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European Union

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**COVER NOTE**

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From:	Société générale bank, France
To:	Delegations
Subject:	FSC 02.02.2022, VTC Item 5: Presentation “The impact of digital technology for the financial sector : Bigtech, Cloud, Data and the interconnection with the financial sector”

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Delegations will find attached a presentation for the informal meeting of the Financial Services Committee via videoconference on 2 February 2022.

Encl.

01 Février 2022

# **SOCIETE GENERALE**

## **The impact of digital technology for the financial sector**

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**THE FUTURE  
IS YOU**



**SOCIETE  
GENERALE**



## **WITH THE PARTICIPATION OF:**



**CLAIRE  
CALMEJANE**

**CHIEF INNOVATION  
OFFICER**

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**JULIEN  
MOLEZ**

**GROUP DATA/AI INNOVATION  
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# **NEW PARADIGM : FINTECH, PAYMENTS, BIGTECHS**

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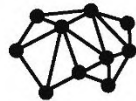


## **A NEW PARADIGM**

NEW TECHNOLOGICAL  
ACTORS AND  
SHIFTING COMPETITION



**BANKS**



**BIGTECHS**



**FINTECHS**

 **SOCIÉTÉ  
GÉNÉRALE**

DIGITAL USES ARE ACCELERATING  
ALL OVER THE WORLD AND FOR  
ALL TYPES OF CUSTOMERS



**RUSSIA**

**FRANCE**

**EUROPE**

**MOROCCO**

**AFRICA**

# THE BANKING SECTOR CONTINUES TO SEE THE ACCELERATION OF NEW FINTECH ENTRANTS AND BIG TECH PLAYERS

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## Development of FinTechs

Acceleration of investments in fintechs and competition growth across the various banking business lines

## Maturity and expansion of payment start-ups

Addition of *Banking as a Service* products by Stripe and Adyen, major pillars of the payments sector

## Development of banking offers by Big Techs

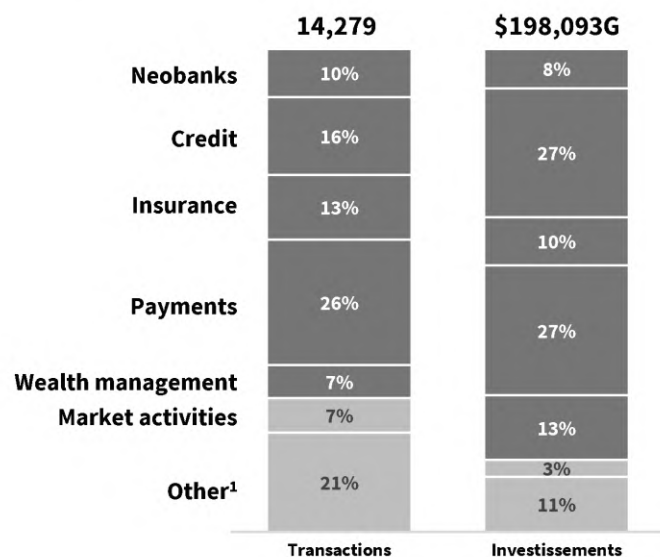
Growing integration of financial services in customer journeys and interfaces



# FINTECH: INVESTMENTS ARE CONCENTRATED IN CREDIT AND PAYMENTS

FinTech investments 2013-2019

 Retail activities

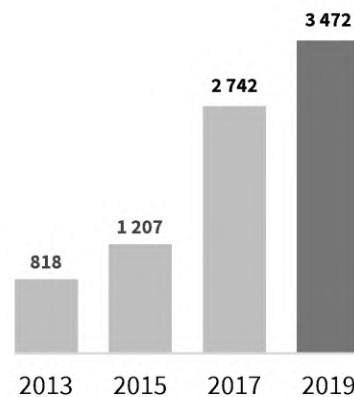


- Since 2013, there have been more than 14,000 fintech investments, totalling nearly \$200G overall
- Payments and credit are the largest investment segments, with 42% of investment rounds accounting for 54% of funds invested
- Despite the emergence of many neobanks, they only account for only 8% of investments (retail segments, SME and Pro)

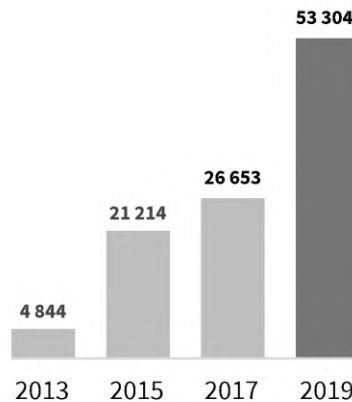
1. Includes "RegTech" and other banking activities  
Source: Accenture

# FINTECH: INVESTMENTS IN FINTECHS ARE ACCELERATING

Number of investments



Invested Capital  
Billions, USD



1. The transaction did not conclude following the actions of the US Department of Justice  
Source: Accenture

- **Investments in fintechs accelerated between 2013 and 2019, with more than 4x the number of transactions and 11x capital**
  - The number of investments demonstrates some fragmentation with an increase in new entrants
  - Growth in the amount invested shows investors' interest in the sector
- **The average round size increased from \$5.9m to \$15.3m over the period, driven by inflation in investment rounds as well as increased start-up maturity**
- **These companies are gradually reaching maturity, with an acceleration in IPOs and acquisitions to be expected**
  - IPO: Affirm (2021), Adyen (2018), Square (2015)
  - Acquisitions: Mastercard and Fincity (2020), VISA and Plaid<sup>1</sup> (2020), Intuit and Credit Karma (2020), PayPal and iZettle (2018)
  - 2021 could be richer in outputs with the planned IPOs of Coinbase, Robinhood, TransferWise, Stripe, AvidXchange, and Marqeta



# FINTECH THE MATURITY LEVEL IS VERY HETEROGENEOUS BETWEEN BUSINESS LINES AND GEOGRAPHIES

✓ Emerging market players

✓ Established leaders

	France	United Kingdom	Germany	Pan-European leaders
<b>Retail neobanks</b>	✓ Lydia	✓ Revolut Atom Monzo	✓ N26	✓ Revolut
<b>SME/Pro neobanks</b>	✓ Qonto Shine <sup>1</sup>	✓ Starling Bank Tide	✓ Penta	
<b>Individual loans, SMEs and Pro</b>	✓ YOUNITED	✓ OakNorth Greensill	✓ Smava	✓ Klarna
<b>Wealth management</b>		✓ EToro <sup>2</sup>	✓ Raisin	✓ Moneyfarm
<b>Insurance</b>	✓ Alan Luko		✓ Wefox	

▪ **FinTech competition remains very varied by country and client segment**

- In France, the pro and insurance neobanks sectors have seen the emergence of major competitors

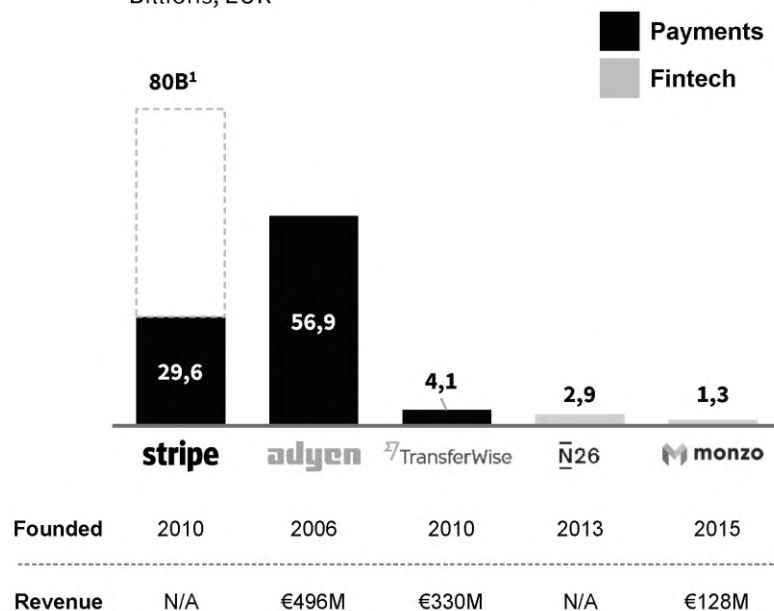
▪ **There are few pan-European players with the exception of Klarna, which dominates the personal credit sector (“n times” payment)**

- Potentially linked to the importance of local culture specifics that hinder the emergence of European champions in certain segments
- Example: Livret A France, no French credit bureau

1. Societe Generale acquired Shine in 2020. 2. Company based in Cyprus and the United Kingdom  
Sources: PitchBook, Journal du Net, DGLE/INO

# PAYMENTS: STRIPE AND ADYEN HAVE REACHED DOMINANT POSITIONS IN PAYMENTS

Valuation and market capitalisation  
Billions, EUR



1. Current financial press estimates of a \$100B valuation  
Source: PitchPook, Annual Reports

- **Stripe and Adyen have become important pillars in payments and are trading well above fintech players and some major European banks**
- **These results are linked to both the overall nature of their business and their maturity, with a history of more than 10 years**
  - These start-ups are part of the first fintech wave that followed PayPal
- **They continue to invest significantly in the development of new products and market expansion**

## **PAYMENTS: THESE COMPANIES ARE GRADUALLY EXPANDING THEIR OFFERINGS BEYOND PAYMENTS**

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### **Bank accounts**

TransferWise offers bank accounts and cards to its individual and professional customers in 37 countries and supports more than 55 currencies

### **Issuance of cards**



Stripe allows the creation of debit and credit cards for SMEs and businesses

### **Banking as a Service (BaaS)**

Stripe now offers a banking-as-a-service platform to open business bank accounts in collaboration with Goldman Sachs, Citibank, and Barclays

**With significant financial resources and growing market share, payment players are well positioned to expand their services in the BaaS and banking sectors**



# PAYMENTS: THEIR SKILLS HAVE NOW EXTENDED VASTLY BEYOND THE PAYMENT BUSINESS LINES

			BaaS example	Neobank example	
	stripe	adyen	 solarisBank		
Acquisition and acceptance	✓	✓	✓	✗	} Payment business lines
Bank transfers	✓	✓	✓	✓	
Issuance of bank cards	✓	✓	✓	✓	
Bank accounts	✓	✓	✓	✓	} Banking business lines
Core banking system	✓	✓	✓	✓	
Banking licence <sup>1</sup>	✗	✓	✓	✓	
Consumer & pro credit	✗	✗	✓	✗	

Stripe and Adyen's resources compete with the skills of Banking *as a Service* players such as SolarisBank and could potentially enable the creation of neobanks

1. "Acquiring bank" status for Adyen  
Source: Company site

# GAFAM: THE INTEGRATION OF FINANCIAL SERVICES IN CUSTOMER JOURNEYS CONTINUES

		<div>  Offered in Europe         </div> <div>  Limited or obsolete functionalities         </div>				
		G	Apple	f	a	
Banking products for their customers	Payments	✓	✓	✓	✓	✓
	Account management	✓	✓	✓		
	Credit	✓			✓	
	Insurance	✓			✓	
	Wealth management					
Licence	Banking licence <sup>1</sup>	✓		✓	✓	
Services for Banks	Cloud	✓			✓	

1. Includes electronic money licences  
Source: Oliver Wyman, Google

- **GAFAM companies have gradually integrated financial services to increase the reach of their ecosystems**
  - Google Pay now accounts for 2.5 billion transactions per year, for \$110 billion in transaction volume
  - Apple launched its credit card in 2019
  - Google launched its Plex banking platform in 2021
- **However, these players do not directly aim to become banking players but rather to augment the customer experience and maximise the use of their platforms**
  - Apple and Google Pay promote the use of devices for payment, but also allow margin capture
  - Facebook plans to launch DIEM (formerly LIBRA) to reduce international transfer costs, impacting banks as well

# THE USE OF DATA WITH AI, AN ACCELERATOR OF SOCIETE GENERALE STRATEGY

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## 4 VALUE ZONES FOR DATA USE



### CUSTOMISATION

For a first-rate customer experience with more personalised products and advice, and tailored recommendations.

AI enables us to have detailed knowledge of our clients in order to better anticipate their expectations, advise them, and offer them personalised and relevant business proposals.



### RESPONSIVENESS / SPEED

Understand our clients' requests regardless of the means of communication (written or vocal): we respond to them more rapidly and with greater relevance as a complement to the human resources (answers to the simplest/most frequent questions).



### OPERATIONAL EFFICIENCY

AI makes it possible to optimise our processes by automating and improving the reliability of those areas that require it.



### PROTECTION OF OUR CUSTOMERS AND THE BANK

AI helps us to better manage our risks by improving their detection and supporting our customers with prevention solutions.

## EXPANDING USE CASES



**330**

AI / DATA USE CASES  
IN PRODUCTION

**+ 80%**

SINCE Q1 2019



**+ 170**

USE CASES  
BASED  
ON AI

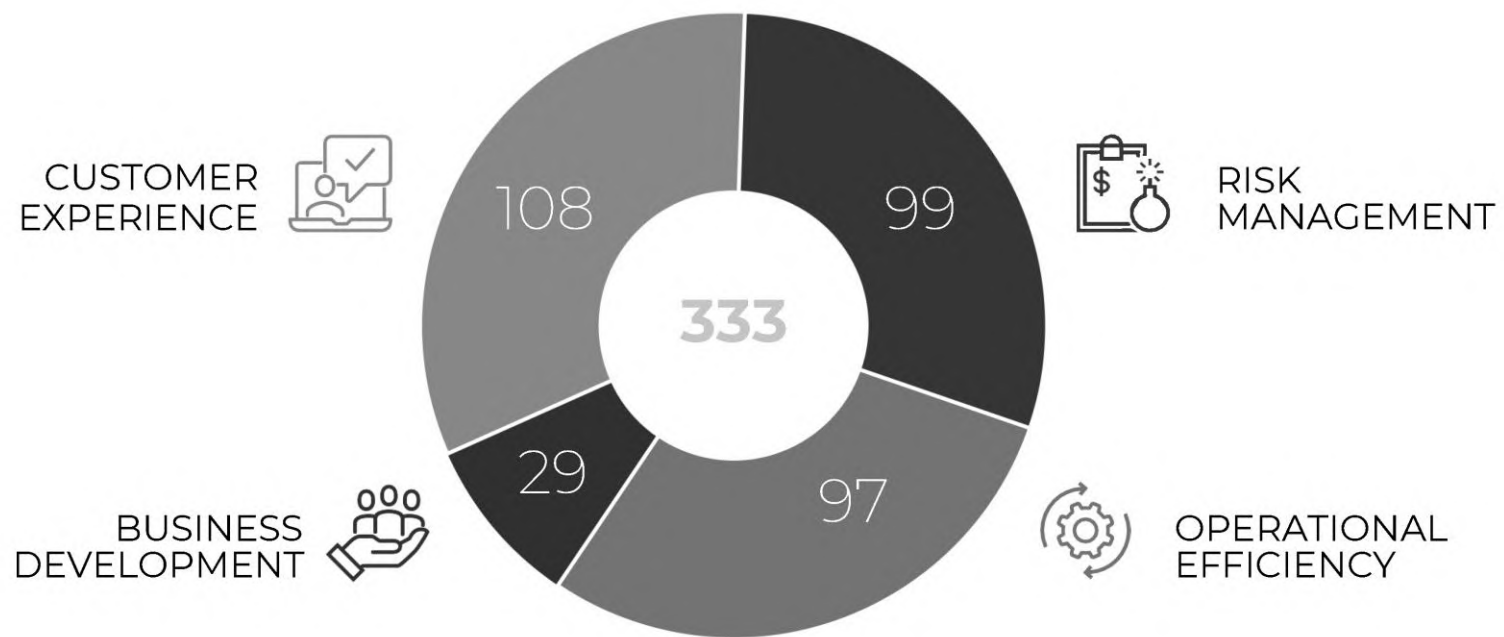


AT THE END of 2021,  
APPROXIMATELY

**€230** MILLION

IN PROJECTED VALUE  
**THANKS TO AI  
AND DATA**

## **STRONG MOMENTUM OF DATA / AI USE CASES ACROSS THE GROUP**



## **AI / DATA IS ALSO A CULTURAL REVOLUTION**

TO THOROUGHLY RETHINK AND  
TRANSFORM OUR MODELS



**WIDESPREAD  
ACCESS TO AI  
AND DATA**



**NEW BUSINESSES  
AND NEW  
WORKING METHODS**



**DEVELOPMENT OF  
NEW SKILLS**

## AI / DATA WORKING TO SERVE HUMANS



### DEVELOPMENT OF NEW SKILLS

to work, analyse and make decisions regarding data in real time

#### STRATEGIC APPROPRIATION OF THE MANAGEMENT SUITE EXECUTIVE PROGRAMME

For a more in-depth understanding of AI and its implications and the ability to make strategic decisions, investments and resources attribution.

#### ONGOING TRAINING PROGRAMME

In 2021, nearly **5,000** staff in 25 countries trained in AI and over **2,000** obtained a qualification.

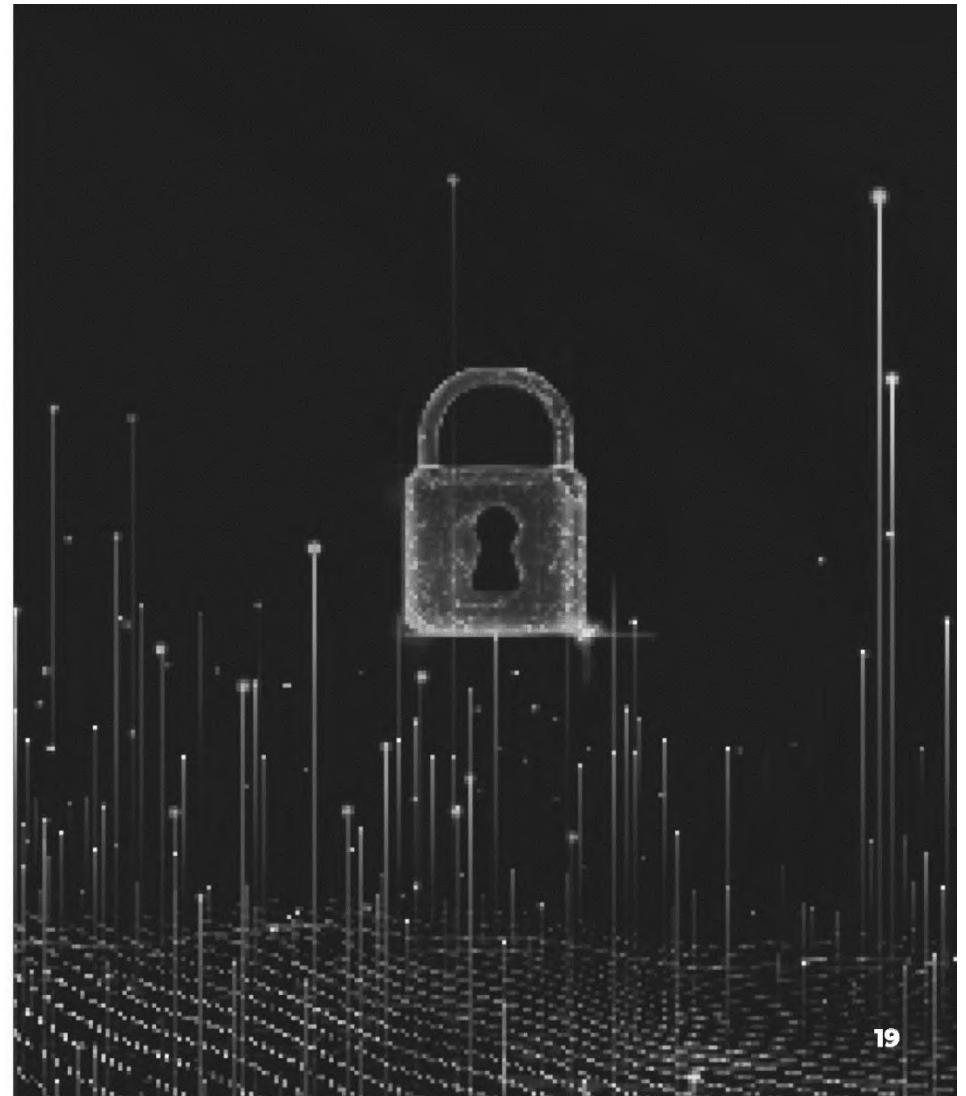
#### RE-SKILLING PROGRAMME TO DEVELOP EXPERTISE

Re-skilled mobility represents approximately **10%** of internal mobility (outside of the network in France) as of end-June 2021.

The ambition in terms of volume is to provide re-skilling courses for **150** To **200** staff in 2022

# DATA AND RESPONSIBILITY

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# DATA AND RESPONSIBILITY



## REDUCTION OF THE ENVIRONMENTAL IMPACT

**50% reduction in the Group's carbon footprint by 2025**

- Optimisation of data collection and purchase
- Analysis to optimise the management of data throughout its life cycle
- Data centre transformation



## RESPONSIBLE DATA USAGE

- **Discussions on ethics and artificial intelligence**
- **Compliance with regulations**
  - > Use of data with the consent of customers and in their interest



## DATA PROTECTION

Continuation of strong investments in IT systems security and customer data protection

> In particular, the **strengthening of systems to protect against data leakage**



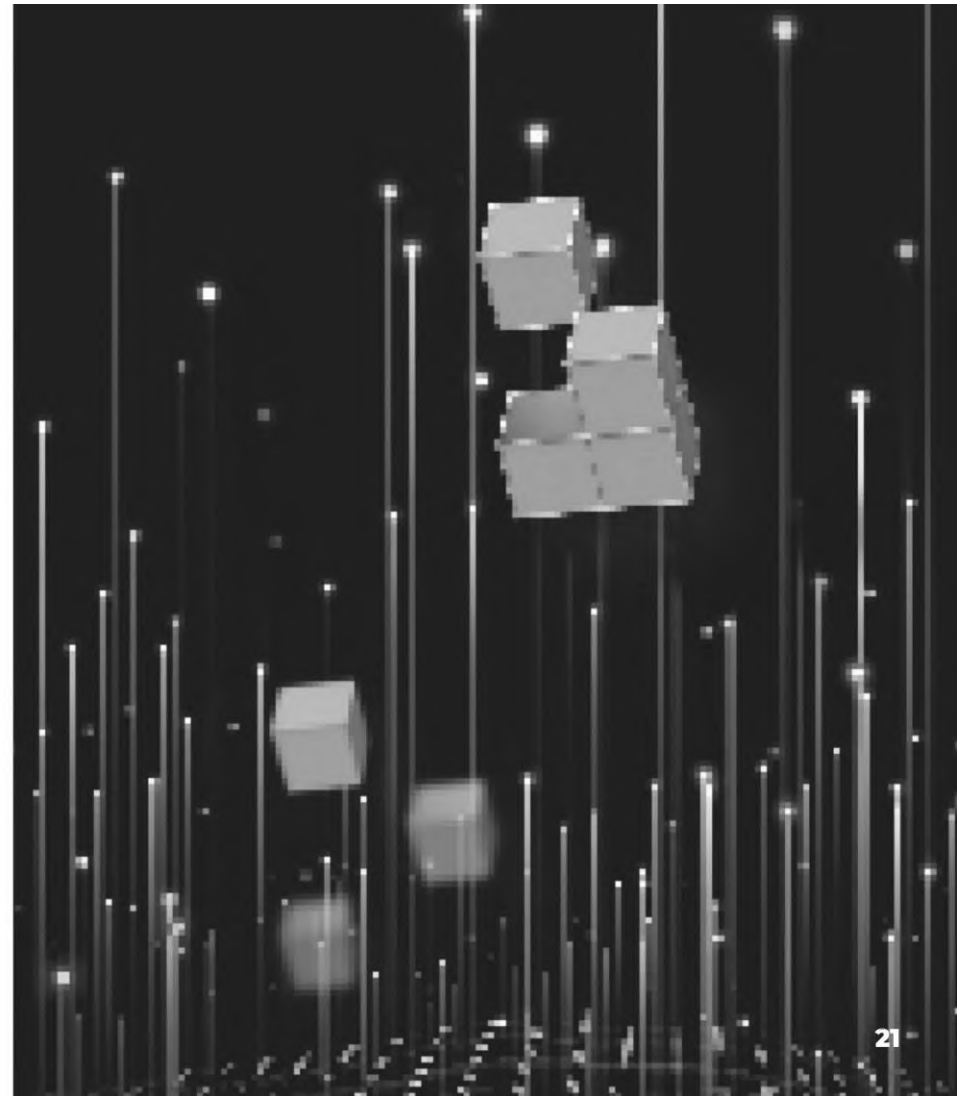
## NEED TO USE NEW DATA FOR CSR PURPOSES

Launch of a programme to **acquire reliable CSR data and make it available to the Group** for:

- Supporting clients with their energy transition
- Measuring the effectiveness of the Group's CSR actions
- Supplying extra-financial reporting

# **TECH SOLUTIONS TO ACCELERATE THE USE OF DATA AND AI**

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# HIGH-PERFORMING INFRASTRUCTURES TO HARNESS THE FULL POTENTIAL OF DATA



## 1 MAIN DATALAKE HYBRID PLATFORM FOR THE ENTIRE GROUP

with one part in the private cloud and another  
in the public cloud



## 40 PETABYTES OF DATA



## MAJOR AREAS OF THE DATA LAKE

### IN THE PRIVATE CLOUD:

- Retail banking in France
- Insurance
- Central functions: Finance, Risk, Compliance, HR, etc.

### IN THE PUBLIC CLOUD:

Global banking and  
investor solutions

- Data stored in the public cloud, if local law allow
- For the time being, the data of French individuals remain stored on the internal cloud

# MODERNISING OUR IT SYSTEM TO HARNESS THE FULL POTENTIAL OF THE CLOUD



## CLOUD PIONEER SINCE 2017

More open and flexible infrastructures to speed up the use of innovative digital services:

- “Cloud first” strategy
- Hybrid cloud mixing private and public cloud
- **80% of servers in the “first and second generation” cloud at end-2020**



## ACCELERATION OF THE GO TO CLOUD PROGRAMME

Harnessing the full potential of the cloud

By 2025: **75%** of “second generation” cloud

**50%** private cloud **–** **25%** public cloud

- Transformation of 75% of applications
- Supervision framework in terms of the security and compliance of cloudified applications



# THANK YOU!

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**THE FUTURE  
IS YOU**



**SOCIETE  
GENERALE**