PSD2 and Open banking

Revolution or evolution?

7th March 2019

kpmg.pl
Survey methodology

- The survey among consumers conducted by Norstat on sample of 1210 people
- CATI (Computer Assisted Telephone Interview) in December 2018
- The survey among banks and TPPs was conducted by KPMG and Polish Banks Association in January and February 2019
- We received 73 filled questionnaires

Source: KPMG in Poland based on questionnaire survey.
Most of the Polish banks perceive PSD2 either as another regulation or as an opportunity

Whereas most cooperative banks see it either as a threat or another regulation
Competition for banks in short term

Competition from which entities will be the biggest challenge for banks in short term (up to 1 year) after the implementation of the PSD2 directive?

- Other banks: 41%
- Technology companies (fintech): 26%
- In short term there are no challenges regarding competition: 21%
- Card operators (e.g. VISA, Mastercard): 6%
- GAFA (Google, Apple, Facebook, Amazon): 6%

- Banks as the main competitors
- Fintechs watched carefully
- Banks still have customers’ trust
- Telecoms are not perceived as a threat at all

Source: KPMG in Poland based on questionnaire survey.
Competition from which entities will be the biggest challenge for banks in medium term (2-3 years) after the implementation of the PSD2 directive?

- Fintechs are the biggest threat
- GAFA enters the market
- Banks still remain important competitors

Source: KPMG in Poland based on questionnaire survey.
Competition from which entities will be the biggest challenge for banks in long term (over 3 years) after the implementation of the PSD2 directive?

- **GAFA (Google, Apple, Facebook, Amazon)**: 53%
- **Technology companies (fintech)**: 32%
- **Other banks**: 9%
- **Telecommunication companies**: 3%
- **Other**: 3%

➢ **GAFA is the biggest threat**
➢ **Fintechs still very strong**

Source: KPMG in Poland based on questionnaire survey.
Which of the following companies do you trust?

- **Banks**: 41%
- **Google**: 38%
- **Facebook**: 22%
- **Cooperative banks**: 15%
- **Telecommunications companies**: 14%
- **Apple**: 13%
- **Other technology companies**: 5%
- **Credit unions (SKOK)**: 3%
- **Loan companies**: 2%
- **None of listed**: 32%

Source: KPMG in Poland based on questionnaire survey.

- **Banks are the most trusted institutions**
- **Google and Facebook are right behind the banks**
- **There is generation gap – more than half of people aged 18-24 trust Facebook and Google**
- **Is trust a key to access our accounts in banks?**
Sharing electronic banking details

Which companies listed below would you share your data concerning…?

### Bank account login details

<table>
<thead>
<tr>
<th>Company</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banks</td>
<td>25%</td>
</tr>
<tr>
<td>Cooperative banks</td>
<td>7%</td>
</tr>
<tr>
<td>Google</td>
<td>6%</td>
</tr>
<tr>
<td>Telecommunications companies</td>
<td>3%</td>
</tr>
<tr>
<td>Apple</td>
<td>3%</td>
</tr>
<tr>
<td>Facebook</td>
<td>3%</td>
</tr>
<tr>
<td>Other technology companies</td>
<td>2%</td>
</tr>
<tr>
<td>Credit unions (SKOK)</td>
<td>1%</td>
</tr>
<tr>
<td>Loan companies</td>
<td>1%</td>
</tr>
<tr>
<td>None of listed</td>
<td>1%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>68%</strong></td>
</tr>
</tbody>
</table>

### History of bank transactions

<table>
<thead>
<tr>
<th>Company</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banks</td>
<td>32%</td>
</tr>
<tr>
<td>Cooperative banks</td>
<td>8%</td>
</tr>
<tr>
<td>Google</td>
<td>3%</td>
</tr>
<tr>
<td>Telecommunications companies</td>
<td>2%</td>
</tr>
<tr>
<td>Apple</td>
<td>2%</td>
</tr>
<tr>
<td>Facebook</td>
<td>2%</td>
</tr>
<tr>
<td>Other technology companies</td>
<td>1%</td>
</tr>
<tr>
<td>Credit unions (SKOK)</td>
<td>1%</td>
</tr>
<tr>
<td>Loan companies</td>
<td>1%</td>
</tr>
<tr>
<td>None of listed</td>
<td>2%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>61%</strong></td>
</tr>
</tbody>
</table>

Source: KPMG in Poland based on questionnaire survey.

- This is where educations of clients pays off
- Trust ≠ Desire to share my banking data
- Young people are more eager to share their data to Google, Facebook and Apple (7-9%)
New products and services

Do you think that implementation of PSD2 in Polish market will result in development of new, innovative services and financial products?

- **Total**: 84% YES, 7% NO, 9% DO NOT KNOW
- **Banks**: 79% YES, 9% NO, 11% DO NOT KNOW
- **Cooperative banks**: 69% YES, 13% NO, 18% DO NOT KNOW
- **TPP**: 96% YES, 0% NO, 0% DO NOT KNOW

Source: KPMG in Poland based on questionnaire survey.

- **All agree – there will be new, innovative products introduced to the market**
- **What kind of products?**
  - New products for the same clients? (opportunity)
  - New products for new clients? (opportunity / threat)
  - New products and new markets? (opportunity)
Threats

Do you think that companies outside the banking sector may “take over” relations between the client and the bank using opportunities provided by PSD2?

- Most of banks and TPPs claim that introduction of PSD2 will result in greater customer mobility from one company to another.
- Cooperative banks are not so sure. Different type of client?
- 1/5 of TPP and ¼ of banks do not see such a threat.

Source: KPMG in Poland based on questionnaire survey.
Expansion into European market

Do you consider taking advantage of PSD2 and carry out expansion into the European markets?

- **Total**: 18% YES, 49% NO, 33% DO NOT KNOW
- **Banks**: 15% YES, 50% NO, 35% DO NOT KNOW
- **Cooperative banks**: 15% YES, 69% NO, 16% DO NOT KNOW
- **TPP**: 39% YES, 30% NO, 31% DO NOT KNOW

Source: KPMG in Poland based on questionnaire survey.

➢ Fintechs are convinced that the international expansion is the right direction
➢ Banks are not so enthusiastic
Expansion into European market

Do you consider taking advantage of PSD2 and carry out expansion into the European markets?

➢ Fintechs did their homework related to the strategic plans
➢ Banks have a lot to do in this area

Source: KPMG in Poland based on questionnaire survey.

- Work on changes in current business processes
- Work on the company’s strategy related to the entry into force of PSD2
PSD2 business opportunities

➢ Personal finance management is rather common idea how to use PSD2
➢ Services based on data analytics – how new data can increase banks’ knowledge about their clients?
➢ TPPs finally have access to data they did not have before.
➢ New payments products – cooperative banks and TPPs

What new business opportunities does the PSD2 directive provide?

Source: KPMG in Poland based on questionnaire survey.
PSD2 business opportunities

- Advisory services for clients – only 1/3 of companies. So the data is not enough to help client make their decision?
- Only ¼ of companies see new products in the area of investment management.
- 1/3 of banks and only 1/5 of cooperative banks think about customization of existing products.

<table>
<thead>
<tr>
<th>Advisory services</th>
<th>Total</th>
<th>Banks</th>
<th>Cooperative banks</th>
<th>TPP</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>32%</td>
<td>39%</td>
<td>31%</td>
<td>21%</td>
</tr>
<tr>
<td>Investment management</td>
<td>25%</td>
<td>36%</td>
<td>13%</td>
<td>17%</td>
</tr>
<tr>
<td>Customization of current products</td>
<td>32%</td>
<td>33%</td>
<td>19%</td>
<td>38%</td>
</tr>
</tbody>
</table>

Source: KPMG in Poland based on questionnaire survey.
Summary

➢ Banks see PSD2 as opportunity whereas cooperative banks see it as a threat
➢ Competition in short term comes from other banks while in long term from technology companies and GAFA
➢ Although people trust banks and big fintech companies they wouldn’t share their financial data with the latter
➢ All of the participants see potential for new products – only products are not yet defined
➢ Most of the companies see that there will be some customers’ mobility from banks to TPPs
➢ Expansion to other European countries is right now not on the table
➢ Banks, cooperative banks and even TPPs need to rewrite their strategy

Its going to be revolution but in evolutonal way
Thank you