

Overview



We see **growth** and a range of **innovation** across the European lending landscape



We see changing **views within the banking sector** in relation to FinTech, technology and innovation



Firms need to develop **new capabilities** to compete in this environment



A number of key agenda points arise as recurring themes in discussions with our clients

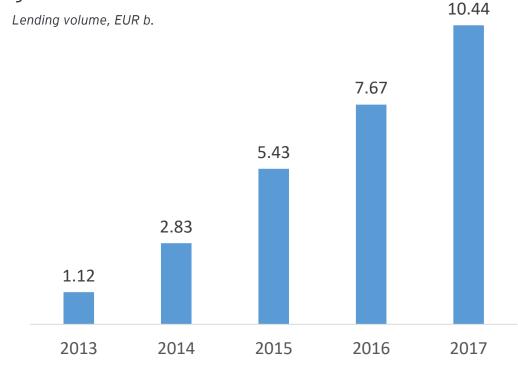
We see a number of recurring themes in our client conversations

1 • Expansion - international vs. product

2 • Evolution of regulatory frameworks

3. Capital strategy

European alternative lending data shows continued growth



Source: CCAF – 4th Annual Alternative Finance Benchmarking Report



We see innovative approaches continuing to emerge across the region













In the UK, commitments to improving SME banking services are clear through the W&G funding rounds



Clear Bank tide Investec Form Swoop

Fluidly Funding Options

Pool A Pool B Pool C Pool D

Source: Public commitments of W&G winners - BCR Website

In the next 2 - 3 years, we will see friction removed from basic banking...

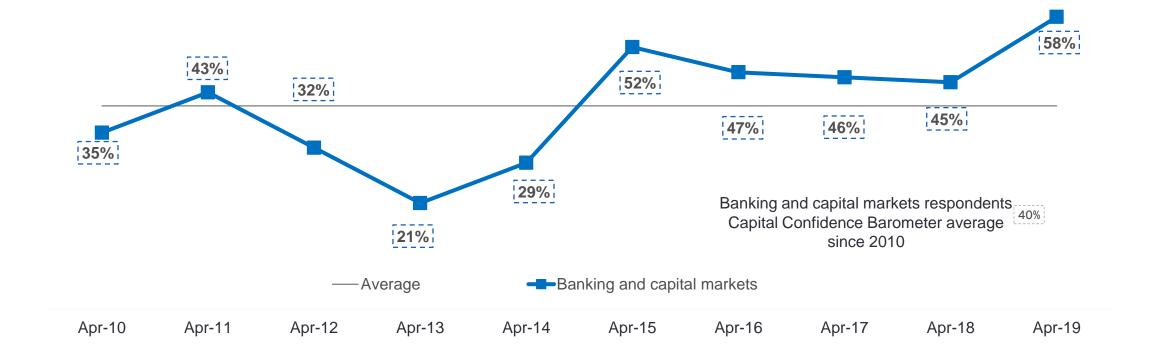
- **Customer service:** 24/7 virtual assistance; RM matching; leverage branches and digital channels; dedicated customer panels for proposition build
- Product discovery: Build price comparison tools for loans, overdrafts, BCAs, etc.
- Onboarding: frictionless switching; help set up a business; SMEs to open account in minutes; seamless digital onboarding journey
- Ops / Administration: Enable SMEs to manage tax submissions, bookkeeping, invoicing, payroll, expenses; accounting platform integrations; connected data
- Ops / Cash flow management: Al-lead insights and predictive cash flow; Al-based advisory for spending habits, refinancing options, business performance
- Lending: SME products in trade finance, invoice finance, supply chain finance, overdrafts, lending, and liquidity management
- Payments: Card acceptance; merchant acceptance; FX solutions; end-to-end payments solutions



Intentions to pursue M&A activity are at their highest level since we started the study in 2010

Q

Do you expect your company to actively pursue M&A in the next 12 months?



Source: EY Capital Confidence Barometer April 2019



The global trend towards Open Finance is creating a wide array of new financial services propositions

Illustrative Customer Journey



'Managing your finances

seamlessly'

Milestone planning

Integrated budgeting tools are tailored to profiles and support specific financial milestones



Budgeting tools

Affordability checks

Int. credit scoring

Enhanced credit decisions

Credit ratings are influenced by spending/saving habits; lending is personalised and inclusive



Enhanced credit scor.

Inclusive underwriting

Third party overdrafts

Intelligent financial mgmt

Intelligent 'assistants' anticipate needs, understand preferences and optimise ongoing finances



Aggregation

ion Liquidity Rec sweeping Al and Machine Learning Faster payments

Next gen platforms provide access to faster, cheaper and more 'intelligent' payments



Payment initiation

'One-click' payments

Program. payments

3

'Making the most of your data'

Lifestyle

Lifestyle offerings are embedded, presenting deals and offers to enrich everyday life



Deals and offers

Point of intent offers

Enhanced marketing

Data mgmt.

Central tools help the user manage ongoing consents and permissions to their data



Permissions platforms

Digital Identity

Key:

Rec. engines

Open Finance Use Cases Supportive trends/enabling __innovations ___



A number of attributes of a successful ecosystem player are emerging

"Must have" to successfully be positioned into future ecosystem

Technology foundation



- Modern IT architectures, open banking and APIs are prerequisites for participation in ecosystems
- Digitalization of customer related processes and deeper integration

Data Analytics

- Operational optimization and excellence
- Generate insights about the major customer needs and wishes

Not exclusive relationship

Financial services should abandon the idea of exclusively owning the customer relationship and focus on how to best provide services to them

Partnership approach



- Coopetition instead of competition
- Collaboration schemes with FinTechs
- Collaborative innovation (e.g. development of cryptocurrency)

Ecosystem strategy

Regulation

▶ PSD2 and other regulation already affected the financial services sector. These should represent an opportunity and not a challenge though

Frictionless customer journey



Required functionalities without offline dependencies: instant, photo payments, card settings, managing disputes, instant payment notifications

Customer insights

Address customer pain points, e.g. bill splits, debt optimization, account book, budgeting and rule based investing/payments, geo-located offers and data driven campaigns

Transaction experience

- Personalized pre/post-transaction experience (financing, insurance, supplementary products)
- Simple, safe, fast and transparent service offering



Thank You

To find out more

Visit to ey.com/fintechindex Reach out to the EY FinTech team below

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