

FinTech Adoption Index – Russia

Key Trends
June 2016

What is FinTech?

Organizations combining innovative business models and technology to enable, enhance and disrupt financial services.

FinTech started as a hype but has now gained widespread attention in the financial services sector as new players have disrupted the ecosystem. The serious traction that FinTech has gained among FS (financial services) players is visible through a growing number of investments: up to \$US20b in funding provided in 2015 alone, as well as a sharp increase in partnerships, VCs investing in FinTechs, and incubator activity. What is harder to measure though is the traction among end consumers. EY has therefore conducted a study across a number of markets to analyze user adoption of FinTech services. We initially analyzed six markets in December 2015: Australia, Canada, Hong Kong, Singapore, the USA and UK. We have now completed additional analysis of Russia, focusing initially on digitally active consumers in the Moscow and St Petersburg markets.*

Our analysis covered up to 10 products across the markets surveyed

FinTech user = user of 2 or more products

Money transfers/payments

- ▶ Non-banks to transfer money
- ▶ Online foreign exchange
- ▶ Overseas remittances

Insurance

- ▶ Car insurance using telematics

Savings/investments

- ▶ Online stockbroking/spreadbetting
- ▶ Online budgeting/planning
- ▶ Online investments
- ▶ Equity and rewards crowdfunding
- ▶ P2P

Borrowing

- ▶ Borrowing via P2P websites

* In order to maintain global consistency, all figures identified as 'global' in this report relate to the original six markets (Australia, Canada, Hong Kong, Singapore, the USA and UK), and have not been adjusted to reflect our research in Russia.

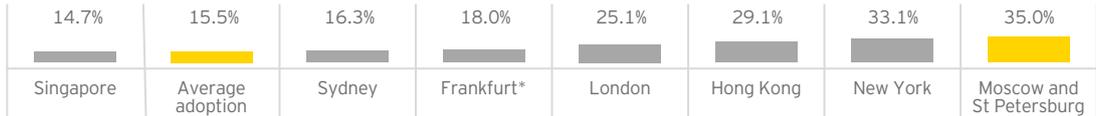
FinTech use is much higher in urban areas

Observations

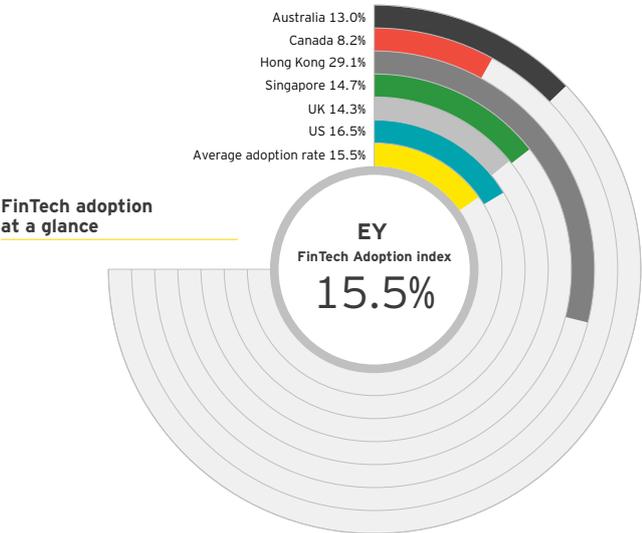
- ▶ Strong correlation with age and income factors in FinTech use
- ▶ FinTech firms are engaging with their urban user groups. Physical meetings and events are commonplace
- ▶ Marketing costs are lower in cities and there are important network effects to utilize

FinTech adoption is higher in urban areas

Percentage of FinTech users in major urban areas covered by the survey



Overview of Global FinTech adoption by country

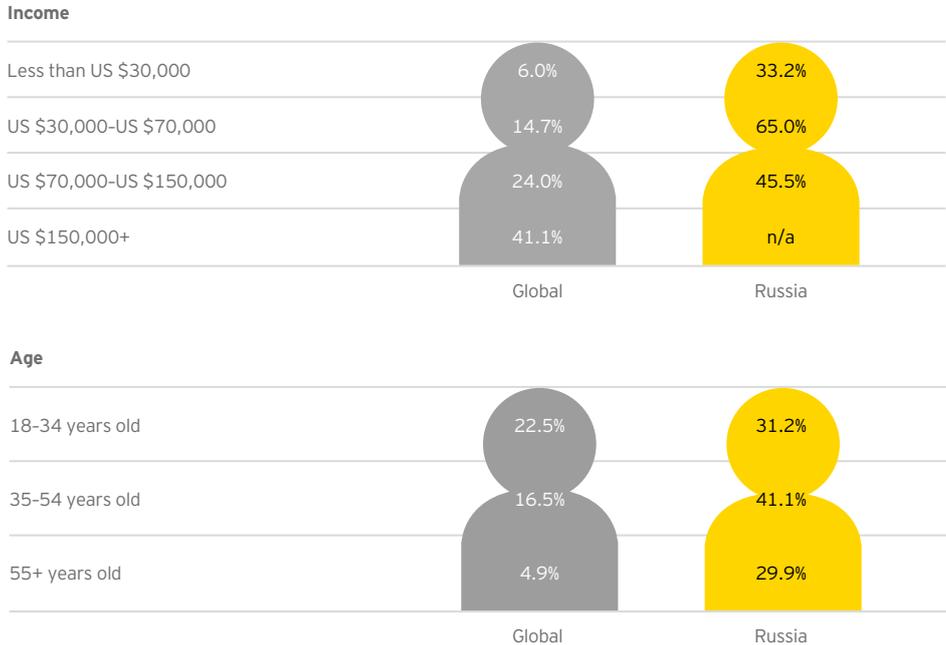


* Analysis of Frankfurt was undertaken as part of a study of the German market conducted by EY during April 2016.

Market snapshot: Russia – Moscow and St Petersburg

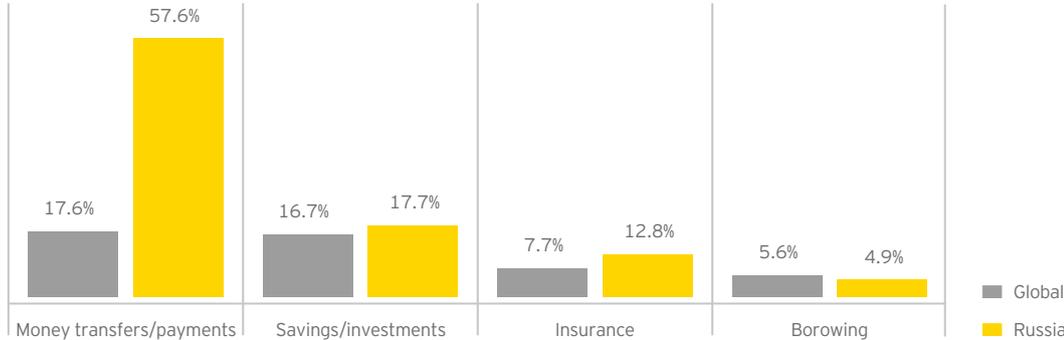
Who are they?

Breakdown of FinTech users by income and age group.



What types of product are they using?

Percentage of all respondents who have used each category of product

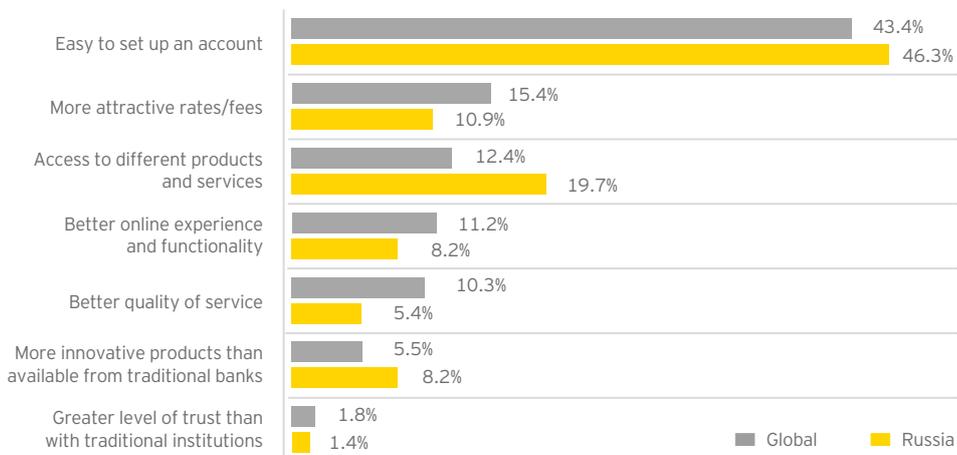


Responses: 429. FinTech adopters: 35%

Market snapshot: Russia – Moscow and St Petersburg

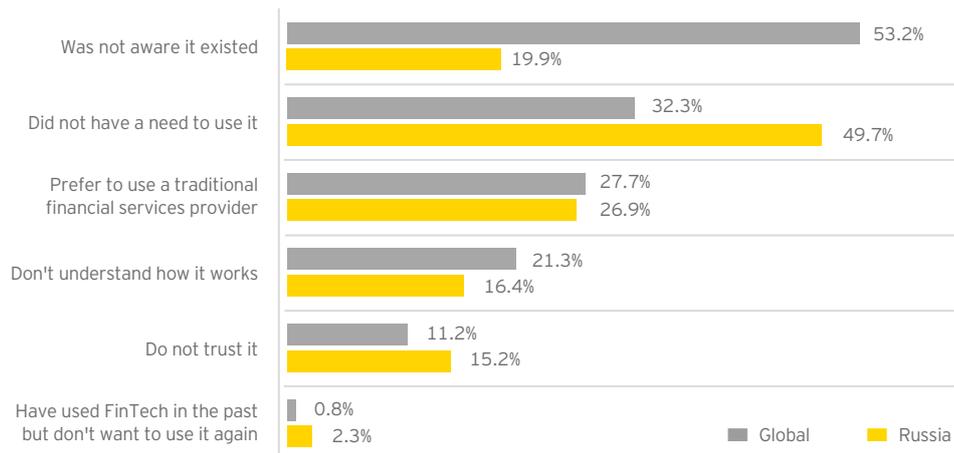
Why use FinTech?

The top reasons FinTech users give.



Why not use FinTech?

The top reasons non-users give.



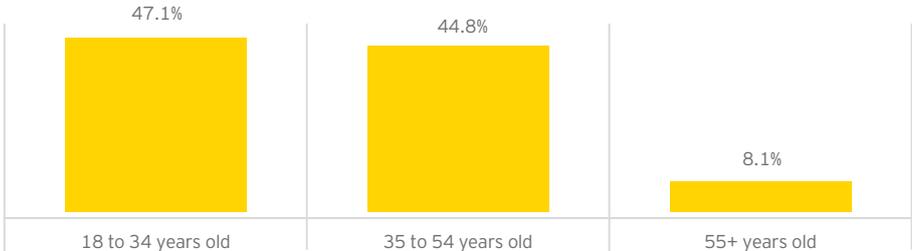
Market snapshot: Russia – Moscow and St Petersburg

Overview of demographic profile

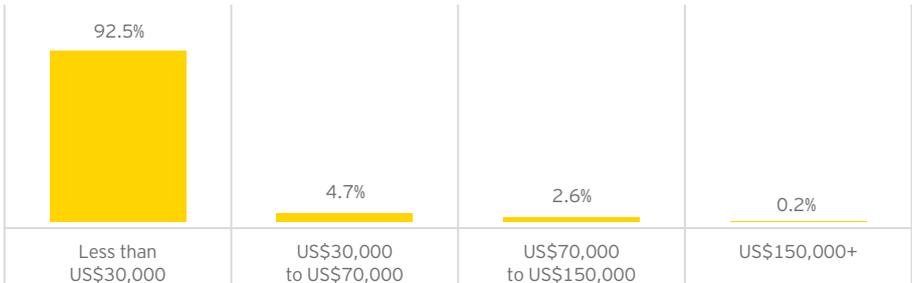
- ▶ 429 respondents in Moscow and St. Petersburg

Profile of respondents

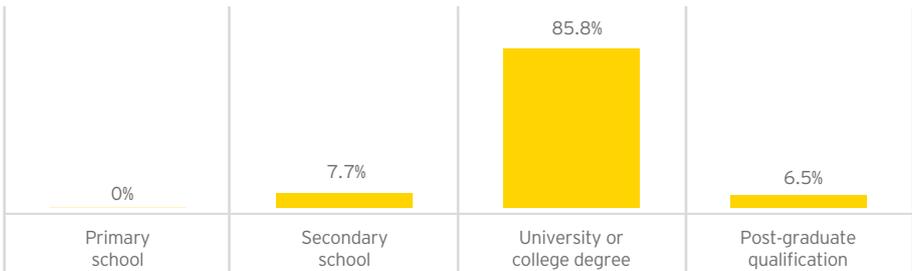
- ▶ Young population



- ▶ Income primarily below \$30,000



- ▶ Some over-indexing of higher educational groups



Implications for FS players

There are several opportunities for traditional FS providers to join the FinTech ecosystem.

1. Re-think design

Apply design tools to research and test services:

- ▶ Customer experience laboratories
- ▶ Rapid-prototyping
- ▶ Innovation labs

2. Partner

Work with FinTech providers to leverage their ideas and processes:

- ▶ Inclusion of FinTech solutions as well as partnerships with FinTechs to improve customer experience will maintain and increase customer satisfaction

3. Incubate

Incubate FinTech operations within the institution:

- ▶ Since the market is still at a nascent stage, incumbents have the chance to gain ground through active participation in the scene
- ▶ Set-up of venture capital arms, accelerator/incubator programs

Conclusion

Even though Russian online adoption is lower compared with major global financial centers such as New York, London or Hong Kong, the FinTech market is developing very rapidly. The study shows that the adoption of innovative and disruptive financial services has been accelerating. Moscow and St. Petersburg have produced the best results among the comparable global leaders. However, this strong result has been achieved due to the fact that two products - online payments and money transfers - are widely used. This has been driven by historical and traditional reasons, as well as the strong presence of local platforms such as Yandex.Money, QIWI wallet, Unistream, Korona, Robokassa, and others. The anticipated trend of a sharp increase in FinTech adoption requires traditional FS providers to react. All the more so, since one of the main reasons for not using FinTech services is the lack of awareness. Once awareness increases, banks and other traditional FS players will see themselves competing with FinTechs, who can offer more customer-centric and convenient services on a much larger scale. Nor are they burdened with cumbersome user interfaces underpinned by complex and manual processes due to legacy core IT systems, legacy product suites and pricing structures, as well as due to conservative company cultures. In order to keep up with the much younger and agile FinTechs, banks need to shift towards an iterative design and adopt, in their own way, the design elements that make FinTech services so engaging and easy to use.

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Key Contacts



Marchello Gelashvili
Partner,
Head of the Financial
Services Group in the CIS
Tel.: +7 (495) 755 9813
Marchello.Gelashvili@ru.ey.com



Mikhail Romanov
Partner,
Head of the Technology
Group in the CIS
Tel.: +7 (495) 664 7856
Mikhail.Romanov@ru.ey.com



Aleksey Rybnikov
Director,
CIS EY Knowledge Leader
Tel.: +7 (495) 705 9700
Aleksey.Rybnikov@ru.ey.com