

New Report by WeBank and Oliver Wyman Reveals Development and Innovation Trends of Global Digital Banks

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SHENZHEN, China, Sept. 26, 2024 /PRNewswire/ -- China's first digital-native bank, WeBank, and global management consulting firm Oliver Wyman have jointly launched a new report titled "**Global Digital Banking: Development and Innovation Trends**". The report offers an in-depth analysis of the development of global digital banks and insights into the future trajectory and competitive landscape of the industry.

According to the report, the number of digital banks has significantly increased over the past decade, driven by technological advancements and the need for financial inclusion. By the end of 2023, the global count of licensed digital banks had reached 235, while the number of players offering broader digital banking services had already exceeded 300. Among them, many leading global players have achieved commercial success in terms of business scale and profitability, thereby driving innovation and fostering a more dynamic financial services industry.

Exhibit 1: Number of licensed digital banks worldwide

2014 - 2023

Note: Only includes institutions that have obtained banking licenses from national regulatory authorities or have special "virtual bank" licenses

Source: The respective financial regulators of various countries and regions

THE DEVELOPMENT OF GLOBAL DIGITAL BANKS REVEALS COMMONALITIES

Digital banks started to emerge worldwide between 2009 and 2014. With fintech advancements and regulatory support, digital banking initially developed in Europe and North America, but it has also developed rapidly in Asia and South America thanks to strong demand from unserved and underserved populations.

The development of digital banks worldwide varies significantly due to the different circumstances of their home markets, resource endowments, and business choices. The report highlights that in recent years, global digital banks have been exploring sustainable business models, diversified business lines, unique ecosystem resources, multi-market operations, and innovation in technological and data infrastructure. According to the report, these five themes are key factors that will widen the gap between industry leaders and followers.

Global digital banks strive to establish sustainable business models and diversify their revenue streams to meet the unique needs of their customers. Currently, there are two types of business models that have proven to be commercially effective. In markets with large populations, digital banks typically adopt a retail-driven model, focusing on serving a broad customer base. As digital banks acquire a significant user base, they can leverage technology to enhance operational efficiency and thus increase profitability. In markets with smaller populations, digital banks tend to concentrate on specific niche customer groups or sectors with high potential returns, such as small and medium enterprises (SMEs) and the auto financing sector.

These models enable digital banks to navigate diverse market environments, enhance customer experience, and improve operational efficiency through innovation and technology.

Furthermore, many digital banks have been exploring diversified revenue streams. They offer Banking-as-a-Service solutions, monetize their in-house technological capabilities, and provide non-financial services to SMEs. These initiatives have contributed to improved profitability and enhanced valuation for digital banks in the capital markets.

Global digital banks have been capitalizing on the unique resources within their ecosystems and expanding their operations across multiple markets. By embedding their services within a specific ecosystem, digital banks can offer customers seamless user experience. Additionally, they can leverage alternative data within the ecosystem to enhance customer acquisition, product pricing, and risk management while ensuring compliance.

Digital banks, with diverse backgrounds and available resources, employ different strategies when leveraging their respective ecosystems. Some digital banks develop their own super applications that integrate their financial services, creating an ecosystem that offers comprehensive solutions for customers. On the other hand, digital banks that have transformed from traditional banks aim to capitalize on the resources accumulated by the

incumbents. They collaborate with external partners and share ecosystem resources to enhance their offerings.

Global digital banks are dedicated to facilitating the development of data infrastructure and driving industry innovation. They not only play a crucial role in the circulation of data but also act as facilitators and promoters, driving the circulation and sharing of data elements to build a robust data ecosystem. By actively participating in the circulation and sharing of data, digital banks can fuel their own growth and have a broader positive impact on the development of financial infrastructure.

DIGITAL BANKS WILL CONTINUE TO DRIVE INNOVATION AND COMPETITION IN THE FINANCIAL SERVICES INDUSTRY

When digital banks first emerged, they were often perceived as "challengers" or "disruptors" in the banking industry. However, as their business models prove to be effective and regulations mature, digital banks are now being seen as "catfish" for healthy competition instead. They are being introduced into the local banking system to motivate incumbents and improve the overall performance of the industry.

Leading digital banks have already reached economies of scale and strong profitability, according to the report. In the coming years, gaps between leaders and followers are expected to widen in terms of profitability, market coverage, and influence over industry standards, which may be gradually established. The technical standards and risk management models of leading players could be adopted as common industry standards, promoting the consistency and overall development of the digital banking sector.

As a result, there will be different challenges for digital banks worldwide. For Chinese digital banks, they will face increasing challenges as global peers accelerate their own growth. The next focus for Chinese digital banks will be addressing the challenges posed by new technologies, new standards, and new models from digital banks in other regions, as well as expanding their services to a broader market.

Arthur Wang, Chief Financial Officer and Secretary of the Board of Directors of WeBank, said: "As the first digital bank in China, WeBank has always been committed to serving the public and MSMEs. We offer differentiated digital financial services and continuously explore new models to promote financial inclusion and support the real economy. We have pioneered a path of digital financial inclusion that is 'controllable in risk, affordable in cost, and sustainable in business.'" Looking forward to the future of digital banking, **Wang** added, "WeBank will continue to leverage its innovative fintech capabilities, collaborate with various industries, and contribute to high-quality development."

Hang Qian, Partner and the Head of Oliver Wyman's Financial Services Greater China added: "As technologies such as artificial intelligence, Web 3.0, the Internet of Things, and the metaverse continue to

advance, the digital banking industry will witness ongoing innovation in applications, products, and services. The emergence of new technologies will further drive the evolution of digital banks' structure and operations, ultimately increasing the industry's overall value. The boundaries between traditional and digital banks will gradually blur as these innovations reshape the global banking industry, bringing new momentum to its development and transformation."

About WeBank

Launched in 2014, WeBank Co., Ltd. ("WeBank") is the first digital bank in China. WeBank provides convenient financial services to micro-, small- and medium-sized enterprises (MSMEs) and the public, and continuously improves the quality of services in response to customers' specific needs. WeBank now ranks 255 in the Top 1000 World Banks by The Banker.

WeBank focuses on innovation and technology. WeBank has maintained its proportion of technical personnel above 50% since its establishment, while its research and development expenses accounted for around 10% of its revenue. WeBank is now at the top of the industry in core technologies such as artificial intelligence (AI), blockchain, cloud computing and big data.

About Oliver Wyman

Oliver Wyman, a business of **Marsh McLennan** (NYSE: MMC), is a management consulting firm combining deep industry knowledge with specialized expertise to help clients optimize their business, improve operations and accelerate performance. Marsh McLennan is a global leader in risk, strategy and people, advising clients in 130 countries across four businesses: **Marsh**, **Guy Carpenter**, **Mercer** and **Oliver Wyman**. With annual revenue of \$23 billion and more than 85,000 colleagues, Marsh McLennan helps build the confidence to thrive through the power of perspective. For more information, visit oliverwyman.com, or follow on **LinkedIn** and **X**.

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