

der brutkasten

ÖSTERREICHS STARTUP- & INNOVATIONSPLATTFORM



Conference with Top notch speakers

#where innovation grows. On Tuesday, 15th of November, “Der Brutkasten” invited to the Digital Banking Day in Vienna. In the conference top notch speakers like Hannes Cizek (RZB), Vijay Kasturi (Oracle), Lorenz Schöne (Erste Bank), Manuel Thomas Schmid (Darwins Lab) and Max Nedjelic (baningo), debated about significant trend-setting topics of digital banking.

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The most exciting topics concerning digitalization in the banking sector were discussed

Conference. Since there is no doubt - the digitalization will change the banking industry. For that reason „Der Brutkasten“ invited to the Digital Banking Day 2016 in Vienna. At the panel discussion industry experts talked about the latest trends. Many banks see a threat to the banking industry in FinTechs. The event should serve to take away fears and answer open questions.

The K47 in the center of Vienna is a very popular location. On Tuesday lots of bankers, fintech-entrepreneurs and committed entrepreneurs entered the fully glazed attic. But instead of enjoying the beautiful view over Vienna the guests listened to the invited discussants. Top notch speakers and experts of the banking industry debated about significant trend-setting topics. After the workshop in the afternoon for a handful of participants, the panel discussion was the highlight of the Digital Banking Day 2016. Nikolaus Jilch acted as a moderator and directed the event. Jilch is economist editor of the daily newspaper „DiePresse“.

Among the guests have been Maximilian Jacob (ING-DiBa Austria), Claudia Lemlihi (BAWAG P.S.K.), Petra Postl (Erste Bank), Volker Moser (UniCredit Bank), Natalie Corrales-Diez (Fund of Excellence) Stefan Kliment (Coinfinity), Matthias Stieber (paybox Bank), Jörg Skornschek (Credi2) and many others.

Challenges and innovations

The topicality of the theme was reflected in the high number of spectators. Even the Austrian Broadcasting Corporation (ORF) send a team to the event.

One of the topics of the panel discussion was the new way of banks. What challenges does digitalization pose for traditional banks? Where does the development of computers and the net change the traditional ways completely and what sectors are untouched? Market leaders like Erste Bank and Raiffeisen Zentralbank invested a lot in new technologies and are open to digitalization. The audience was also interested in the opportunities that digitalization offers banks. The Bank's representatives were confident that new customers could be won with technological innovations. A modern bank realizes that the digital revolution is no threat but can make the life of banks more comfortable. Speaking about software tools that can be implemented right now to make life for banks and customers easier.

FinTechs on the fast lane

The audience was eagerly awaiting the discussions around FinTechs. With Max Nedjelic was the Co-Founder & Executive of „baningo“ present against high-ranking representatives of traditional banks. „FinTechs are contributing a lot to the very positive developments in the banking industry“, said Max Nedjelic,

Co-Founder of „baningo“. „Think about the transparency and efficiency of the blockchain technology, or the video-ident-process. There's a much higher accessibility to advice, information, products, offers and information through FinTechs companies. It leads to better, broader and cheaper offers for banking customers and to more convenience. As banks were not very innovative in the last decades, FinTechs had to lead this change to more customer focus.“

Cooperations

But lots of traditional banks already cooperate with Fintechs. „For us cooperating with FinTechs poses new opportunities“, said Hannes Cizek, Head of Digital Banking & Innovation Management. „Currently we are evaluating a partnership with a startup company in the area of payment services. After a positive review, we plan to spring into action with this idea already in 2017.“

According to the interesting word messages from the experts the audience was allowed to ask questions. After the discussion there was plenty of time for networking and come-together. Read more about the Digital Banking day 2016 in Vienna at: www.derbrutkasten.com





Banks should collaborate with FinTechs

The digital revolution forces banks to recompose the traditional architecture into one that is suited for a “Digital Bank of the Future”. **Vijayaraghavan Kasturi**, Oracle Banking Presales & Solutions Head/Europe, talks about the best way to achieve these goals and also explains, why banks should collaborate with FinTechs instead of competing with them.

What are the main challenges for banks in the digital transformation?

Vijay Kasturi: Most banks struggle with legacy systems that are inflexible and non-agile. In many cases, they also have multiple or redundant systems. Over the years as new channels became popular, banks adopted them in an ad hoc manner and built “point-to-point” integrations with their legacy systems. This has resulted in a “Spaghetti Architecture”. The inhibitors to digital transformation are: “Obsolete technology”, “Disparate customer information”, “Lack of real-time insight” and “Inflexible products & business rules”. Overcoming the spaghetti and obsolescence, without having to rip & replace their legacy systems, is the real challenge that banks face in their digital transformation journey.

How can banks successfully transform themselves to handle these challenges of the digital revolution?

Banks need to fundamentally rethink the way they go about unbundling their legacy and move towards a true “Customer In” architecture as opposed to the tradi-

onal “Product Out” or silo approach. In order to do so, they need to ask themselves questions like: Can I have converged channel platform across customer segments, across products, across brands? Can my channels directly consume the core product processor services? How can I enable modern UX/UI and keep refreshing it to keep pace with the modern trends? How do I collaborate with FinTechs instead of competing with them?

What are Oracles solutions for these challenges?

Oracles recommends recomposing the traditional architecture into one that’s more suited for a “Digital Bank of the Future”. This is comprised of four pillars:

- Digital Experience: A unified digital banking platform with enterprise digital capabilities exposed as APIs for diverse lines of business.
- Digital Engagement: Digitized customer centric processes for enterprise wide marketing, sales, on boarding, pricing, exposure management and product bundling.
- Product Processors: Thin, lean Systems

of Record with all the business rules and intelligence residing outside in the Engagement layer.

- Analytics: Customer analytics to analyze customer LTV, engagement levels, attrition, channel interaction and customer satisfaction.

What’s the special about Oracle Banking Digital eXperience (OBDX)?

OBDX is an end to end, enterprise class, modern, secure and future proof digital platform to enable customers keep pace with the digital disruption. It allows banks to tailor & extend its own apps, giving customers more choice & innovation and it also allows banks to collaborate with FinTech partners. It supports Responsive Design on multiple client platforms/ devices. It exposes a whole set of RESTful APIs (600+) which are simple to consume and provide the right level of granularity. It covers Customer Lifecycle functional services including orchestration of those services and allows for the documentation & discovery of those services. An overarching Security layer controls the who, what & how.

How change customer preferences in the digital revolution and what kind of design solutions can handle that?

Customer's preferences have undergone a sea change. Some examples:

- They expect their banking experience to be Digital first, with anytime/anywhere access and conversations that seamlessly span multiple channels.
- They expect that the bank knows the relationship they have with the bank and to price that relationship accordingly.
- They want solutions to address their needs, not just products.

This puts huge pressure on banks to respond accordingly and they cannot do so as long as they are organized in silos (Product Out). In order to effectively address this, solutions need to have an inherent Customer In or Customer-centric design as explained in the previous responses.

Where do you see the advantages for banks in cloud-services?

Cloud offers banks the possibility to take advantage of the latest and the best in technology without having to make huge sunk investments in them. Cloud services also provide financial flexibility in terms of "pay per use" or periodic subscriptions fees, so banks can choose to convert their investments into Operational Expenditure (Opex) as against Capital Expenditure (Capex).

Oracle offers a comprehensive and unmatched range of Cloud services such as Infrastructure as a Service (IaaS), Platform as a Service (PaaS), Software as a Service (SaaS) and Data as a Service (DaaS).

Where are the chances for startups in the financial industry?

Startups have a great advantage over the established players. They don't have the baggage of legacy systems and processes and can be nimble & agile. They



are uniquely placed to offer niche services to specific segments which are disilusioned by High Street Banks. Most banks are sitting on tons of data, but very few have actually leveraged them to provide a "frictionless" experience to their customers. This is where startups can fill the gap. However, the challenge for startups is the ability to scale up quickly. We see many examples where startups have managed to wean away the first 100.000 customers, but then plateau out due to their inability to scale fast enough.

What do you think about FinTechs?

FinTechs provide customers with the best of both worlds – Financial Services as well as Technological Innovation. Today we see what we term the "Digital Unbundling of a Bank". FinTechs have made inroads into banks market shares by providing digital & frictional customer experience and by leveraging data to tailor their offerings. The challenges I see: There are too many FinTechs fighting for a small piece of the pie. Their of-

ferings are very narrow and hence they would not appeal to everyone. They cannot grow at scale. Often, they are not self-sufficient and would ultimately depend on banks to provide the "last mile". Payment Initiation Service Providers or PISPs like PayPal are the best examples of this. The way forward is for Banks & FinTechs to collaborate in a manner that best complements their strengths and offers the best possible choice to customers.

How can a bank survive next to FinTechs?

FinTechs cannot match the scale & firepower of banks. They also face entry barriers in some markets forcing them to adopt other ways to break in. At the same time, Banks have to realize that they cannot fight FinTechs head on or try to copy them. For both players, there are challenges and opportunities. We're seeing increased consolidation as well as collaboration in the Financial Services space. There are four avenues for banks & FinTechs to work together:

- Acquisition: Banks acquire FinTechs and assimilate them into their wider offering.
- White labeling: Banks offer services to their customers but the underlying platform is the FinTech which is white labeled, so it is transparent to the end user.
- Marketplace Banking: Banks offer services from FinTechs alongside their own in an "App Store" type of environment. In this model, there is little to no bundling of services and the customer can cherry-pick what he needs and pay only for those.
- Banking as a Service: Banks have their basic core offerings and everything else is offered as a "service bundle". This offers customers a wide range of services, but limits their choice of service providers. Best suited when the target segment is not so savvy.

Hannes Cizek

Head of Digital Banking & Innovation Management, RZB



Is Raiffeisen already focused on the digital age?

Raiffeisen is the Austrian market leader in online and mobile banking. Digital transformation, however, is much more than that. Although it is essential to keep the number one market position, it is further more necessary to strengthen the connection between analog and digital aspects. RBG launched the program "Digitale Regionalbank", setting new milestones in the digitalization of its banking business until 2018. The focus is directed to omni-channel-distribution and the optimization of its regional and digital presence.

What means the digital transformation for the financial sector?

It implies challenges & chances at the same time. We want to take advantage of the new environment and continue to further develop an attractive range of

products for our customers. The traditional Raiffeisen strengths - strong client relationships and the wide regional network - will go digital. For sustainable success it is important to respond at the right time.

What are the advantages and disadvantages for your bank?

The general environment and our customers' needs are gradually changing. Our job is now to raise our customers' awareness regarding these new developments. In general, the importance of digital distribution channels is increasing. Hence, today's challenge for full service banks is, to guarantee the same service standards throughout all channels. Raiffeisen will reach this goal by having a strong link between regional and digital presence. This interlink ageenables more flexible, individual consulting in all financial affairs.

What are the latest digital innovations of Erste Bank?

Over the past few years we proved that we are able to score with exceptional products and services. One of our milestones is the digital banking "George". It's unique in the German-speaking area. We are market leader in modern payment systems. We developed a bracelet with the smallest bank card in the world and offer NFC Sticker. The philosophy of the Erste Bank is: Wide offers for our customers. Everybody will find what fits best.

What are the benefits of digital transformation for Erste Bank customers?

That's driven by the customers themselves. No longer the service providers know what's best for the customers, but the customers themselves decide, what kind of technologies they need and adopt. Our job is to provide innova-

tive methods in different areas, so that everyone can use what they are looking for. One of our benefits is, that this kind of thinking generates positive customer experiences.

Does Erste Bank cooperate with FinTechs?

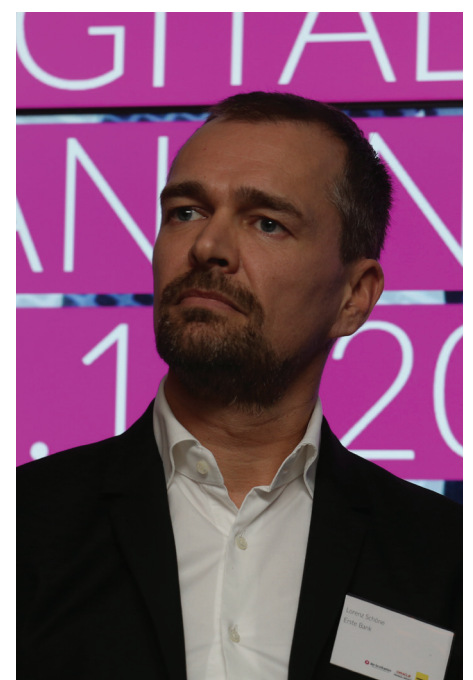
Yes, we can learn a lot from Fintechs. It's a win-win-situation for both. Our Banking George allows Fintechs to integrate their services and products. One of our first FinTech-partners was predictR. For Erste Bank they develop a Tool for account prediction. In addition we have our own corporate fintech "Erste Hub".

Are bank branches history?

No, we combine both worlds. The best digital banking and a modern branch network. Lots of customers want to speak to humans.

Lorenz Schöne

Head of Business Development, Erste Bank



Max Nedjelic

Co-Founder & Executive,
baningo



What's the speciality of baningo?

baningo combines the advantages of the online world, like accessibility, convenience and efficiency, with the individual, personal advice and service of the offline world. Why is that important? In the finance-industry the so called RO-PO effect (Research Online, Purchase Offline) is predominant. Moreover we offer a really self-determined banking approach, that's new. Customers decide about the „abcd“ of their preferred banking: advisor (who is a good match for me), bank (where is my favorite bank and branch), channel (how do I want to communicate), date/time (when do I want to get in touch)

Are there cooperations with banks?

At the moment we are cooperating with 14 Austrian banks and make more than 100 of their advisors visible and accessible on an innovative and digital chan-

nel. The baningo partnership works for small banks like little Raiffeisenbanks in the regions as well as for big banks like Unicredit Bank Austria. We are happy that our cooperation network is still growing, so that we can provide best fitting advisors for everyone.

What's the future of FinTechs?

There will be a huge consolidation in the next couple of 11ment (payments, lending, investing, blockchain, etc.). A few heros will become really big companies. They will buy competitors and profit from the network effect. Others will get bought by banks. Just a few will stay SME companies, servicing a niche market. We won't see a big disruptor in banking, like Airbnb in accommodation or uber in transportation, but each Fin-Tech segment has its new players. Everyone is waiting what the „big 4“ from the Valley will offer in the future.



Best prepared for the digital revolution

Workshop. For a limited number of participants the business consultant “Darwins Lab” gave a taste for its Digital Training-programm “Understand: Digital Revolution”. The training shows the digital revolution on the basis of examples and mechanisms.

Darwins Lab offers Digital Development for professionals. This includes executive coaching and transformation workshops. In executive coaching top-level consultants analyze your business model and the associated digital potentials and risks and develop digital perspectives for your company. Transformation workshops focus on special challenges of your company and bring up solutions. Darwins Lab also offers Digital Trainings like „Understand: Digital Revolution“. In just one day you learn all you need to understand the rules of the digital era.

At the Digital Banking Day 2016 a few participants got a brief insight into the training day.

Industry 4.0

The digital revolution sets new challenges. To be prepared the experts of Darwins Lab show what is important. In the morningsession you will learn a lot about the history of digital transformation and get a closer look at the conceptual definition. In the afternoonsession you will learn about new trends and digital security. There are many practical examples both in the morning and in the afternoon. The trainingday ends with future prospects.

Lorenz Edtmayer is the managing partner of Darwin Lab and founder of Tailores Media Group. The mastermind loves new technologies and passes his knowledge on to his customers.



Experience Darwins Lab

- **Inspiring venue:** An open and creative environment helps you to move your skills to the next level. The workshops take place either in Darwins Lab or external spaces
- **Top-Trainers:** Darwin Lab cooperates with leading institutes and developers.
- **First-class accompaniment:** Not only the trainers are top, also you get Brain-Food and healthy drinks that help you to keep the concentration and energy levels throughout the day on a high level.

Process and costs

- **Duration of the workshop:** From 9 am to 6 pm
- **Number of participants:** 5 to 10 people
- **Costs exclusive of sales tax:** per person: 1200 Euro
groups (10 persons): 10.000 Euro

More Information:

<http://darwins-lab.com/>

Impressions of the Digital Banking Day 2016



“ Digitalisation drastically changes the risk landscape. Both new opportunities and risks emerge and force us to continually develop & improve ourselves. Change is the new normal and our risk culture has to adapt accordingly. Our biggest challenge is to balance high efficiency, great customer experience and regulatory compliance. You have to be ahead of the curve and embrace change. Our vision is to be the primary banking enabler for our customers, featuring convenient, fast and simple products. Only a strong and smart risk culture can support our business in staying a step ahead of our competition.

Matthias Neuner, ING-DiBa Austria





“ When it comes to digital transformation Austria's financial institutions are quite acceptable in international comparison – especially in the product sector. However, more and more FinTechs are emerging in this sector, which are driving the digitization of the financial sector with customer-centric business models and disruptive products. Even if the FinTechs are not necessarily in competition with traditional banks, they place themselves with individual customer-oriented services along the entire value added chain. In order to keep pace with the FinTechs, traditional banks shouldn't only adapt their products, but also rethink their entire organization.

Florian Wurz, wikifolio



“ The networking of established companies with start-ups can create added value for both. Established companies learn from the innovative power of young dynamic and agile new start-ups. On the other side, start-ups can benefit from the networks established companies up to possible investments.

Wolfgang Bretschko, COCOQUADRAT



“ In Finnest’s case, the win-win of a Fin-tech-bank partnership is quite simple: Finnest profits from the bank’s power to obtain licenses which are key to our continuous growth. The bank profits from Finnest’s innovative approach to a very specific part of corporate finance, which is key to their continuous customer relationship management.

Joerg Bartussek, Finnest

“ We come from the Bitcoin and Blockchain-industry. There are huge opposites but at the same time there is also great potential for supplementation. Many Bitcoin-pioneers are very idealistic and skeptical about banks. At the same time, however, banks recognize the trend of time and are monitoring developments. Blockchain technology is the future. There are many possible applications, such as a complete realignment of bank internal transactions or settlement or the entire remittance industry.

Stefan Kliment, Coinfinity GmbH



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This EventPaper was produced by „Der Brutkasten“ in the course of the “Digital Banking Day 2016”

Editor:
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Photographer:
Richard Tanzer

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