

FINANCIAL NEEDS RESEARCH KEY FINDINGS

2019

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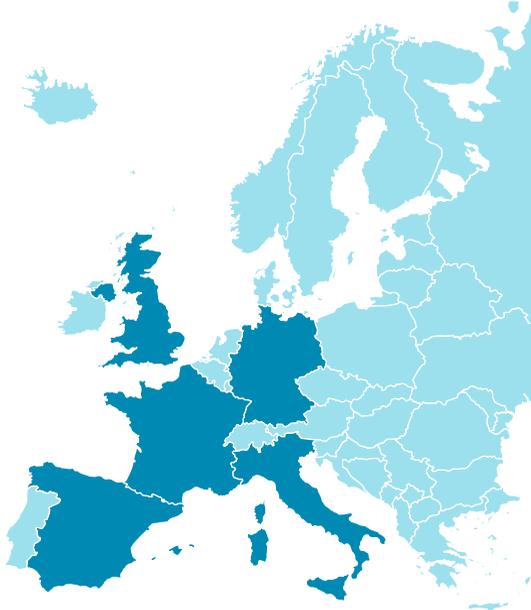
Section 1 | Survey background

Survey background

We surveyed ~5,000 nationally representative individuals across 5 European countries

International survey of individuals

N=5,018



Overview

- **Primary research** on individuals in **UK, Spain, France, Germany and Italy** through an **online survey** conducted in **Q1 2019**

Overview of respondents

- **1,000 individuals** from each of the 5 countries
- **Nationally representative** sample across age, income, wealth, etc.
- **Banking relationships** with Incumbents, Challengers and Specialists

Key topics

Feelings about finances	<ul style="list-style-type: none">• Financial priorities• Sentiment about finances	<ul style="list-style-type: none">• Level of trust in providers• Attitudes to different fin. needs
Neo-providers	<ul style="list-style-type: none">• Who are the customers• Why do they use neo-providers	<ul style="list-style-type: none">• Willingness to use traditional providers instead
Testing a new proposition	<ul style="list-style-type: none">• Interest in new propositions• Willingness to share data	<ul style="list-style-type: none">• Credible providers of new propositions
Bank channel usage	<ul style="list-style-type: none">• Use of bank branches• Digital / online banking habits	

Limitations

- **Statistical significance:** Research requirements and sample size have been set to develop insights vs. statistically significant evidence
- **Sample composition:** Online surveys by design include a sample bias underrepresenting segments not able or willing to participate (e.g. older women) and overrepresentation of digitally active groups (e.g. neo-insurer customers)
- **Interest vs behaviour:** Set of questions provide insight on customer interest vs. actual behaviour (e.g. new tested proposition). A share of customers declaring interest may not use it if offered

Section 2 | RBB findings

4 RBB “bytes” coming out of our financial needs research (1/2)

1. Advice and reassurance in a digital world

2. Design your proposition for your customer base

Tagline	Finding	Implications for banks
<p>1</p> <p>Customers want reassurance and advice</p> 	<ul style="list-style-type: none">• Nearly a third of customers have deep-seated anxieties about their finances, particularly younger and lower income• Respondents were mostly concerned about saving into retirement (30%) and making ends meet (26%)• Customers are dissatisfied with saving / spending decisions (66% dissatisfied with LT savings vs 47% with D2D spending)• Trust in banks is high at around ~60% but there is a gap to the 80% of customers who want their bank to be on their side	<ul style="list-style-type: none">• Many customers would benefit from more financial guidance and re-assurance• Banks are well-placed to provide this but need to understand customer concerns and be on their side to enhance trust while developing appropriate solutions• Opportunity in the “automated savings” and “robo-advisory” space, esp. for “smoothers” and “strugglers”• Banks should aim to deliver financial well-being
<p>2</p> <p>Customer research is essential to design a greenfield offering set up for success</p> 	<ul style="list-style-type: none">• Reasons why neo-bank users liked their accounts varied greatly by country<ul style="list-style-type: none">– Pricing, ease of onboarding and cheap FX most pop– UK liked low cost to spend abroad (21%)– EUs liked low a/c cost (19%) and easy onboarding (16%)• Nearly 2/3 of neobank users would be happy to use a traditional bank offering similar propositions and pricing<ul style="list-style-type: none">– Those with high bank trust are 12% more likely to prefer to use a traditional bank– Wealthier neo-bank customers more likely to prefer to use a trad bank: 68% for income 50k+ vs. 35% for income <10k	<ul style="list-style-type: none">• A copy-paste approach between countries is unlikely to end well due to market differences<ul style="list-style-type: none">– You can't just drag and drop a Monzo or Revolut– Need to do discovery phase (DT, cust research, ...)– Neo-customers aren't lost yet...but need to act now!• Scope for traditional providers, backed by strong brands & high trust, to offer similar services to retain and (re-)capture some neo-users

4 RBB “bytes” coming out of our financial needs research (2/2)

3. Financial coach is good but would life coach be better?

4. Customer segmentation should address customers biggest concerns

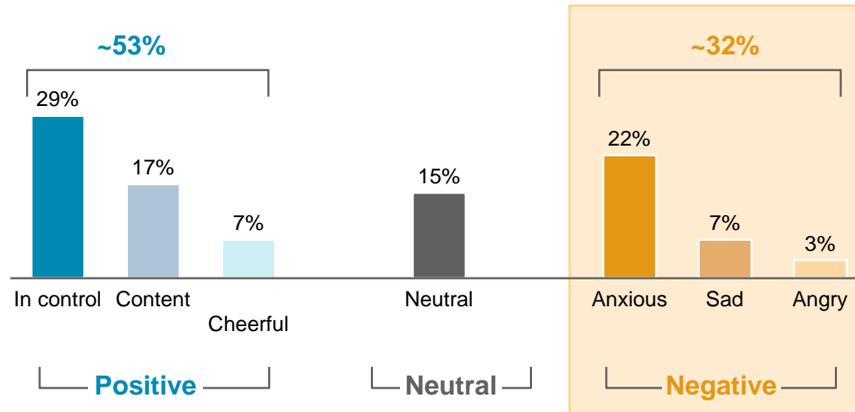
Tagline	Finding	Implications for banks
3 Financial coach is enough for some – others might need more holistic life coach to see benefit	<ul style="list-style-type: none">• We tested a proposition which offered aggregation, analytics, virtual coaching, personalized advice and automation<ul style="list-style-type: none">– 1/3 of respondents would be interested in this proposition as a whole (50% for regular users of mobile banking)– Banks are the provider of choice (62% opted for a bank to provide this), mostly due to safety and natural fit– Interested respondents liked the quick statistics the most, followed by personalised advice and virtual advisor– Customers happiest sharing financial data to power this (51%) vs health (47%), wearables (46%) & location (42%)– Adding the ability for the proposition to automate tasks turned off nearly a quarter of participants	<ul style="list-style-type: none">• Scope for banks to offer innovative new digital proposition around analytics and personalised advice, esp. targeting customers concerned with managing through the unexpected• Customers need to understand value they get• Data sharing and automation fears must be allayed
4 What customers are really worried about is a big determinant of their interest in various digital propositions	<ul style="list-style-type: none">• We used stated financial needs to identify three customer segments with different profiles, feelings, and product usage<ul style="list-style-type: none">– Planners are typically older and more affluent, mainly focused on saving for retirement. They show av. use of neobanks, and are most likely to return to traditional banks if given same offers. They show lower interest in new propositions, esp. more complex / auto features– Strugglers: are younger and less affluent, mainly focused on making ends meet. They have low levels of trust for banks and usage of neobanks and show avg. interest in new propositions, mainly driven by quick stats / guidance– Smoothers: have average age & income. They are the heaviest neobank users and are least likely to switch back to traditional banks for same offers, but are most interested in new digital propositions, which could win them back	<ul style="list-style-type: none">• Taking a financial needs lens offer a valuable alternative / addition to traditional demographic or transaction-based customer segmentation• Knowing your customer should not be viewed as a compliance tick-box exercise but a source of competitive advantage• Banks need to do more research and tailored offers to win in each group



Customers would benefit from more financial guidance and re-assurance; banks are well placed to provide this and expected to be on the customer side

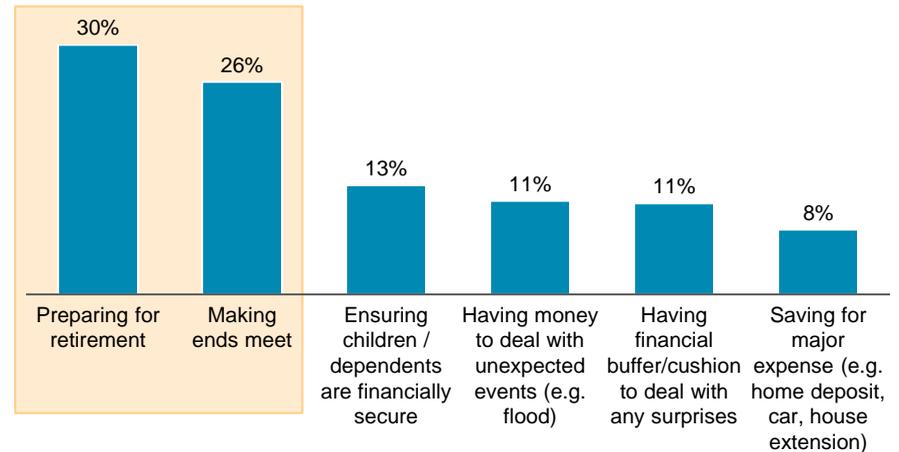
Certain populations have deep-seated anxieties about their finances

Feeling about managing finances
(% of respondents, n=5018)



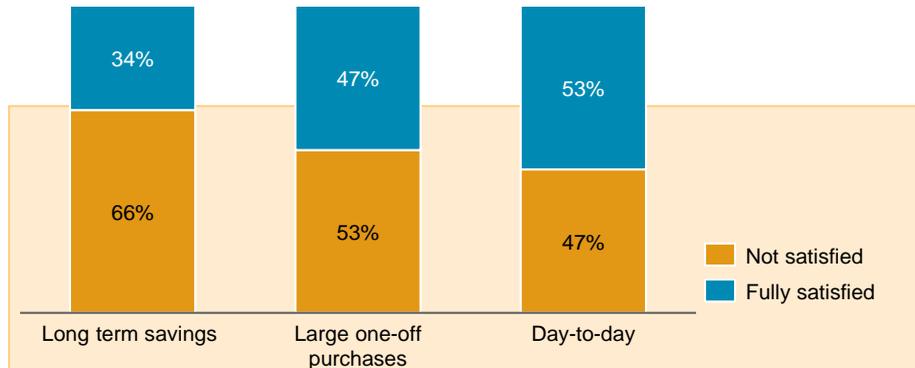
Retirement and making ends meet are the top financial concerns

Main concerns regarding financial affairs
(% of respondents, n=5018)



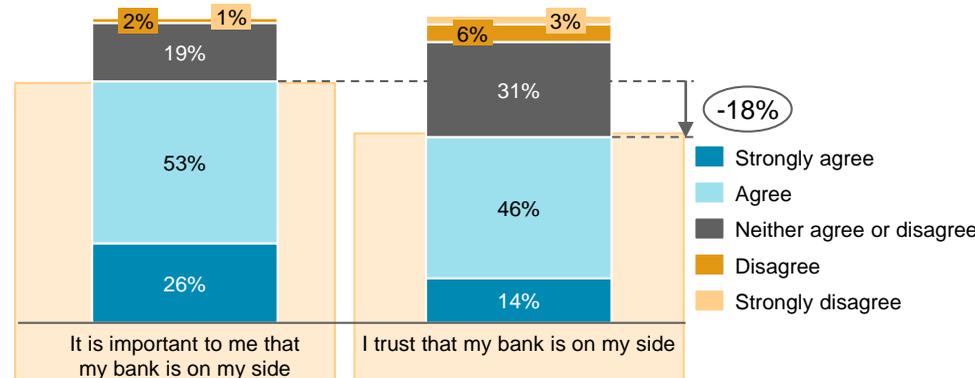
Many customers are dissatisfied with their spending / savings decisions

Satisfaction with spending / savings
(% of respondents, n=5018)



Bank trust is high, though there is a gap between how important bank trust is to respondents and whether they trust their bank

Trust in banks
(% of respondents, n=5018)



Customer research and proposition tailoring are essential to design greenfield offerings set up for success – one size fits all will leave business on the table

Neo-bank users are young, high income, urban, and digitally active

Neo-bank user profile

339 respondents

60% below 35 years old

38% income above 40k

46% urban

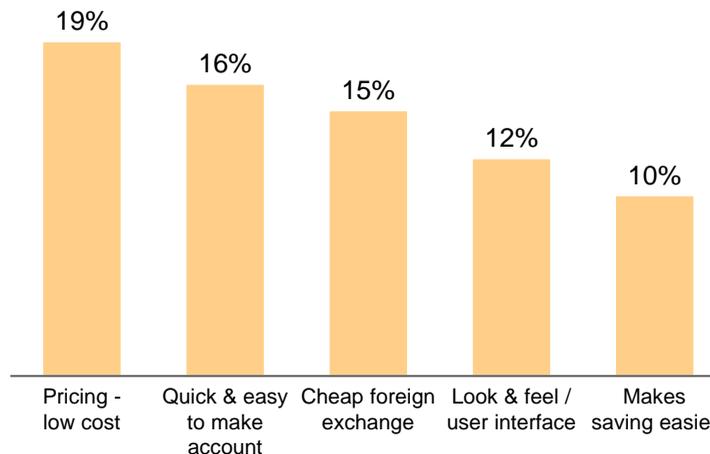
41% use neo-insurers

76% use mobile banking more than once a month

81% use other internet-enabled services (e.g. Netflix)

Pricing, ease of onboarding and cheap foreign exchange were the main reasons for using a neo-bank across most countries

Top 5 reasons for using a neo-bank (% of neo-bank users, n=339)

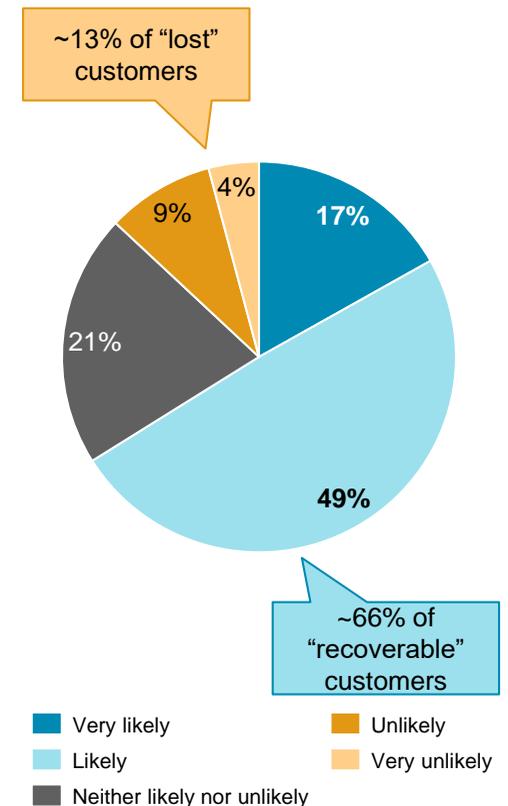


Rank

	UK	DE	IT	FR	ES
Pricing - low cost	2nd	1st	1st	1st	2nd
Quick & easy to make account	3rd	-	2nd	3rd	1st
Cheap foreign exchange	1st	-	-	3rd	3rd
Look & feel / user interface	-	2nd	-	-	-
Makes saving easier	-	3rd	3rd	-	-

~2/3 of customers would be happy to use a traditional bank which offered similar propositions and pricing

Likelihood of preferring trad. provider (% of neo-bank users, n=339)

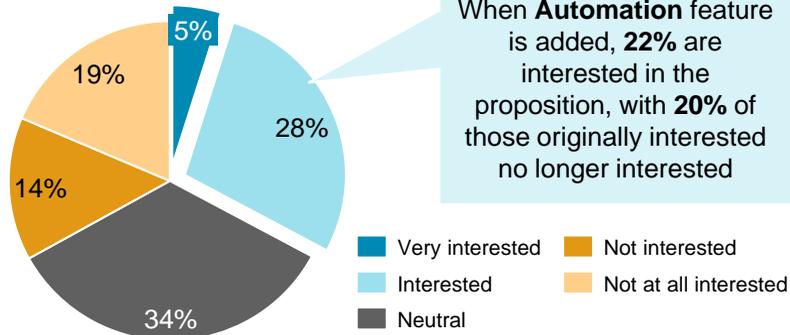


There is scope for banks to provide a new digital proposition around analytics and personalised advice, while managing fears of automation and data sharing

Interest in proposition

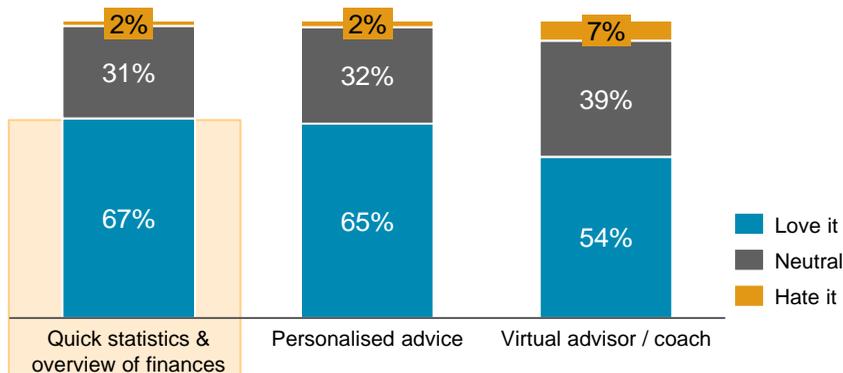
1/3 of respondents would be interested in a proposition which aggregates their financial products

Interest in proposition
(% of respondents, n=5018)



Respondents interested in the proposition liked the quick statistics the proposition could provide

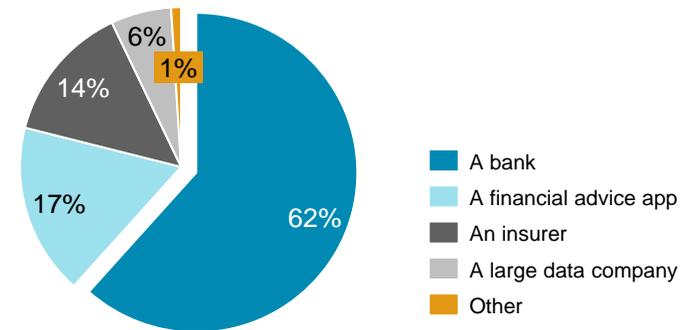
Respondents' feelings about proposition features
(% of respondents, n=1647)



Delivery of proposition

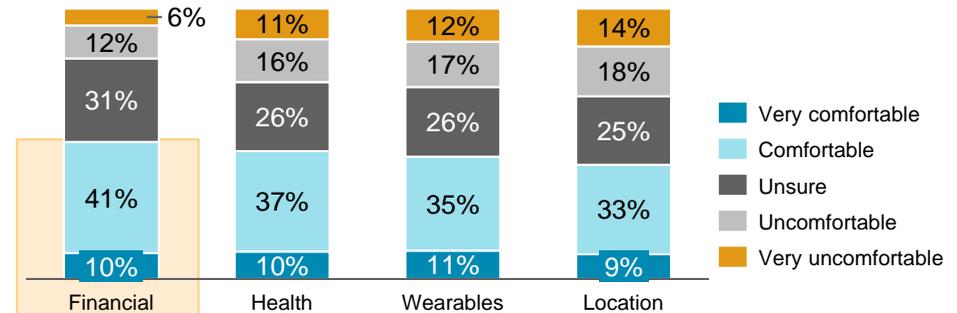
Banks are the most popular provider of choice for such a proposition

Provider of choice
(% of respondents interested in proposition, n=1368)



Respondents are most comfortable sharing financial data to access this proposition

Comfortability sharing data
(% of respondents interested in proposition, n=1368)

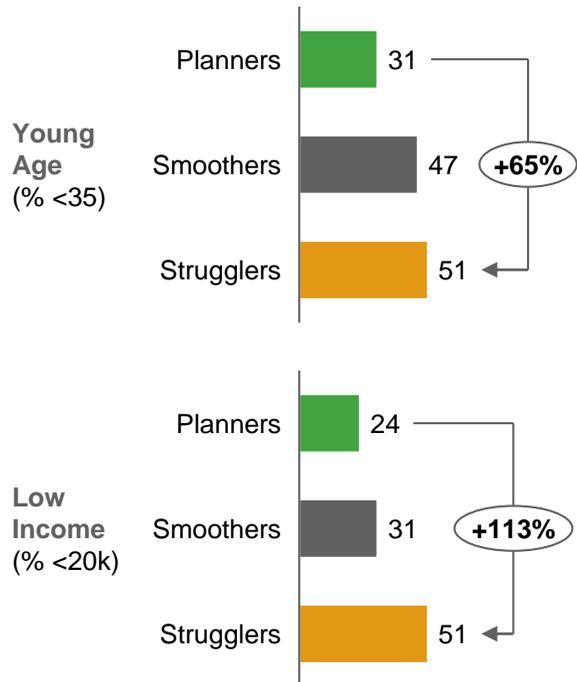


What customers worry about is a big determinant of their interest in various digital propositions – “smoothers” most susceptible to digital offerings today

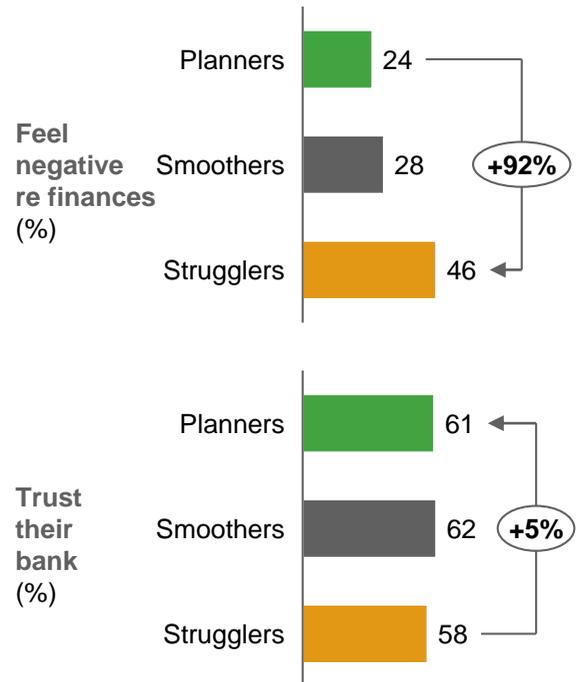
Main identified segments and their concerns

<p>Strugglers Main concern: <i>Make ends meet</i></p> 	<p>Smoothers Top concern: <i>Funds to deal with the unexpected</i></p> 	<p>Planners: Top Concern: <i>Save for retirement</i></p> 
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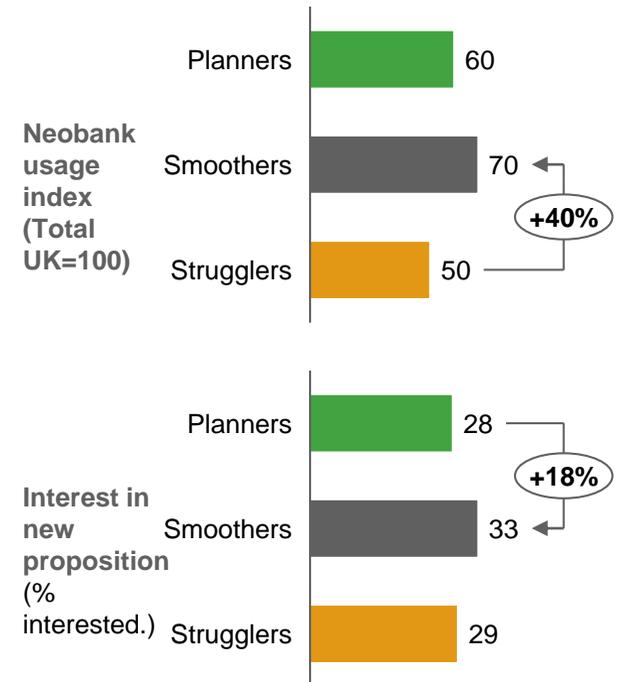
Different profiles by segment



Different feelings by segment



Different interest in neo / digital propositions by segment



Note: all segment statistics are provided at a global level.

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