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E-book
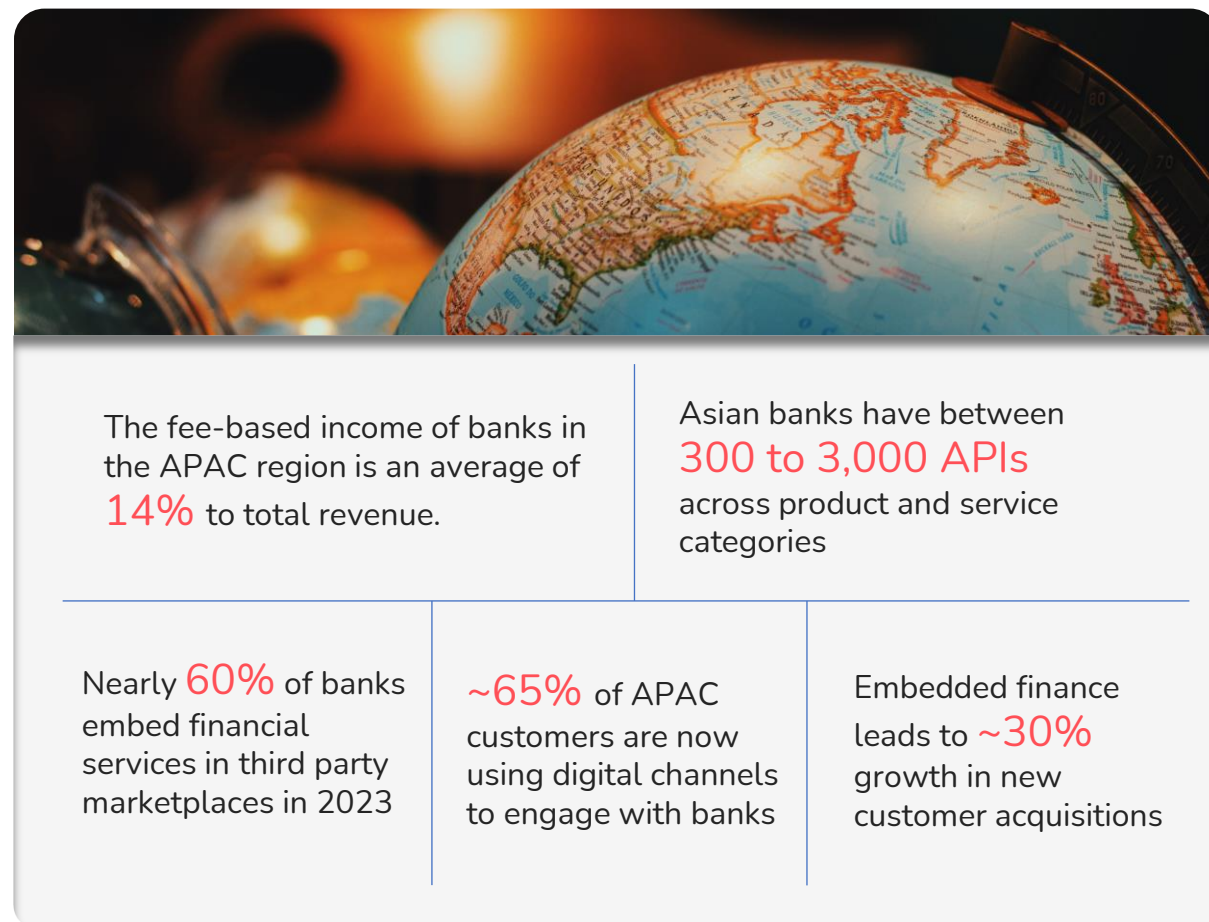
APAC banks pursue growth with digital adjacencies

Overview

- APAC banks are experiencing a paradigm shift from expanding interest incomes to exploring growth with non-interest fee-based income.

- The pressure to maintain operational sustainability, lower the cost to-serve, and growing CASA balances fuel the banks to innovate and expand their portfolios beyond core banking.

- Rise of platform banking models and digitalization challenges banks to find new ways to capture wallet share.

- Orchestrating exceptional customer experience with invisible banking will enable banks to acquire, retain, and sustain long-term customer relationships.

- The 5 biggest growth adjacencies for banks in the region include:
  - Banking-as-a-service (BaaS)
  - SUPERAPPs
  - Data Monetization
  - Financial Marketplaces
  - BNPL

The fee-based income of banks in the APAC region is an average of **14%** to total revenue.

Asian banks have between **300 to 3,000 APIs** across product and service categories

Nearly **60%** of banks embed financial services in third party marketplaces in 2023

~65% of APAC customers are now using digital channels to engage with banks

Embedded finance leads to **~30%** growth in new customer acquisitions

Source: twimbit analysis, F5 Global State of Open Finance, Dealroom

Digital economy drivers

45%

Average cost to serve for banks in APAC as of 2023. Digital can help reduce this.

~30%

Unbanked population in APAC as of 2023, 60% of which is from the SEA region

1.73 billion

Smartphone users in APAC, 2023

USD 6.76 trillion

Total digital transaction value is projected by 2027

~62%

Internet penetration rate in APAC as of 2022

>30%

Customer transactions occurred outside the bank's platform in 2023

Source: twimbit analysis, F5 Global State of Open Finance, Statista

Digital adjacencies will contribute over 40% of the banking revenue by 2030

The non-interest income contribution to revenue for leading APAC banks such as SCB and OCBC is at 26% and 30% respectively as of 3QFY23
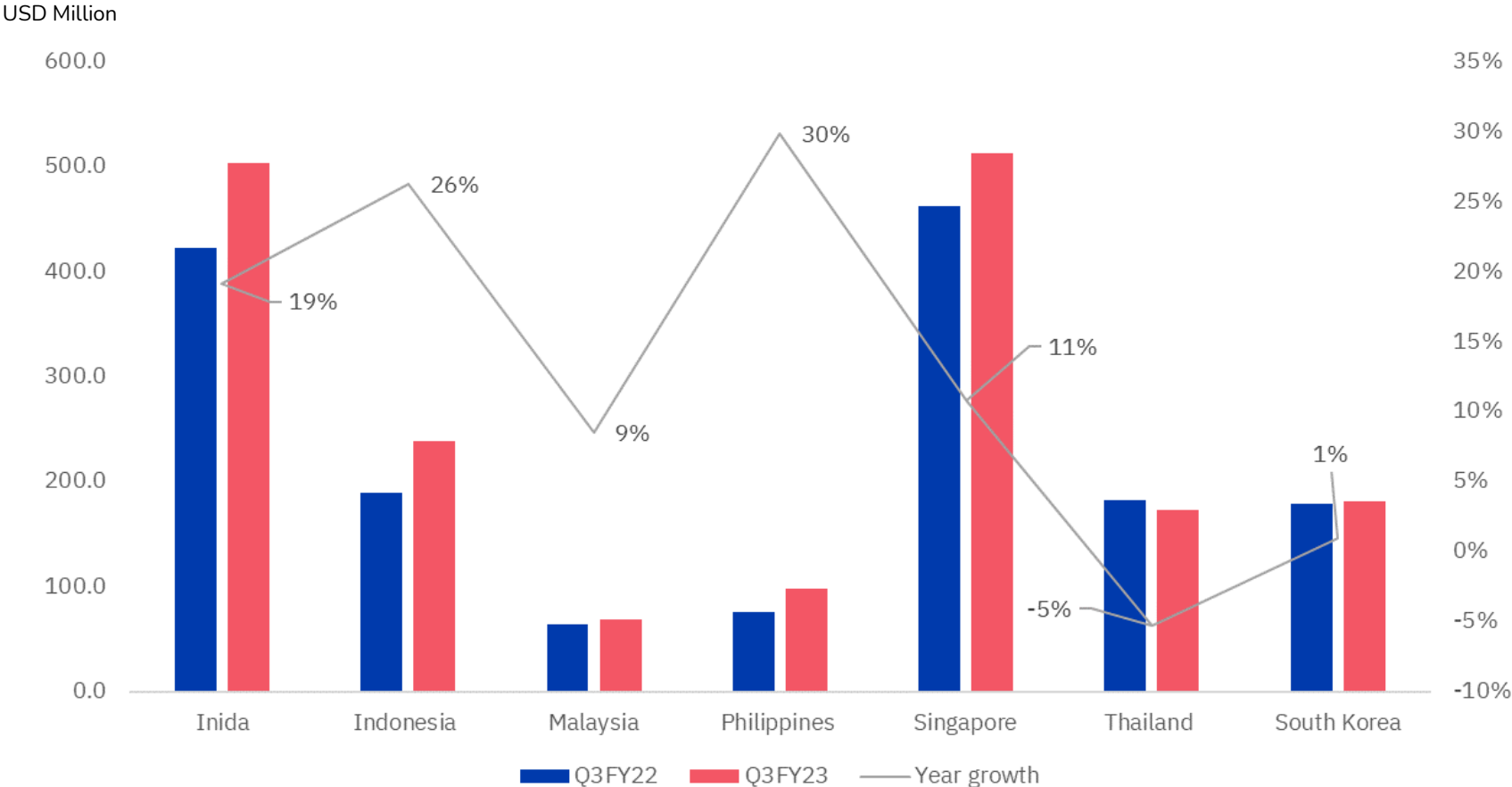
Average annual CASA growth of 10%-12% as of 2023

USD 198.2 billion BNPL Gross Merchandise Value in APAC 2023

Asia-Pacific's Embedded Finance industry is expected to grow by 24.4% annually to reach USD 357,000 million in 2029

117.6 billion Unified Payment Interface (UPI) transactions (volume) processed in India in 2023

APAC digital payment market is expected to grow from USD12.29 trillion in 2023 to USD22.97 trillion by 2028.

Source: twimbit analysis, Worldpay, The financial Brand, NYU Stem, Mambu embedded finance report , NPCI

14% of APAC bank revenue stems from fee-based income

USD Million

Philippines banks have witnessed **30%** growth in their fee-based income in a year

Legend: Q3FY22 | Q3FY23 | Year growth

Categories: Inida, Indonesia, Malaysia, Philippines, Singapore, Thailand, South Korea

Year growth: 19%, 26%, 9%, 30%, 11%, -5%, 1%

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Source: twimbit analysis

5 growth opportunities for banks to be digital leaders of tomorrow

#1
Banking-as-a-Service (BaaS)

#2
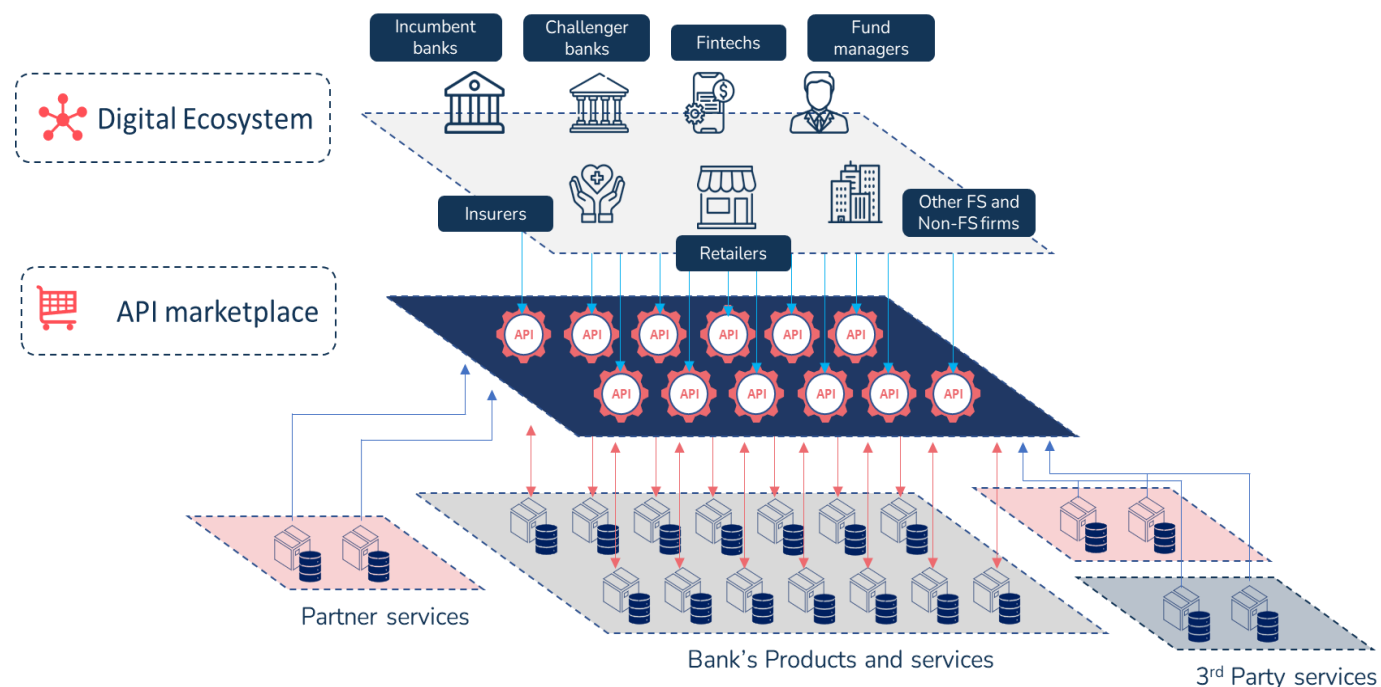SUPERAPPS

#3
Data monetisation

#4
Buy Now Pay Later (BNPL)

#5
Financial marketplace

#1 BaaS

Opportunity for license holders to become providers of white label and co-branded products and services

Enables a plug and play approach for banking solutions into third party ecosystems, including non-finance digital brands, reducing the cost to serve and the cost of customer acquisition

Building blocks of BaaS

Digital Ecosystem
- Incumbent banks
- Challenger banks
- Fintechs
- Fund managers
- Insurers
- Retailers
- Other FS and Non-FS firms

API marketplace

Partner services

Bank's Products and services

3rd Party services

Parameters for success	API products and service portfolios	Revenue growth	API network (platform, portals, number of APIs, delivery)

- The top layer of the BaaS stack is a digital ecosystem of financial and non-financial brands.

- The user interface and the digital elements integrated with the BaaS layer to control over the:
  - Customer experience
  - Branding
  - Personalization
  - Front-end user interface

- The middle layer in a BaaS stack is the API marketplace which provides specialised financial services solutions to brands in the digital ecosystem

- The bottom layer is where banks, fintech partners and third-party service provider offer their financial solutions to the end user through modern APIs

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Top 3 banks acing BaaS model

ICICI Bank

- The bank has a suite of 600+ APIs

- An API banking portal for developers to build, test and integrate new APIs across banking product categories.

- Bank witnessed an increase in their fee income by 14.28% from USD 1.90 billion to USD 2.16 billion from 2022 to 2023.

DBS

- The bank has a suite of 200+ APIs

- DBS API developer platform is well-positioned to embed services on partners' platforms to acquire and distribute at scale.

- Net fee and commission income of DBS accounts to 16.55% (USD 2517 million) of total income (USD 15.2 billion) till 9MQ3 2023

OCBC Bank

- The bank has a suite of 500 APIs

- Implemented a host of embedded finance solutions for the education, energy, government, and insurance sectors to streamline KYC and payments.

- Generated USD 336.53 million from their fees and commission in 3Q23

Case-in-point

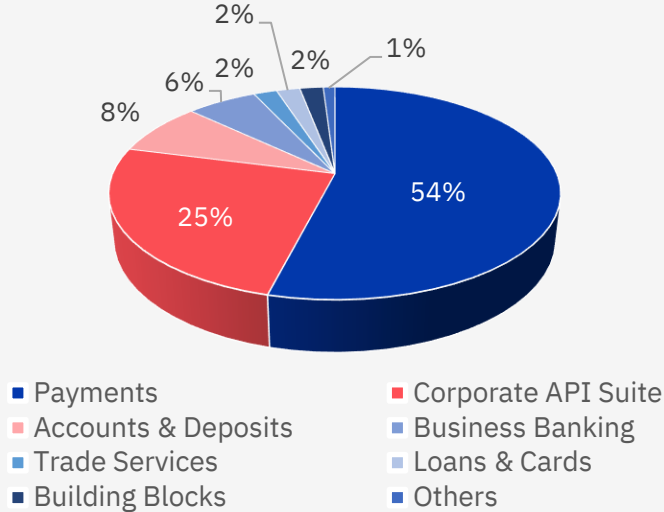# **ICICI Bank** established an API ecosystem for core and SME banking

ICICI Bank is at the forefront of building a robust third-party API platform. The focus on BaaS has significantly transformed the banking landscape for ICICI Bank in the country.

The portal incorporates a detailed workflow for conveniently moving the API solution to the final production stage, thereby eliminating the hassles of manual to and fro.
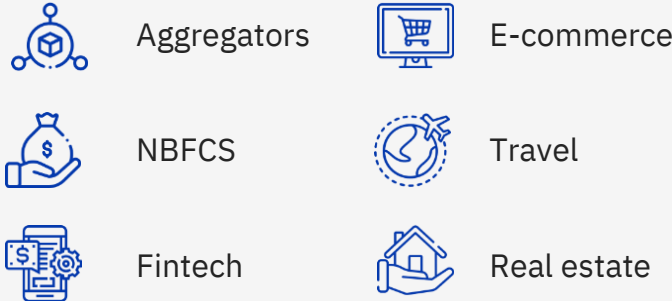
▲ Increase from previous year

Customer preferences for bank's API

- Payments — 54%
- Corporate API Suite — 25%
- Accounts & Deposits — 8%
- Business Banking — 6%
- Trade Services — 2%
- Loans & Cards — 2%
- Building Blocks — 2%
- Others — 1%

Industry coverage on APIs

- Aggregators
- E-commerce
- NBFCS
- Travel
- Fintech
- Real estate

600 APIs
Retail banking

85 APIs
Corporate banking

100 million
Financial and non-financial transactions per day

12.88% ▲
Non-interest income
from USD 2.12 billion in FY22 to USD 2.39 billion in FY23

4.4% ▲
CASA deposits
from USD 62.38 billion in FY22 to USD 65.13 billion FY23.

~95%
Payment transactions done digitally (in Aug 2023)

Imperatives for success

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A safe and secure mechanism to support customer journey transformation

- Enhance customer experience by integrating systems with third-party providers.

- Enable a wider range of services with features such as account aggregation, payment processing, and lending.

- Provide future-proof security features, such as authentication, authorization, and encryption, to ensure that customer data is protected.

Developer platforms and sandboxes to support agile innovation

- Build an (API) sandbox as a closed IT environment designed to experiment safely with new solutions – with lots of flexibility, irrespective of governing regulations.

- Provide an environment for innovative fintechs and financial institutions to recreate a productive environment and simulate the responses from the systems it communicates with.

- Create and test external developments, completely isolated from the bank's production environment.

- Identify any anomalies, risks, and conflicts of interest before exposing the product to the public.

An agile and flexible Open Banking architecture to support partnerships at scale

- Allow fintechs to manipulate the Standard terms of the data base to build service offerings, including mobile payment applications, peer-to-peer lending solutions, and analytical dashboards.

- Generate revenue by allowing fintechs and third-parties to monetize their APIs through developer portals, usage analytics, and revenue-sharing models.

#2 SUPERAPPS

Enable users to access multiple services without leaving the app, leading to higher user engagement and retention

Integrate multiple services into one platform

Save costs associated with customer acquisition and operational costs, leading to improved profitability.

SUPERAPPS opportunities

65% of APAC GDP will be digitalized, reaching **USD 1.5 Trillion** in customer spending by 2025

E commerce market is growing with a CAGR of **10%** in the forecast period of 2024 to 2029 and is expected to reach **USD 6.76 Trillion** by 2029
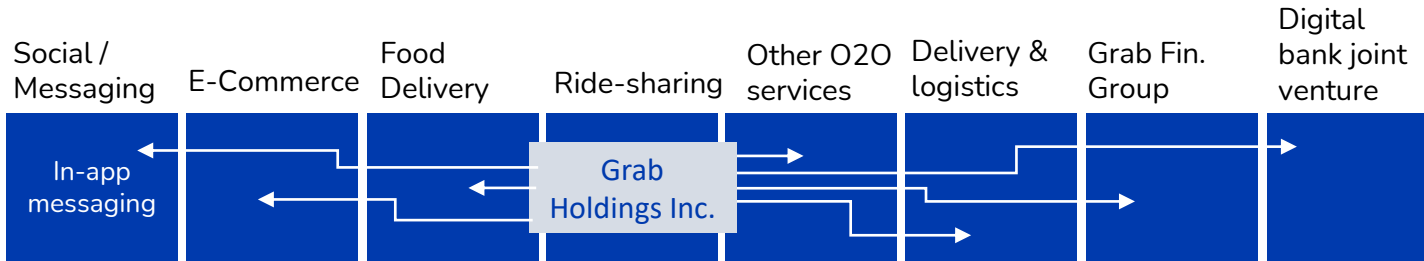
APAC witnessed **USD 4 Trillion** worth of digitally deliverable services trade in 2023

The ASEAN SUPERAPP market is currently worth **~USD4 billion** in revenue with a growth projection to be **USD23 billion** by 2025.
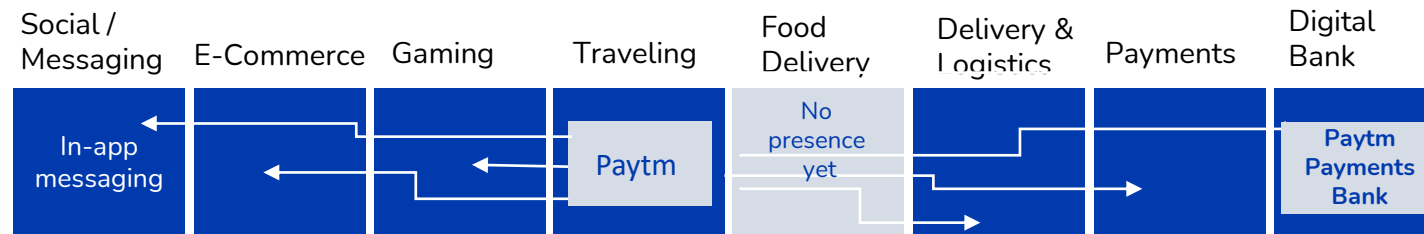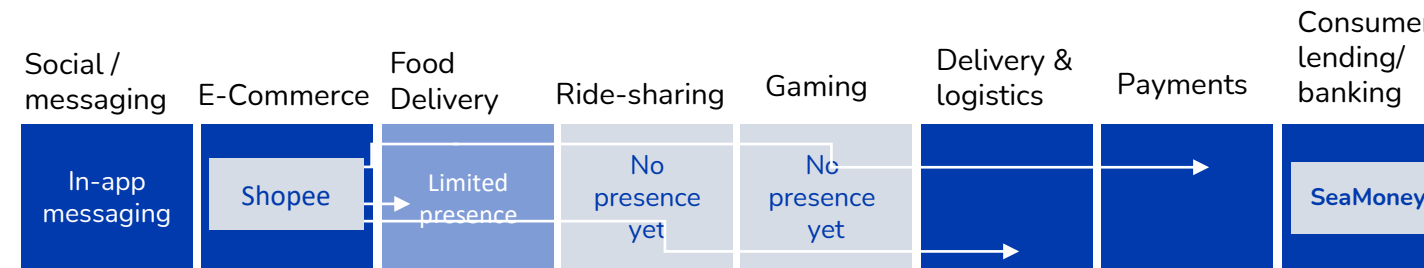
Parameters for success for a SUPERAPP

Personalisation

Strong partnership ecosystem

Convenience

Increasing mobile and internet usage

Cost saving

Increasing e-commerce sales

User-friendly interface

Top 3 companies acing SUPERAPPS model

Social / Messaging	E-Commerce	Food Delivery	Ride-sharing	Other O2O services	Delivery & logistics	Grab Fin. Group	Digital bank joint venture
In-app messaging			Grab Holdings Inc.				

Grab

No. of customers — 180 Million

Valuation — USD 12.40 Billion

Social / Messaging	E-Commerce	Gaming	Traveling	Food Delivery	Delivery & Logistics	Payments	Digital Bank
In-app messaging			Paytm	No presence yet			Paytm Payments Bank

Paytm

No. of customers — 350 Million

Valuation — USD 4..38 Billion

Social / messaging	E-Commerce	Food Delivery	Ride-sharing	Gaming	Delivery & logistics	Payments	Consumer lending/ banking
In-app messaging	Shopee	Limited presence	No presence yet	No presence yet			SeaMoney

Shopee

No. of customers — 375 Million

Valuation — USD 23.03 Billion

Source: Industry reporting, twimbit analysis, GRAB investor presentation
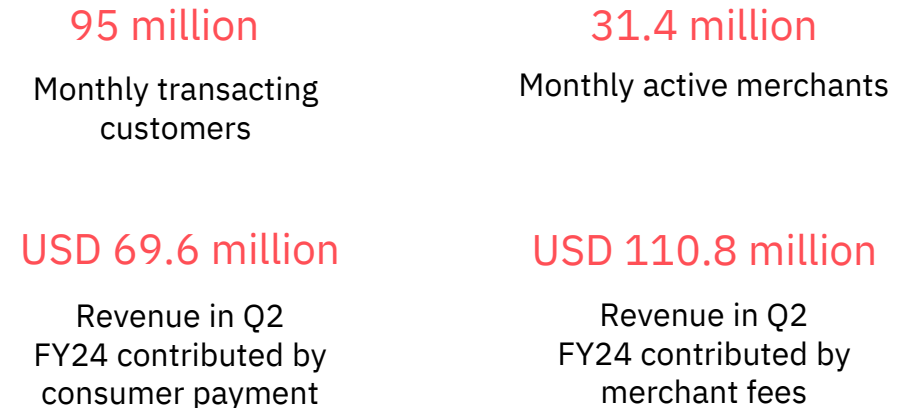
Case-in-point

How super features made Paytm a SUPERAPP

Paytm is an Indian digital payment and financial services company

Paytm offers a variety of services, including

- Digital payments
- Mobile recharges
- Bill payments
- Travel bookings
- Digital wallet
- Financial services
- E-commerce platform
- Paytm mall

Paytm is taking advantage of a large payments data to introduce new products and services to serve end to end customer needs. The third-party APIs help conveniently implement finance value propositions to service multiple customer journeys such as utility management, travel, entertainment, lifestyle.

Digital engagement and efficiency success of Paytm SUPERAPP

95 million
Monthly transacting customers

31.4 million
Monthly active merchants

USD 69.6 million
Revenue in Q2 FY24 contributed by consumer payment

USD 110.8 million
Revenue in Q2 FY24 contributed by merchant fees

Imperatives for success

Build an AI and ML- driven bank

- Understand users' behavior and preferences to create personalized recommendations and services. This helps to increase customer engagement and loyalty.

- Analyze user data, make predictions, and suggest products or services that are most likely to be of interest to the customer.

- Predict equipment failures and schedule maintenance proactively, reducing downtime and improving service quality.

Create an agile cloud infrastructure

- Provide on-demand scalability to handle traffic spikes and support user growth without significant upfront infrastructure investment.

- Facilitate the adoption of DevOps practices to deploy new features quickly, collaborate more effectively, and improve application quality.

- Ensure robust security features, such as encryption, access controls, and threat detection that are secure and compliant with industry standards and regulations.

Design microservices architecture

- Allow SUPERAPPs to add new features, update existing ones, and scale individual services independently without affecting the entire system.

- Enable quick responses to changing customer needs and market demands.

- Reduce operational costs by allowing SUPERAPPs to use different technologies, languages, and frameworks for individual services, reducing infrastructure and licensing costs.

#3 Data monetisation

Leverages the treasure trove of information to address customer needs and provide actionable insights to help unlock value

Business models include providing raw data as a service, actionable insights generated from data or supporting outcomes, such as KYC, fraud management, and other innovative services

Data monetisation opportunities

- Banks are custodians of massive amounts of customer data and have an invaluable opportunity to build customized value propositions for their customers.

- Financial institutions can utilize the data to generate insights on customer behavior and understand how macroeconomic factors impact saving and spending patterns in creating hyper-personalized value propositions.

- Third-party providers benefit significantly from using customer data and combining it with datasets such as social media interactions, digital IDs, and geographical data to develop compelling customer solutions

Parameters for success

New revenue models – Credit management, KYC, etc.

Increase assets under management

Customer acquisition

Case-in-point

BANK BRI creates a robust financial inclusion framework with data monetisation

- Bank BRI is a large Indonesian bank. They created new business opportunities using APIs as Bank BRI saw a huge opportunity in micro-financing.

- They created a mobile app powered by Apigee, Maps API, and Vision API for people to Self-ID themselves, check credit score, request for a loan, and get instant disbursement.

- Bank BRI also enabled fintechs with the capability to conduct credit scoring via its APIs.

Reduced partner onboarding from 6 months to 1 hour

More than 700+ ecosystem partners are using over 123 monetised APIs to do credit scoring, business assessments, and risk management as of 2023

Bank BRI generated USD 982.9 million of income as fees and commission in Q3FY23 which has increased 12.1% in 9 months from year ended Dec 2022

Achieved loan processing time within 2 minutes

Source: Infosys Finacle Case study, Bank Rakyat Indonesia: Pioneering Digital Lending in Indonesia

Imperatives for success

Big Data Analytics

- Use big data analytics to process and analyse large volumes of customer data to identify monetisable patterns, trends, and insights.

- Leverage big data analytics to offer data-driven products and services, such as personalized recommendations and insights for their customers.

Data Privacy and Security Framework

- Implement robust data privacy and security measures to protect sensitive data and prevent unauthorized access.

- Ensure data is secure and compliant with regulatory requirements, such as GDPR, CCPA, CDR and other data protection regulations.

Blockchain Technology

- Securely share data with partners and customers while ensuring data privacy and security.

- Enable the adoption of multiple API standards

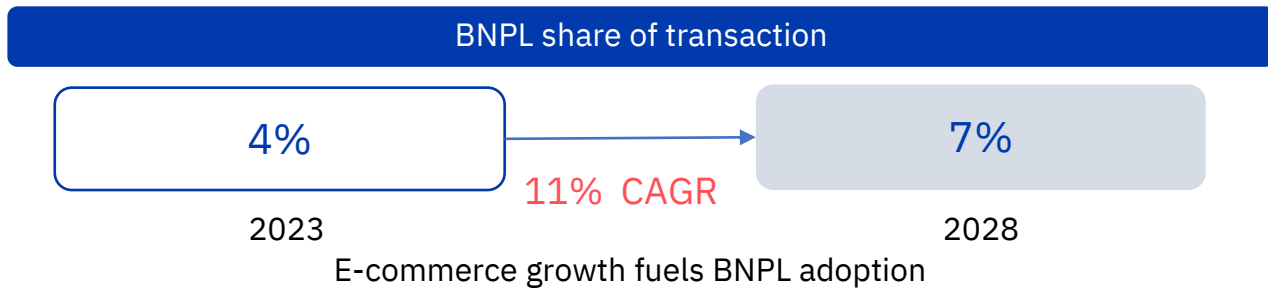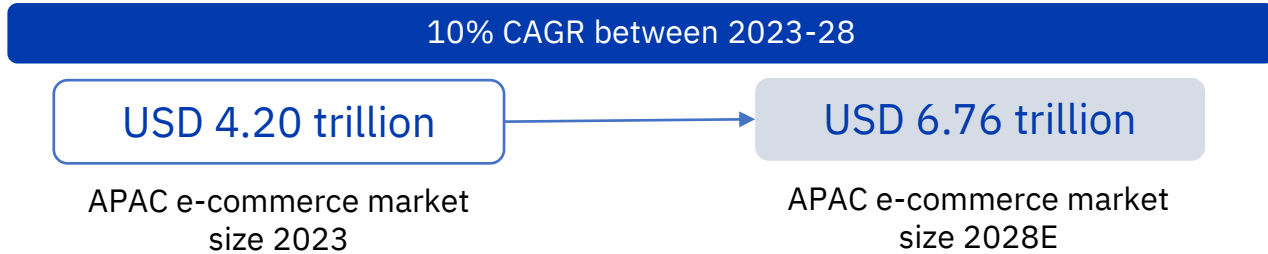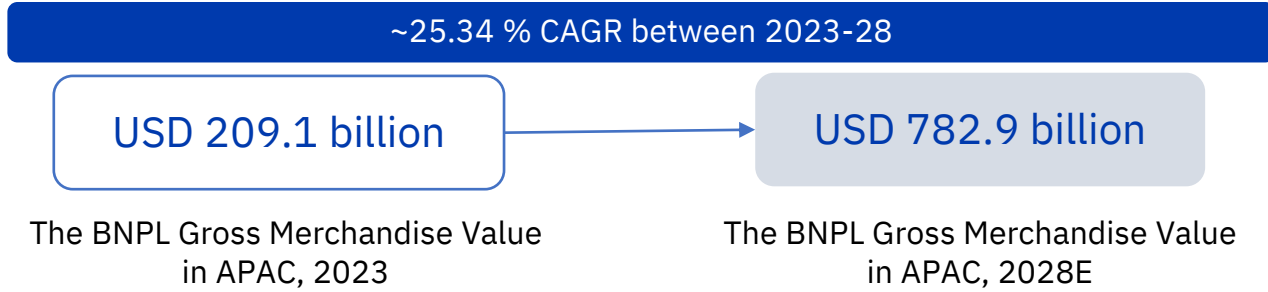- Streamline processes to reduce costs and improve transparency

#4 BNPL

BNPL will likely increase the spending and lending volumes for retail banking.

BNPL will likely trigger additional services around cash management for business banking.

Banks can proactively create offers and manage real-time personalization of both in-store and e-commerce purchases.

Buy Now Pay Later (BNPL) opportunities

~25.34 % CAGR between 2023-28

USD 209.1 billion → USD 782.9 billion

The BNPL Gross Merchandise Value in APAC, 2023

The BNPL Gross Merchandise Value in APAC, 2028E

10% CAGR between 2023-28

USD 4.20 trillion → USD 6.76 trillion

APAC e-commerce market size 2023

APAC e-commerce market size 2028E

BNPL share of transaction

4% → 7%

11% CAGR

2023

2028

E-commerce growth fuels BNPL adoption

Parameters for success

Onboarding experience

Payment innovation

Loyalty and reward offers

Source: Industry reporting, twimbit analysis, WorldPay FIS, Global Data, Mordor Intelligence

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Top 3 companies acing BNPL model

	atome	Klarna.	pine labs
Country of operation	10 markets across Southeast Asia and Greater China	45 markets across globe	India, South-East Asia and UAE
No. of merchant partners	240,000 merchants	450,000 merchants	Over 500,000 merchant
No. of customers	40 million	150 million	Over 40 million
Gross merchandise value	USD 2.4 billion as of FY23	USD 40 billion as of FY23	USD 193 million as of FY23
Services offered	BNPL, payment solution, online shopping, the mobile wallet, loyalty programs, and merchant services	Payment Solutions, BNPL, bill payments, savings account, Klarna card and online shopping	Payment Solutions, BNPL, Bill payments, consumer leanding, data insights, merchant EMIs, and gift card solution

Source: Industry reporting, twimbit analysis

Klarna. unlocks value with convenience, personalized incentives and intuitive CX

Klarna, a Swedish fintech company, has become a leader in the "Buy Now, Pay Later" (BNPL) space. Klarna's BNPL options include:

- Pay in 3: Split the purchase into three interest-free installments.

- Pay in 30 days: Delay the full payment for 30 days without interest.

- Financing: Pay for larger purchases in monthly installments with interest.

Klarna sets itself apart with a smooth user experience via its user-friendly app and seamless online store integration. Emphasizing mobile shopping, it targets younger generations through effective marketing campaigns. Strategic partnerships with major retailers like H&M and IKEA further extend its reach and value proposition.

Klarna also collaborated with OpenAI to enhance the shopping experience on ChatGPT.

Klarna's curated product recommendations will be integrated into ChatGPT, providing personalized shopping advice and links to shop through Klarna's search and compare tool.

Source: Industry reporting, twimbit analysis, Klarna media and
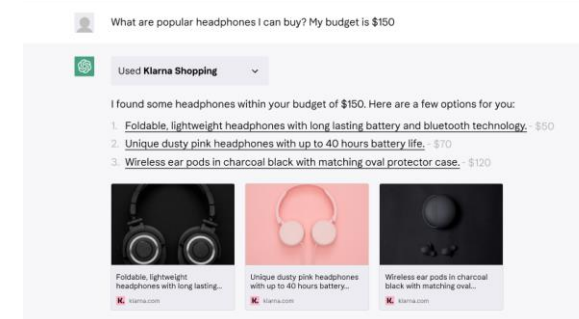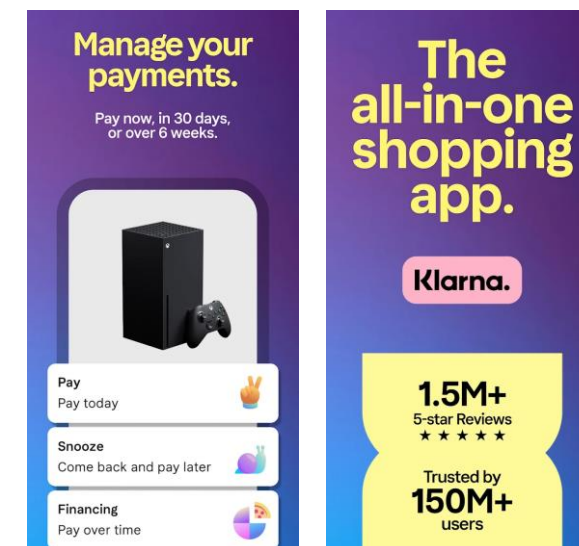
Imperatives for success

Use business intelligence to customise BNPL offerings

- Use data analytics and business intelligence tools to gain insights into customer behavior and preferences

- Create targeted BNPL solutions that meet customer needs

- Improve the effectiveness of the BNPL offerings by embedding into customer journeys such as e-commerce, utilities, travel etc.

Leverage API banking to embed peer ecosystems

- Use open banking standards to securely share customer data with third-party providers, enabling them to offer innovative BNPL solutions

- Partner with fintech companies and other third-party providers to expand BNPL offerings

Create predictive credit models with AI

- Use AI and ML to assess customer risk and determine creditworthiness

- Leverage AI and ML to improve the accuracy of their credit assessments, reduce the risk of default, and increase the revenue

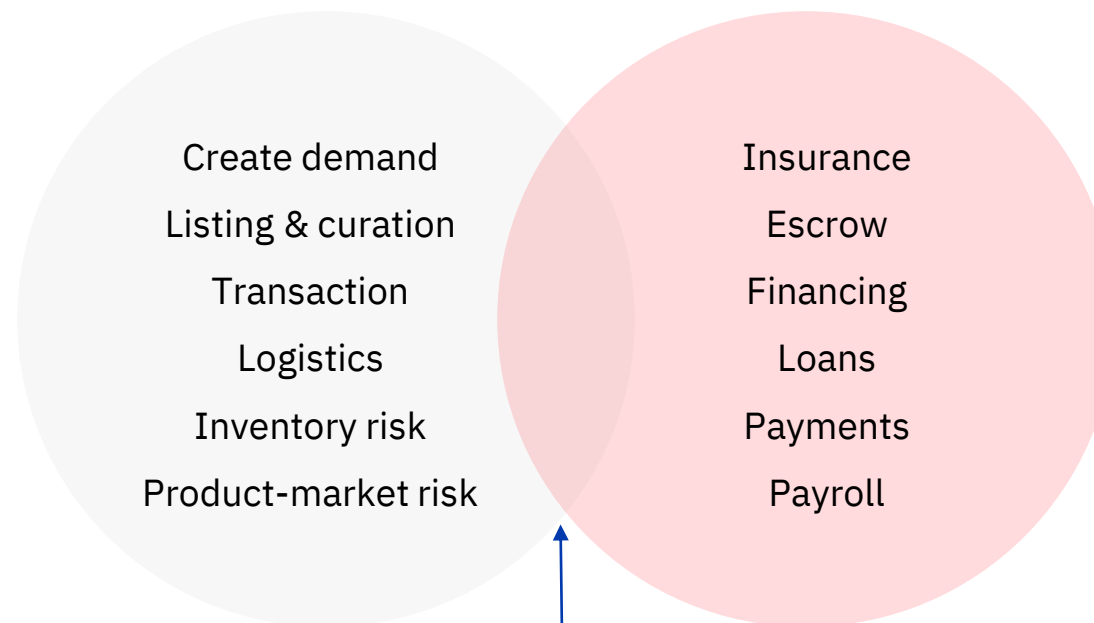- Offer personalised installment plans with the right interest rates and repayment periods

#5 Marketplace

Opportunity to leverage proven, trustworthy, Salesforce retail banking features using products backed by your bank's credibility is a step toward meeting new customers

Banking marketplace offers to strengthen and leverage relationships can bring your financial institution a customer's lifetime value

Opportunities for marketplace

Online Marketplace

Financial services

Create demand
Listing & curation
Transaction
Logistics
Inventory risk
Product-market risk

Insurance
Escrow
Financing
Loans
Payments
Payroll

Parameters for success
Partnership with adjacent third-party providers
Revenue growth (value/%) through partnerships
Portfolio of marketplaces

Fintech-enabled marketplace

✓ Expanding total addressable market
✓ New and recurring revenue stream
✓ Lower customer acquisition cost
✓ Sustainable unit economics
✓ Reduce friction at order

USD 7.2 trillion estimated opportunity within banking, insurance, lending, and payments

Acquiring a customer for a bank or insurance costs 4x than an e-commerce and 30x than a retailer.*

Source: Dealroom, Simon Torrance Embedded Finance, *solarisbank embedded-finance

Top 3 banks acing the marketplace model

DBS

- DBS marketplace allows consumers to buy or rent property, book flights or hotels, switch their electricity supplier, or buy or sell a car.

- DBS launched its first fully digital Fixed Income Execution marketplace and executed over 80 trades, amounting to USD 11.93 billion in FY22

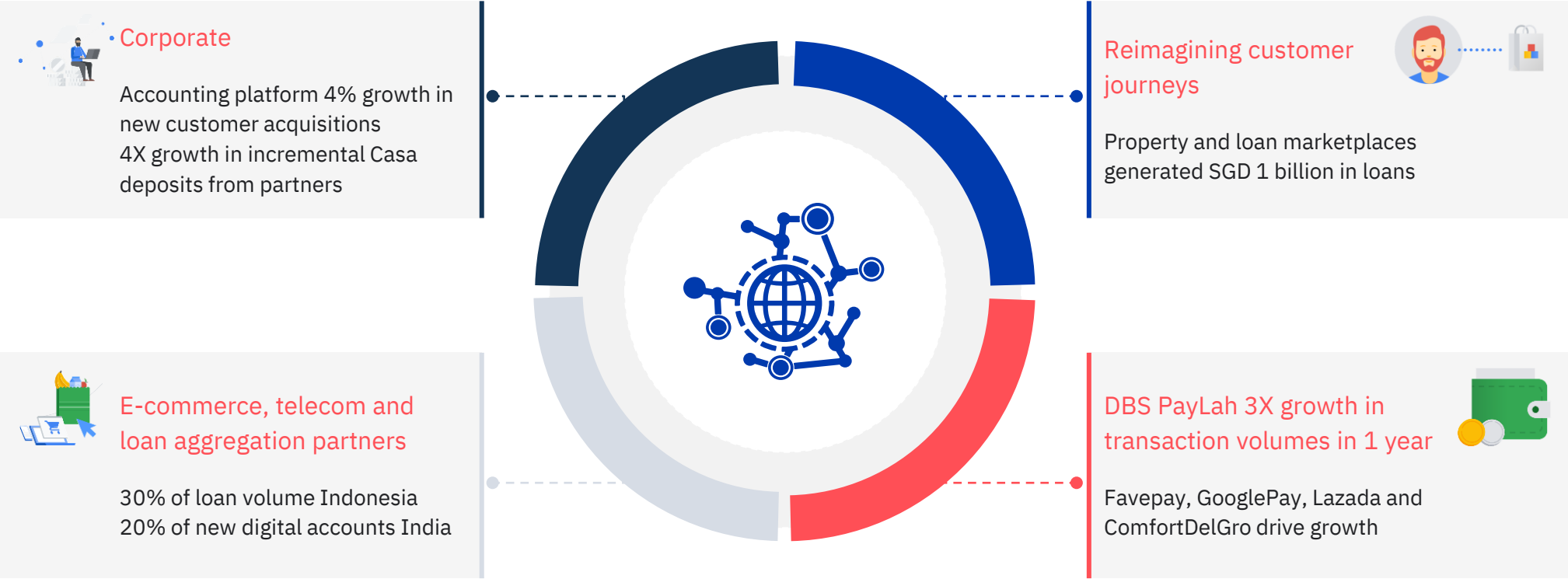- Non-interest income grew by 11% to USD 2.96 billion in Q3FY23

BAJAJ FINSERV

- Bajaj Finserce has diversified Financial Services & e-Commerce Open Architecture Marketplace offering Loans, Cards, Insurance, Investments, Payments &Lifestyle products in partnership with 37 Banks, Insurers & Financial Institutions

- Offering 1300+ Financial products and thousands of Lifestyle SKU's on its Bajaj MARKETS platform

- Bajaj Markets recorded a revenue of USD 47.02 million in FY2023

OCBC Bank

- OCBC's OneAdvisor Home provides all the tools and resources that property buyers would need to make an informed purchase – from property listings, policy details, rules and regulations to affordability advice.

- The portal allows consumers to apply for home and renovation loans with home loan approval in 60 minutes

Case-in-point

✖DBS grows by reimaging customer journeys through marketplaces

Corporate

Accounting platform 4% growth in new customer acquisitions
4X growth in incremental Casa deposits from partners

Reimagining customer journeys

Property and loan marketplaces generated SGD 1 billion in loans

E-commerce, telecom and loan aggregation partners

30% of loan volume Indonesia
20% of new digital accounts India

DBS PayLah 3X growth in transaction volumes in 1 year

Favepay, GooglePay, Lazada and ComfortDelGro drive growth

Imperatives for success

Harnessing blockchain for secure and transparent marketplace services	Leveraging open banking for expanded marketplace offerings	APIs to fuel marketplace diversity

Harnessing blockchain for secure and transparent marketplace services

- Banks can use blockchain technology to securely and efficiently process transactions on their marketplace platform, reducing the risk of fraud and increasing transparency.

- By leveraging blockchain, banks can offer more secure and reliable marketplace services, driving customer trust and loyalty.

Leveraging open banking for expanded marketplace offerings

- Banks can use open banking standards to securely share customer data with third-party providers, enabling them to offer a wider range of financial products and services through the bank's marketplace platform.

- By partnering with fintech companies and other third-party providers, banks can expand their marketplace offerings and revenue streams.

APIs to fuel marketplace diversity

- Banks can leverage APIs to connect with third-party service providers, enabling them to offer a diverse range of products and services within their marketplace.

- APIs facilitate the integration of various systems and data sources, allowing customers to access a broader range of financial services.

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be more

Insights | Immersions | Challenges