



LEADING WITH
IMPACT
INNOVATION
INTEGRITY

The Role of Technology in Sustainable Growth

ABA Conference: Achieving sustainable growth in the new normal

25 AUGUST 2021

Imagine what banking could be in the future...

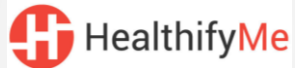


amazon alexa

Taking loan
becomes as easy
as asking Alexa
to play a song



**Changing your
personal details
like address,
phone no etc.**
becomes as easy
as changing
Facebook profile



**A Financial
advisor coaches
you to achieve
financial goals -
just like weight
loss apps help
coach on input
metrics**

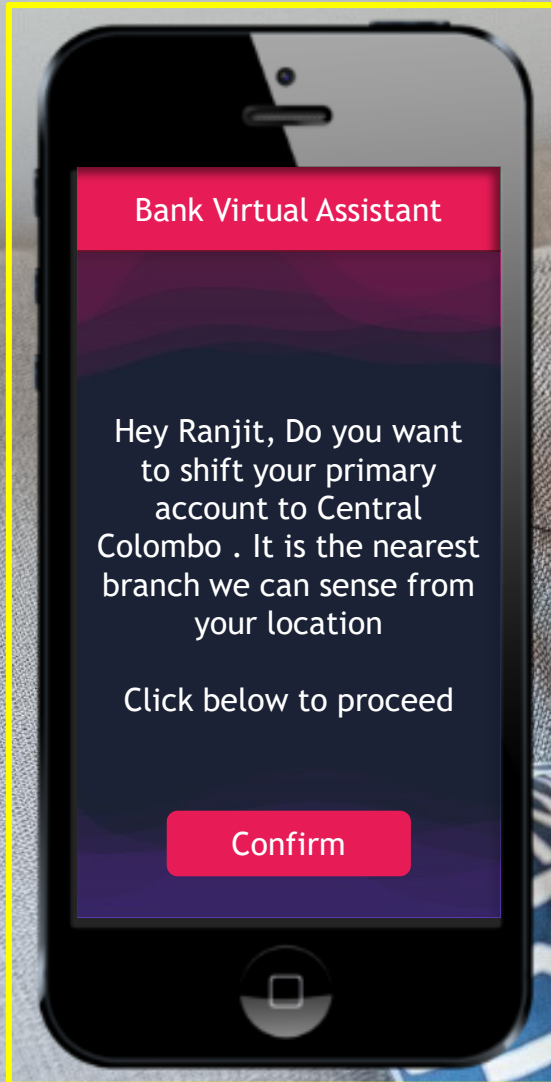


**A world where
the you are able
'match' the right
person for the
right job**



**Recommending
products and
offers as
personalized for
each individual
as their movie
recommen-
dations**

Banking journey of the future...



Banking journey of the future...

Hi Ranjit,
Your account balance is
USD 100 K

Your credit card bill of USD
10K is due today, should
I pay it?

Sure, can you authorize
transaction with your passcode

Thanks, your credit card
bill is paid

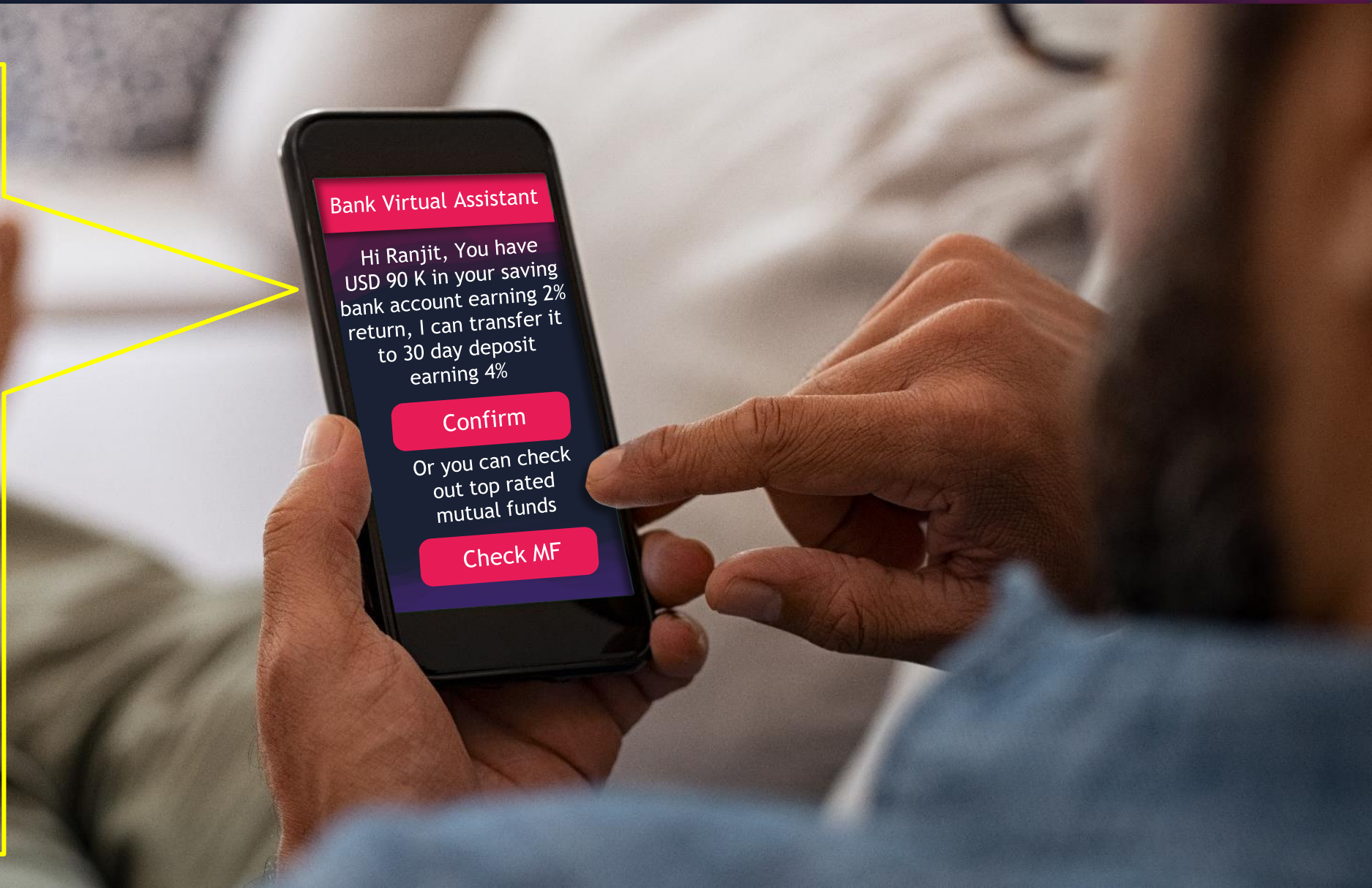
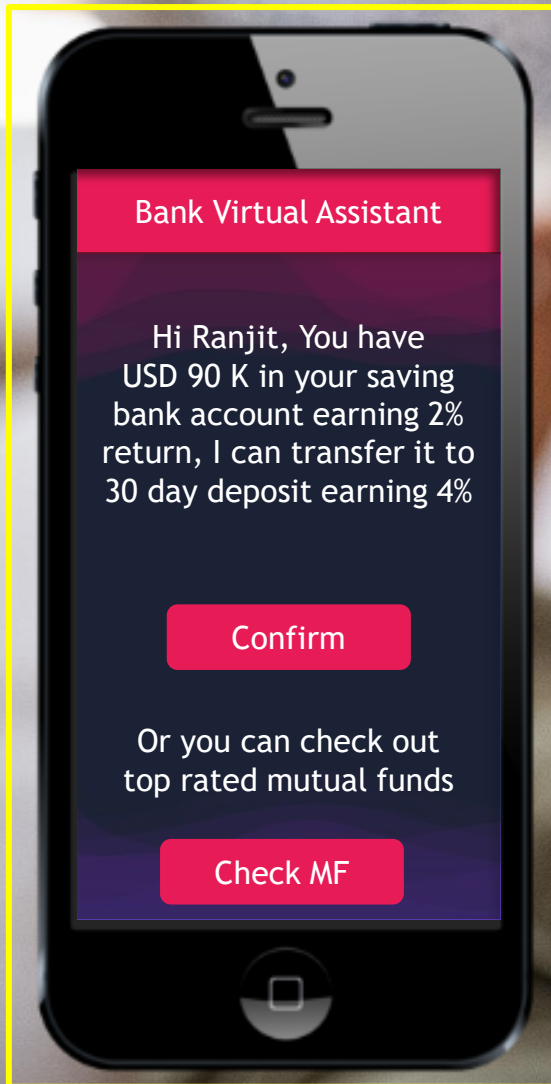
Alexa, please check my
account balance

Yes, Go Ahead

Sure, it is 235996



Banking journey of the future...



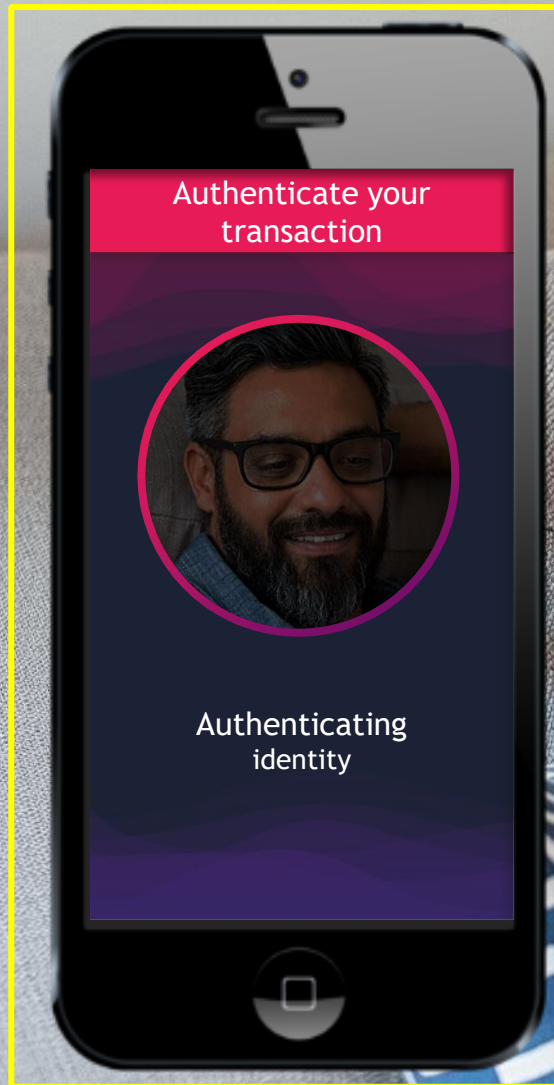
Banking journey of the future...

Alexa, book the 5:00 AM flight for the family from Colombo to London for 31st July

Your tickets to London have been booked
Would you like me to connect to your bank for travel insurance and activation of international transactions on your card?

Please go ahead

Banking journey of the future...



Post authentication Bank's Alexa integrated application processes request



Purchases travel insurance for all 4



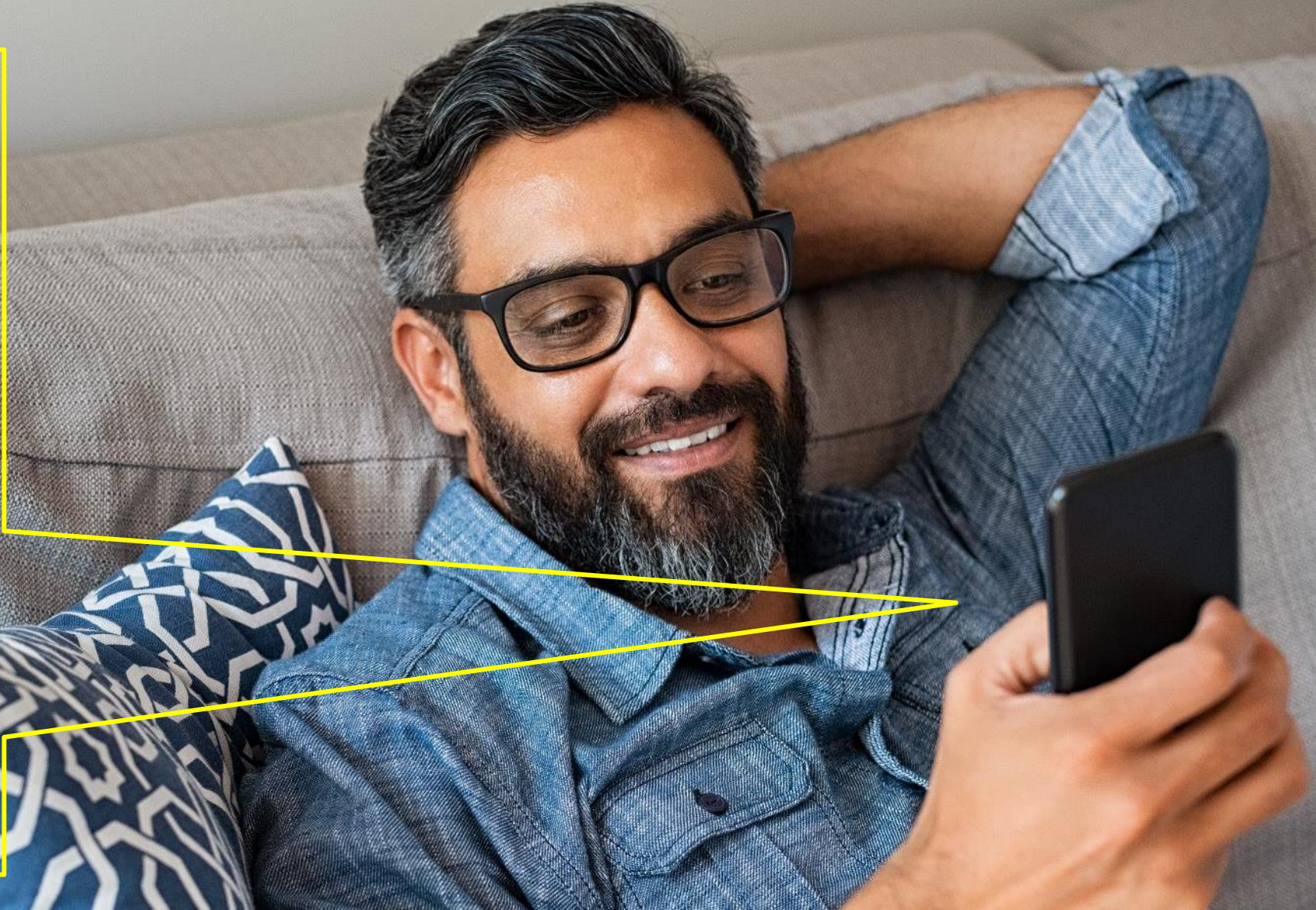
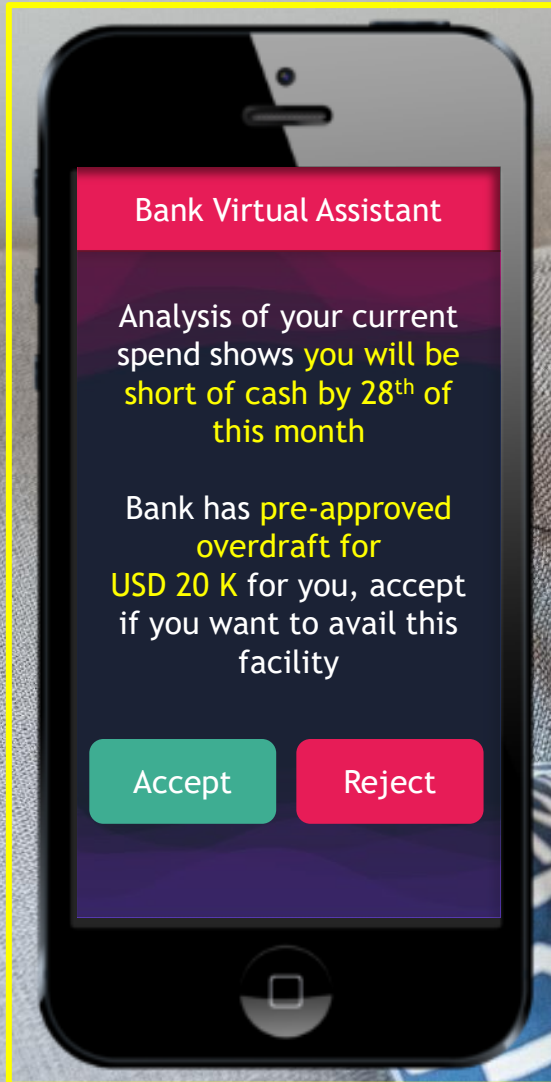
Generates international transaction activation request



Shares all confirmations via email and Whatsapp



Banking journey of the future...



The 3 pillars to focus on achieving the future state



**End to end
Digitization**

1



**Data and
Analytics
@scale**

2



**Personalization
and Digital
Sales**

3

E2E digital process critical to achieve the desired future state

Internal E2E Process



Credit risk assessment
Fully automated/AI enabled



Straight Through Processing
Automated E2E transaction process



Transactions Reconciliation
Instant across financial accounts



Product manufacturing
Digitised product development



Product Integration
Integrated APIs across product range

External user experience

Self-service onboarding
100% user driven



Customer data & Personalisation
Personalised consumer experience



Pricing
Optimised pricing models



Offers
Tailored product offerings



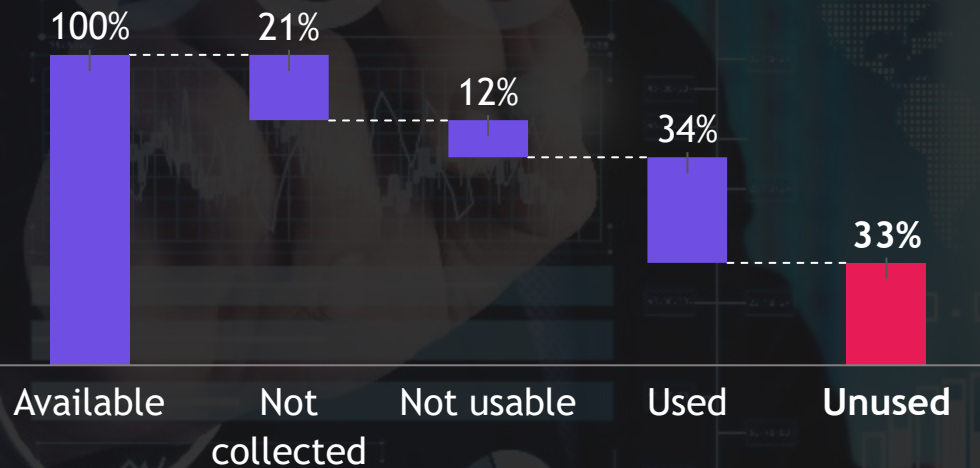
Channel
Omni-channel product suite



Legend: "Best-in-class" practices

Data and AI represent a significant business opportunity

Banks have humongous amount of data, but they don't know how to use it effectively ..



FinTech's in US gather data and monetize it well to have huge valuations¹

	\$95 billion
	\$31 billion
	\$14.5 billion
	\$13.4 billion

3 things are critical to unlock value from Data and analytics

1

Outcomes
(use cases)

2

Technology

Data and digital platform, tools

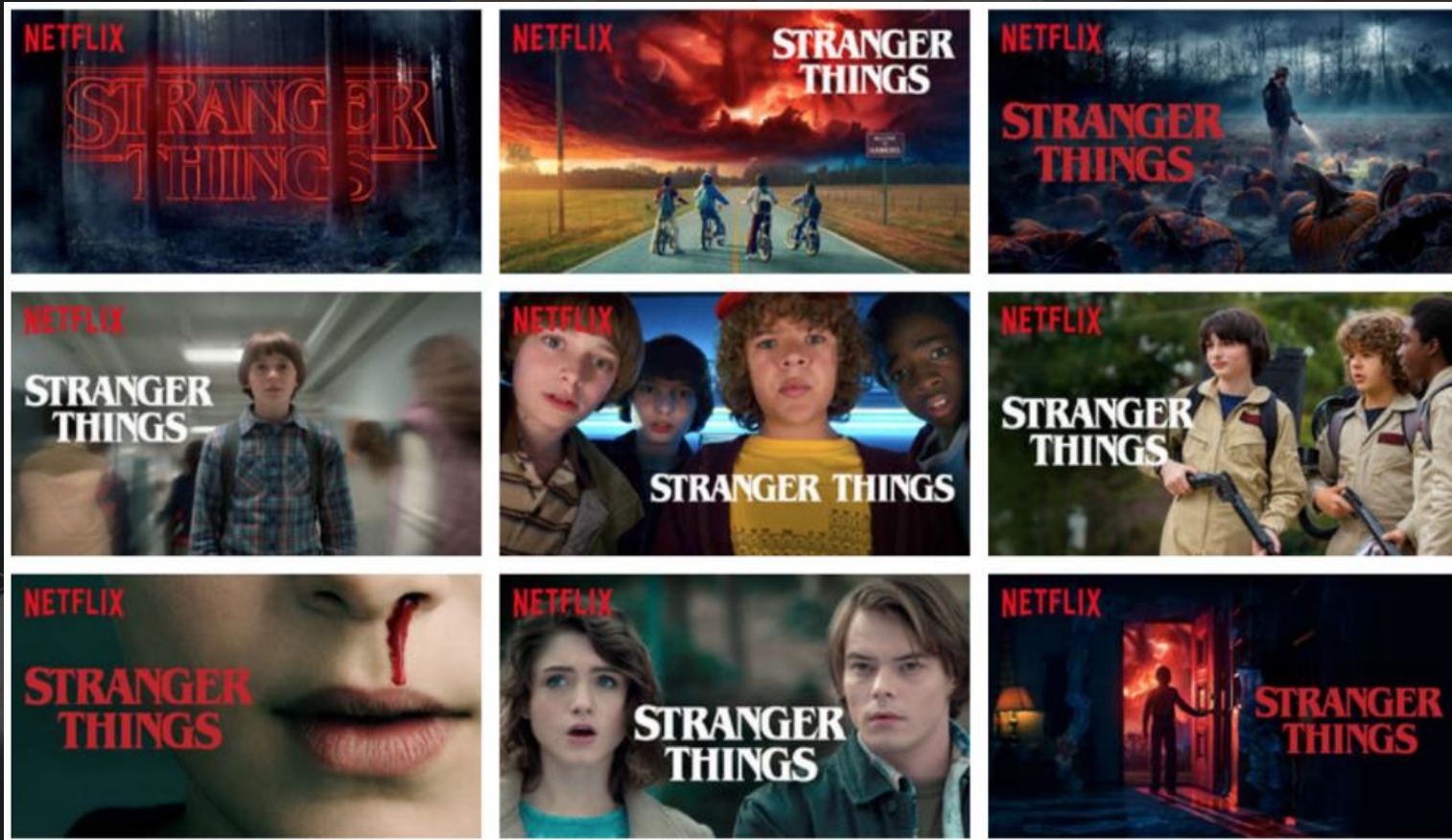
3

Human

Processes, capabilities, ways of working

Introduction: Personalization we experience in our day-to-day life

NETFLIX



Netflix's personalization engine not only prioritizes the best content for you to watch but also shows the most relevant image that will make you choose the show

Personalization is a fundamental rethinking of customer interaction



L1 Segmentation

- Mass, Emerging Affluent, Affluent, Private



L2 Segmentation + Persona

- Personas - e.g. Emerging Affluent: Millennial, Executive Middle aged
- Age, life-stage, income etc.



L3 Microsegments + Contextual marketing

- Micro-segmentation at each campaign level
- Behavioral traits - propensity, time-series patterns, events



L4 Hyper Personalization

- Segment of one
- Campaigns nearly unique at customer level
- Personalized messaging, creative and timing sent through relevant channel

New technologies will significantly impact banks' business and operating models



Intelligence

Artificial intelligence

Intelligent predictive for efficient decision making



Security

Tokenization

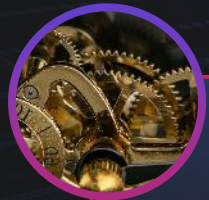
Secure transaction authorization



Open ecosystems

APIs/micro-services

Access to open ecosystems of developers



Transfer Mechanisms

Blockchain

applications for currency, cross-border & smart contracts



Smart Processing

Robotics automation

artificial intelligence and automation in low value-added processes



Connectivity

Internet of Things

Connected objects allow FIs to interact with them and their users

Technology will play a key role in what the bank of the future will be..



Services customer at their convenience, at a channel of their choice



Supported by personal digital assistant, AI and analytics



Staffed with specialist skill-sets, focused on digital, data and innovation

Customized, contextual and highly personalized and engaged with customer



Integrates multi digital interfaces - app, third party porta & services



Digitized E2E customer journeys leveraging AI/ML; no paper



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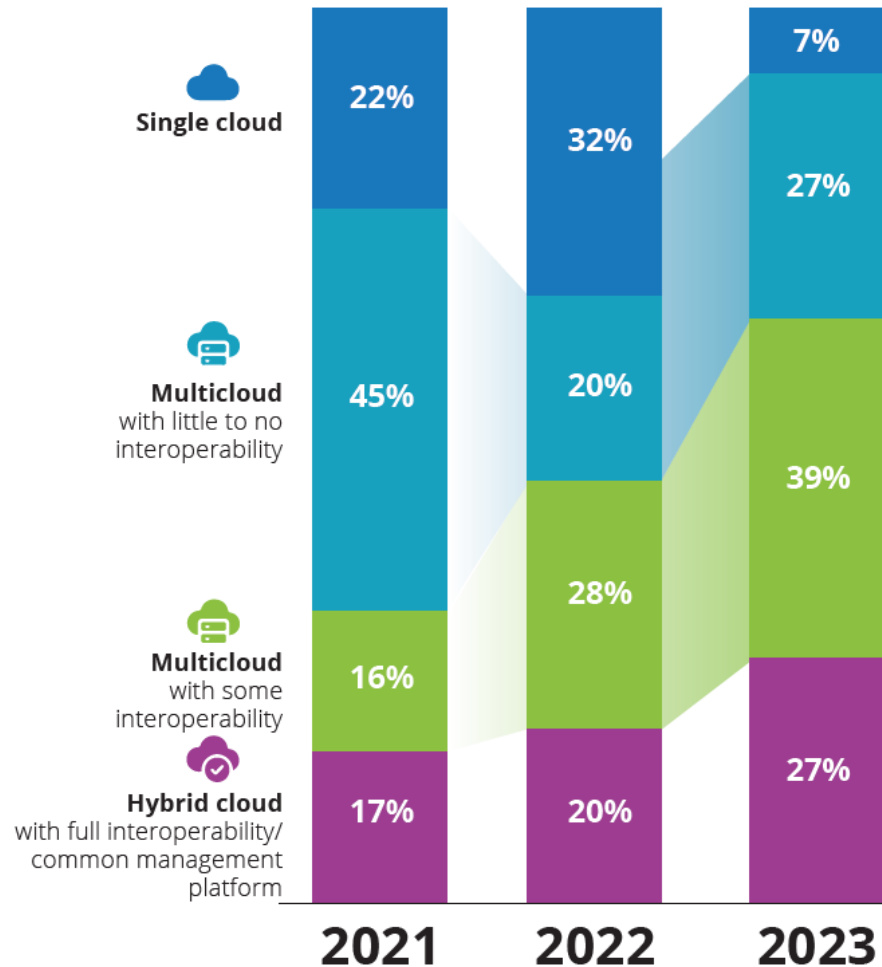
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What the BIG AREAS OF TECH INVESTMENTS tell us about how we are changing

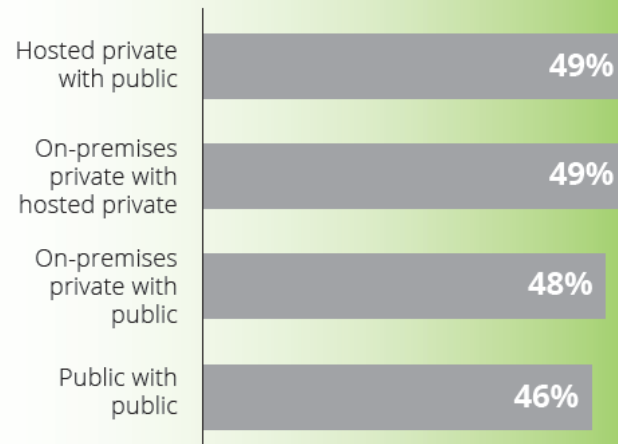
MICHAEL ARANETA
IDC Financial Insights

Cloud acceleration up ahead

Cloud budgets continue to grow, with **92%** of Asia/Pacific FSIs surveyed increasing their cloud spend in 2022 compared to 89% in 2020. Spending on public cloud, growing at **29% 2021/2020**. However, eventual shape of cloud looks like this...

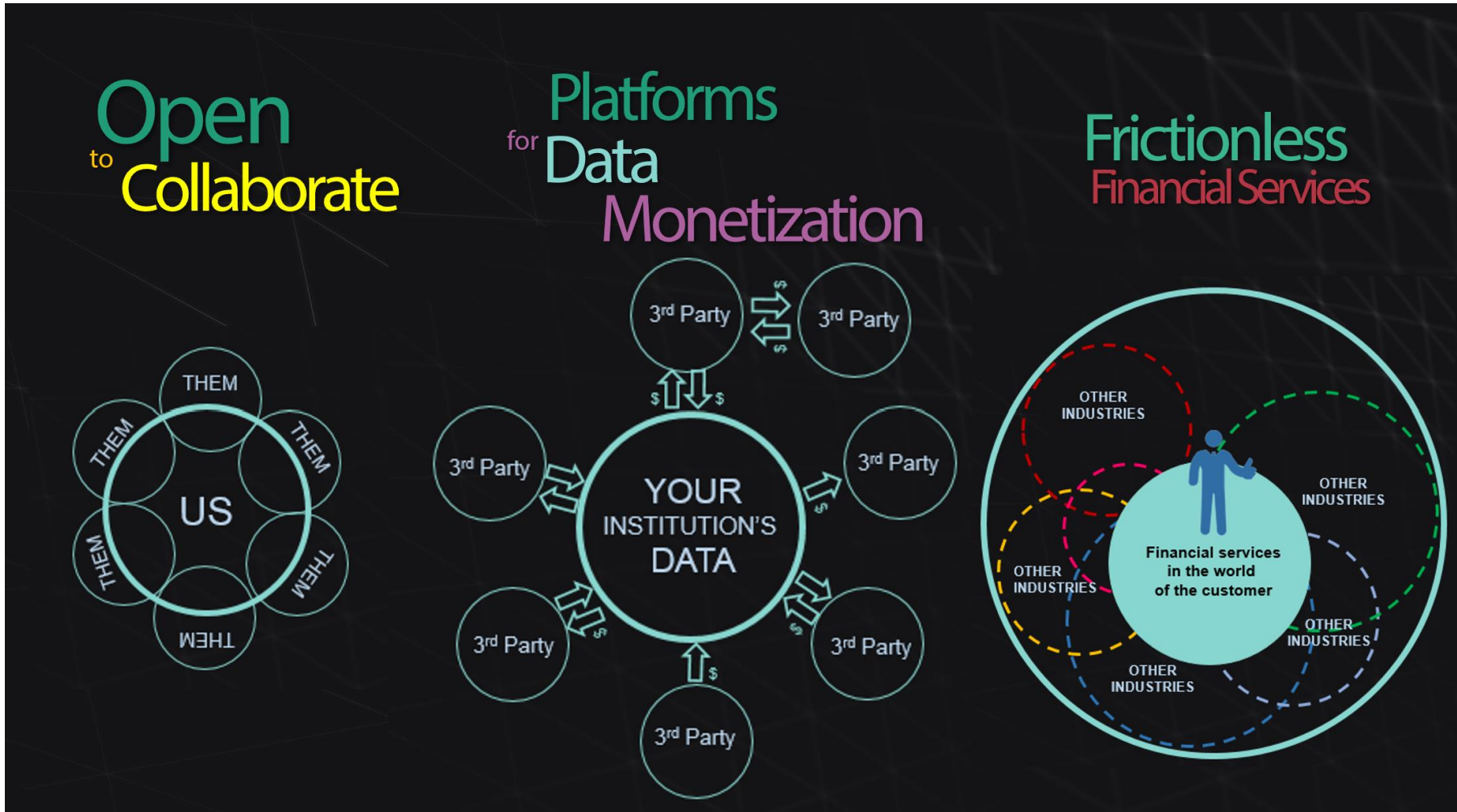


Interoperability between the clouds



The resurgence of Open Banking

Markets as diverse as Hong Kong, South Korea, Taiwan, Philippines revisiting Open Banking, and redefining the notions of banking.



Ensuring reliable financial services

An intensification of trends seen in 2020, makes 2021 about financial services that simply deliver,
With implications on many tech spend areas (Security, Uptime, BCP, Fraud Management, Risk Analytics)

In 2020, we saw 50% growth of digital in bank transactions across A/P – set to continue as more types of digital transactions emerge

- New modalities of customer interactions
- New products launched that create new digital interactions

“WFH or back to office at a day’s notice”

- “Free” apps used by staff as they balance work-home life

85% of tier-1 and tier-2 APEJ banks will curate an infrastructure strategy that is essentially hybrid

Greater integration of Operations

- 38% of new applications built using modular development frameworks
- DevOps a priority for digital product go-to-market
- DataOps, FraudOps, ITOps, AIOps

Growth of application portfolios

- 50% growth in the typical application portfolios in 2020/2019, still the same – but 40% are looking to change core systems in the next 3 years!

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Prevent all adverse incidents

that are certain to increase
– watch out for impact to security, availability, reliability, and compliance

Need for **consistency** of views, operations, and data across various environments – whatever environment that is

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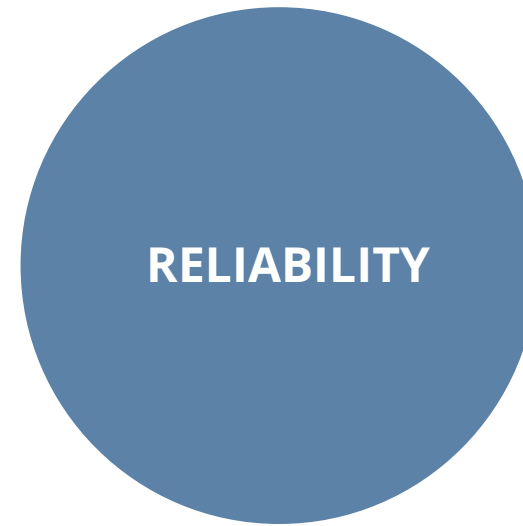
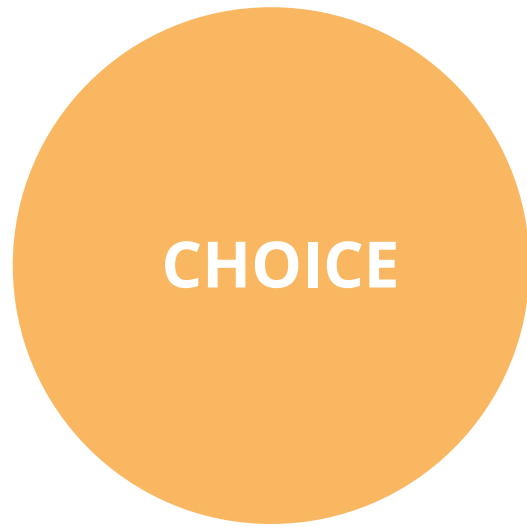
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Need for **consistency** of views, operations, and data across various environments – whatever environment that is

Visibility
through greater use of intelligence

Transparency
of response

How we are changing...





Questions?

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Digital-first SME banking

ABA Annual Conference, Taiwan 25/08/2021

Datuk Michael Lor
Senior Advisor, APAC

What is Efma?

Our purpose is to support our members and create a strong community based on expertise and skills.
Our mission is to provide community intelligence to optimize, innovate and transform by recognizing our members' best practices and connecting them.

Among **our global community**:



Created in 1971 as an exclusive community for financial services professionals.

Currently chaired by Jean-Marc Pailhol - Allianz

120
Financial groups members

133
Countries represented

About me

Datuk Michael Lor
Efma Senior Advisor

Michael has built a distinguish track-record of over 33 years across the Southeast Asian region as a senior-level banker with extensive focus in strategic business transformation, risk management and corporate governance; organization and human capital development.

He is presently an **Advisor to the Ministry of Economy and Finance, Cambodia**; where he led the development of the Strategic Frameworks for the SME Bank of Cambodia, the SME Sector Rejuvenation Initiative, and the Credit Guarantee Corporation of Cambodia, respectively.

During his professional career, Michael had been involved in both the banking and technology industries; and have led businesses in Singapore, Thailand, Malaysia, Cambodia, Laos, Myanmar and China, respectively.



Digital transformation of SME banking

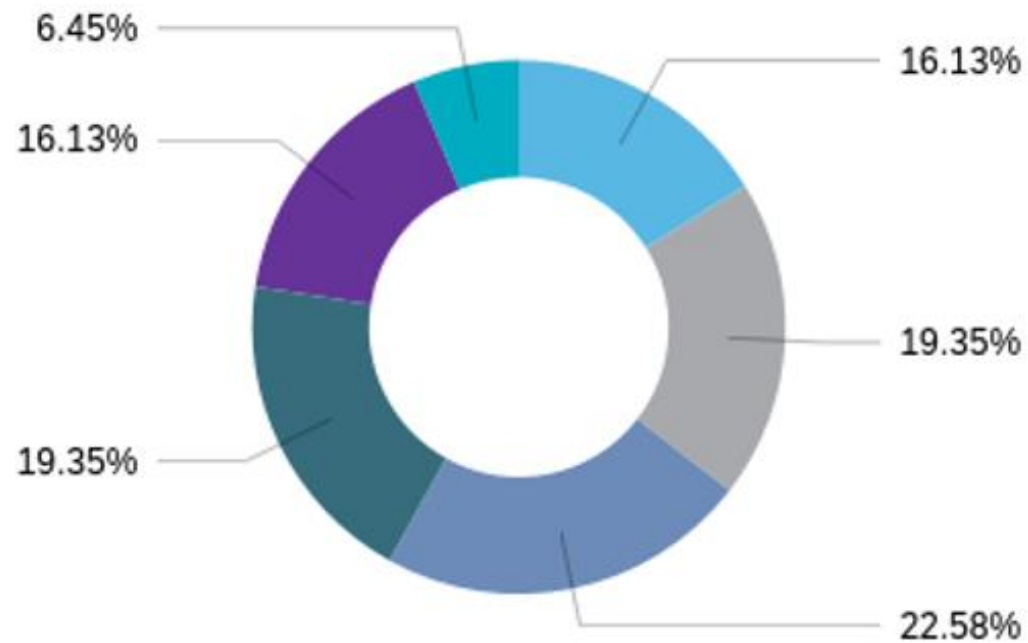
SME banking is on the edge of fundamental changes that reveal the need for transformation. The winning models represent market positioning around **being an integrated solution partner for SMEs** and **helping SMEs in their digitization**.

This value position has certain enablers and in the new era the following will be the area of differentiation in SME banking:

- Fintech collaboration with open banking
- Cultivation of data
- Adoption of changing needs and behaviors of SMEs
- Recruiting design and technology-oriented profiles
- More focus on artificial intelligence

Source: [Efma 'SME Banking in Turkey: Customer first' report, May 2021](#)

Opportunities for growth in SME banking



What are the growth areas in SME banking in your institution?

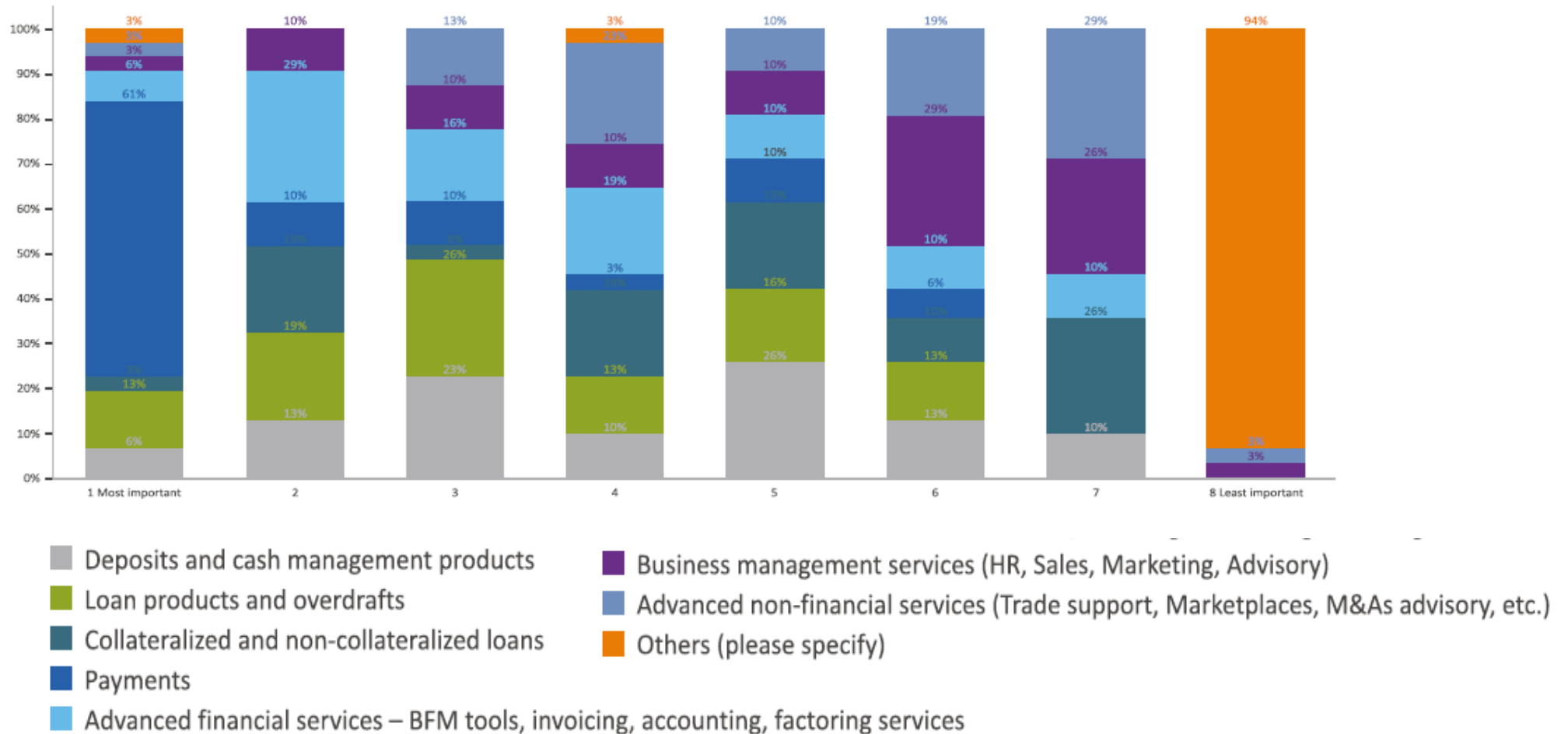
- Deposits and cash management products
- Collateralized term loan products
- Non-Collateralized term loan products
- Working capital loans
- Payments
- Advanced financial services - BFM tools, invoicing, accounting, factoring services

63% of respondents listed various types of loan products as the primary growth area in SME banking at their institution.

Source: [Efma-FintechOS 'Digital-first SME banking' report, June 2021](#)

Challenges from fintech competition

In what areas do banks feel the greatest competition from Fintech in the SME banking market?
(1 - most important, 8 - least important)



Partnering to meet the ever-evolving SMEs' needs

“If someone has a better solution, don't try to build it yourself but partner with a company that has already developed a solution to the problem.”

Jack de Mooij

Head of SME at **Rabobank**

Banks are collaborating with a variety of external parties to deliver the tools businesses need to scale and grow.

- Bank + fintechs
- Bank + payment providers
- Banks + banks
- Banks + big techs

Source: [Efma 'Better together: Holistic SME banking solutions' report, May 2021](#)

The next step: creating beyond banking services

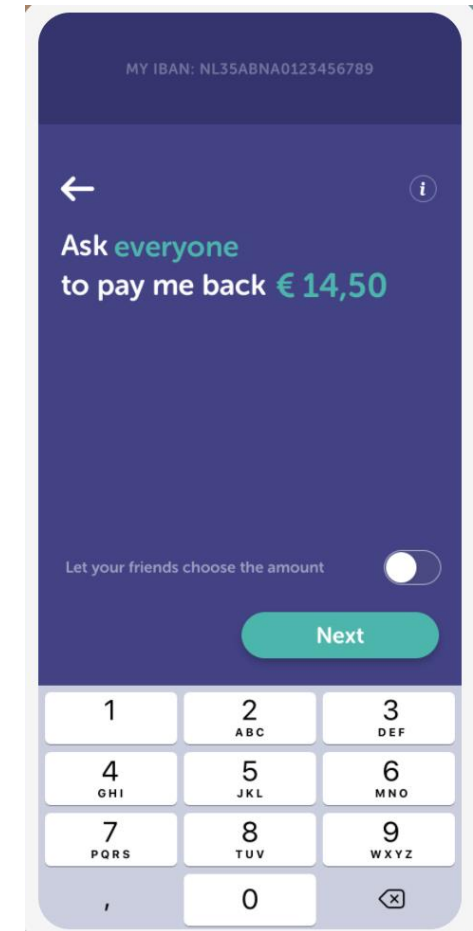
- Account reconciliation of transactions by ERP integrations
- Providing easy access to e-invoice, e-archive, e-ledger, etc.
- Providing software for HR management, inventory management, pre-accounting
- Account aggregation and cash management services in collaboration with fintechs
- Online advisory services and online training for SMEs
- Self-service merchant platforms to create their own campaigns
- Expense management tools
- e-Store opening
- B2B ecosystems

Source: [Efma 'SME Banking in Turkey: Customer first' report, May 2021](#)

ABN AMRO: developing products just for SMEs

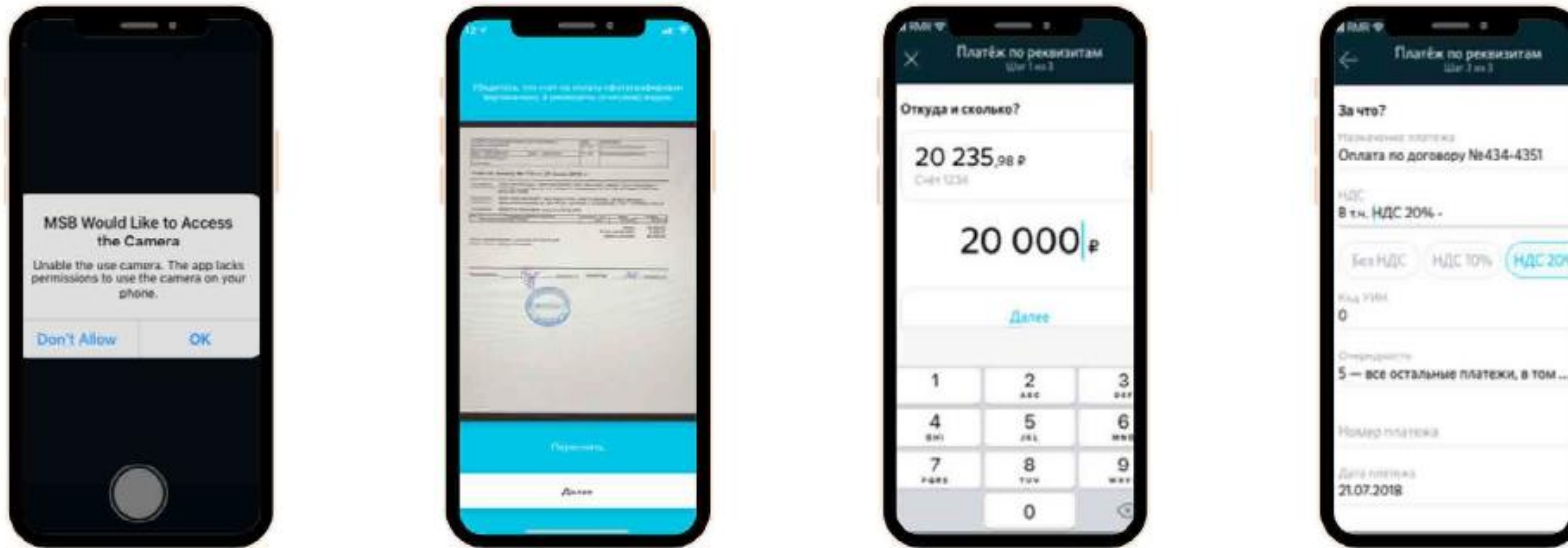
ABN AMRO wants to serve its clients as a personal bank in the digital age.

- **New10** is a 100% digital funding platform for SMEs, also used to rapidly process Covid-19 emergency credit requests with government guarantees.
- **Tikkie Zakelijk** is a WhatsApp-based payment channel for which the bank has developed a range of business applications. For instance, setting up creative cash-back promotions, creating new methods to facilitate quick and contactless payments.
- **Doorpakken** is an online support platform that also provides accessible solutions for entrepreneurs, including VraagHugo, to easily draw up legal document templates online, SnelBetaald (factoring), and Tikkie for companies to facilitate payment.



Source: [Efma.com](https://www.efma.com)

Bank Otkritie + TAIGER: a seamless payment solution



TAIGER, an artificial intelligent scaleup based in Singapore, helped one of the biggest banks in Russia, **Bank Otkritie**, deploy AI to read and process invoices to help their SME clients make easy payments through their mobile application, creating an efficient and frictionless customer experience.

Source: [Efma 'Better together: Holistic SME banking solutions' report, May 2021](#)

Mastercard + vCita: learning tools for SMEs



Mastercard and **vCita** have teamed up to provide entrepreneurs and business owners with learning tools to help navigate the often complex path toward business success.

Business Unusual is a complete CRM and learning solution enabling micro & small companies to better manage and run their business by giving them a suite of tools that can be accessed via one single application

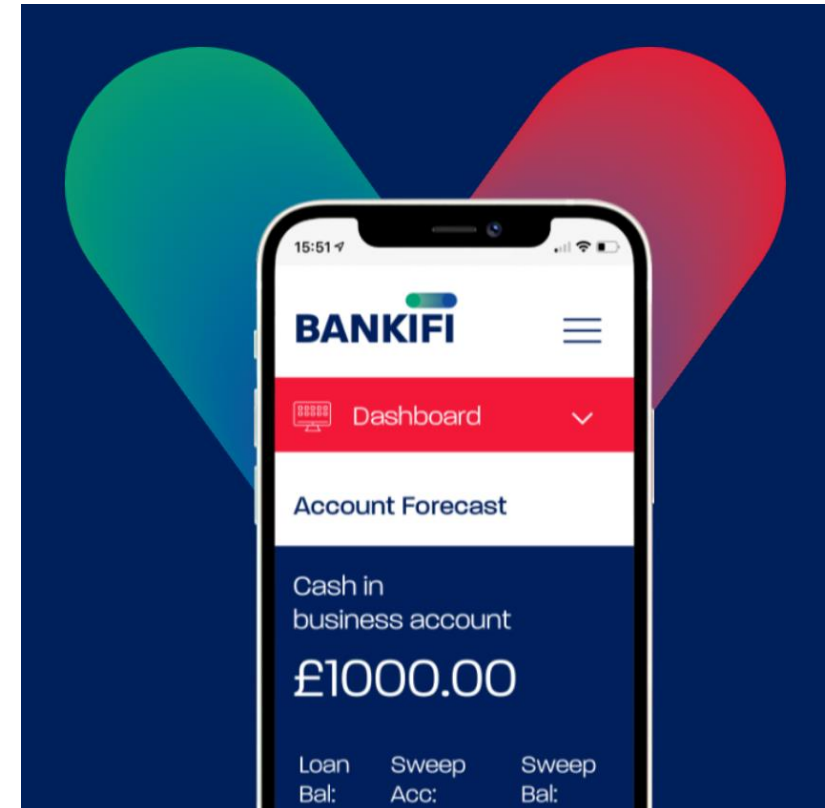
Source: [Efma 'Better together: Holistic SME banking solutions' report, May 2021](#)

Nationwide-BankiFi: a business management platform

BankiFi is enabling banks to bring a more holistic offering to their business customers by transforming the mobile and internet banking channels from something that is purely transactional to somewhere businesses can turn to for all of their needs. BankiFi also adds invoicing, accounting, cash forecasting and working capital optimization into those channels to sit alongside payments and transaction histories.

Nationwide can now offer additional services to business customers as part of the account, such as accounting, invoicing, payments, VAT submission, lending and banking services.

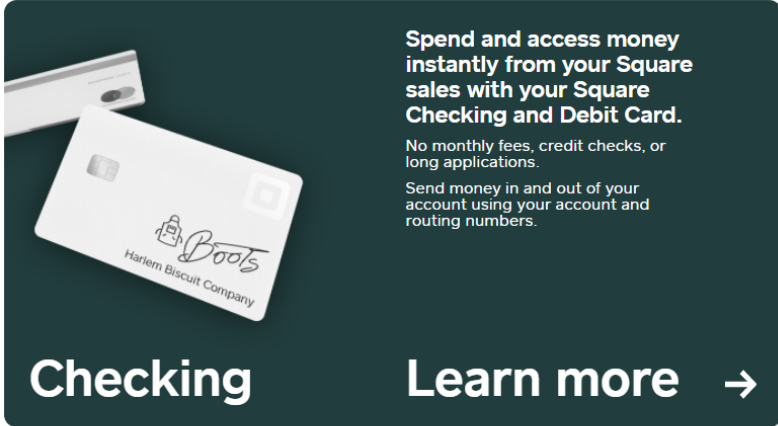
Sources: [Efma FintechVisor](#) and [Efma.com](#)



Square Banking, a suite of financial tools for SMEs

Square Banking consists of three core products designed to help small business owners confidently manage cash flow stress: two new deposit accounts, Square Savings and Square Checking, join Square’s existing lending capability, now called Square Loans.

By offering essential banking tools that work seamlessly with Square’s ecosystem of solutions like payments and Square Payroll, sellers now have a single home for their entire business, gaining a unified view of their payments, account balances, expenditures, and financing options.

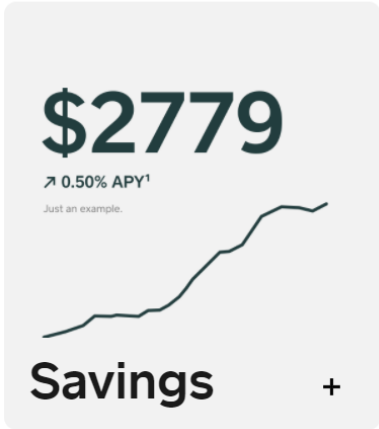


Spend and access money instantly from your Square sales with your Square Checking and Debit Card.

No monthly fees, credit checks, or long applications.

Send money in and out of your account using your account and routing numbers.

Checking **Learn more →**

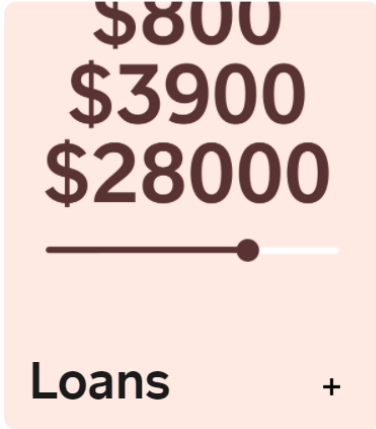


\$2779

≥ 0.50% APY¹

Just an example.

Savings +



\$800

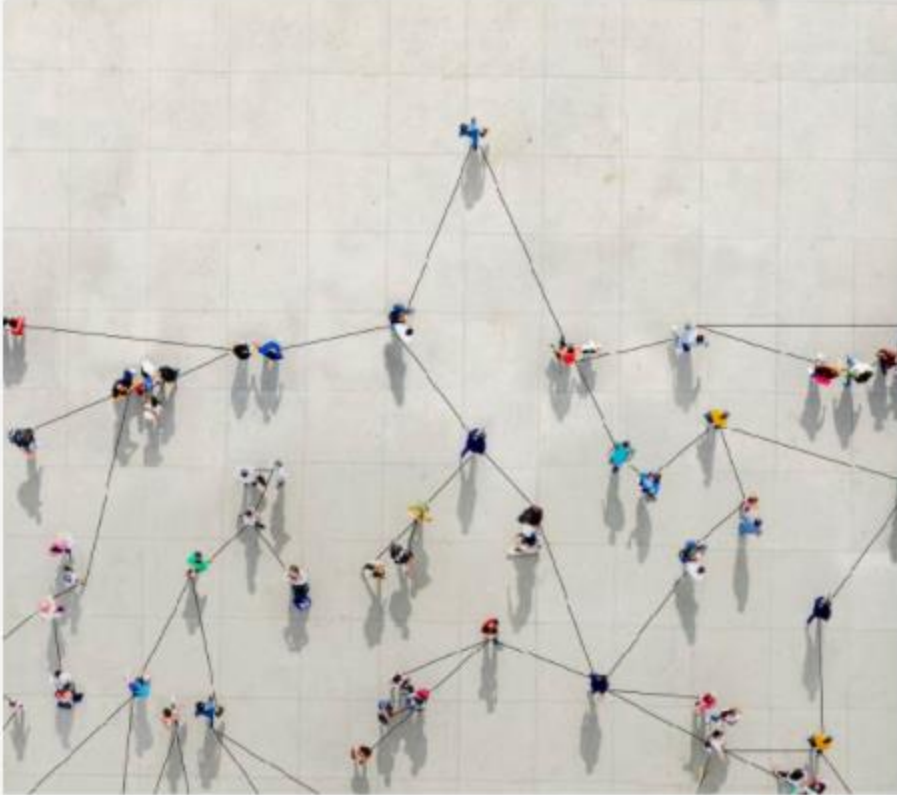
\$3900

\$28000

Loans +

Source: [Efma.com](https://efma.com)

Join the Efma SME Banking Community



What is the SME Banking Community?

At Efma, we have created a thriving community of SME bankers. Led by Lukas Dzuoska, this community is centered around the sharing of best practices, with podcasts, virtual events, and articles all facilitating knowledge sharing in this critical space. By speaking with leaders in the SME banking world and highlighting the ways business banking is evolving, we are helping to advance this community.

Want to become a member?

For now, anyone can be a part of this community. If you are interested to join your peers and help us in building a space where SME Bankers share and learn from each other, just contact us at lukas@efma.com or dorota@efma.com and we will gladly set up a short call to see how you personally can benefit from the community membership!

www.efma.com/community/sme



**Submit your innovation for
the Bank of the Year/Banker of the Year Award
until 31 August**

www.efma.com/conference/16020-efma-sme-banking-awards-2021

Thanks

Any questions?

Datuk Michael Lor

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