



THE FUTURE OF GERMAN BANKING 4.0. CAPTURING GROWTH OPPORTUNITIES FROM THE DIGITALISATION WAVE

**MARKET INTELLIGENCE BY
CAPITALS CIRCLE GROUP (CCG)**



CONTENT OVERVIEW

Executive Summary



German Macroeconomic Environment and Forecast



ICT German Market Intelligence

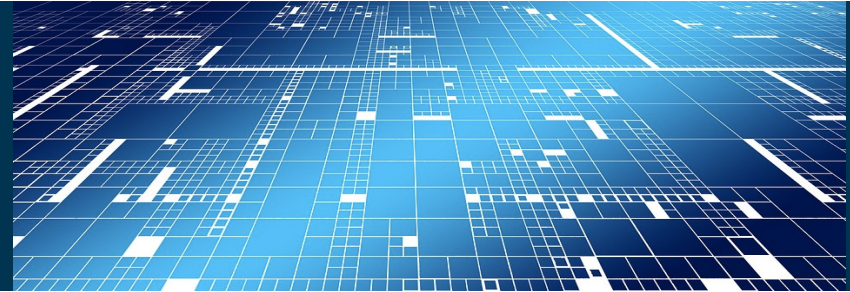


The German Banking Landscape



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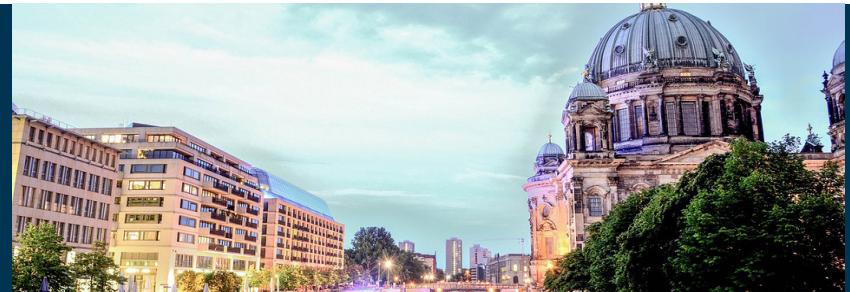
German Banking in Digital Transition



German Banks digital readiness in European Context



German Business Environment, Framework & Practices



Conclusion. Proposals for Market Entry Strategy



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EXECUTIVE SUMMARY

THE FUTURE OF GERMAN BANKING 4.0. CAPTURING THE GROWTH OPPORTUNITY OF DIGITALIZATION WAVE

Germany's economy shows a stable upward trend. Investment activity is likely to have been somewhat restrained as the indicators suggest. Business climate & confidence remains good and solid. External uncertainties have not undermined business confidence. According to projections, Germany's economic growth will be sustainable in 2017 & following years too.

One of the areas of focus and priority of the German Government is the innovation & digital transformation of the German economy by supporting with various initiatives the digitalisation of the economy in all main sectors & segments. Among others also in financial & banking sector.

The German ICT Industry is the largest in Europe. The average sector growth rate over the past 3 years was 2,3% & over the past 5 years was 2,4%, which shows, that although ICT market in Germany is important in terms of value, it has further growth potential despite the tough competition. In German market operate around 95.000 ICT companies generated €223 billion in sales in 2016, exported ICT services worth €21.8 billion and exported hardware and electronics worth €31.5 billion. According to estimations by the Ministry of Economics, Energy & Technology, annually around 7.000 new ICT companies on average are founded with an increase rate per year of 7.2%.

Present in German market are all global players such as IBM, Microsoft, Oracle, Salesforce, ATOS, SAP (one of the largest business software companies originally from Germany) but also Symantec (IT Security), Siemens (in special industrial segments), T- Systems (in some segments) but also local national big players such

as Datev AG, Software AG, Wincor Nixdorf, NTT Data, Arvato Systems, Infosys etc. have significant presence in the German market. However, the market is best characterized by the large number of dynamic and highly specialized SMEs but also Startups.

Regarding the top software & system integrators in Germany for 2015 and 2014, following companies are the top 10 German leaders in this segment in terms of turnover: T-Systems, Bechtle, Computacenter, ATOS, Cancom, Comparex, NTT Data, Dimension Data, Fritz & Macziol, SVA System Vertriebe Alexander, Infosys.

According to banks ranking (2015) it is clear that in terms of assets and branches network, bank leader is Deutsche Bank, followed by Commerzbank, but without being clear the so called national champions (Deutsche Bank could be characterized as such for some segments but not overall) since neither Deutsche Bank nor Commerzbank have good coverage of the countryside and outside cities (where strong are savings and cooperative banks). Deutsche Bank is strong in all segments but not Nr. 1 bank in all segments. It is clear the strongest in corporate clients. Commerzbank is very strong in SMEs clients. Deutsche Bank and Commerzbank are followed by Unicredit, Postbank (belonging also to Deutsche Bank), Landesbank Berlin (Saving Bank), Hamburg Sparkasse (Saving Bank), Santander Consumer Bank, Deutsche Apotheker & Ärzte Bank (special bank of the Pharmacists & Medicine Doctors).

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Majority of German banks seem not to be the pioneers regarding digitalization, though the large private banks (Deutsche Bank, Commerzbank etc. and some special banks ING Diba, N26 etc.) are among the leaders. Though in general in digital experience German banks lacks behind in comparison to other markets (UK, Netherlands, Denmark and Sweden). The number of Fintech firms in Germany grew by 53% between 2015 and 2016 to 405 companies in one year only. Germany together with UK is a leading Hub in Europe. The German Fintech will transform German banking faster than it is considered. The future German retail banking will be mainly digital, online, mobile, simple & fast but also with individual service. German banks are in digital transformation modus, therefore there is good potential for well established software and digital providers with international presence.

The market entry in Germany and the market midterm and long term presence need careful, serious, and long term strategy, adaptation to local practices and mentality. A German entity or cooperation with a local partner, acting in Germany will increase the possibilities for projects but also the added value and the brand name of the company, creating opportunities not only in the German market but also in the neighbouring German speaking countries (Austria, Switzerland).