



FinTech Fact vs. Fiction

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We will explore popular beliefs about FinTechs...

Hypothesis #1. FinTech lending attracts a younger consumer; older consumers prefer traditional lender relationships.

Hypothesis #2. FinTech lenders cater mainly to those who are unbanked or financially underserved.

Hypothesis #3. FinTechs are unsophisticated lenders, more focused on technology than lending strategies.



And take a little tour around the world...



US



India



Colombia



Let's start with US market...

FinTechs have transformed the market for consumer lending in the United States



Hypothesis #1.

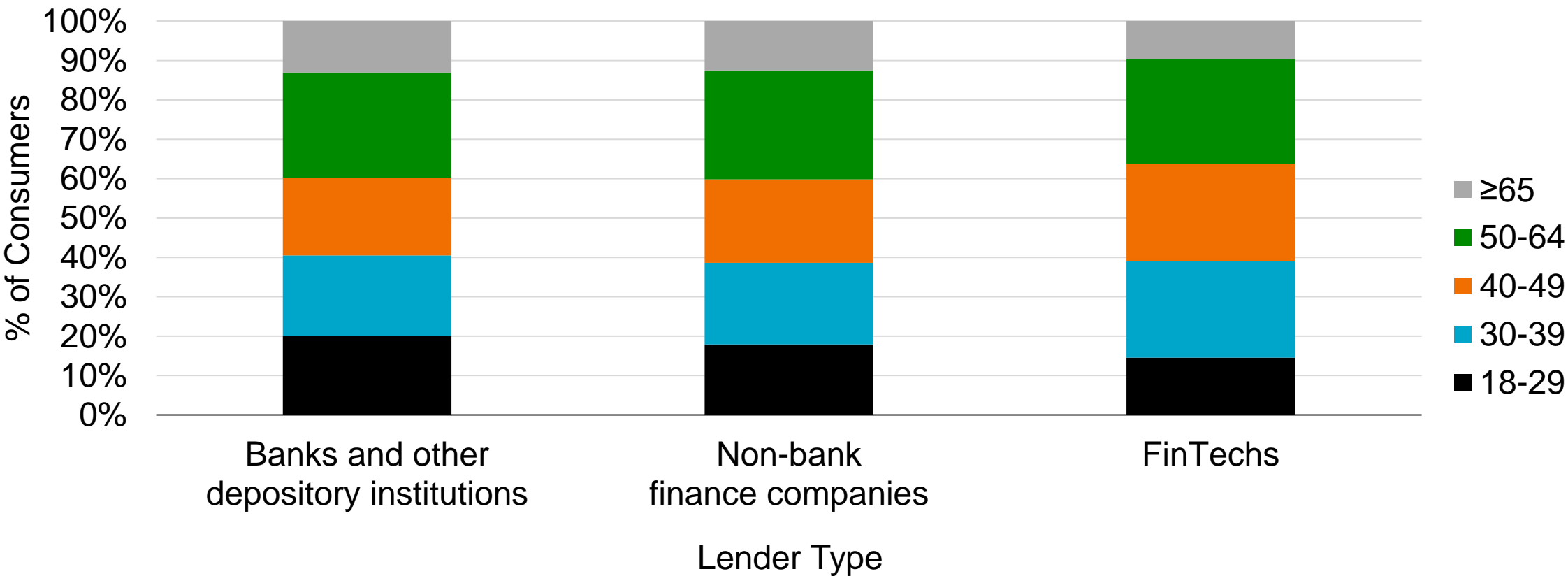
FinTech lending attracts a younger consumer; older consumers prefer traditional lender relationships.



US FinTechs have the lowest share of younger consumers in their portfolio



Age Distribution of Consumers by Lender Type



Hypothesis #2.

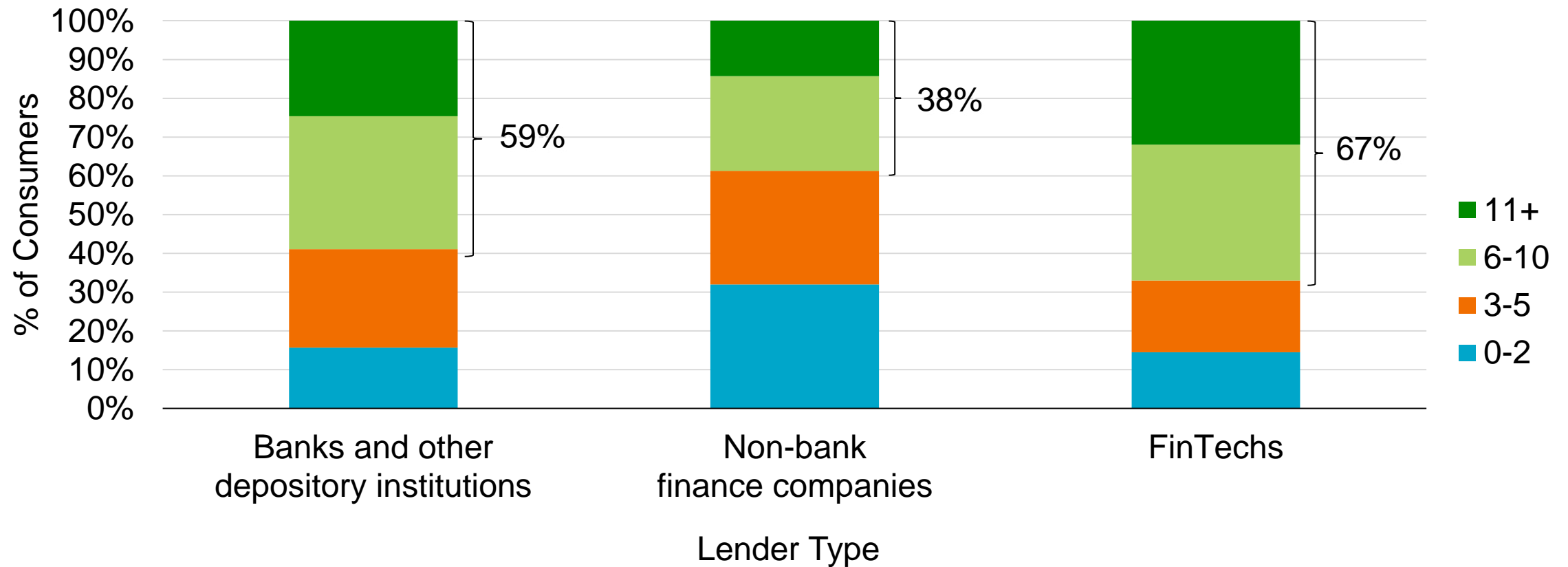
FinTech lenders cater mainly to those who are unbanked or financially underserved.



US FinTechs have some of the most credit-active consumers in the market



Number of Open Products at Time of Personal Loan Origination

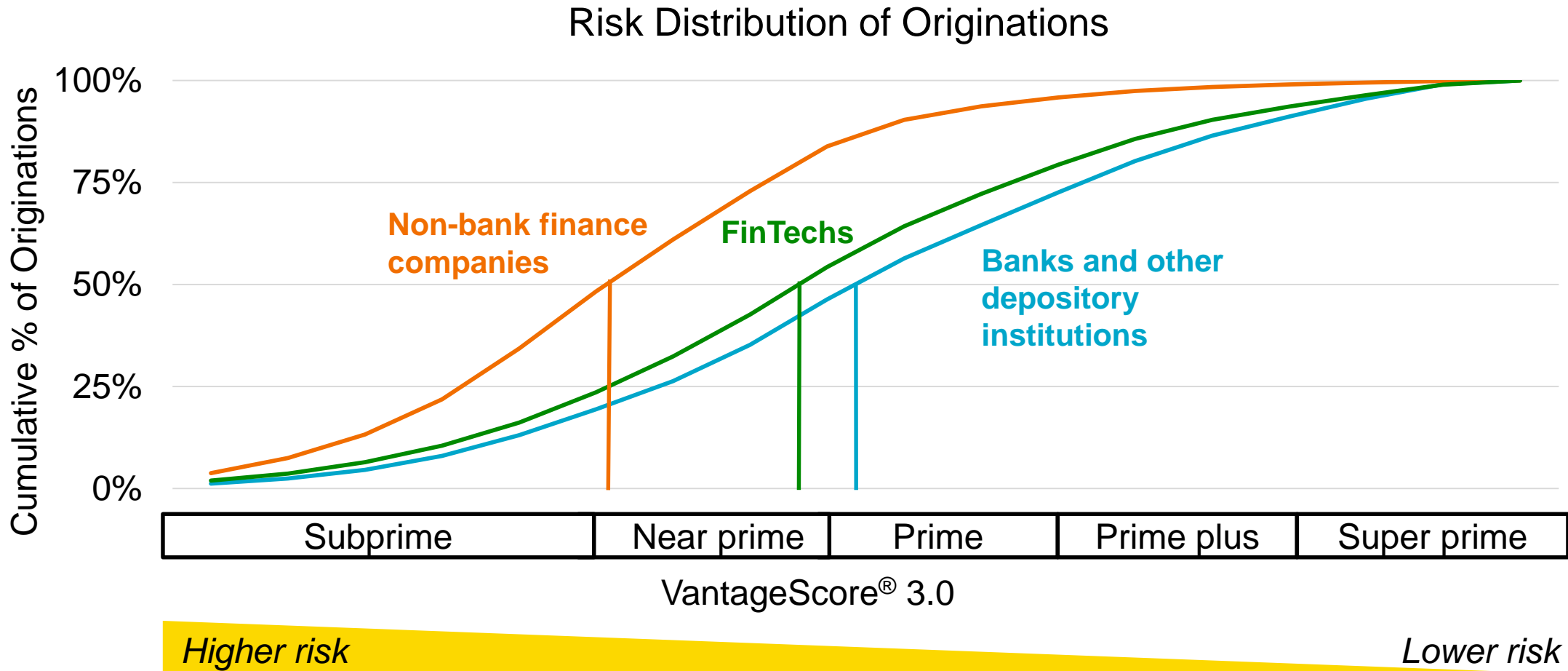


Hypothesis #3.

FinTechs are unsophisticated lenders, more focused on technology than lending strategies.

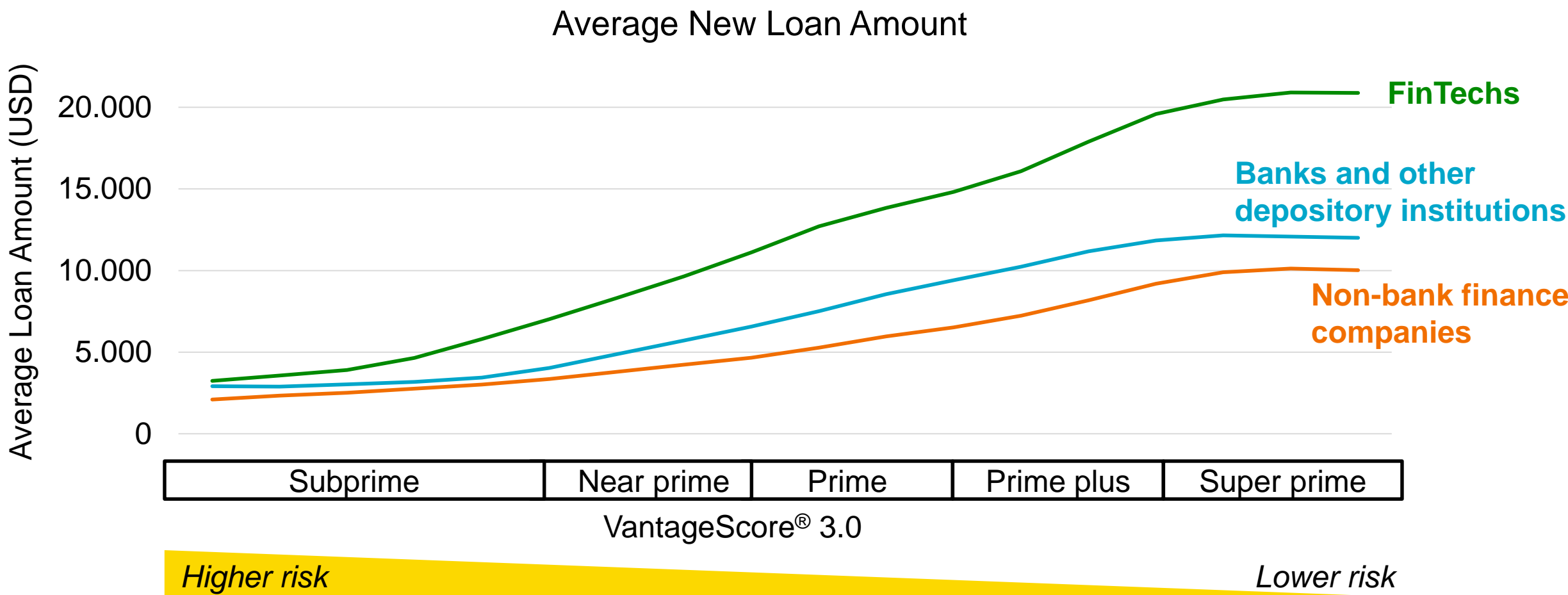


US FinTechs have a broad distribution of risk, offering loans to consumers across the credit spectrum



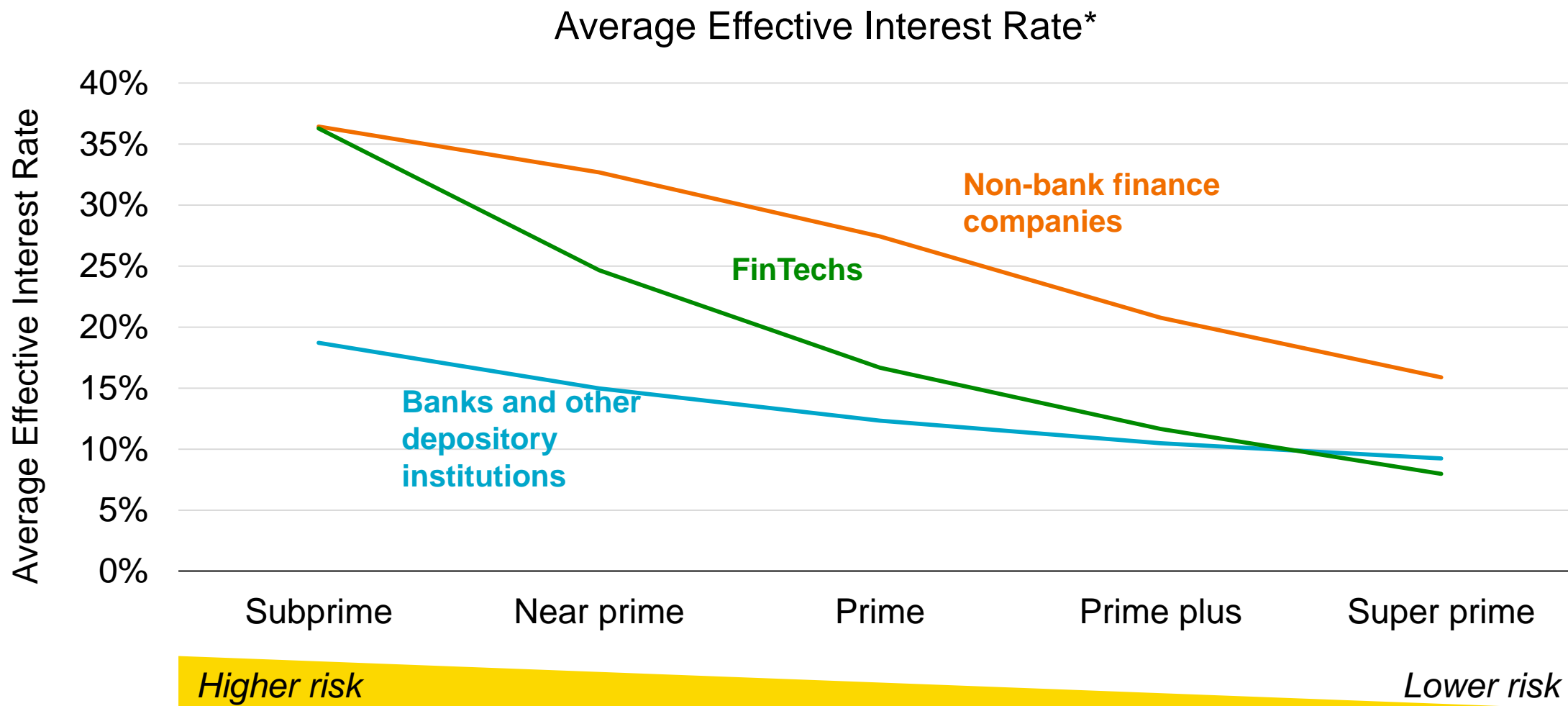


US FinTechs issue the largest loans across the risk spectrum





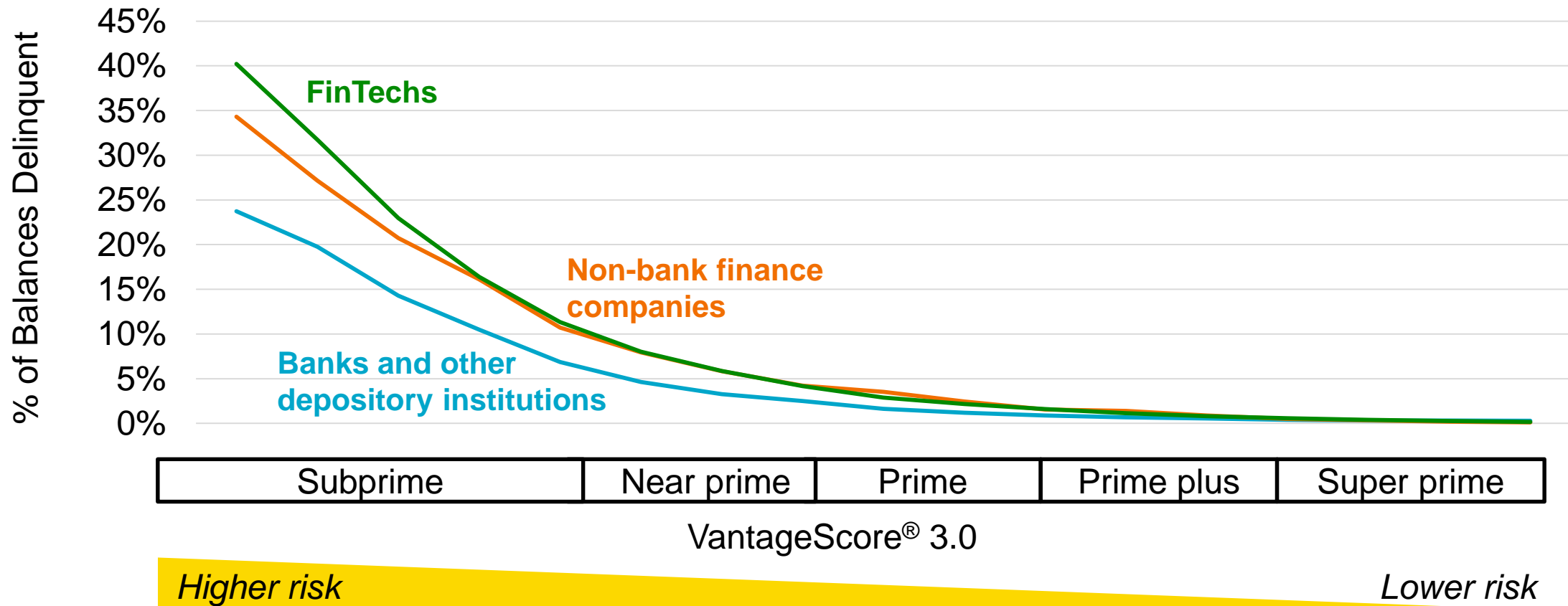
US FinTechs employ robust risk-based pricing



US FinTechs do experience higher delinquencies but they also realize higher pricing



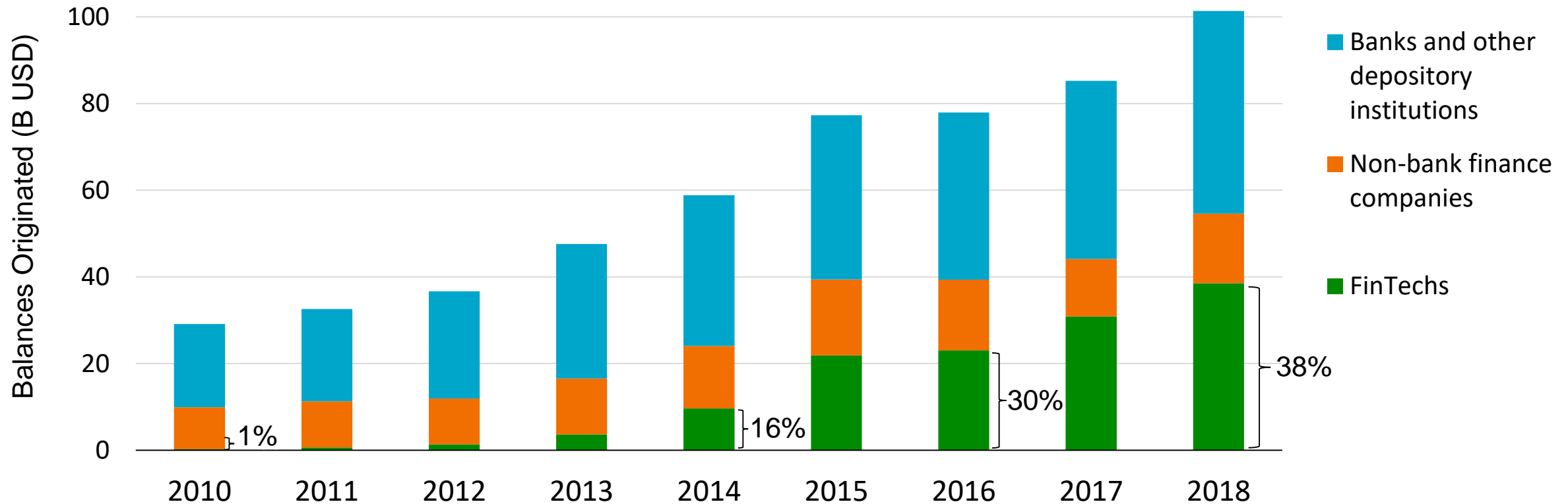
60+ DPD Balance-Level Delinquency Rate at 12 MOB



US FinTech lending has driven a resurgence in personal loan originations that has benefited most lenders






US Personal Loan Balances Originated by Lender Type





To summarize the US FinTech lending strategy:

Hypotheses	Realities
 Younger consumers	There is no significant difference in age distribution between FinTechs and traditional players in the US
 Unbanked or underbanked	US FinTech consumers are highly credit active, similar to banks and more than finance companies
 Unsophisticated lenders	US FinTechs exhibit robust risk-based lending strategies, both in the sizing and pricing of loans



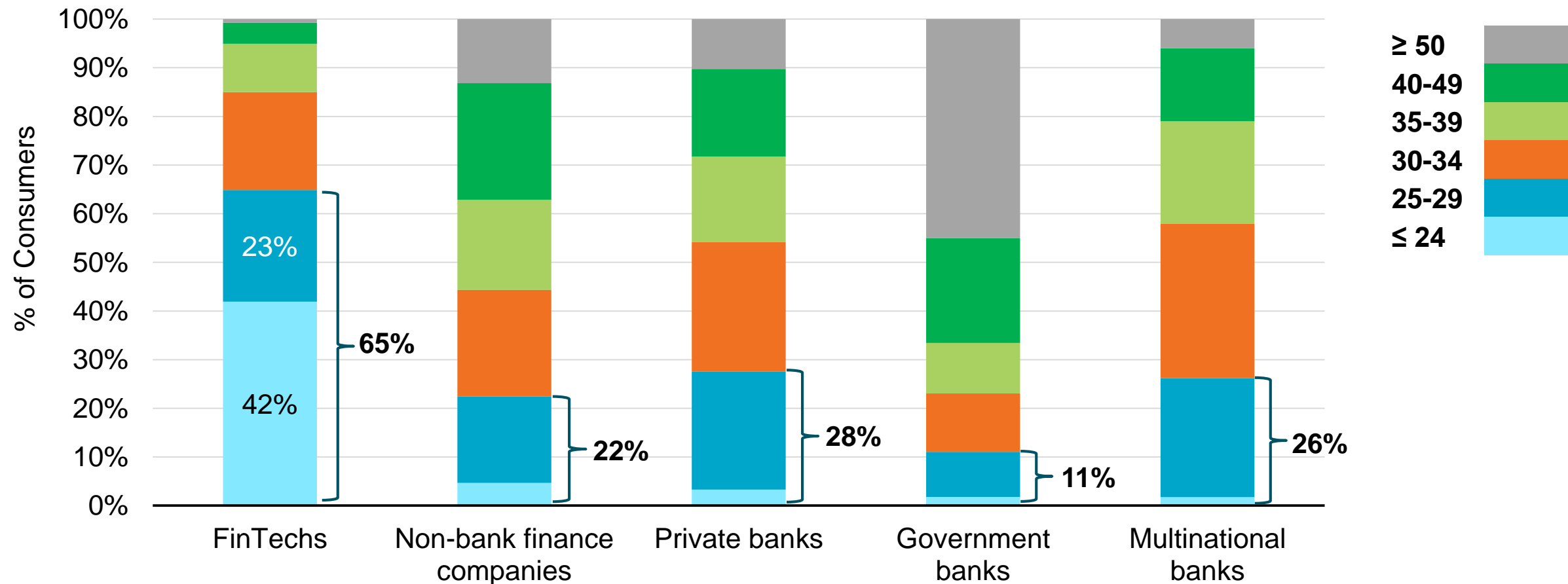
Let's fly to India...



In contrast to the U.S., the Indian FinTech consumer profile is skewed disproportionately younger



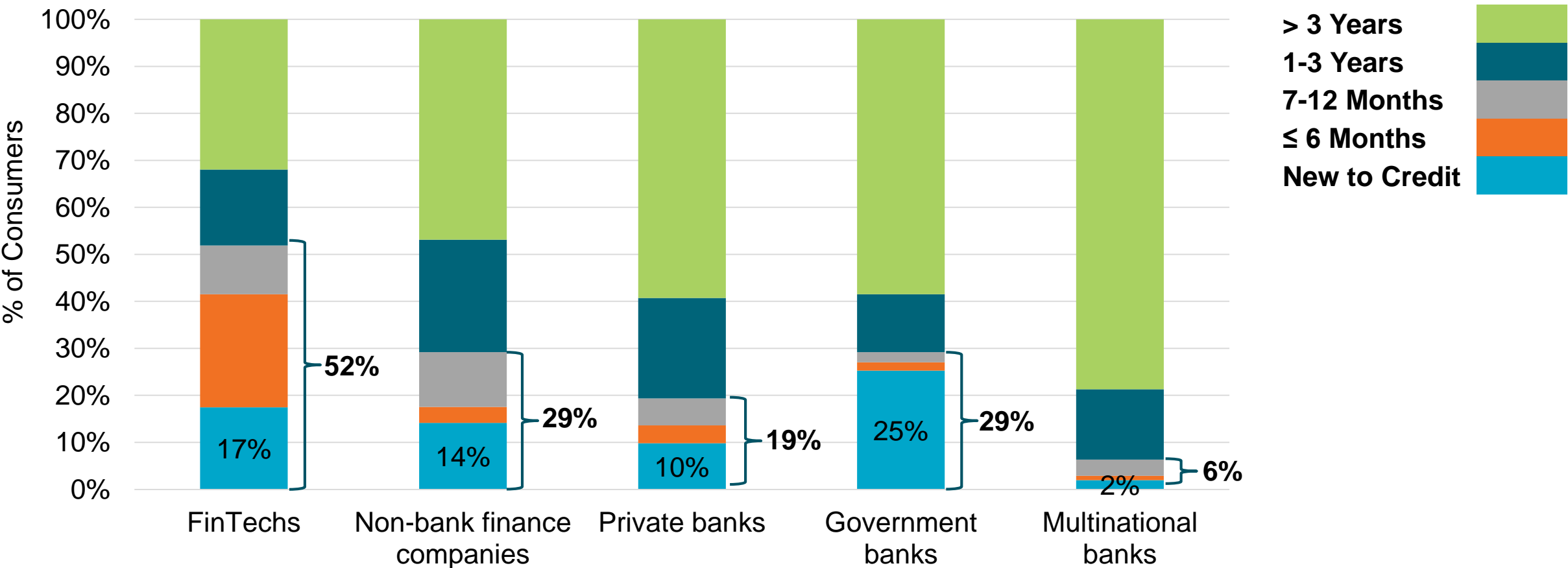
Age Distribution of Consumers ((Q1 2017 – Q2 2018 originations)





In contrast to traditional Indian lenders, over half of FinTech consumers have credit experience < 1 year

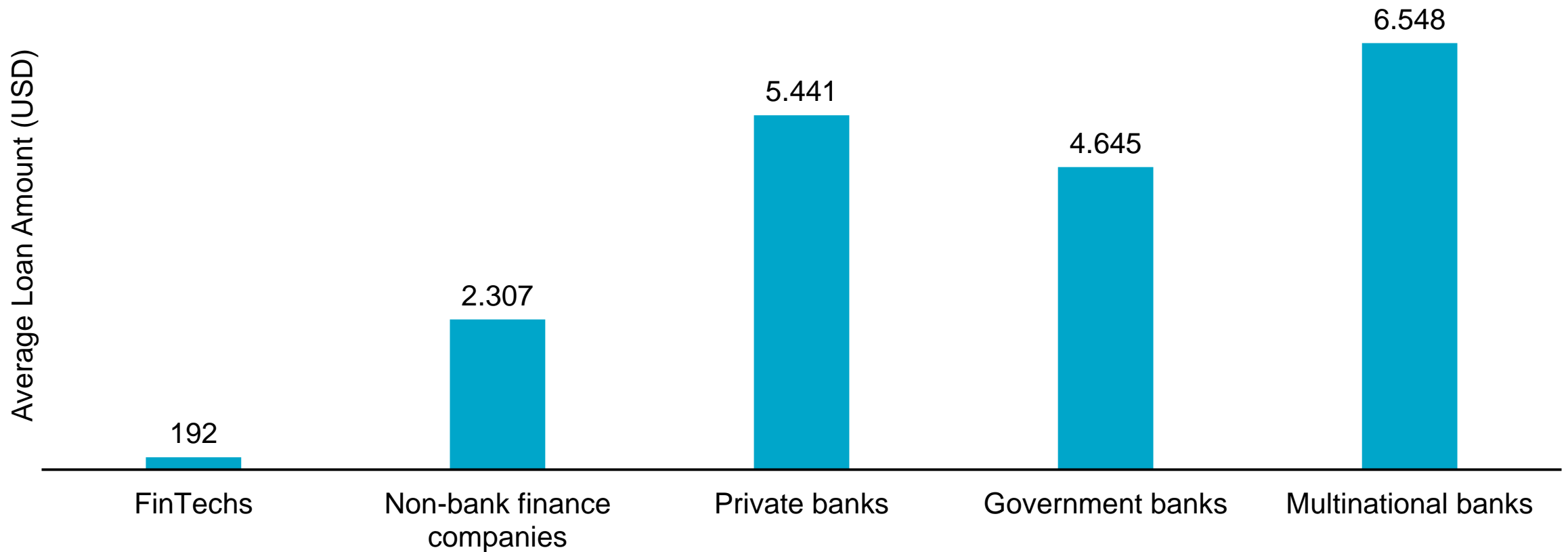
Length of Credit Experience of Consumers (Q1 2017 – Q2 2018 originations)



They have focused on expanding the lowest ticket size segment of the market



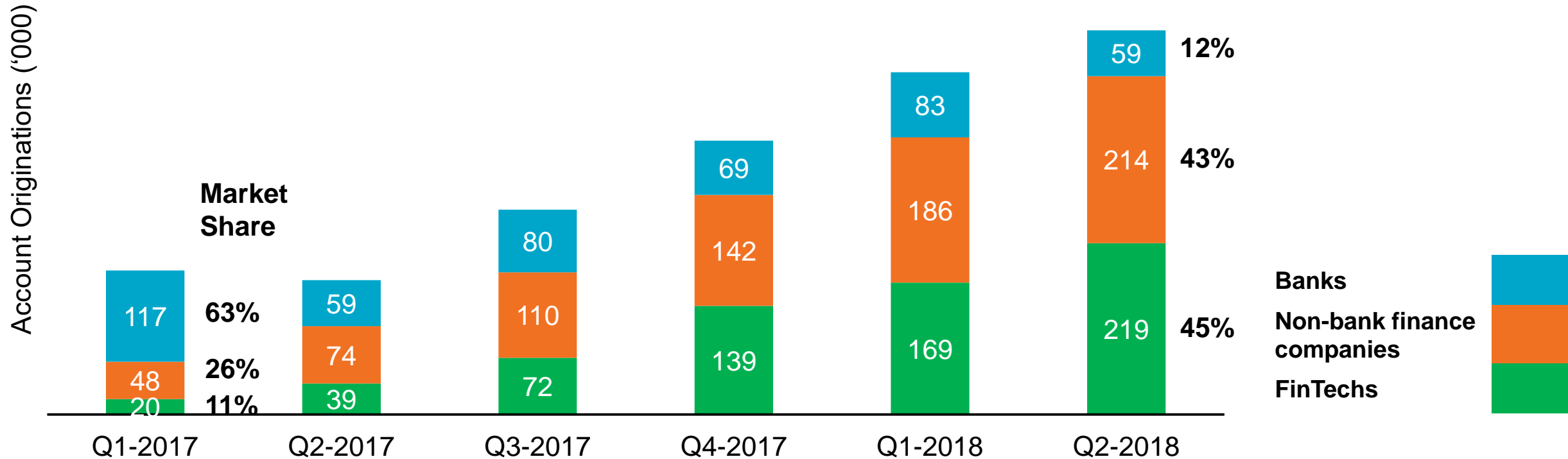
Average New Loan Amount by Lender Type (Q1 2017 – Q2 2018 originations)



And have witnessed market share growth within their targeted segment in a short period of time



Account Originations by Lender Type (Ticket Size < USD 700)





To summarize the Indian FinTech lending strategy:

Hypotheses

Realities



Younger consumers

The Indian FinTech consumer profile is skewed disproportionately younger



Unbanked or underbanked

Indian FinTechs are focusing on consumers that are relatively inexperienced in credit



Unsophisticated lenders

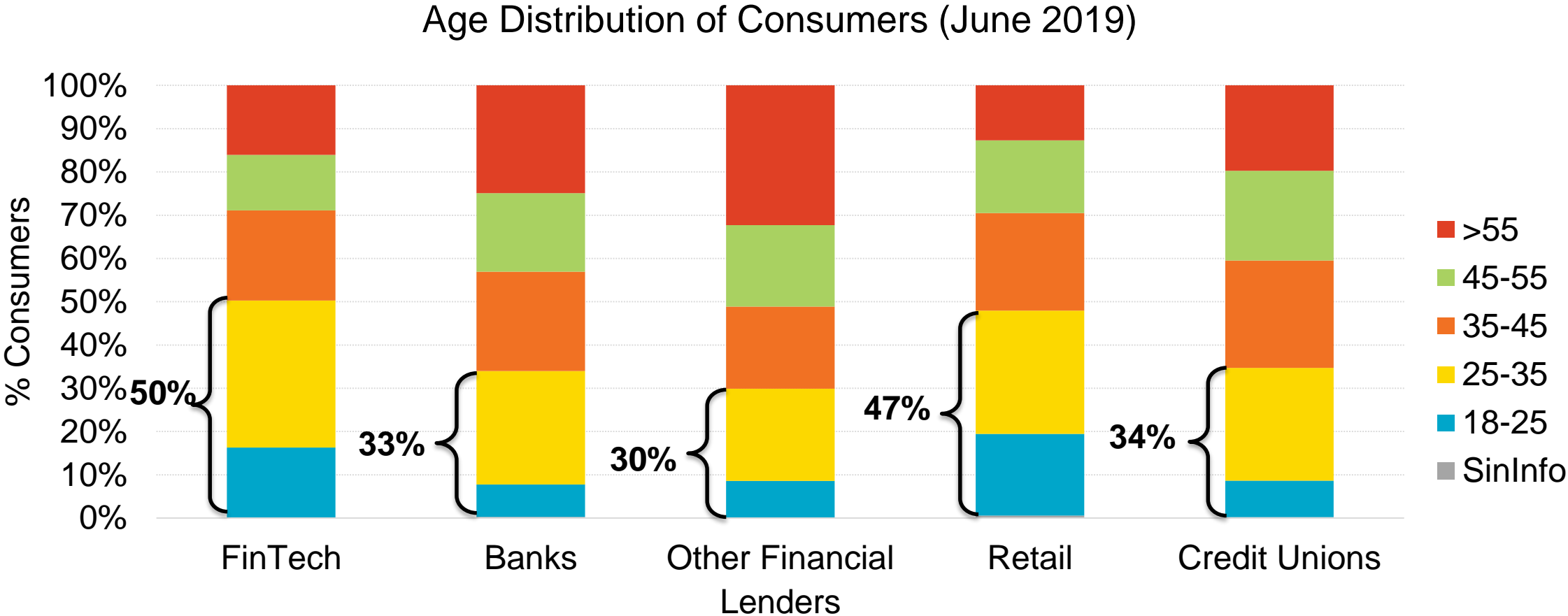
Indian FinTechs have demonstrated sophistication in growth strategies and have carved out a niche in the market where they are gaining market share



**Coming home to
Colombia...**



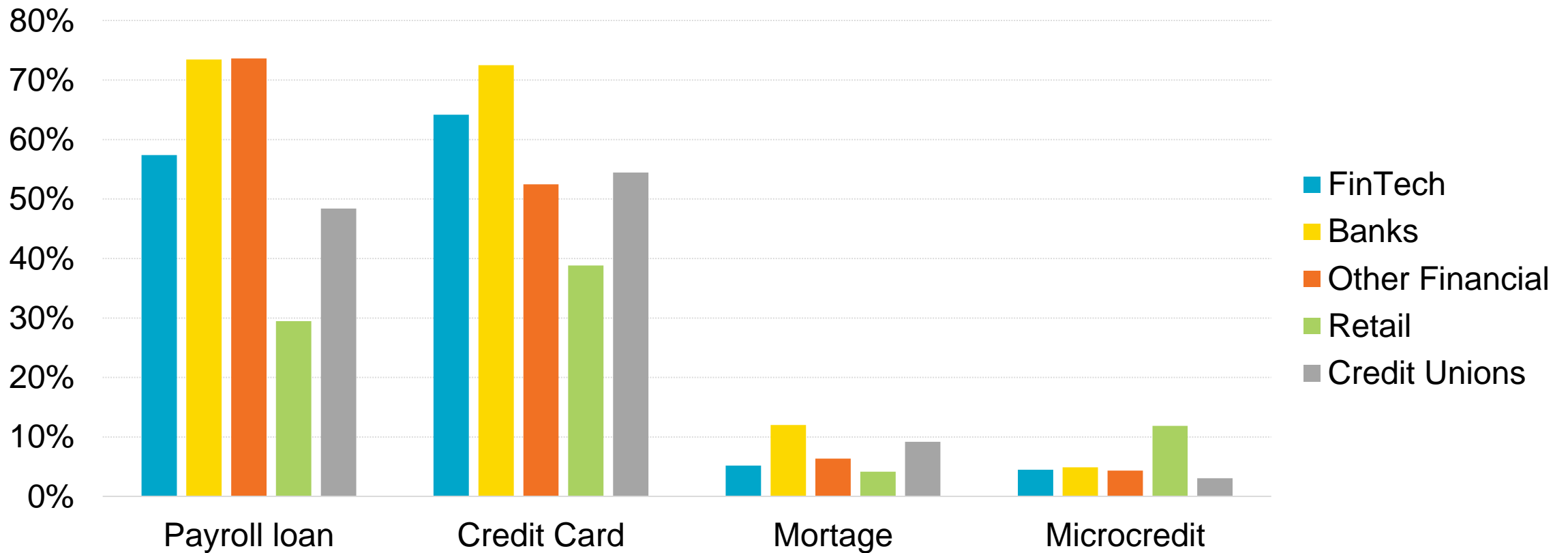
Colombian FinTech consumers have the highest participation of younger consumers



FinTech consumers are credit active and use multiple types of credit products



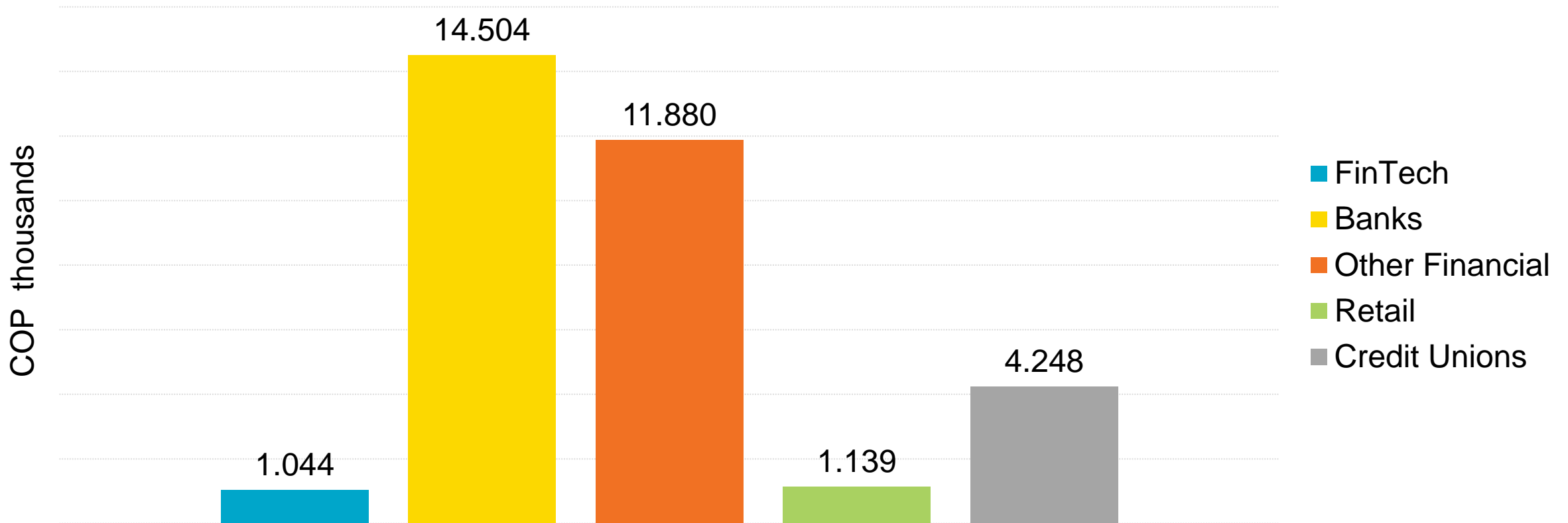
Share of Consumers with Each Credit Product at Personal Loan Origination



Colombian FinTechs focus on small ticket size loans



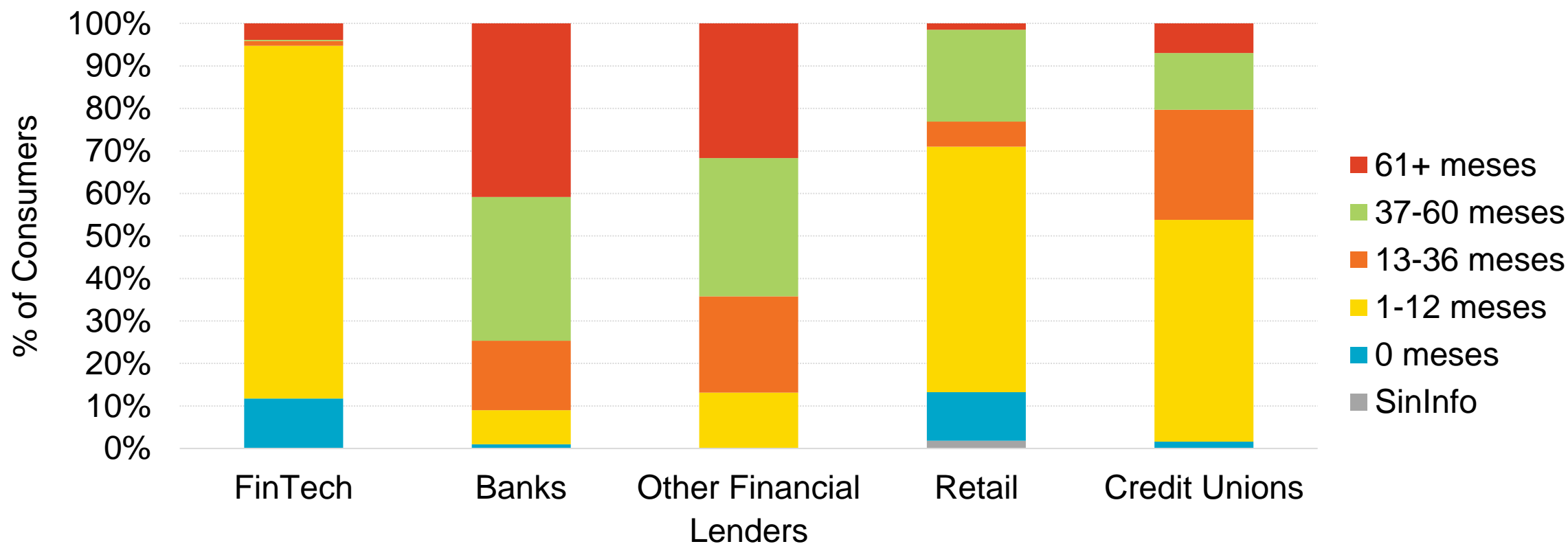
Average New Loan Amount (First Semester 2019)



They also issue short-term loans, with terms that are typically <12 months



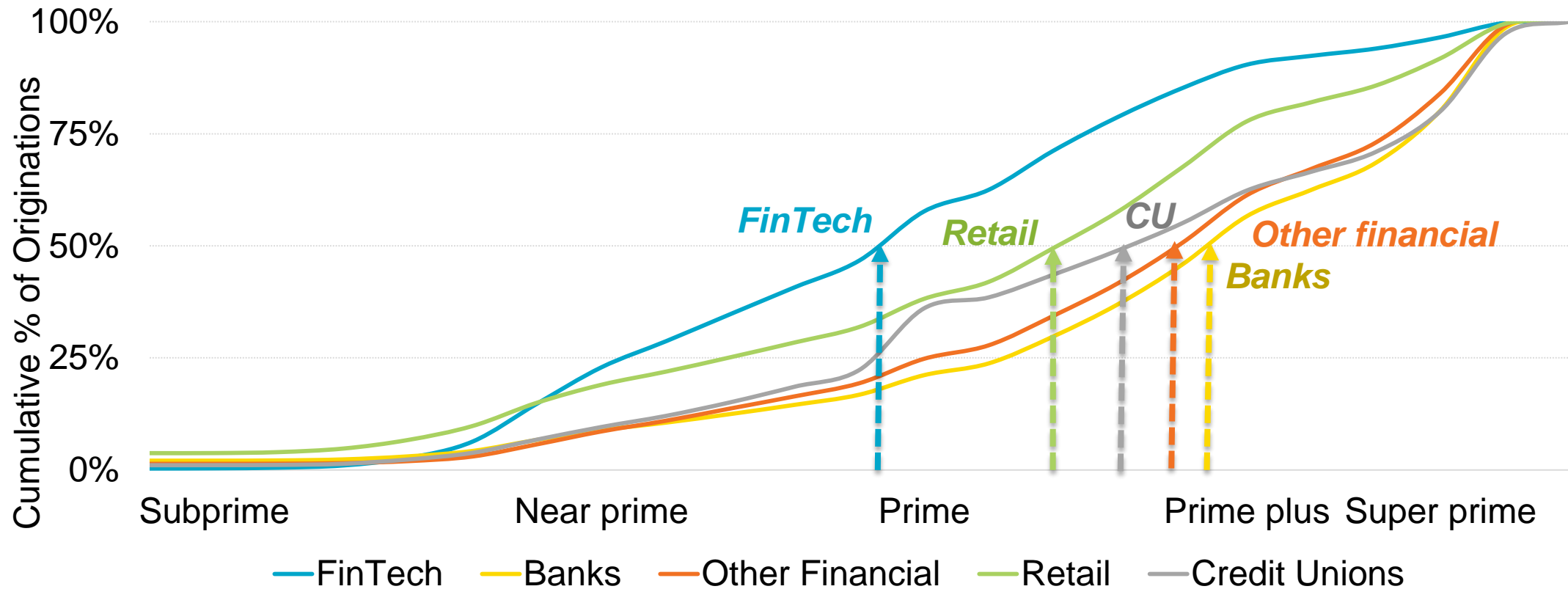
Loan Term Distribution (First Semester 2019)



FinTechs assume more risk compared to other sectors



Risk distribution (First Semester 2019)



To summarize the Colombian FinTech lending strategy:



Hypotheses

Realities



Younger consumers

The Colombian FinTech consumer profile skews younger, similar to the age distribution of Retail sector



Unbanked or underbanked

Colombian FinTech consumers are experienced in credit, more experienced than the Retail sector but slightly less than banks



Unsophisticated lenders

Colombian FinTechs offer similar loan sizes and terms as Retail sector, but assume higher risk levels which they compensate for with fee structure

FinTechs face similar challenges around the world



Growth and Expansion

Who is your target consumer and how will you find them?
What is your product roadmap?



Financial Inclusion

How can you address the unbanked / underbanked population in a meaningful way?



Profitability

How can you create and implement risk-based lending strategies?



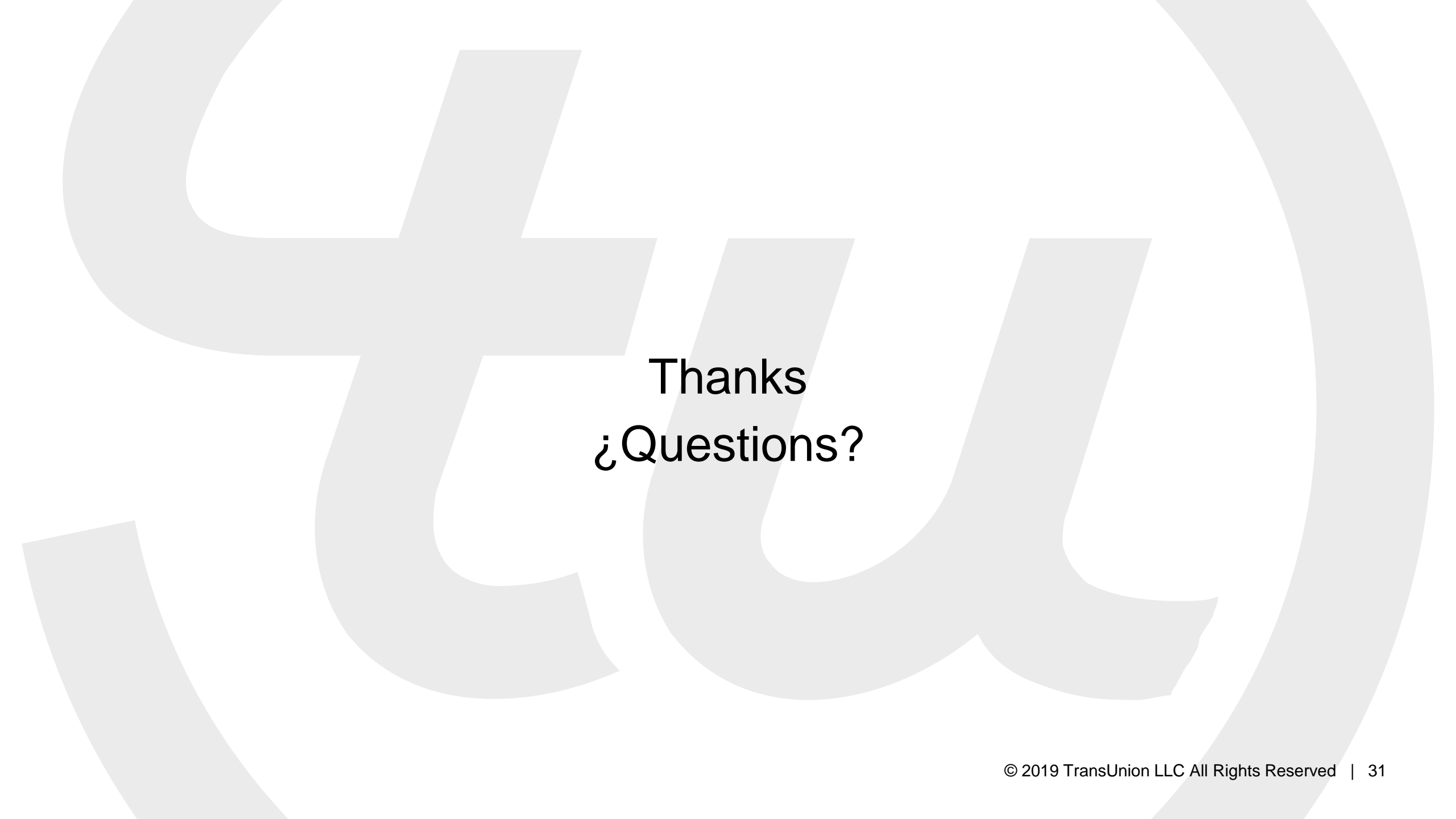
Fraud

How are you addressing loan stacking and other digital fraud challenges?



Competition

How will you work with banks and other players in the financial services industry?



Thanks
¿Questions?