2021
survey report

Open banking in the
post-pandemic world

New era of finance

tink

Foreword

by **Daniel Kjellén,**
Tink CEO

The pandemic has changed all of our lives. At Tink, we've been saying that we quickly grew from 15 to over 400 offices across Europe, since we're all working from home. We've stopped the daily commute, we're buying online, and we're spending more time with family as a way of caring for each other during these difficult times.

These times are difficult not just because of social distancing, but because we've needed to adapt and change like never before. Suddenly, you couldn't meet friends in person. Restaurants, stores, and bank branches closed, forcing people across all age groups to become familiar with many of the digital services that have been at their fingertips for many years.

Perhaps the true shock will come after the pandemic, when people want things to go back to normal. But things won't be the same. Habits have changed. Many physical stores and bank branches will stay closed, as customers get used to the convenience of digital services – and even come to prefer the personalised experiences these can deliver.

And even as restrictions loosen up, the industry will still look vastly different.

Changes that would have normally occurred over a decade, have suddenly been compressed into the span of just a couple of years or even months. Combined with the many changes in terms of regulation, new market entrants, and low interest rates, banks have landed in a delicate position.

Tink has been blessed to get to work with some of Europe's largest banks, including BNP Paribas, BBVA, Santander, Nordea and NatWest Group. Together we are shaping a new world of finance. A world where financial services truly work for everyone – businesses of all shapes and sizes, and people from all walks of life.

At Tink we've set out to help empower the pioneers. The banks that are looking at technology not as a cost, but as an opportunity to improve many of the things they do today. How they operate internally, how they deliver their products, and how they serve their customers.

In this report, we will shed some light on the pandemic and highlight some of the alarming signals that we don't talk about enough. We believe that it is both an opportunity and our responsibility to make sure that we embrace change and take care of our customers, together.

Enjoy the reading and we look forward to hearing your thoughts.

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To shed light on the impact of the pandemic, this report presents results from a survey conducted by independent research firm YouGov (commissioned by Tink) as well as statistics published by government agencies across Europe.

We take a closer look at some of the emerging risks in the economy, how financial institutions have responded to the pandemic, and open banking opportunities on the horizon.

Executive summary

An uncomfortable uncertainty reigns over the financial services industry as COVID-19 governmental programmes keep businesses afloat artificially. The impact of financing programmes (ECB with €1,850 billion, plus local country schemes) was clearly visible at the end of 2020, with bankruptcies down 50% and non-performing loans hitting all-time lows. In the same year, European banks were hit hard. Research by Deutsche Bank revealed that the combined revenues hit the lowest levels since the 2008-crisis and post-tax profits plummeted by 62%.

These implications are now driving concerns for what happens once the governments cease their financing programmes. Will banks be able to absorb sudden hikes in default levels as everything normalises?

Our latest research unveils that bank executives acknowledge emerging concerns, **with over 40% expressing they believe the pandemic will have long-lasting effects.** Market credit risk is one particular concern – with over two-thirds of retail banks acknowledging an increasing credit risk driven by the pandemic. Another is an increased urgency for innovation, brought on by a rapid change in customer behaviour.

The emerging market uncertainty makes executives further stress the importance of transitioning into the world of post-pandemic banking, recognising three important priorities. To act on this agenda, the industry shows an increased interest in leveraging open banking capabilities for each priority.

Top priorities for bank executives...

#1 Continue the shift to digital services

Streamlining onboarding and managing customers digitally with low-touch models.

#2 Differentiate on customer experience

Crafting the next era of digital interfaces and successfully activating usage.

#3 Restore profitability

Driving further reductions in operational expenses and extending the digital transformation of internal processes.

...and how open banking enables them

Increase the speed of innovation

Leveraging connectivity platforms to shorten the time to market for digital services.

Unlock new commercial opportunities

Using account information services to create personalised customer experiences.

Enable operational efficiencies

Making onboarding processes and credit scoring more cost efficient by deploying use cases that leverage transaction data.

In conclusion:

The pandemic had a substantial effect on the industry. Post-pandemic consequences of the financing programmes are now expected to arise and banks need to be prepared – both by understanding the implications it has on existing credit exposure as well as continuing to execute on the three key strategic priorities.

In connection to this, open banking has emerged as an enabler and can support financial institutions in the post-pandemic world.

Uncomfortable uncertainty as we move into a post-pandemic world

The current economic situation is unlike anything seen before. Consumer and business sentiment is relatively positive as they look towards the future, but government financing programmes have skewed the market, causing uncertainty for financial institutions.

There are three things in particular that are fuelling this uncertainty:

- **The government funding is sustaining a large number of 'zombie companies' from defaulting.**
- **The ratio of non-performing loans has reached an all-time low and has become unsustainable.**
- **The pandemic has had a devastating impact on bank revenues and profits compared to a decade ago.**

Government support, and a looming danger on the horizon

2020 was a troubling year for all. After the economic shock during the second quarter, the news about the breakthrough in vaccines and additional policy support has helped bounce back the economy and keep the stock markets up during the second half of 2020. More importantly, during the fourth quarter of 2020, the European Central Bank (ECB) announced an extension in its pandemic emergency purchase programme to at least the end of March 2022, and increased its total envelope by €500 billion to a new total of €1,850 billion.

These decisions, along with the additional targeted longer-term refinancing operations, collateral easing measures, and pandemic emergency longer-term refinancing operations are promised to improve liquidity conditions in the euro area financial system and preserve the smooth functioning of money markets.

The UK has taken similar measures. Government-backed finance gave thousands of businesses access to affordable credit totalling £180 billion, which has benefitted more than 1.6 million firms by keeping them trading and keeping employment up. In fact, the UK's Covid Corporate Financing Facility scheme alone supported firms responsible for 2.5 million jobs. The Bounce Back Loan Scheme, a programme to support smaller businesses, was such a success that it issued three loans every minute since its launch last May.

Every 20 seconds

Frequency of UK businesses receiving emergency credit in 2020

‘I said we would do whatever it takes to protect jobs and livelihoods and that is exactly what we have done.’

- Rishi Sunak,

Chancellor of the Exchequer,
in the 2021 Budget statement to parliament, 3 March 2021

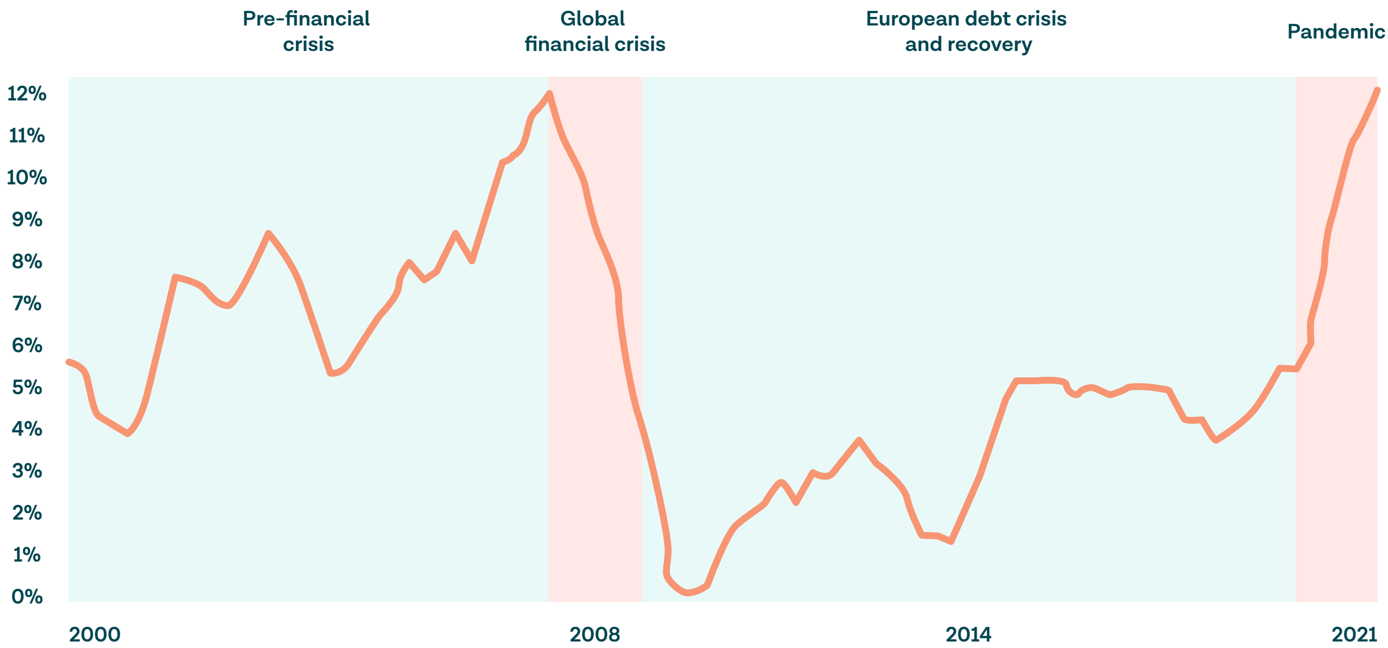
Simon Dawson/REUTERS/TT

The financing programmes have also led to an increase in money supply. Year-over-year growth in Europe 2010-2019 hovered around 1-5% but in 2020 went above 10% and even hit 12% during the first quarter of 2021 (as shown below).

These levels are somewhat concerning as last time these were observed were right before the global financial crisis. The acceleration is mainly driven by the increase of physical currency and deposits reflecting the build-up of liquidity buffers by firms and households amid increased uncertainty, but also, in the case of households, some forced savings due to reduced opportunities to consume.

Money creation has mainly been driven by an expansion of domestic credit, both to the private sector and to governments, in the latter case mainly reflecting the asset purchases of the Eurosystem. The timely and sizable measures taken by monetary, fiscal and supervisory authorities have ensured the flow of credit in the economy at favourable terms.

Quarterly development of the money supply (M3) in the Eurozone



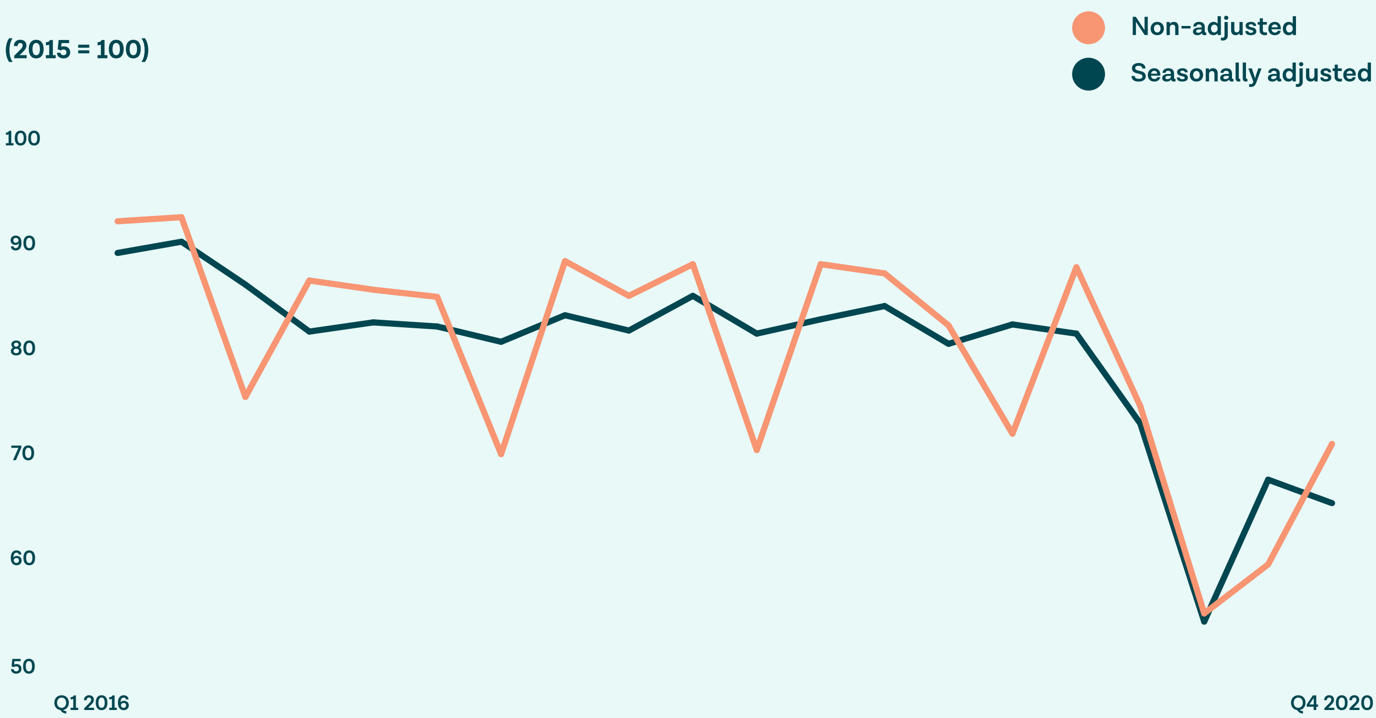
Note: M3 represents the broadest monetary aggregate in the economy monitored by the ECB.
Chart shows the annual growth per quarter from Q1 2000 to Q1 2021.
Source: ECB, Tink, 2021

All-time lows in bankruptcy rates and non-performing loans

In Q2 2020, bankruptcies across Europe reached new historical lows at roughly 55% of the 2015 level baseline – with some countries declining 50% compared to the previous year. In fact, all Western European countries, except for Portugal and Spain, reported a lower number of bankruptcies during every quarter of 2020, compared to the year before. The steepest drops can be found in Denmark, Finland and the UK, but it is France, Netherlands and the UK where the lowest number of bankruptcies are being reported – less than half compared to 2019.

Quarterly indices for declarations of bankruptcies across Europe

(2015 = 100)



Note: Chart is adjusted for seasonality and reported applications for insolvency and liquidations across Europe.
Source: ECB, Eurostat, Tink, 2021

Increased capital from governmental financing programmes is the main driver for the lowered bankruptcy rates, which has helped many businesses survive the economic turmoil during the lockdown periods.

Although the emergency funding is supporting businesses and helping them get through the crisis, it's also keeping a large number of 'zombie companies' up and running. While the industry started to raise concerns about zombie companies in mid 2020, it was just recently that the ECB themselves acknowledged the risk as part of their 'Financial Stability Review, May 2021' a study on 'Corporate zombification: post-pandemic risks in the euro area'.

Although the ECB has not yet put a numerical figure on the increase in zombie companies driven by the funding programmes, they conclude their report with 'such macro risks could in turn feed back into the banking sector and the financial system'.

One thing is clear: many of these zombie companies that survived 2020 won't be able to maintain their business once the emergency funding stops mid 2022 (if not sooner). Not only does this present risk for their ability to afford the loan payments, it also presents risks for employment and millions of households that depend on income security.

Zombie companies are indebted businesses that are essentially on life support – able to operate but so deeply in debt that they'll never catch up.

Stats on UK households:

2.1m

behind on their energy bills

1 in 6

struggling to afford broadband

500k

behind on rent

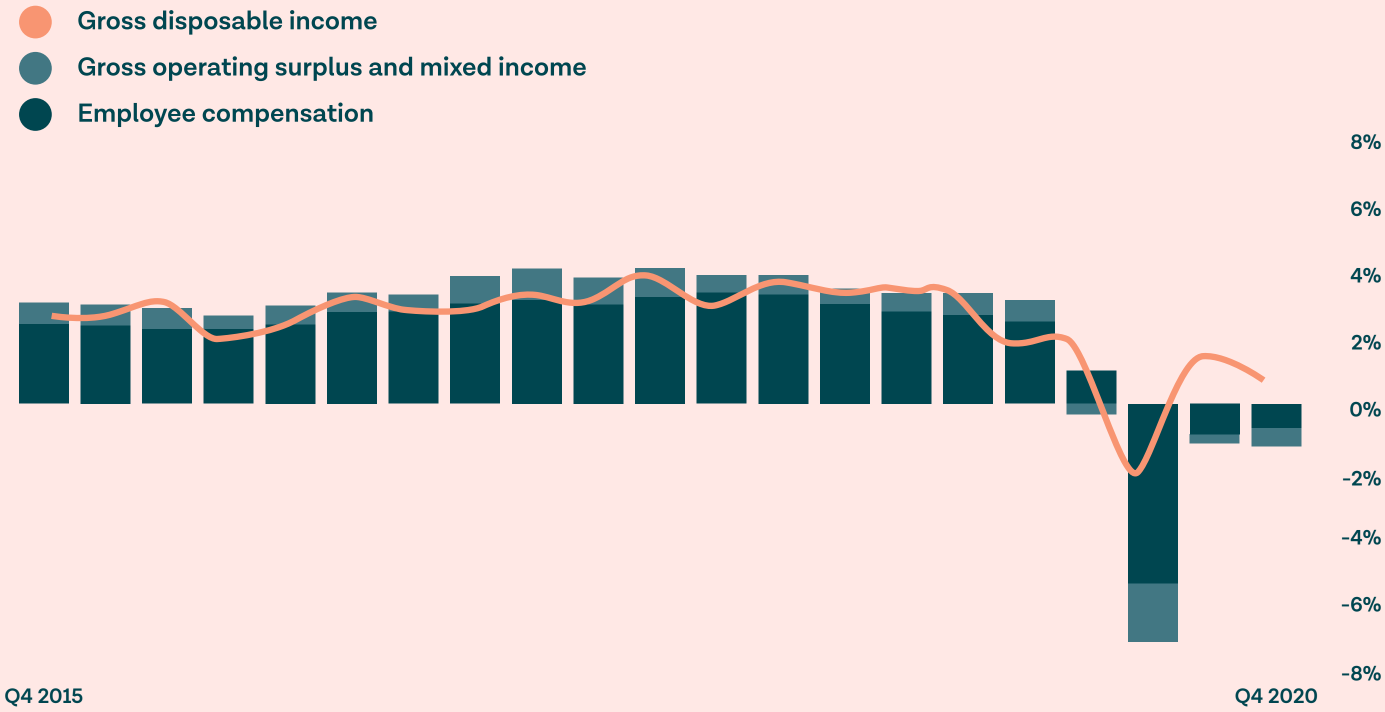
*with protections against eviction due to expire in 2021

Households showing symptoms of financial turbulence

Although many self-employed and temporary workers suffered under the cost-cutting responses by businesses, unemployment has not increased much during 2020 (7.3% in January 2021 compared to 6.6% in January 2020 across the EU).

However, economists expect to see unemployment go up as the financial support offered by governments taper off and zombie companies run out of steam. Alarming signals are already surfacing in the UK with more than 600,000 households having already fallen into ruinous debt.

Household income under pressure in the Euro area



Note: Chart shows the annual percentage changes and percentage point contributions of households gross disposable income and contribution by income components.
Source: ECB, Eurostat, Tink, 2021

The drop in bankruptcies correlates with the ratio of non-performing loans (NPLs), which did not go up as a result of the pandemic, but continued its decline. The NPL ratio reached 2.8% in Q3 2020. As a result of the government financing, the NPL ratio reached an all-time low in every European country – a grave concern when compared to the years before (2015-2019).

On one hand, this decline is supported by the ongoing stress tests and EU-wide transparency exercise by the European Banking Authority (EBA) to monitor NPL volumes and ensure they go down.

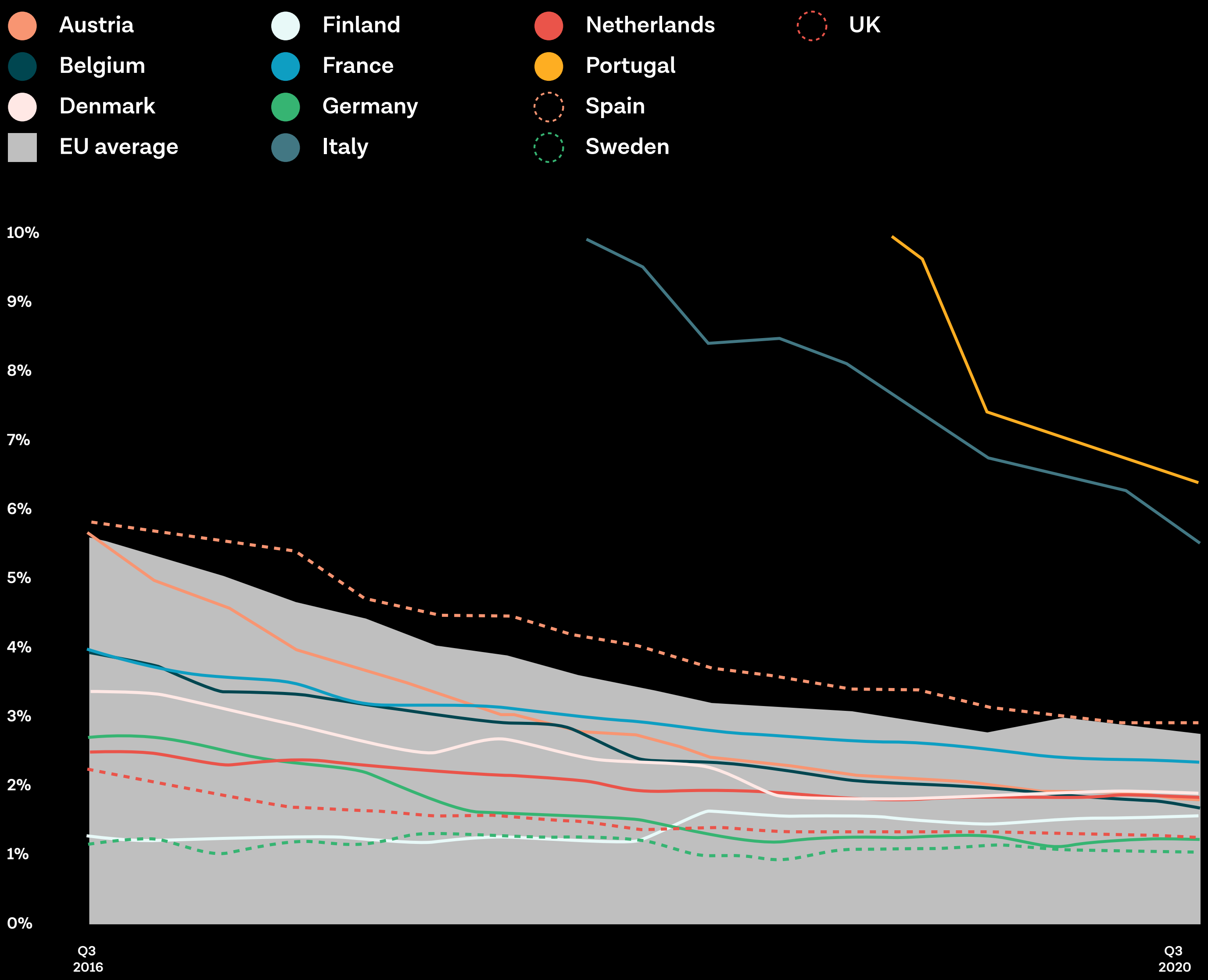
On the other hand, the NPL ratio is a relative number that is subject to the rising number of total loans being issued. When the number of loans suddenly goes up, the current ratio of NPLs goes down – albeit temporarily.

The ECB agrees that these low ratios are not sustainable in the long term, given the amount of credit that has been injected into the market.

With the growing risk of bankruptcies and financial distress among households, banks may soon be facing a torrent of defaults across all segments. On the bright side, losses on loans that are covered by guarantee schemes will mainly accrue to the government and less to banks.

Nevertheless, this does mean that many banks will need to make additional investments monitoring business and household insolvency.

Ratio of non-performing loans going down



Note: Chart presents quarterly data reported by financial authorities in the EU and UK.
Tink has estimated ratios in the periods where data was missing.
Source: EBA, Tink, 2021

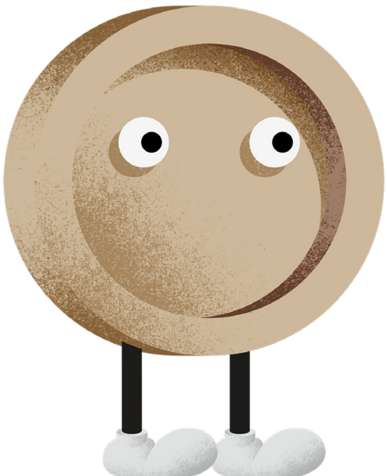
Impact on the financial services industry

In addition to the pressure on businesses, 2020 was also the most strenuous year in a decade for the financial services industry. In Europe, banks faced a double whammy, as revenues fell substantially and loan loss provisions doubled.

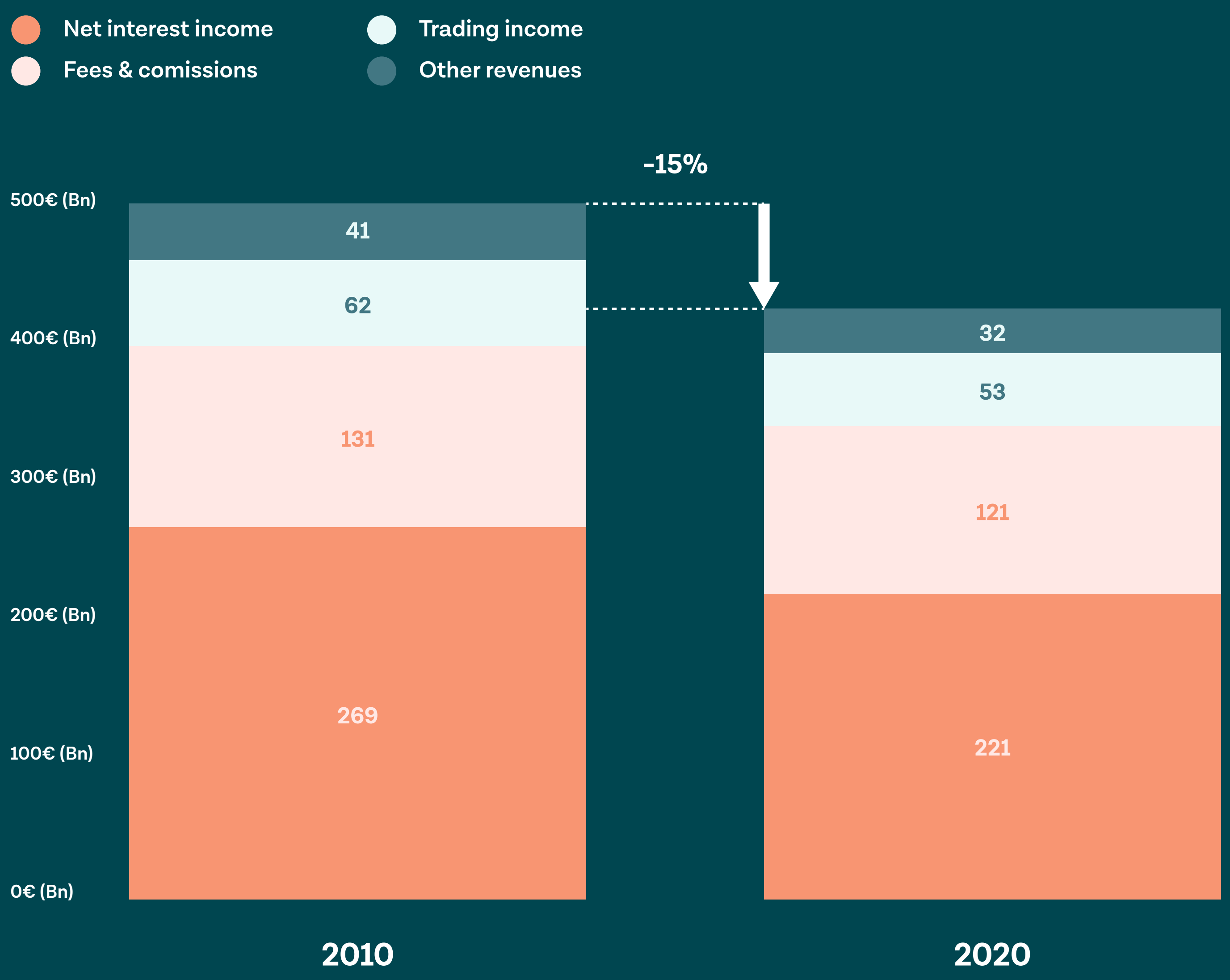
According to Deutsche Bank Research, the largest European banks suffered a steep drop in revenues, declining by 5% year-over-year (YoY). In other words, **bank revenues in 2020 were at their lowest level since 2008, at the peak of the financial crisis, and a staggering 15% lower than where it was during the start of the decade.**

True, the drop in revenue has been mainly driven by low interest rates, but also by a significant drop in other sources of income – such as the fees and commissions generated through traditional banking services.

Furthermore, although European banks have been lowering their administrative expenses for five years consecutive years, 2020 has shown post-tax profit plummeting by 62% – **reaching lowest levels since the European sovereign debt crisis.** Although ongoing expense cuts cushioned the blow only partly, it was not enough to make up for the parallel drop in revenues.



Revenue development at Europe's major banks



Source: Company reports,
Deutsche Bank Research, Tink, 2021

‘It’s clear that the pandemic has been an accelerator in the financial services industry.’

Who he is:
Mattias Levin, Deputy-Head of Unit the Directorate-General for Financial Stability, Financial Services and Capital Markets Union (DG FISMA)

What he’s known for:
His unit is responsible for policy on digital finance at the European Commission. Mattias oversees the Commission's Digital Finance Strategy and development of Open Finance for the EU.

Why we spoke to him:
The Commission has taken significant measures to repair the economic and social damage caused by the coronavirus pandemic while also ensuring that the digital transformation works for people and businesses and contributes to a climate-neutral Europe by 2050. Mattias helps unravel some of the policy challenges and where the future is heading.

What measures has the European Commission (EC) taken to support the financial system during the pandemic?

In light of the pandemic, the EU and national level has taken a broad range of measures to cushion the impact of the crisis. This includes for example, providing more flexibility in the operation of fiscal rules. It also includes fiscal support via the EU's long-term budget coupled with the Recovery and Resilience Facility to support Member States' efforts to increase growth potential while contributing to the green and digital transitions.

In the financial sector, it's our responsibility to safeguard consumer and financial stability. Since the last financial crisis, we've put in place measures to make sure that the financial sector would be in much better shape today.

In hindsight this was a very important decision. Despite much debate, it means that **when the pandemic hit, the financial system could help cushion the economic fallout of the pandemic.**

From your perspective, what effect has the pandemic had on digitalisation in Europe?

It's clear that the pandemic has been an accelerator in the financial services industry. Digitalisation precedes the pandemic, but we're now seeing it go even faster.

It's remarkable that during this pandemic financial markets have continued trading, financial services have been undisrupted, and consumers across all demographics have been able to continue to participate in the economy. We've literally made a quantum leap in terms of adopting technology-enabled services.

Is the effect here to stay or will we go back to normal?

Sure, many things will go back to normal. But what we've learnt from this crisis will have a lasting impact. We've broken a lot of barriers that will forever change the things we do.

Financial executives are traditionally conservative, so I do not anticipate a revolution per se, but digitalisation has been quietly changing the industry for some time. **I personally believe that the crisis has broken down many of the mental barriers as to what is possible, digitally**.

For example, putting data in the cloud will be something that banks will be more open to in the future. That isn't to say that there are no risks and we have put forward measures to address such risks in the form of a regulation on financial firms' digital operational resilience. However, it is something executives will look to investigate as part of the cost considerations for legacy structures and that supervisors will have to monitor and assess.

How does the pandemic affect policy questions?

The unit that I’m part of looks towards the future. We’re responsible for bringing to life the digital finance strategy announced last year, during the height of the pandemic.

From our point of view, digital finance will facilitate the recovery but it does go beyond the recovery. It’s fundamentally designed around four pillars for the financial services industry.

The first is to tackle fragmentation in the single digital market. The second is to create an EU regulatory framework facilitating digital innovation. The third is to create a European financial data space. And the fourth is to address new challenges and risks from a technology perspective – especially in relation to operational resilience as we need to ensure that the reliance on technologies does not jeopardise the integrity of regulated services.

Sometimes we take for granted that we have an EU to support a single market. The 27 countries all share a common ambition for trade and breaking down silos. Doing this for the financial services industry will largely build on support for digital identity across borders. **The quid pro quo for banks is of course that they can target and onboard customers a lot better and cheaper across the EU.**

How do you see open banking impacting financial institutions?

The benefit of open banking is a bit in the name: it’s open. It can give customers more control, an opportunity to better understand what services are available in the market, and it can lower the cost of switching.

This means that there are both opportunities and challenges for the banks. The Commission wants to increase competition in the market, but we also see that the opportunities for open banking go beyond traditional banking. At the same time, we have a regulated industry for a reason. Every change needs to be carefully calibrated to ensure financial stability, consumer protection and inclusion.

Next up is business-to-business data sharing, which we label Open Finance. Building on the evaluation of PSD2, we will put forward a framework for Open Finance. It is a key component in the digital finance strategy and an area we will be keeping a close eye on.

Executives acknowledge emerging market risks

More than 40% of the financial executives acknowledge the impact of the pandemic in their industry and believe it will have long-lasting (or even permanent) effects.

In particular, the results suggest that executives feel the pandemic has irreversibly increased the digital shift within the industry.

>40%

believe changes to the financial industry are permanent and long lasting

Country perspective:

Respondents in countries that had a relatively high number of COVID-19 cases are more likely to agree that the industry is subject to permanent or long lasting change, than those in countries where the impact was largely contained. For instance, the UK and Spain seem to be bracing the most for long-lasting impact as a result of the pandemic, followed by France and the Netherlands, whereas more than two-third of respondents in Portugal, Sweden and Norway believe things will go back to normal.

67%

of executives see increased risks due to the pandemic

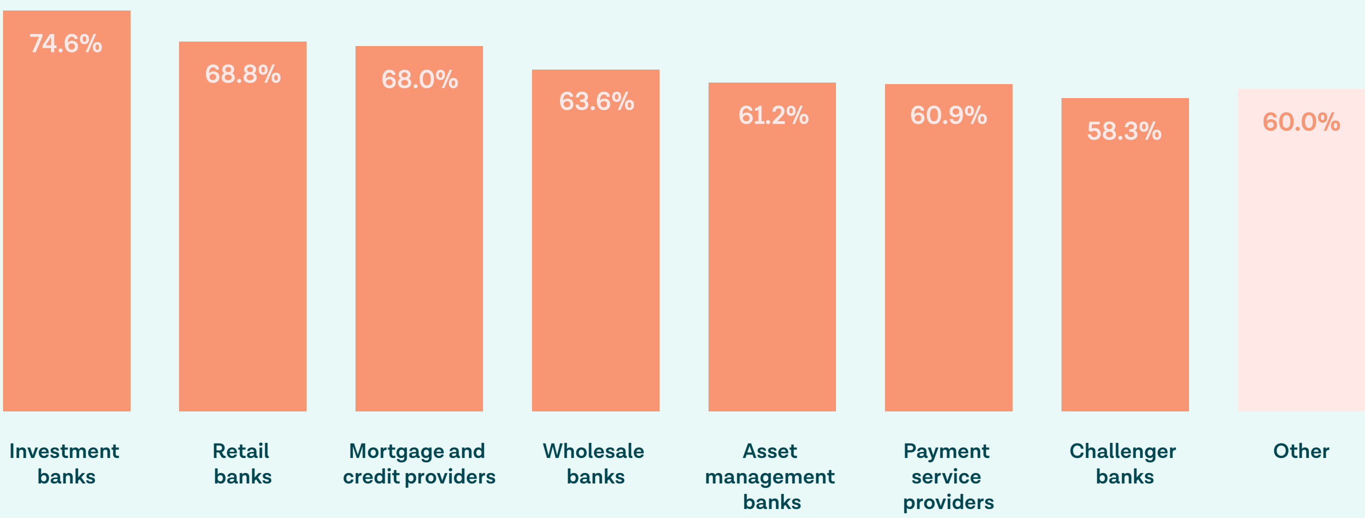
Two-thirds of financial executives also report growing concerns for the market credit risk. Executives at investment banks report the highest concerns, with 75% indicating the pandemic has increased business and credit risk. This number is followed by executives representing retail banks (69%) and mortgage and credit providers (68%).

Lastly there is an urgency for innovation. The pandemic has asked every organisation in the world to adapt to new working conditions, but it has also asked financial institutions, in particular, to improvise in order to ensure business continuity.

Despite all of the digital transformation efforts set in motion over the past few years, 65% of the financial executives agree that banks need to increase their speed of innovation as a result of the pandemic.

Executives anticipating increased risk following the pandemic

Respondents who agree with the statement: 'the pandemic has increased credit or business risk'.



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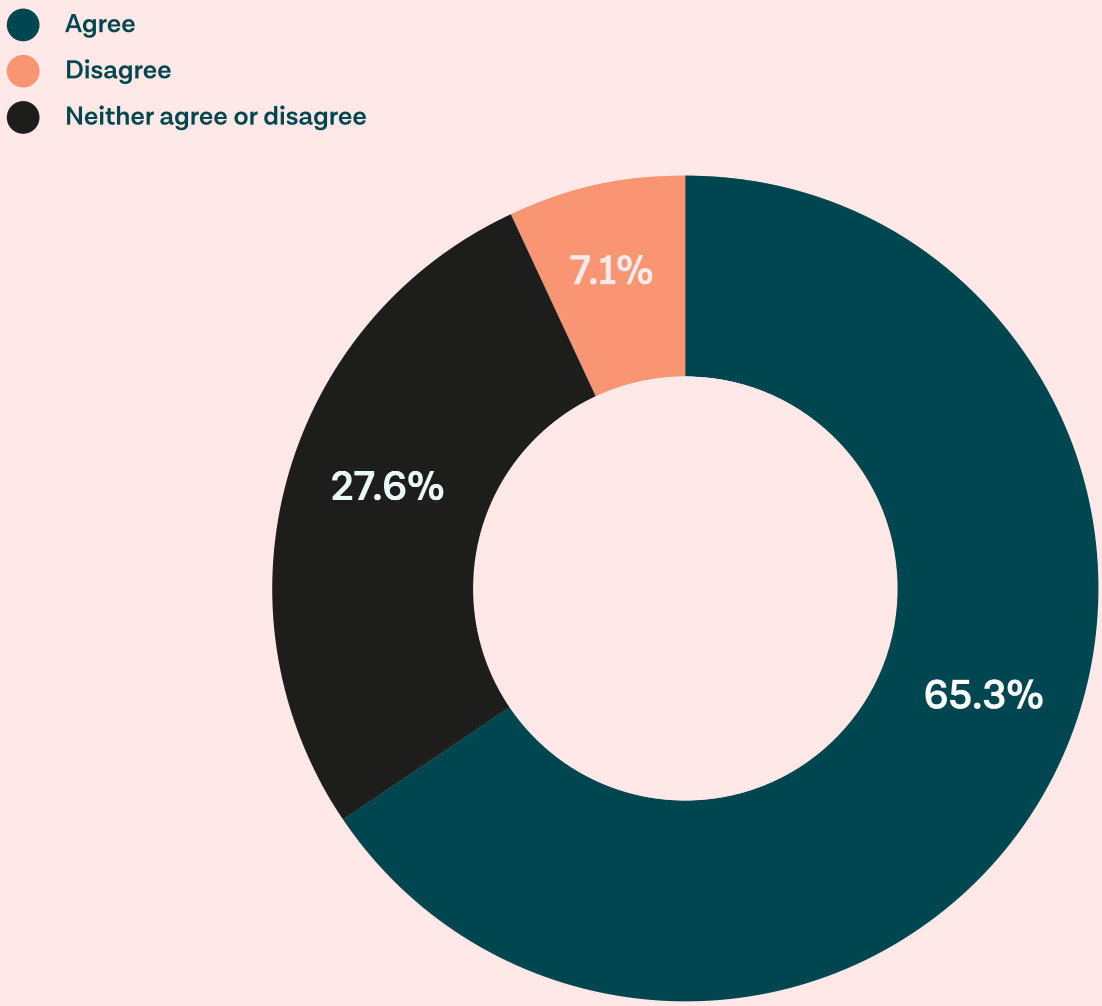
Source: YouGov, Tink, 2021

Financial institutions feel they need to speed up innovation

Q: Has the pandemic increased the urgency for innovation?



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Source: YouGov, Tink, 2021

‘We want to have the best digital experience for each and every customer.’

Who she is:
Wendy Redshaw, Chief Digital Information Officer, NatWest Group.

Why we spoke to her:
Wendy heads up the group’s digital Retail Banking strategy and has a wealth of knowledge and insights on what the future of banking looks like.

What she's known for:
Connecting and blending the digital and human elements of banking seamlessly, while keeping the customers close to the development, ensuring customers are at the heart of everything they do.

What are key trends in the UK market today?

Like many sectors, **banking is seeing a shift to a more self-serve digital-first approach** that is being adopted by many of our customers. At NatWest our retail strategy is very much aligned to support our customers in the ways that they want to interact with us through the channel of their choice.

We want to ensure each and every customer has the very best digital experience possible, with our award-winning app being the window to the bank.

We also recognise there will be times when a human touch is required and our customers will want to talk to one of our team. For those moments, we'll have the best people available wherever and whenever the customer needs support, with a network of expert colleagues available to handle more complex needs, such as buying a new home, and tailored support for our vulnerable customers.

We have also expanded our video banker capability and are now supporting customers virtually face to face from the comfort of their own home and have made this available within the NatWest App.

How did NatWest respond to the pandemic?

Our focus – as it has been throughout the pandemic – is on supporting as many of our customers as we can with the appropriate lending or support. We are doing all we can to support our customers' needs, especially for the most vulnerable. **Being able to deliver on our commitments through new and innovative ways, and at pace, has been an underlying theme throughout the last year.**

As a result of our efforts we have been able to introduce 'Banking my Way', a free service that allows customers to record information about the support or adjustments needed to make banking easier, especially for our customers in vulnerable situations, as well as make 320,000+ proactive calls to support elderly and vulnerable customers. We have also been able to consistently keep more than 95% of branches open as well as implement a dedicated emergency line for NHS workers.

Additionally we have been able to develop companion cards and 'get cash' codes to enable cash delivery for customers who are shielding and deliver more than £2 million in cash securely to vulnerable customers. This along with being able to provision 240,000+ initial mortgage holidays and offer free Financial Health Checks – a face-to-face, by phone, or by video, confidential service open to customers and non-customers that offers a chance to talk through your money plans with a Senior Personal Banker.

When speaking with our customers, two repeating themes emerge: managing money day-to-day and building financial capability and resiliency supporting longer-term ambitions. We believe that it is our role as a bank to support people, businesses, and communities to thrive.

Over the last 12 months, our strategy in NatWest Group, like many others', had to evolve in response to our customers' changing needs due to the ongoing COVID-19 pandemic. **We sought out key interactions and pain points for our customer and put in place digital self-service tools and support to help.**

A fantastic example is our Covid-Hub, underpinned by our artificial intelligence digital assistant Cora, which has helped more than ten thousand customers with questions about their financial wellbeing during this time.

We also wanted to help customers understand their money better, where they spend and how much. With many individuals' spending habits having changed due to work and homelife shifting, we have supported customers with digital budgeting tools and personalised insights through the Spending feature in our Mobile App.

What's next for NatWest Digital?

We will continue to support our customers, businesses, and communities as the country starts to open back up. This time will be crucial as people start to spend money again in different ways. And we have a full roadmap to support our customers through this.

Bank priorities in the post-pandemic world

Out of all the business priorities, our survey revealed the top 3 focus areas for banking executives right now:

#1 Continue creation of digital services

Need for streamlining onboarding and managing customers digitally with low-touch models.

#2 Differentiate on CX

Need for crafting the next era of digital services and successfully activating usage.

#3 Restore profitability

Driving back-end transformation and rightsizing with regards to legacy (e.g, closure of branch networks, automating and streamlining manual onboarding processes).

Let's take a closer look at each one.

Priority #1: Continue creation of digital services

The rapid transition towards digital services has driven a strong desire for streamlining onboarding and managing customers remotely with low-touch models.

Although many primary banking services have been accessible to customers via digital channels for many years, the pandemic has helped executives better understand where their offerings fall short and recognise the need to enhance them. In fact, nearly three quarters of the respondents (74%) say this is the case.

The rapid increase and penetration of digital services also means that systems need to be scaled up to support much larger volumes of traffic. In addition, with the digital interface becoming the primary interface for all customers, shortcomings in design and functionality are becoming more apparent. Services have needed to adapt to all types of users – whether they are tech savvy, or tech illiterate.

74%

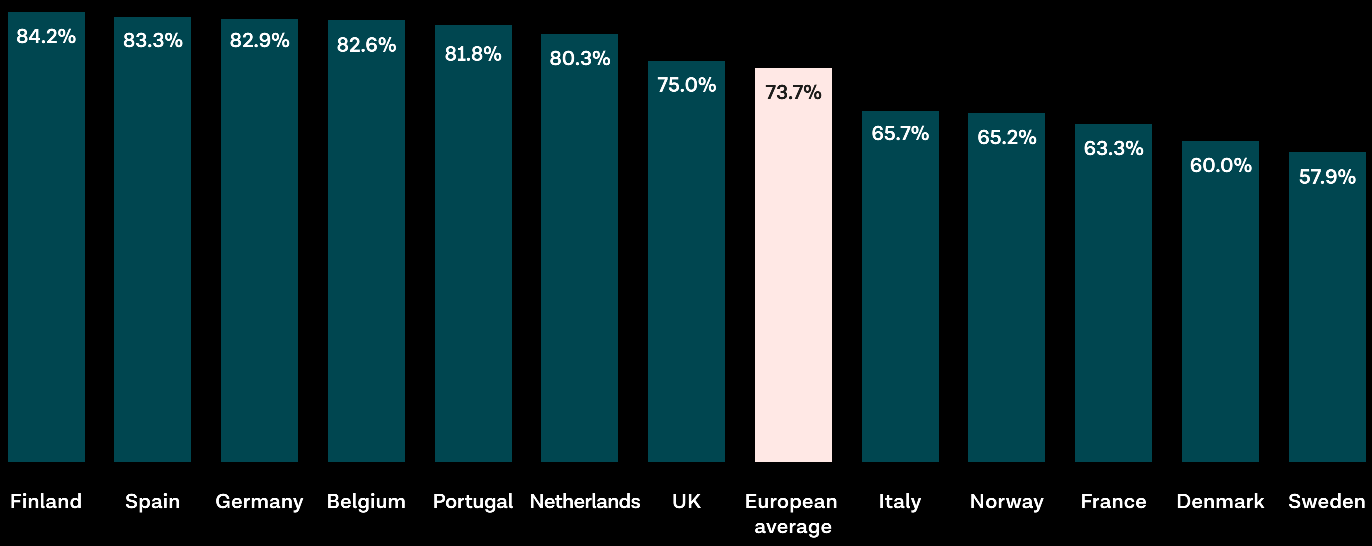
agree the pandemic increased need to enhance digital services

Country perspective:

While Finland records the largest proportion of respondents who agree with this statement (84%), data from the next-door neighbours in Sweden shows that 42% of financial institutions have not seen the need to enhance digital services due to the pandemic. These differences could be a reflection of the level of maturity in the digital offerings in these markets.

Executives have woken to the opportunities for digital services

Respondents who agree with the statement: ‘the pandemic has increased the need to enhance digital services.’



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Source: YouGov, Tink, 2021

Priority #2: Differentiate on the customer experience

The need to enhance services can relate to many different factors, one of which could be the customer experience. To the question of whether the pandemic has been a cause for increased focus on the customer experience, 70% of respondents agree.

Focus on the customer experience is not just a way to grow customer satisfaction with digital services, it is always a way to differentiate from competitors, increase engagement, and transition away from legacy channels in order to drive zero-touch services.

There are many aspects to delivering a compelling customer experience. In the post-pandemic world a key challenge is striking the right balance between simple and intuitive interfaces versus interfaces with a rich set of functions.

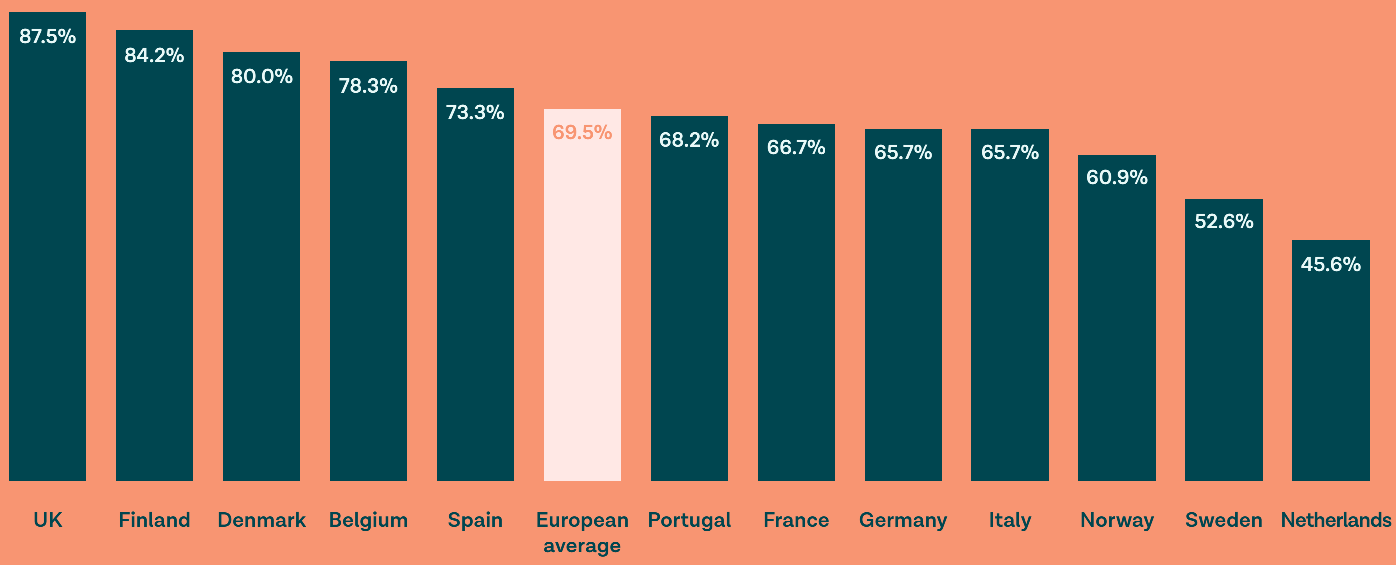
On the one hand, although the simple interface can be used by all customer demographics, it may lack the capabilities that customers seek from their financial service provider. On the other hand, interfaces that are designed to capture all possible needs can easily become over-engineered, scaring away the common user.

70%

agree that the pandemic has increased focus on the customer experience

A steep rise in attention to the customer experience

Respondents who agree with the statement: 'the pandemic has increased focus on customer experience.'



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Source: YouGov, Tink, 2021

Country perspective:

The pandemic does not have a strong impact in countries where the digital customer experience for banking services is relatively advanced already.

The strongest opinions are voiced in the UK, where nearly 90% of respondents indicated that the pandemic has increased focus on the customer experience – followed by Finland, Denmark, Belgium and Spain. On the other side of the spectrum, respondents in the Netherlands and Sweden are less likely to share that view.

68%

have an increased focus on profitability since the pandemic

Priority #3: Restoring profitability

We know that the investments in 2020 have largely been targeted at business continuity, keeping operational costs low, and supporting customers in need. But the topic of profitability is always a sensitive one – especially for stock-listed companies that have a responsibility towards shareholders to pay out dividends.

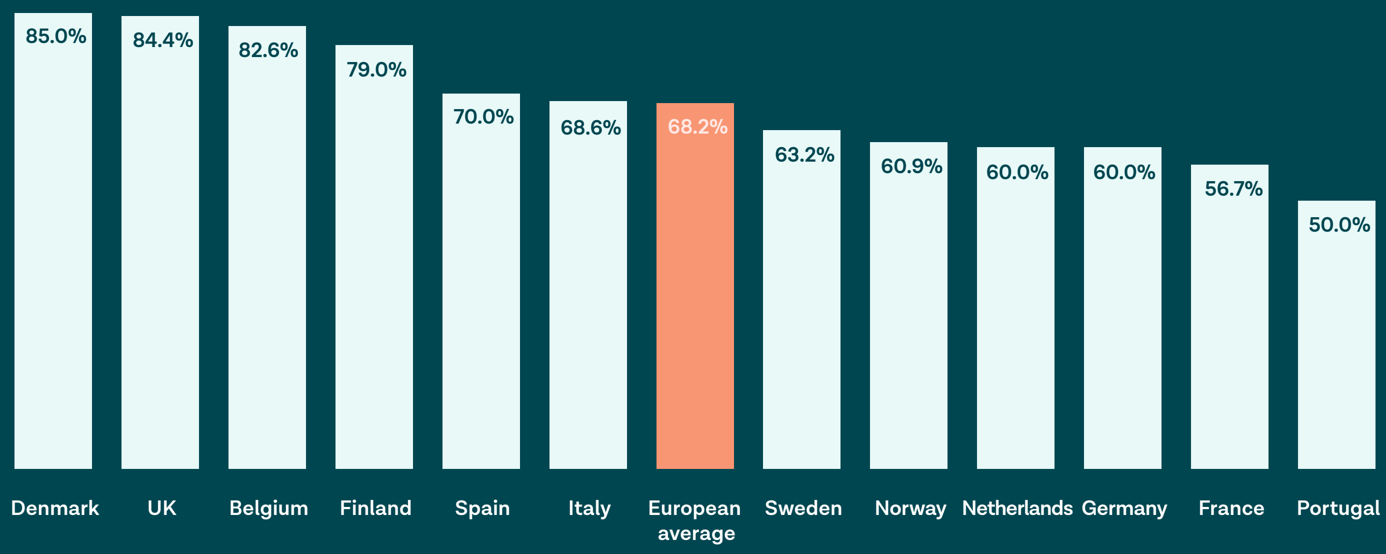
As financial institutions continue their back-end transformation, the costs incurred to deal with the pandemic suggest that the technology overhead has gone up for most, if not all, financial institutions.

However, banks are saving expenses where possible and are heavily cutting down branch networks. In 2020, the UK saw 368 bank branches being shut down. And in 2021, TSB Bank plans to close 155 branches, Santander UK will shutter 111, HSBC Holdings, 82 and Barclays, 63. Similarly, the Swedish bank Handelsbanken announced it will close nearly half (180) of its 380 branches by the end of 2021. Management consulting firm Kearney, predicts that 25% of all bank branches will close across Europe in the next three years.

Declining revenues due to low interest rates combined with high costs leave little room for profit margins and present an opportunity for challengers to take share in a commodity market. Restoring profitability has become a key business priority for financial institutions following the pandemic.

Maintaining profitability has become even more important

Respondents who agree with the statement: 'the pandemic has increased focus on profitability.'



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Source: YouGov, Tink, 2021

Country perspective:

These concerns appear to be strongest in Denmark, the UK, and Belgium where more than 80% of respondents indicate that the pandemic has increased focus on profitability. These countries were particularly hit by the low interest rates. As a matter of fact, Denmark was the first country in the world to offer negative interest rate mortgages.

In the UK and Belgium, interests are so low that banks have warned that they would charge customers additional fees (negative interest) for keeping high deposits.

On the other end, only half of financial executives in Portugal say that the pandemic has increased focus on profitability. Portugal continues to have the highest interest rates among the listed countries as banks continue to cash on loans that have been issued long before the pandemic struck. Nevertheless, it shows that this is a serious topic for all financial institutions.

Tackling top challenges with open banking

Open banking has emerged over the past few years as an enabler to the executive's agenda. In particular, the ability to enable data-driven banking processes and improve the customer experience has increased appetite for account information services.

In relation to the the executive agenda, there are three key ways that financial institutions can leverage open banking technologies to benefit their business in the post-pandemic world:

#1 Increase speed of innovation

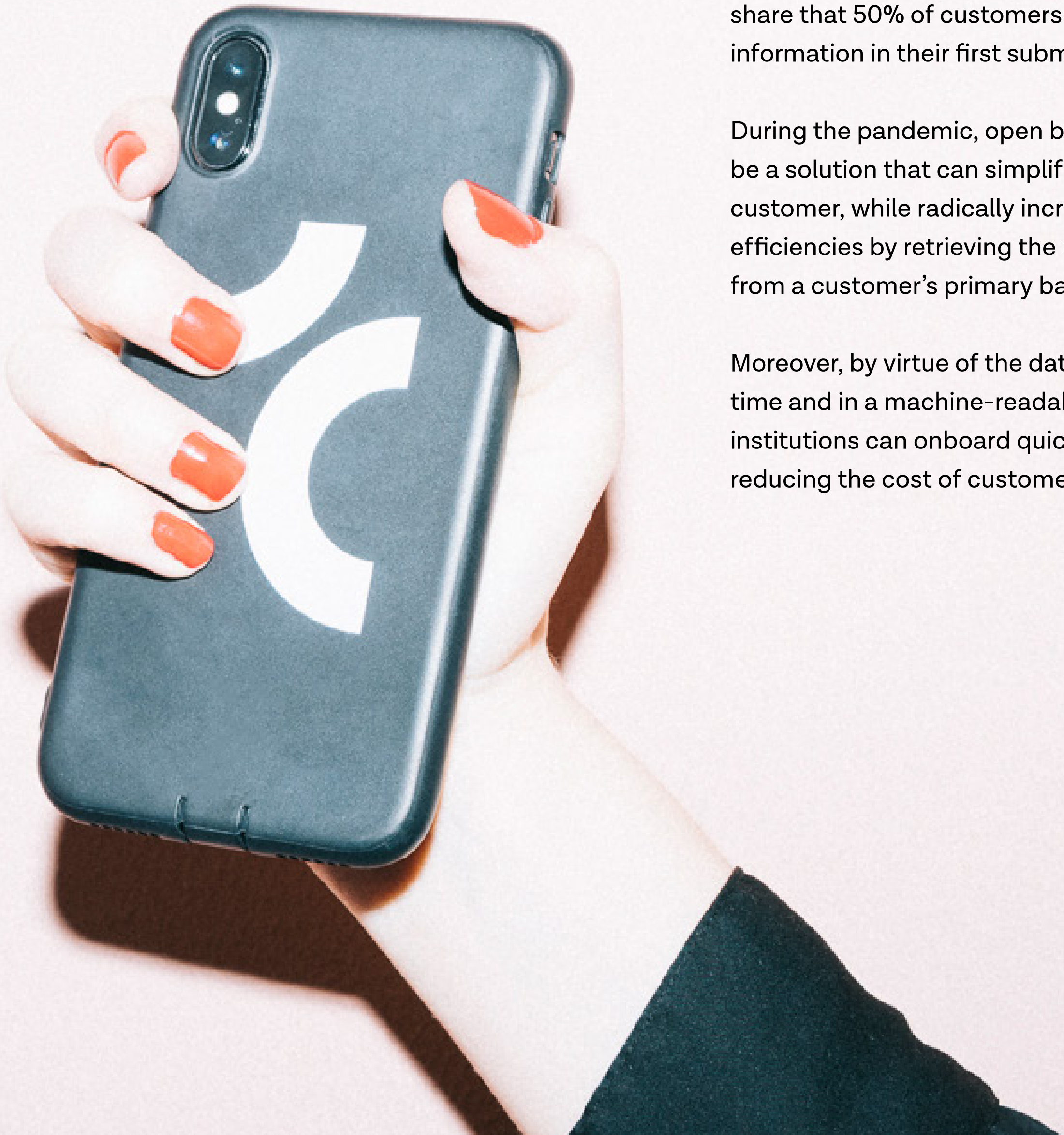
Open banking technology platforms provide access to tools and capabilities that are easily scalable across lines of business, customers segments, and even geographies. These platforms help maintain API connectivity across multiple banks and countries, which would otherwise be a complex endeavour for banks requiring significant investments, especially in engineering, operations and legal.

More importantly, these open banking technology platforms can give financial institutions the ability to recycle code and toggle different data-driven services, radically accelerating the time-to-market in the development of digital services.

#2 Unlock new commercial opportunities

With increased pressure on legacy revenue streams and profit lines evaporating, financial institutions are in desperate need to ensure that their digital endeavours stand their ground in the increasingly competitive digital market.

Open banking technology has proven not only to directly improve customer value and engagement, it has also introduced opportunities to identify customer needs and enable financial institutions to deliver personalised propositions tailored to each individual.



#3 Enable operational efficiencies

Open banking can be used to radically accelerate onboarding time, customer due diligence processes, and risk assessments. Most financial executives will recognise that shift towards automation is primarily inhibited by processes that require input from the customer: identity information, transaction history, income verification, and other relevant details.

Customers are typically required to collect the relevant documents and transfer them either physically or electronically. Since these documents need to be manually opened, reviewed, and assessed, it can be a massive productivity drain – some banks share that 50% of customers don't provide the right information in their first submission.

During the pandemic, open banking has proven to be a solution that can simplify the process for the customer, while radically increasing operational efficiencies by retrieving the required information from a customer's primary bank.

Moreover, by virtue of the data being fetched in real time and in a machine-readable format, financial institutions can onboard quicker and with lower risk, reducing the cost of customer acquisition.

Open banking is higher on the agenda in the post-pandemic world

The appetite towards leveraging open banking technology is accelerating, and climbing higher up on the agenda for banks than ever before. More than two-thirds (68%) of financial executives surveyed across Europe indicate that their interest in open banking has increased during the pandemic.

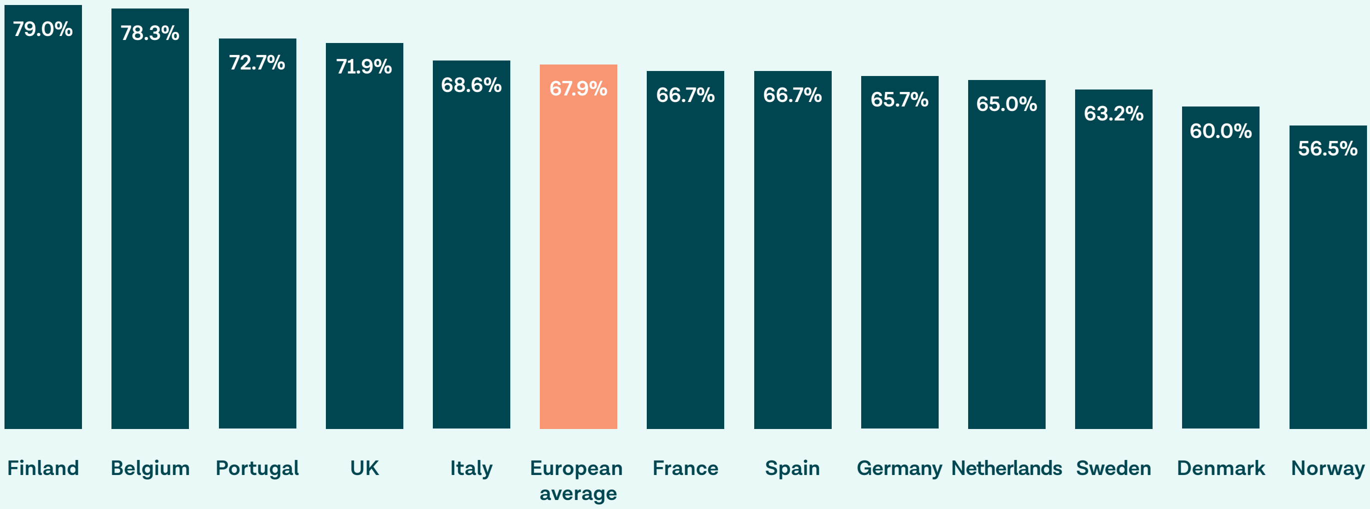
Financial institutions have now seen that open banking technologies enabled by the EU's revised payment services directive (PSD2) and the UK's Open Banking legislation presents opportunities to lower risk, anticipate financial distress and even increase sales – all while improving the customer experience. Clearly, more financial institutions are looking at open banking as a potential solution to the challenges presented by the pandemic.

68%

increased interest in open banking technologies as a result of the pandemic

Open banking is higher on the agenda in the post-pandemic world

Respondents who agree with the statement: 'the pandemic has increased interest in open banking technologies.'



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Source: YouGov, Tink, 2021

Country perspective:

On average, 68% of financial institutions in Europe say that the pandemic has increased focus on open banking. This impact appears to be strongest in Finland and Belgium, where appetite increased for nearly four out of every five executives, followed by Portugal and the UK, with nearly three-quarters indicating the same.

These markets are very different to one another, but have in common that there are a large number of relatively small financial institutions that are looking for opportunities to easily digitalise their financial operations.

Countries that are borderline cashless, such as the Netherlands, Sweden, Denmark and Norway, rank lower in the list, but still count a large number of executives who indicate that the interest in open banking has increased due to the pandemic. However, these countries are generally famous for bank-led innovation and may have already been more interested in open banking – whether the pandemic hit or not.

Concluding remarks

Despite the optimistic sounds coming from governments, the COVID-19 crisis has resulted in a substantial weakening of the economic outlook. The increased capital in the market points towards an artificial and temporary drop in the ratio of NPLs and business bankruptcies.

These signals suggest that the pandemic has not revealed its entire hand yet.

Based on the findings presented in this report, here are a few suggestions for executives to consider as the industry transitions into the post-pandemic world.

Have your contingency plans ready

Over 40% of executives anticipate a long-lasting or even permanent impact on the industry, as they have transitioned towards digital services, improving customer experiences, and restoring profitability.

However, there are also many who are expecting things to go back to normal. These executives risk sleepwalking their business into a future that may have a severe impact on their customers as they may become exposed to increased financial distress. Executives need to put together plans on how to respond and where to focus when the tide starts to turn.

#1

Ensure a permanent transition towards digital

2020 has enabled executives to up the urgency for innovation and it has increased the interest in open banking. Many executives have focused on use cases to remedy the lack of personal interaction with customers.

As a result, most financial services continue to operate in a hybrid state – where the service appears digital but requires many manual actions to complete. This is the time to ensure a permanent transition towards digital banking, both front- and back-end.

#2

Give customers insights to increase their financial health

#3

Financial institutions continue to be exposed to ongoing uncertainties and will need to monitor closely how their customers are impacted once government emergency funds are lifted. In the effort to speed up innovation, launch new commercial opportunities, and enable operational efficiencies, executives should keep their customers at heart.

Banks that acknowledge their responsibility to take care of the customer, and protect them from financial distress are more likely to keep customers over their entire lifetime. Personal finance management technologies provide an opportunity to create value for the customer, while increasing insights to identify or even predict potential risks and demands.

About this research

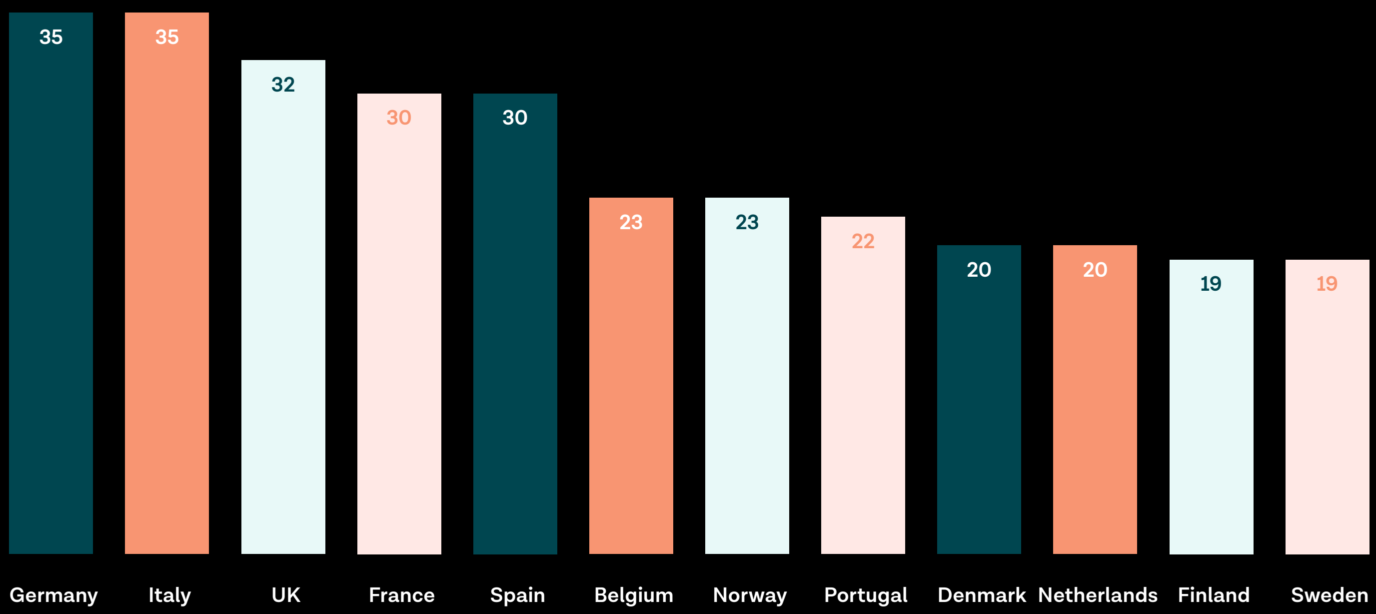
For the third year in a row, Tink enlisted the help of independent market research organisation YouGov to conduct a wide-ranging survey on the attitudes and opinions towards open banking in Europe.

All interviews were conducted by YouGov between February 25 and March 27, 2021, and included 308 prominent financial services executives spread across 12 countries.

The participants answered questions through telephone interviews and an online questionnaire (all in local languages, to improve the validity of responses).

In order to be selected for the survey, participants needed to be i) senior decision makers or influencers, ii) employed by a regulated financial institution, iii) have confident knowledge of PSD2, and iv) have insight into the open banking investment plans.

Where are you based in terms of daily operations?



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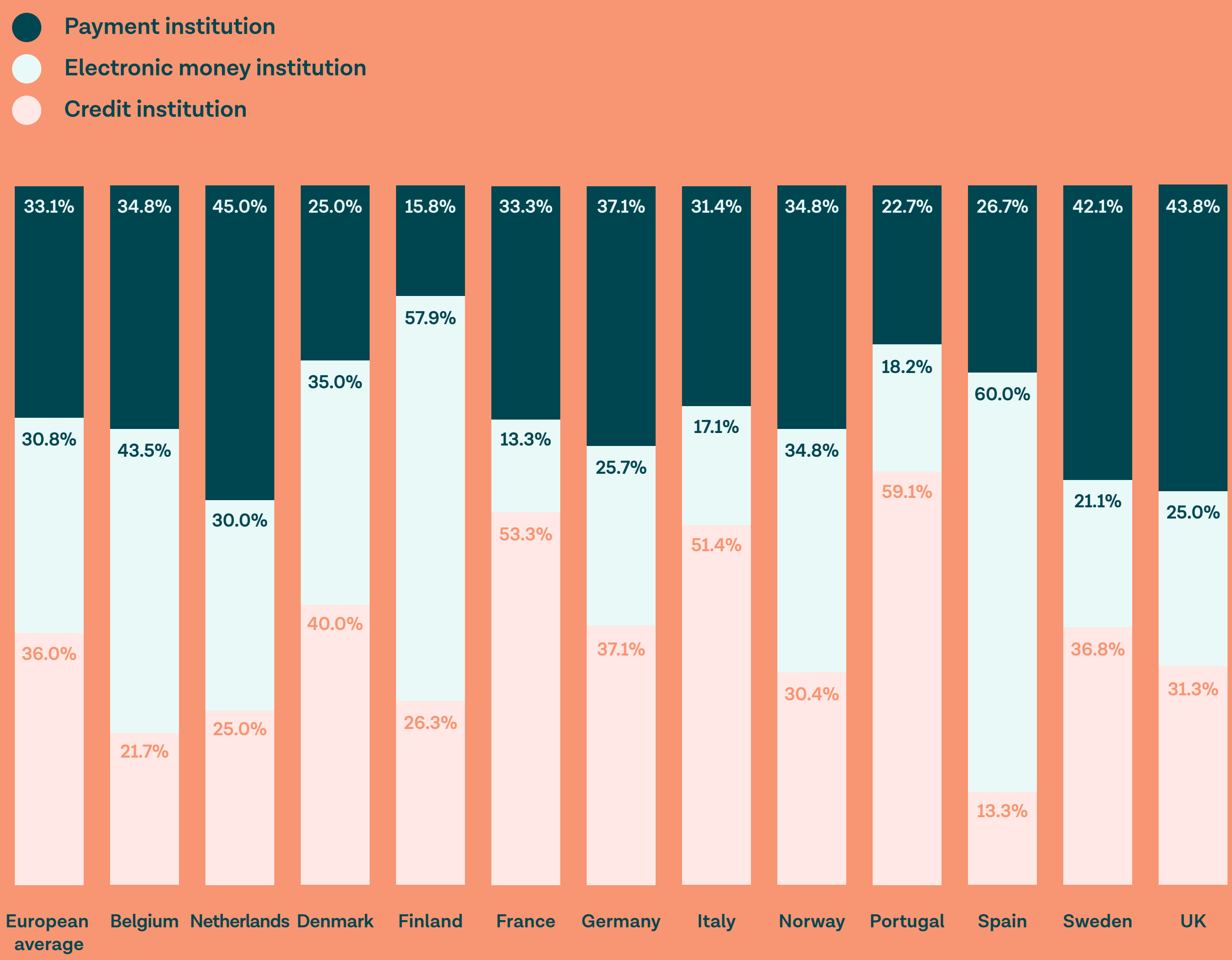
Source: YouGov, Tink, 2021

What type of financial institution does your organisation represent?



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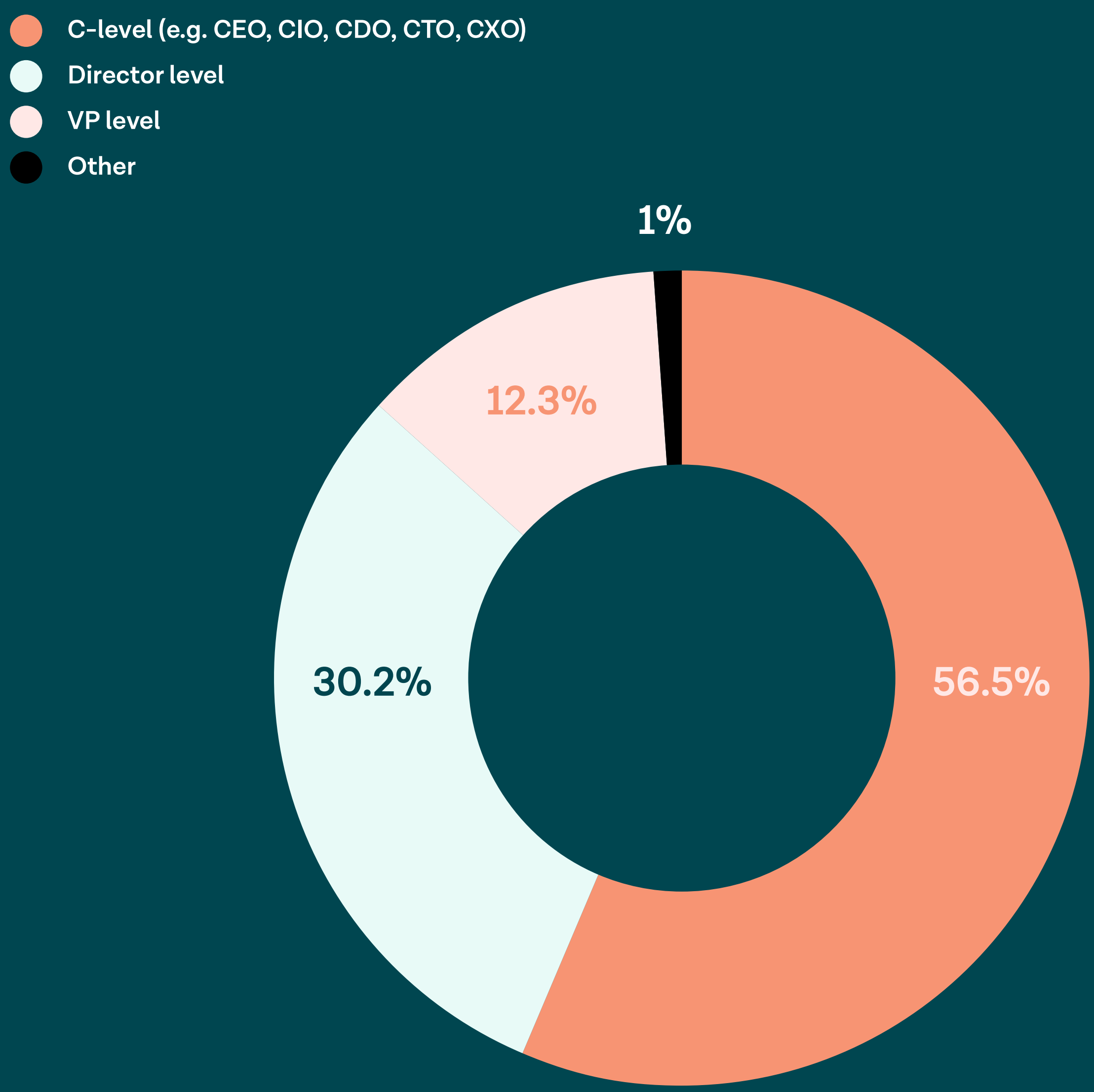
Source: YouGov, Tink, 2021

Which of the following best describes your position within your organisation?



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Source: YouGov, Tink, 2021

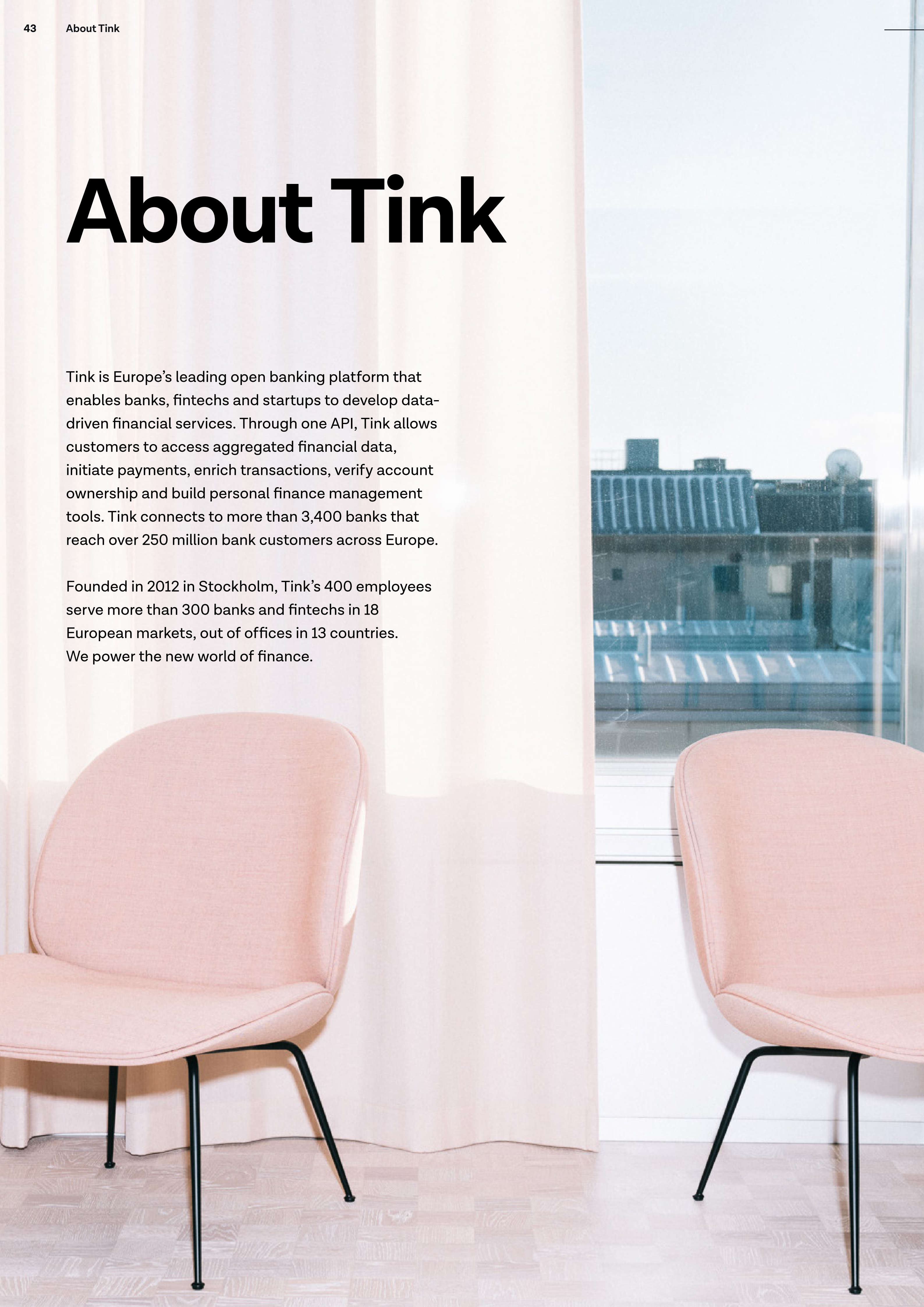
More insights and numbers on open banking – coming soon

Want to know more about open banking payments, the most popular open banking business models, and how much financial executives are investing towards their open banking efforts? We have more reports based on our 2021 survey coming out throughout the year – stay tuned. If you already want to dive deeper into the world of open banking, check all our latest reports and reading materials in our resources page.

About Tink

Tink is Europe's leading open banking platform that enables banks, fintechs and startups to develop data-driven financial services. Through one API, Tink allows customers to access aggregated financial data, initiate payments, enrich transactions, verify account ownership and build personal finance management tools. Tink connects to more than 3,400 banks that reach over 250 million bank customers across Europe.

Founded in 2012 in Stockholm, Tink's 400 employees serve more than 300 banks and fintechs in 18 European markets, out of offices in 13 countries.
We power the new world of finance.



Want to explore open banking opportunities?

When it comes to open banking, we've seen – and done – it all. We're glad to help in case you have any questions, or would like to have a chat about how open banking can help your business. Just drop us a line at:

partnerships@tink.com

For more information, visit:

tink.com