

Cashless or less cash ?

A case study form behind the dikes

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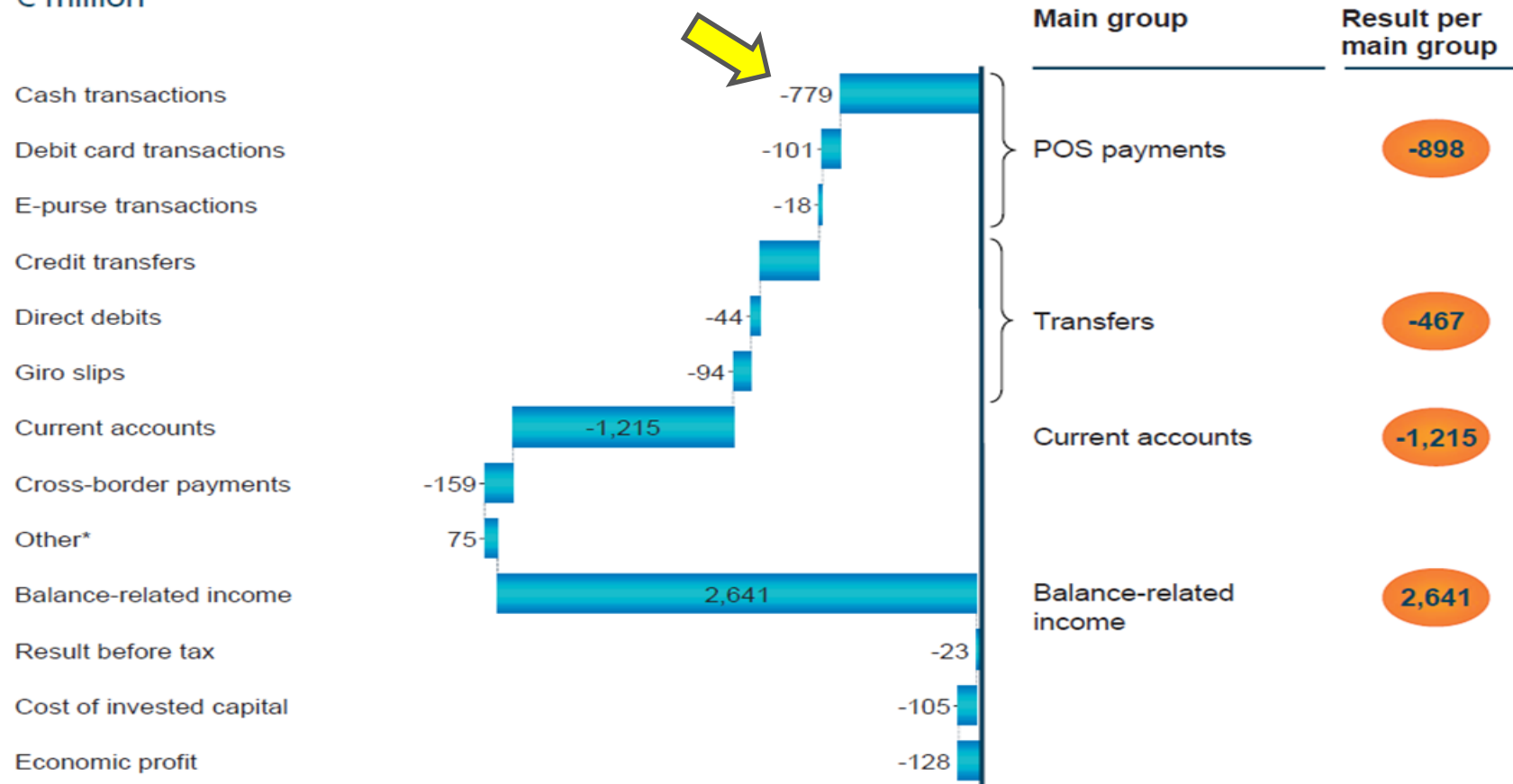
Milan
8 November 2018

In 2006, the debate on profit or loss on payments was closed ...



McKinsey&Company

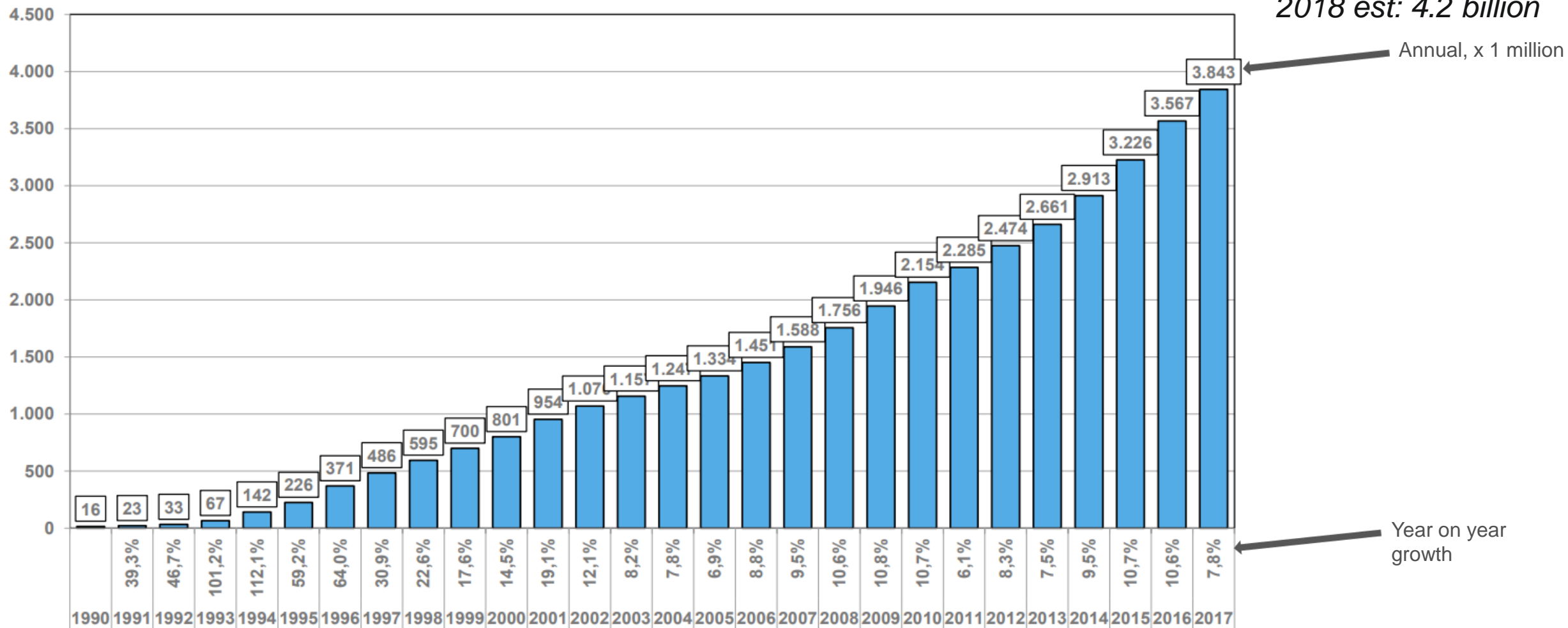
Overview of result for banks from payment services € million



* Credit cards (+69) and result from other revenues (+6)
Source: Payment Services Analysis

Debit card transactions in NL

()



DEVELOPMENT OF PAYMENT TYPES IN THE NETHERLANDS

DEBIT CARDS WIDELY ACCEPTED

(2005 versus 2017 per sector)



REDUCTION OF SKIMMING FRAUD AND THEFT

Fraud caused by skimming (million euros)



Number of robberies in retail, petrol and catering industry



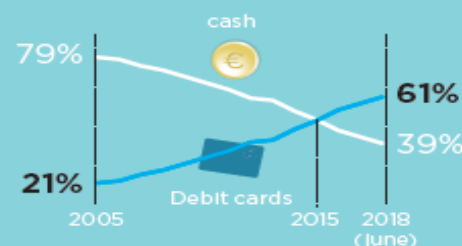
DEBIT CARDS 12 CENTS CHEAPER THAN CASH FOR RETAILERS, ETC.

Average costs per transaction (in eurocent)



TARGET OF 60% DEBIT CARD PAYMENTS VS 40% CASH ACHIEVED

In %



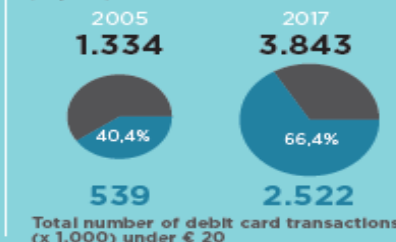
FEES FOR DEBIT CARD PAYMENTS TERMINATED NEARLY EVERYWHERE

Percentage of retailers that charge consumers for minor debit card transactions



INCREASED DEBIT CARDS USE FOR SMALL TRANSACTIONS

Total number of debit card transactions (x 1,000)



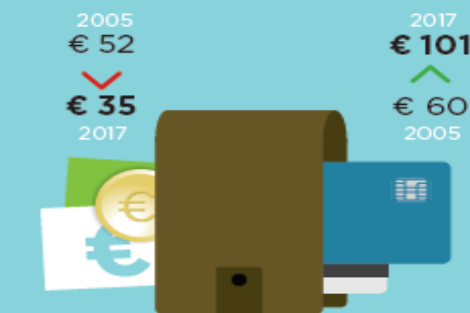
FEWER MALFUNCTIONS

Number of malfunctions nation-wide

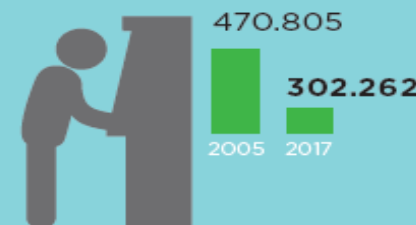


CASHLESS IS SAFER

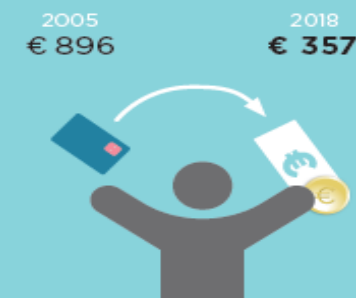
Debit card payments versus cash (billion euros)



Number of cash withdrawals at ATMs (x 1,000)

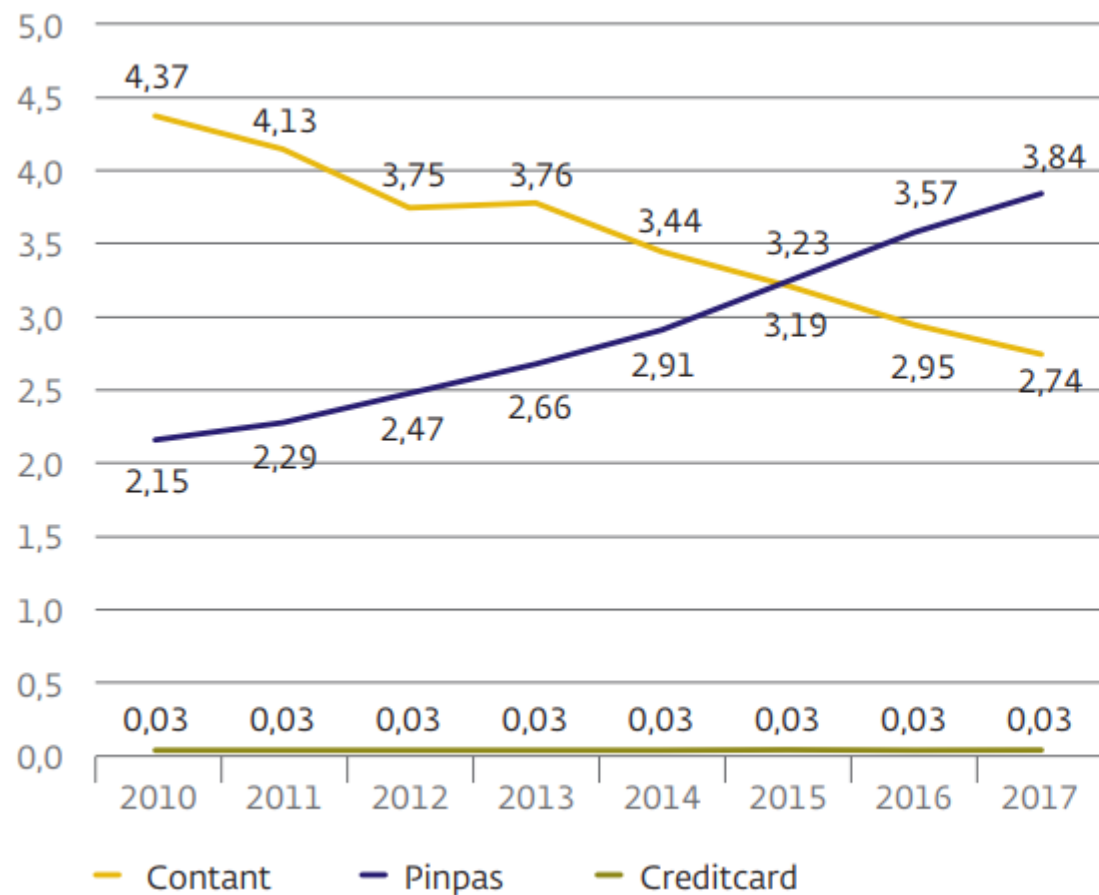


Value of cash back transactions in the retail sector (million euros)

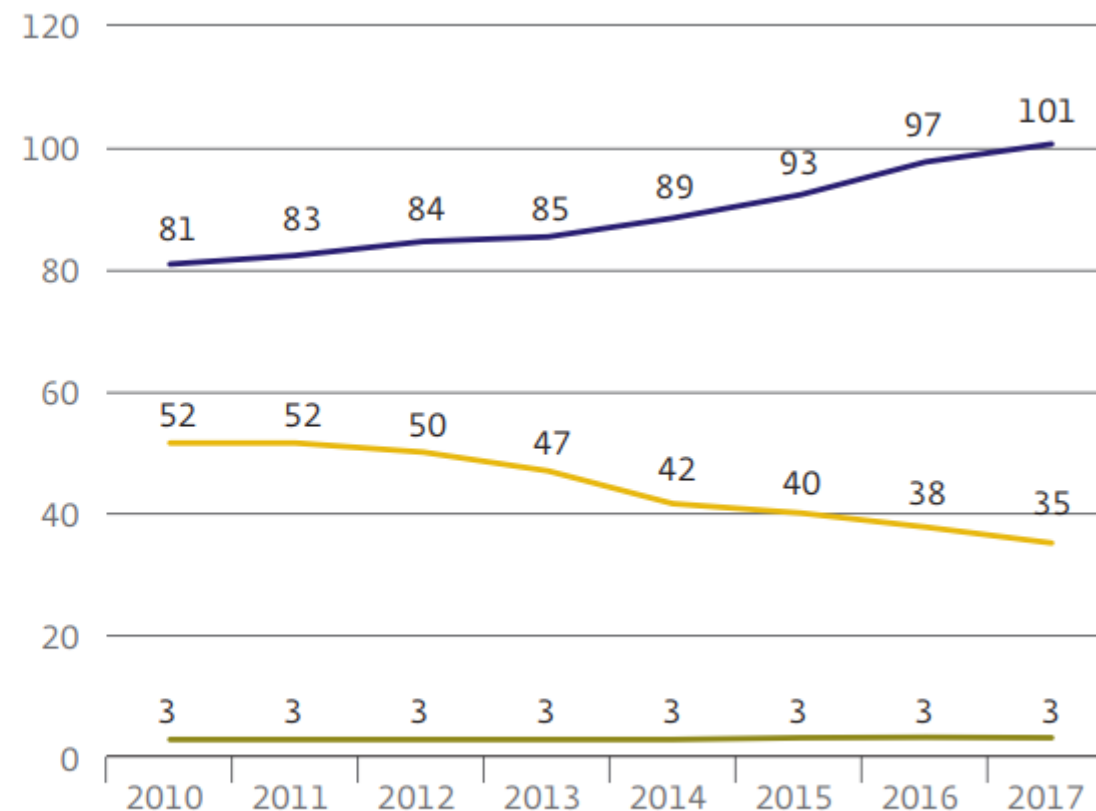


Transactions and turnover at Point of Sale

Number of transactions x 1 billion



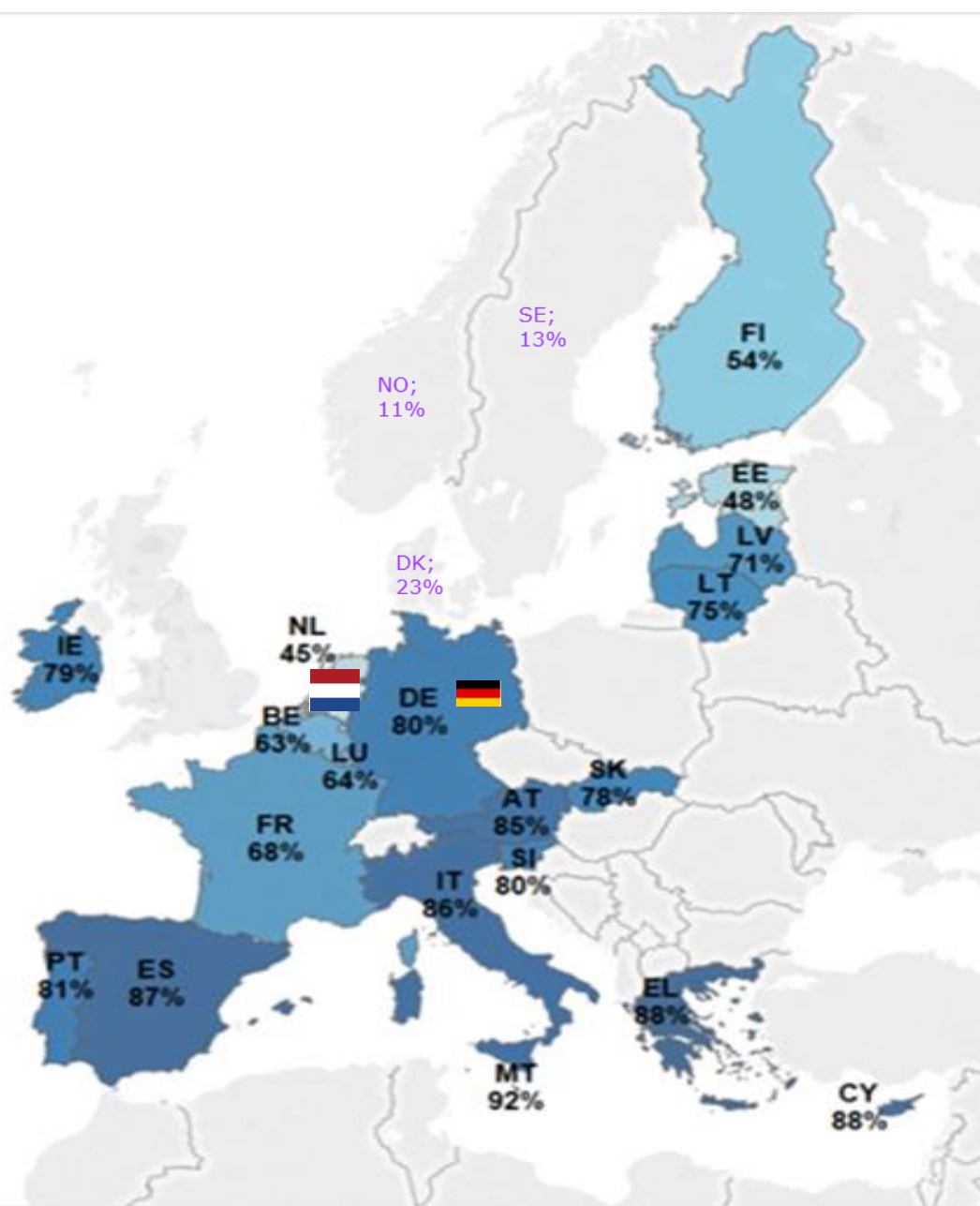
Turnover (value) x 1 billion euro



So what about the future of cash?



Large variations across EU countries

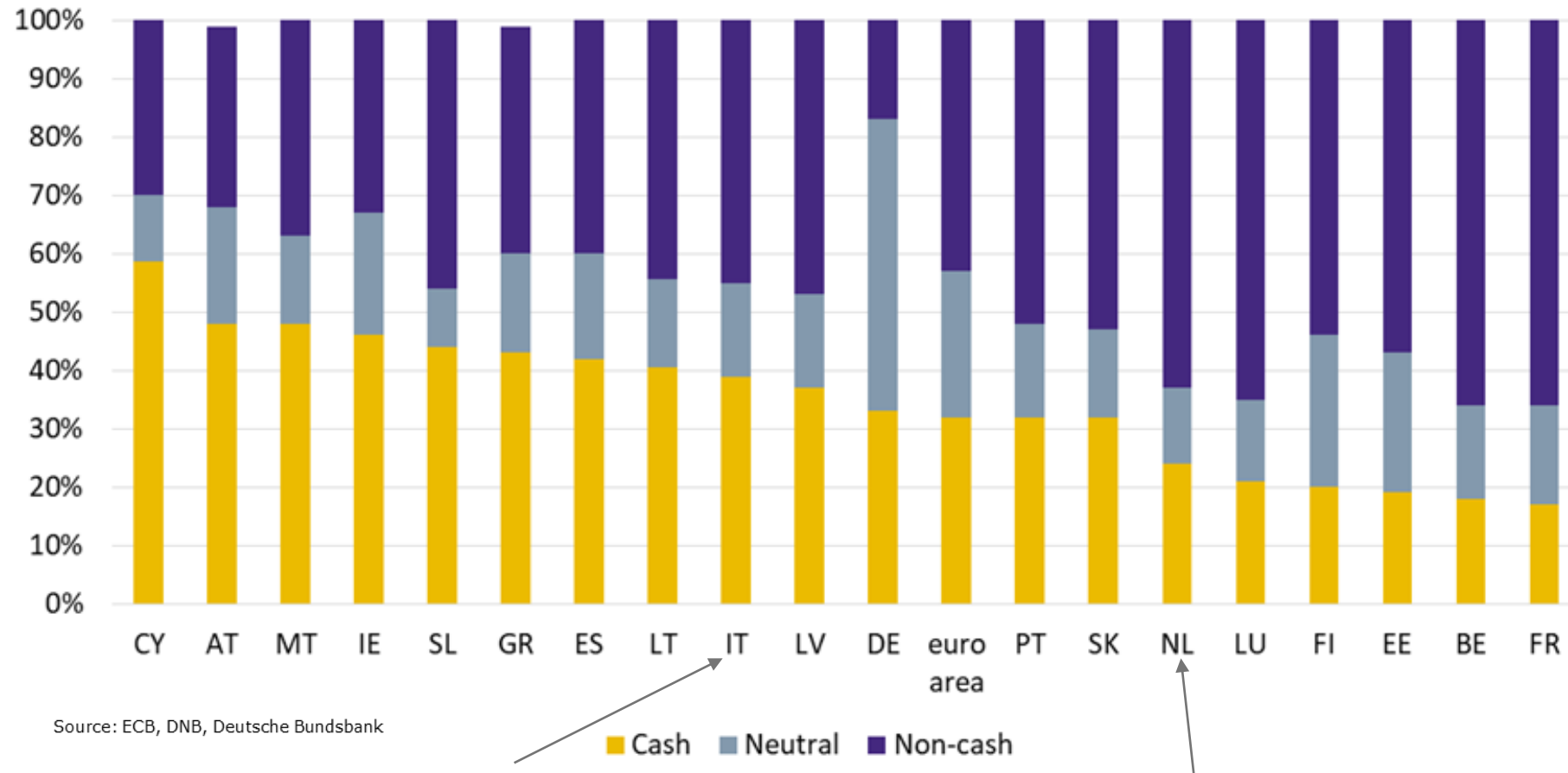


- NL has the lowest cash share in the **euro** area together with Estonia and Finland
- Germany's cash share matches the average share, i.e. 80%
- Cash usage is highest in South-East Europe, Malta is cash king
- In Denmark less than 1 in 4 POS payments in cash....
- In SE and NOR 1 in 8 POS payments are made using cash

Consumer preferences matter ..

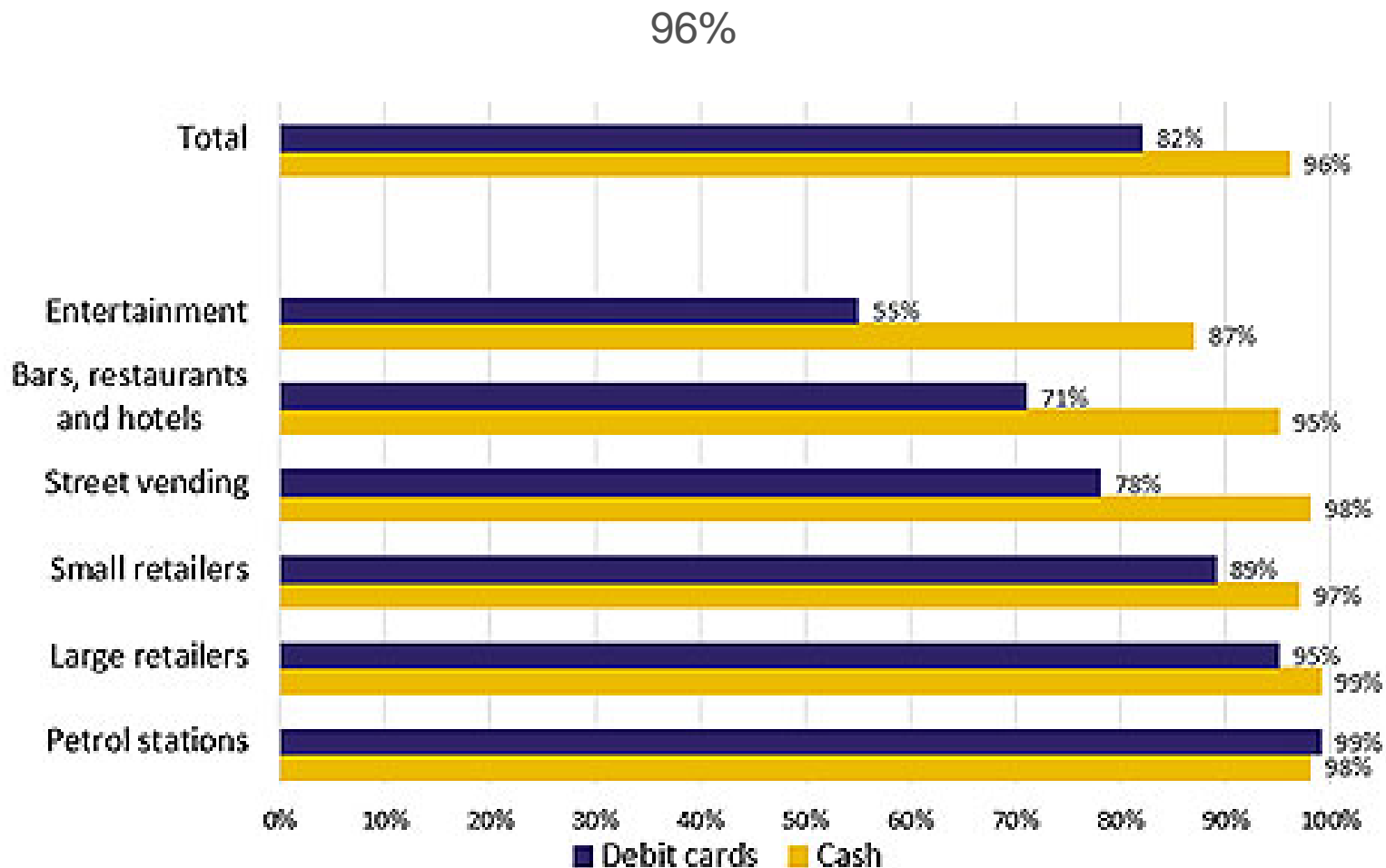


Consumers' preferred payment method in a shop



And no worries 96% of retailers still accept cash payments

Source: Dutch Central Bank



Cash is still legal tender and has a role to play

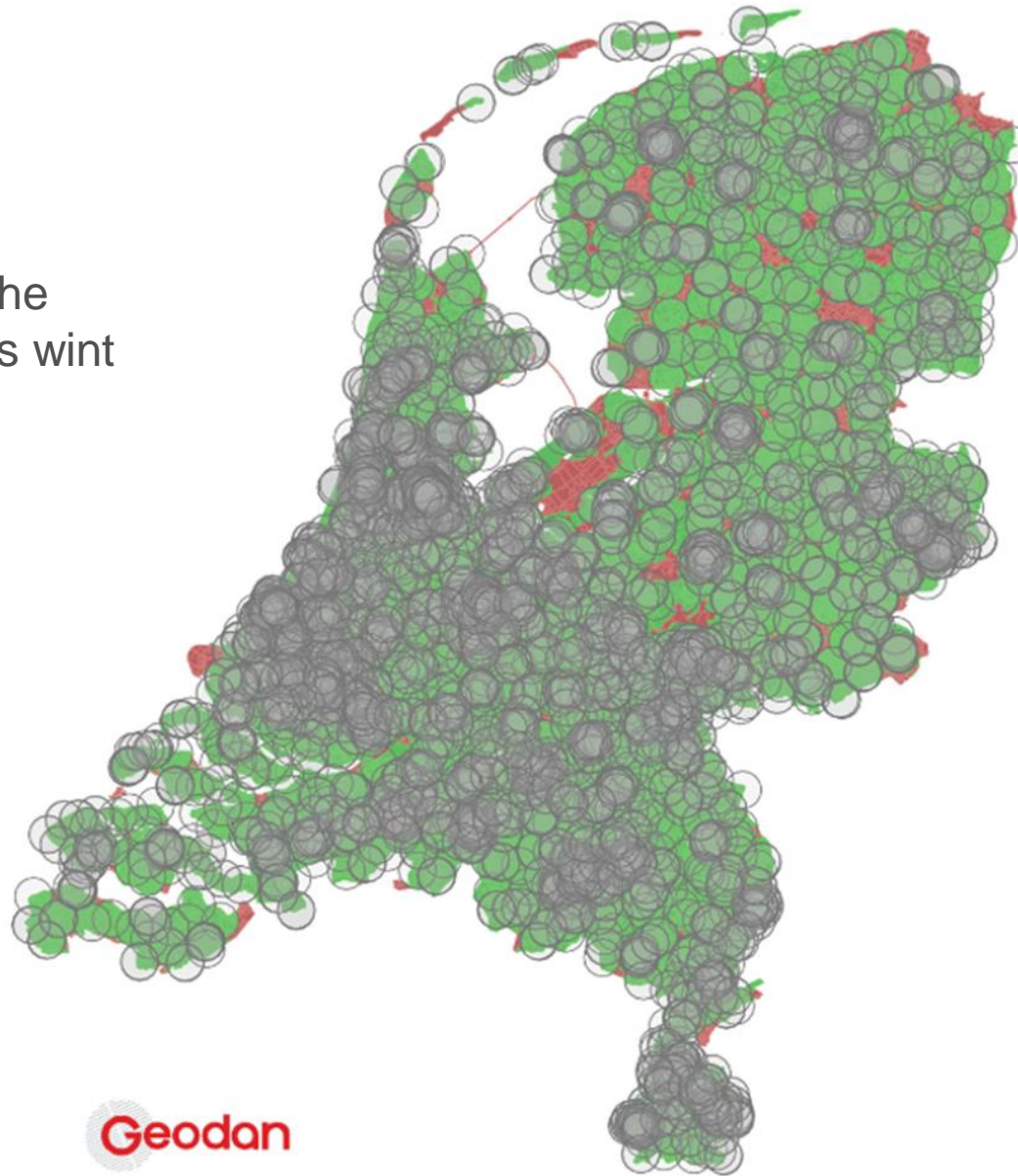
- NL crossed the 50/50 line between cash and debit card payment in 2015 at the PoS
- Therefore the Social Forum on Payments developed an “Vision on cash”, basically stating
 - The cash substitution process is irrevocable
 - Customer behavior has changed, new generations prefer card and smartphone
 - Retailers prefer electronic payment and should basically be free to accept cash or not
 - However there are limits to that freedom: e.g. monopolistic situations (government!), pharmacies ...
 - Cash has to be available for those who want it, those who need it and as ultimate back-up
 - Banks must cooperate closely to keep the cost of cash (recycling) acceptable (join cash centers, pooling of (less) ATMs)

Not cashless but less cash !

Monitoring cash facilities ...

Based on zip codes, almost 100% of the population has access to cash facilities within a 5 km radius

	2016	2017	2017
Zip code	99,63%	99,58%	99,55%
# People	99,76%	99,73%	99,78%



First step: integration of cash centers in 'Cash Service Netherlands' (Geldservice Nederland, GSN)



- GSN is the logistics service provider for provisioning cash money to customers via ATMs on behalf of the three largest Dutch banks: ABN AMRO, ING and Rabobank (GSN's shareholders) since 2015
- Its objective: relieve banks from all cash related activities, in a way that cash services remain available, affordable (for both consumers and businesses), safe and customer-oriented (in the context of a continuous decline of cash)
- Counts, sorts and packages cash money for the banks in its cash processing centres. Individual cash processing centres of ABN AMRO, Rabobank and ING were integrated in GSN and then rationalized
- Since 2015: Coordinates distribution of cash via individual ATM-networks of ABN AMRO, ING and Rabobank, and manages ATM inventories and the technical monitoring of those ATMs
- Replenishment/maintenance ATMs subcontracted to specialised CIT vendors



Next step: white labelling ATM's enables 25% reduction



'Cash Service Netherlands'

Next phase: Integration of ATMs and deposit machines of ABN AMRO, ING and Rabobank



- Particularly in rural areas availability of ATMs under pressure, due to closing down ATMs by banks because of reduced cash-usage, increased violence and related risk for local residents
- ABN AMRO, ING and Rabobank operate 85% of all ATMs in NL and 100% of the cash deposit machines
- 2018- 2019: ABN AMRO, ING and Rabobank to transfer their individual ATM's and deposit machines, incl. seal bag machines, to GSN who migrates them into one single network (using the single new brand).
- Synergy-advantages: Commitment to retain (or even improve!) current high coverage ratio of ATMs, with 25% less ATMs (optimizing coverage) as compared the sum of the current number of ATMs. Mid-2018, 99.55% (2017: 99.58%) of the Dutch had access to an ATM within a 5-km radius
- Integration will be ready by end 2020 (all machines will have same functionalities, same user experience and single brand)
- Sustainable and cost-efficient solution to keep cash accessible to the public in coming years

Questions?