

FinTech Adoption

RBAP 67TH NATIONAL CONVENTION

June 25, 2020

JOHNSON MORADA MELO
EVP/COO – LIPA BANK, INC

FINANCIAL TECHNOLOGY (FinTech)

Not NEW

Existing for more than 40 years



FinTech Defined

A technology that aids in improving and automating the management and processes of financial operations such as specialized software, hardware and algorithms.

Evolution of FinTech: 90's to 20th Century

Delivery and use of financial services improved

- ☐ Core Banking Systems
- ☐ Automated Telling Machine
- ☐ Point of Sales
- ☐ Credit Cards
- ☐ Credit Bureau
- ☐ Online Banking
- ☐ Money Remittance

FinTech: 21st Century

- ❑ Population Growth
- ❑ Globalization
- ❑ Economic Growth
- ❑ Emerging technologies
- ❑ Big data/Cloud computing, smartphones, social media applications, etc
- ❑ Crypto Currencies such as Bitcoin

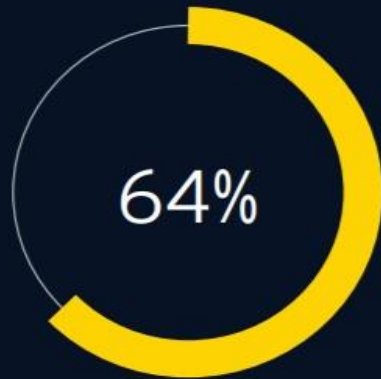
Consumer needs, preferences and satisfaction likewise evolved.

2019 Global FinTech Adoption Index

Adoption of FinTech services has moved steadily upward, from **16% in 2015**, the year of first FinTech Adoption Index was published, to **33% in 2017**, to **64% in 2019**.

Global FinTech Adoption Index 2019

Consumer survey



Global consumer adoption



Global consumers are aware of at least one money transfer and payment FinTech service



3 out of 4 global consumers use a money transfer and payments FinTech service



1 out of 2 global consumers use an insurance FinTech service

Top reason for consumers to use a FinTech challenger

Attractive rates and fees

33%

Consumer adopters turn to someone other than their main bank first

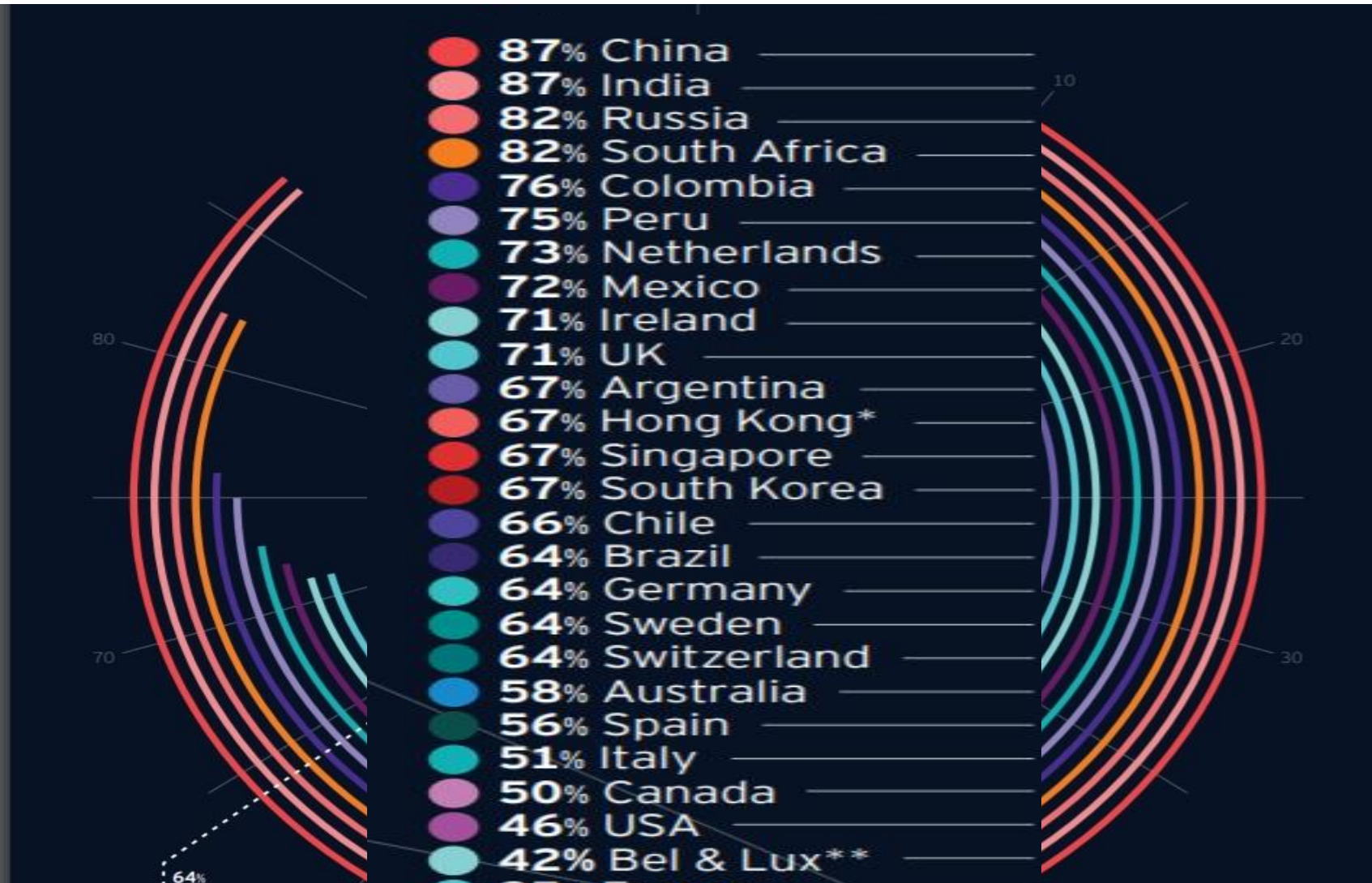
68%

Consumers would consider a non-financial services company for financial services

46%

Consumer adopters are willing to share their bank data with other organizations

Consumer FinTech Adoption Across 27 Markets



Global SME FinTech Adoption

SME survey



Global SME adoption



SMEs use a banking
and payments
FinTech service



SMEs use
a financing
FinTech service

93%

SME adopters
prefer to find a
technological
solution where
possible

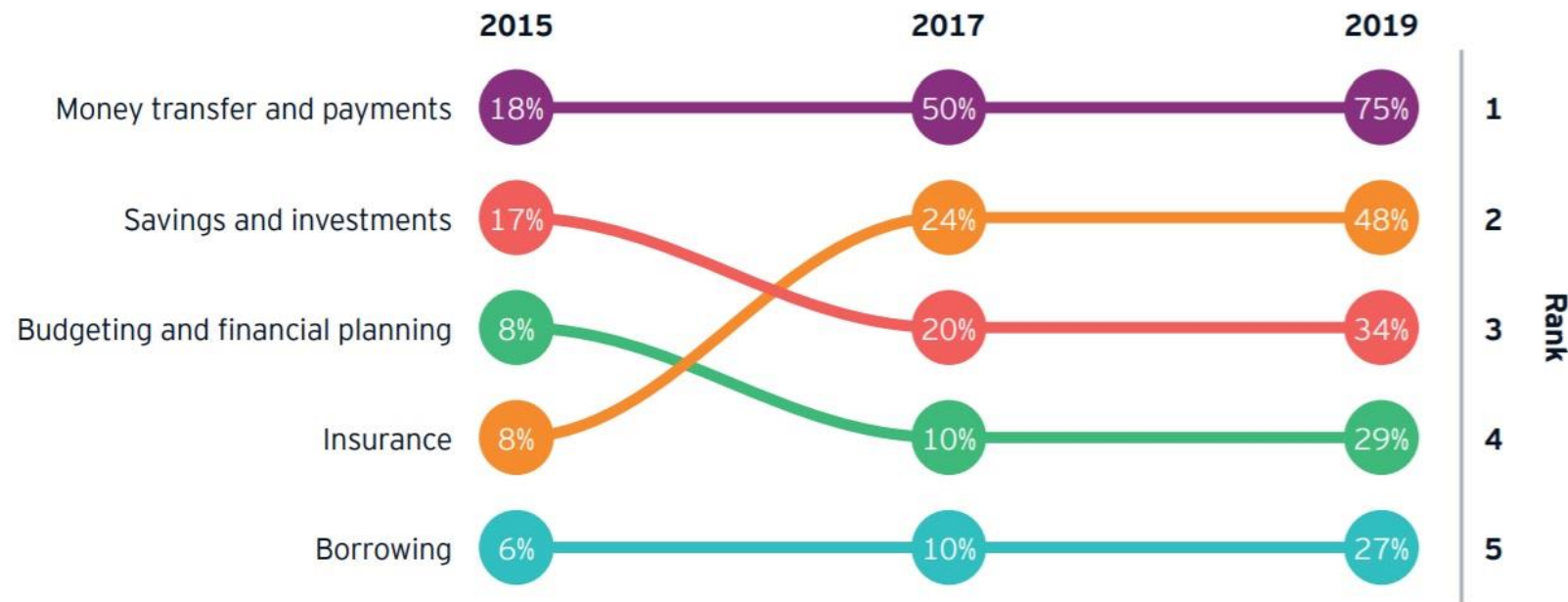
89%

SME adopters are
willing to share
data with FinTech
companies

Top reason for SME adopters to use a FinTech challenger

**Range of functionality
and features**

Comparison of FinTech Categories Ranked by Adoption Rate



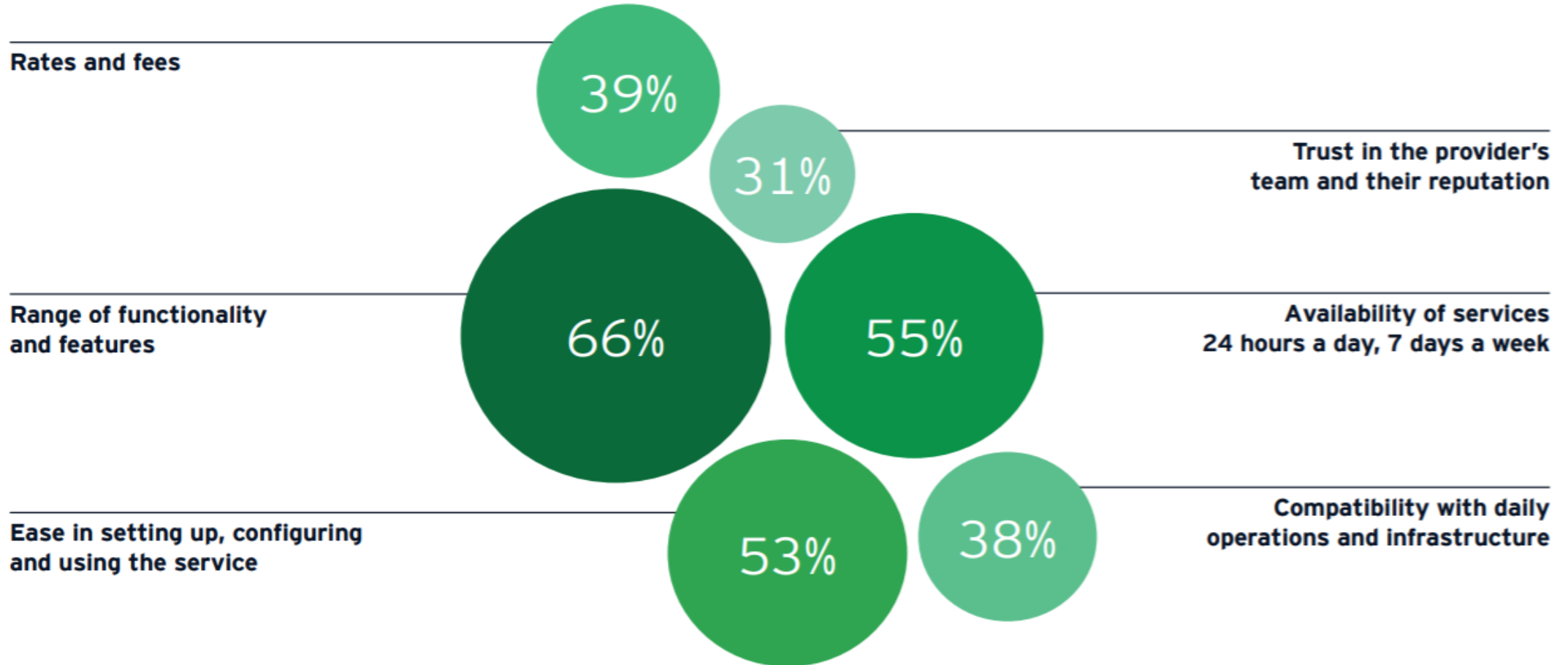
Notes: The figures show the average percentage of respondents who reported using one or more FinTech services in that category. Data for 2015 differs from that originally published in order to align to the 2017 categorization and averaging methodology.

Consumer Awareness of FinTech Services per Category



Notes: The figures refer to the percentage of respondents who indicate they were not aware and have not heard of any services for that category.

Top Reasons for Using FinTech



Notes: The figures show the percentage of adopters that chose each answer as one of their top three reasons for using a FinTech challenger instead of an incumbent financial services institution.

Philippines Stats

105.7 million
Population size



31%
With a bank account



61.60/100
Mobile Connectivity Score



58%
Mobile penetration



4%
Online bill payments /
transactions



US\$33 bil
Worth of remittances in 2017



15.19 Mbps
Average internet speed

Sources: World Bank, We Are Social 2018

FinTech Philippines



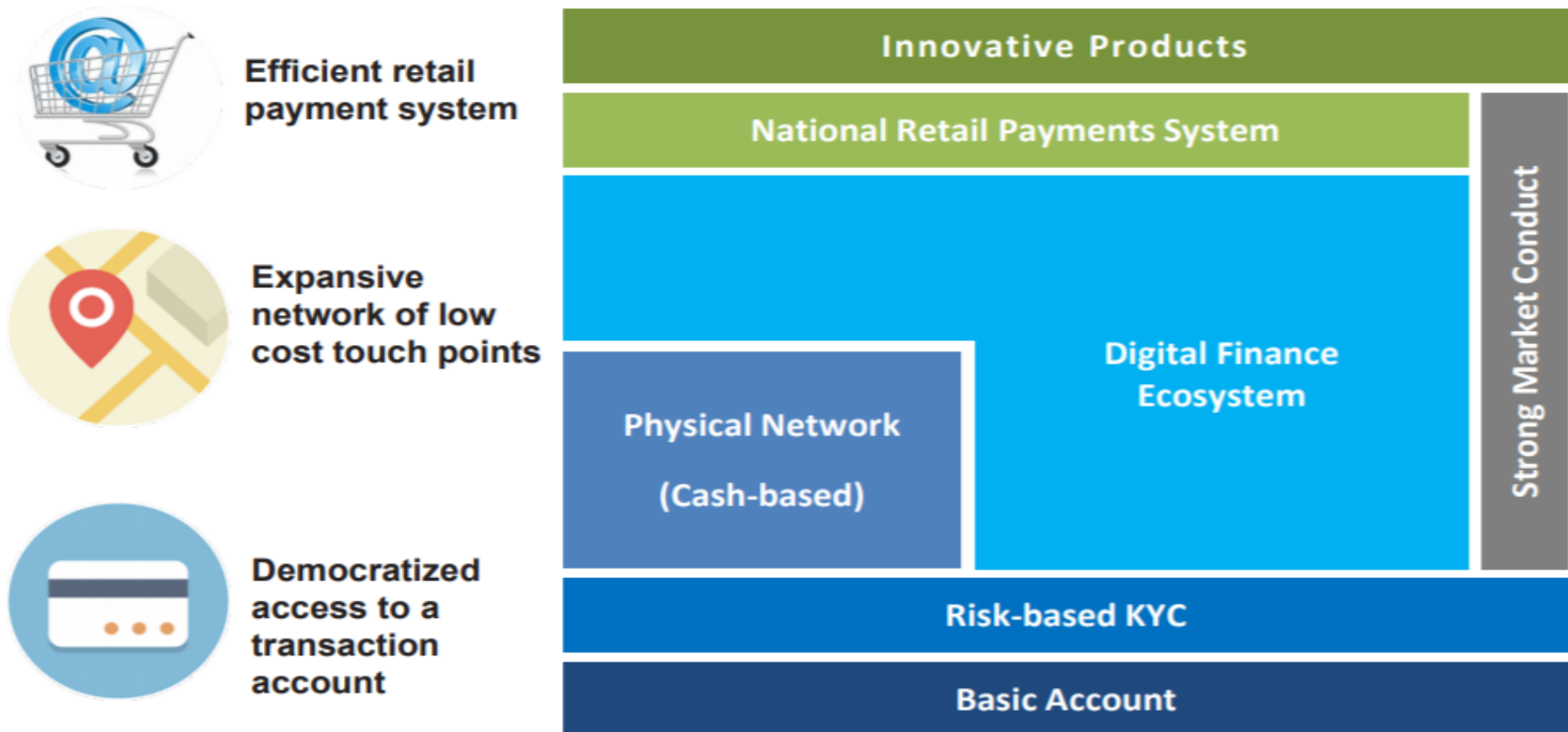
FinTech Landscape 2018

Fintech Phils Report 2018

☐ Insurtech	1%
☐ Credit Scoring	2%
☐ Online Transactions	4%
☐ Investment	6%
☐ Remittance	8%
☐ Blockchain and Cryptocurrency	16%
☐ Payment Transactions	33%
☐ Alternative Finance	30%

BSP's Vision of Digital Financial System

The pillars of this ecosystem include:



BSP Initiatives

Formulated Policies to achieve greater financial inclusion and pushed for innovation in the financial services sector.

Established the National Retail Payment System (NRPS)



A batch electronic fund transfer credit that could be used to replace checks.



A real-time low value push ACH that will enable 24/7 low value electronic fund transfers.

Established the Financial Technology Sub-Sector to oversee the local fintech companies

BSP Initiatives

Issued regulations for Electronic Money Issuers and Virtual Currency Exchange and put adequate safeguards for money laundering risks and consumer protection

As of April 21, 2020

Banks with EMI License (2 Rural Banks)	28
Non-Bank Financial Institutions	02
FinTech (Non-Bank)	19

As of Marh 2020

Virtual Currency Exchange (VCE) Licensed	14
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Challenges of FinTech

Regulators need to keep up with fast-paced innovation.

Infrastructure (Internet Providers)

63rd in rank out of 100 countries and 19th out of 26 nations in the Asia Pacific Region, in the 2020 inclusive internet index conducted by the UK-based The Economist Intelligence Unit (EIU) commissioned by Facebook

Internet in the Phils ranked 57th in the area of availability; 82nd in affordability; 59th in relevance and 59th in readiness.

Ranked first with regard to the initiatives of the government and the private sector to make WiFi available.

Challenges of FinTech

Web Threat/Cyber Attack

The Philippines also ranked fourth among countries most attacked by web threats worldwide for 2019, according to a global ranking of countries with the highest web threat detections from January to December 2019 by cyber security giant Kaspersky.

Challenges of FinTech

Need for Digital Transformation

Cash and Checks remains the primary mode of payment.

Low Financial Literacy Rates

Potential Public Resistance to Digital Products (Cash is King)

Challenges of FinTech to Banking Industry

Disrupt traditional banking services.

Pressure to develop/enhance services to stay competitive and retain market share

New players, well capitalized with innovative technology offering enhanced capabilities, convenience, lower prices and fees.

What Should We Do

Adapt to the needs of the times, embrace the change, re-calibrate our business strategies and directions.

Adopt new technologies to remain relevant and competitive.

Be part of the ecosystem, if you cannot beat them, join them.

Collaborate with technology providers and/or innovation leaders.

Otherwise..... GBRB

Goodbye Rural Bank

THANK YOU

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