



CASHING IN ON THE DIGITAL BANKING REVOLUTION

Transform your financial institution with
these 5 key insights

Have you noticed a significant uptick in the number of financial institutions that are launching digital banks? It's not your imagination. The digital-only bank is back in vogue.

FIS® has empowered numerous financial institutions to launch digital banks. We know firsthand that digital banks can deliver serious bottom-line benefits for those with a well-defined strategy.

Whether your business goals are to drive the deposit growth needed to underpin lending, expand your target market and reach, reinvent your customer experience or lower acquisition costs (or all of the above), it's time to stop reading headlines about how yet another one of your competitors has succeeded with a digital bank and determine whether you should get in on the action.

To help you make the right decision for your financial institution, consider these five key facts about what digital banks can offer

FACT 1: Digital banks fuel deposit growth

The [Federal Reserve Bank of Philadelphia's data](#) indicates that small banks' median loan-to-deposit ratio (LTD) has risen to approximately 80%. Back in the 1980s, that ratio was about 60%. The LTD at larger banks has also increased over the years and is now about 85%. LTD can be an important marker of a bank's financial health. We've seen just how vulnerable financial institutions that are overly reliant on non-deposit funding sources become when they're left with no alternatives but to borrow at unfavorable terms or cannot lend or issue credit.

Digital banks offer the speed to market, reduced overhead, lower acquisition costs and expedited onboarding that enables banks to fast-track deposit acquisition and expand their market and customer base. There's also growing evidence that customer attrition may be lower with digital banks; they aren't as subject to the life events that tend to trigger closed accounts.

FIS is a pioneer in the digital bank space, and we understand what it takes to thrive in this endeavor. Recent successes include launching multiple digital bank clients whose objectives were to maximize the potential to rapidly drive deposit growth and support improved loan/deposit ratios for the parent organization. In a short time, these digital banks have become wildly successful.

For example, by leveraging FIS' portfolio of 12 services, including FIS Profile® core processing and our security and fraud prevention systems, one FIS client was able to launch its digital bank in only eight months.

- **One month after launch: The new bank acquired \$500 million in deposits and reached market penetration across all 50 states in the U.S.**
- **Within four months of launch: The digital bank exceeded \$1 billion in deposits.**
- **Four years after launch: The digital bank grew to 10.6 billion in deposits and by 2.1 million customers.**



We see slightly different, albeit similar, motivators for launching digital banks in international markets. In Asia, some central banks are issuing a growing number of digital-only banking licenses. In other markets, digital banks are being launched to jumpstart innovation and accelerate the adoption of modern technology and new methods, such as Agile methods, DevOps and continuous delivery.

FACT 2: Customers know they're king

Over the years, the combination of mobile and digital banking and payment technology offered by traditional financial institutions, fintech disruptors and digital banks has shown customers that they don't have to settle for anything less than a true customer-centric bank experience.

Conversations with FIS clients in global locations consistently reveal that, for consumers, the most important components of their banking relationships are:

- **Ensuring transactions are safe and secure**
- **The bank is trustworthy**
- **The bank provides a smooth, easy customer experience**

FIS empowers digital banks to offer what customers want:

- **A consistent, unified experience across all channels**
- **Seamless account opening, funding and money movement**
- **Simple user journeys, eliminating all unnecessary hurdles**
- **Productive assistance when desired**
- **Real-time banking**



FACT 3: Digital banks don't have to cause channel conflict

Launching a digital bank without proper parameters could mean existing customers swap accounts to earn a higher deposit interest rate than their current product offers – but it doesn't have to. Financial institutions with well-defined strategies can proactively ensure they don't "cannibalize" their traditional account models. They can also determine whether they'll stand up their own digital bank – an approach that is unencumbered by the existing technology within the bank: The new digital bank can be as integrated into the bank's IT ecosystem or as independent from it as the bank chooses.



Strategy prevents cannibalization

Financial institutions with a well-defined strategy can proactively ensure that they don't hurt their traditional account models with their digital bank – particularly if it offers a significantly higher deposit interest rate than current customers earn.

Some neobanks also realize they can more effectively penetrate key markets with an omnichannel experience. A café-style branch, strategically located where a significant portion of the digital bank's prospects and customers live or work, doesn't require the same level of costs, planning and infrastructure as would be required for a full-scale branch model. For a relatively lower cost, this type of presence may help customers gain peace of mind and expand their banking relationships to include more sophisticated products and services.



FACT 4: Digital banks support financial inclusion

Financial inclusion begins with digital inclusion. Digital banks allow financial institutions to present a new brand identity to an untapped portion of the market and to reach customers outside of the branch footprint – including the unbanked and underbanked.



FIS has empowered many institutions to promote financial inclusion in global locations, including:

- **A challenger bank** offering disruptive mobile-first banking to the unbanked and underbanked through a pioneering mobile app. FIS provided a single source of banking capabilities, including account servicing, mobile app access, payments, remote deposit capture and virtual back office.
- **A renowned microfinance institution** serving a massive customer base. FIS provided a fully integrated banking and payments platform through a totally outsourced delivery model. This equipped the bank to connect customers in both rural and urban areas, including deploying 14,000 handheld devices to reach unbanked customers.
- **A major payments bank** with a strategy of making banking affordable to the underbanked. FIS' fully integrated banking and payments platform and outsourced delivery models empower the bank to improve financial inclusion by cutting the cost of account acquisition and management.
- **A "new age" small finance bank** that seeks to cultivate the major customers of tomorrow by connecting with the unbanked and underbanked in "rurban" locations. The bank uses FIS technology to pursue its mission of engaging rural women and providing technology-driven banking with a human touch.

FACT 5: Digital banks can expedite speed to market

In today's digital world, a financial institution's core processing system must support customer types across any channel, via any device, and in a branch, contact center and back office. Increasingly, all this needs to happen in real-time. The processing system also needs to be open so it can be integrated across the bank's entire banking and payment ecosystem.

Some FIS clients opt for a hosted solution to reduce time to market and total cost of ownership, while others run on a licensed deployment. Regardless of the type of institution they are when they decide to enter the digital bank landscape, banks are empowered to leverage the FIS core package, and the specific components and APIs that allow them to create a unique user interface in front of the core components. This gives the bank control over the customer experience and the capability to create a unique brand based on the bank's capabilities, offerings and target market. With either approach, the banks are assured that they are working with FIS as a technology partner with a proven track record, delivery certainty and a clear

understanding of the regulatory and compliance demands by which financial institutions must abide.

Digital banks offer platform flexibility

In either a hosted solution, or a licensed deployment, you can leverage a powerful core package, built from the ground up with today's technology. This allows you to select components and APIs that are fit for your purpose, empowering your bank to create a differentiated digital bank brand that supports your business goals, now and in the future. In both models, by leveraging a powerful core package (built from the ground up with today's technology) and selecting components and APIs that are fit for purpose, the bank is empowered to create a differentiated digital bank brand that supports business goals, now and in the future.



Let's Launch a Digital Bank.

See What FIS Can Do for You

For over five decades, FIS has empowered a global client base with platform, technology and infrastructure solutions to help them compete and keep pace with the changing financial services landscape.

Digital banks are a popular means of driving rapid deposit growth to underpin lending and meet customers' increasingly demanding expectations for the on-demand, digital and mobile banking experience.

Whether you're considering a digital bank as part of your financial institution's longer-term strategy or want to launch a digital bank to augment your existing business, you need the help of an experienced partner who can help you determine what approach is right for your needs.

With FIS by your side, you have the peace of mind that your digital bank is supported by a technology partner with robust experience powering global financial systems.



About FIS

FIS is a leading provider of technology solutions for financial institutions and businesses of all sizes and across any industry globally. We enable the movement of commerce by unlocking the financial technology that powers the world's economy. Our employees are dedicated to advancing the way the world pays, banks and invests through our trusted innovation, absolute performance and flexible architecture. We help our clients use technology in innovative ways to solve business-critical challenges and deliver superior experiences for their customers. Headquartered in Jacksonville, Florida, FIS ranks #241 on the 2021 Fortune 500 and is a member of Standard & Poor's 500® Index. To learn more, visit www.fisglobal.com. Follow FIS on Facebook, LinkedIn and Twitter (@FISGlobal).

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