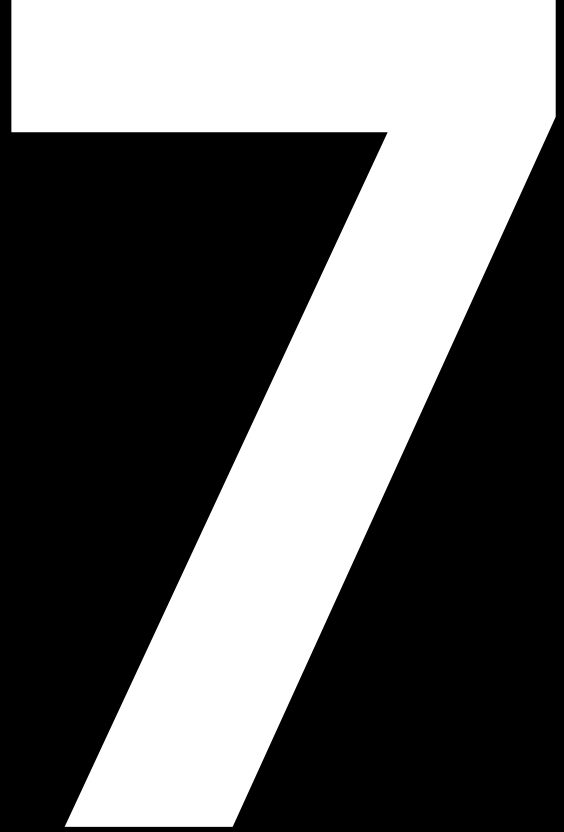


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Coding Colorful Banking
www.soprabanking.com



convictions for
the future of banking



Sopra Banking
Software

Digital banking is now more than ever a vital tool for banks to gain an edge on competitors and lead the way forward in the industry. Meanwhile, digital consumers are becoming increasingly empowered, demanding a world-beating customer experience from their banks. And business models are shifting, too, as open banking and open finance continue to reshape the financial services industry.

For banks to succeed in this ever-changing landscape, they need to be invisible, connected, insights driven and purposeful. And to do this, they must pivot toward an ecosystem-based operating model with strong, trusted partnerships.”

Éric PASQUIER

Chairman of Sopra Banking Software



Executive summary

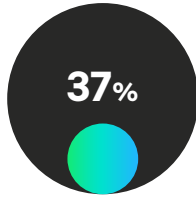
In October 2021, Sopra Steria and Forrester delivered a report entitled “**Master Ecosystems To Be Future-Ready In Banking.**” The report – the first milestone in our annual reports we will deliver to the financial services industry – was built following an online survey conducted with more than 900 decision-makers at banks globally to evaluate banks’ strategic focus around digital banking.

Given Sopra Steria’s experience as a group leader in financial services and leveraging the

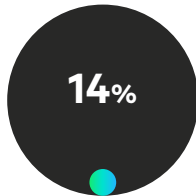
results of the survey, as well as insights provided by Forrester, we have identified seven key tenets that we believe will be fundamental to the future of our industry.

We believe that these tenets will be essential markers for industry players to consider as they move forward.

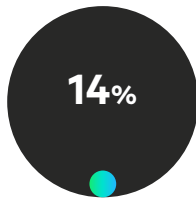
Here, we’ve outlined each of these Convictions, as well as statistics and quotations from the Forrester report to support them.



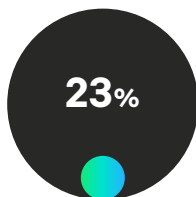
Explorer



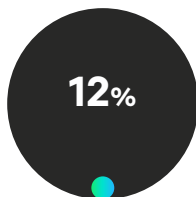
Technologist



Strategist



Specialist



Pioneer

Digital banking maturity assessment

As part of our report, Sopra Steria and Forrester uncovered and grouped banks' respondents into five different categories of readiness: Explorer, Technologist, Strategist, Specialist and Pioneer. The table opposite shows some key stats about each category, as well as a brief description.

Throughout the following pages, we will consider how each category of digital banking readiness relates to our seven convictions.

	<i>% of total sample</i>	<i>Key facts</i>
Explorer	37%	<ul style="list-style-type: none"> • Developing a clear strategy and vision is a fundamental priority • Must focus on building a digital-first, collaborative culture and mindset • Need to establish, invest in and nurture their collaborative ecosystems
Technologist	14%	<ul style="list-style-type: none"> • Strong in technology and processes, but weak in strategy and culture • Requires buy-in of senior leadership to accelerate path to future-readiness • Need to build skill and competence and cement cultural change to fully transform
Strategist	14%	<ul style="list-style-type: none"> • Strong strategic and cultural foundation but processes and technologies are not yet fully formed • Next step will be to balance vision with underpinning technology • Need to assemble stronger tech stacks through the right investments, partnerships, and expertise
Specialist	23%	<ul style="list-style-type: none"> • Strong in all areas but yet to perfect ecosystem engagement • Focused strategies, strong technology competence and internally optimized • Need to get better at seeking out and curating partnerships
Pioneer	12%	<ul style="list-style-type: none"> • Future-ready. Current priorities sorted and a clear future vision for their operating model • Significantly ahead in mastery of both digital and CX capabilities, prioritizing progress evenly across the board • Embraces partner ecosystems, nurturing relationships to deliver value

We believe that disruption is leading banks toward the construction of integrated business ecosystems, where combined solutions of their services or third parties are offered within one seamless experience.

"Banks no longer have the option to go alone. If they're going to compete with digital players, they need to partner up. That's the only way that they'll succeed in providing a world-beating customer experience."



Éric BIERRY,
CEO, Sopra Banking
Software

Disruption in banking

The advent of digital tools and shifting customer behaviors has ushered in a new wave of digitally savvy competitors. This wave of agile "challenger banks" has increased the pressure on incumbent banks, forcing them to rethink their business models and deliver slicker, more digital services and products.

38%

of retail banks surveyed said that "increased competition from digital-first providers" was their biggest challenge when it comes to digital banking.

"Banks need to be more willing to take risks. They need to work more like a venture when it comes to onboarding partners. A lot of banks I see are very cautious in their approach. They are designed like that, and they don't want to take risks, so they are working with one or two ventures maximum in a year, which for me is too little. They need to work with more partners. They need to think beyond the traditional way of thinking."

**CFO of a globally operating
fintech**

Creating new ecosystems

Banks recognize that they can't do it all on their own and plan to engage vendors for support with maturing their future digital capabilities.

28%

of retail banks surveyed said that building a marketplace, platform or ecosystem was a priority as part of their organization's future vision and roadmap.

"Banks really need to do more around customer experience. I think that translates to partner experience as well."

VP of an Asian payments platform

Leveraging ecosystems to improve customer experience

Over a quarter of retail banks surveyed said that fostering and supporting a network of business partners that add value and service to their organization's offerings was a key priority going forward.

A quarter of retail banks surveyed rated their organization's ability to deliver a seamless customer experience across all channels as between poor and average.

Pioneers are ready to engage, but other bank types less so

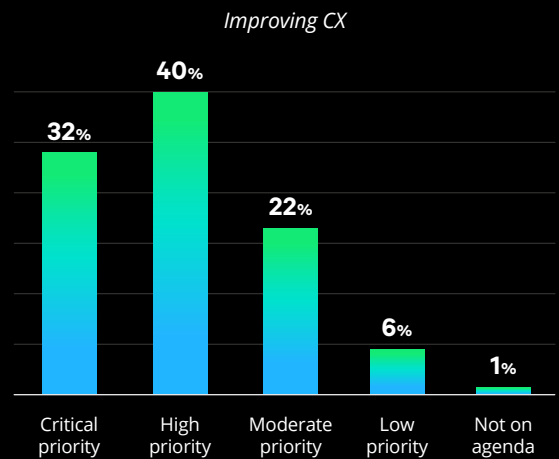
Besides the Pioneers, all of the bank archetypes need to improve their work with the digital ecosystem.

- Explorers have the most work to do, and should start by making sure they have a strong and clear foundation and vision in place before looking to work with third parties
- Technologists have the foundation in place, but they will need to work on shifting internal culture so that they are more ready to work with external organizations
- Strategists have the cultural mindset to collaborate, but will need to better ensure their technology capacities are up to scratch to do so
- Specialists are ready – culturally and technologically – to engage with the digital ecosystem, but they need to start reaching out to third parties to start building a network of partners

We believe that full digital Customer Experience is key for banks, as trust is a strong differentiator in an industry going through perpetual disruption. Engagement is vital as clients expect fast decisions within an end-to-end, humanized digital experience.

Customer experience is a high priority

A distinct rise in digital and highly personalized products and services has changed customer behaviors and expectations, creating a ripple effect across almost all industries, including financial services. From intuitive chatbots to instant payments, today's banks need to offer more to create a compelling customer experience (CX).



Improving CX with partners

“Customers around the world are more digitally savvy and empowered than ever before. It’s not just that they expect seamless and slick experiences, they demand them. The leading banks have learned from this and leverage their digital operations to improve customer experience.”

Laurence NICLOSSE,
Director of Customer Experience for Banks,
Sopra Steria Next



“Banks really need to do more around customer experience. I think that translates to partner experience as well.”

VP of an Asian payments platform

Key to improving CX is better understanding the wider context of a customer journey. Banks can leverage insights, expertise and technologies

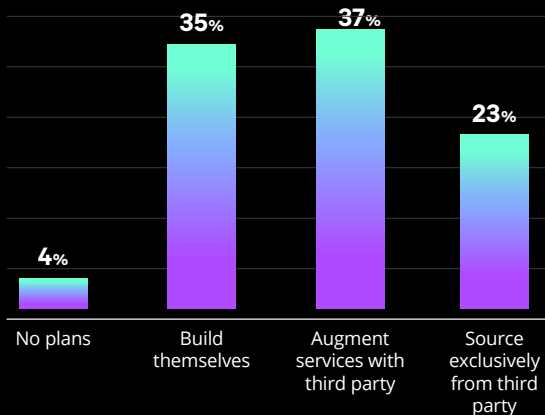
from partners to gain a more holistic view of their end-customers.

39%

By building ecosystems with trusted partners, respondents expected their banks to experience enhanced CX (39%) and improved customer satisfaction and loyalty (39%).

Most banks plan to work with a third party to improve their CX related products and services.

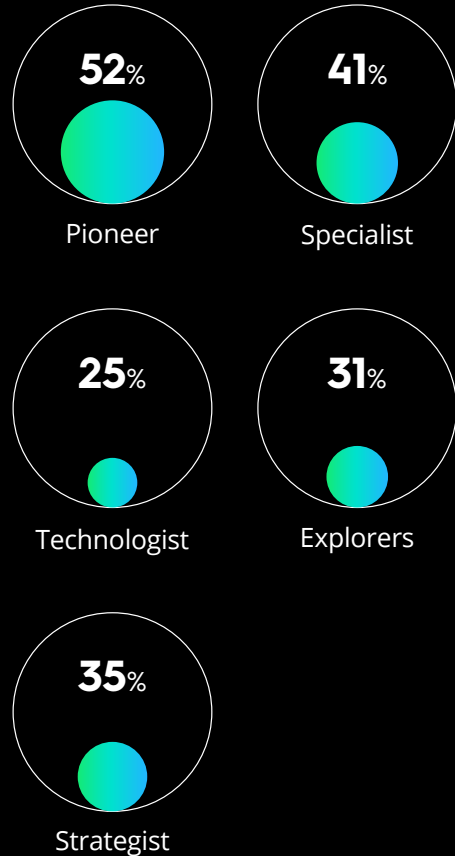
How do banks plan to improve customer onboarding and know-your-customer (KYC)?



Our archetypes show the importance of culture when it comes to CX

Across the board, Pioneers are streets ahead of the other archetypes. And for the most part, Explorers struggle to keep up in all areas related to CX except, however, when it comes to customer onboarding, where Technologists are the least prepared. Technologists' skills do, however, bear fruit compared to Explorers and Strategists in relation

to technology-focused competencies, such as integrating third-party tools to improve CX and leveraging customer insights.



We believe that BPO is transforming operations into a digital business model and “As-a-Services” is becoming the leading delivery mode, offering banks new ways to achieve operational efficiency, to reduce Timeto- Market, empowering new business models.

“Banks need to evolve across the two vital stages of digitalization and platformification to become banks of the future. Leveraging modern technology and collaborating with digitally savvy businesses will catapult banks to the forefront of innovative disruption.”



Yann METZ-PASQUIER,
General manager for NEO,
Sopra Banking Software

Providing embedded services to stay relevant

“Banks’ readiness to partner with fintechs has gone up, and we are seeing that with even the traditional banks. Now, all of them, even the smaller banks, are being forced into this way of thinking. They need to partner to stay relevant.”

CFO of a globally operating fintech

The industry is evolving faster and faster toward embedded finance. Indeed, in many ways it’s already a vital function of financial services today, with banks having to have their products and services embedded to stay as close as possible to the customer journey.

72%

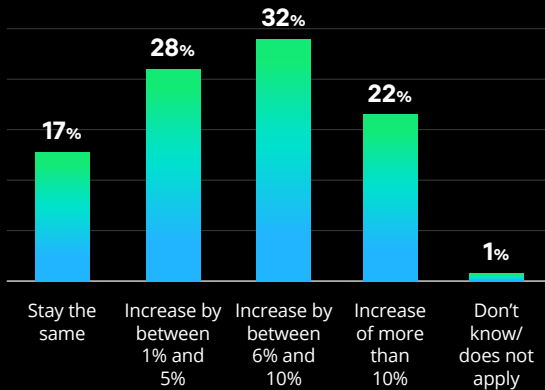
From our survey, 72% of respondents rated their banks above average at embedding products and services in partners’ platforms or channels.

However, the law of averages suggests this is not possible and betrays overconfidence. Clearly, there’s still plenty of work for banks to do.

Investing in the ecosystem

For many banks, better engaging with the digital ecosystem is a priority, and they plan on putting their money where their mouth is.

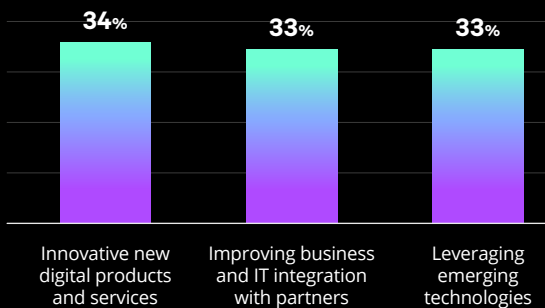
Investment over the next 12 months in supporting a network of business partners



Providing disruptive and innovative products

Per our survey results, banks' intentions from investing in the ecosystem are clear. They want to be able to provide the best in class of digital products and services, leveraging the latest technology to do so. In fact, these two aims were among the three highest priorities for banks' future vision and roadmap.

Prioritized initiatives as part of banks' future vision and roadmap



The importance of balancing company culture with technological nous

Technologists trail Strategists for developing tools for the customer lifecycle (as this relates more to forward planning), but they lead them in their ability to integrate third-party tools (due to their more advanced technological foundations).

Ability to develop digital tools and capabilities for each stage of the customer life-cycle ("Good" or "Excellent" by %)

Ability to integrate third-party tools to improve CX ("Good" or "Excellent" by %)

Bank Type	Ability to develop digital tools and capabilities for each stage of the customer life-cycle ("Good" or "Excellent" by %)	Ability to integrate third-party tools to improve CX ("Good" or "Excellent" by %)
Pioneer	94	43
Technologist	71	42
Strategist	74	40
Specialist	81	37
Explorer	59	37

We believe that banks are the front line in consumer protection and fraud reduction. Tomorrow, they will not only protect financial assets but also customers' data and online identity, as the need for security and resilience is growing stronger while regions are moving toward common, open standards for the secure exchange of financial data.

"Banks should put their customer first when devising their financial ecosystem, this means giving their customers fine grain control over what data they are consenting to share and how that data may be used in the ecosystem."



Patrick DONOVAN,
CEO, Axway

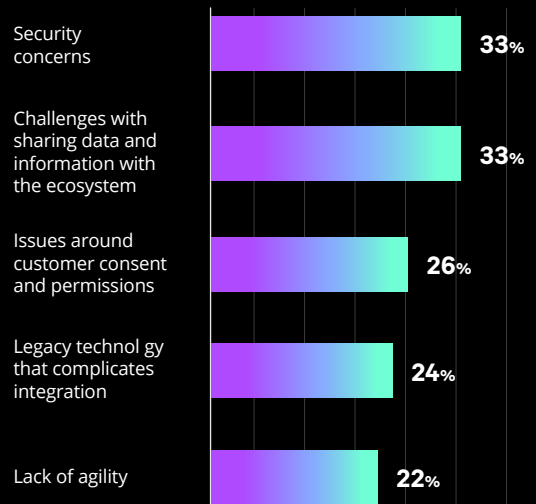
Providing embedded services to stay relevant

"Banks being federally regulated and having many, many security measures in place means that their systems are usually very reliable. The APIs or the specifications are some of the clearest I've ever seen."

Director of commerce for a North American e-commerce firm

Of the banks surveyed, security concerns and challenges around sharing data were the highest and second-highest concerns regarding developing a digital ecosystem of products and services.

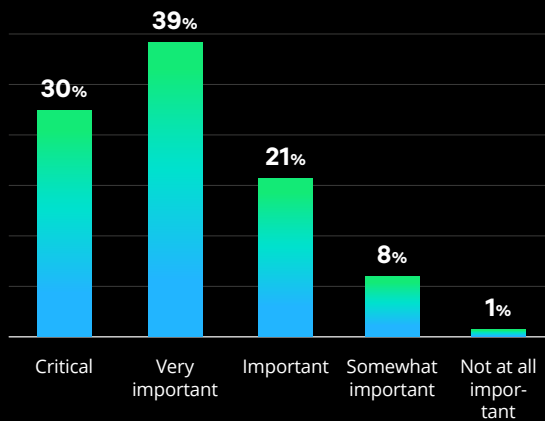
What are/would be your company's biggest challenges with regards to developing a digital ecosystem of products and services?



Indeed, the highest-ranking initiative for respondents' banks was improving security (39%), though improving risk management and control wasn't far behind (32%). These initiatives are crucial for preventing an open finance model from becoming an enhanced threat landscape, especially given that fraud and data breaches are expected to reach an all-time high.

Joining the ecosystem with security in mind

Despite concerns, many banks are proceeding with their digital ecosystem plans, but with security measures top of mind. For instance,, almost all respondents (91%) said that security by design with all legal and security-driven requirements was "important," "very important" or "critical" when choosing a third-party vendor to work with to enable the digital ecosystem.



Security among many challenges for Explorers

While security and sharing data are significant concerns for all banks, they are less so for Explorers, compared to other archetypes. However, rather than suggest that Explorers are advanced in security areas, we can instead infer that they have significant challenges elsewhere, such as lack of technology for integration and agility.

Sharing data as biggest challenge with regards to developing digital ecosystem of products and services (by %)

Security as biggest challenge with regards to developing digital ecosystem of products and services (by %)

Archetype	Sharing data as biggest challenge (by %)	Security as biggest challenge (by %)
Pioneer	43	52
Technologist	48	38
Strategist	48	44
Specialist	38	51
Explorer	42	38

We believe that banks should seek a broader role, delivering integrated value in developing and orchestrating true digital ecosystems. Embedded finance is a new way of distributing financial products, while modular banking and open finance will offer means to gain agility, launch new solutions and reach new customers.

“As it stands, banks need to make internal culture changes if they’re to survive and thrive in the open finance era. Too many of them are risk averse, and too many are unwilling to partner up.”

Hassan NASSER,
CIO of Digital
Banking Solutions,
Sopra Banking Software



Banks recognize the importance of integration

Open banking and open finance are promising to reshape financial services over the coming decade, accelerating the evolution toward embedded financial services. To set their course for the future of banking, banks must pivot toward collaboration and reboot the way they operate. Our survey’s results show that banks are well aware of the need for open finance in their organizations. Indeed, it’s a key part of many banks’ future strategies, as well as partner integrations.

34%

of respondents “strongly agreed” when asked whether open banking and open finance were central to their organization’s strategy.

31%

of respondents “strongly agreed” when asked whether their API strategy included monetization, as well as open banking and partner integration.

Leveraging the ecosystem for open banking

While banks are eager to drive revenue from their open banking and compliance investment and forge their ecosystems, it is still new territory to most of them. Rather than spending years building it all from scratch, many are looking for vendors to help accelerate their entry.

64%

have access to open banking and a preexisting set of ecosystem partners or third parties

59%

are "Very important" or "Critical" needs for banks' respondents.

Are banks really ready to partner up?

While banks may appear willing and happy to integrate with partners, some deeper research shows that they are struggling in the following key areas:

Risk aversion

Reluctance to change

Integration issues around data interoperability

Undervaluing partners

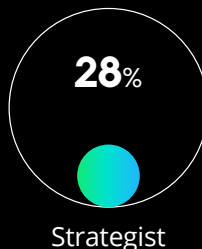
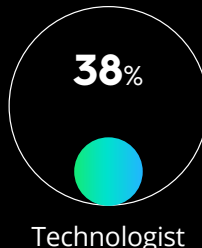
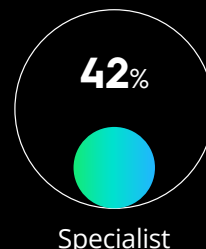
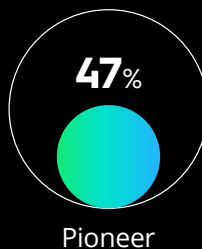
A number of quotes taken from our interviews highlight this problem from the partner's perspective.

"I believe if you left [open finance] to the top 10 banks, they would never change. They don't want to take risks. They don't need to take risks."

Chief technology officer at a North American lending company

Technology only tells half the story

Banks who are more advanced in technology have the ability to integrate better with partners, and embed their products and services. However, as the quotes taken from our interviews show, a strong culture geared toward collaboration with partners is just as important, which is where Strategists can excel and Technologists can grow.



We believe that transformation and innovation foster the growth of non-linear business with scalable solutions and high value-added services. Agile and rapid innovation cycles are required to ensure survival by providing unique, well-structured, seamless products and services.

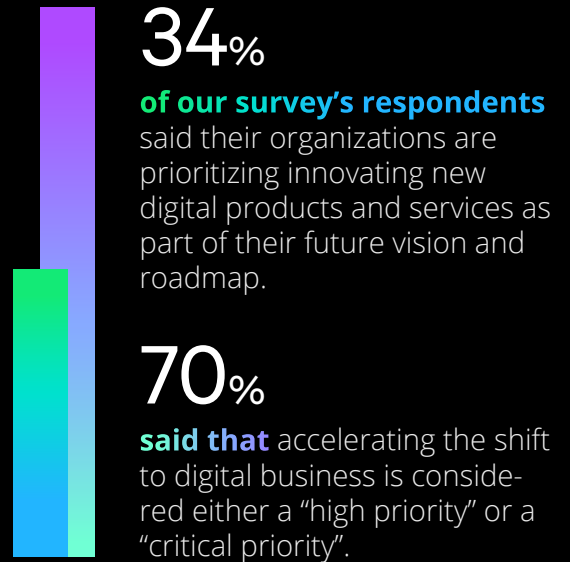
"Being truly digital and offering innovative products and services to the end-customer – these are no longer commodities but must-haves for banks. Otherwise, they will lose ground to more agile competitors."

Claire DUCOS,
Head of Financial Services,
Sopra Steria Next



Innovation is a top priority

For most banks, digital transformation and improving innovation capabilities are high up on the to-do list.



In fact, innovation (or a lack of) at banks is a major cause of concern when it comes to entering the digital ecosystem.



Banks need a culture of innovation

"How can you ever really innovate and deliver products if no one wants to take the risks?"

VP chief security officer for a global payments company

To be truly innovative, an organization requires a team and leadership of people willing to take risks and be adventurous. It seems that banks struggle with these areas, and will likely need to foster a more innovative culture in order to better compete in the current industry landscape.

When asked about their biggest challenges regarding the development of a digital ecosystem of products and services:

29%

say they had a lack of relevant skills and resources

27%

say they lacked support from senior leadership

Strong cultural innovators continuing to push

Unsurprisingly, Pioneers and Specialists lead the pack when it comes to cultural innovation, followed by Strategists (albeit by their own self-evaluation). Technologists' relatively poor culture of innovation highlights the need to focus beyond technical capacity.

Company has a culture of innovation and fast learning ("Strongly agree" by %)

Priority to improve ability to innovate (high or critical priority by %)

	Company has a culture of innovation and fast learning ("Strongly agree" by %)	Priority to improve ability to innovate (high or critical priority by %)
Pioneer	48	95
Technologist	23	68
Strategist	34	68
Specialist	43	83
Explorer	19	62

We believe that legacy technology hinders banks' ability to evolve and makes it difficult to seek new models of growth. Banks will decrease Time-to-Market and deliver cost-optimized production by updating capabilities, enabling componentization along with an enhanced use of innovative technologies, BaaS, shared and platform-oriented architecture.

"Legacy systems have been an issue for banks for some time, but the urgency to upgrade them is greater now than ever before."



Mohammed SIJELMASSI,
CTO,
Sopra Steria Group

A legacy problem

To this day, many banks are still running off legacy systems and mainframes inherited from the 1970s and '80s. Not only do these systems struggle to meet the needs of an increasingly digital market, they're also costly, with maintenance of legacy back-office systems sometimes accounting for 90% of technology budgets.

28%

Per our survey, legacy systems that slow down development are the biggest challenge when it comes to digital banking for 28% of respondents.

These legacy systems are proving to be a major obstacle for banks when it comes to the digital ecosystem.

34%

of banks' respondents said that legacy technology complicating integration is the biggest challenge with regards to developing a digital ecosystem of products and services.

"Large banks have a lot of legacy systems infrastructure, and it's not easy to nimbly move, which makes it challenging for them to integrate."

**Head of business development
for a global lending platform**

Few banks willing to address the issue

While many banks are aware of the problem with legacy systems, less than a quarter have plans to address the issue.



of respondents said their organizations are upgrading, replacing or consolidating their legacy systems as part of their future vision and roadmap.

Legacy challenges across the board

Interesting to note that among all bank archetypes, Pioneers and Specialists – normally the most advanced groups – say they struggle the most with legacy system-related challenges.

Rather than suggest that these groups are less advanced than other archetypes in their legacy system evolution, it would instead highlight how difficult transitioning away from legacy systems is for digital banking and digital ecosystems. Even the most advanced digital banks still struggle to manage their legacy systems.

The challenge of legacy systems slowing developments for digital banking (%)	The challenge of legacy systems complicating integration for developing digital ecosystem of products and services (%)
--	--

	The challenge of legacy systems slowing developments for digital banking (%)	The challenge of legacy systems complicating integration for developing digital ecosystem of products and services (%)
Pioneer	39	29
Technologist	32	30
Strategist	27	32
Specialist	25	38
Explorer	25	35

Conclusion

“As the financial services industry edges ever closer to a new era where open finance will be king, it’s becoming increasingly clear that many banks’ operating models are outdated.

They are simply not set up to integrate with third parties and are therefore unable to augment their own services efficiently, or indeed drive value through collaboration.

It’s no longer enough to focus efforts on digital transformation and technology adoption. Banks must now reorient their future strategies so that they are ready for collaboration and ecosystem engagement.”



Nicolas AIDOU

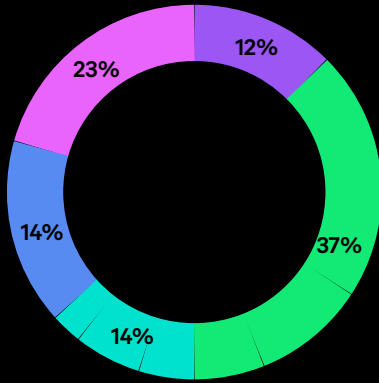
Group Chief Value Officer &
Head of Financial Services,
Sopra Steria Group

The
overwhelming
majority of
**banks are
lacking
in one or
several key
areas to be
future-ready.**

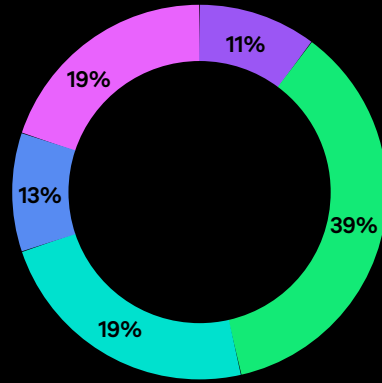
We hope that the seven Convictions outlined in this report can serve as guiding objectives for banks looking to increase their future-readiness. Collectively, they cover a bank's full journey, from preparing itself to be ready to engage with the digital ecosystem, through to leveraging the ecosystem to improving customer experience, revenue and efficiency, all the while remaining safe and secure.

While depending on their stage of future-readiness, some of these Convictions will be more applicable to some banks than others. However, we think that ultimately all seven will be required for those banks that will thrive in the coming years.

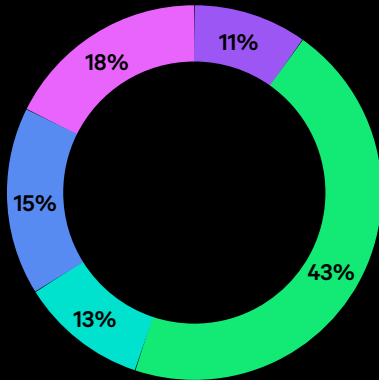
North America



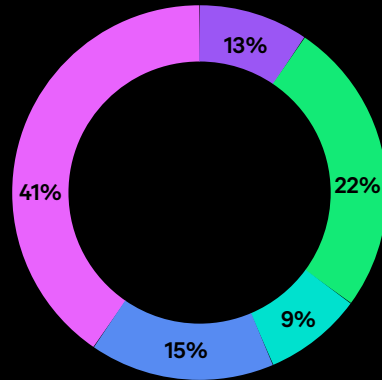
LatAm



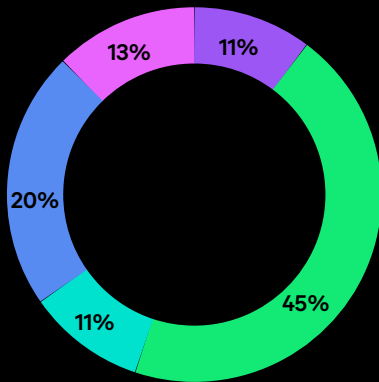
Europe



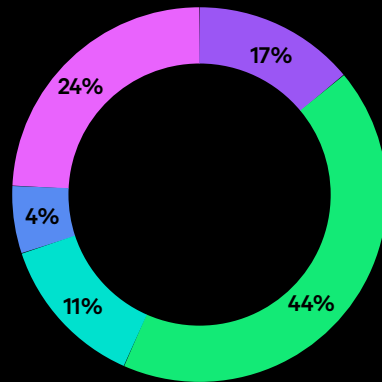
Asia



Africa



Middle East



Pioneer Explorer Technologist Strategist Specialist

Future-fit readiness varies widely across regions

900 global decision-makers
at banks with responsibility
for credit/lending, customer
experience, digital banking, open
banking or ecosystem initiatives,
payments, and the
technology stack.



Sopra Banking Software is the partner of choice for more than 1,500 financial institutions worldwide. The rich variety of our solutions, the strength of our conviction and our passion for innovation enable us to support our clients on a daily basis and in their future projects, as well as in their goals regarding financial inclusion. Our customers, based in over 80 countries around the world, benefit every day from our technologies and software, as well as the expertise of our 5,000 employees. Sopra Banking Software is a subsidiary of the Sopra Steria Group, a European leader in consulting, digital services and software development. With more than 47,000 employees, the Sopra Steria Group generated a turnover of €4.7 billion in 2021. For more information, follow us on [LinkedIn](#), [Twitter](#) & [Instagram](#) or visit www.soprabanking.com