

Singapore Fintech Festival

Nov 2022

Macro-economic Insights



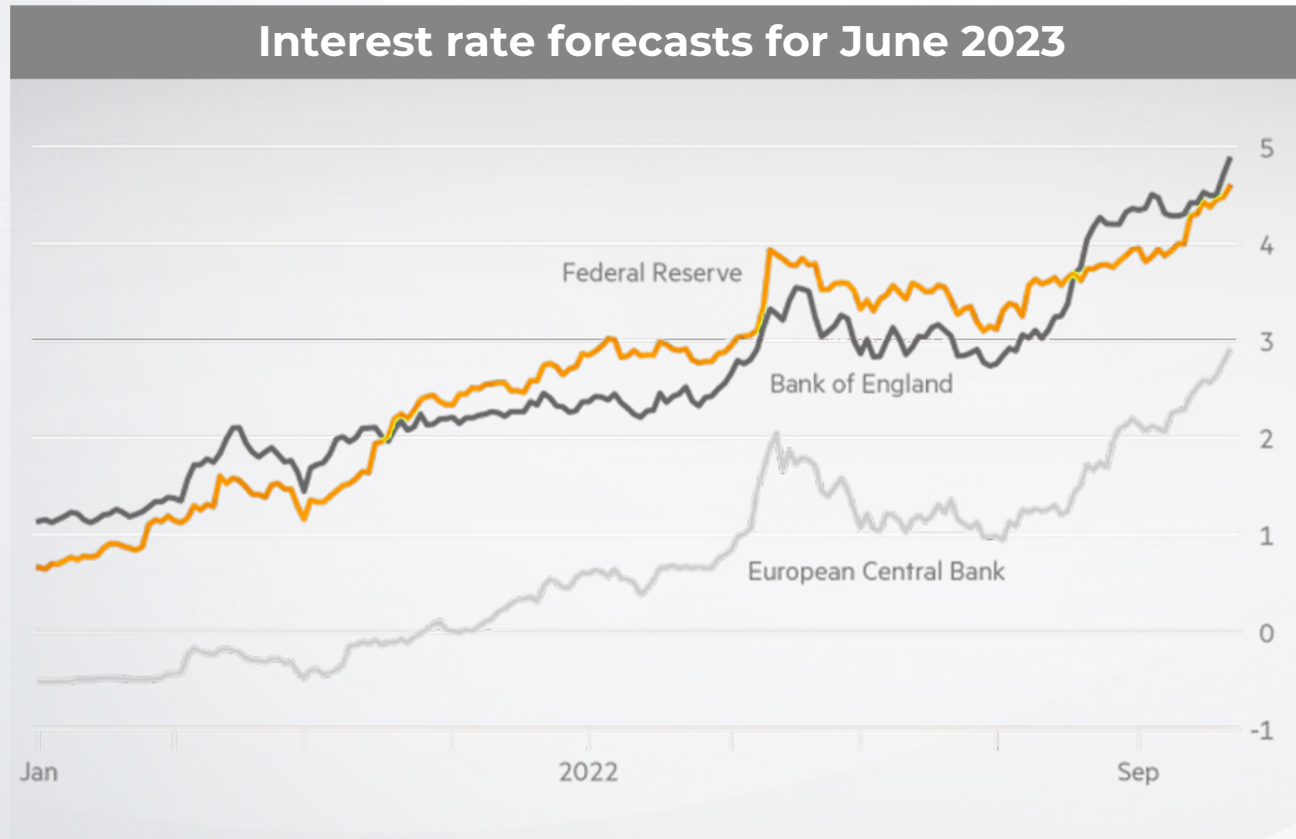
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Interest rate expectations for June 2023



Source: Eikon
Financial Times (Sept 24, 2022)

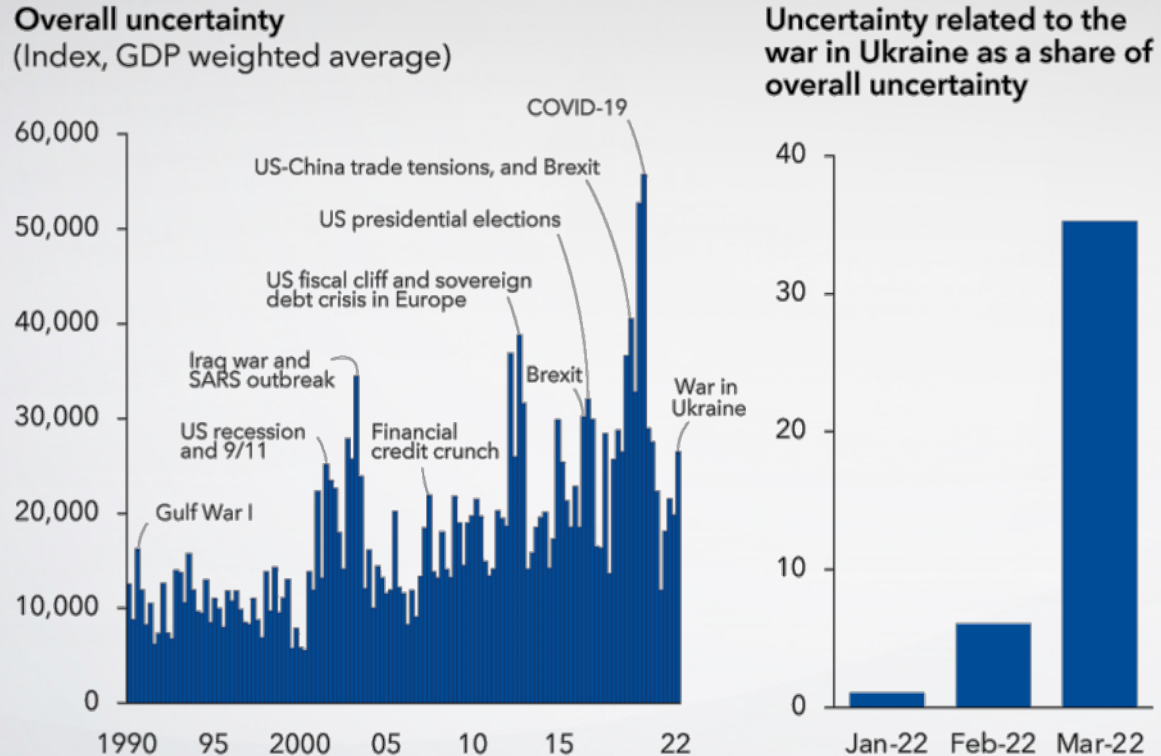
Economists at Deutsche Bank noted that for every one central bank around the world that is currently cutting interest rates, there are now 25 banks that are raising rates — a ratio that is way above normal levels and has not been seen since the late 1990s, when many central banks were given independence to set monetary policy.

Christian Keller, Head of Economics Research at Barclays Investment Bank, says that "since Jackson Hole, central bankers have decided that they want to err on the side of hawkishness".



Fog of war... increased uncertainty

The world uncertainty index is climbing again as the invasion of Ukraine clouds economic outlook



“Europe is right in the middle of the storms from supply chains, from the energy crisis, and obviously just the proximity to some of the atrocities that are occurring in Ukraine,” she said at the World Economic Forum in May. When asked if it will lead to recession in Europe, Fraser said “Yes”.

- Jane Fraser (Citigroup CEO), May 2022

In a world where war in Europe creates hunger in Africa; where a pandemic can circle the globe in days and reverberate for years; where emissions anywhere mean rising sea levels almost everywhere — the threat to our collective prosperity from a breakdown in global cooperation cannot be overstated.

- Kristalina Georgieva (IMF MD & Chairman), April 2022

Source: IMF

Note: The left chart is computed by counting the percent of the word “uncertain” in the Economist Intelligence Unit country reports. The index is rescaled by multiplying by 1,000,000. A higher number means higher uncertainty and vice versa. The right chart is computed by counting the percent of the word “uncertain” that appear near a word related to the war in Ukraine in the Economist Intelligence Unit country reports and is calculated as a percentage of overall uncertainty.



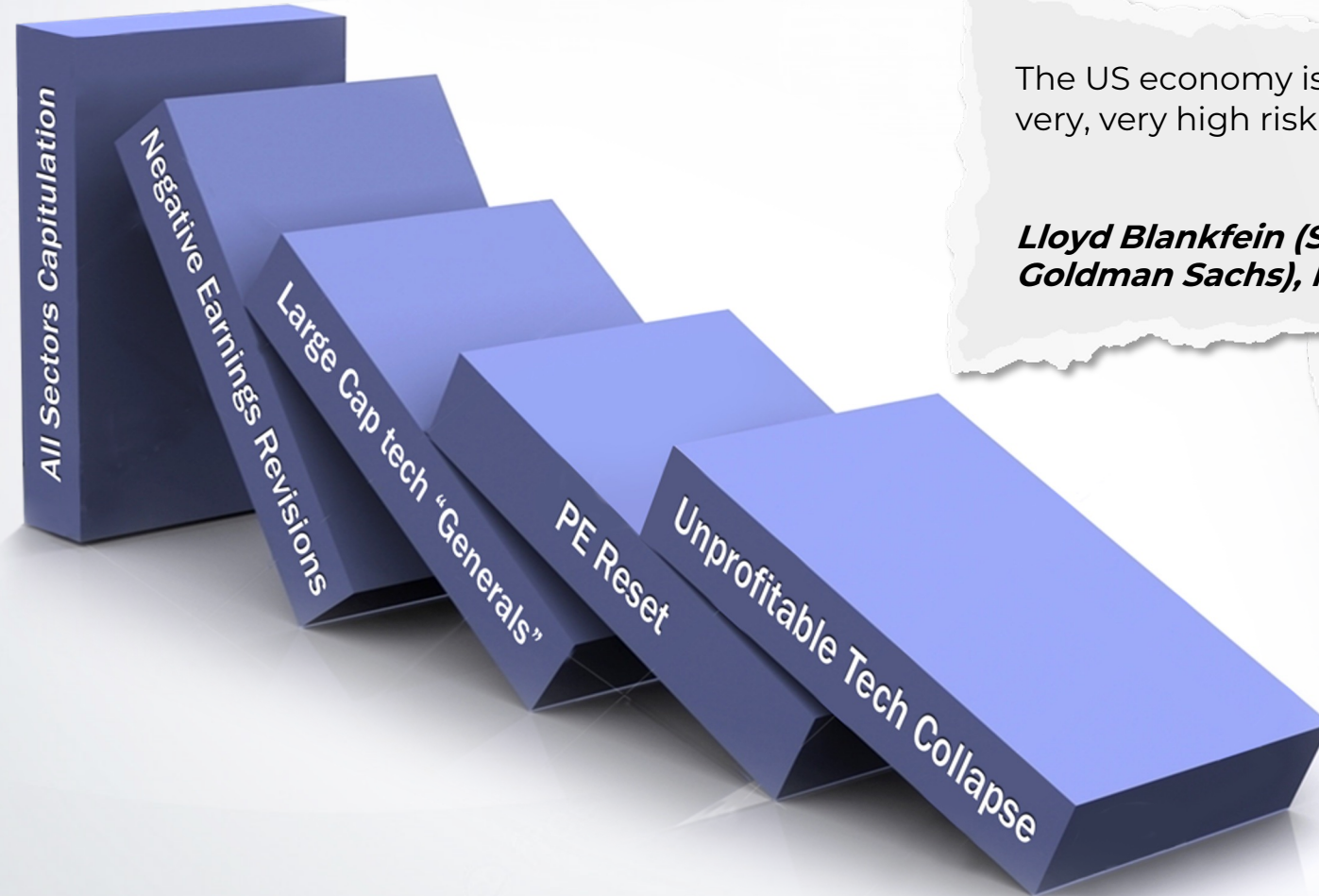
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Are we looking at a bear market...



The US economy is currently at very, very high risk of recession

Lloyd Blankfein (Senior Chairman, Goldman Sachs), May 2022

Rates at 4.5% would sink stocks by 20%

Ray Dalio (Founder, Bridgewater), Sept 2022

Global growth is slowing sharply, with further slowing likely as more countries fall into recession

David Malpass (President, World Bank), Sept 2022

You'd better brace yourself...JPMorgan is bracing ourselves and we're going to be very conservative with our balance sheet.

Jamie Dimon (CEO, JPMorgan), June 2022

Source: Coatue (March 2022), Google



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Resetting of investor expectations

Money flowing into start-ups skyrocketed in 2021...

Deal value (\$bn) Deal count



FINANCIAL TIMES

Source: Venture Monitor

...2022 saw a reset in investor expectations

	Peak valuation	Current valuation
wework	\$47bn in 2019	\$1.9bn
theranos	\$9bn in 2015	Closed in 2018
Klarna.	\$45.6bn in 2021	\$6.7bn
Uber	\$82.5bn in 2019	\$57.4bn
Grab	\$40bn in 2020	\$10bn
sea	\$197.6bn in 2021	\$33.2bn

Source: Companies Market Cap, CNBC, Financial Times, Bloomberg; Public company market capitalization as of October 2022.



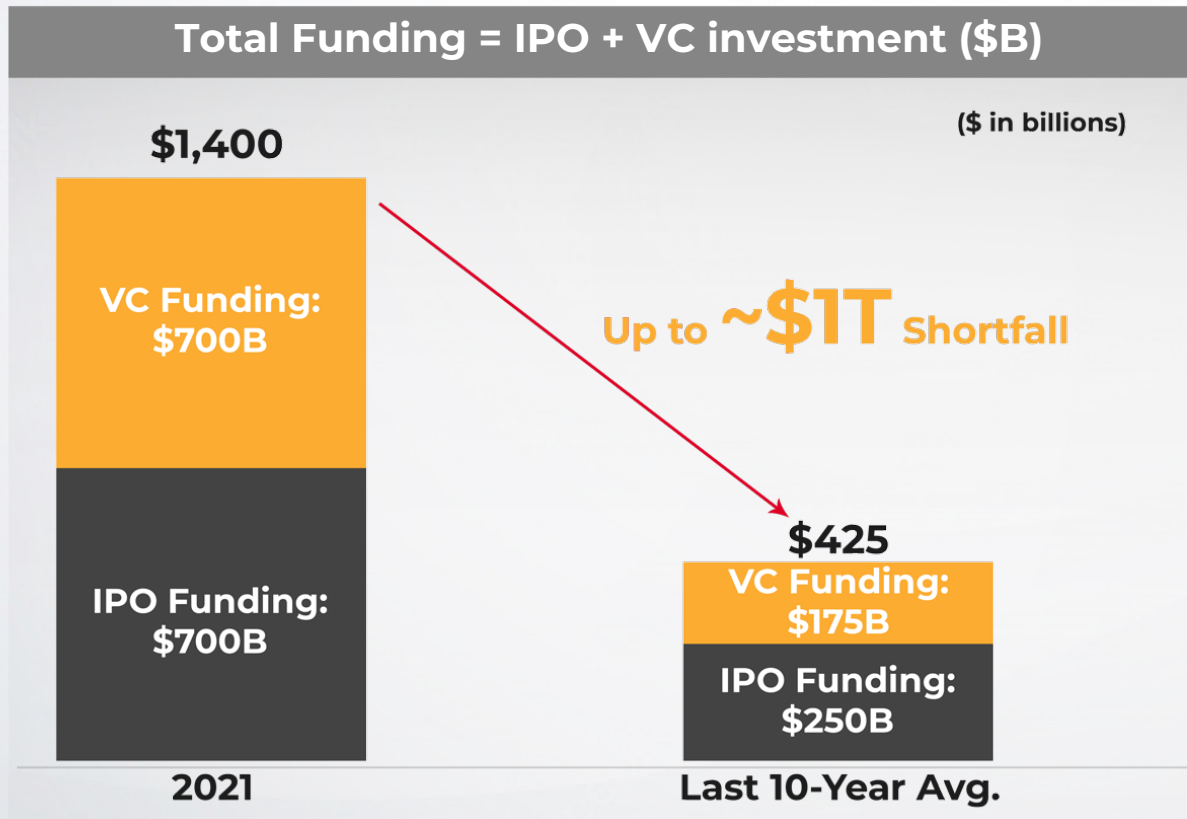
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2021 saw \$1T of additional FinTech funding



There is certainly what I would call a highly speculative nature to the markets today, a willingness to take on risks, a willingness to get excited about projects that may be five or 10 years in the future.

Bill Gurley (Partner, Benchmark), Oct 2020

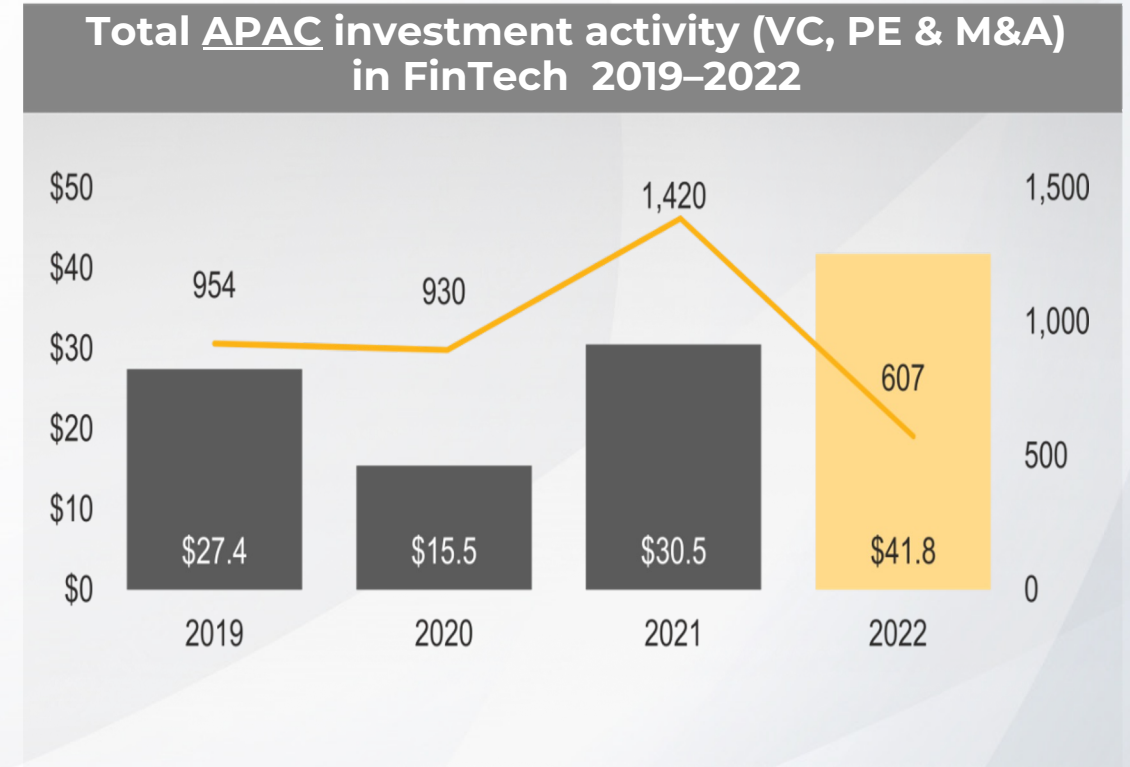
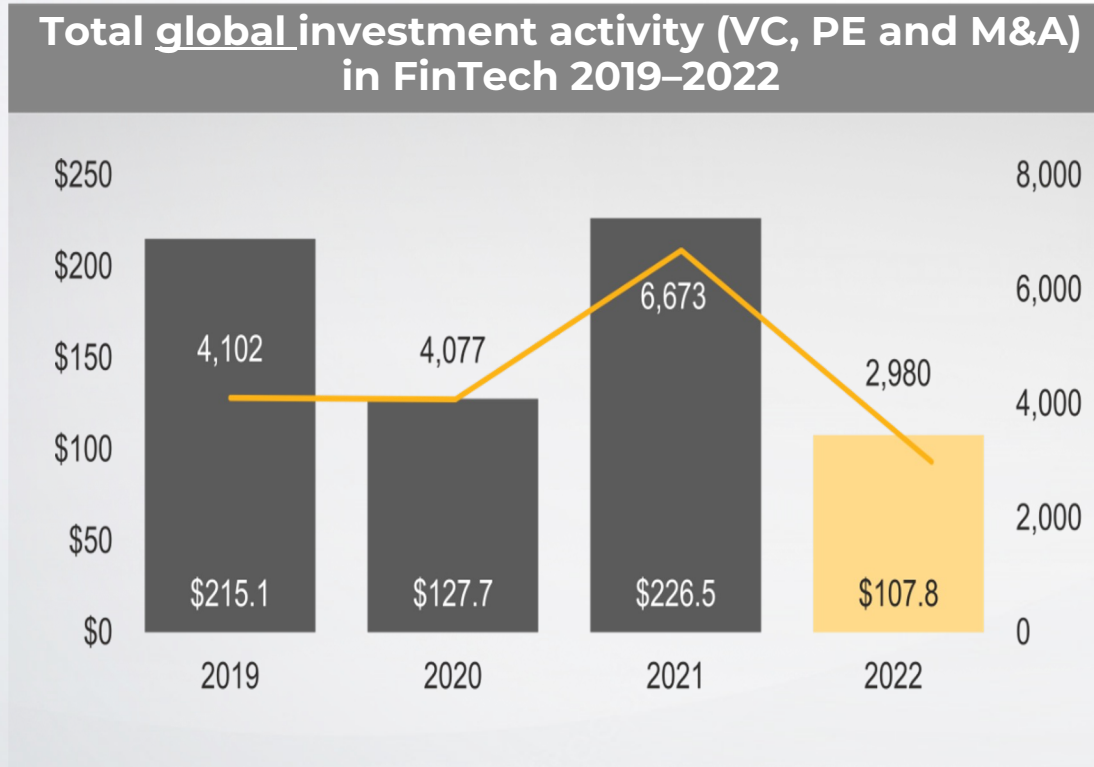
Private markets are 'overvalued' compared to the public markets and a rebalance is on the cards.

Rajeev Misra (CEO, SoftBank Vision Fund), Jan 2022

Source: Bloomberg: Coatue analysis as of March 2021.



1H2022 FinTech investment in APAC has exceeded 2021FY



■ Deal value (\$B)

— Deal count

Source: KPMG, Pulse of FinTech H1 2022, (September 2022)



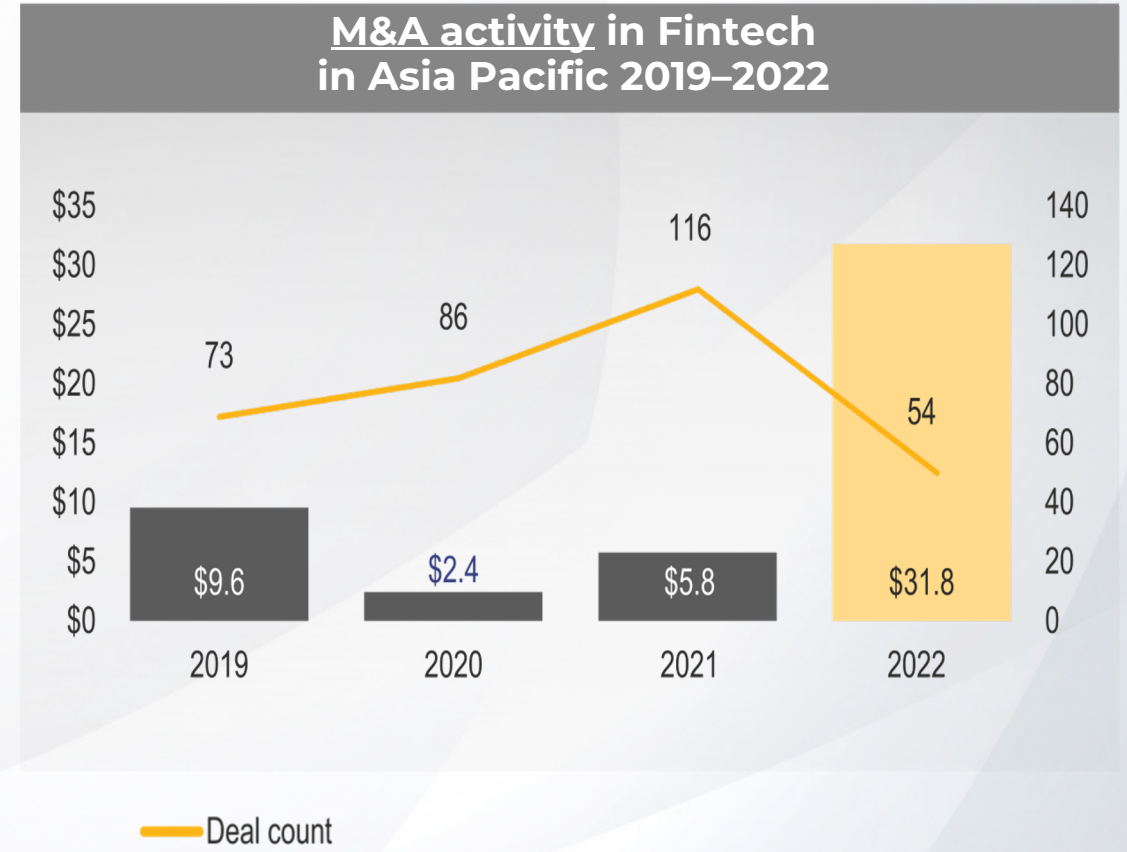
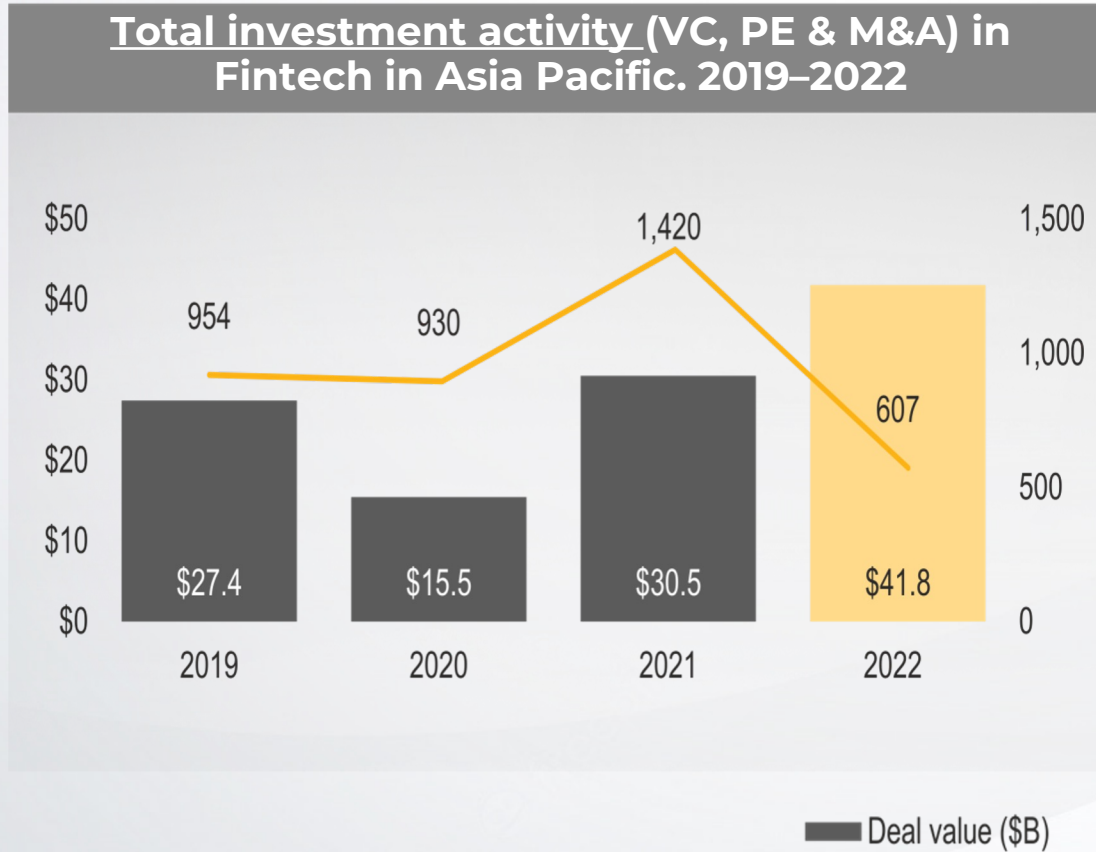
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M&A driving 1H2022 APAC FinTech investment



Source: KPMG, Pulse of FinTech H1 2022, (September 2022)



Only 13 out of 249 digital banks are profitable



Source: Boston Consulting Group, Emerging Challengers and Incumbent Operators Battle for Asia Pacific's Digital Banking Opportunity, (June, 2021)

Based on publicly available data



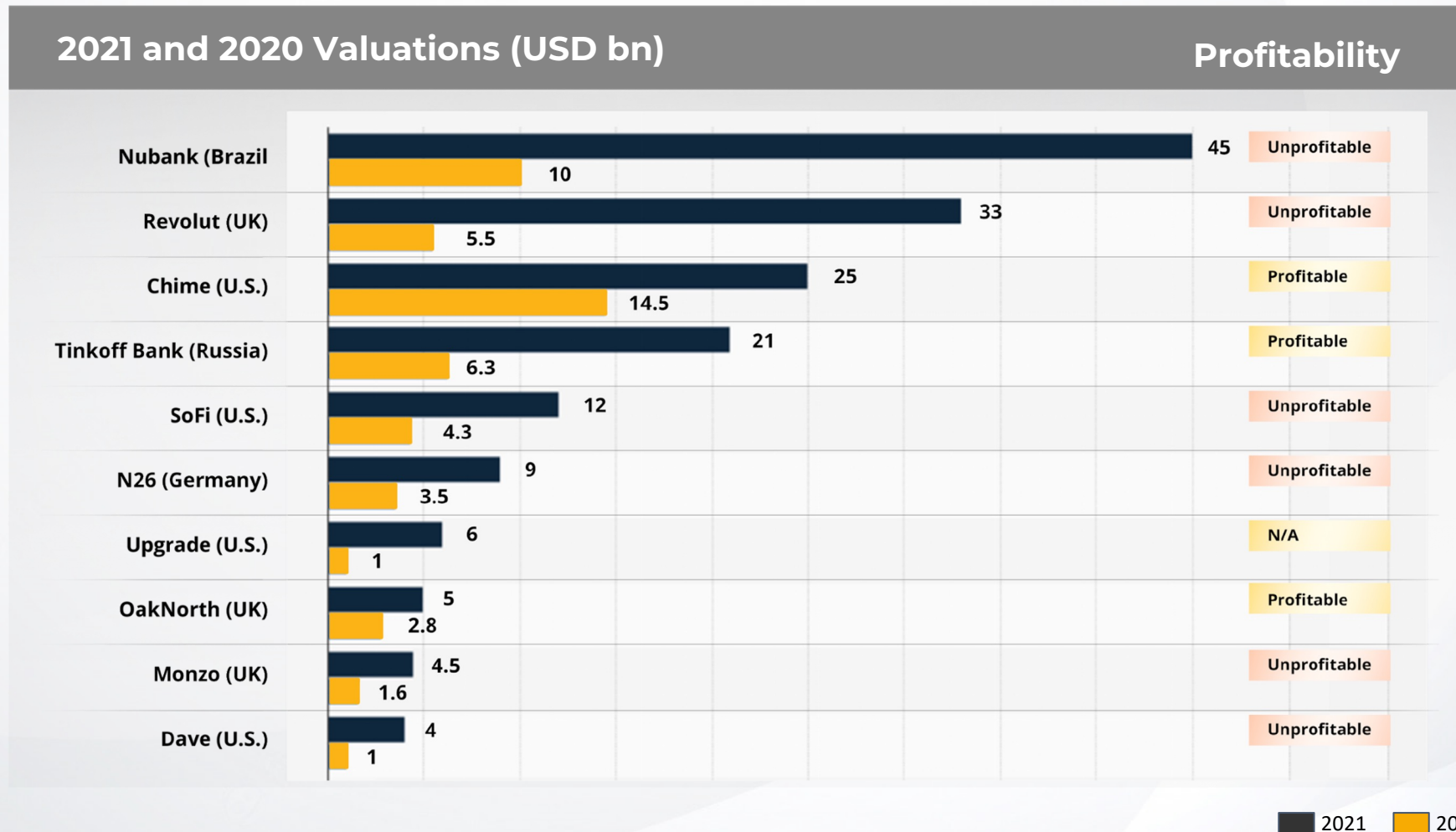
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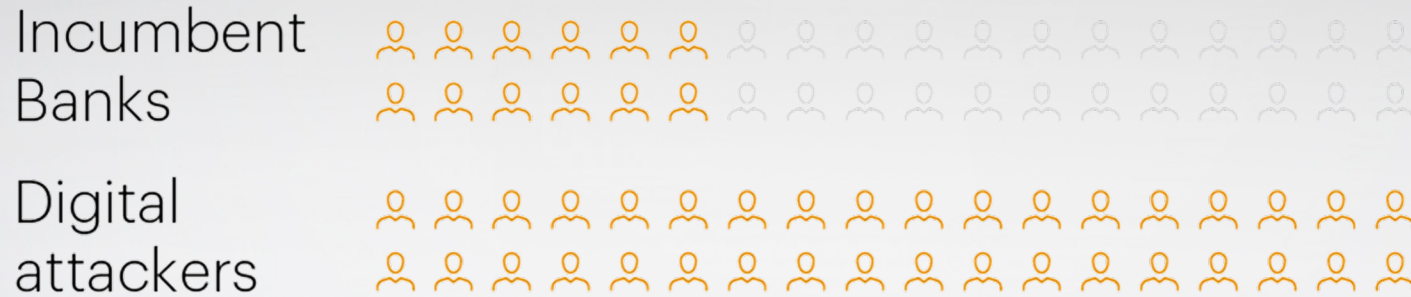
Top digital banks are still **unprofitable**...



Source: Statista; Company financials

Digital banks: the productivity advantage

Customers per employee



“ Bain and Thought Machine analyzed four digital attackers and four major incumbents. ”

How they do it

An **API-based cloud-native platform** simplifies maintenance and infrastructure

A **low cost of change** cuts time and investment to roll out new services

Digital-only distribution avoids costly branches

Straight-through processing eliminates manual work

Real-time data and configurable workflows raise productivity

Despite being subscale, digital attackers serve 2X to 3X as many customers per employee

Source: Bain, What Makes Digital Attacker Banks So Efficient?, (April 7, 2021)



Digital banks: the **cost advantage**

Mid-tier bank,
legacy tech stack

\$300-\$400*

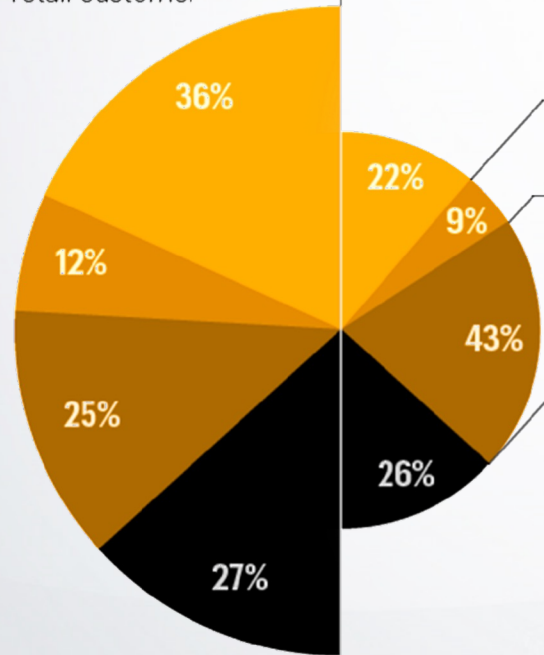
* Annual cost per retail customer

Mid-tier bank,
next-gen tech stack

\$100-\$150*

Lower
cost base

60%-70%



- Distribution** Transition to digital self-service and digital sales
Branchless future
- Operations** Know-your-customer and fraud solutions reduce manual intervention
- Central functions** Rationalized product portfolio
Automation tools
Clean general ledger connections, single core, real-time data for reconciliation
- Technology platform** Lower unit cost from cloud-native platform architecture, rationalized single core with all products written as code
SaaS vendors take on upgrade responsibilities
API-based open architectures simplify plug-in and update processes

An attacker serving comparable customer volumes and products **could have a cost base 60% to 70% lower if run on a next-generation tech stack**

Source: Bain, What Makes Digital Attacker Banks So Efficient?, (April 7, 2021)



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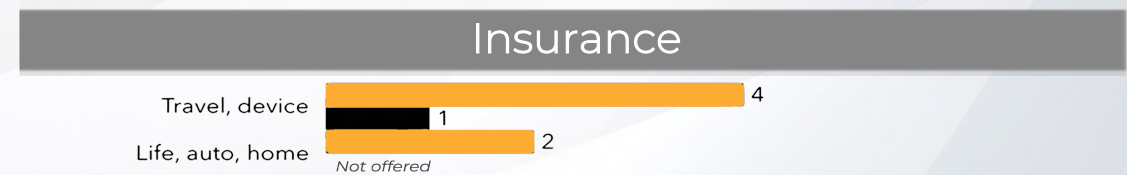
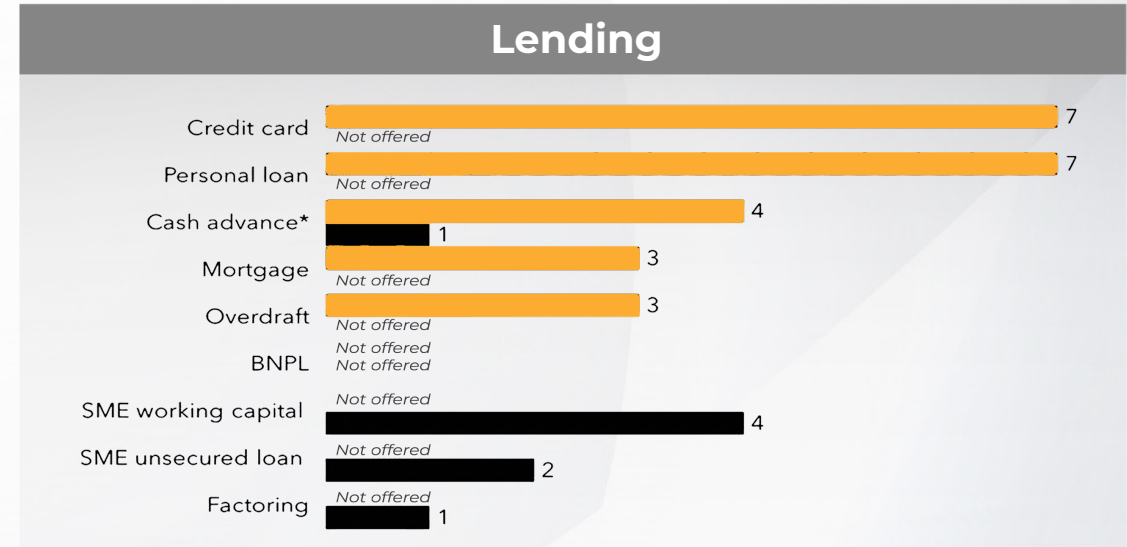
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Digital banks: the product suite

Product Offering of Top 20 Neo-banks in Europe and North America (by number of Neo-banks offering the product)



Source: Flagship Advisory Partners



More than 70% of SEA population is either underbanked or unbanked

Unbanked:

No access to basic financial services (a bank account)

Underbanked:

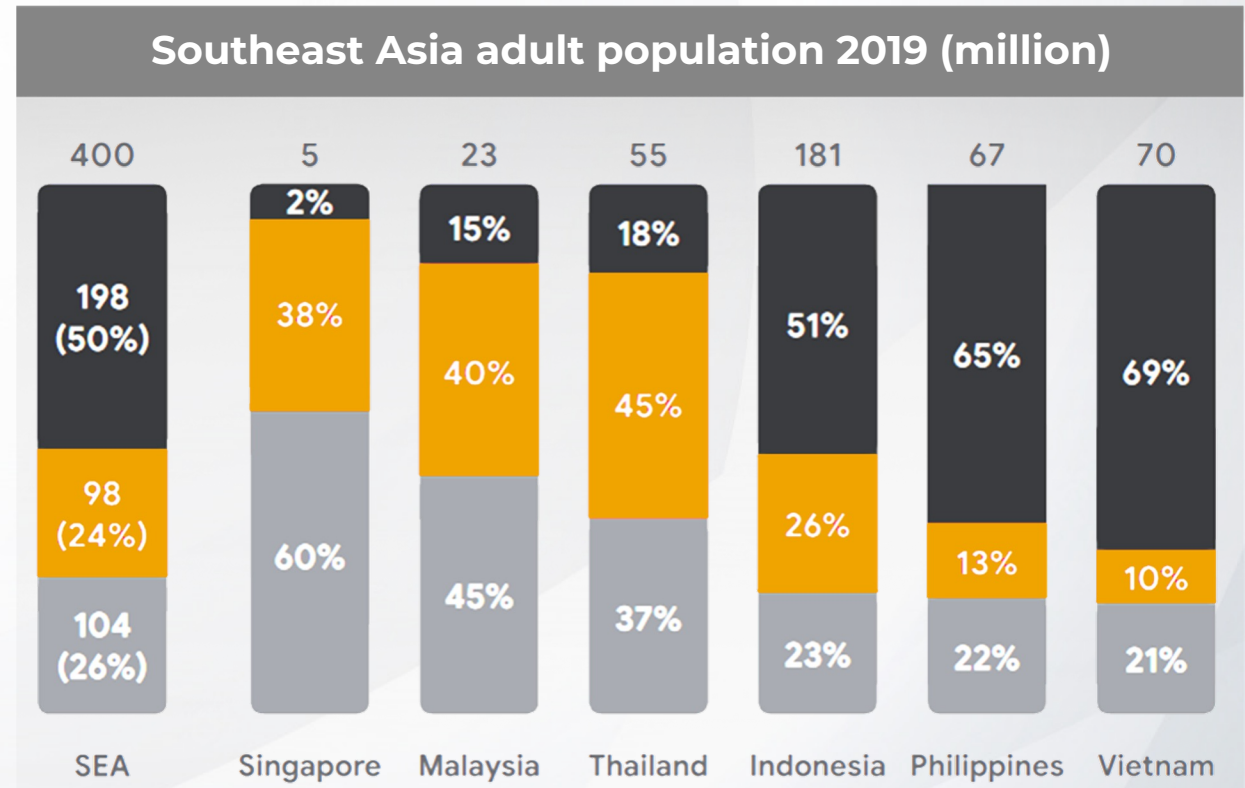
Not well-served in financial services or have unmet needs

No access to credit cards, underinsured, no long-term savings products

Banked:

Well-served in financial services needs

Have access to credit cards, insured or have investment products



Source: WEF, South-East Asian SMEs Are Missing Out On The Digital Revolution. Here's How To Get Then On Board, (January 18, 2022); Euromonitor, Worldbank, Bain and Temasek ; Note: Population of individuals aged above 18.



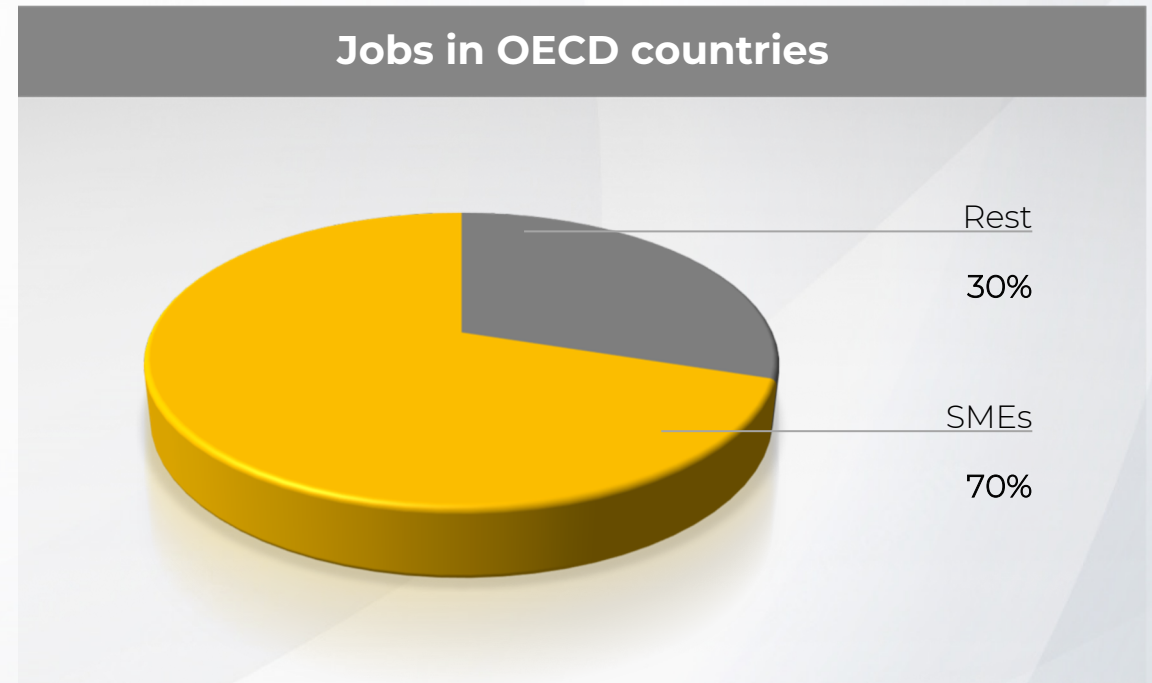
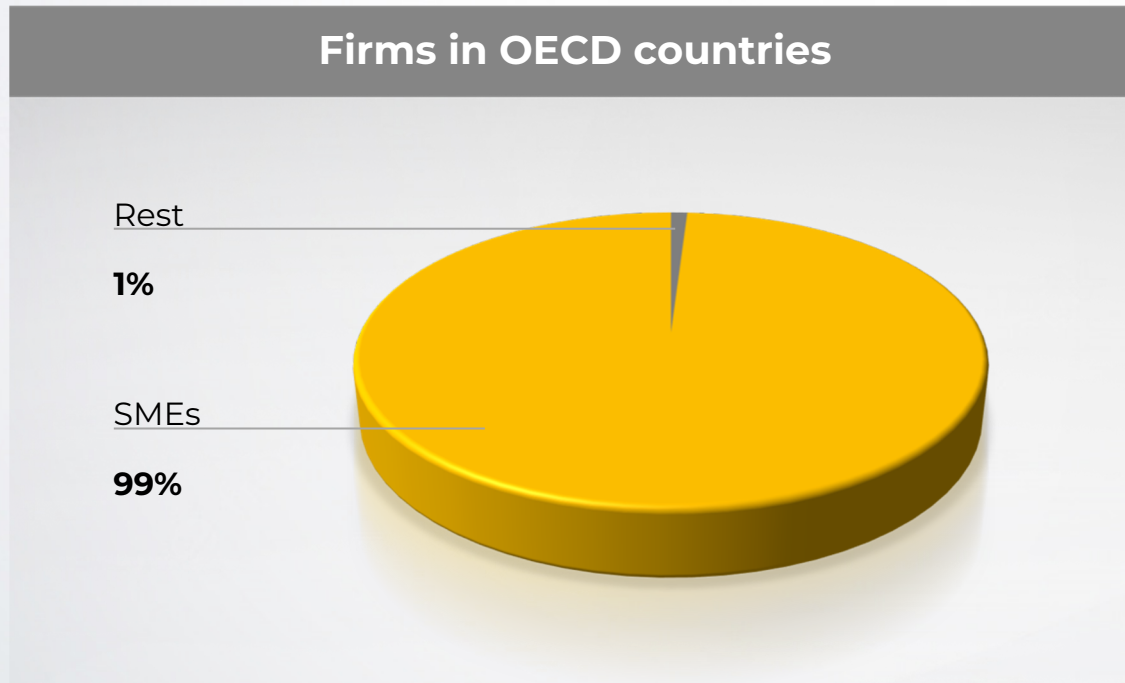
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SMEs are meaningful contributors but have suffered during the pandemic

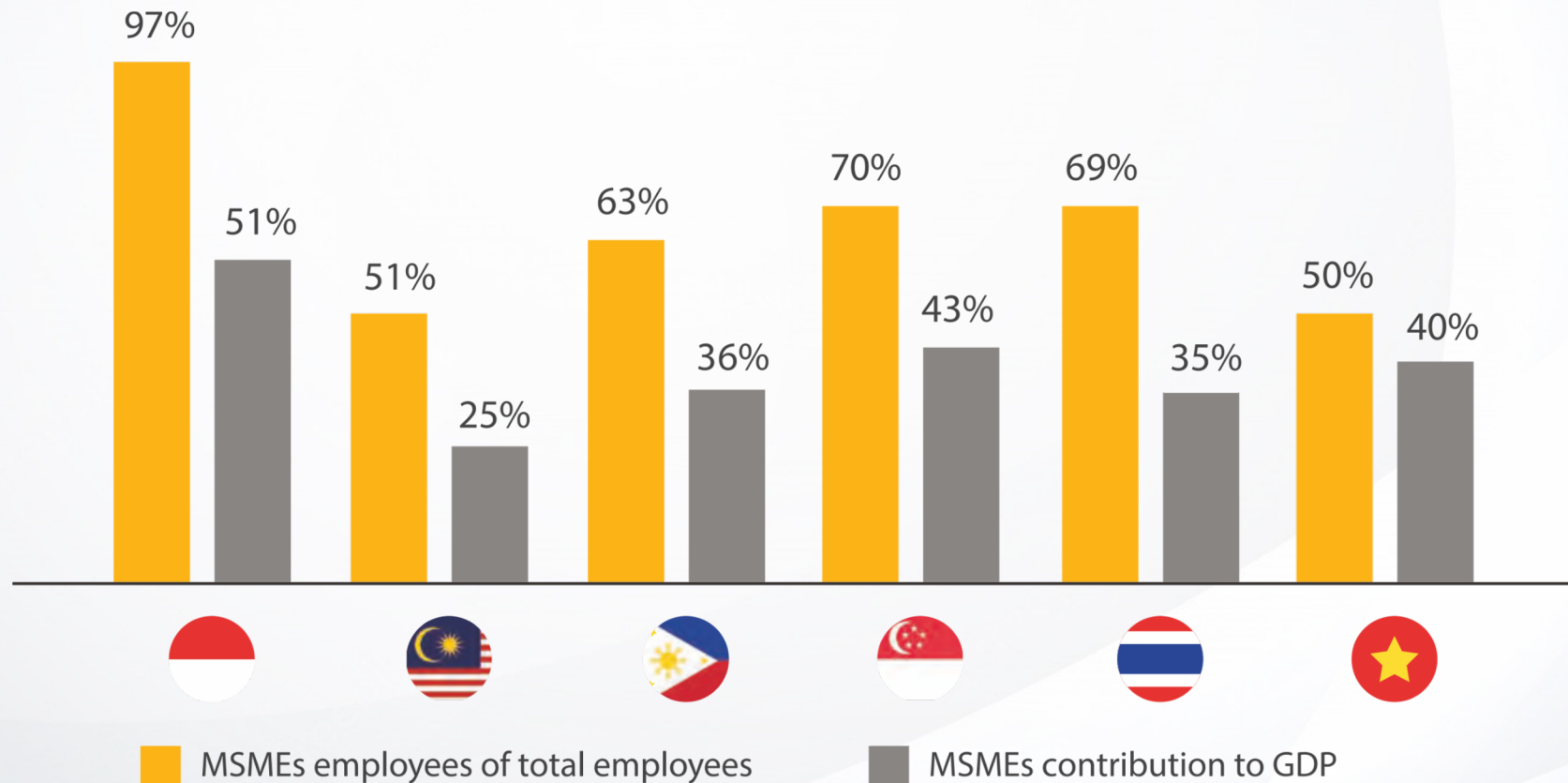


“ Between Feb 2020 to April 2021, **70% to 80% of SMEs across the 32 countries lost 30% to 50% of their revenues.** ”

Source: McKinsey, Beyond Financials: Helping Small and Medium-Enterprises Thrive, (January 26, 2022)



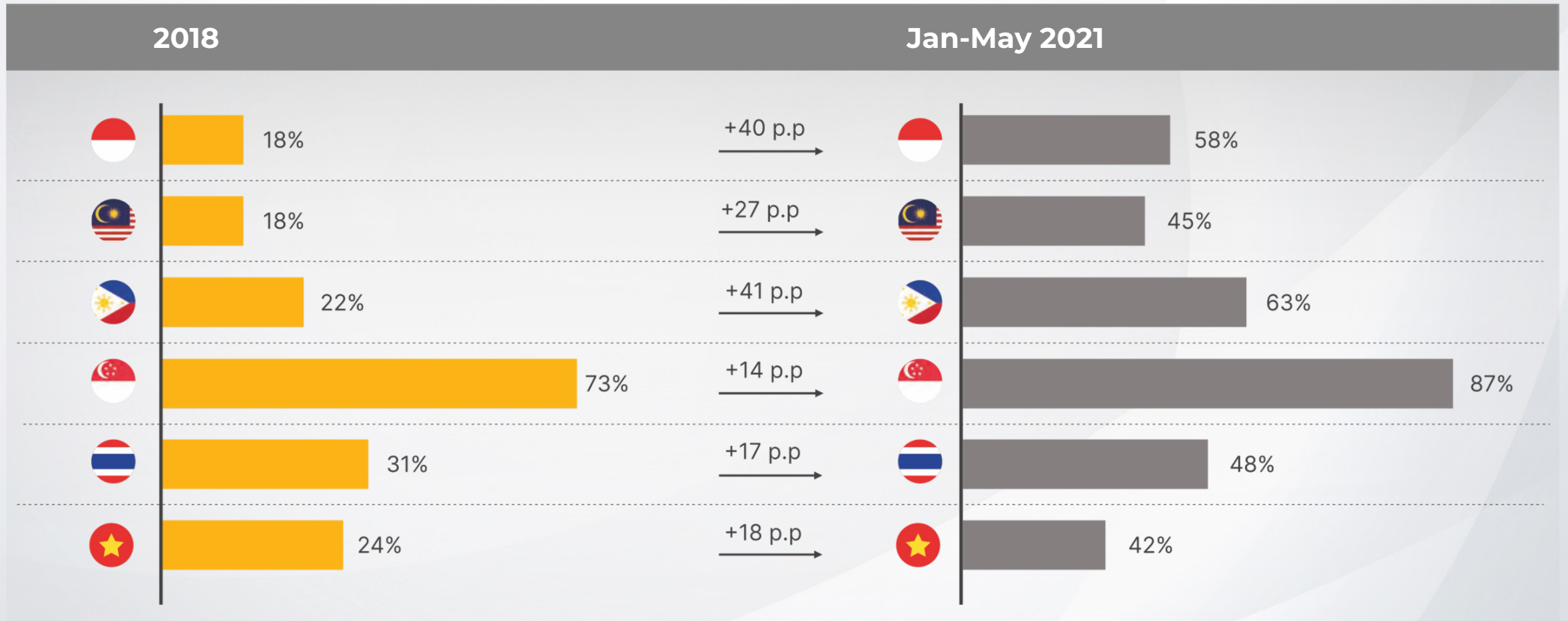
MSMEs employ a high % of the population, but lag in GDP contribution



Source: Tech For Good Institute, The Platform Economy: Southeast Asia's Digital Growth Catalyst



Cashless payments are growing in SE Asia



Source: WEF, How To Close Southeast Asia's Financial Inclusion Gap, Grab Analytics (February 7, 2022)



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