



Why Banks Engage (or Should) with Fintech

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Forouz Firoozi

Head of Treasury Product Partner Development

Together we'll go far





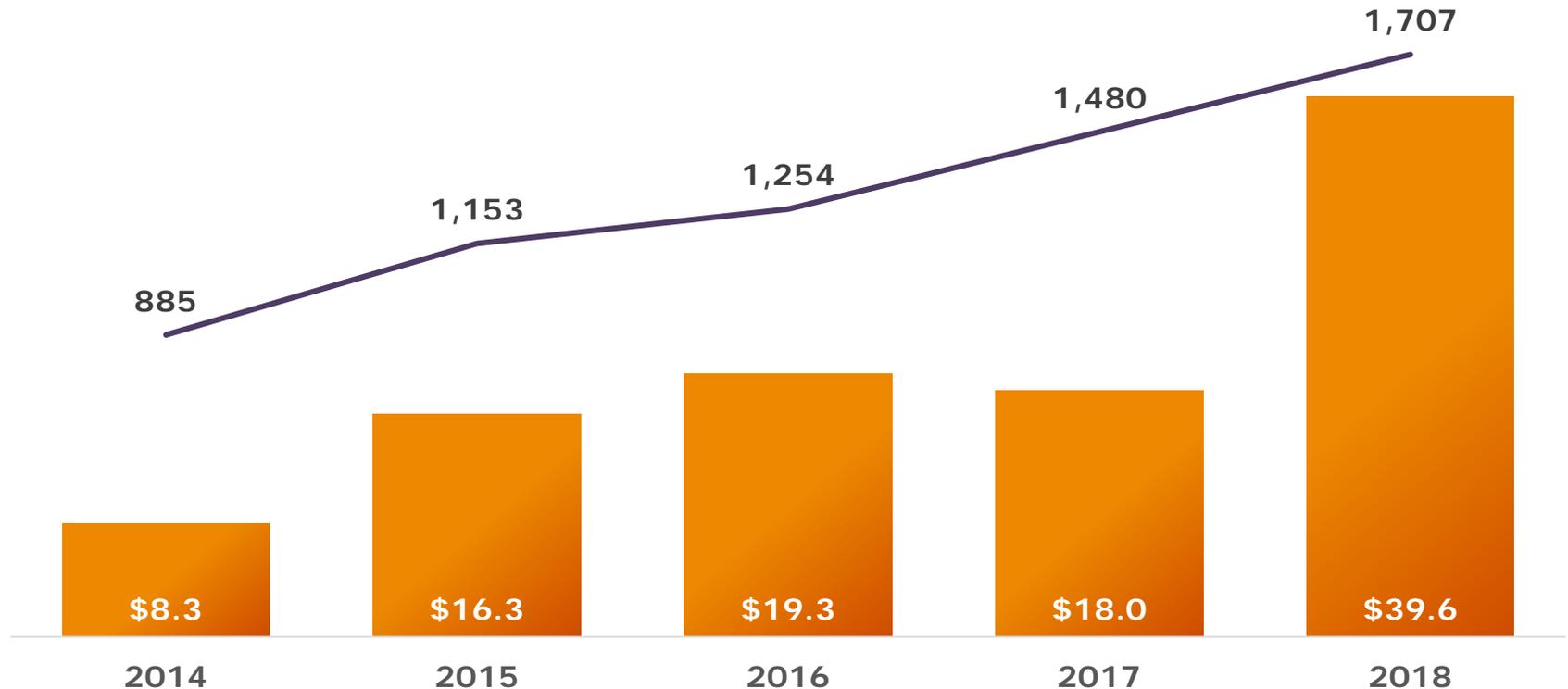
fintech (noun)

fin·tech | \ fin-, tek \

Products and companies that employ newly developed digital and online technologies in the banking and financial services industries

2018 Global fintech investment near \$40 billion

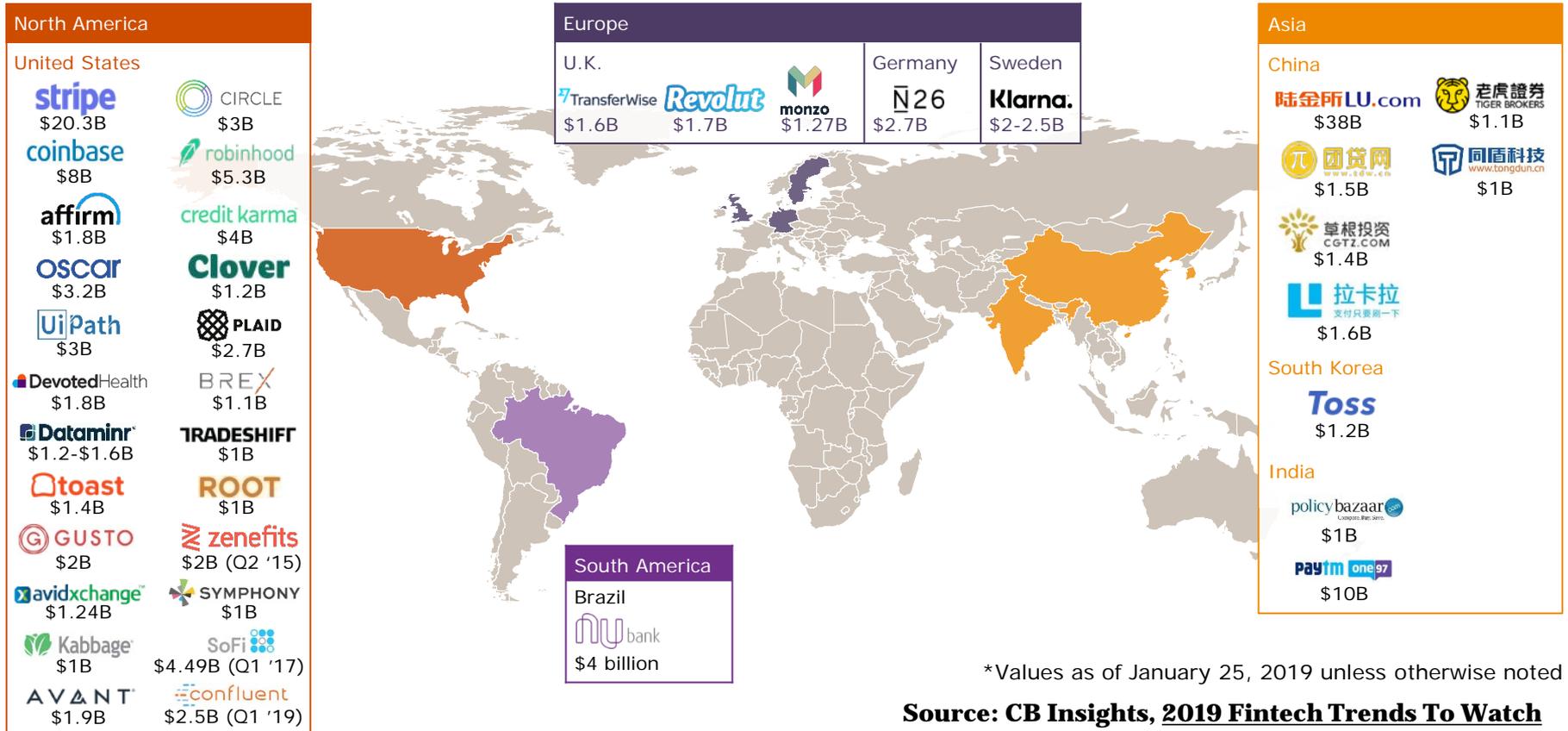
Annual global fintech deals and financing, 2014 – 2018 (\$ billions)



Source: CB Insights, 2019 Fintech Trends To Watch

39 fintech unicorns valued at \$147 billion

Global VC-backed fintech companies with a private market valuation of \$1B+ *



*Values as of January 25, 2019 unless otherwise noted

Source: CB Insights, 2019 Fintech Trends To Watch



2018 fintech trends

How did we do?



Exceeded expectations

- Artificial Intelligence (AI) accelerates
- Broadened solutions
- Collaboration
- Digital lending
- Open banking



Maintained status

- Big tech engagement
- Blockchain, beyond the buzz
- Challenger banks
- Insurtech innovation
- Regtech rising



Fintech and financial services

Competing less and coming together



Over 80% believe business is at risk

Financial services embracing fintech

Financial services to partner and integrate

Regulations prompt disruption and innovation

88% of incumbents are increasingly **concerned** they are **losing revenue to innovators**

77% of financial institutions will **increase internal efforts to innovate**

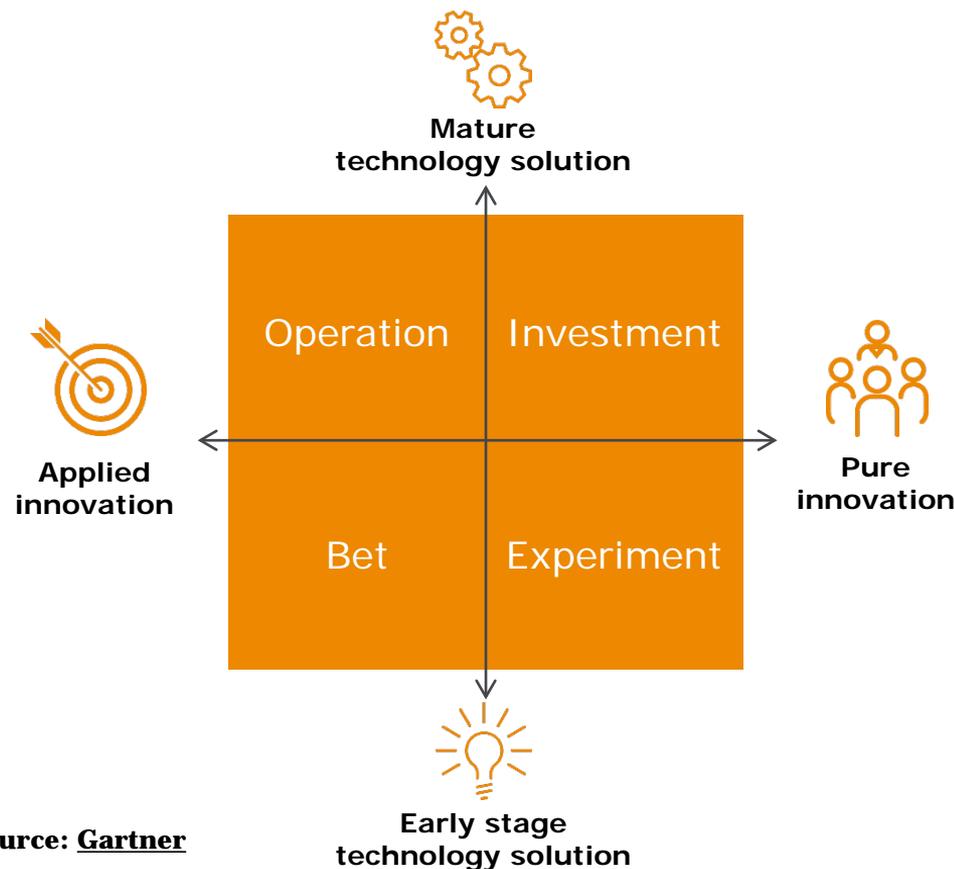
82% expect to **increase fintech partnerships** in the next three to five years

54% see **data storage, privacy, and protection** as the main regulatory barrier to innovation

Four partnership approaches emerge

Framework for evaluating fintech partnerships

Financial institution
partnership opportunities



Operation — partnership with a more developed technology that solves a current, specific issue within the bank

Investment — partnership with a more mature technology that does not have a clearly defined use case

Experiment — partnership with an early-stage start up to explore potential solutions to future bank problems and promote innovation

Bet — partnership with an early-stage fintech that seeks to solve a current issue within the bank

Source: Gartner

What people are saying.....

"When **banks and fintechs collaborate**, innovation and speed-to-market foster a **better customer experience** like never before."

Sankar Krishnan
EVP, Capgemini Financial Services

In China, Ant Financial has regular interactions with **450 million** consumers for payments

"**Partnerships should** not be just for branding, but must significantly **transform the nature of offerings.**"

Vivek Belgavi
Partner, PwC India

Banks aim to stay competitive in this fast-changing landscape **with different initiatives**, including:

- Internal centers of excellence
- In-house solutions
- Chatbots and voicebots
- Online and mobile banking
- Cloud-based digital offerings



Fintechs' prefer to white-label their solutions. In these partnerships, **financial services firms buy a ready solution** and implement it under their own brand.





Bank-fintech collaboration: The opportunity

Synergies of bank-fintech collaboration

- We leverage technology to serve our customers through leading providers
 - Sourcing the right fintech company allows us to be more flexible and enhance our reach
 - Customer needs and demands are evolving, fintech partnerships help close these gaps
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Attributes of fintechs leading

- Agile and innovative solutions
- Reduced operational overhead
- Cater to higher risk profiles
- Alternate credit scoring and assessment

Matching strengths: banks and fintechs

Commercial banks

- Vast customer bank
- Existing customer relationships
- Credit underwriting capabilities
- Risk management



Fintechs

- Higher risk propensity
- Customer analytics (with alternate data)
- Less regulatory oversight
- Leaner operations