



Press Release

Results of the ABBL/CSSF Retail and Private Banking Surveys 2021

Luxembourg, 3 August 2021

The ABBL has just received the results of our annual Retail Banking Survey and our Private Banking Survey, collecting information from our members active in those sectors, in collaboration with the CSSF. As always, these surveys provide a unique insight into the health of the banking sector in Luxembourg. More detailed figures can be found in the charts attached to this press release.

Retail Banking – stable growth, marked shift to digital banking

Overall, the Retail Banking sector has handled the pandemic well. Massive efforts were made to continue to service clients, despite many obstacles, and the local retail banks provided special 'covid loans' and worked with the government to create special state-guaranteed loans to support businesses during the pandemic.

Trends already identified in recent years 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 with the use of digital solutions for financial transactions.

Growth in assets - Money under management (assets and liabilities) increased by 9.3%, demonstrating that clients continued to borrow during 2020, mainly for real estate projects. Cash withdrawals from ATMs fell by 25%, whilst cash withdrawals in branch fell by a massive 51%, as physical cash was generally avoided in favour of card and contactless payments.

Asset distribution – The majority of assets are held on current or savings accounts, with no significant shift to investment products. Overall spending is down, due to the slowdown of the economy and a more cautious consumer behaviour linked to the health pandemic.

Digital solutions – Unsurprisingly, e-banking use is up significantly (7%). It should be noted that the most significant increase (32%) comes from professionals (self-employed, liberal professions..). Whilst this is a continuation of an already existing trend, it has been accelerated by the pandemic.

Private Banking – asset growth, continued market polarisation

Assets under management rose, whilst the number of private banks remained the same, at around 55-60 banks. There was some consolidation activity, but an influx of several new banks over the last 2 years (post-Brexit) kept the number stable and has led to an overall net increase in assets under management. Employment in the sector also remains stable at around 6,000 people.



Profitability remains an issue for private banking, especially for smaller organisations, who are disproportionately hit by the cost of regulation. Despite this, Luxembourg has managed to maintain its position and develop as an international private banking centre, due to its AAA rating, political and social stability, cross-border expertise, qualified workforce, and the comprehensiveness of the financial ecosystem that can be found here. The banking sector contributes around 30% of the GDP in Luxembourg, and is a significant contributor to the public purse.

Growth in assets – Assets under management rose by almost 10% year on year, to reach € 508 bn. at the end of 2020. The growth is due to normal net inflows for existing banks, assets from new banks relocating parts of their business to Luxembourg post-Brexit, and overall market performance in 2020.

Client distribution – In another existing trend, client segmentation continues to polarise. The proportion of 'affluent' clients, that is clients with less than € 1 mn. in assets, is around 7% compared to 13% in 2015. At the other end of the scale, ultra high net worth clients, with assets above € 20 mn. has increased to 58% compared to 54% in 2015.

Geographical distribution – 21% of assets are from Luxembourg, with the UK, Belgium, Italy and Switzerland completing the top 5. Around 15% of assets are from outside Europe. There has been a marked change in the source of assets, with a much wider range of geographies compared to 15 years ago, when Belgium, France and Germany accounted for around 50% of client assets.

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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Communiqué de presse

Résultats des enquêtes ABBL/CSSF 2021 sur la banque de détail et la banque privée

Luxembourg, le 3 août 2021

L'ABBL vient de recevoir les résultats de notre enquête annuelle sur la banque de détail et sur la banque privée, qui recueillent des informations auprès de nos membres actifs dans ces secteurs, en collaboration avec la CSSF. Comme chaque année, ces enquêtes fournissent un aperçu exclusif de la santé du secteur bancaire au Luxembourg. Pour le détail des chiffres, nous vous invitons à consulter les graphiques joints à ce communiqué de presse.

Banque de détail - croissance stable, passage marqué à la banque en ligne

Dans l'ensemble, le secteur de la banque de détail a su faire face à la pandémie. Des efforts considérables ont été déployés pour continuer à servir les clients, en dépit des nombreux obstacles, et les banques de détail locales se sont réunies pour convenir des conditions des "prêts covid" et ont collaboré avec le gouvernement pour créer des prêts spéciaux garantis par l'État visant à soutenir les entreprises tout au long de la pandémie.

Les tendances observées ces dernières années se poursuivent, avec une stabilité des chiffres relatifs à l'emploi et au nombre de clients, et une augmentation des actifs et des prêts. Comme anticipé, le comportement des clients a considérablement changé du fait de la pandémie, notamment avec l'utilisation de solutions numériques pour les transactions financières.

Croissance des actifs - L'argent sous gestion (actifs et passifs) a augmenté de 9,3 %, ce qui montre que les clients ont continué à emprunter en 2020, principalement pour des projets immobiliers. Les retraits en espèces aux guichets automatiques ont quant à eux diminué de 25 %, tandis que les retraits en agence ont connu une baisse considérable de 51 %, l'argent physique ayant été généralement évité au profit des paiements par carte et sans contact.

Répartition des actifs - La majorité des actifs sont détenus sur des comptes courants ou des comptes épargne, sans mouvement significatif vers les produits d'investissement. Les dépenses globales sont en baisse, en raison du ralentissement de l'économie et d'un comportement plus prudent des consommateurs, en lien avec la crise sanitaire.

Solutions digitales - Comme on pouvait s'y attendre, l'utilisation de l'e-banking est en nette augmentation (7%). Il convient de noter que l'augmentation la plus significative (32%) provient des professionnels (professions libérales, indépendants...). Bien que ce soit là le prolongement d'une tendance déjà existante, elle a été accélérée par la pandémie.

Banque privée - croissance des actifs, poursuite de la polarisation du marché

Les actifs sous gestion ont augmenté, tandis que le nombre de banques privées est resté le même, avec environ 55-60 banques. Malgré une certaine consolidation, l'arrivée de plusieurs nouvelles banques au cours des deux dernières années (suite au Brexit) a maintenu ce nombre stable et a conduit à une augmentation nette des actifs sous gestion. Quant à l'emploi dans le secteur, il reste inchangé, avec environ 6 000 personnes.

La rentabilité reste un problème pour la banque privée, et en particulier pour les petites structures, affectées par le coût de la réglementation qui les atteint de manière disproportionnée. Malgré cela, le Luxembourg a réussi à maintenir sa position et à se développer en tant que plateforme internationale de banque privée, grâce à sa notation AAA, à sa stabilité politique et sociale, à son expertise transfrontalière, à sa main-d'œuvre qualifiée et à l'exhaustivité de l'écosystème financier qu'on y trouve. Le secteur bancaire représente environ 30 % du PIB du Luxembourg et contribue de manière significative aux finances publiques.

Croissance des actifs - Les actifs sous gestion ont augmenté de près de 10 % en un an, pour atteindre 508 milliards d'euros à la fin de 2020. Cette croissance découle des entrées nettes normales pour les banques existantes, des actifs des nouvelles banques qui relocalisent une partie de leurs activités au Luxembourg après le Brexit, et de la performance globale du marché en 2020.

Répartition des clients - Autre tendance qui suit son cours: la segmentation des clients qui continue de se polariser. La proportion de clients " aisés ", c'est-à-dire de clients disposant de moins de € 1 million d'actifs, est d'environ 7%, contre 13% en 2015. À l'autre extrémité de l'échelle, les clients très fortunés, avec des actifs supérieurs à 20 millions d'euros, ont augmenté à 58 % contre 54 % en 2015.

Répartition géographique - 21% des actifs proviennent du Luxembourg, suivi du Royaume-Uni, de la Belgique, de l'Italie et de la Suisse. Environ 15 % des actifs proviennent de pays non européens. On observe un changement marqué dans la provenance de ces actifs, avec un panel géographique bien plus large qu'il y a 15 ans, lorsque la Belgique, la France et l'Allemagne représentaient environ 50 % des actifs des clients.

A propos de l'ABBL

L'ABBL est la plus grande association professionnelle du secteur financier. Elle représente la majorité des institutions financières ainsi que les intermédiaires financiers réglementés et autres professionnels au Luxembourg, y compris les cabinets d'avocats, les cabinets de conseil, les auditeurs, les infrastructures de marché, la monnaie électronique et les établissements de paiement.

Nous fournissons à nos membres les informations, les ressources et les services dont ils ont besoin pour opérer sur un marché financier dynamique et dans un environnement réglementaire de plus en plus complexe. Nous facilitons la mise en place d'une plateforme ouverte pour discuter des problématiques clés de l'industrie et pour définir des positions communes à l'ensemble du secteur.

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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.

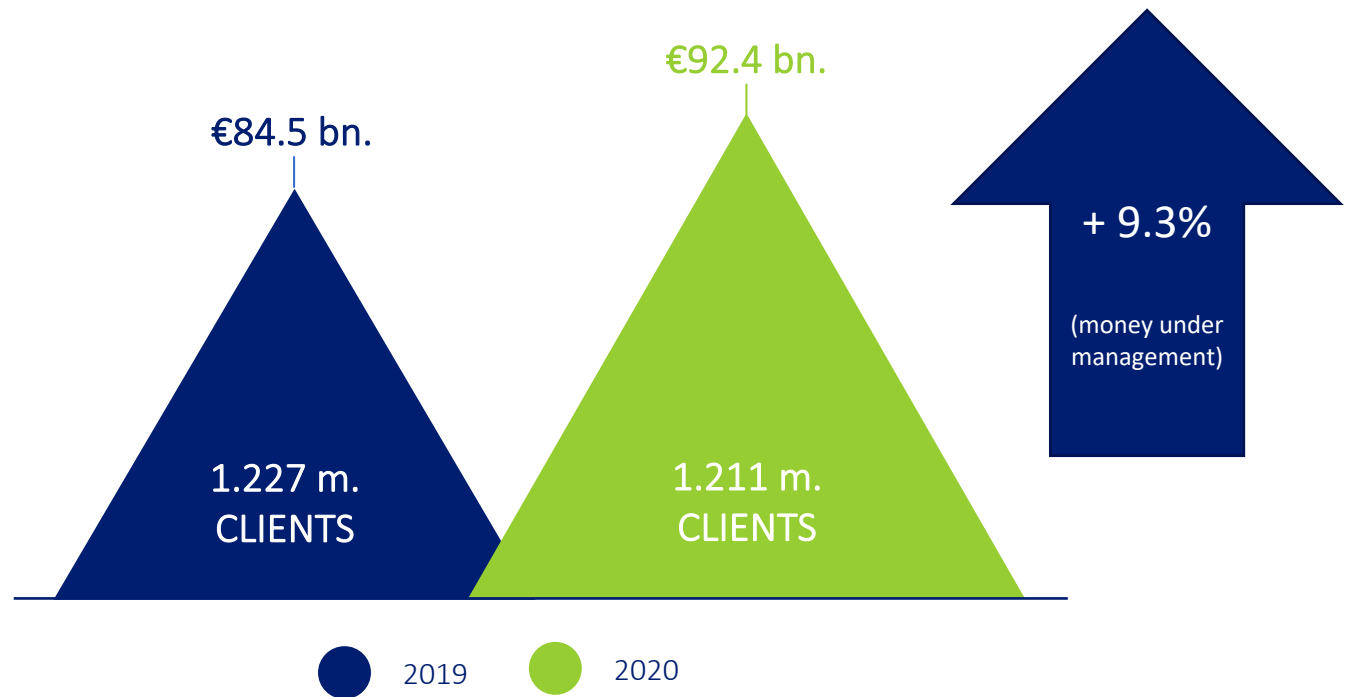


Money under management

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

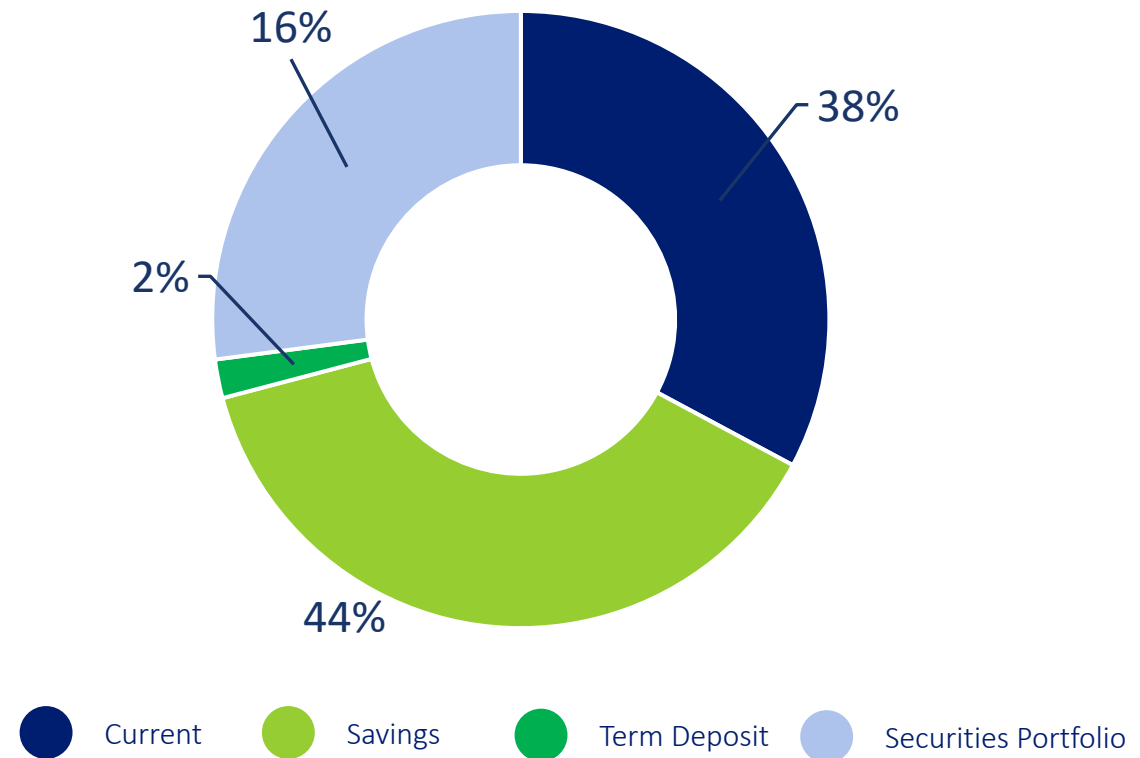
Holdings on current accounts increased by 26% vs. 2019 for individuals and 13% for professionals and legal persons. This is directly related to reduced spending due to the health pandemic.

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

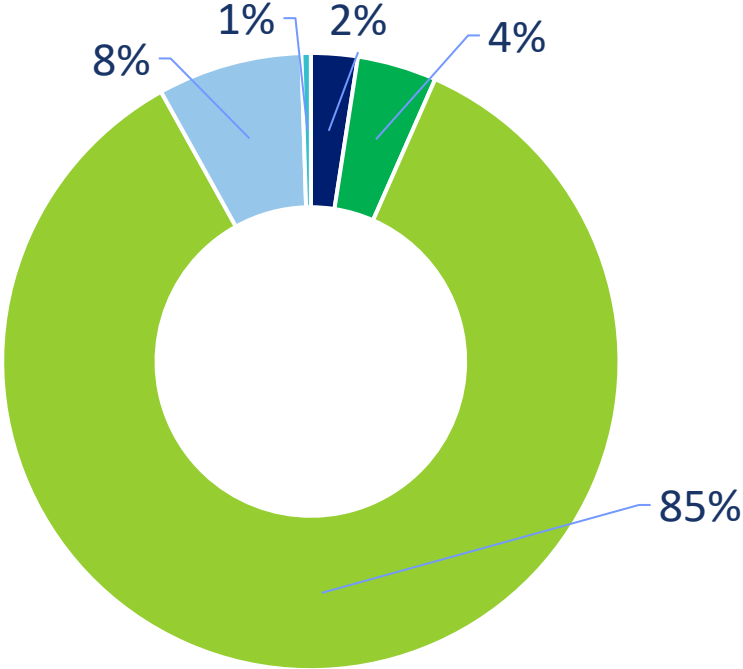


Lending activity

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

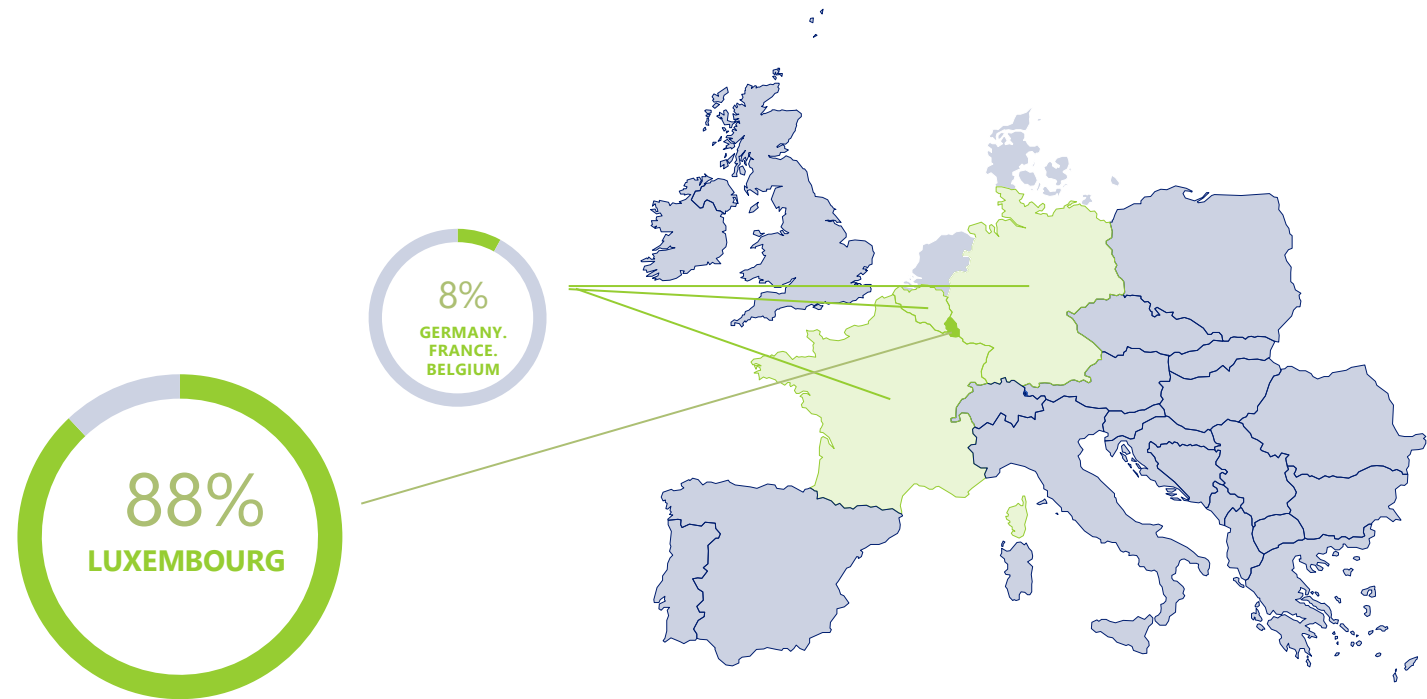
Client residence

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%.

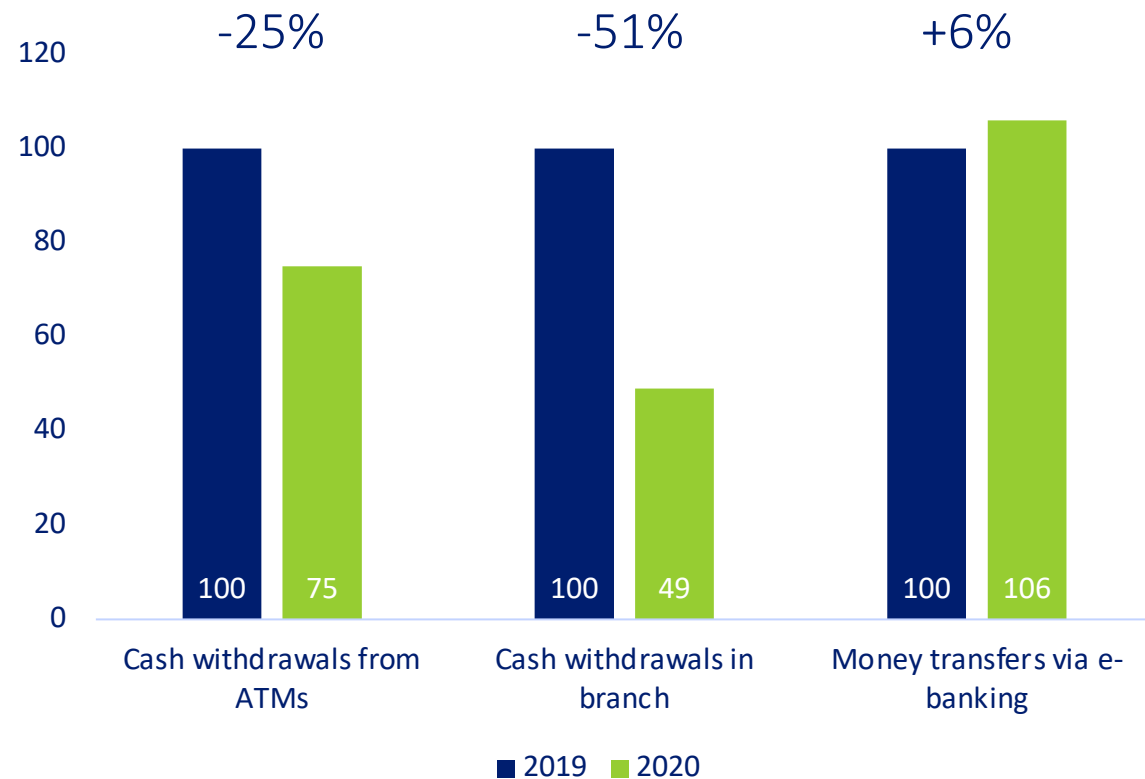
Cash withdrawals in branch fell by -51%.
This continues a trend already noticed in 2019 (-11%), but behaviour changed dramatically during the pandemic.

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.

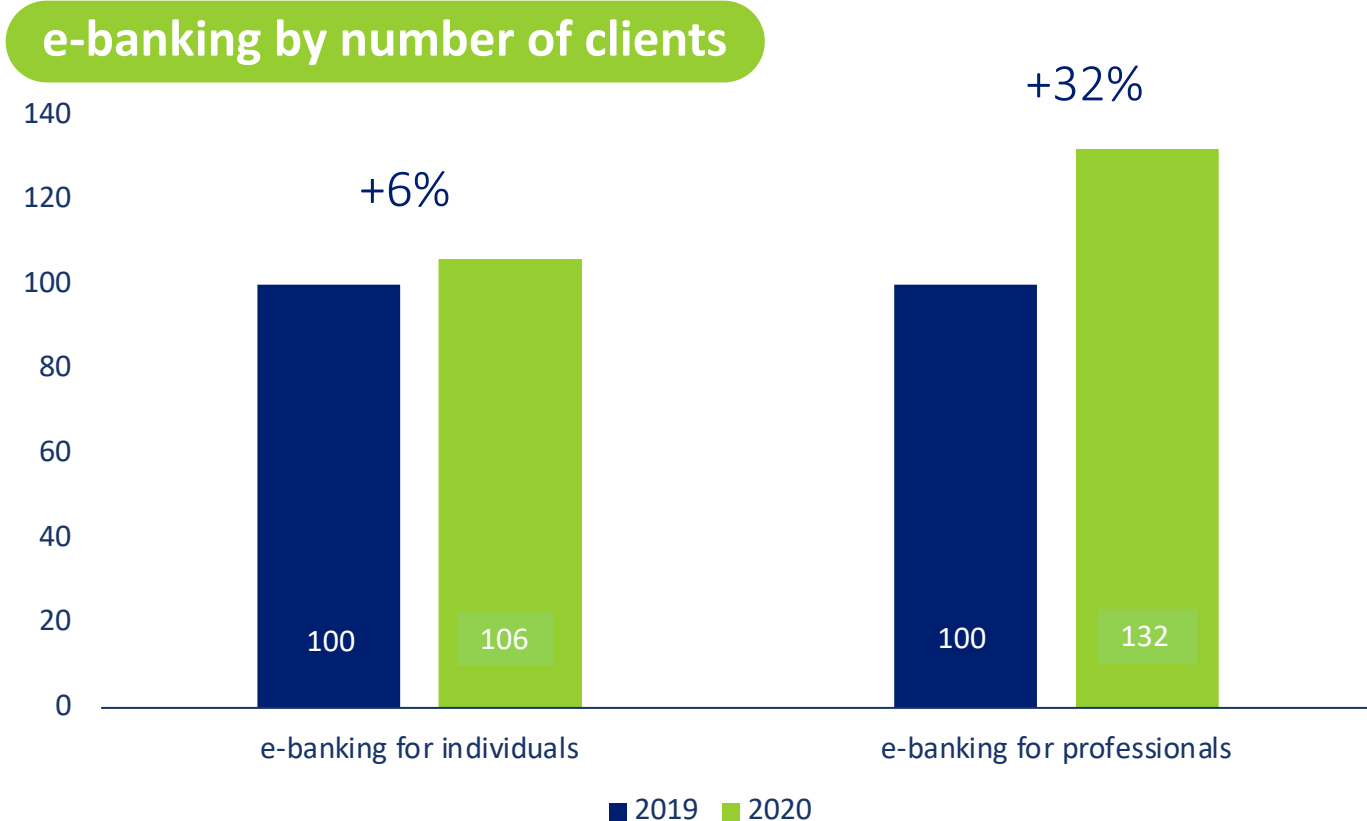
By number of transactions



Service offering

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

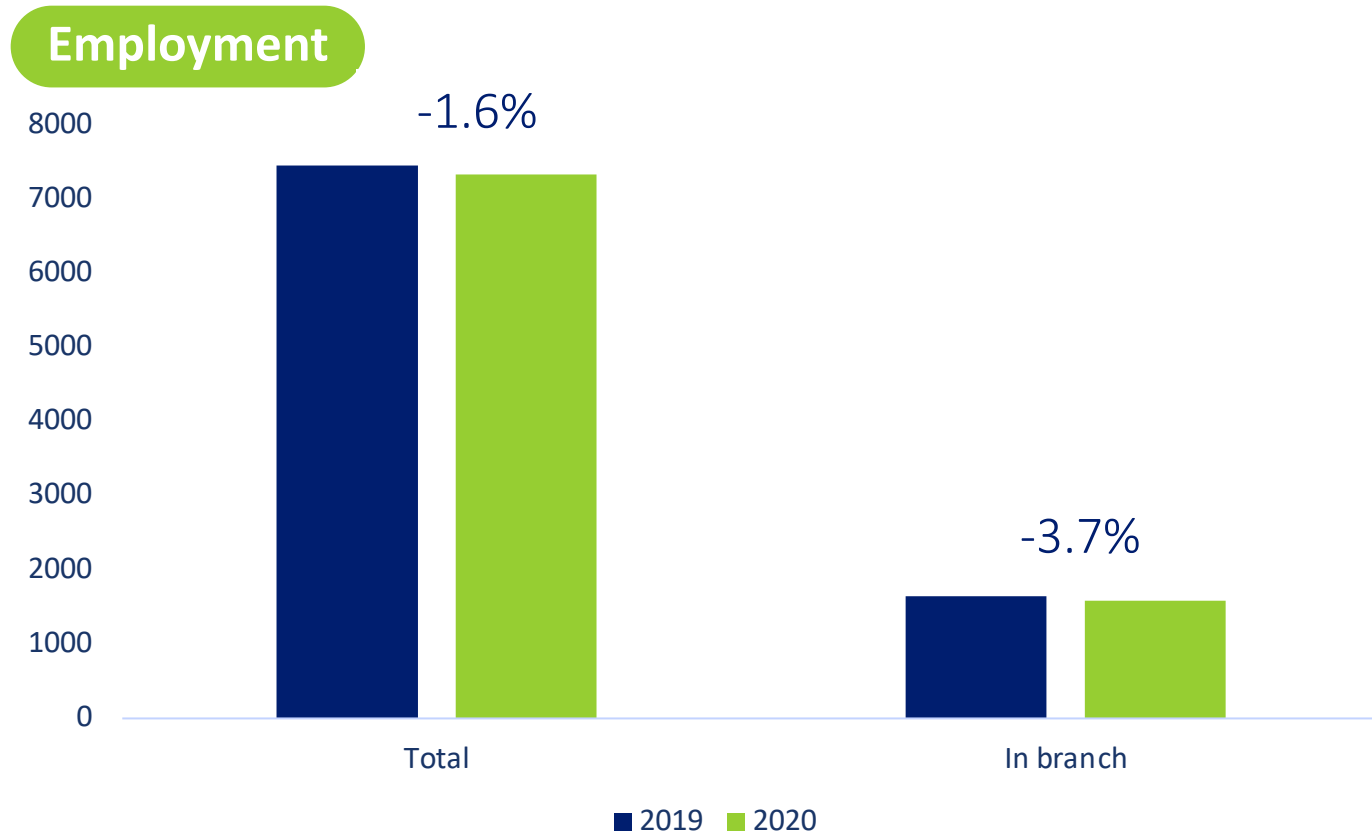
For individuals the increase was 6%, continuing a trend already identified in previous surveys. For professionals, the increase was 32%, a significant acceleration which must be linked to the pandemic.



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%).



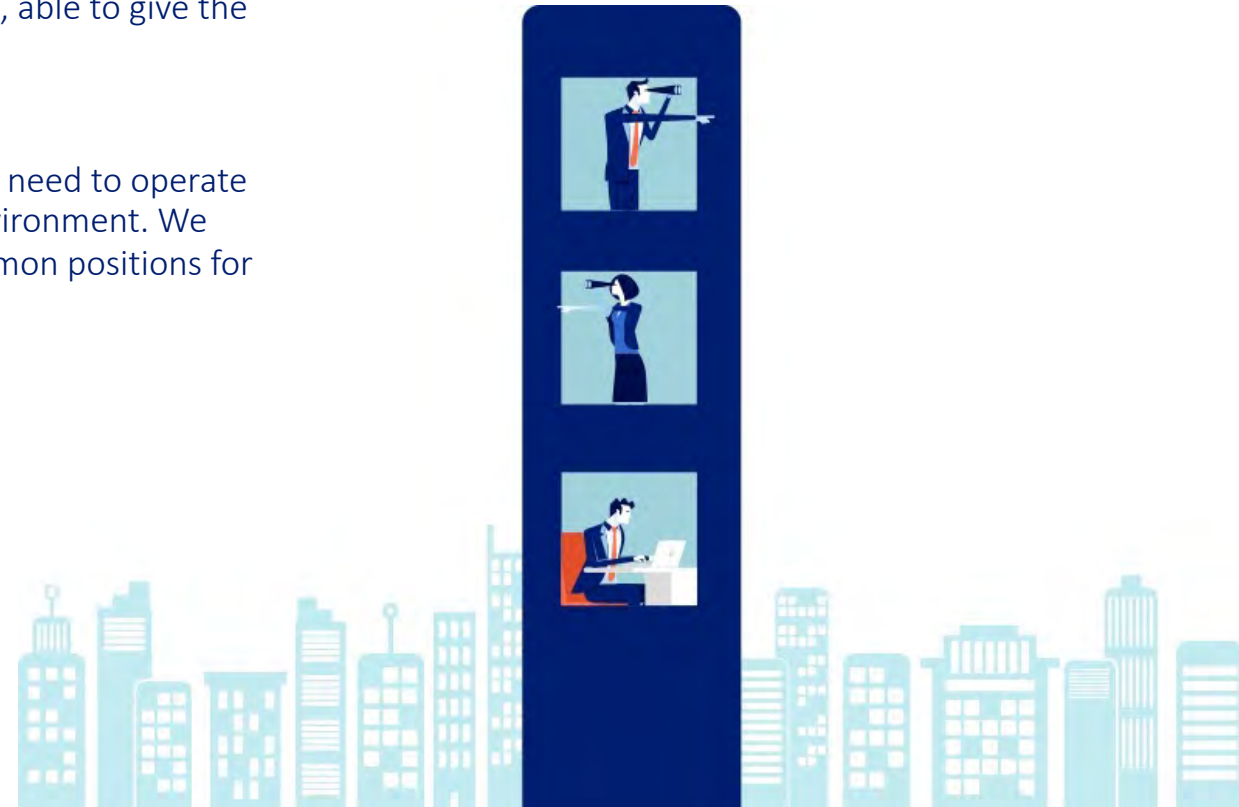
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July 2021

Private Banking Survey



Executive Summary

Assets under management rose by 11% year on year, whilst the number of private banks remained the same. There was some consolidation activity, but an influx of several new banks over the last 2 years (post-Brexit) has led to an overall net increase in assets under management. Employment in the sector remains stable: around 6,000 people, with 1,360 in account manager/client-facing roles. Profitability remains an issue, especially for smaller organisations, who are disproportionately hit by the cost of regulation.



Assets under management continue to rise

Assets under management in Luxembourg have increased by 130% since 2008. Three reasons: new banks post-Brexit, market performance and net inflows.



Client type distribution continues to polarise

The number of clients with assets below EUR 1 million continues to decline and now represents only 7% of total assets under management.



Geographical split follows the trend of recent years

21% of assets under management come from Luxembourg, 17% from neighbouring countries, with a further 47% from other European countries.

About the survey

Launched for the first time in 2007, the CSSF / ABBL Private Banking survey provides ABBL members with a better understanding and assessment of the private banking landscape in Luxembourg, with reliable and long-term information on the market. It thus joins the family of ABBL surveys, alongside the retail banking survey and the corporate banking and finance survey.

Scope

- 54 banks are in scope (as in 2020), but with the following changes:
 - 2 new banks (Citibank and Goldman Sachs)
 - ICBC and one other bank are no longer active in the private banking sector
- 4 banks are still missing but their projected AuMs are included in this analysis
- 1 bank did not complete the full survey, but shared information on AuMs with us



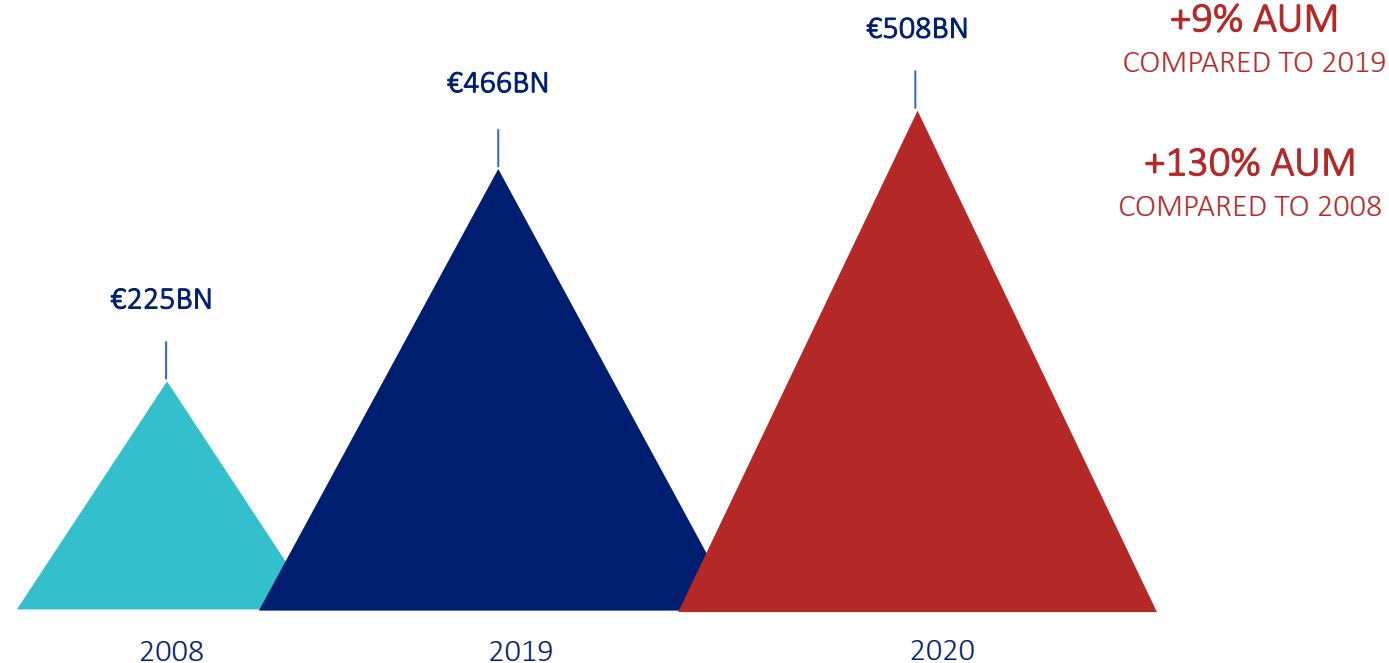
Assets under management continue to rise

Assets under management in Luxembourg reached a total of €508 BN at the end of 2020. This is a more than doubling of assets since 2008 (€225bn), the result of 12 consecutive years of growth. The main reasons are:

- The assets from the new bank(s) post-Brexit are large, which skews the result slightly
- Market performance. For example, S&P +16%, MSCI Global index +14% in 2020.
- Net inflows, which account for the remainder.

The COVID pandemic had little impact on private banking asset growth. In fact, many private banks experienced increased activity during 2020.

Assets under management growth



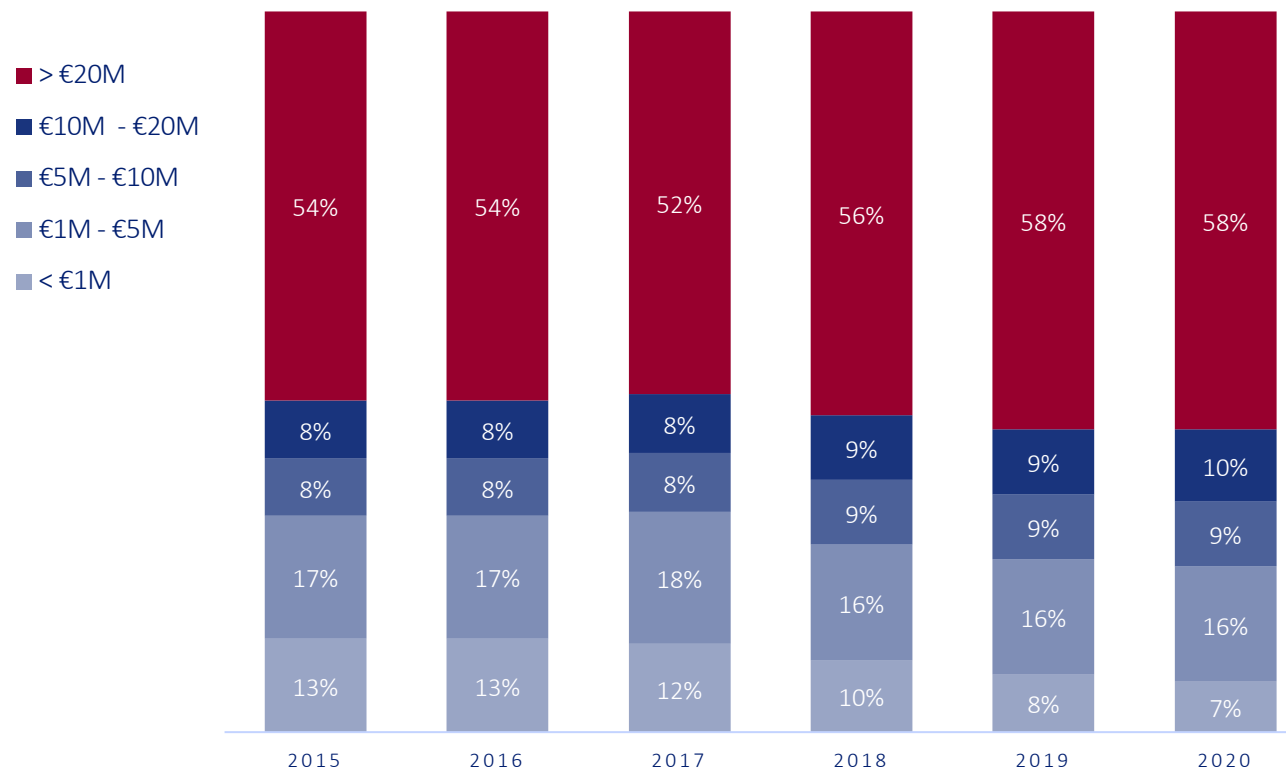
Client type distribution continues to polarise

Clients with assets over €20M represented 58% of total assets under management in 2020.

The number of clients with assets of less than €1M continues to decrease: in 2020, the segment represented only 7% of total AUM.

Simultaneously, Luxembourg has attracted a number of new UHNW clients, significantly increasing AUM from private banking activity.

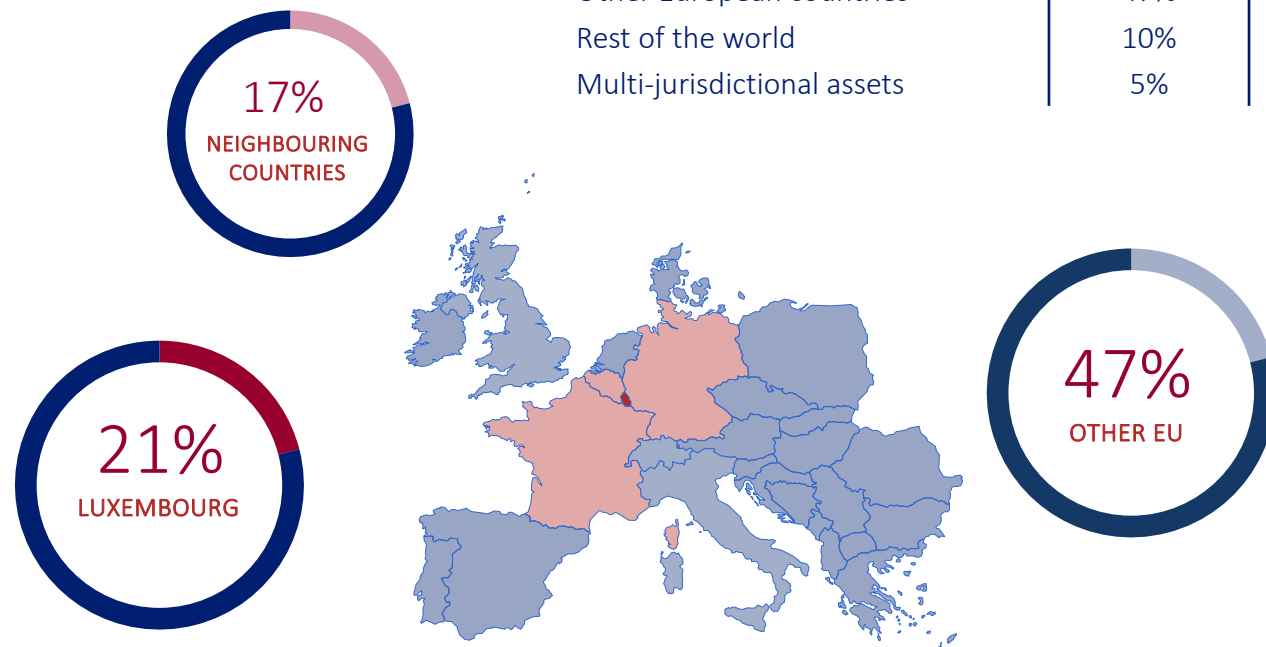
Distribution of wealth bands



Origin of client assets

Luxembourg has managed to maintain and develop as an international private banking centre, despite regulatory changes/tax transparency, and is now attractive for different reasons: qualified workforce, cross-border expertise, links to satellite services (family office, lawyers, external asset managers, insurance products etc.), financial ecosystem.

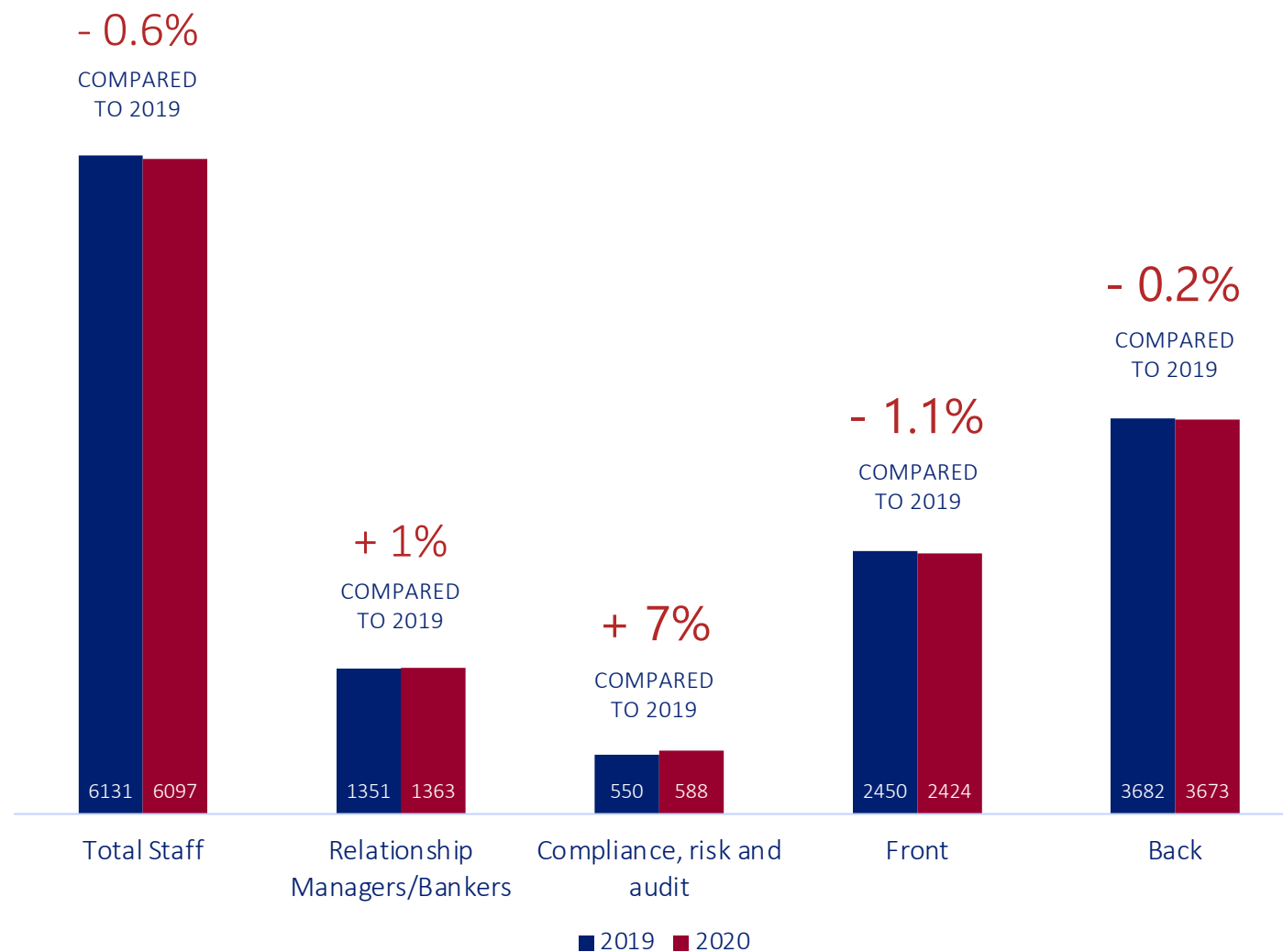
Countries by client assets



Employment

While the total number of employees in the banking sector remained stable at 26,337 in 2019, the private banking sector recorded a very slight decrease in the number of employees.

This slight decrease can be attributed primarily to the reallocation of staff within the same organisation to compliance, risk and audit, and client advisory functions.



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