



Digital Banking in 2023

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CEO & Co-Founder



DATE & TIME

MARCH 14, 2023.
4pm CET

JOIN US

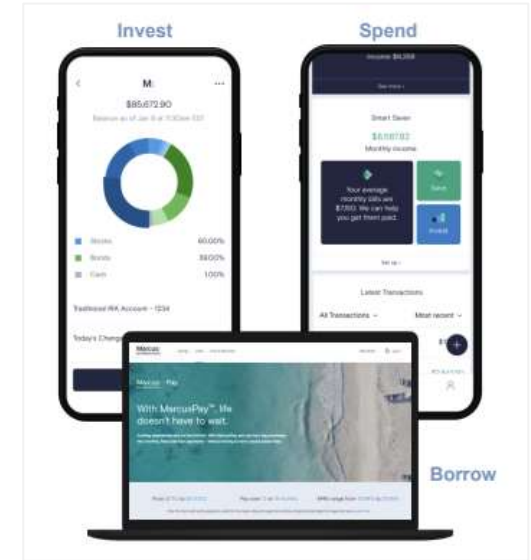
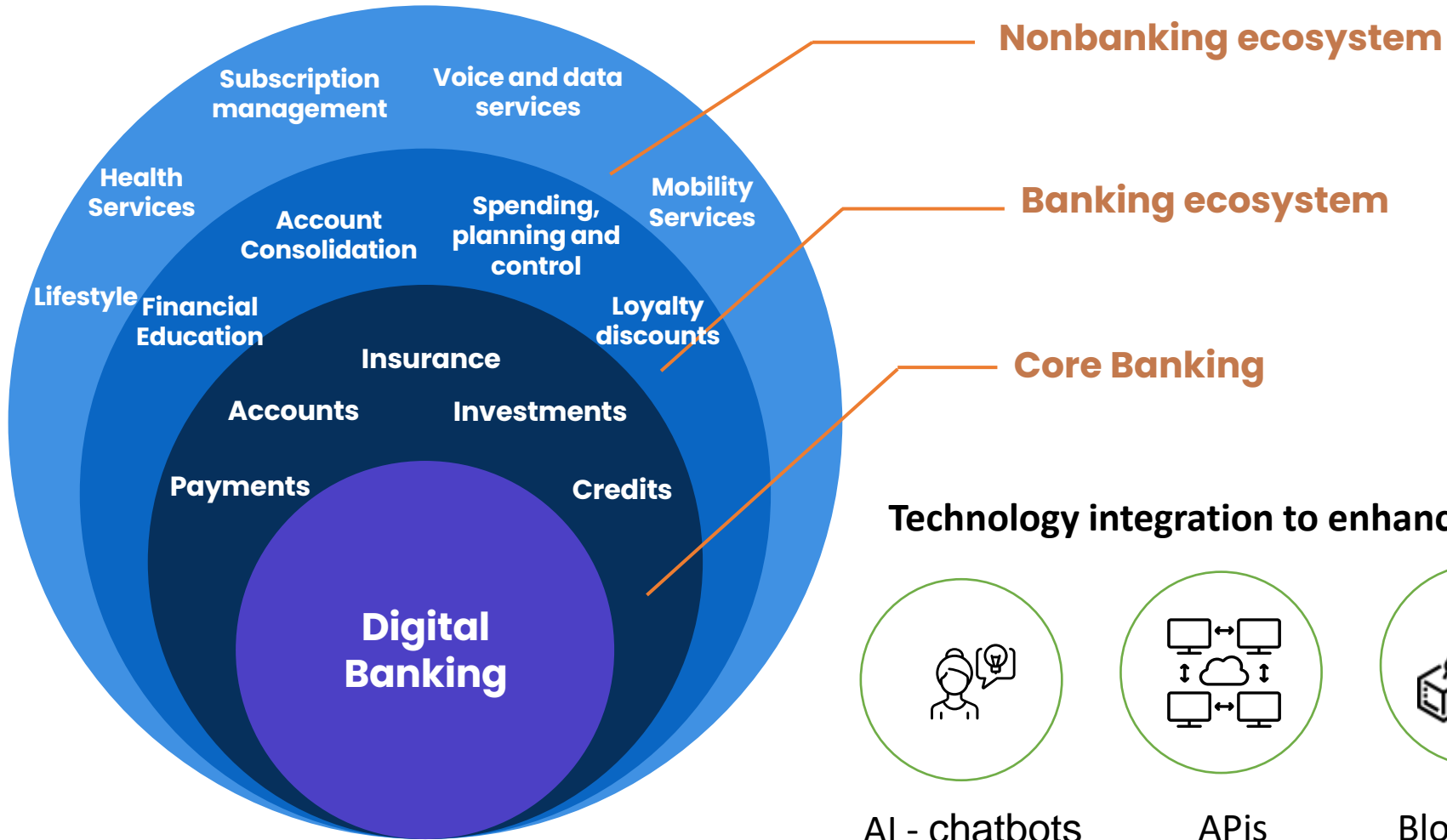
Free registration





What does digital banking mean today?

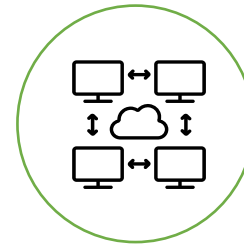
Digital banking has become more advanced in recent years by moving into ecosystems beyond the traditional core and with the integration of critical technologies.



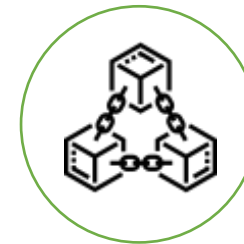
Technology integration to enhance the customer experience



AI - chatbots



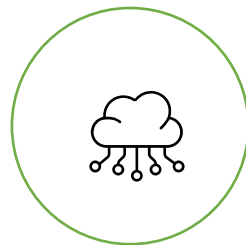
APIs



Blockchain

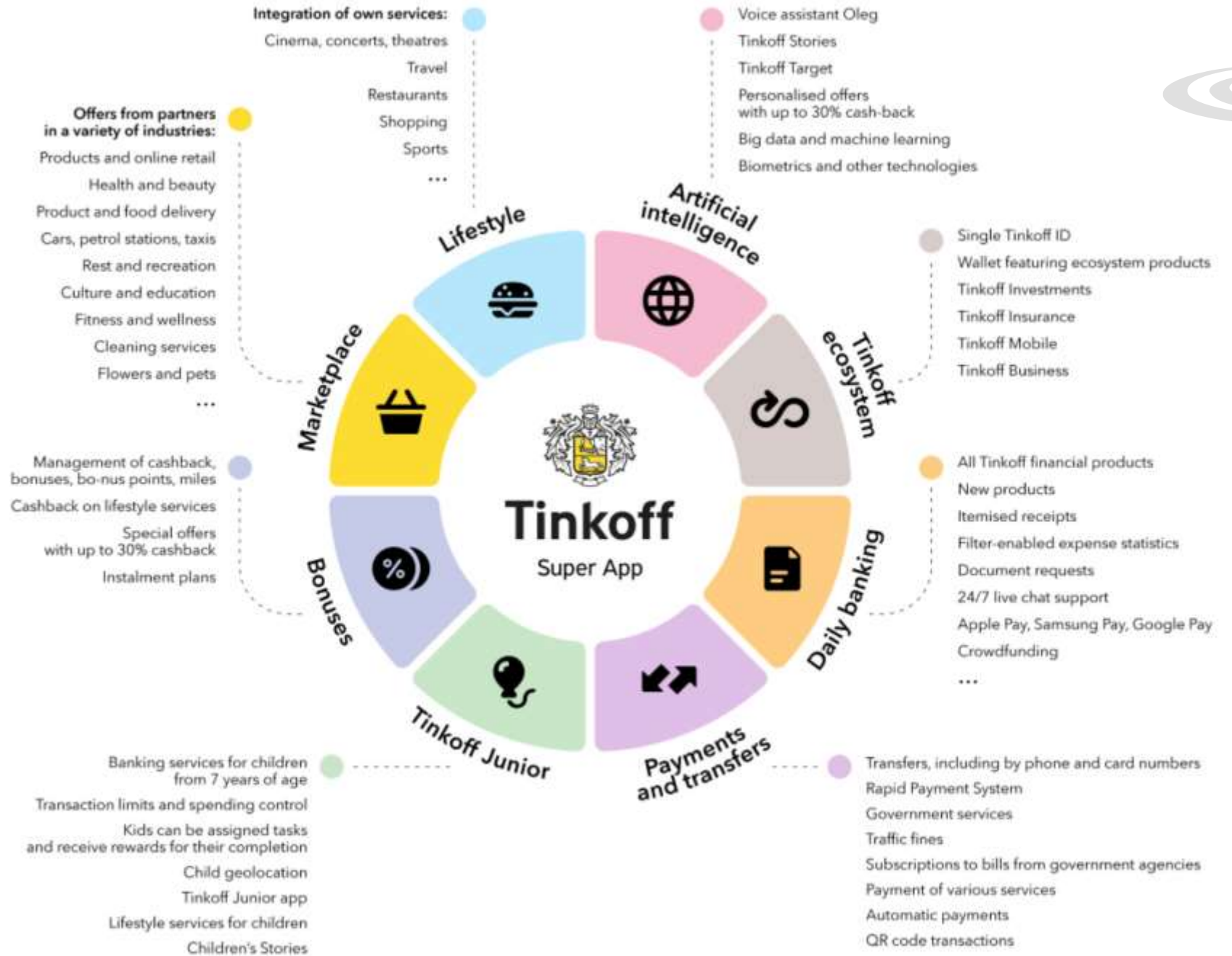


Predictive analytics



Cloud Infrastructure

Russia's Digital Bank
 Tinkoff its "super app"
 launched in Dec 2019
 offering functionality to
 support and enhance the
 users' personal financial,
 leisure, and lifestyle needs.





Biggest challenges with digital transformation
in incumbent banks

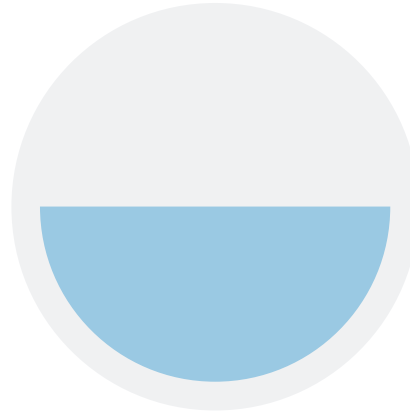
Banks see collaborative business models as a crucial foundation to their digital transformation roadmaps.

74%



Agree **as-a-service** will become the leading deployment/delivery mode in the future

50%



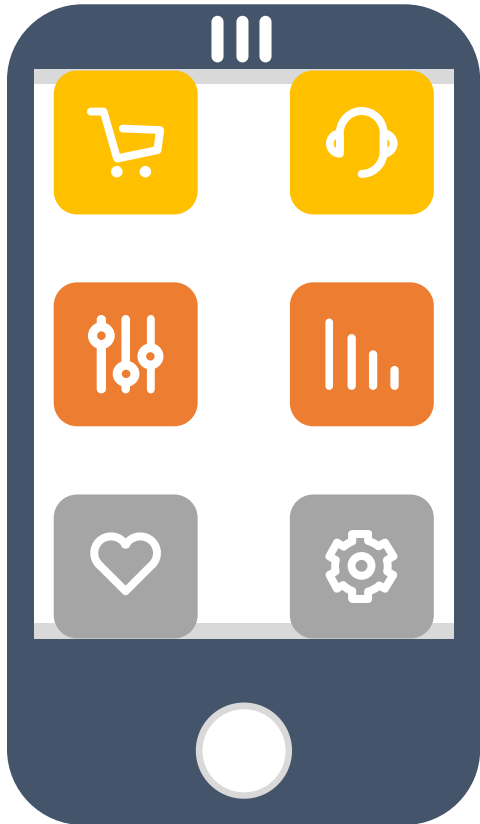
Already source **SaaS capabilities** for their own products and services and offer their capabilities to third parties, enabling new revenue streams.

75%



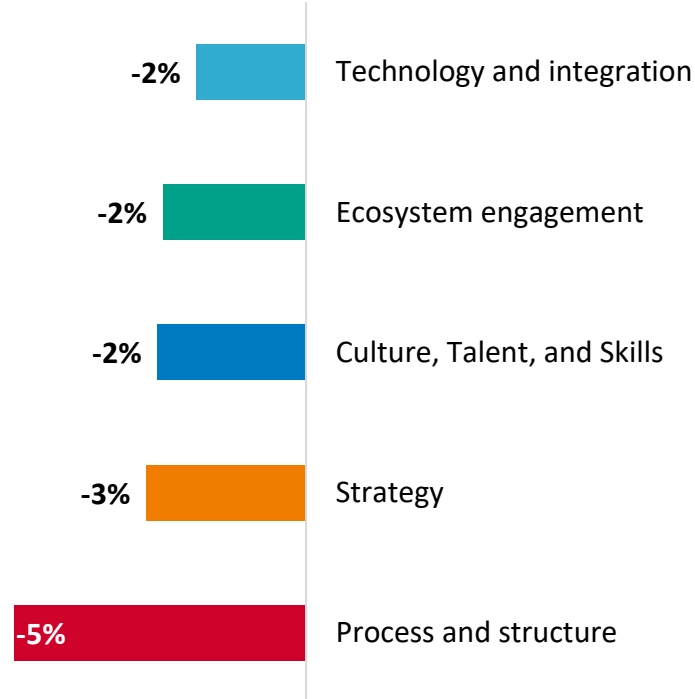
Are ready to become an **invisible partner**

Banks are falling behind in their digital transformation's efforts, with organization becoming less confident with regards their approach to digital banking.

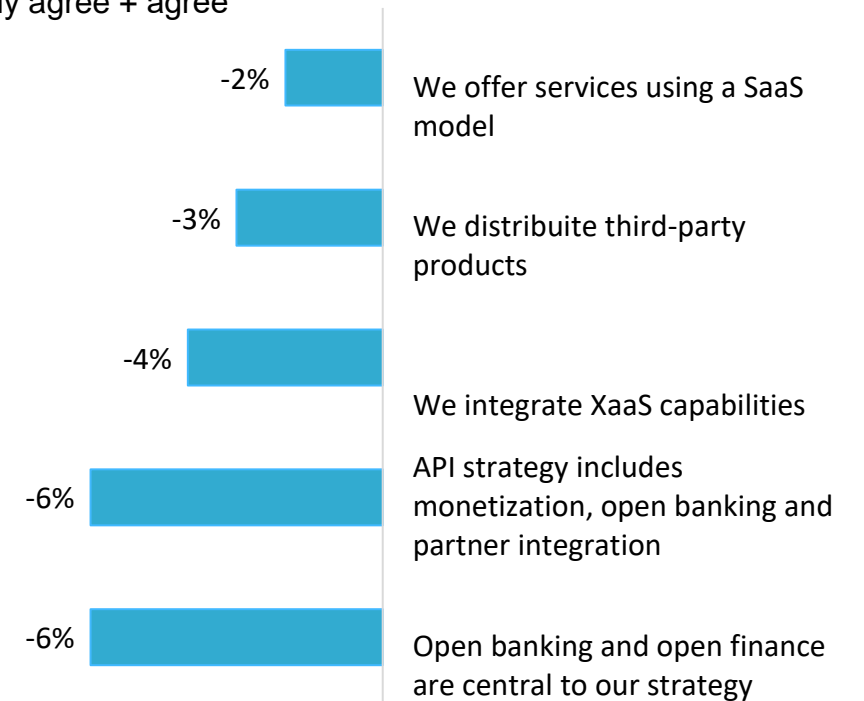


Digital Transformation Readiness by Category

Q14 How much do you agree with the following statements about your organization's approach to digital financial services and ecosystems? Showing YOY differences for "strongly agree + agree"

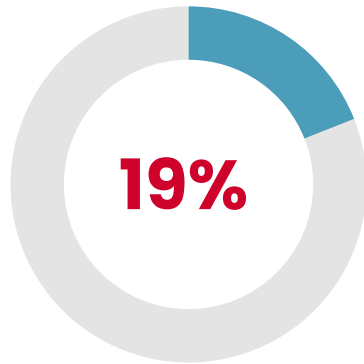


Technology and Integration



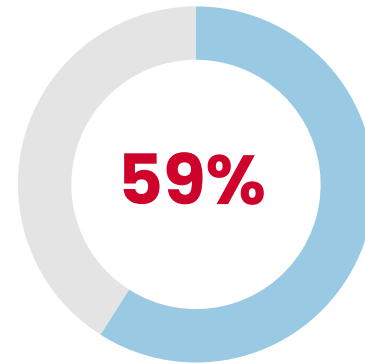
Only a fifth of banks declare themselves ready for Open Finance...

Q5-How ready is your organization to collaborate (e.g., share/receive data, enable payments) in an Open Finance approach in the following areas (Loans, securities, payments, insurances, savings and wealth ?



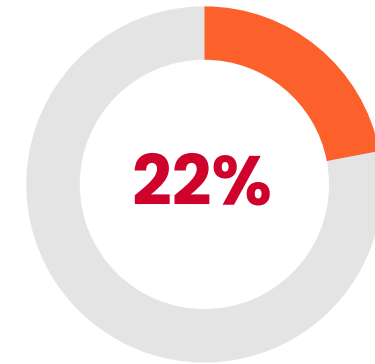
Open Finance Ready

Declare themselves Open Finance Ready — we fully embrace the open finance opportunity.



Have made some or considerable efforts

We are already building or offering some open finance services, or we have a team dedicated to exploring and responding to open finance.



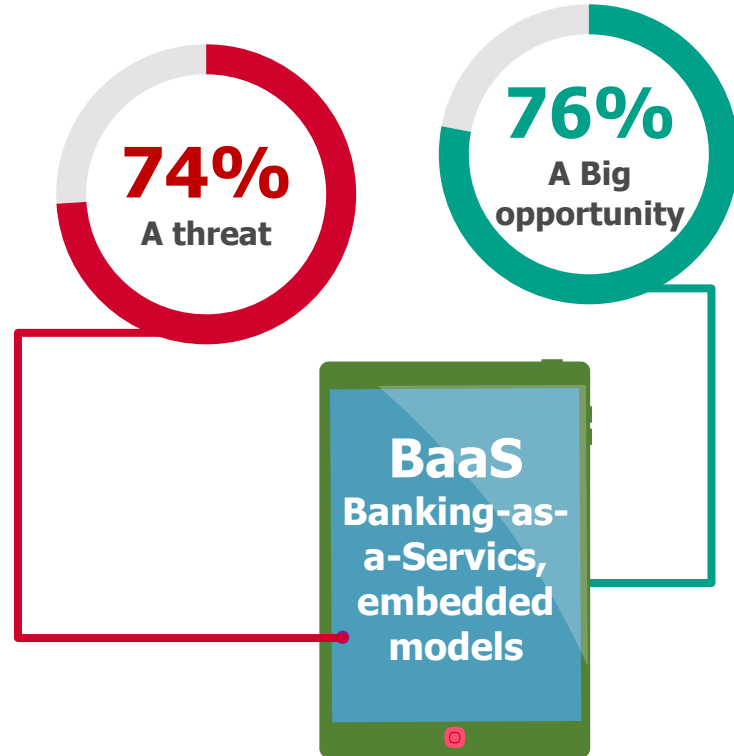
Have not yet embarked on the journey

We do not wish to extend capabilities beyond regulatory requirements or Not ready at all — we are still in a position where our data is siloed.

Note: Banks perspectives based on answers provided to Sopra Digital Banking Experience Research 2022. Question used. Q7-How do you expect your organization's investment in your top priority initiatives to change over the next 12 months? Q8-Which of your top priority initiatives do you expect to provide the highest growth for your organization over the next three years? (Rank 1st answer only considered). Scatter points show the percentage of respondents for each question.

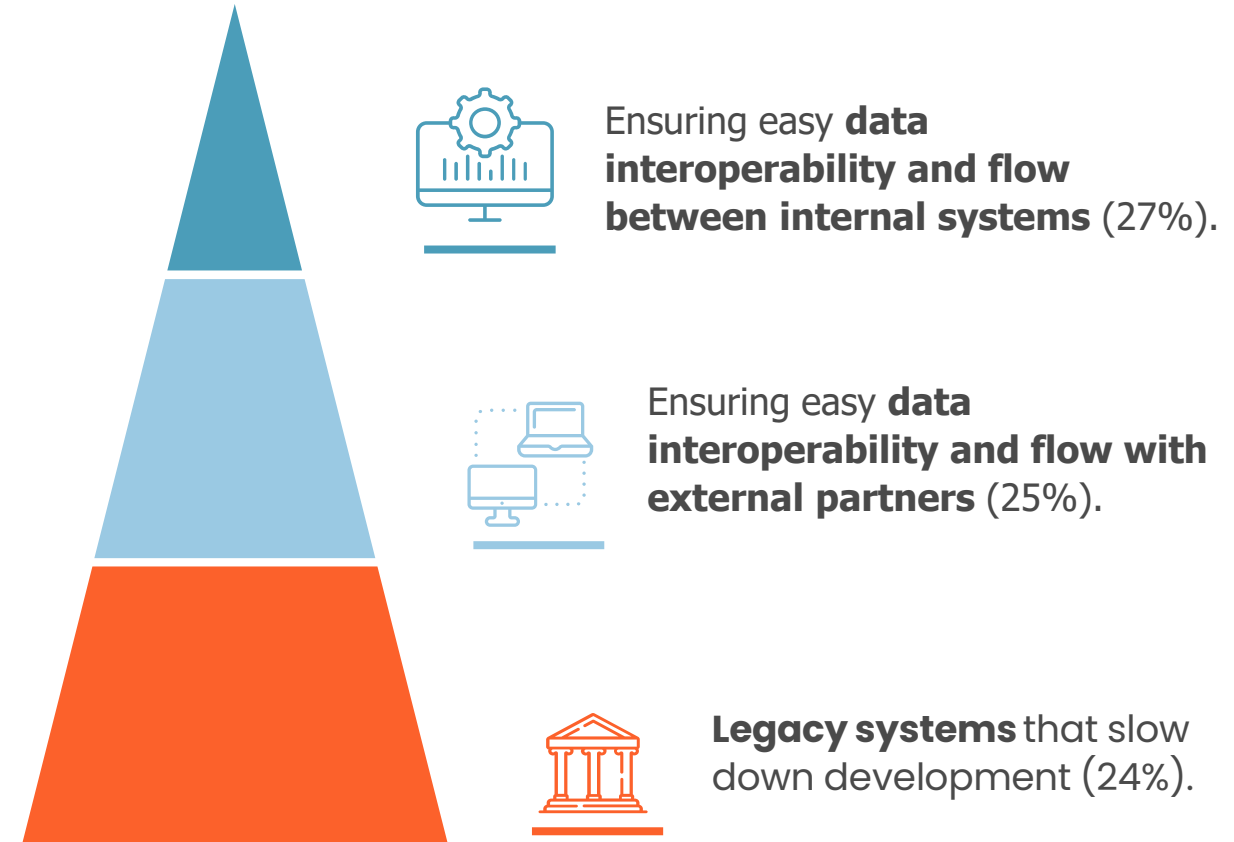
Collaboration with ecosystems a threat and a big opportunity

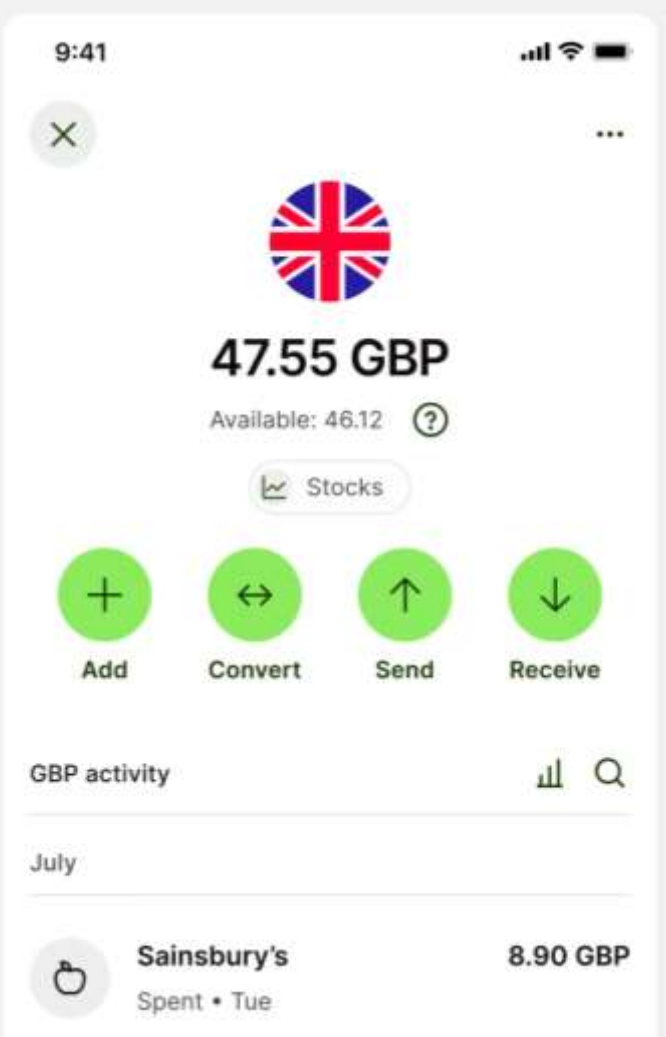
Seizing the opportunity of collaborative models



Two-third of banks still see Open Finance and collaborative models, that enable third-parties to integrate banking capabilities, as an existential threat.

Banks' biggest challenge to digital banking

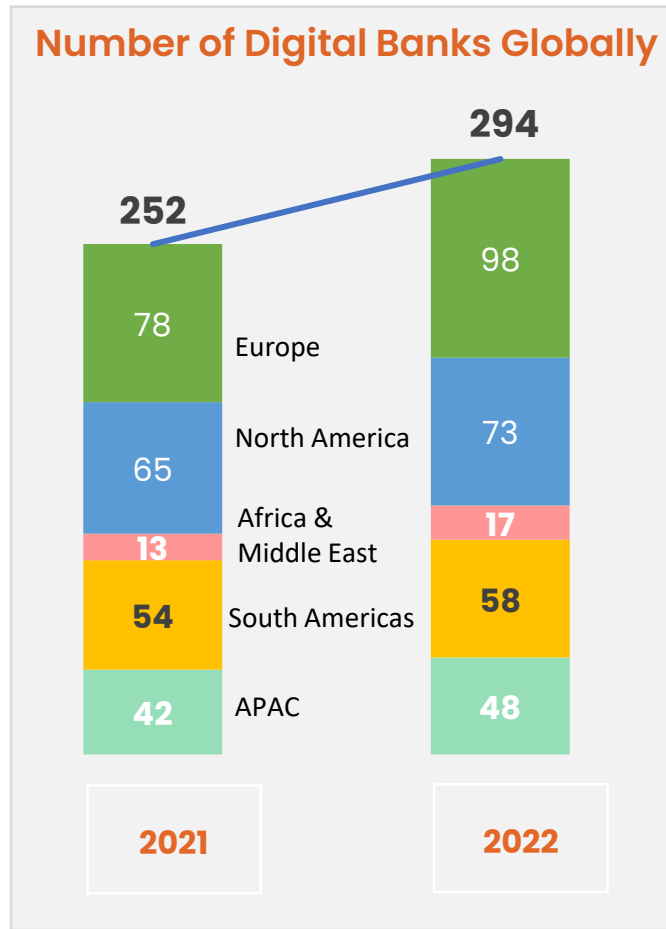




Challenger banks today

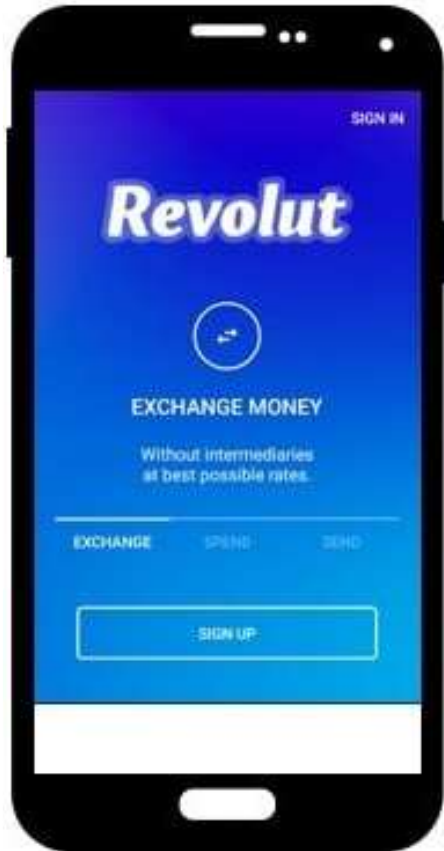
Despite the macroeconomic environment, the number of Neo-banks reached 294 globally, with more than 40 digital banks opened to business.

Sample of New Digital Banking Entrants (2022)





Product Strategy | Independent start-ups typically focus on growing very quickly using simple payment products and easy to get licenses, while corporate backed companies are incentivized by customer monetization from day one.



Revolut app years back.

Independent Challenger Banks

Quick go to market

- Start with payment license (or the equivalent)
- Later acquire a full banking license or partner with a license holder.

Simple offering

- Typically launch with a transactional product.
- Then extend offering through partnerships

Focus on Acquisition

- Aims to grow user base quickly
- Payment products have lower barriers to adoption

Build New brand

- which helps to rapidly gain insights on customers and the market



OpenBank app by Santander relaunched in 2017.

Backed by Corporates

Leverage Banking License

- Uses parent company banking license or Go-to-market after acquiring a full license, if parent company outside of financial services

Full Product suite

- Usually launch with banking, saving accounts and lending proposition.

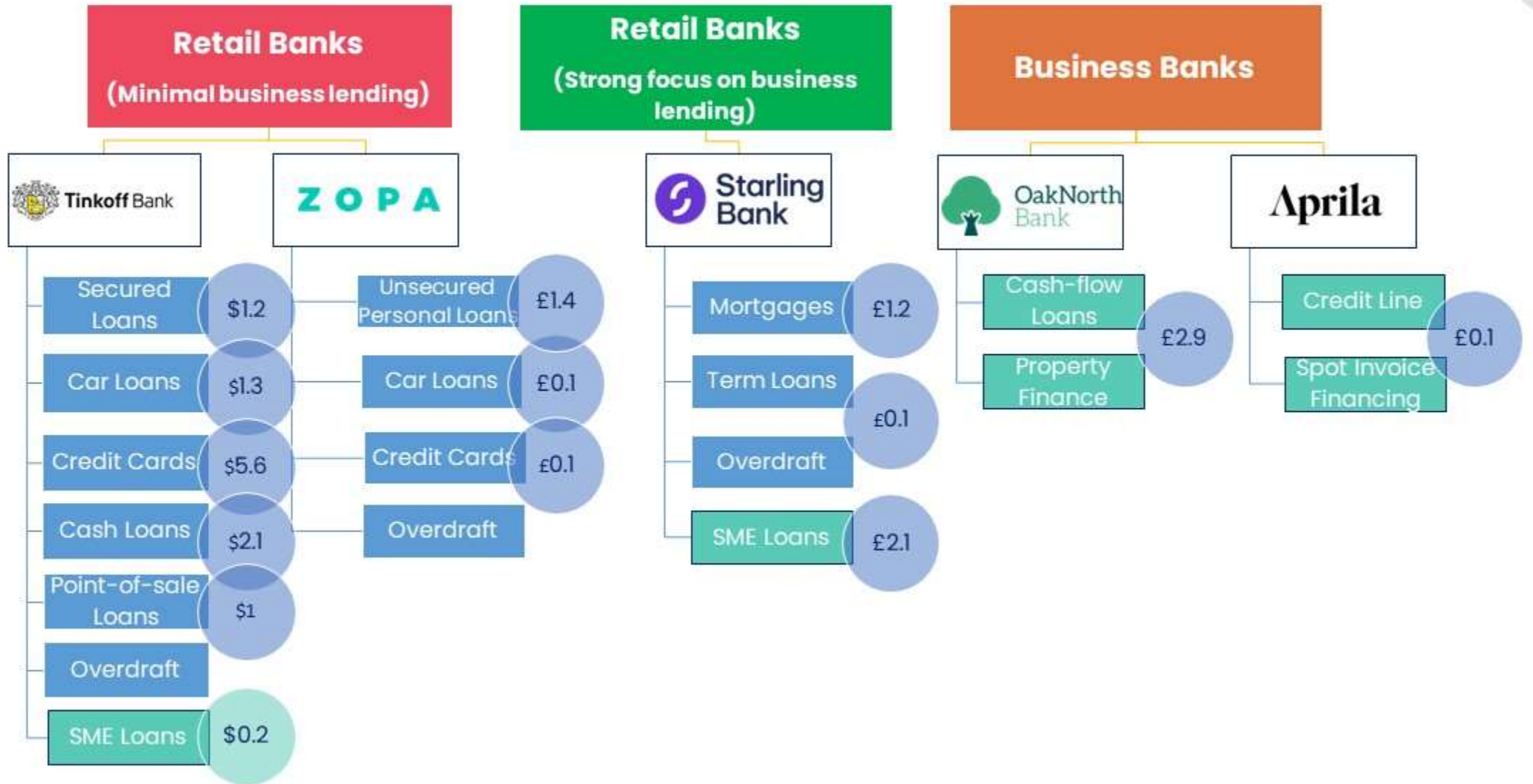
Monetization is key

- Broader portfolio enables cross-selling and better credit risk assessments.
- Lending offer high profit margins

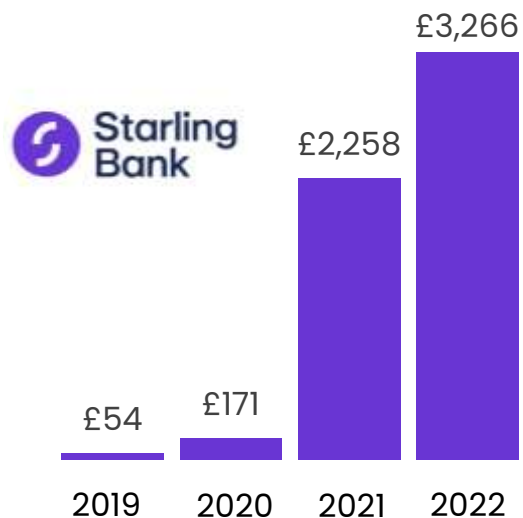
Leverage on parent brand

- Brand familiarity and trust enable attraction of deposits, which helps fund lending business

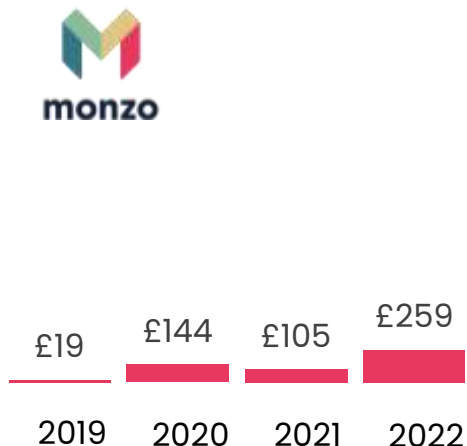
Loan products and gross carrying amount (2021, billions)



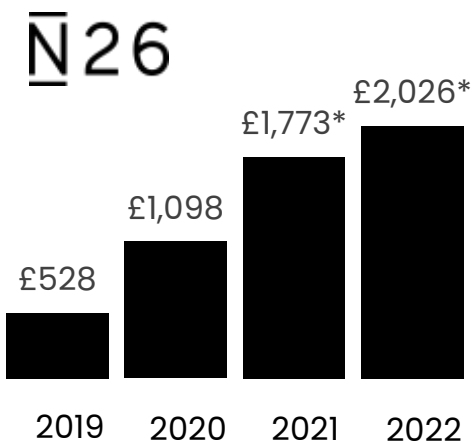
Loans and advances to customers by Challenger Bank (£Millions)



Loans and Advances to Customers for Starling grew by 45% to £3,266m, as a **direct result of new mortgage lending under the Government-backed BBLS and CBILS schemes and Inclusion of mortgages** in 2022.

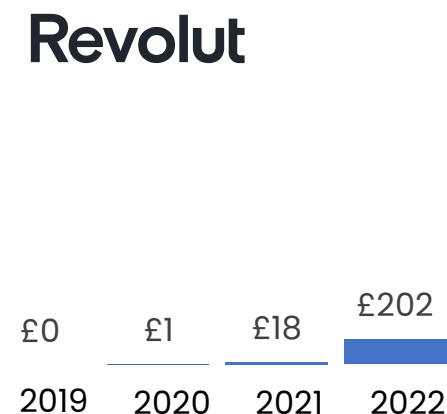


Monzo **customers have borrowed £259m in 2022**, up from £105m in FY2021 following a loan decrease of £39 million during the pandemic.



Loans and advances to customers amounted to EUR 1,274 million in 2020 (£1,098m). These were **broken down into EUR 776.6m in municipal loans, EUR 319.2m in mortgages and EUR 177,6m on overdraft facilities and installment loans** used by customers.

* Estimated values.



Revolut launched consumer lending services, in July 2020, comprising unsecured loans and credit cards, to customers in Lithuania through its Lithuanian incorporated banking subsidiary, Revolut Bank UAB. These services were extended to Polish customers towards the end of the year.

Source: Players financial reports from 2018 to 2022.

Note. Values for N26 for years 2021 and 2022 has been estimated, as it was not released as part of their financial statements 2021. We used average customer loan value from previous available year (2020) and multiplied by the effective number of customers reported by N26 for years 2021 and 2022.



Thanks!



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