



C-INNOVATION
EMPOWERING STRATEGY

FinTech Today:

Innovation and Disruption in the Finance Landscape

2019

“The battle between every startup and incumbent comes down to whether the startup gets distribution before the incumbent gets innovation.”

Andreessen Horowitz



What We're Going to Cover

3

1



The Market

Where are the hot spots
and what's coming next

2



Incumbents

How leading firms are
dealing with disruption

3



The “Winners”

Successful business
models- what they have
done and how



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1. The Market

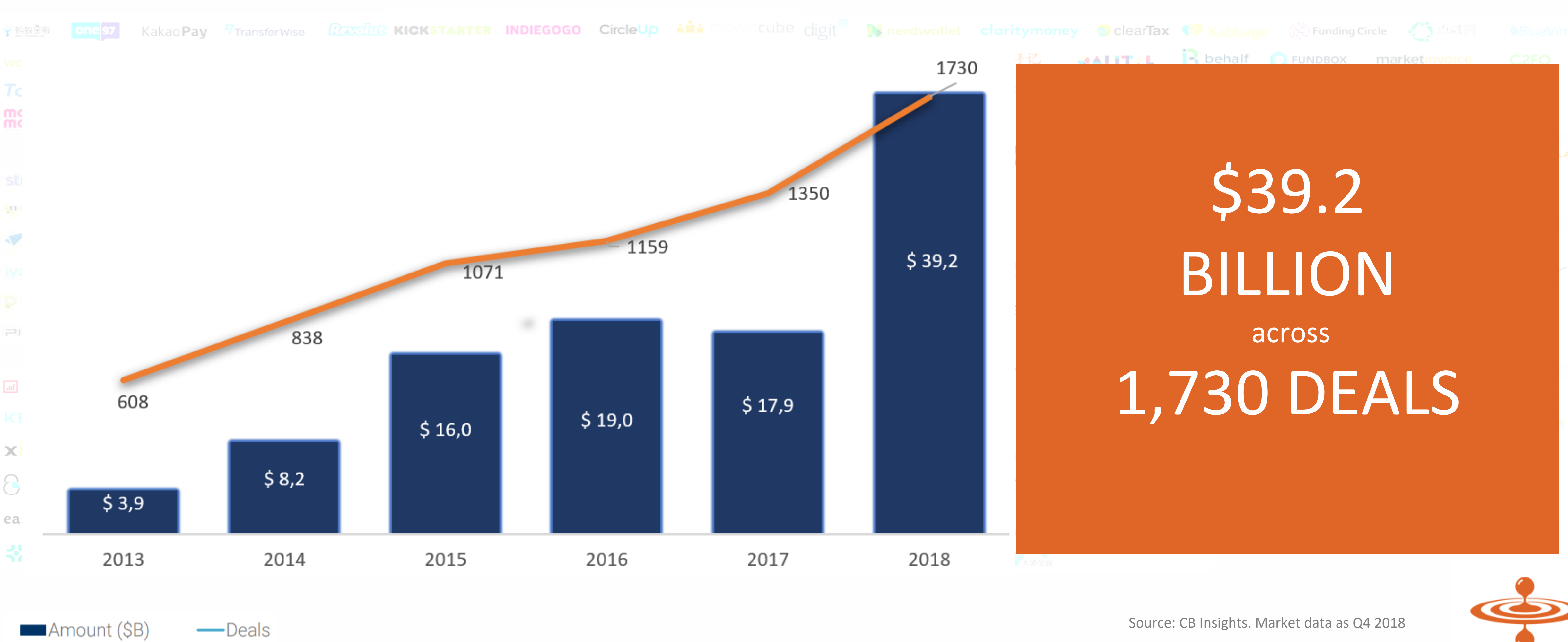


Investment Trends



Investment in FinTech

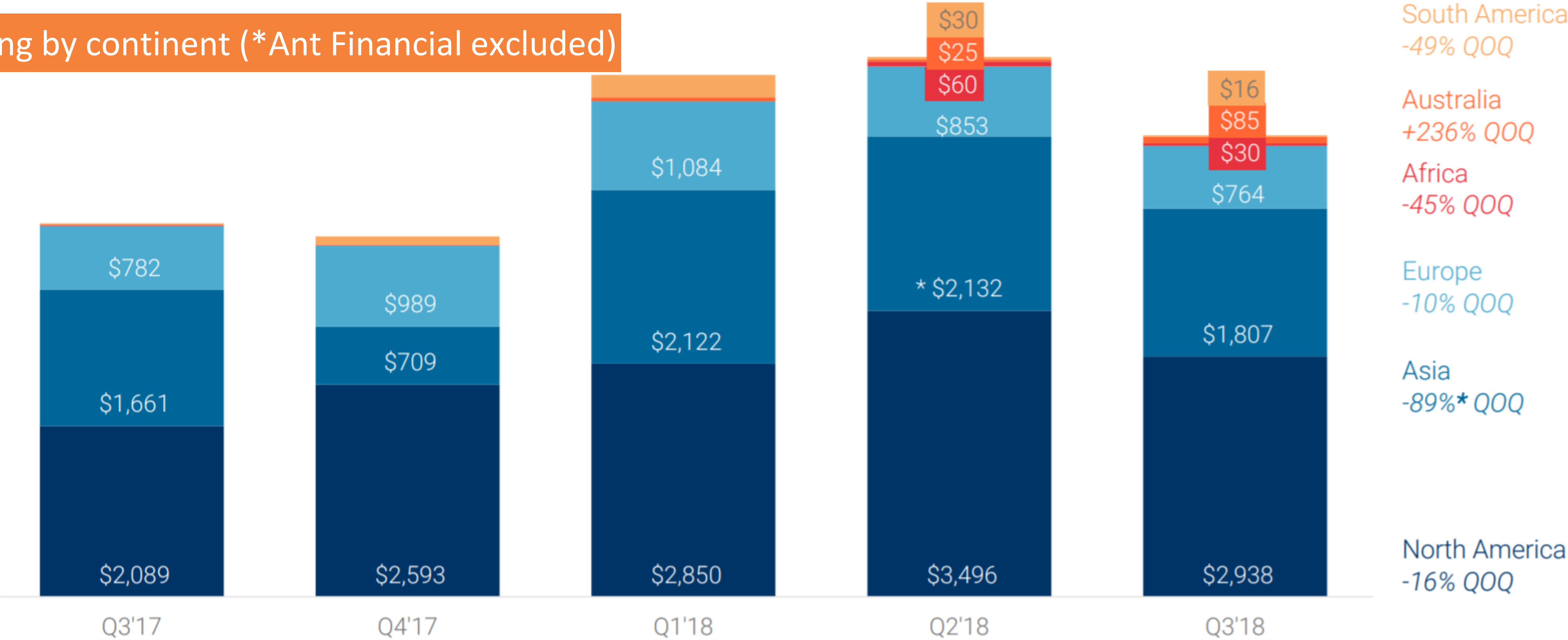
Global deals & funding reached a new record in 2018. Ant Financial raised \$14B in Q2'18 from domestic and international investors



Regional dynamics

Funding dipped in nearly every region in Q3. Excluding Ant Financial’s \$14B round, Q2’18 is still a record high.

VC funding by continent (*Ant Financial excluded)



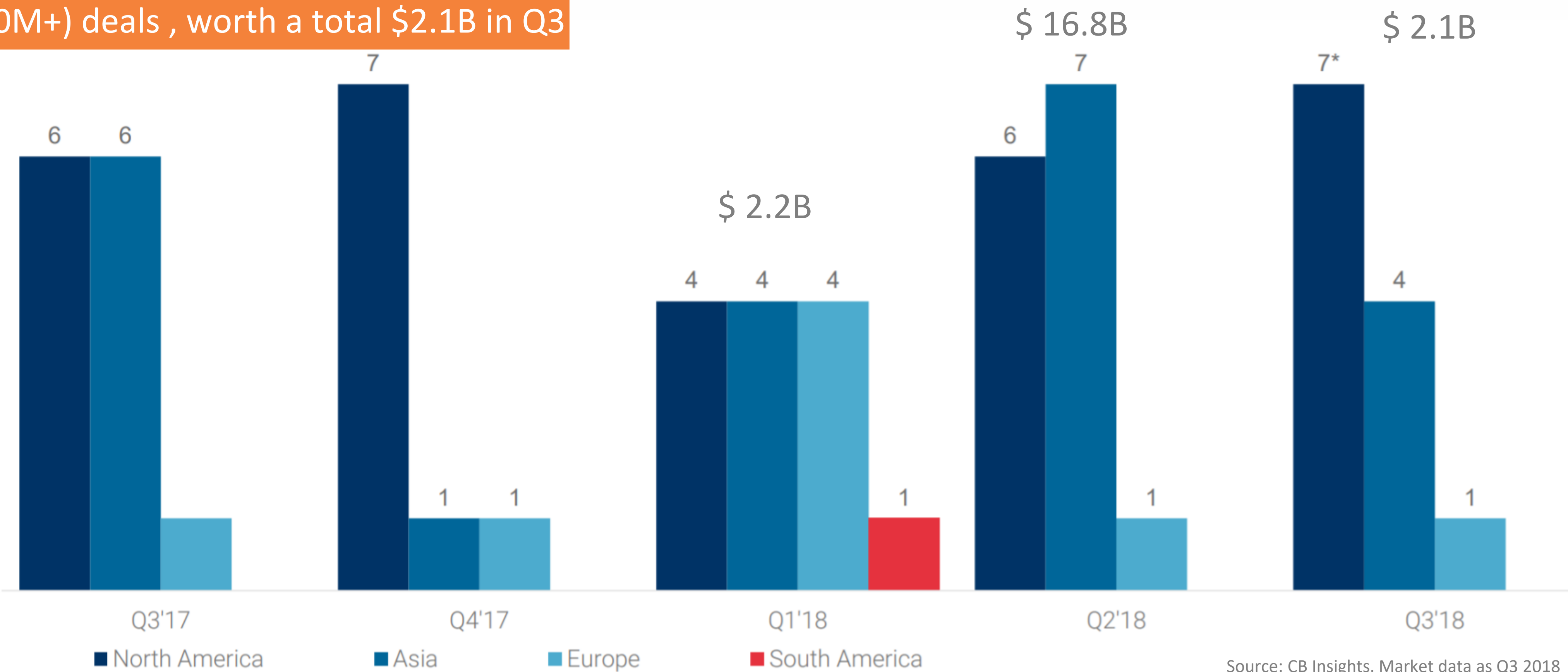
Source: CB Insights. Market data as Q3 2018



US and Asia are leading the way

The fintech market globally continues to broaden and diversify. Geographically, we are seeing more activity and bigger deals in less traditional markets like Brazil, Japan, and South Korea, with US still playing a dominant role

(\$100M+) deals , worth a total \$2.1B in Q3

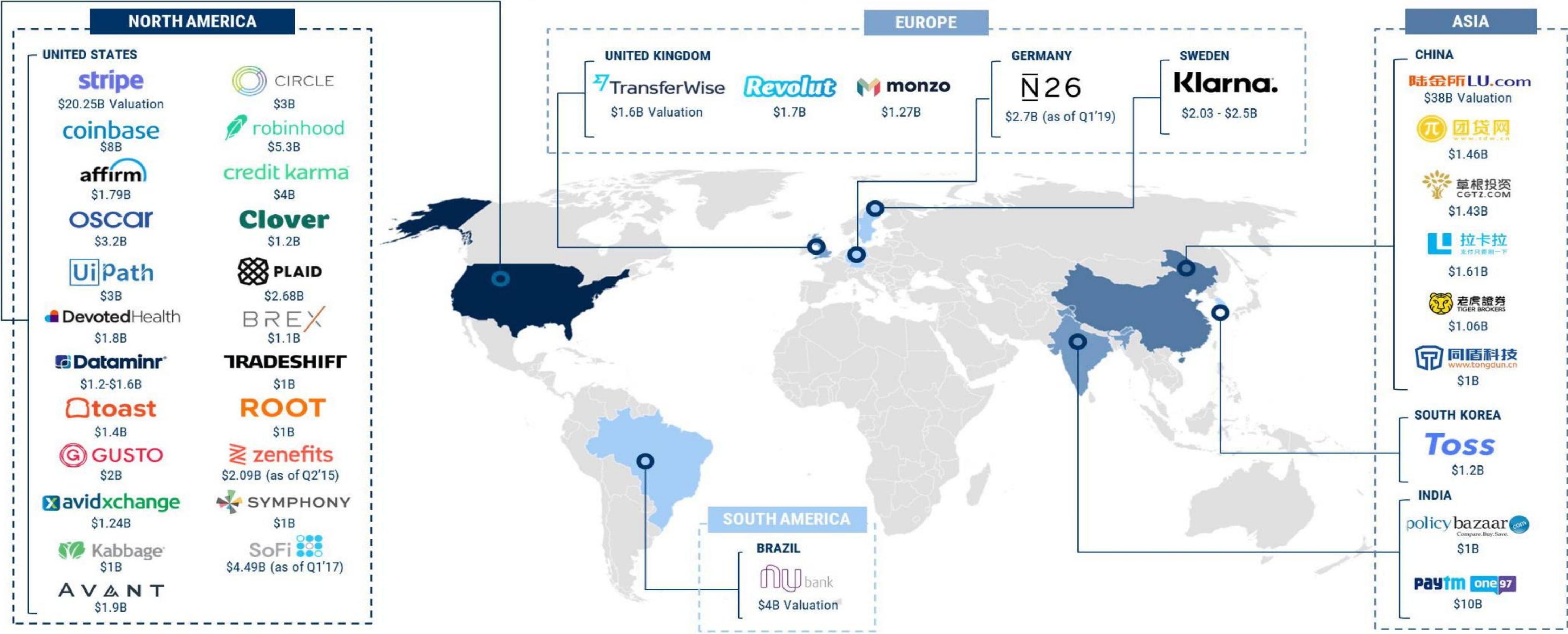


Source: CB Insights. Market data as Q3 2018



Fintech unicorns valued at \$144.9B

38 Global VC-backed fintech companies with a private market valuation of \$1B+ (16 Fintech Unicorn Births in 2018 as Jan 9 2019)



1. The Market



Hot spots





Sector of focus

During 2018 FinTech are looking to SMEs needs beyond loans & financing. while challengers banks look to growth their market share and global footprint.



Payments

\$3.6 B*
169 deals

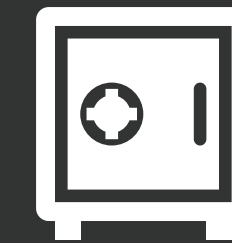
- POS expands from hardware to all-in-one sales & CRM
- Payments “go” cashier-less



Alternative Lending

\$3.0 B
145 deals

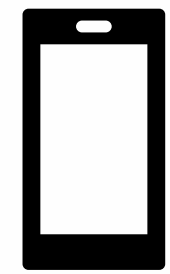
- POS services to boost merchant sales
- India saw a flood of deals focus on small business lending



InsureTech

\$2.2 B
115 deals

- Funding boosted to unicorns to fuel product expansion
- Cyber insurance becomes new area of early stage investments



Digital Banking

1.7 B
55 deals

- European digital challenger bank model is spreading globally
- New entrants are targeting niche customer pain points and the next generation of customers



1. The Market



Trends to Watch



FinTechs are becoming more ambitious

FinTechs are developing new and expanding existing capabilities to complement proposition and evolving services ahead of millennials demands



They are leveraging on network and technology



Collaboration



Leveraging Technology



Opening new investment channels





Funding is powering FinTechs expansion

Growing across Europe and from Europe into the U.S. and Asia, while U.S. FinTechs look to the Europe market.

With A Fresh Billion-Dollar Valuation, Monzo Is Already Planning A 2019 Funding Round To Enter The U.S.

Forbes Oct 2018

Monzo raises £85m to help launch new products and expand

FINANCIAL TIMES Oct 2018

Revolut to Raise \$500 Million then Launch in USA



Nov 2018

Revolut approved for Japan and Singapore push



Nov 2018

N26 Expansion: German Challenger Bank Brings Services to Denmark, Norway, Poland, & Sweden



Jun 2018

Well-Funded N26 Mobile First Banking App Headed From Europe To US

Jun 2018

European Fintechs head east to challenge Asians traditional banks

FINANCIAL TIMES Nov 2018

Tandem Bank strikes HK deal to launch digital banking in Asia

FINANCIAL TIMES Nov 2018

Fintech firm Curve looking to raise \$50 million to become the 'Amazon of banking'



Oct 2018

SoftBank-backed US home insurance start-up Lemonade looks to Europe for its first expansion abroad



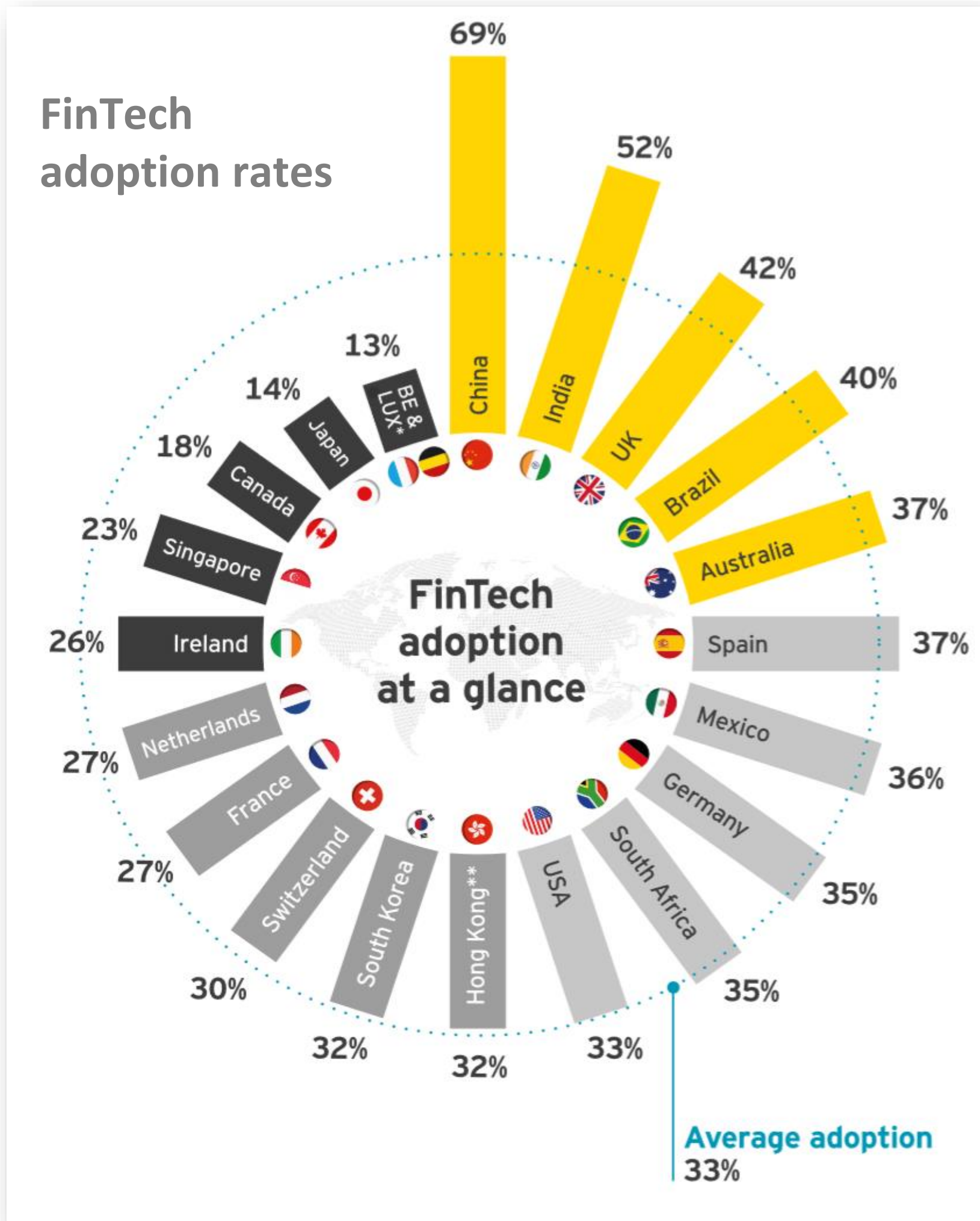
Nov 2018

TransferWise Raises \$280 Million to Fund Expansion in Asia

Bloomberg Nov 2018

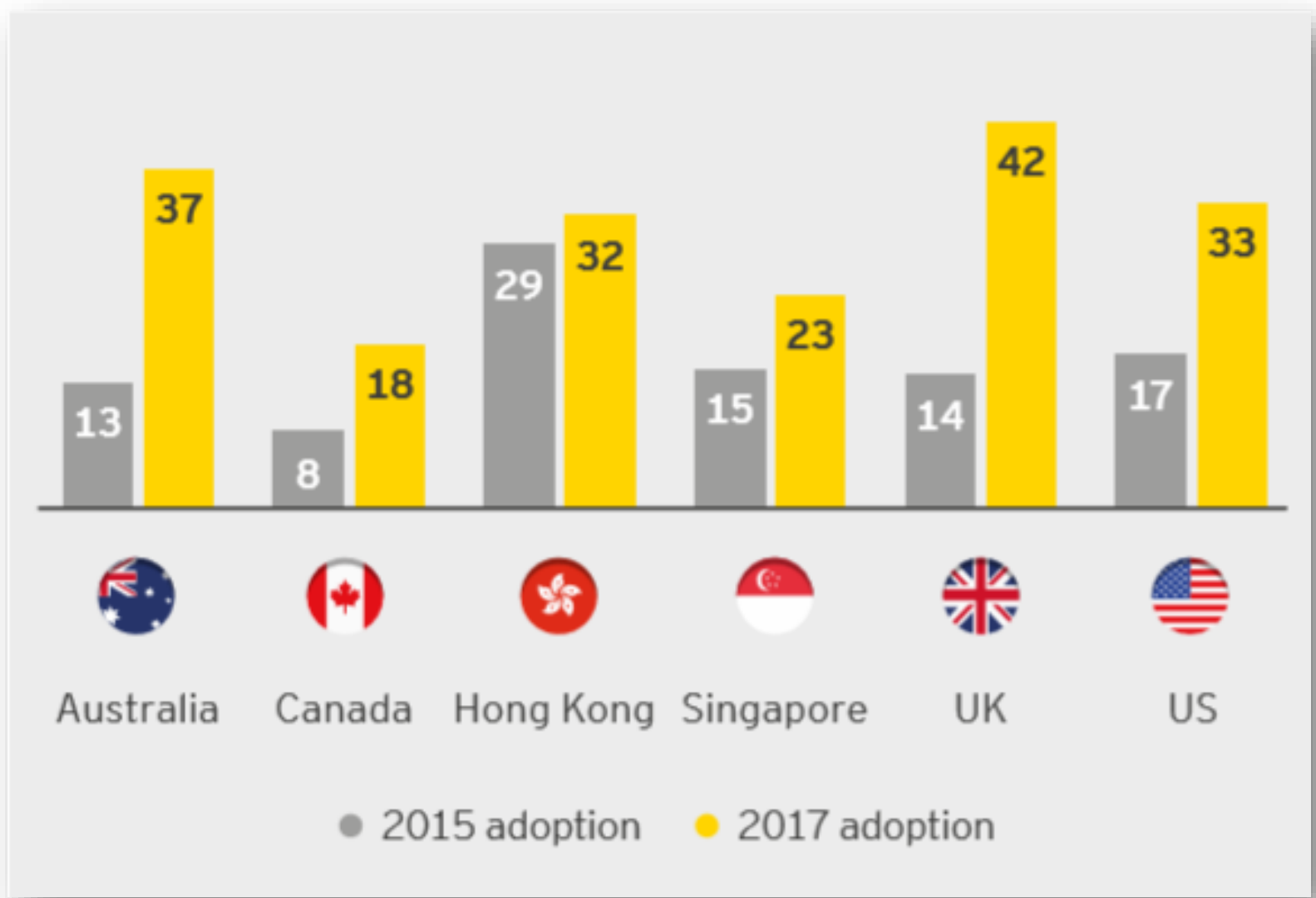


FinTech adoption is rapidly emerging



- China and India have the highest adoption rates as FinTech firms excel at tapping into the tech-literate, but financially underserved population.

Comparison of FinTech adoption in selected markets

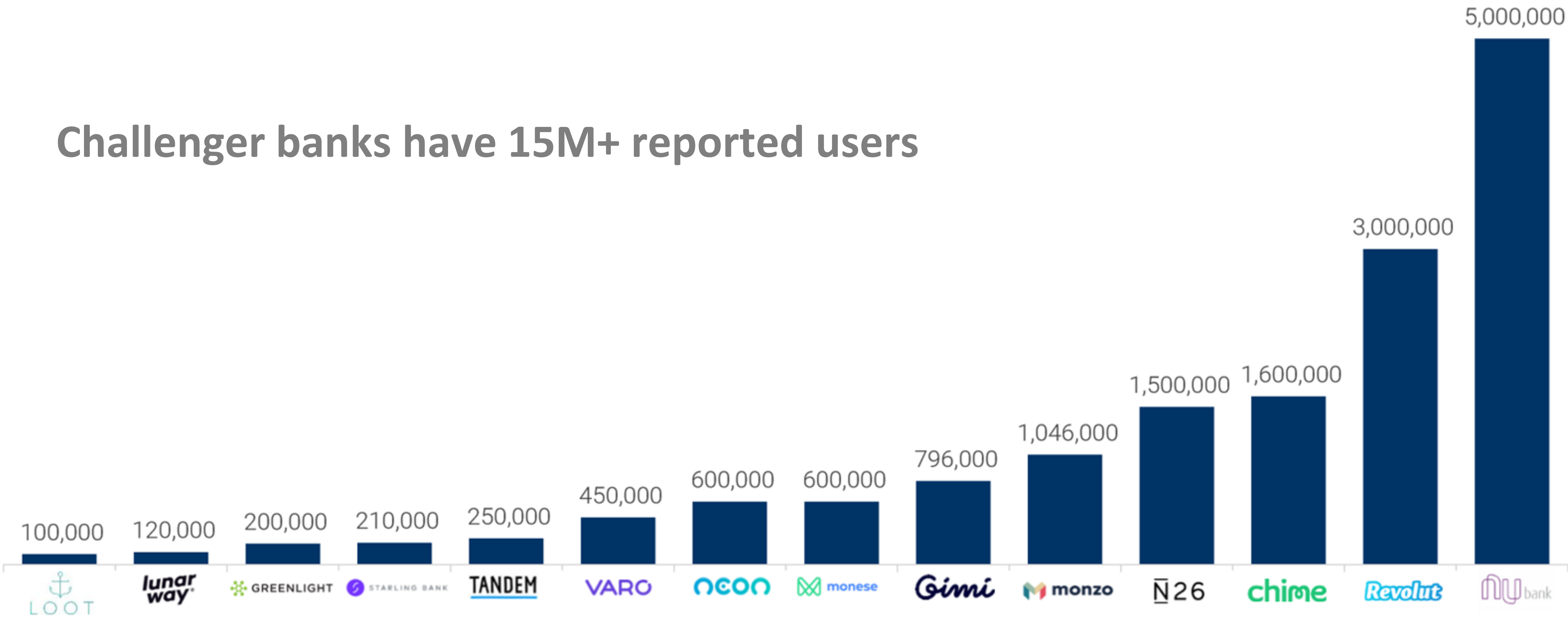


- The UK and Australia realized the largest increase in the number of consumers adopting FinTech, from 2015 to 2017



Digital banks are scaling up

Challenger banks have 15M+ reported users



Source: CB Insights.



2. Incumbents



**Where
banks are
today**



**What is driving
Investments &
partnerships**



**Building
FinTech in-
house**



Banks are struggling to keep up the pace

Banks are losing revenues in part by the shift in customer demand and legacy infrastructure is slowing their ability to respond

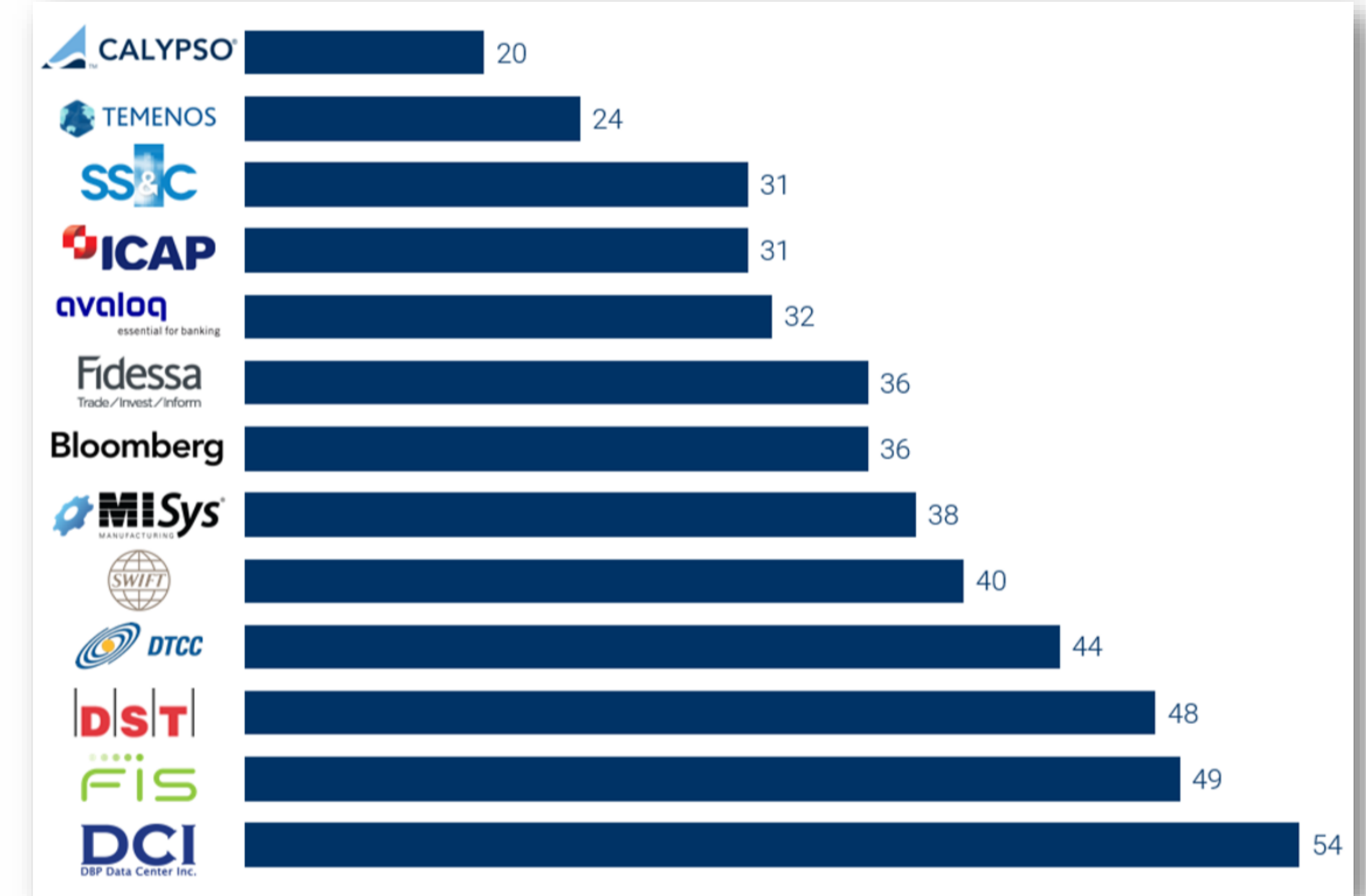
FICC revenues at major US Banks

Q2 2017 YOY change



Legacy capital markets technology

Years since respective system launch



They are still dealing with legacy

Wells Fargo to Pay \$185M Fine Over Account Openings

February 22, 2018 | THE WALL STREET JOURNAL

Rare Fed sanction bars Wells Fargo from growing past the \$1.95T in assets, costing \$29B in Lost Market Value

February 5, 2018 | THE WALL STREET JOURNAL

HSBC fined over 'contaminated' loans sold in run-up to crisis

October 09, 2018 sky news

Bank of America in \$42M settlement over 'masking' electronic trading activities for 16M client trade orders & 4B traded shares

March 23, 2018 | CNBC

Credit Suisse paid \$30M and Barclays \$35M to settle allegations over 2017 dark pools and Deutsche Bank paid \$18.5M

February 12, 2018 | CNBC

CFPB fines Spain's Santander \$11.8 million over misleading loans, insurance

November 20, 2018 REUTERS

Regulators Split Over How to Keep Banks Out of Trouble

February 22, 2018 | THE WALL STREET JOURNAL

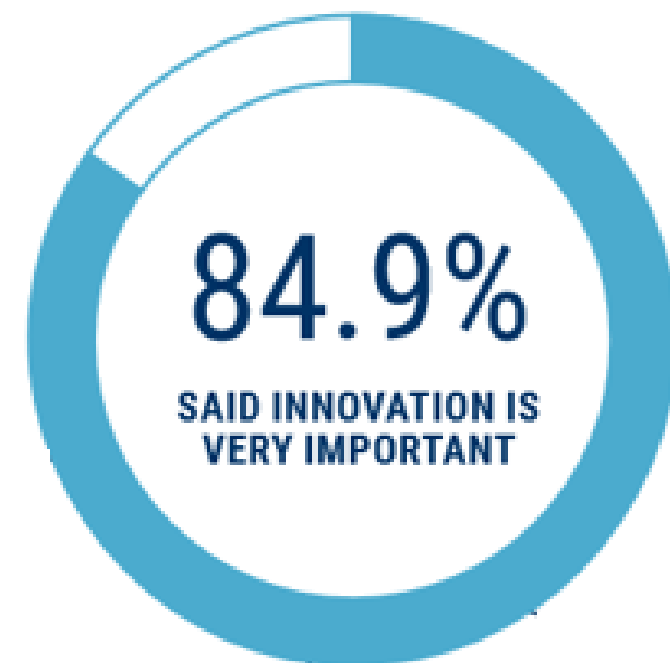
Europe's biggest banks fined for money laundering

October 10, 2018 THE WEEK

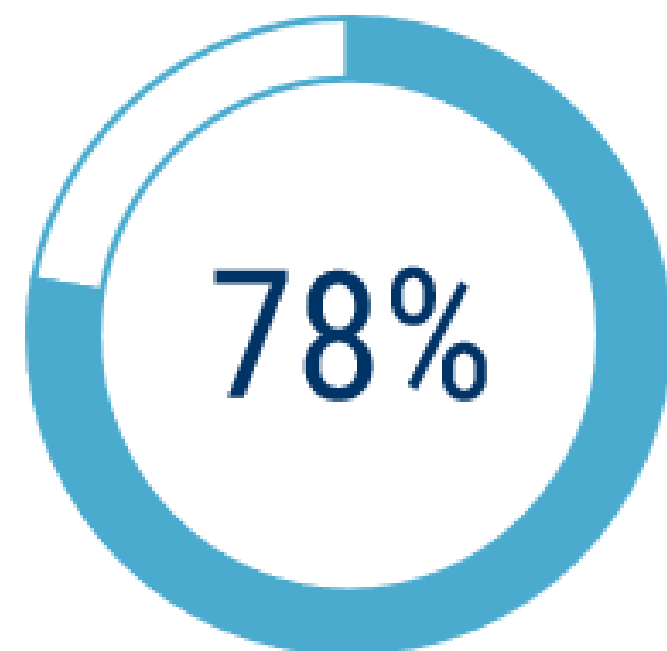


And innovation approach is slow

A risk-averse approach and the structure of banking is creating incremental improvements in innovation, making the entire process too slow.

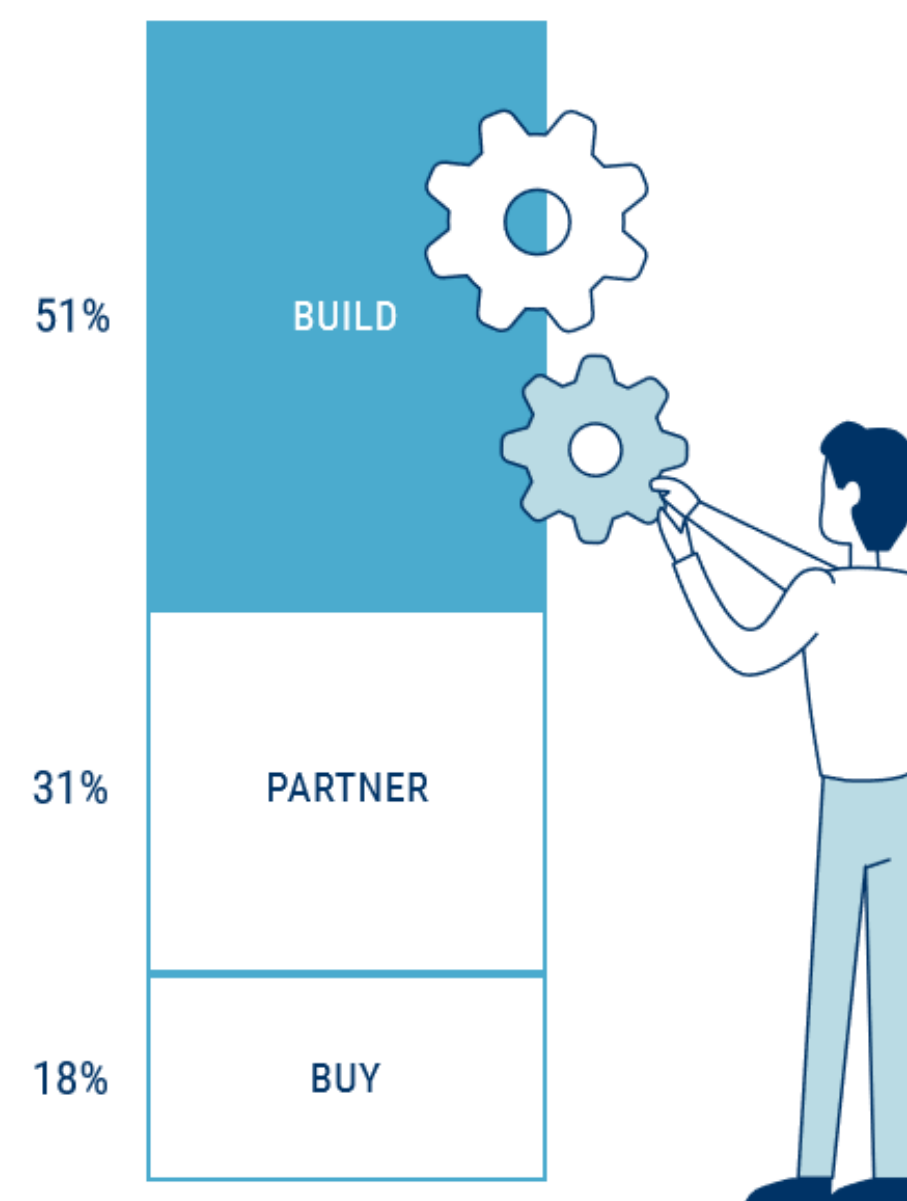


Companies do care about innovation



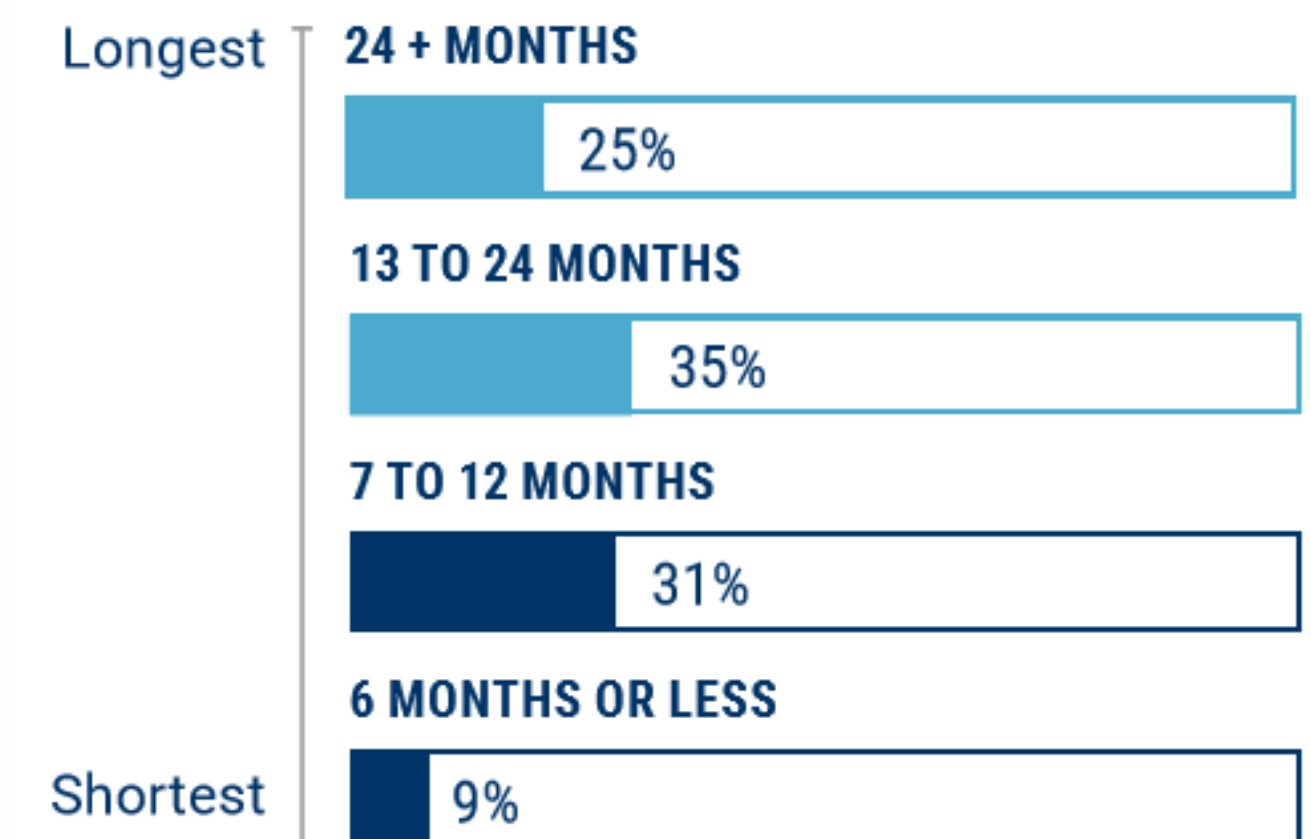
Innovation portfolios are allocated to continuous innovation rather than disruptive risk

How do you prefer innovation happen?



and banks keep focussing on building

Average time from ideation to launch



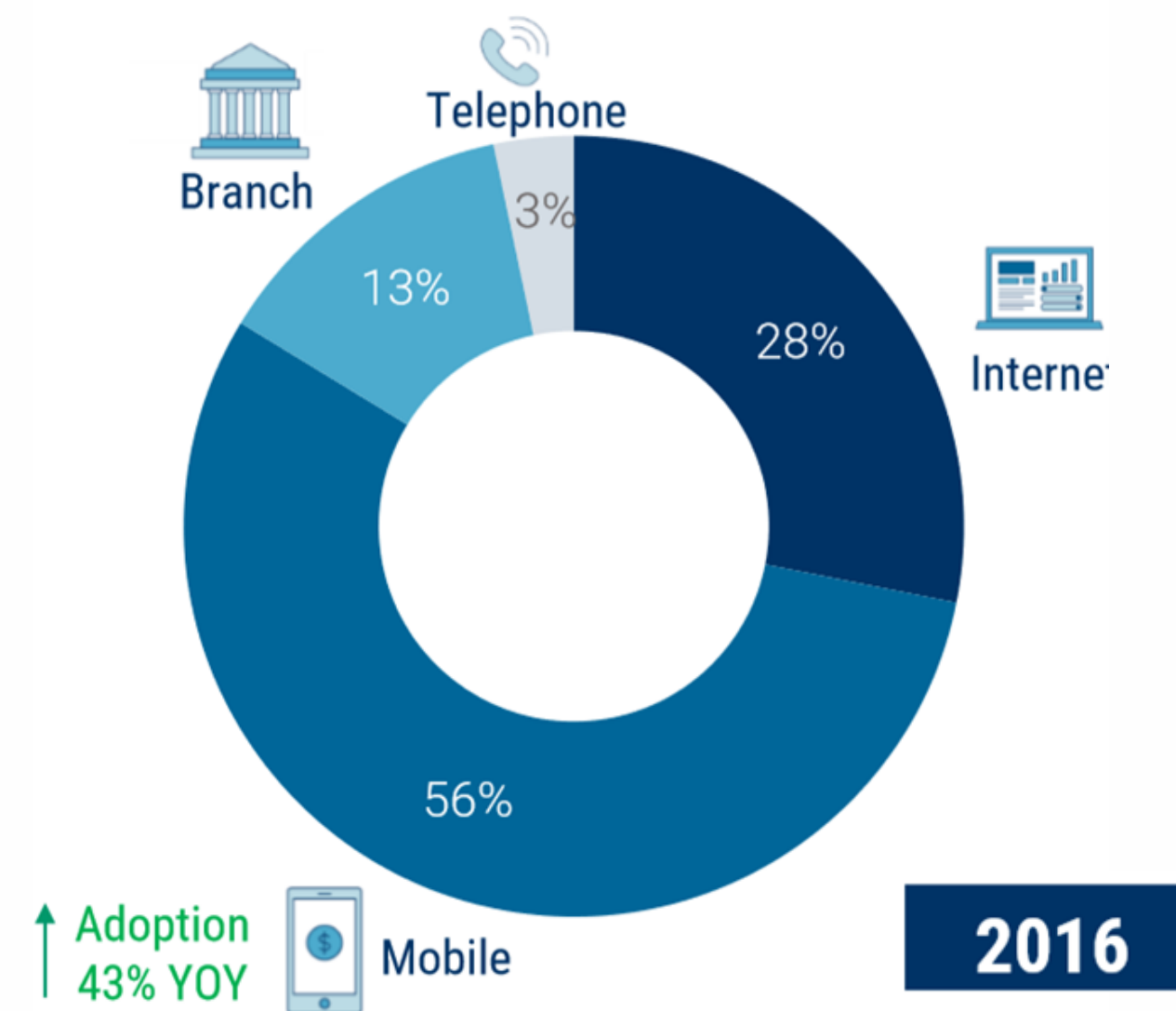
And so corporate innovation is slow



So, they are losing relevance



Of customers trust a technology company with their money more than a bank



Ways of banking has turned to mobile, but Banks remained physical



Home voice assistants are spreading much faster than smartphones

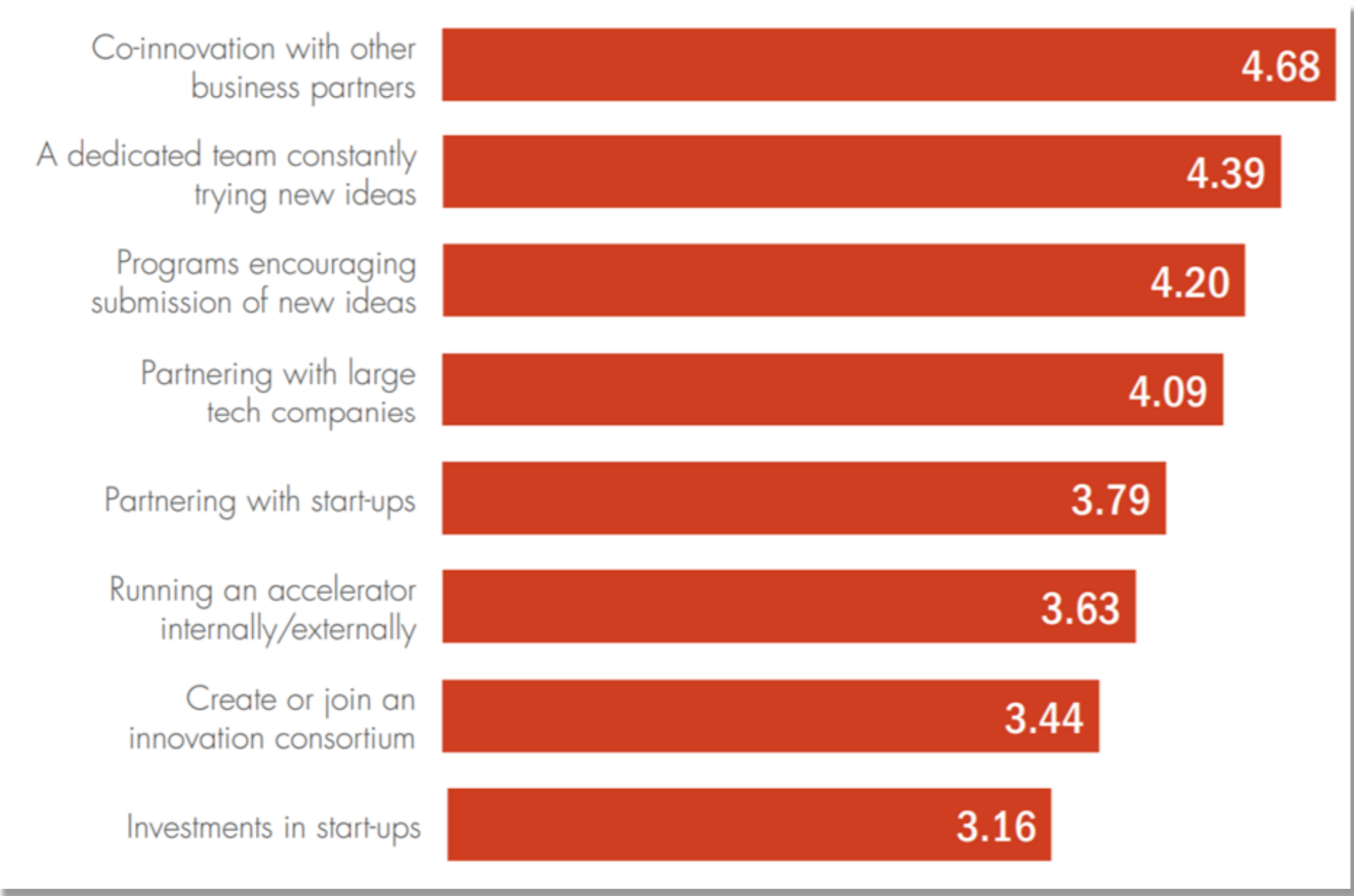


But thinking on the way forward

There is no overwhelming agreement on the Build/Buy/Partner decision, however there has been a significant increase in the level of desire to partner with outside organizations, indicating a greater realization that internal development may not meet speed and ‘focus on the consumer’ objectives.

How will your organization drive innovation?

On a scale of 1-7 (where 1 is very low and 7 is very high)



Banks expanding their own personal finance initiatives



2. Incumbents– Where banks are today

Smart banks are actively investing in FinTech



Most Active US Banks investing in FinTech

	Rank	Blockchain	Data Analytics	Insurance	Personal Finance	Wealth Management	Capital Markets Software	Lending	Payments & Settlement	Real Estate	Regulatory Technology	Supply Chain
Goldman Sachs	1	Digital Asset AXONI CIRCLE	visible alpha. KENSHC DataFox (PERSADO)	OSCAR	CompareAsia	FOLIO motif	SYMPHONY PLAID CURVEGLOBAL IPREO TRADESHIFF	nav neyber FinanceIT	MARQETA billtrust mo mo nanopay nmi Square Aquilon	better MFS Trueable CADRE	ACADIASOFT droit Digital Reasoning	NYSHEX
citi	2	AXONI SETL Digital Asset Chain Cobalt r3	KENSHC (PERSADO) visible alpha AYASDI SELERITY	claritymoney smartasset Linkable	Betterment	SYMPHONY PLAID CURVEGLOBAL TRADEIT MDAQ InvestLab	C2FO BlueVine FST PSY TRADEIT	highradius VIVOtech Square Aquilon	UNISTRI	ACADIASOFT jumio		
JPMORGAN CHASE & CO.	3	Digital Asset AXONI	KENSHC mosaic	Dave	motif	openfin ROCKEFELLER SYMPHONY CURVEGLOBAL investcloud	PROPER	LevelUp Bill.com TouchBistro GONAGO Square	ROOSTIFY	ACADIASOFT Cloud9		
Morgan Stanley	4		KENSHC 众安保险 visible alpha			SYMPHONY ERIS eleni iCapital	LU.com			ACADIASOFT		
WELLS FARGO	4	r3 AXONI	KENSHC visible alpha ALTIX			SYMPHONY FST PSY TRANSACTION				droit canopy		

New Portfolio

Acquire by investor

Acquired

Top Largest Euro Banks ranked by FinTech investment

	Rank	Blockchain	Data Analytics	Personal Finance	Wealth Management	Capital Markets Software	Lending	Payments & Settlement	Real Estate	Regulatory Technology
Santander	1	Digital Asset elliptic ripple r3	visible alpha	Curve	SIGFIG	personetics TRADESHIFF	AutoFi e credits Kabbage	payever PAYJOY iZettle PayKey Check	ROOSTIFY	SOCURE
CREDIT SUISSE	2	r3	Dataminr		canopy	SYMPHONY iCapital	WeLab PROPER			ACADIASOFT Digital Reasoning
UBS	3	Digital Asset r3	visible alpha		SIGFIG	SYMPHONY iCapital	信而富			ACADIASOFT Digital Reasoning
BNP PARIBAS	4	TRADEX r3			PRAXIS	SYMPHONY CURVEGLOBAL		Payfon		ACADIASOFT Digital Reasoning
BARCLAYS	4	r3				SYMPHONY OpenExchange CURVEGLOBAL		FORM3		Cloud9
ING	8	TRADEX r3					fintonic WeLab Kabbage	twisto FinCompare		
BBVA	6	r3		solarisBank Atom saveup DESTACAME.d				sum up		
HSBC	6	r3	visible alpha. quantexd			TRADESHIFF				ACADIASOFT kyriba
Deutsche Bank	8	r3				TrustBills SYMPHONY		tyfone		ACADIASOFT
SOCIETE GENERALE	8	r3				ERIS SYMPHONY		TagPay		ACADIASOFT
ABN-AMRO	8	Digital Asset		solarisBank tink			CLOUD LENDING SOLUTIONS			BehavioSec
CRÉDIT AGRICOLE	12	SETL		Linxo					LIBERKEYS	
RBS	13	r3								
UniCredit	13	r3								

Source: CB Insights.(Equity financing 2012 – Q2 2018)

Investment is lined up with internal strategy



Banks are involved in fintech rounds mainly for two main reasons: future returns and further its strategic goals.

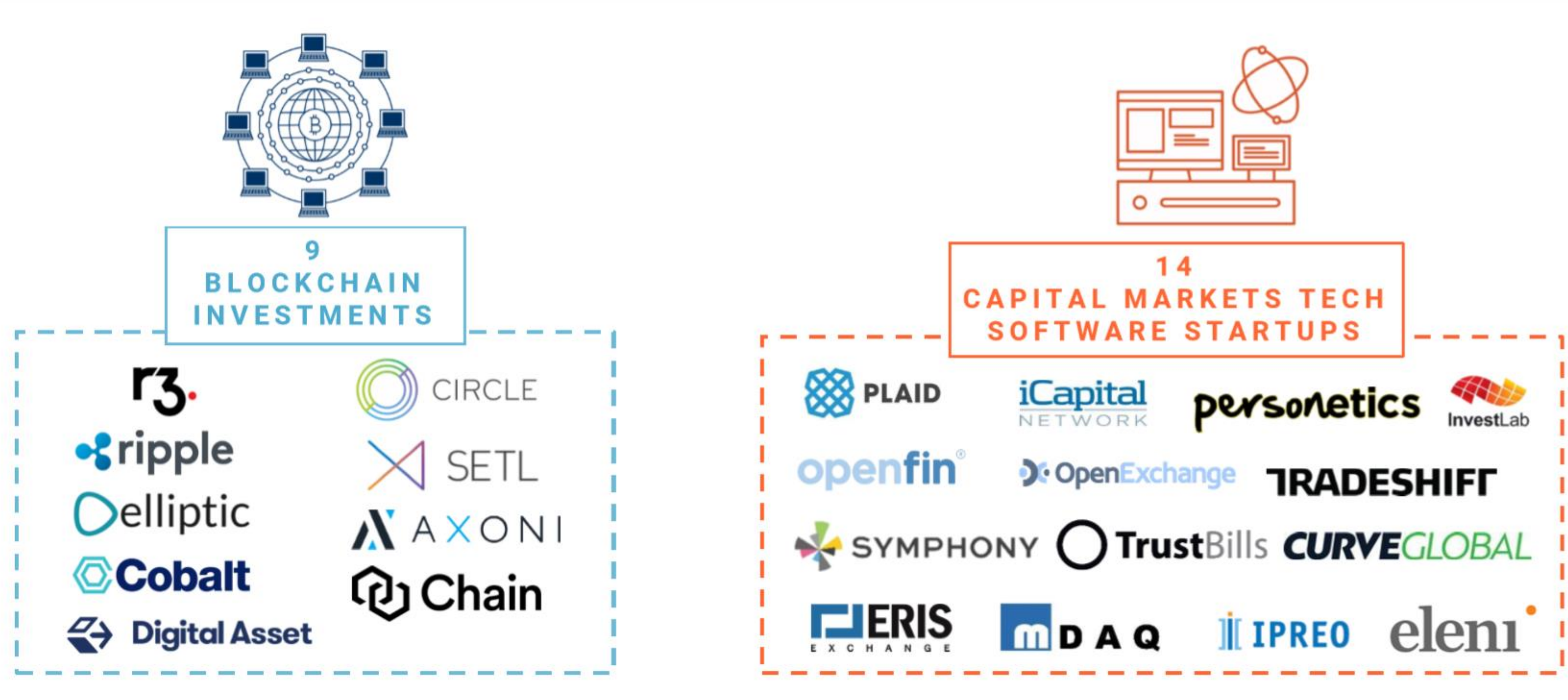
- Banks are also beginning to invest in process automation
- Real estate tech is an emerging investment category
- US banks are increasing activity in the UK



but immediate goals are over ‘disruptive technologies’

Over the last few years, banks have focused on updating infrastructure by investing in capital markets software over blockchain technology

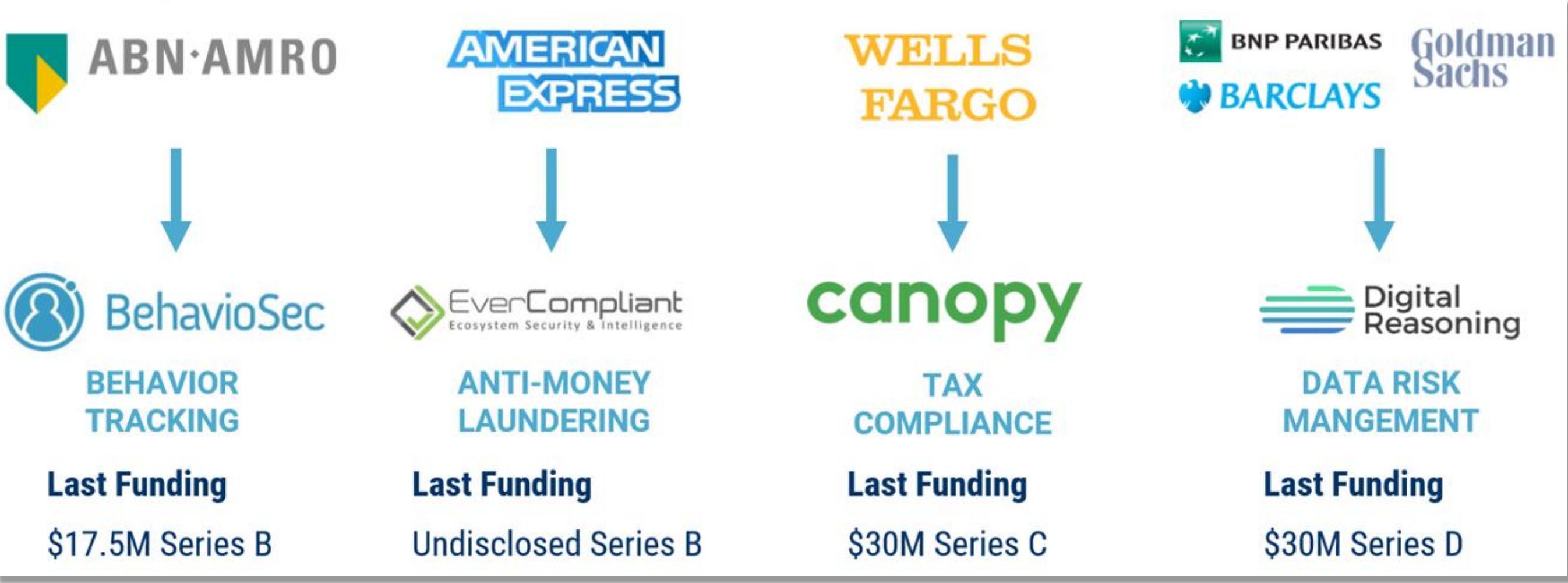
Bank's investment in Blockchain vs infrastructure



And so banks invest in solutions they need

Financial services firms have increased funding in regtechs and also they co-invest to tackle regulatory compliance

Selected investment in Regtech Q1 / 2018



CURVEGLOBAL

\$27.7M Series B // Q1'18



Some have moved to build fintech in-house

Banks with the most advanced digital strategies, have shifted from investing and partnering to launching their own digital capabilities to defend their position or entering new markets.

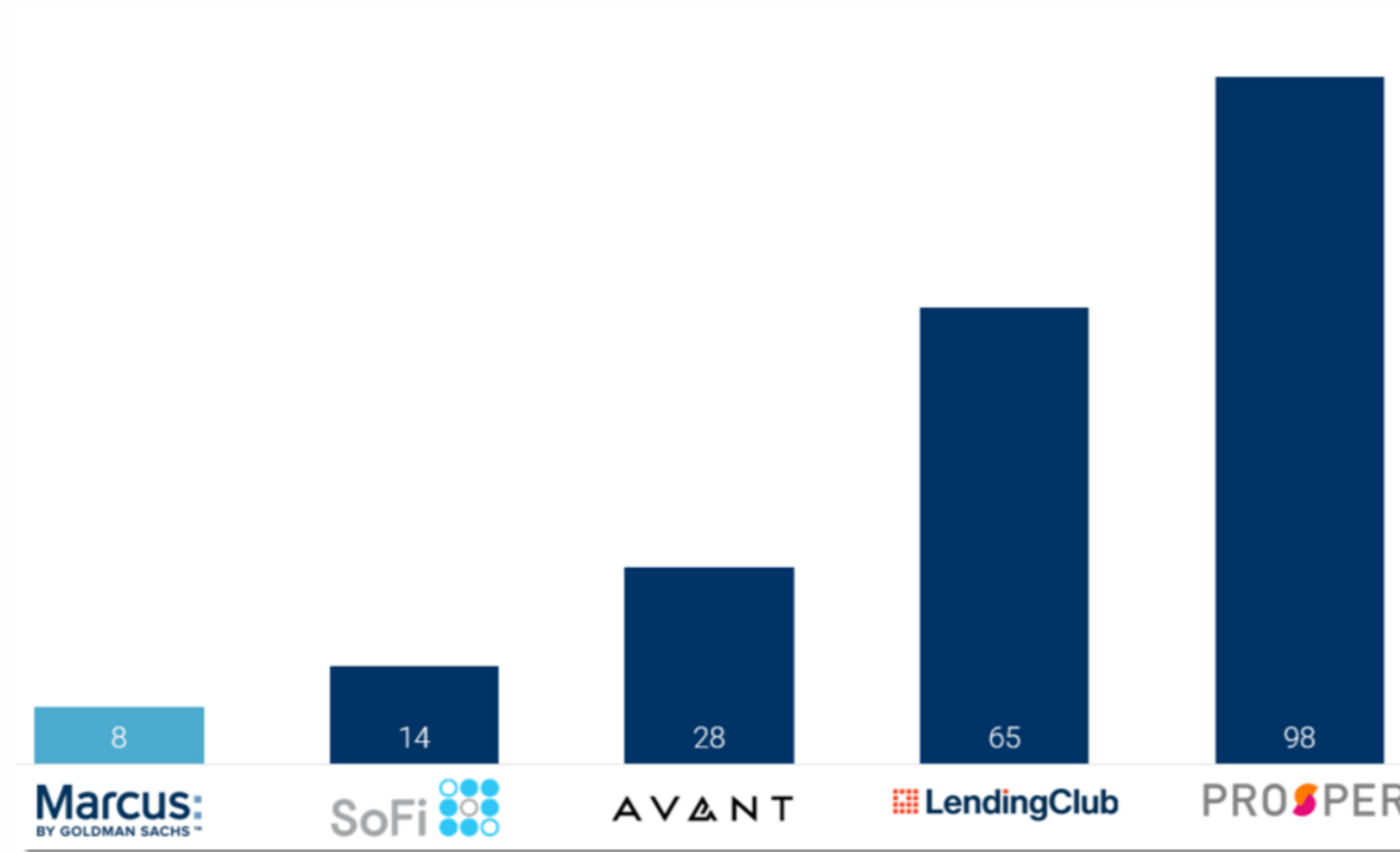
Marcus on alternative lending

Investments & M&A from 2012 –Q1'2018



Marcus reached \$1B faster than earlier FinTechs

Number of months to \$1B in loan originated



Marcus has accumulated more than \$26bn in deposits and lent \$3bn to customers, generating over \$1bn of new revenue for the bank. Marcus recently launched in the UK, its first international expansion, attracting 50,000 savers in less than two weeks with best-buy rate

Source: CB Insights Goldman Sachs Strategy Teardown. [FT. Five ways banks are responding to the fintech threat](#)



M&A is used to fuel product innovation

Stablish players are using strategic acquisitions to bolster their existing products capabilities



3. The “Winners”

The Revolut logo is displayed in a white box. It features the word "Revolut" in a blue, rounded, sans-serif font with a white outline. The background of the slide is a dark, grayscale image of three classical statues, likely from the Parthenon, showing the backs and heads of the figures.

Revolut

The Amazon logo is displayed in a white box. It features the word "amazon" in a black, lowercase, sans-serif font, with a curved orange arrow underneath it. The background of the slide is a dark, grayscale image of three classical statues, likely from the Parthenon, showing the backs and heads of the figures.

amazon

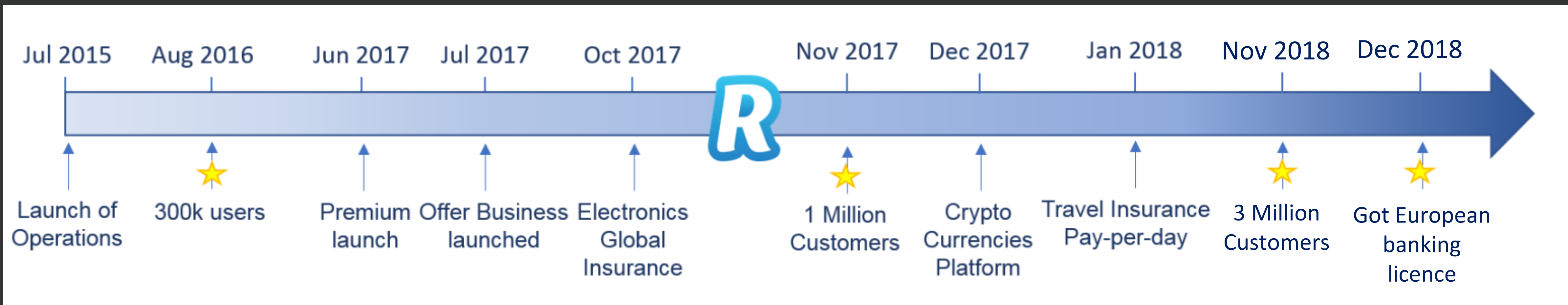




Designed to offer the best value and the best user experience

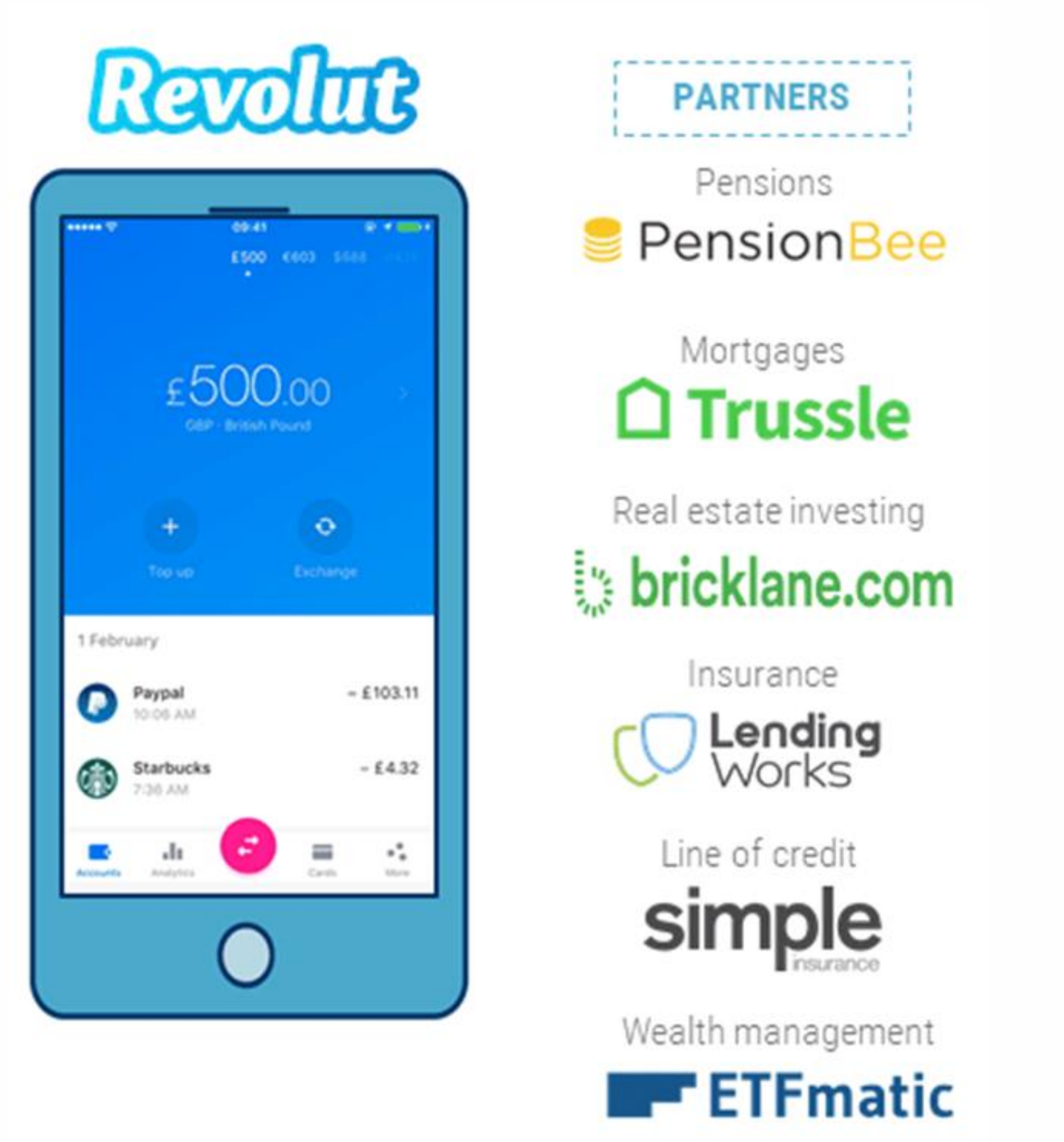
- 3M customers
- 3500 users added per day
- First challenger bank to announce breaking even on a monthly basis

Key milestones





Revolut has grown its customer base much faster than other challenger banks by focusing resources on rapidly launching products and bringing customers on board quickly.



Source: CB Insights.

- 1 Strategy focused on getting a rapid e-money license
- 2 Targeted currency exchange rather than current accounts
- 3 Leveraged the EEA passport to expand across Europe and partnered with other FinTechs to iterate quickly
- 4 Cryptocurrency exchange platform is adding 3,500 users per day

"We want to be one of the largest financial services companies in the world" CEO Nikolay Storonsky



Banking aligns with Amazon’s goals

Amazon is building financial services products focused on supporting its core strategic goal: namely, increasing participation from buyers and sellers on its platform



Amazon has already established key financial services strategic areas



Amazon has issued \$3B in loans and funded 20K+ SMBs



Amazon help financial institutions to deliver innovative customer experiences, accelerate time to market, and enable digital transformation

The Amazon Ecosystem



Enable Merchants

5M Sellers



Enable Customers

310M Active customers
100M Prime customers
50M Echo owners



Reduce marketplace frictions

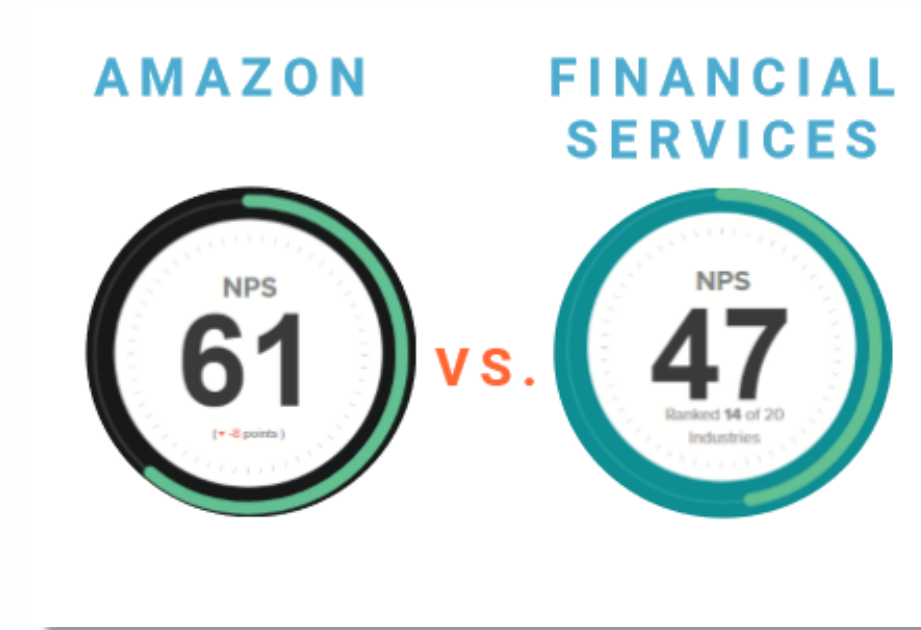
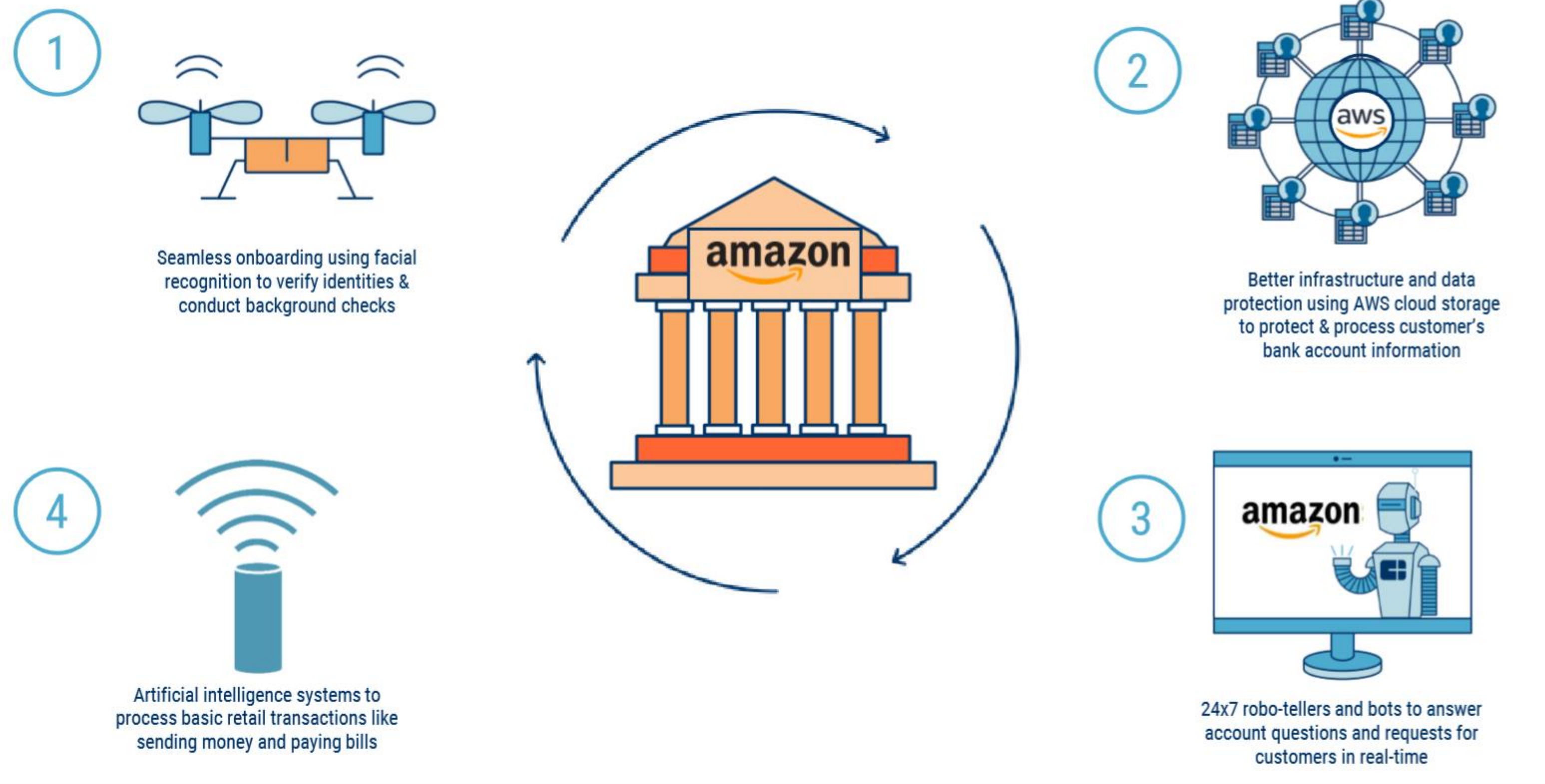
Source: CB Insights.

“Staying in Day 1 requires you to experiment patiently, accept failures, plant seeds, protect saplings, and double down when you see customer delight ... ” Jeff Bezos



Amazon can deliver a differentiated product

Existing incumbents' technology and reputation are weak and don't meet demand for customer centric products



- Is the reference for excellent customer experience.

- Bank regulations require capital reserves while Amazon is free to use cash to fuel more growth

Source: CB Insights

"Most large organizations embrace the idea of invention, but are not willing to suffer the string of failed experiments necessary to get there" Jeff Bezos



Recap & Closing Remarks

1. **FinTechs are succeeding, expanding and becoming more ambitious.** How you can stay competitive? Which technology to leverage? What are the key trends and business models for your business to care and think about?
2. **For future returns and to further its strategic goals are the reasons why traditional institutions invest in fintech.** How do you make yourself significant enough for a bank to be interested in collaborating / buying /funding? Which markets and issues are you fixing? How it aligns to problems banks are looking to address?
3. **Technologic companies are setting customer expectations and they can deliver a differentiated product.** So, how you can address the threat? How to demonstrate and differentiate your value to clients?

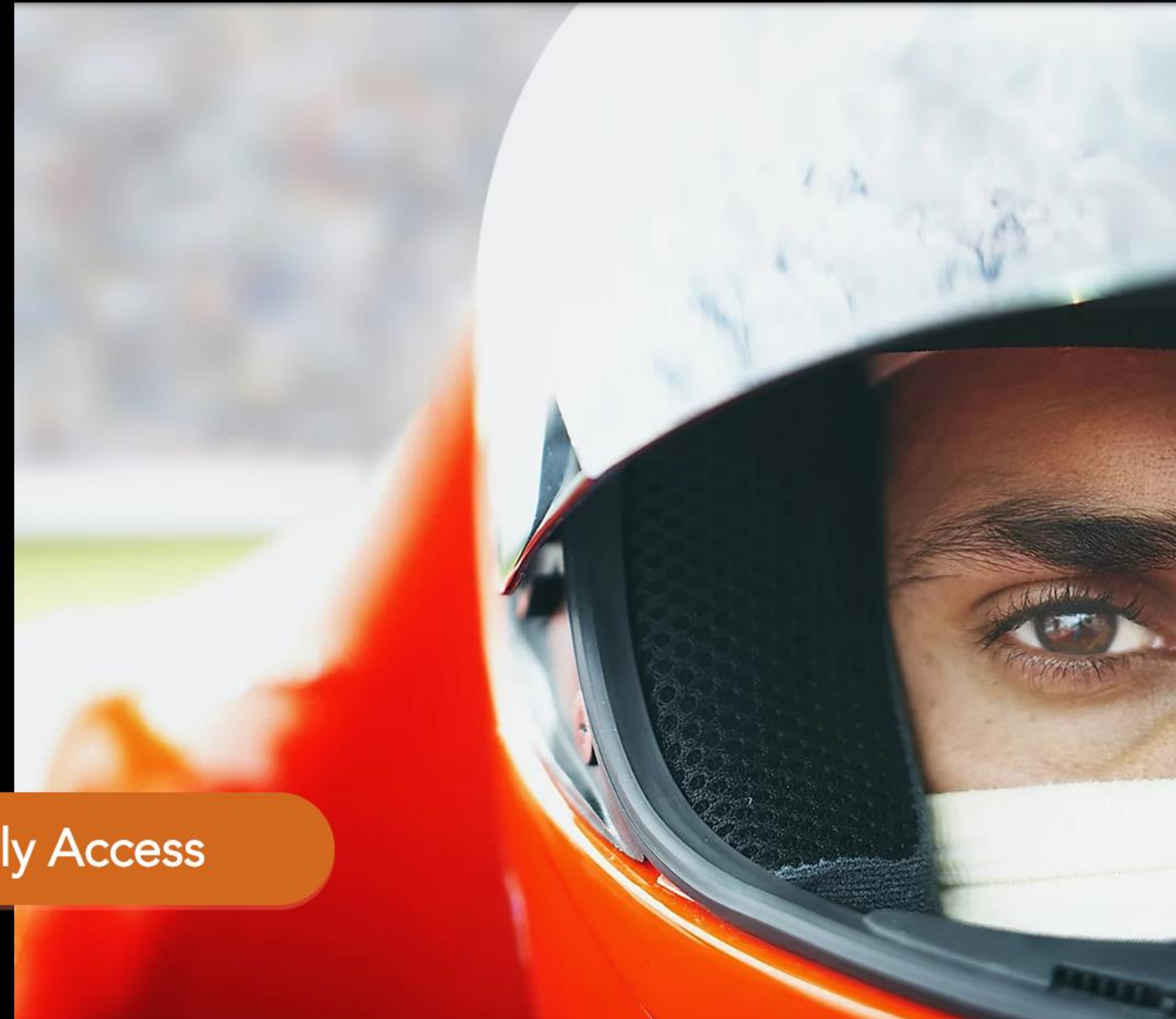




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**ANYONE CAN GIVE
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Get Early Access



Email: javierguevara@c-innovation.eu
Website: www.c-innovation.eu
Mobile : +33(0) 6 5890 5583
+44(0) 74 0309 3019

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