

With you today



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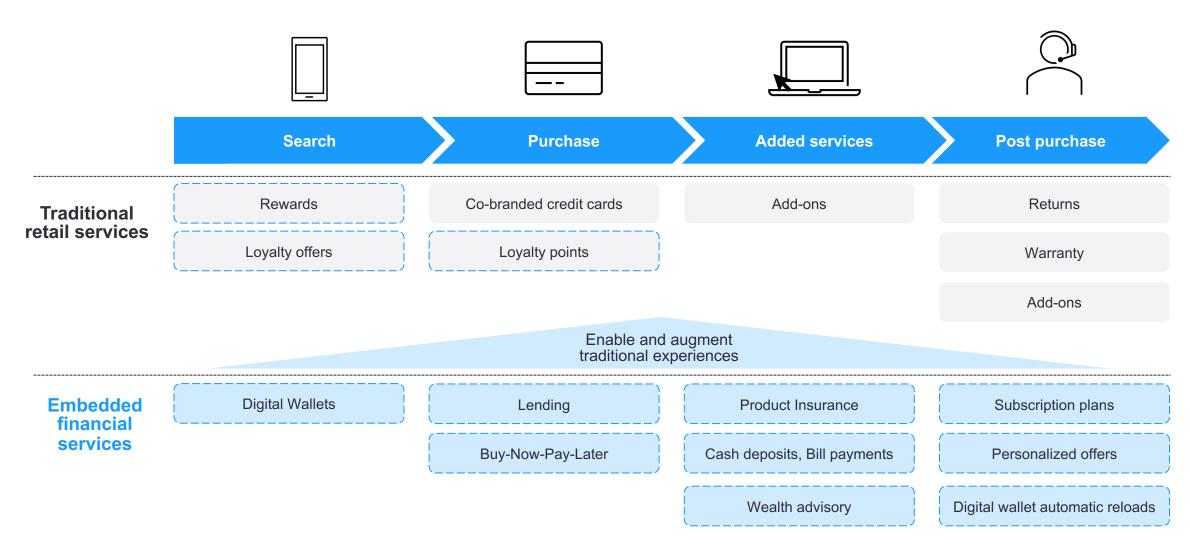


Agenda

- **▶** Understanding Embedded Finance
- ► Collaboration models
- ► Learning from global examples



Companies are embedding financial services into customer journeys to enhance their experience and capture value





Source: EY-Parthenon analysis

The potential for embedded finance transcends across financial services: payments, lending, savings, insurance and investments

-Traditional banking functions



Embedded lending & accounts

Examples include:

- Buy-now-pay-later (e.g., Affirm, with Green Sky originating loans)
- ▶ Seller financing (e.g., Amazon Lending, partially financed by Goldman)

37% of new loans are expected to be embedded in 5 years' time



Embedded payments

Examples include:

- Gig economy instant pay-outs (e.g., Uber and Lyft)
- ▶ Payment acceptance for merchants (e.g., Shopify)

39% of payments are expected to be embedded in 5 years' time



Embedded insurance

Examples include:

- ▶ One-click product insurance (e.g., Amazon)
- Auto insurance (e.g., Tesla)

35% of general insurance sales are expected to be embedded in 5 years' time



Embedded wealth

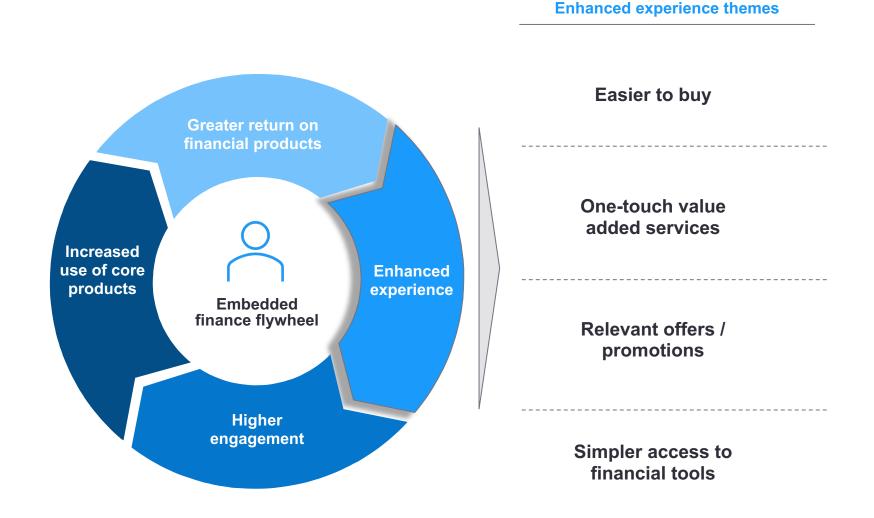
Examples include:

- Savings apps (e.g., Savedroid, with external events triggering savings)
- Investment funds incorporated into wallets (e.g., Alibaba)

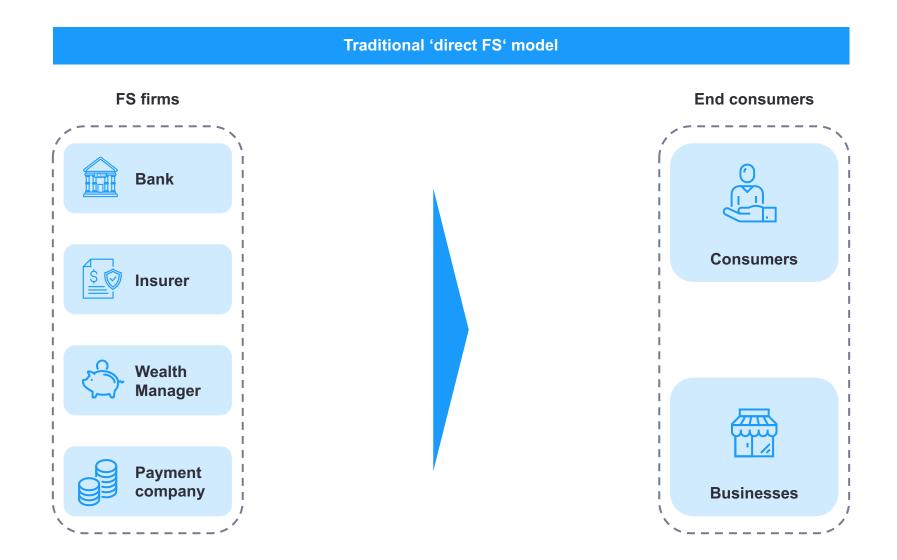
32% of new investments are expected to be embedded in 5 years' time



Embedded finance products create a flywheel effect by first enhancing the customer experience which in turn drives usage of core products



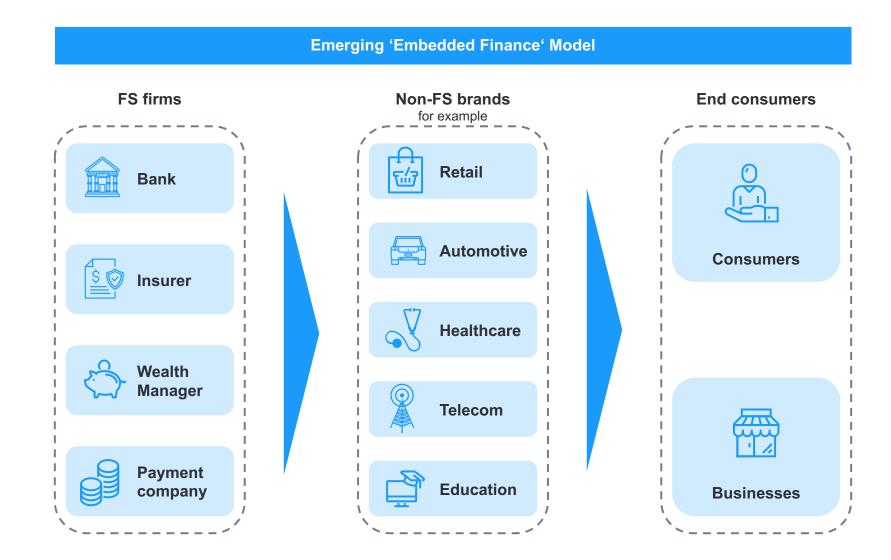
One of the main risks for financial institutions is the potential loss of the direct relationship with end-consumers





Source: EY-Parthenon analysis Page 8

One of the main risks for financial institutions is the potential loss of the direct relationship with end-consumers





Source: EY-Parthenon analysis Page 9

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There are various ways that banks can monetize data and experiences through ecosystem participation and embedded finance

Business model options used by banks

Third parties API consumer

Embedded finance

- Integrate services/products via API to "third-party" distributors
- Build a scalable platform to support growth
- Develop a partner ecosystem to accelerate time to market

Digital-enabled banking

Bank API provider

- Provide branded pre-defined products and services to distribution partners
- Provide the whole value chain to distribution partners
- Integration via proprietary APIs to distribution partners

Single brand

Ecosystem platform

- Provide services/products via API to marketplace/ecosystem
- Outstanding customer user experience and design
- Data-driven offering
- Experience monetization

BaaS

- Provide capabilities to third party to develop own products for their brand
- API as a new distribution channel to increase market share and focus on diverse banking products
- Provide single or parts of the value chain to third party customers

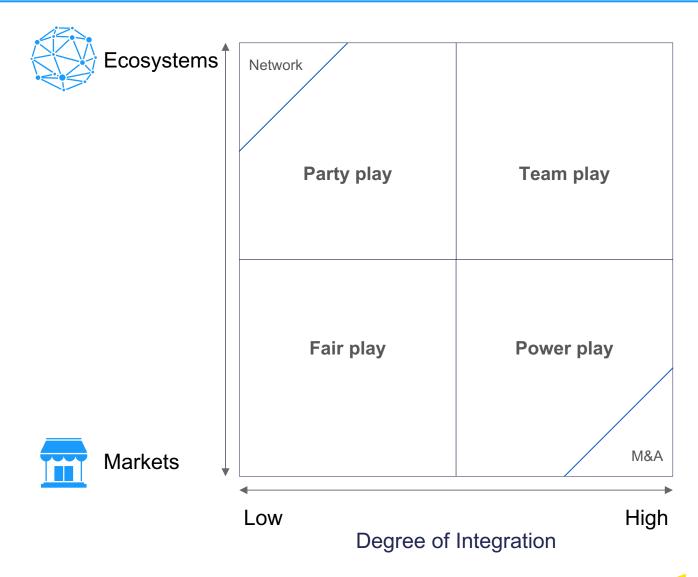
Multibrand/white-labeling

Source: Forbes, EY-Parthenon analysis

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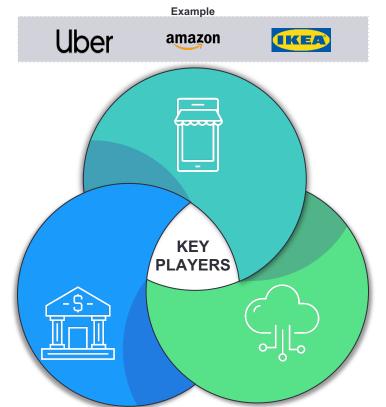
Co-opetition: Collaborating with Competitors



Embedded finance relies on three key parties whose interaction allow customers to be provided with financial products in a non-financial customer journey or platform

1. NON-FS SERVICES COMPANY

A non-financial services company from any industry (e.g., retailers, telco firms, marketplaces, transportation companies) that wants to offer financial services to its customers as part of an existing core proposition



3. FS PRODUCT PROVIDERS

Bank or financial institution that provides underlying financial services (i.e. funds, deposits, lending..) and the access to regulatory licenses and risk frameworks

BBVA Goldman Sachs **BARCLAYS

2. TECH PROVIDERS

Infrastructure company such as Fintechs and Banks that provides the necessary APIs to connect Non-FS distributor to FS provider by enabling services like payments, lending....

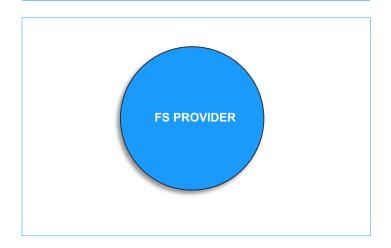


Example of company being simultaneously Tech Provider and FS Product Provider

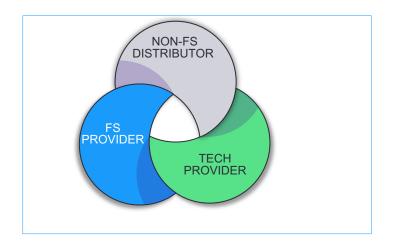


Banks must choose how much of the embedded finance value chain they own; providing tech & licenses is more lucrative but may require additional investments

SILOED CUSTOMER FACING

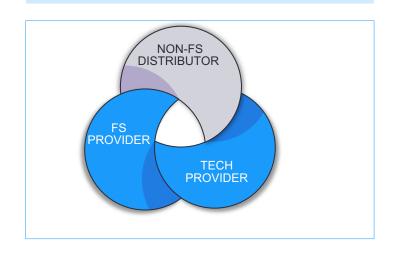


DIGITAL PRODUCTS PROVIDER



Bank provides its products & services to platforms owned by 3rd parties (Fintechs/Tech/BaaS prov.)

BUILDER



Bank builds its own API accessible platform and orchestrates a mix of in-house & 3rd party products

Standalone FS provider (i.e. not embedded, previous status quo)

FΥ



Tech Provider ownership

Non-FS Distrib. ownership

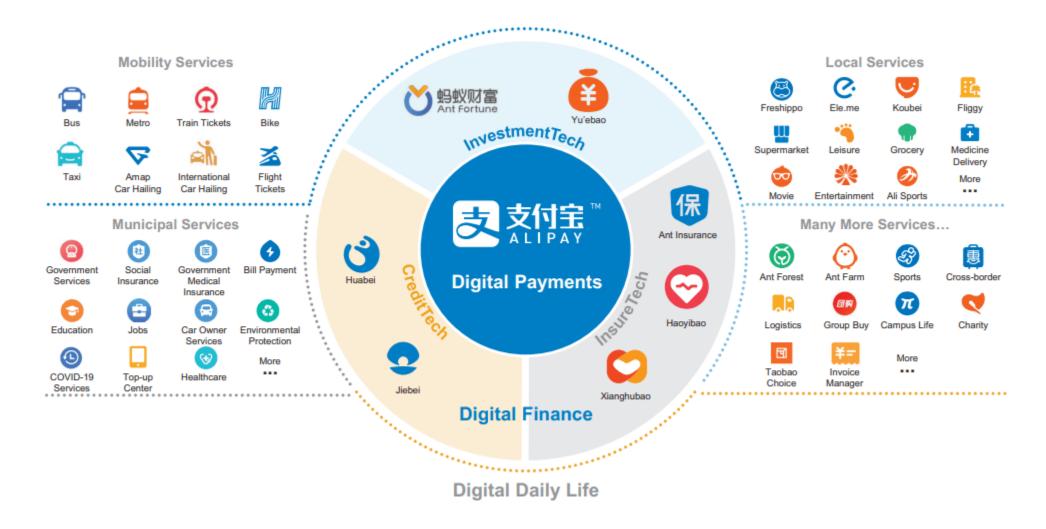


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The Alibaba / Ant Group ecosystem is a strong example of a platform business with Alipay digital payments at the center surrounded by a suite of embedded finance solutions



Source: Ant Group corporate website

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Ping An Insurance strives to fully integrate finance and healthcare by building two interconnected platforms and leveraging the cross-platform data insights



Expertise Creates Value

World-Leading Integrated Finance and Healthcare Services Provider

Integrated Finance

One customer, multiple products, and one-stop services

Healthcare

Family doctors and elderlycare concierges

Technological Empowerment

Empowering financial services with technologies, empowering financial services with ecosystems, and advancing development with technologies

Source: Ping An corporate website Page 17



Key learnings from APAC examples



Diversification of services

- ▶ Diversifying services
- ▶ Connecting ecosystems
- ▶ Resilience against market fluctuations



Technology adoption



Customer centricity



Strong partnerships



Regulatory compliance

- ▶ Increasing ownership of and access to data

- ► Technology as differentiator not facilitator
- ▶ Data and Tech (AI) to increase efficiency, reduce cost and increase personalization
- ▶ Develop based on customer needs / pain points
- ▶ Build proposition around customer journeys
- ▶ Move from customer journeys to customer lives
- ▶ Increase network effect and connect (global / geographical) ecosystems
- ▶ Creating customer value through partnerships
- Work with regulators early and proactively
- ▶ Focus on compliance by design

Source: EY-Parthenon analysis



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