ARKEA
BANKING SERVICES

BANKS vs FINTECHS

May 14th, 2018

ESTA
The Cash Management Companies Association

AGENDA

- WHO WE ARE
- WHAT IS A FINTECH?
- FINTECHs vs. BANKs
- COMPETITION OR COOPERATION
- FINTECH & CASH ACTIVITIES

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ARKEA BANKING SERVICES

WHO WE ARE

A full-service Bank;

100% subsidiary of Credit Mutuel Arkea;

Whose vocation is to build and manage outsourced banking solutions for its clients:

- Banks;
- Payment or e-money institutions;
- Fintech.

"A leading BPO provider for Financial Institutions, Arkea Banking Services puts its financial expertise at its clients' disposal and its outstanding reliability to support and boost their transformations so they can focus on their core activities."

Arkéa Banking Services

A FLEXIBLE & TAILOR-MADE OFFER

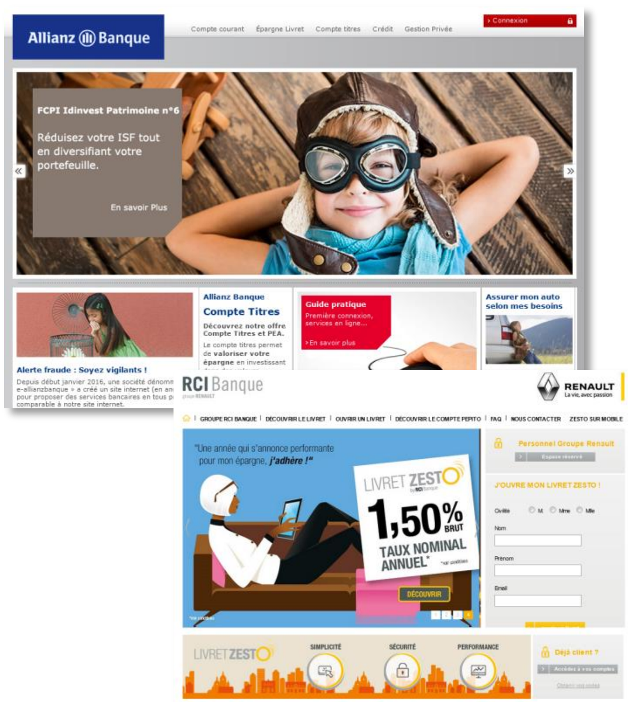
From Fintech to Banks

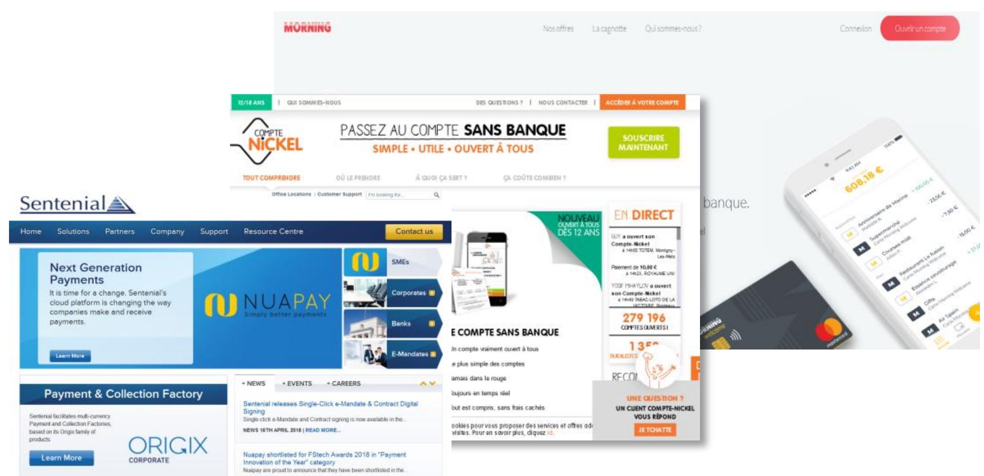
We assist Financial Institutions of all sizes in implementing their strategies.

We build solutions with our clients

by adapting our offer to their environment and aiming at:

- clearing legal, administrative and operational topics;
- enabling them to refocus on their core business activities and customer relationship.





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OUR REFERENCES

BANKS

FINTECH

1st financial institution in the cash management sector

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WHAT IS A FINTECH?

The contraction of the words Finance and Technology;
Born in the 1990s, and fast growing since the 2008 financial crisis;
Described as innovative young companies, using new, mobile, and agile technologies to provide efficient and cost effective financial services;
A fast growing market with more than €2 billion investments in Q2 2017 in Europe alone.

Fintechs provide financial services in:

- The B2C sector: cards & payments, digital banking, personal finance management, wealth management , insurtechs, …
- The B2B sector: Payments platforms, FX services, factoring and financial services for small/medium companies, regtechs, …
- The B2B2C sector: Crowd funding, crowd lending, and crowd equity;

Fintechs usually operate under Financial Institution licensing. The biggest (N26, Adyen) become Credit Institutions and can then operate as a Bank.

2015, the year in which Fintechs became visible to the general public with $47 billion of investments from capital ventures and banks (KPMG).

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BANKS vs FINTECHS

All services provided by Fintechs are also provided by banks;
But while banks think "Selling Product & Services", Fintechs think "User Experience";
And while banks provide a large range of services, Fintechs concentrate on a single service.

What banks have that Fintechs don't:

- Profitability;
- A large customer base;
- A strong brand.

What fintechs have that banks don't have (yet):

- Innovation and focus on the customer experience;
- State of the art technologies;
- Agility;
- A very thin cost base.

Digitalization changes customer behavior by providing proximity, simplicity, and a better experience. Customer segmentation is becoming more usage based instead of value based.

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Competition or cooperation?

Competition is finished. For banks the transformation is inescapable;
Banks would have needed huge investments and 5 to 10 years to transform their IT systems;
Fintechs increase customer expectations at a level that banks can no longer reach;
The only option is to merge the strengths of both to invent a new banking model;
The regulators will encourage cooperation for better control (ex: DSP2).

Acquisition or partnership?

- Acquisition when it contributes to the banking strategy;
  - BNPP : Compte NICKEL / BBVA : HOLVI / BPCE : FIDOR / ARKEA : LEETCHI / NATEXIS : DALENYS
- Partnership as a solution to improve the customer experience;
  - Personal finance mgmt., online account opening, wealth mgmt., … ;
- Partnership often with acquisition of a stake.

Point of attention: Emergence of a new model by aggregation of Fintechs.

- Increase the scope of services (N26/Younited/Transferwise, Revolut/lending Works);
- Bank as a Service platform connecting Fintechs (Railsbank, Bankable, Form3).

82% of banks plan to increase their cooperation with fintechs in the coming 3 to 5 years (PWC 2016).

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ARKEA BANKING SERVICES

FINTECH & CASH ACTIVITIES

To date, there are very few Fintechs acting in the cash activities sector in Europe;

What are the possible reasons?

- Heavily regulated by the Central banks?
- Activities requiring lot of logistics and manual processing?
- No customer experience to improve?
- Disinterest for the cash or declining sector?

An opportunity for the Cash Management Companies?

- Cash dematerialization to reduce logistic costs and to provide added value services (ex: Brink's France Finance);
- Invent new customer experiences mixing cash and electronic payments;
- Improve the use of cash by delivery simplification;
- ….

The Bank of France does not see the end of cash in a near future. The last BCE survey shows that in 2016 cash was the dominant payment instrument at POS. In terms of number (79% of all transactions) and value (54% of the total value).

CONTACT

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