

## The Digital Proposition of retail banks in Europe: 14 click & mortar banks compete with the top neobanks within D-Rating's EURO-58.

Paris, October 30th, 2020

The following study and ranking of European retail banks is based on 500+ indicators measuring the performance of customer journeys, contact channels, features and banking offerings on digital channels. Digital proposition is one of the three areas assessed by D-Rating to deliver the overall digital performance rating every year.

The current COVID-19 health crisis represents a large-scale stress-test for retail banks. In financial results from the first half of 2020, European banks have reported a decrease in their retail banking activities with, sometimes, a steep decline, such as HSBC UK, which has reported a 19% decline in its net operational income as well as its stock value being halved since January 1st<sup>1</sup>. Despite this challenging environment, a few banks – such as CaixaBank in Spain or Nordea in the Nordic countries – have been able to maintain stable revenues.

Observing such contrasted results solely through a digital lens would evidently be simplistic, however, COVID-19 has undeniably accelerated banking digital usage during the last few months. This context has also revealed the level of digital readiness of the different market players. According to App Annie, the mobile data and analytics company: “The monthly time spent on mobile applications has increased by 40% in Q2 2020 as compared to the year prior”. As for the banking sector specifically, D-Rating announced as early as April 2020<sup>2</sup> that “the banks recording the highest level of traffic and engagement are the ones with the best rated mobile applications”.

Given the reduced access to physical branches, the digital proposition of banks has become a major competitive advantage, even more so for those able to offer contact channels rich in features and efficient customer journeys.

### Major gaps were observed among European banks on the level of their digital proposition

D-Rating, the first digital performance rating agency, has extended its rating scope to a larger European geography named EURO-58, which consists of a group of 58 brands and includes a selection of click & mortar banks, online banks and neobanks.

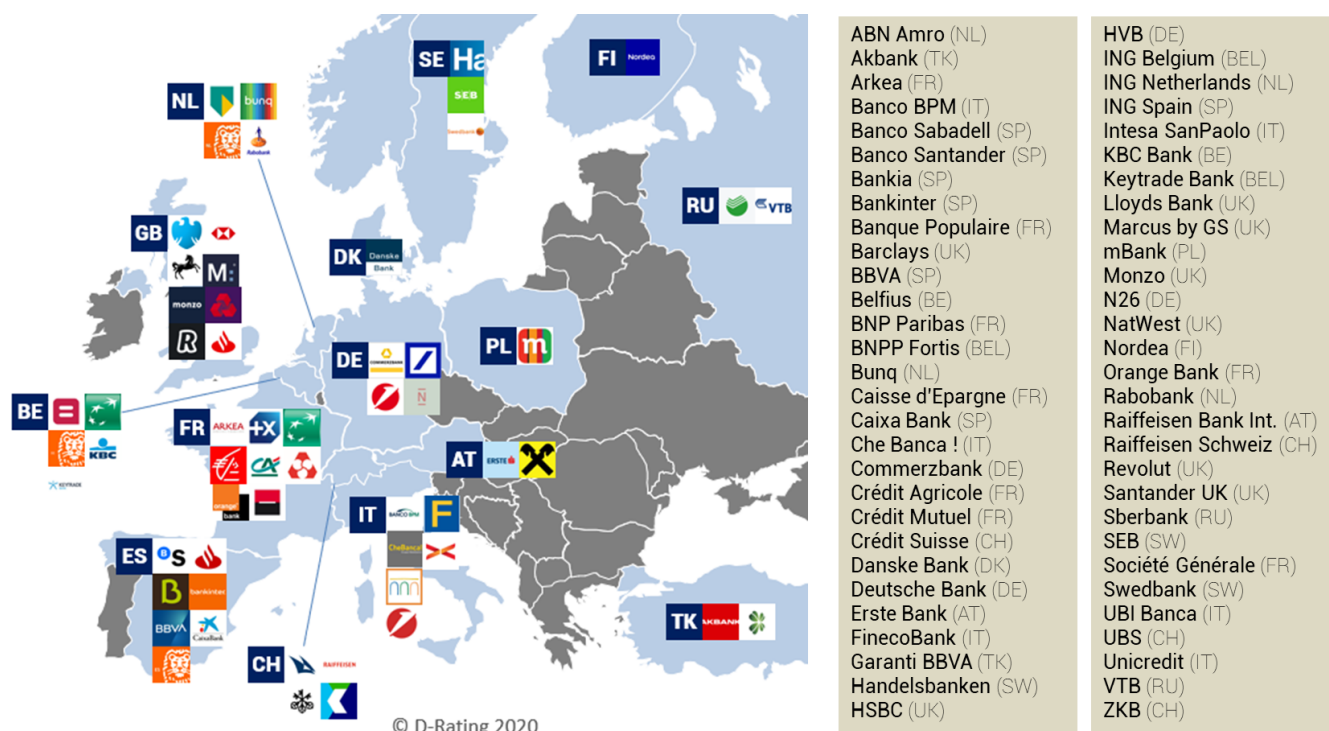
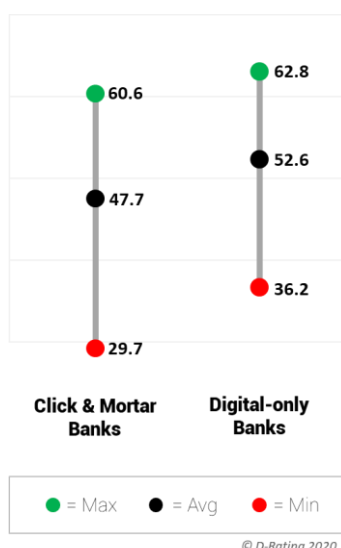


Exhibit 1 – the 58 retail banking brands that constitute D-Rating's EURO-58

<sup>1</sup> On October 16th, 2020

<sup>2</sup> <https://www.d-rating.com/post/2020/04/16/evolution-of-the-use-of-mobile-banking-in-the-context-of-the-covid-19-crisis-in-spain-fra>

The comparative Digital Proposition evaluation of the EURO-58 brands has shed light on notable disparity in terms of performance. While a few click & mortar banks score as high as the top neobanks, others seem to lag behind in their customer relationship digital transformation.



*Exhibit 2 – Maximum, minimum and average values of the Digital Proposition scores by bank category among Euro-58 banks*

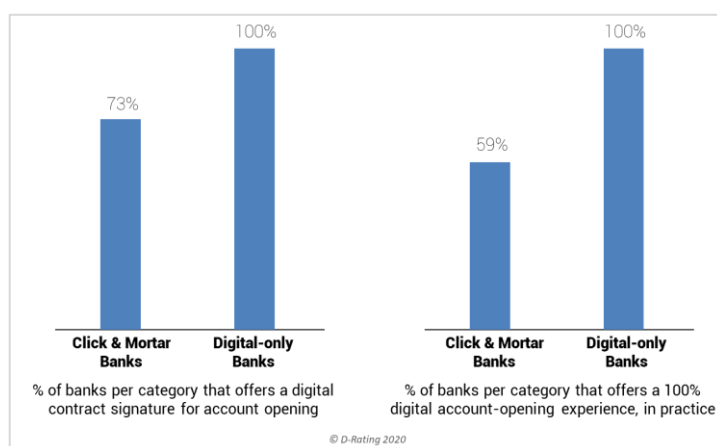
### Full digital account opening in fewer than 60% of the EURO-58 click & mortar banks

Being the very first step with a new customer, the ability to open an account 100% online (i.e. without branch visit, postal correspondence or telephone call) represents an informative proxy of retail bank digitalization.

Seventy three percent of the 51 click & mortar banks in the EURO-58 offer online contract signing options, and could in theory offer a 100% online account opening journey, but in reality, only 59% of them actually allow it. D-Rating's mystery shopping tests have revealed that in order to open accounts:

- 4 banks demanded a postal correspondence,
- 9 banks required an in-person branch visit,
- 15 banks needed a telephone call.

In contrast, all the 'digital-only' banks in the EURO-58 offer a 100% digital account opening experience.



In order to accelerate the availability of a bank card, neobanks offer a temporary virtual card that can be used immediately for online purchases while the physical card is on its way. Today only 5 of the 51 EURO-58 click & mortar banks offer this option.

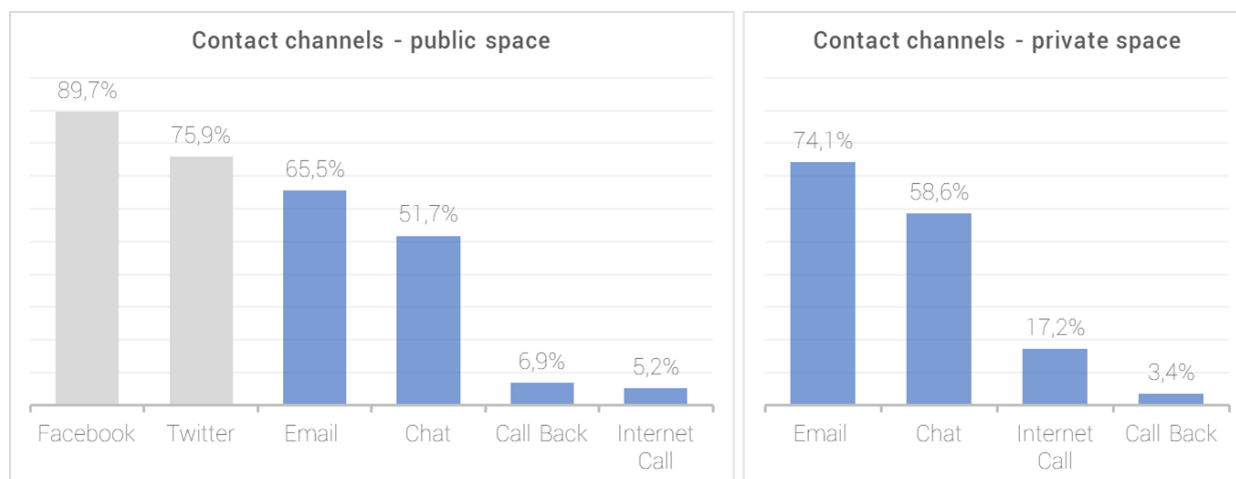
Ultimately, the average time needed to fully open an account and gain access to a card varies from less than a day to 25 days depending on the EURO-58 bank. This waiting time averages at 7 days for 'digital-only' banks and at 10 days for click & mortar banks.

### Digital communication channels are reduced to a bare minimum for some EURO-58 banks

While the COVID-19 context urges remote communication and virtual customer advice, it is rather striking to observe that digital contact channels are not yet fully integrated by all EURO-58 banks.

In the public space available to prospective customers, email and/or chat options are available with 83% of the EURO-58 banks. Communication via social media (Facebook and Twitter) is also present. However, 'call-back' services or Internet calls are offered by only a small minority of the banks.

In the personal space available to clients, email and/or chat services are available with 93% of the EURO-58 banks. Internet calls are available with around one sixth of the banks, and 4 EURO-58 banks offer no digital contact channel within the client's private space.



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*Exhibit 3 – The different contact channels offered by the EURO-58 banks*

Web and/or app chatbots are available in the client's private space with 48% of the EURO-58 banks, but some of them have shown low effectiveness, which is a sign of a lack of grasp of the technologies deployed. 37% of the tested chatbots were not able to effectively address all our test questions as part of D-Rating's assessment process.

Lastly, 67% of the EURO-58 banks offer appointment scheduling via their websites and/or mobile apps, but only 21% of them offer a video call option.

### **EURO-58 banks show major disparities in terms of mobile app features; a few click & mortar banks are ahead of neobanks**

With regards to mobile app features, we observed large disparities among the banks that mainly focus on account management (e.g. UBI Banca in Italy) and those with the richest and most advanced features (e.g. BBVA in Spain, which surpasses N26 in this territory)

The scope covered by the most comprehensive mobile apps is rather homogenous on features related to account management, personal finance management (PFM) and account aggregation, but the scope is more differentiated on card payment features, money transfer, biometric identification and on other features related to geolocalisation or document management.

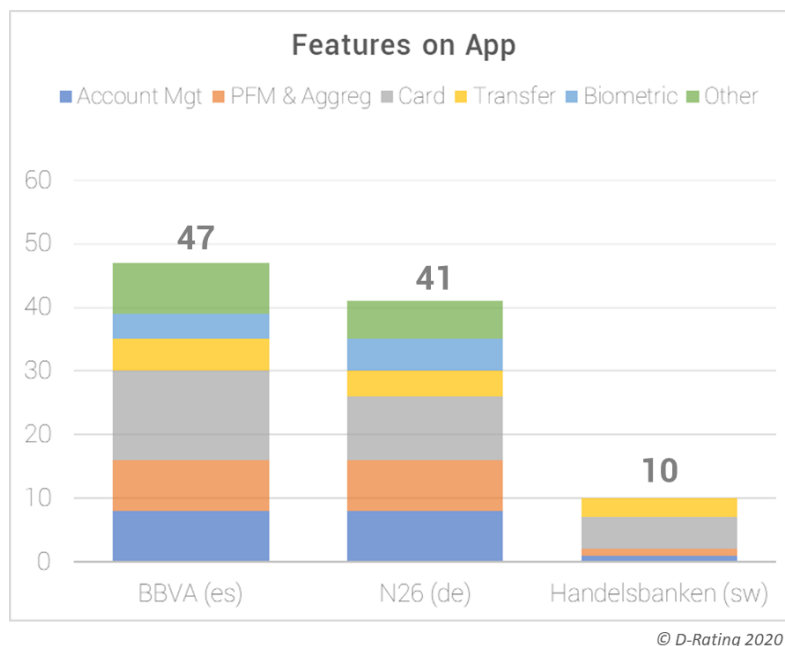


Exhibit 4 – Number of app features covered by BBVA, N26 and Handelsbanken, among the 66 app features assessed by D-Rating

Half of the EURO-58 banks offer account aggregation services on their web and/or mobile apps. This service provides the client with a visibility over all their accounts and transactions, including those with other banks, thus favouring a centralised banking relationship within the said bank environment.

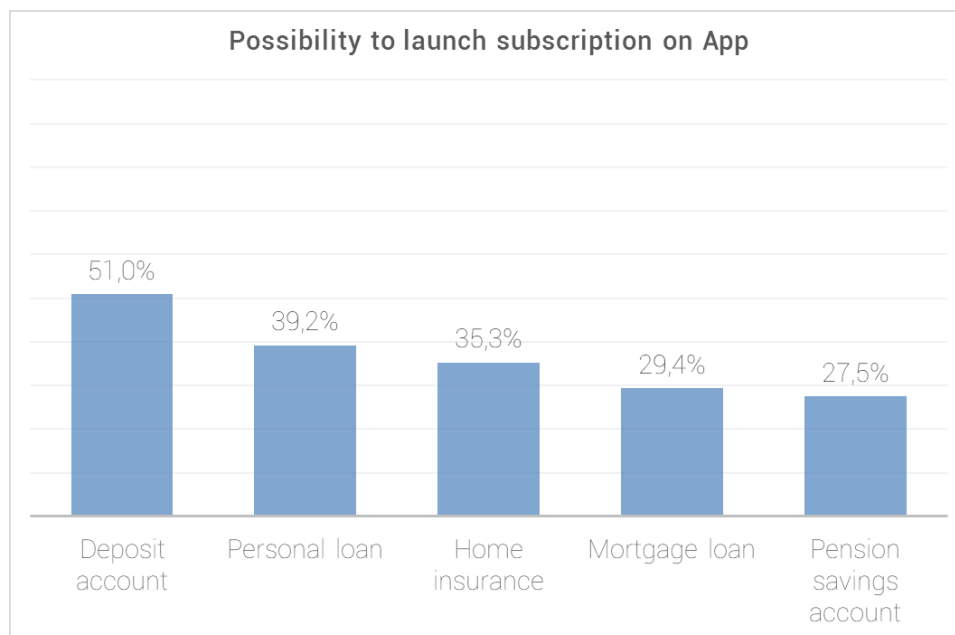
A few banks go as far as using account aggregation open banking systems to allow customers to test the mobile apps with their banking data. Account aggregation features may be becoming a new client acquisition and retention tool for click & mortar banks. Proportionally, click & mortar banks are more active on this specific topic than 'digital-only' banks.

However, in the personal finance management (PFM) territory, spending alert features are seldom offered on mobile applications. Such features were observed with only 28% of the banks, mostly click & mortar banks.

### Subscription to banking products on mobile apps is still limited for most banks

Upon opening a bank account, the ability to fully digitalise the entire banking relationship depends on the scope of products available online, especially on mobile apps. A bank's ability to advertise its offerings on digital channels and to allow easy subscription on mobile applications could potentially positively impact its bottom line.

Most EURO-58 banks offer limited possibilities. About half of the banks assessed allow mobile app subscription to an interest deposit account, and fewer than 40% to a personal loan or home insurance. Fewer than 30% of the banks allow clients to start a subscription to mortgage loans or pension savings accounts.



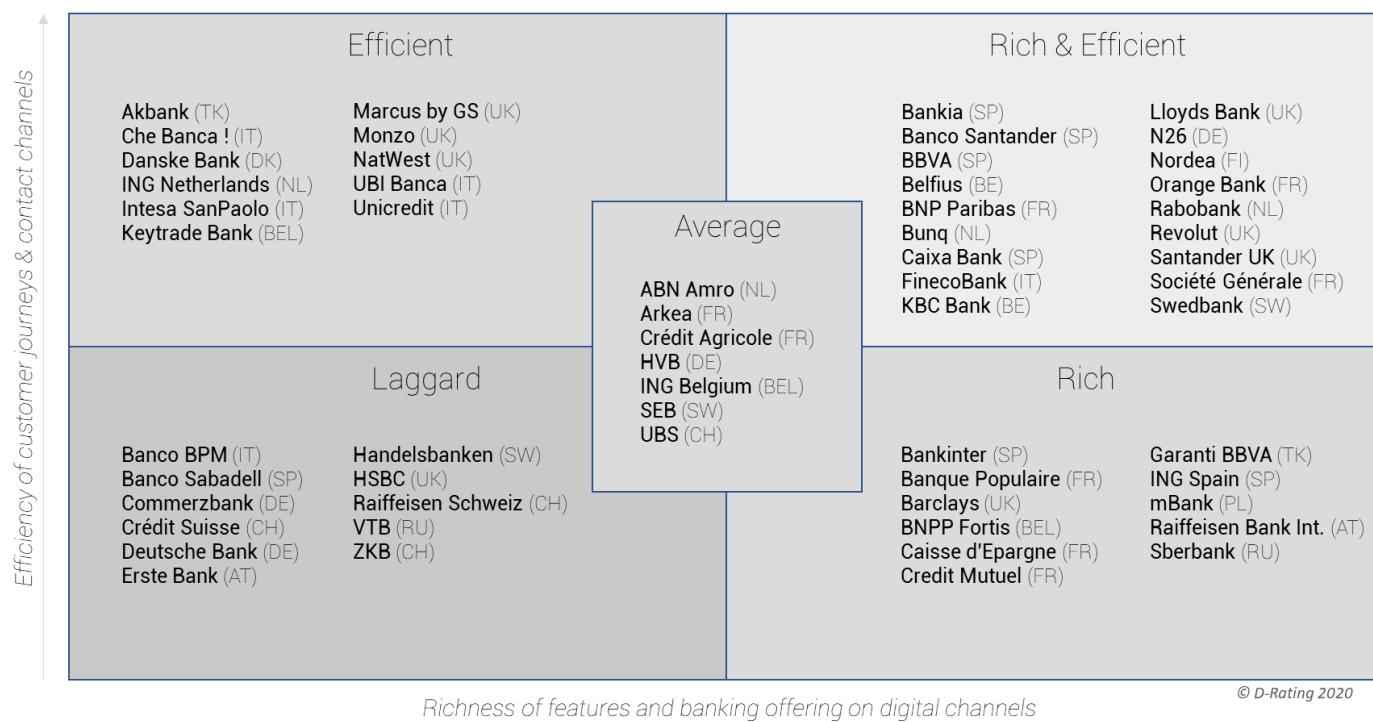
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Figure 5 - % of the EURO-58 brands that offer the possibility to start a subscription on the app, by banking product

### Lastly, 14 click & mortar banks truly compete with the top neobanks

Retail banks differentiate themselves in digital proposition in the two following ways:

- The *richness* of features and the banking offering on digital channels,
- The *efficiency* of digital customer journeys and contact channels.



Note : DNB (NOR) & BPER Banca (IT) - not able to be tested by mystery shoppers – were excluded from 2020 rating campaign

Exhibit 6 Positioning of EURO-58 banks in terms Richness vs. Efficiency of the digital proposition

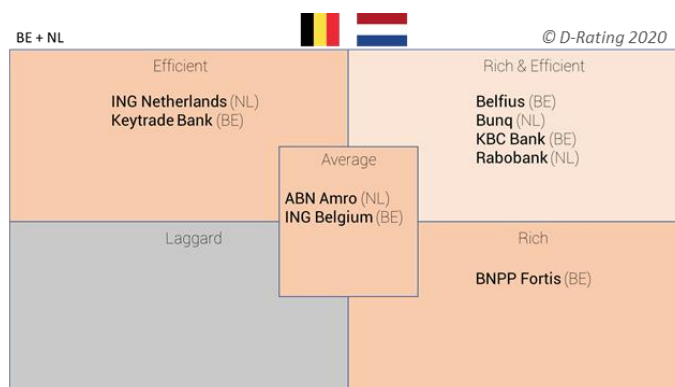
14 click & mortar banks from the EURO-58 - *Bankia, Banco Santander, BBVA, Belfius, BNP Paribas, Caixa Bank, FinecoBank, KBC Bank, Lloyds Bank, Nordea, Rabobank, Santander UK, Société Générale and Swedbank* banks - differentiate themselves with an above average level of richness and efficiency, thus competing with the top neobanks.

This digital proposition outperformance is an asset not only in acquiring and retaining customers, who are increasingly demanding when it comes to digital experience, but also in increasing the bottom line.

## Belgium and the Netherlands

The majority of Belgian and Dutch EURO-58 brands offer competitive digital proposition efficiency.

Four brands outperform with a digital proposition that is both rich and efficient: Belfius, Bunq, KBC Bank and Rabobank.

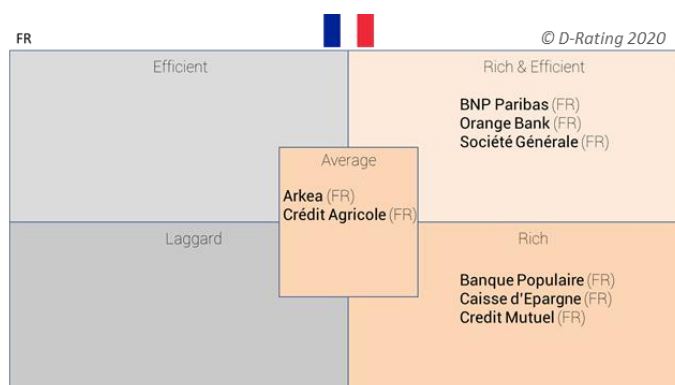


## France

All French EURO-58 brands are well positioned in the richness of their digital proposition.

‘Mutualist’ banks seem to prioritise investment in richness rather than client journey efficiency, by targeting customer loyalty over new client onboarding.

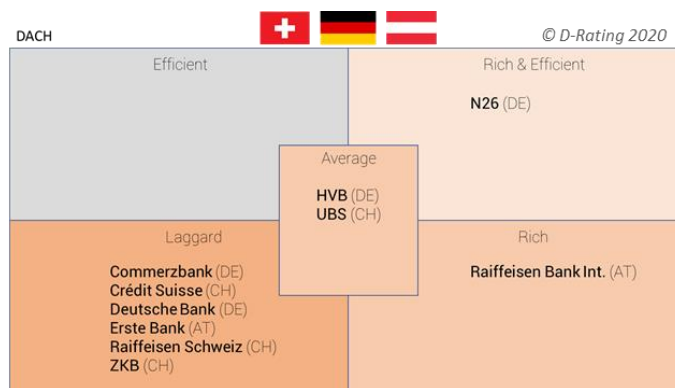
Three French brands outperform with a digital proposition that is both rich and efficient: BNP Paribas, Orange Bank and Société Générale.



## Germanic countries

The majority of Germanic EURO-58 brands have a lower than average scoring in digital proposition efficiency.

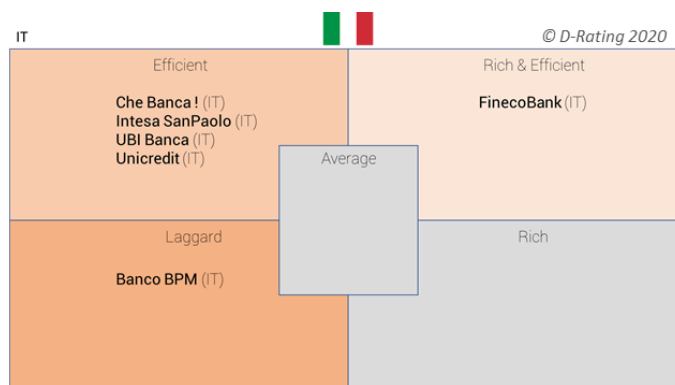
Only one brand outperforms with a digital proposition that is both rich and efficient: N26.



## Italy

All Italian EURO-58 brands are well rated in digital proposition efficiency, with the exception of Banco BPM.

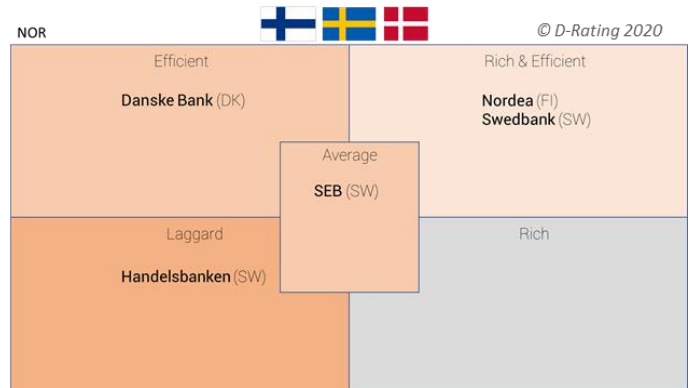
One single Italian brand outperforms with a digital proposition that is both rich and efficient: FinecoBank.



## Nordic countries

Nordic EURO-58 brands have diverse positionings in terms of digital proposition efficiency.

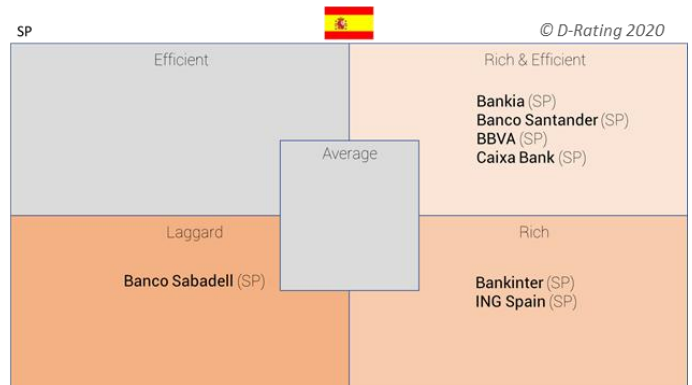
Two Nordic brands outperform with a digital proposition that is both rich and efficient: Nordea and Swedbank.



## Spain

All Spanish EURO-58 brands are well rounded in the richness of their digital proposition, with the exception of Banco Sabadell.

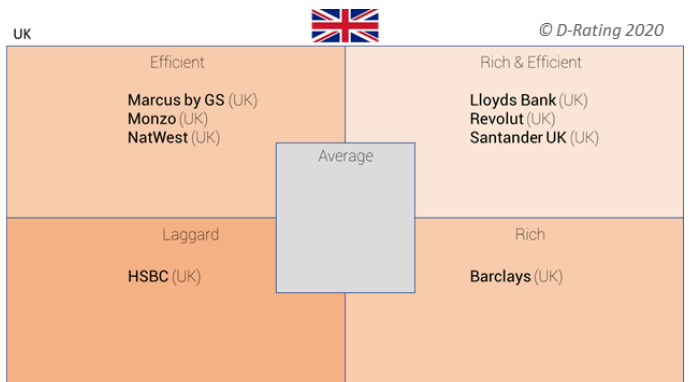
Four Spanish brands outperform with a digital proposition that is both rich and efficient: Bankia, Banco Santander, BBVA and Caixa Bank.



## United Kingdom

The majority of British EURO-58 brands offer competitive digital proposition efficiency.

Three British brands outperform with a digital proposition that is both rich and efficient: Lloyds Bank, Revolut and Santander UK.



### About D-Rating

Created in early 2017, D-Rating is the first rating agency for companies' digital performance.

D-Rating provides all market players (investors, financial analysts, fund managers and companies) with an independent rating of the digital competitiveness of companies likely to impact their business performance in the medium term.

Thanks to an innovative approach based on a data-driven methodology - including the analysis of 700+ indicators - D-Rating is already a standard in the financial services sector and is now engaged in the deployment of its activities worldwide and in multiple sectors of activity.