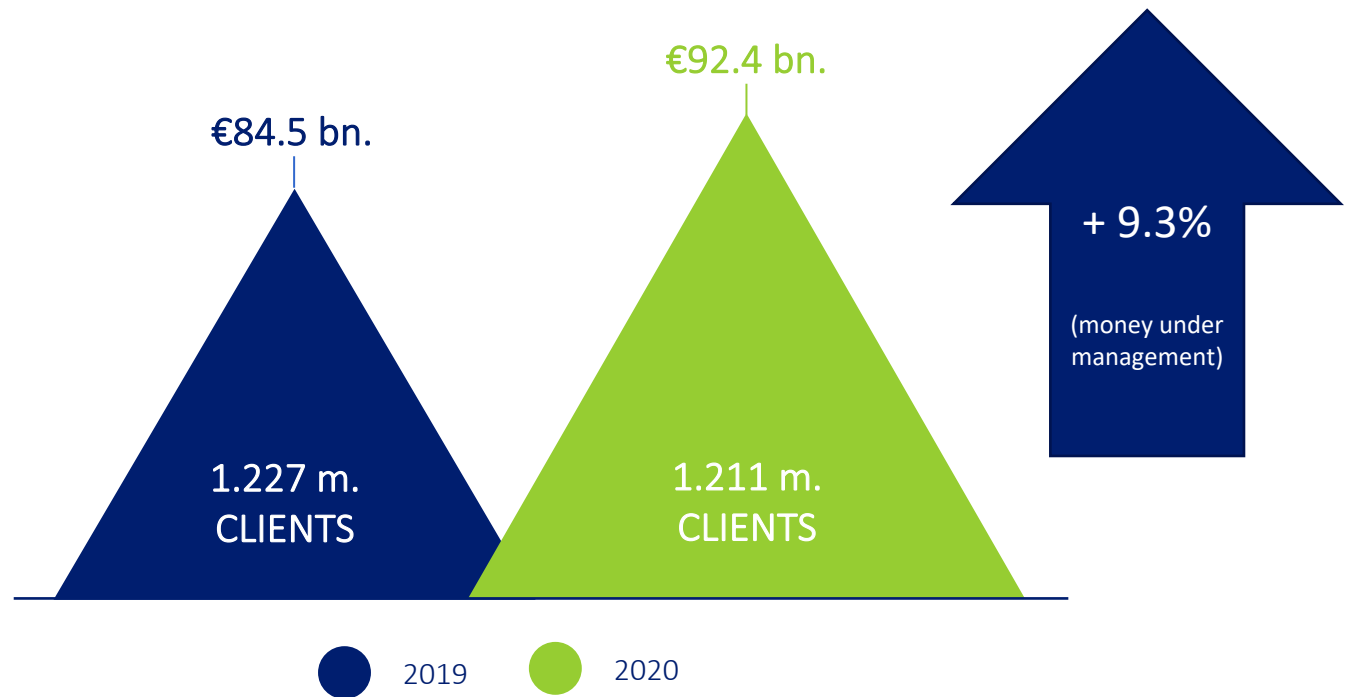


Money under management

At the end of 2020, money under management for the retail banking sector reached a total of €92.4 bn. This represents an increase of 9.3 % compared to 2019 (€84.5 bn).

This increase occurs while the number of clients has remained relatively stable (-1.3%).

Assets and liabilities



Asset distribution

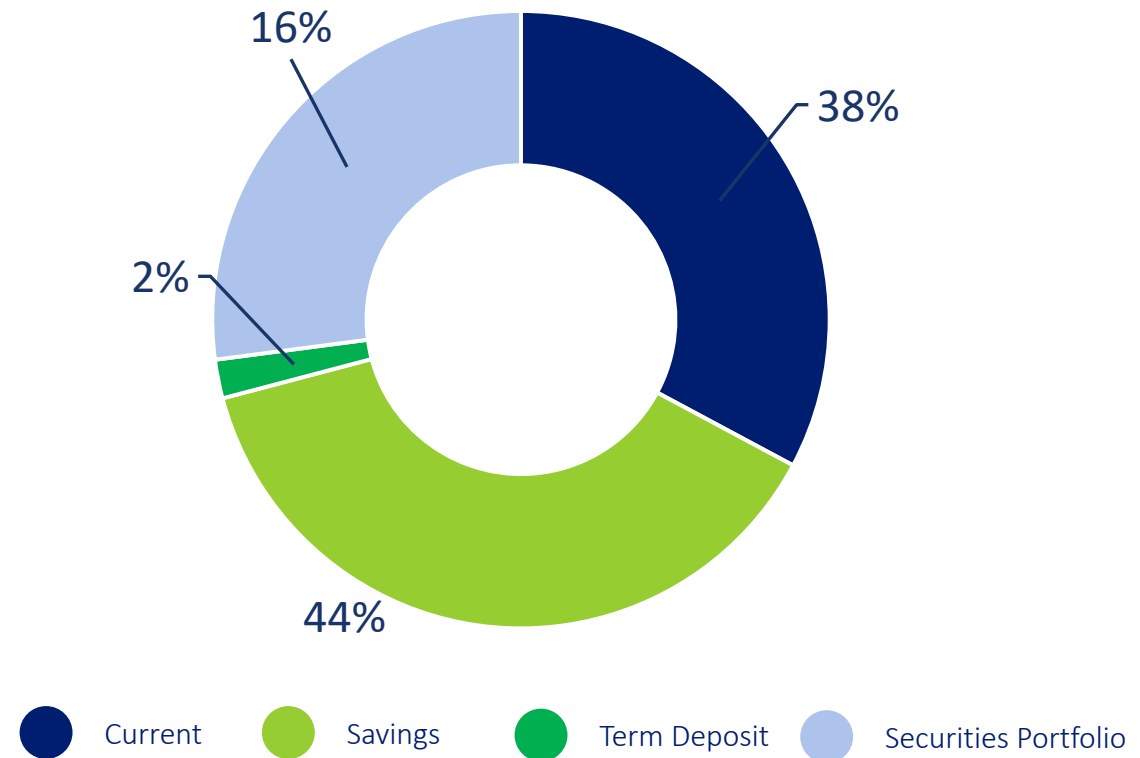
Holdings on current accounts increased by 26% vs. 2019 for individuals and 13% for professionals and legal persons. This is directly related to reduced spending due to the health pandemic.

Savings accounts increased by 5% for individuals.

Holdings on term deposits fell by 16% for individuals, mainly due to the negative interest rate environment.

There was an overall increase of 8% in securities portfolios, which represents 16% of all assets.

Assets by account type

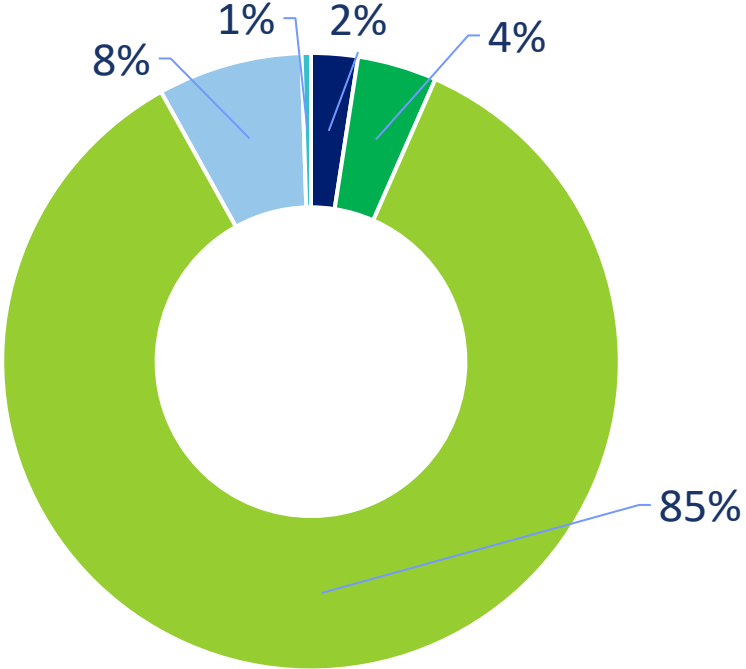


Lending activity

As in previous years, mortgage lending is the main activity for retail banks. The figures are up 9% vs. 2019 for individuals, and 8% for professionals and legal persons.

We see a significant decrease in borrowing for equipment (-10% overall), linked to the impact of the health pandemic.

Distribution by loan type



- Overdrafts & credit cards
- Consumer
- Mortgages
- Investment
- Equipment & leasing

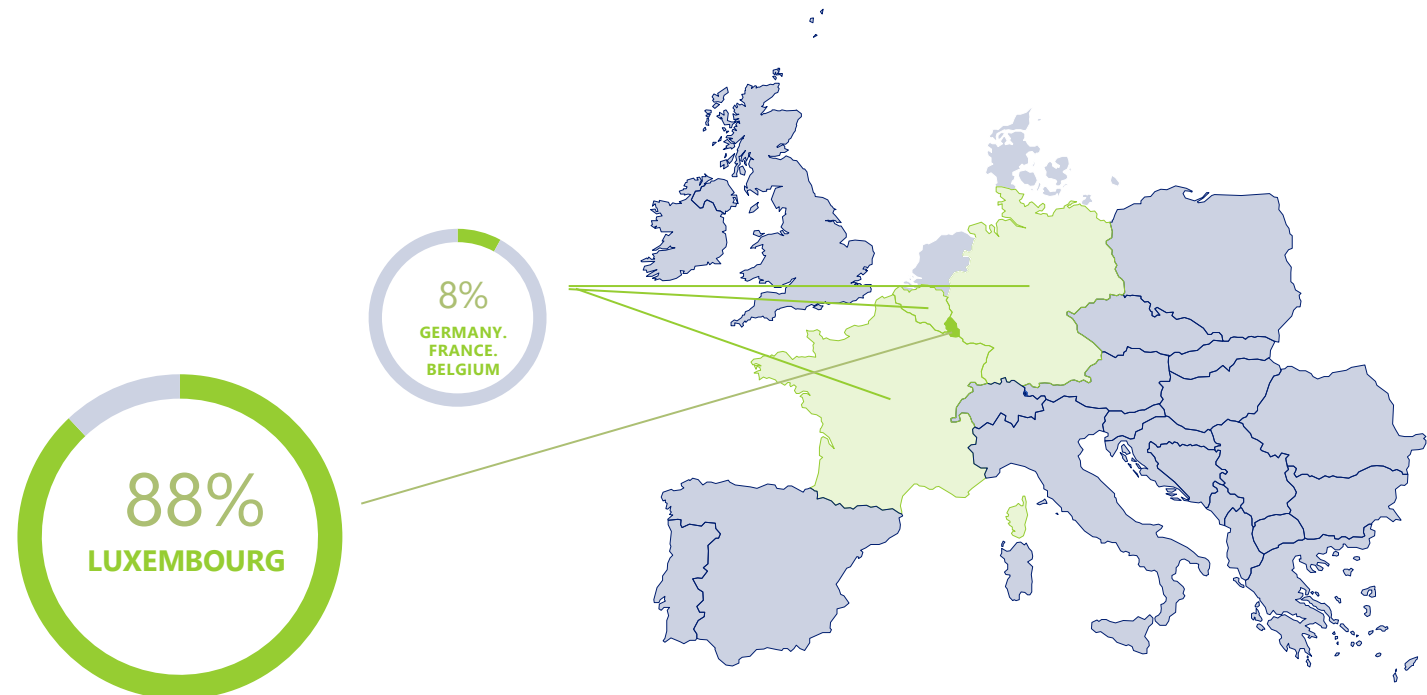
Client residence

Not surprisingly, the owners of the majority of assets and liabilities are Luxembourg residents (88%).

8% are from neighbouring countries and only 4% from other countries.

Assets & liabilities by residence

Individuals



Other eurozone countries: 2%
Rest of the world: 2%

Client behaviour

Cash withdrawals from ATMs fell by -25%.

Cash withdrawals in branch fell by -51%.

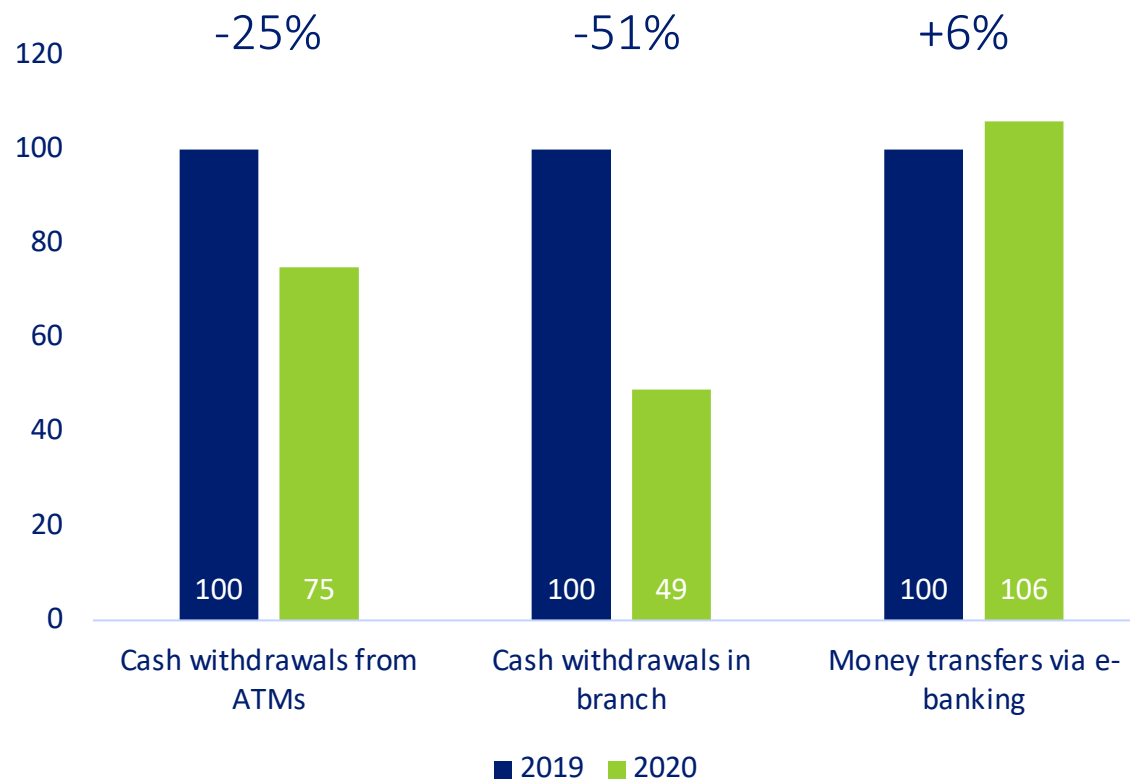
This continues a trend already noticed in 2019 (-11%), but behaviour changed dramatically during the pandemic.

Physical cash was generally avoided during this period in favour of card and contactless payments.

Money transfers made by e-banking increased by 6%.

This does make up the shortfall, but overall transactions were also impacted by the general economic slowdown during 2020, when consumer spending decreased.

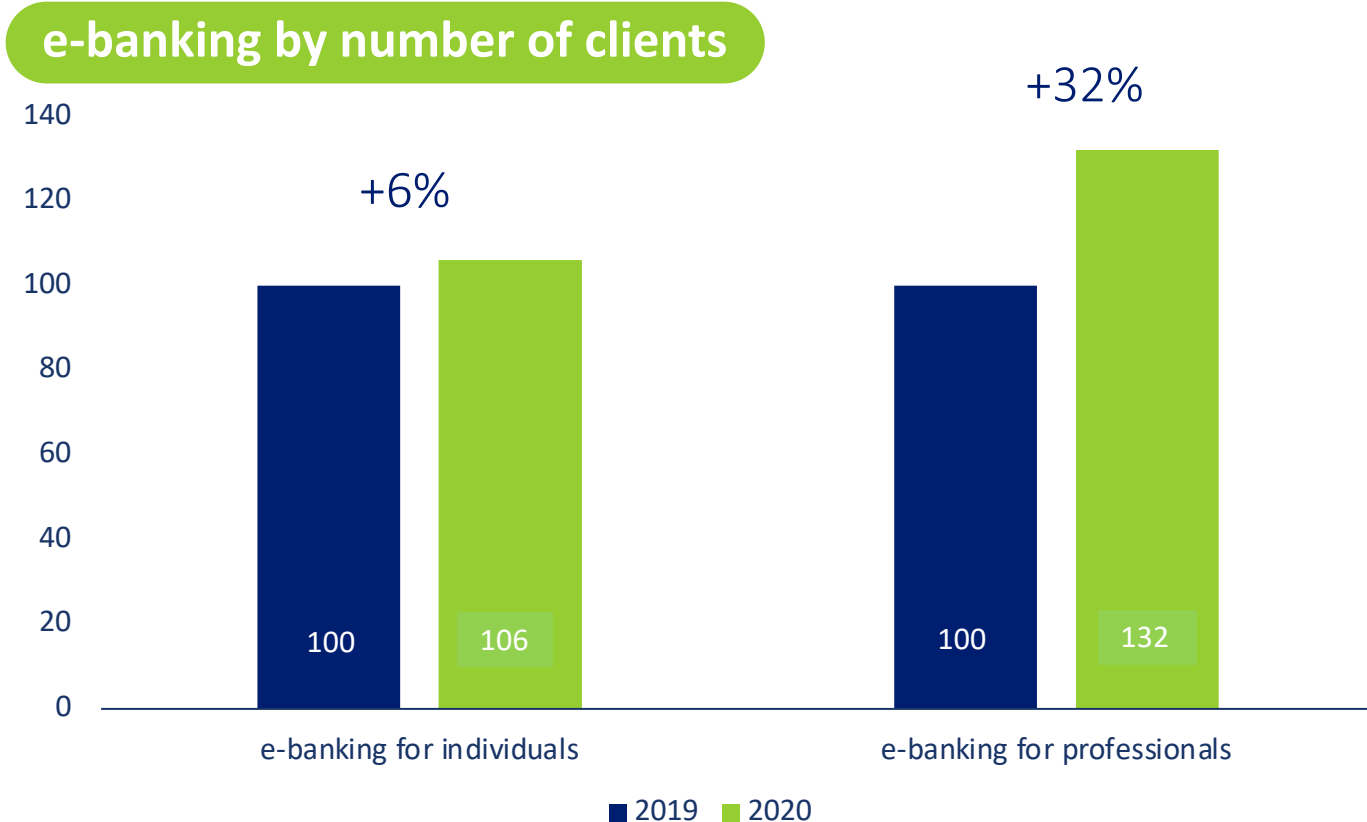
By number of transactions



Service offering

Whilst figures for banking services remained relatively stable during 2020, e-banking services increased significantly.

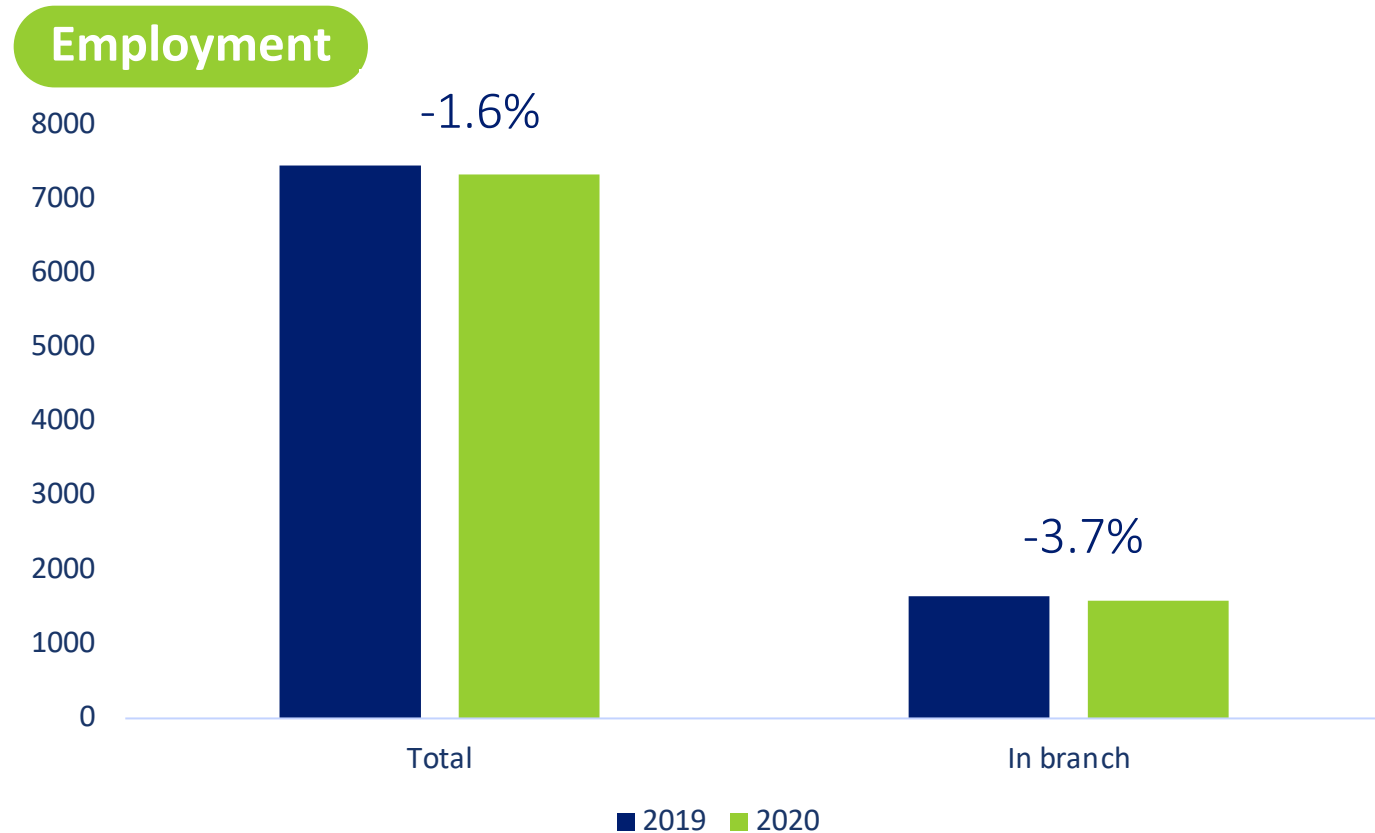
For individuals the increase was 6%, continuing a trend already identified in previous surveys. For professionals, the increase was 32%, a significant acceleration which must be linked to the pandemic.



Retail banking employment

Employment was down slightly (-1.6%), from 7,461 in 2019 to 7,339 in 2020.

The rate is slightly higher for in-branch employees (-3.7%).



About the ABBL

The ABBL is the 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 us truly representative of the diversity of the Luxembourg financial centre, placing us in a unique position, able to give the entire sector a voice at both national and international level.

We provide our members with the intelligence, resources and services they need to operate in a dynamic financial market and in an increasingly complex regulatory environment. We facilitate an open platform to discuss key industry issues and to define common positions for the entire sector.

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