

PRESS RELEASE

Fintechs in banking: disruption or evolution?

First study of the German B2B fintech market - "Friends, foes, partners. Fintechs and corporate banking"

Frankfurt/Main, 7 June 2017 – Out of a total of 544 fintechs in Germany, 103 are currently targeting the corporate banking space. Almost two thirds of B2B fintechs are focused on financing, and around a third on payment transactions. Those are the findings of the B2B fintech study "Friends, foes, partners. Fintechs and corporate banking", conducted jointly by CMS, Deloitte and ING Wholesale Banking in association with FINANCE-Research. This is the first time the German B2B fintech segment has been scrutinised in detail, so the study provides a valuable benchmark.

B2B fintechs by location and business area

Berlin is not only the German start-up capital, it is also home to the most fintechs. The number of B2B fintechs based in Berlin is significantly higher than in the two next-ranked cities - Munich and Frankfurt, Germany's largest financial centres. Having said that, B2B fintechs make up a higher proportion of the total in Frankfurt and Munich – accounting for almost two thirds in each city – than in Berlin, where they account for just under half. Fintechs are more or less equally divided between B2B and B2C use cases in Germany. At 52%, the B2B segment is actually slightly more prominent, although this also includes fintechs that help banks to serve their retail clients (B2B2C). "Whichever segment a fintech operates in, keeping a close eye on increasing regulation is absolutely crucial to success. The trend in the financial services sector is towards more regulation, not less," said Andrea München, a lawyer at CMS in Germany.

The most attractive corporate banking areas are payments and alternative finance. The B2B share here is well over 50%. More than a quarter of the 284 German B2B fintechs offer financing solutions. These players include financial intermediaries and providers of factoring finance, for example. Almost a fifth of B2B fintechs are focused on the real estate sector. Other key areas include accounting solutions and payment services.

"B2B fintechs primarily seek to boost efficiency and automate existing processes. This requires a more mature business model than in the B2C domain. Although the initial costs are higher, this also leads to profitable long-term business relationships," explained Hans-Jürgen Walter, a partner and Financial Services Industry Leader at Deloitte.

Banking industry challenger or friend?

From the banks' viewpoint, B2B fintechs can be divided into three categories: challengers, friends and neutrals. Almost three quarters of all B2B fintechs that address the corporate banking space have business models which pose a challenge to banks. "Banks need to change their internal structures to become more agile as organisations," said Swen Möllmann, Head of Digital Strategy & Innovation at ING-DiBa AG. "We don't need to do everything ourselves, though. By entering into partnerships with fintechs, we can offer our clients innovative services, drive forward innovation together and benefit from future opportunities around standardisation and greater efficiency." Only 13 fintechs that target corporate clients (out of 103) can be classified as friends of the banks in terms of their business

models. Only four of them are working to support banks in their processes or offer white-label solutions.

Drawing on seven in-depth interviews with founders of promising fintechs, the study also provides an insight into their business models and experience to date, covering their impact on the corporate banking market in Germany.

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