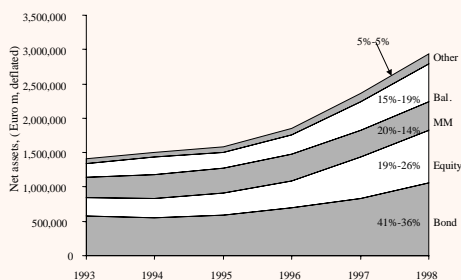




# The Future of European Retail Banking

## Opportunities for growth in European retail banking ...

**European investors are increasingly turning to equity mutual funds**



Note: Percentages refer to the market share of each fund category in 1993 and 1998 respectively. "MM" stands for money market funds and "Bal." stands for balanced funds.

“The dramatic increase in mutual fund assets which has been driven by booming stock markets and increasing retail investor sophistication is set to continue in the 21st century. Banks which fail to address this shift adequately will struggle to maintain their dominance in the retail investment market.”

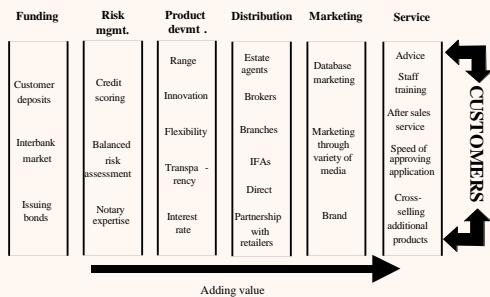
## Your key questions answered

Cross-border consolidation and expansion, evolving distribution channels and shareholder pressure are having a dramatic impact on the dynamic of the retail banking sector in Europe. Faced with intensifying competition and declining profit margins, institutions are now looking beyond their existing business models to identify profitable opportunities for the future.

**The Future of European Retail Banking** report provides the most comprehensive overview of the whole Western European banking market currently available. It looks at the European retail banking as a single market rather than as a series of national markets. It focuses on:

- **Future perspectives** - future business models provide information on e-banking, competitors and future market directions.
- **Breadth of vision** - analysing the whole distribution dynamic from intermediaries to eCommerce. There is also a focus on more specialised lending savings products, such as motor finance and mutual funds.
- **Opportunity identification** - pinpointing critical business opportunities across 16 Western European countries, with particular emphasis on the savings and lending markets.

**Critical success factors and value chain of retail mortgage provision**



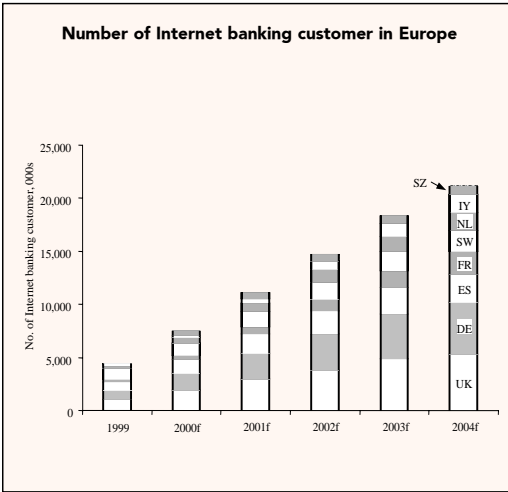
Note: Technology is not included in any links as it fits to differing extents in all

This report provides unique data and analysis and answers the following key questions:

- Royal Bank of Scotland/NatWest; Deutsche Bank/Dresdner Bank; BBV/Argentaria; BNP/Paribas... what will happen next in the M&A merry-go-round?
- eBanking: hype or reality in a pan-European context?
- Will European banks have any impact on the non-life insurance market over and above cross-selling household insurance with mortgage loans?
- Which European mortgage markets represent the best opportunities for new entrants?
- Which European banking markets offer the highest margins and will these be sustainable given EMU and heightening competition?

“Guaranteeing excellence across the entire value chain for retail mortgage provision will become increasingly important as competition heats up at a pan-European level.”

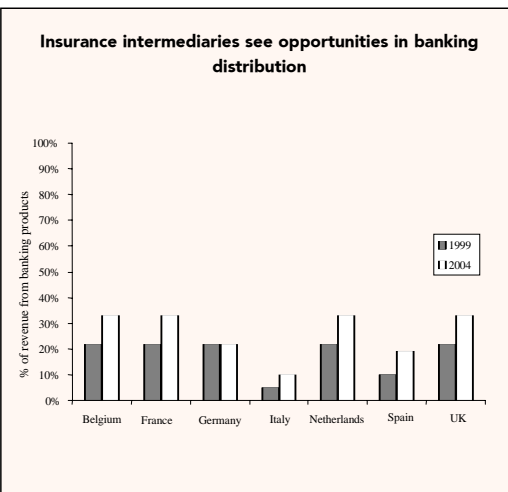
## Key features



"It is forecast that the number of Internet banking customers will accelerate rapidly from 2000 to 2004 with the UK and Germany being the largest markets by customer numbers."

- Comprehensive coverage of the whole European banking market, including savings / investments and loans / credit.
- The inclusion of critical but hard-to-get information on subjects such as intermediaries, direct equity investment and motor finance.
- Clear presentations of the current and future distribution structures of each European country.
- Incisive, qualitative assessment of the policies and practices that will shape a more profitable European banking market in the future.
- Analysis of the new key issues affecting the European banking market:
  - Declining interest margins
  - Cost control and efficiency
  - Distribution channels

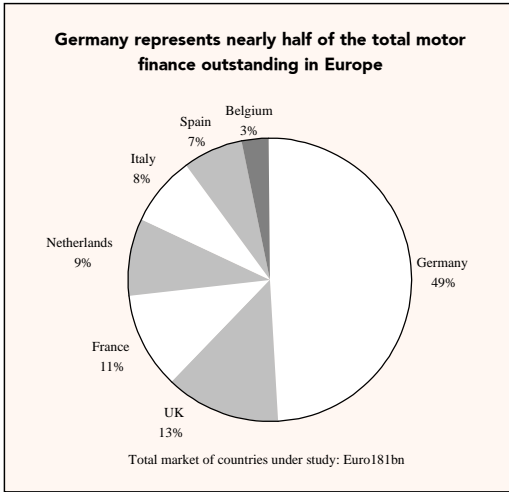
## Key benefits



"The increasing willingness of insurance intermediaries to sell banking products, such as deposits and mortgages, will open up new distribution opportunities for branch-less banks in all European countries. "

- Analyse the aggregate characteristics of 16 Western European banking markets, comparing and contrasting levels of profitability, interest margins, efficiency ratios and bad debt experience.
- Examine if mobile banking is likely to be the next evolutionary step as banks continue to push for ways to service their clients efficiently.
- Consider whether current projections of e-banking are hype or reality and forecast the likely volume of Internet banking customers in future.
- Assess whether broker channels represent a viable route for new entrants to penetrate banking markets.
- Understand the heterogeneous nature of European retail banking markets, especially the different distribution channels used and the varying product preferences of consumers.

## Research methodology



“Germany accounts for nearly 50% of the market for motor finance among the major Western European nations. This contrasts with the credit-averse attitude that the average German consumer has towards payment cards.”

**The Future Of European Retail Banking** draws upon a year-round program of primary research interviews with leading banking executives in Western Europe on a wide range of subjects connected with European banking.

### Analytical techniques:

The report is underpinned by extensive quantitative analysis, which means that assertions made are backed up by clear, numerical justification throughout. Data is drawn from a variety of sources including consumer research, in-house databases describing and quantifying the European banking market and company literature.

### Coverage:

The geographical coverage of the report extends to the 16 major countries of Western Europe although more detailed country-specific sections are included where necessary.

## European On-Line Banking Strategies - COMING SOON

**‘There will be over 21 million Internet banking users in Europe by 2004.’**

**European On-line Banking Strategies** examines the changing landscape for the electronic delivery of retail banking services to 2004. eBanking is viewed as a 'must have' by retail banks across Europe. The need to keep up with competitors, retain existing customers and attract new ones has driven the market forward.

The longer term opportunities are even more significant. This report considers the evolution of eBanking from an additional distribution channel into the centre piece of a wider eCommerce strategy, taking in the emergence of new channels, multi-channel integration, eServices and the changing make-up of the transaction cycle.

**European On-line Banking Strategies** provides current market sizing and forecasts for the number of customers using electronic banking in 8 European countries. Individual data sets are provided for:

- Internet banking
- iTV banking
- Mobile phone banking

Chapter headings:

- Market place
- Opportunities
- Implications
- Competitive intelligence

# Table of Contents (abridged)

## Executive Summary

## Chapter 1 Introduction

- Benchmarking banks in Europe
- The challenge of distribution in European banking
- Opportunities in European savings
- Opportunities in European lending markets

## Chapter 2 - Benchmarking banks in Europe

- The UK banking sector is among the most profitable in Europe
- Irish banking has also been extremely profitable
- The Spanish and Portuguese banks have benefited from strong economies and sound credit management policies
- Dutch banks will increasingly be looking outwards to boost profits
- The Greek banking sector has returned a healthy level of profitability
- Austrian banks have not had spectacular results at home
  
- The French sector is burdened by low efficiency and over capacity
- Germany needs to consolidate its banking sector and cut costs in order to raise profitability
- Swiss banks have long been mediocre performers
- Belgian banking has had a complete makeover
- Italian banks have undergone a radical shift in thinking in recent years
- What drives the profitability of European banks?

## Chapter 3 - The challenge of distribution in European banking

- The cut in branches partly results from the intense merger and acquisition activity in Europe
- Direct channels are used both as supplementary as well as main distribution outlets
- Traditional and pure online banks bring different attributes to Internet banking
- Traditional players also have banking expertise, although their traditional strategies can make them static
- New banks prove to be more forward looking and innovative
- Change in customer habits will drive online banking
- Competition will intensify, partly due to new entrants
- European players are expected to expand cross-border

- Investment products can be popular among intermediaries
- Insurance intermediaries are likely to offer more banking products in the long term
- The dependency on single premiums is a weakness
- Opportunities in mortgage-linked savings plans
- Banks are forecast to make further gains

## Chapter 4 - Opportunities in European savings markets

- The new savings and investments landscape has been shaped by a number of factors
- Money market funds depressed by diminishing interest rates and the removal of tax concessions in France
- Strict mutual fund regulation has dwarfed the Swiss domestic market
- Off-shore centres are the main target of the EU withholding tax
- Regulation
- Pensions
- An equity culture is blossoming in Europe
- Mutual funds have become an increasingly attractive alternative for consumers
- Bond funds are still the dominant fund category in Europe

## Chapter 5 - Opportunities in European non-life insurance markets

- Lending industries across Europe continue to vary considerably
- The larger countries in Europe tend to be the primary mortgage markets
- Regulation as a driver of mortgage markets
- The value chain of retail mortgage provision
- How to add value in the provision of retail mortgages
- The balance of power is swinging to the consumer
- Credit scoring for mortgage lending is not as important as unsecured retail lending
- Providers must tailor their service for each client
- Opportunities in European retail mortgages
- Motor finance markets
- The largest European countries represent the largest motor finance markets
- The value-chain of car finance
- Banks' main competitive advantage lies in their cheaper source of capital
- Opportunities in European motor finance
- Credit cards

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