

Challenges of Traditional Banks - Opportunities of FinTechs and Vice Versa

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BANKERA

Agenda



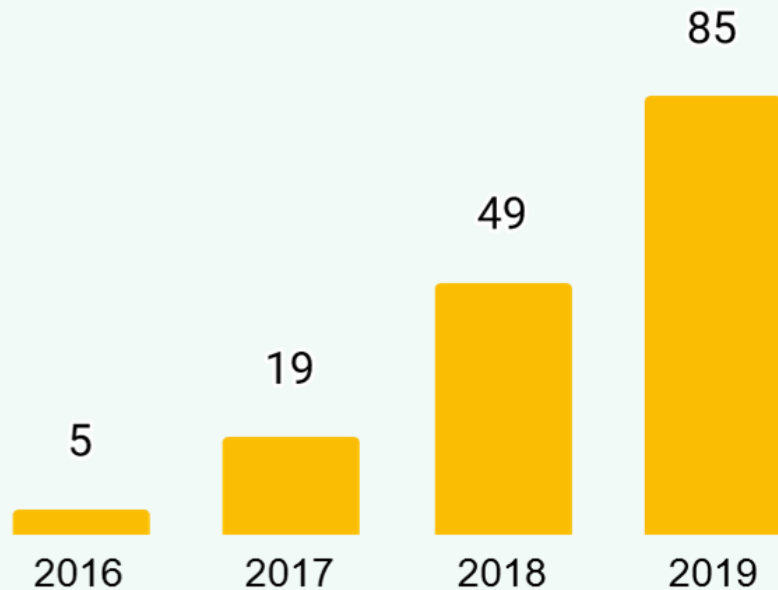
What spurred the growth of payment FinTechs.

The obstacles payment FinTechs can't yet overcome.

What is next?

The # of payment FinTechs is growing fast

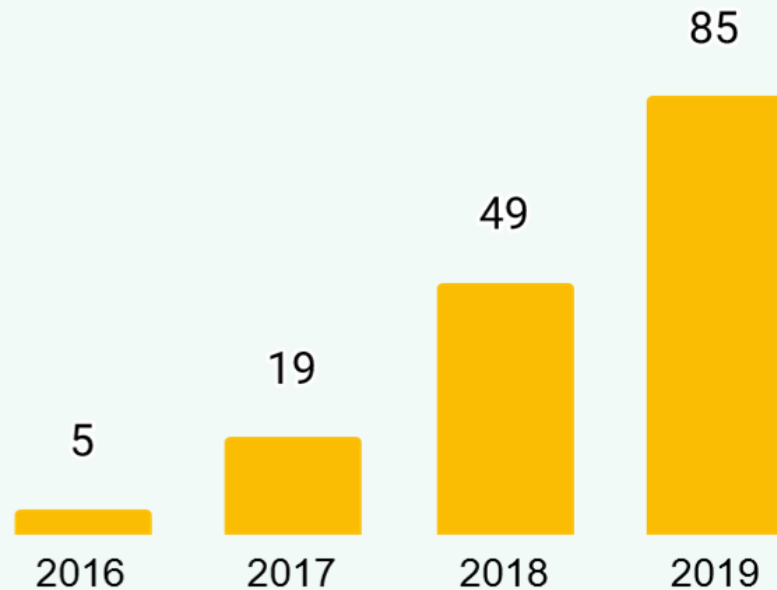
No. of EMIs and PIs using
CENTROLink (**Lithuania**)



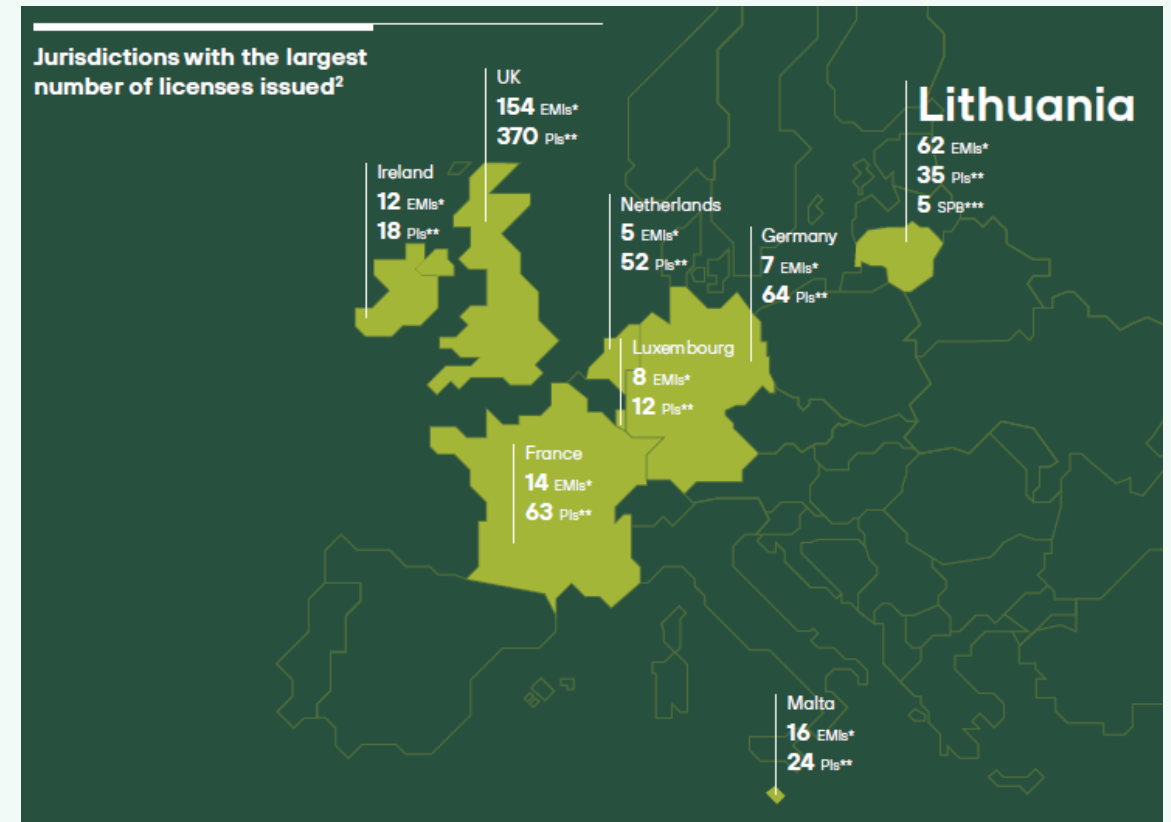
Bank of Lithuania, 2019

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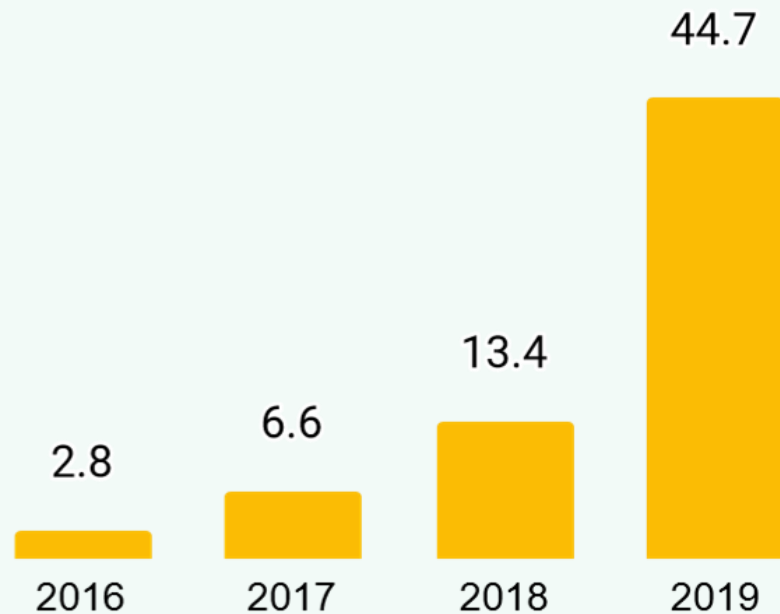
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The Fintech Landscape in Lithuania, 2019-2020

And they are becoming visible payment market participants in terms of € value

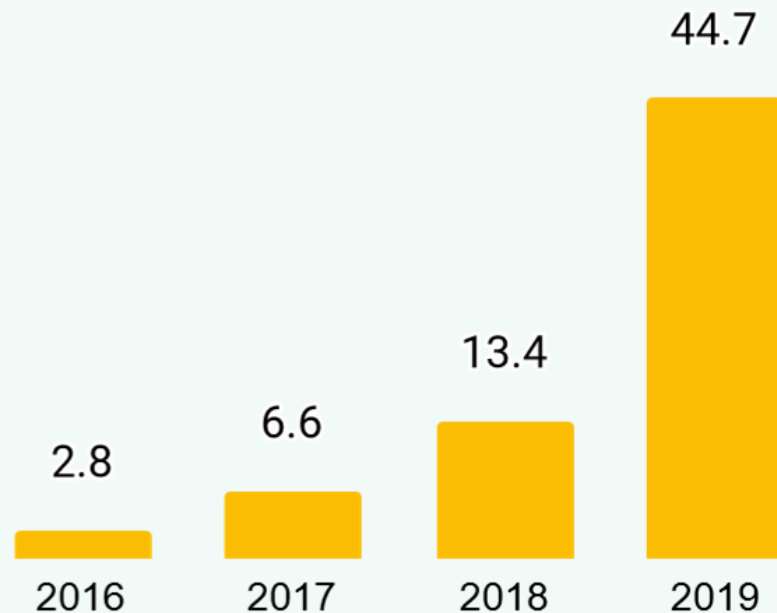
Value of transactions by EMIs & PIs; billion EUR (**Lithuania**)



Bank of Lithuania, 2019

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Bank of Lithuania, 2019

“FinTechs have moved from disruption to maturity to become serious, globally expanding players that are acquiring millions of customers **and heading towards profitability.**”

EFMA, World FinTech Report 2020

Why individuals go for FinTechs?



On average, **people stay with their bank for 17 years** — which implies that it's either too much effort to switch, or that they have brand loyalty beyond belief.

People are **more likely to stay with their bank than they are to stay with their partner.**

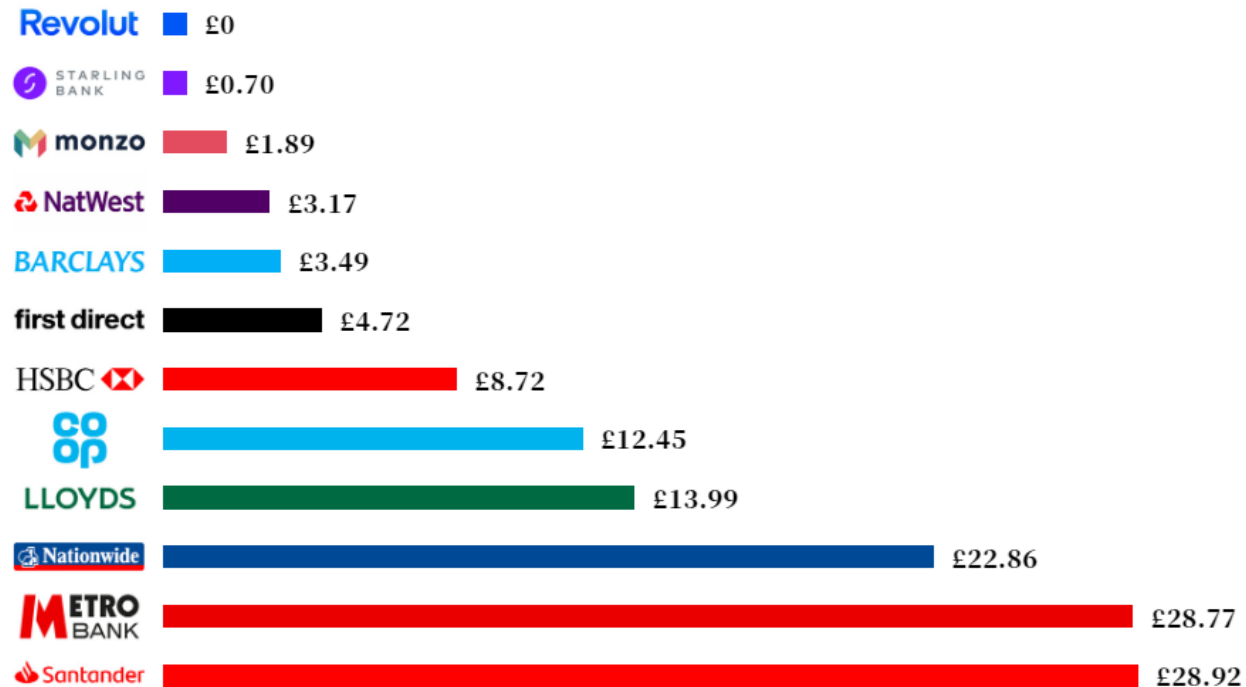


builtformars.co.uk - on the UX of banking

Why individuals go for FinTechs?

Fees or rates: 27%

The real cost of sending £100 to a US bank account (USD)

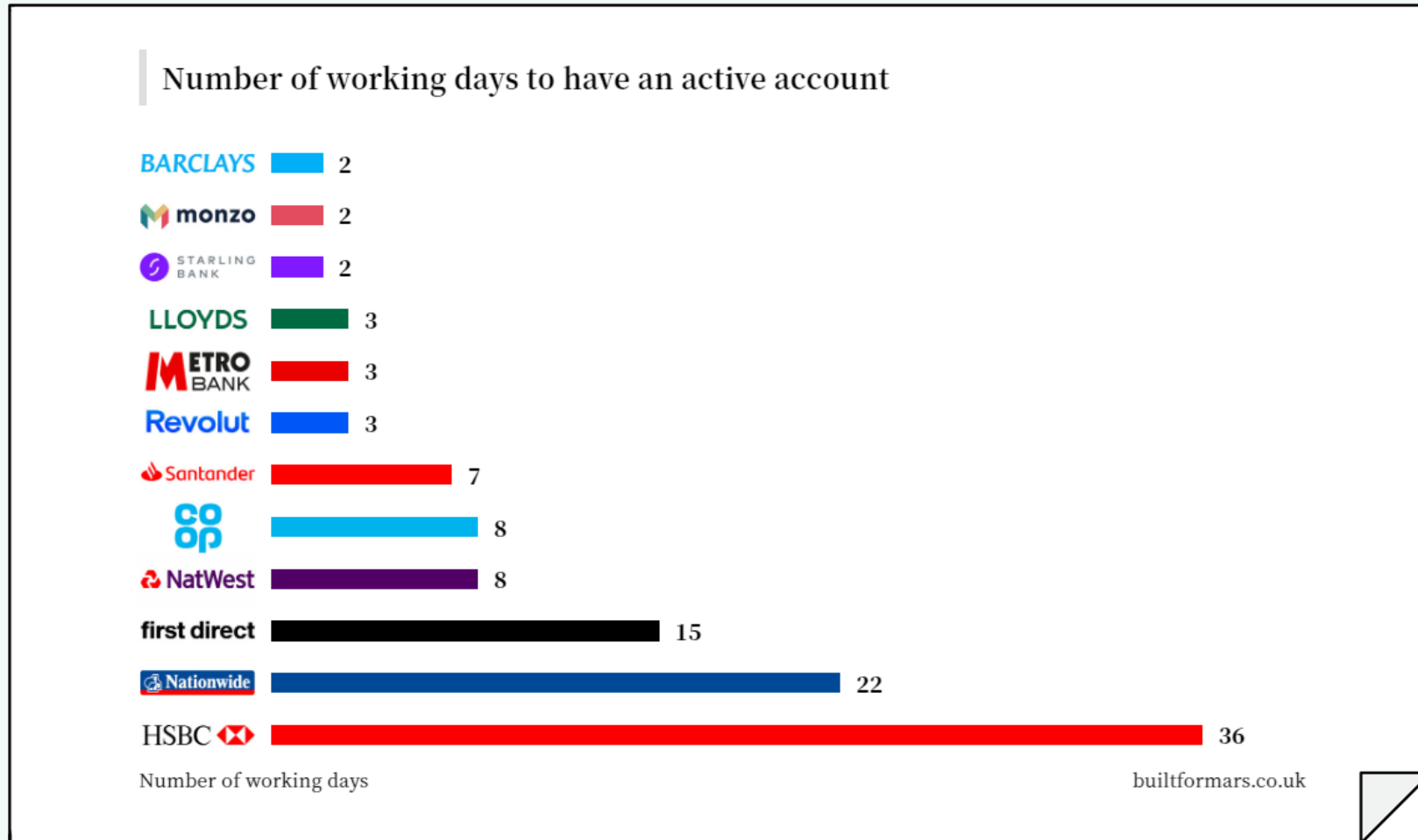


Cost in £ — Sender & FX fees

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Why individuals go for FinTechs?

Easier to set up an account: 20%



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12% - better experience,
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Other reasons - want
personalized products;
just want to try; remote
opening, etc.

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Digital industry focus. Also, higher risk tolerance for such clients.

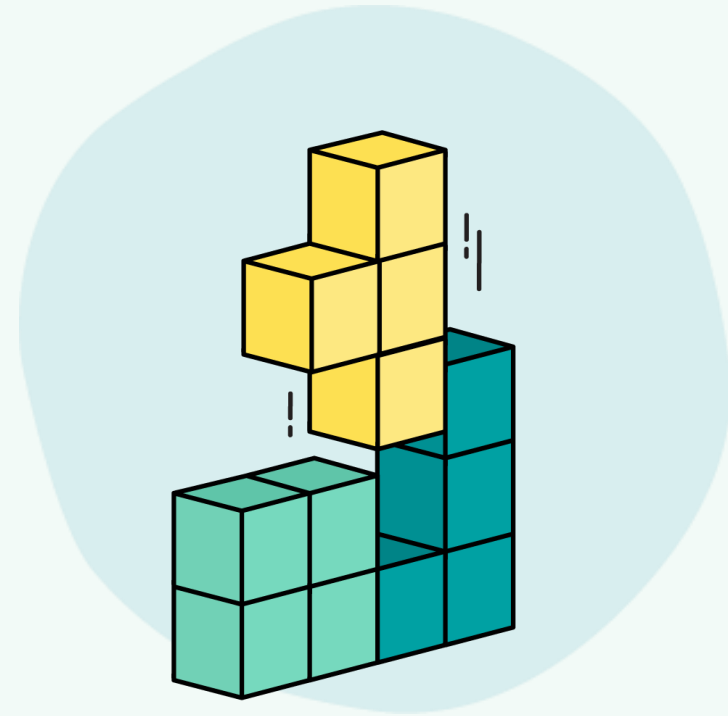


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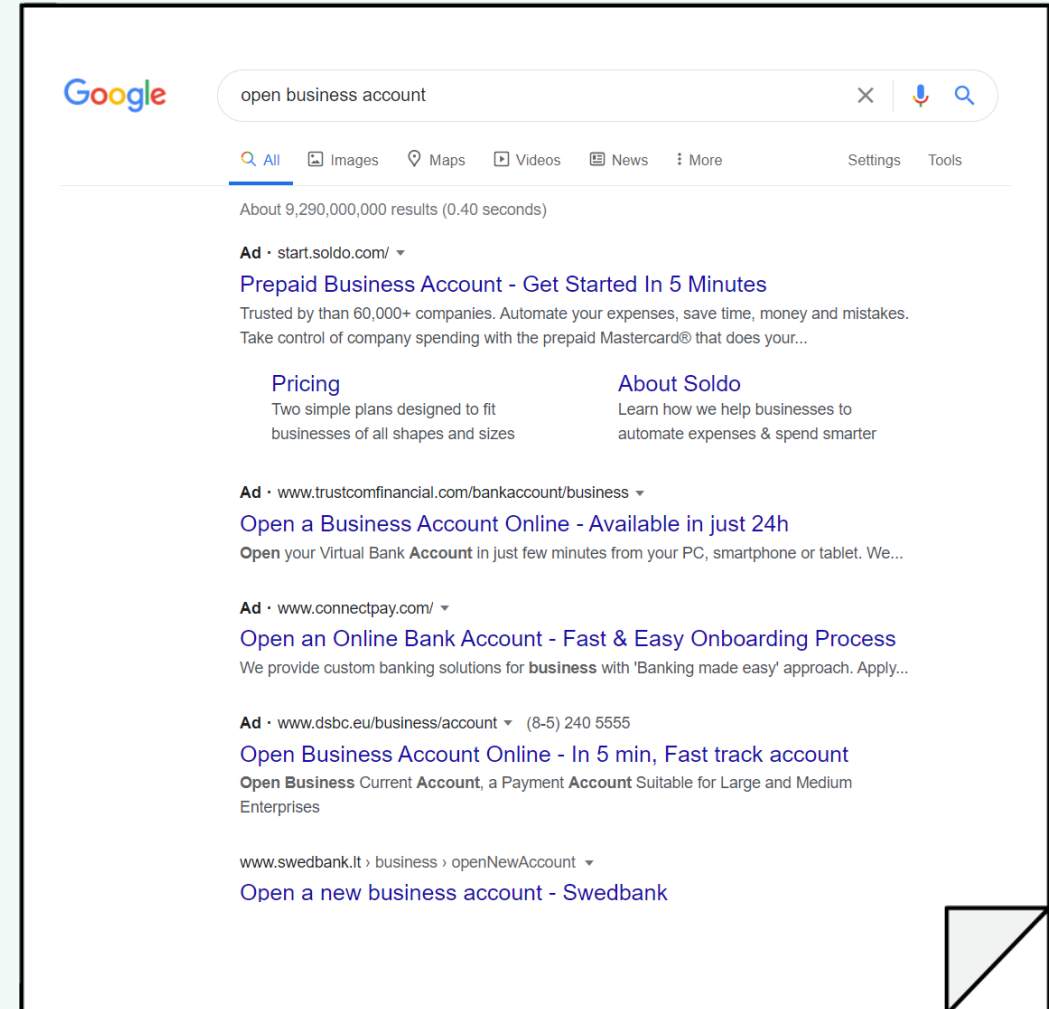
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Active marketing. Aimed at attracting new digital businesses.



Where banks win and FinTechs are weak

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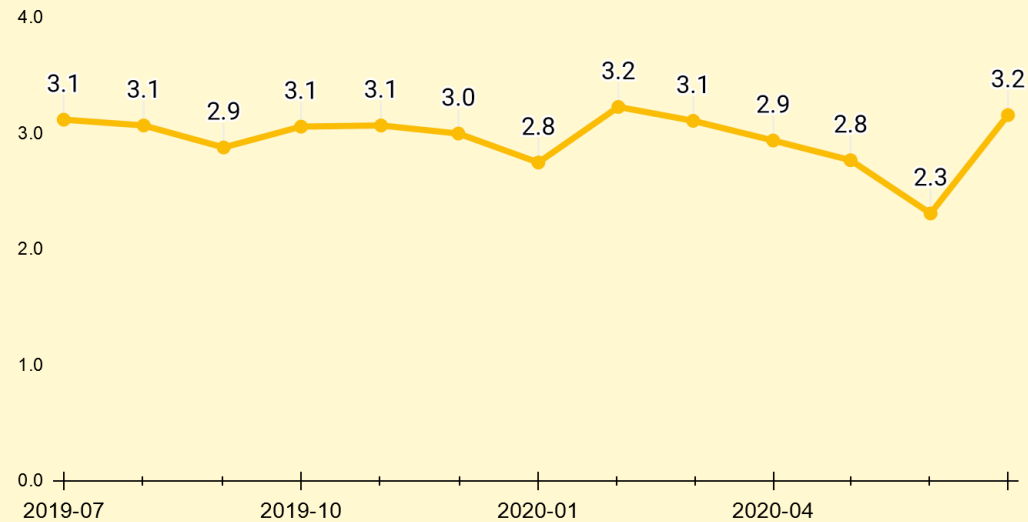
Product portfolio. Banks have a full-range of products in one place.

CHALLENGER BANK STRATEGIES & SERVICES MATRIX						
	 Atom bank		 STARLING BANK	 monzo		
FINANCIAL PRODUCTS & SERVICES						
Current Account Deposits	X	X	✓	✓	✓	✓
Loans	✓	X	✓	✓	✓	✓
Mortgages	✓	X	X	X	X	X
Insurance	X	✓	✓	X	✓	✓
Credit Cards	X	✓	X	X	X	✓
						

CB Insights, 2018 (updated 2020)

Where banks win and FinTechs are weak

Lending rate: bank loans to non-financial corporations (**Lithuania**)



Bank of Lithuania, 2020

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Credit capabilities. Large bank financing resources and low lending rates.

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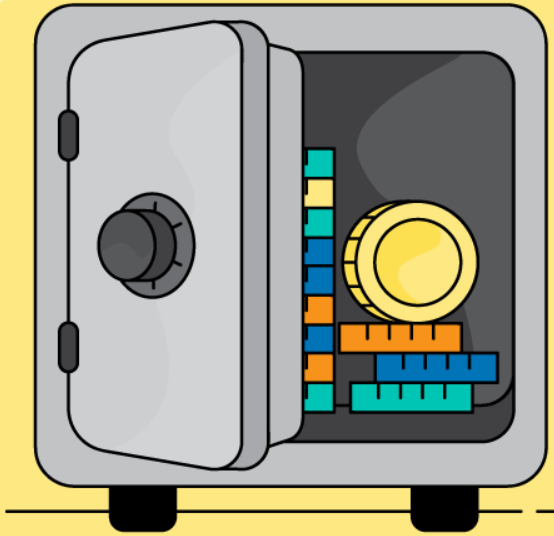


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Client acquisition. There are just a number of available banks and hundreds of FinTechs.

List of EMIs by Country		
There are currently <u>393 electronic money institutions (EMIs)</u> operating in Europe.		
EMIs can be grouped by the country of registration:		
 Belgium (7)	 Bulgaria (6)	 Croatia (4)
 Cyprus (11)	 Czech Republic (2)	 Denmark (2)
 Estonia (1)	 Finland (1)	 France (15)
 Germany (10)	 Gibraltar (4)	 Greece (2)
 Hungary (1)	 Iceland (2)	 Ireland (12)
 Italy (10)	 Latvia (4)	 Liechtenstein (5)
 Lithuania (54)	 Luxembourg (8)	 Malta (17)
 Netherlands (6)	 Norway (4)	 Poland (1)
 Portugal (1)	 Romania (2)	 Slovenia (2)
 Spain (8)	 Sweden (5)	 United Kingdom (186)

thebanks.eu

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Established infrastructure and network. Infrastructure in place, long history and strong network of partners and customers.

Where do FinTechs go from here?

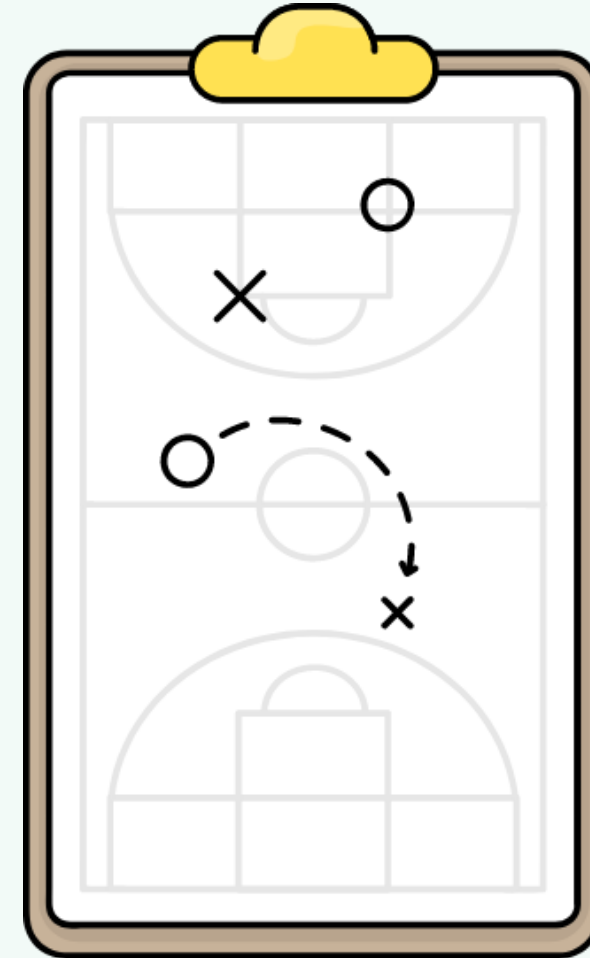
FinTechs are becoming actual market participants but need to find and know their niche.

FinTechs need to increase the product range and work on attracting target customers.

Need to gain trust - e.g., word of mouth, obtaining a banking license.

A larger client movement will be between individual clients - it's easy and free to switch.

Less movement between corporate clients. Banks will keep enterprises, FinTechs will attract international and digital clients, some SMEs.



Thank you

