

FINTECH GUIDE POLAND

2018: Ultimate Guide to Financial Technology in Poland

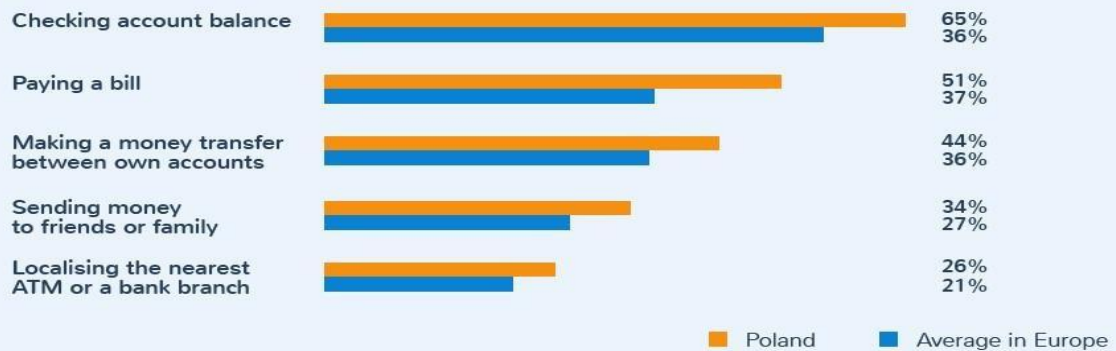
Poland is the biggest FinTech market in Central and Eastern Europe, with an estimated value of €856 million. **Warsaw, home to nearly 45% of startups in the country** is also a hub of financial technology in the region. The Global Financial Centres Index (GFCI) ranks capital of Poland as the 12th most competitive major Financial Centre in CEE, and 45th in the world.

Just 5 years ago the term “FinTech” was not widely known in Poland. Despite this, local financial institutions were one of the most innovative in Europe. It hasn’t changed since then. The ‘Welcoming Innovation Revolution’ report by **GE Global Innovation Barometer 2016** shows clearly that 83% of Polish companies are highly interested in new technologies. And **2018's edition of the report** proves that the innovations in Poland are driven mainly by SME’s.

The banks are great examples of ventures that are driving innovation. They constantly invest in improvements and novelties in various areas, such as modern sales channels (including online channels), remote client service technologies, digitalisation of traditional branches or new payment methods.

As a result, about **15,5 million Poles uses banking services online at least once a month**, according to Polish Bank Association. The use of mobile banking technologies is widely spread too.

HAVE YOU RUN ANY OF FOLLOWING OPERATIONS WITHIN LAST 12 MONTHS USING A MOBILE DEVICE?



Appendix: The question was asked only to mobile device users
 Source: 'Finance Barometer ING', 2017

Poland is also one of the most attractive markets in terms of outsourcing. Currently, there are **524 foreign companies with Business Process Outsourcing (BPO)**, Shared Services Centres (SSC) and Research and Development hubs (R&D) employing over 244.000 people (according to ABSL). One of the crucial elements of the Polish BPO industry is outsourcing for global financial institutions.

That's why names like Credit Suisse, Citi and UBS have made Poland their home for all outsourcing and Customer Support. It's speculated that Brexit will not only increase the workload for these 'back-offices' in Poland and the CEE region but also accelerate the relocation of middle-office services. For example one of the prime global banks, JP Morgan Chase, plans to run their operation and risk management processes in a newly extended center that is being extended to 5000 professionals.

With the cost of operating a business of any size in England going up and up, many more FinTech entrepreneurs will be looking to scale their business elsewhere. And Poland is properly poised to be the major European FinTech hub attracting foreign entrepreneurs to come and run their business here. One of them is **Rene Skaflestad**, CEO of the **Norwegian FinTech startup Liber Finance Group, who chose Warsaw as their headquarters.**

Here is everything You need to know to navigate Polish FinTech in 2018



Ultimate FinTech Guide Poland 2018

Everything you need to know to navigate Polish FinTech in 2018

€856 million - estimated value of Polish FinTech



Poland

1 is the biggest fintech market in Central and Eastern Europe

Warsaw

2 as the 12th most competitive major Financial Centre in the region and 45th in the world

#1 Polish FinTech

Poland has many advantages that support its development of financial technology innovations. The country's location is crucial when planning international expansion. Entrepreneurs travelling from Poland to any major city on the continent need only a few hours to reach their destination and, in most cases, remain in the same time zone. Furthermore, they can benefit from a common financial market as Poland is a proud member of the European Union.

One of the greatest assets of the Polish FinTech scene is a human capital and highly skilled IT professionals. **Polish programmers were ranked in the world TOP3 by HackerRank**, a platform that scores and ranks engineers based on their coding skills and helps businesses find the talent they're looking for.

The great potential has been already spotted by leading technology providers. In 2015 Google opened its Campus Warsaw which was the 5th in the world and 1st in the CEE region. Another incubator was opened by Microsoft in 2017 under the auspices of the Polish prime minister.

This shows the shift in the administration's approach to FinTech. It is still not as friendly as in the leading FinTech hubs, e.g. the UK - however, a lot has changed in last few months. The Financial Authority (Komisja Nadzoru Finansowego — KNF) has settled the strategic partnerships with their counterparts in Singapore, Taiwan, and Hong Kong. Also since the beginning of 2018, **FinTech entities can benefit from the Innovation Hub programme by KNF** which supports them in identifying relevant regulatory requirements.

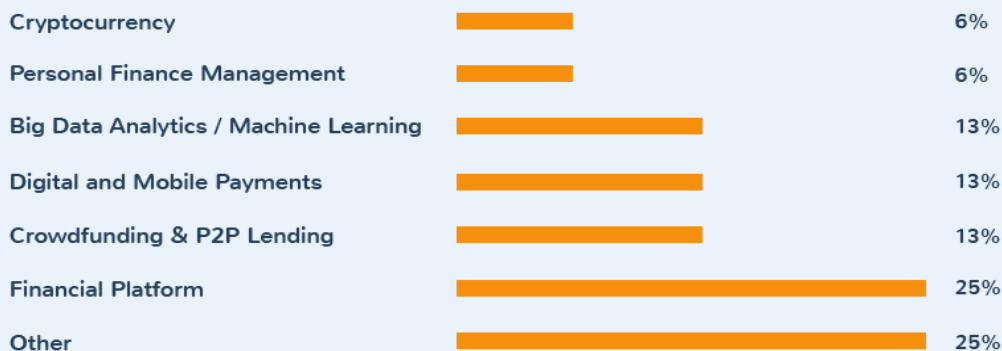
It's also worth noting that there are a number of initiatives undertaken by the administration in order to adjust current regulations to modern businesses (eg. Innovation Act or a set of "100 changes for companies")

There is also a number of programmes by state agencies for startups, just to mention "#StartInPoland" by the Ministry of Development and the Innovation Council or a "ScaleUp" by Polish Agency or Enterprise Development.

→ Key Insights

- According to **research by Accenture**, there are around **100 companies innovating the Polish FinTech**. Together, all major worldwide sectors are represented as electronic payments, loans, credits, financial platforms, cryptocurrencies, transactions, data analysis (credit scoring), machine learning and crowdfunding.
- An electronic survey conducted by **Fintech Poland Foundation and Obserwatorium.biz** showed that major domains where Polish FinTech companies operate are financial platforms and electronic payments.
- Many others declare they operate in areas such as data analysis & machine learning, payment processing, crowdfunding & P2P.
- In the interviews conducted by the foundation, representatives of both banking and FinTech industries concluded that the prioritised specializations for the Polish FinTech industry should be payments processing and services concentrated around loan and credit brokers.

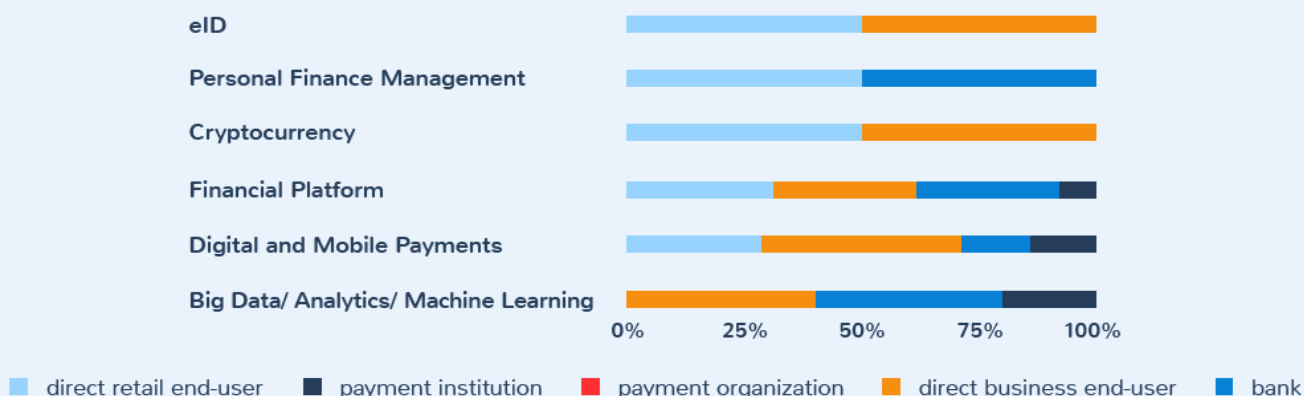
WHAT IS YOUR MAIN AREA OF BUSINESS ACTIVITY?



Source: 'FinTech in Poland. Barriers and chances', FinTech Poland Foundation and Obserwatorium.biz, 2016.

- The majority of services are intended to be used by other companies (B2B) or banks themselves. Only half of the FinTech ventures dedicate any of their services and/or products to consumers. This is not surprising, as **76% of Polish startups provide B2B services**, according to the Startup Poland Foundation.

SERVICES AND THEIR TARGET GROUPS DECLARED BY POLISH FINTECH



Source: 'FinTech in Poland. Barriers and chances', FinTech Poland Foundation and Obserwatorium.biz, 2016.

- Polish FinTech companies focus mainly on a domestic market but simultaneously try to launch their product in foreign markets. The size of the local market is big enough to let FinTech ventures generate a significant income, but on the other hand it's too small to be meaningful on a global scale.

→ Cooperation with Financial Institutions

The climate for FinTech in traditional financial institutions is positive and still improving. This is because of the maturity of the banking sector and their level of advancements.

Regarding the '**Banking in The Digital World**' paper by **A.T. Kerney**, the banking industry in CEE, especially Poland and Czech Republic, is more technologically advanced than in Western Europe. That translates to types of innovations in both regions.

For example, one of the most popular German banking startups, **Penta**, presents some of their features as unique selling points, such as being a digital only, instant balance update or a debit card delivered to the end-users home address. In Poland, these are rather a standard offer by most of the banks. On the other hand, in Germany the amount of VC investments is much higher than in Poland, reaching 400 million Euro in 2016 and 307 million euro in first 6 months of 2017. Except banking, these are widely represented specialisations among ca. 300 German FinTech companies: payment processing, loan & credit, and data analytics.

The banking sector evolved from perceiving FinTech as harmless novelty and competition to see them as interesting providers of innovations and disruptive approach. In 2017, five Polish banks conducted an assessment of FinTech projects, according to their business strategy and risk level:

Alior Bank - HugeThing.vs

ING Bank Śląski - Akcelerator ING mBank -

mAkcelerator

Pekao SA - Społeczny Startup

PKO BP - Let's FinTech with PKO Bank Polski

As acceleration programmes are dedicated to FinTech ventures in pre-seed and seed stage, the more mature entities can benefit from direct investments by banks. That possibility, however, applies only to companies providing solutions that banks would like to implement in a very close and exclusive cooperation and which may be strongly correlated with banks' strategies.



Cooperation
with banks

**HUGE
THING**

Alior Bank
HugeThing.vs

ING

ING Bank Śląski
- Akcelerator ING

m Accelerator

mBank
- mAkcelerator

Bank Pekao

Pekao SA
- Społeczny
Startup



Bank Polski

PKO BP
- Let's FinTech
with PKO Bank Polski

Other Polish Banks Disrupting FinTech:

BGŻBNP PARIBAS Bank Polska

BZ WBK

Blue Media & PayU are the most well-known FinTech companies — both had humble beginnings, grew with regular funding, achieved domestic dominance and are now corporations unto their own.

The success of these companies is in part, owing to the open-mindedness of the Polish banks themselves.

'Almost all banks are launching digital transformation programs, accelerators and incubators', says **Michał Miszulowicz**, Startup and Innovation Ecosystem Manager at **BGŻBNP PARIBAS Bank Polska**.

Poland may be seen as a conservative country in many ways, but the financial sector is not true of that label. The most innovative and forward-thinking banks see themselves as the engine room of the Polish FinTech startup environment.

'Poland in one of the most advanced markets in FinTech, mainly due to a late start in the '90. We are used to the internet and mobile banking, fast payments and PayPass. It's much easier to introduce new technologies. If anything, consumers expect regular innovation.' - adds Miszulowicz.

FinTech has become a driving force in transforming the global financial sector and Eastern Europe is having a big part in it.

Traditional financial cities like Frankfurt, Amsterdam and London are transformation centers within themselves, but Poland's proven track record of startup success is starting to get the attention that it so deserves.

On the benefits of growing and scaling your FinTech product in Poland, Miszulowicz says 'The cost of operating and growing in Poland is significantly less than other financial hubs. Now, many eyes, both entrepreneurs and investors, are starting to turn to Eastern Europe'.

Currently, financial platforms and electronic payment methods are the primary areas of the Polish FinTech market. According to **Mastercard**, Poland is one of the global leaders in the absorption of modern payment methods such as contactless payments. About 60% of all transactions by MasterCard are done contactless. 78% of all cards in Poland have contactless technology, as National Bank of Poland report.

→ **FinTech Meetups & Events in Poland**

As a very social community, Poland is home to a wide range of social and educational events for the startup sector. Not only the major metropolis like Warsaw, Wroclaw, Krakow or Gdansk have a strong startup scene, but there are many meetups in other cities like Lublin, Poznan and Rzeszow.

LinkedIn is widely used by startup entrepreneurs and it leaves behind its native Polish equivalent, GoldenLine, which is a very good tool for finding talents and hiring. A great way of building informal networking within the startup community is joining dedicated groups on Facebook with the probably biggest one "Rozmowy o startupach". Check out another FB Group: **FinTech Poland**

Another great source for updates on FinTech scene in Poland - **www.Fintek.pl**

Events in the Polish Startup environment are wide and varied. People come from all across the world to attend events in huge exhibition buildings. On the other hand, some of the best ideas to come out of the region have been sparked at social BBQs in the backyard of a Polish Villa in the outer suburbs.

Annual events like Wolves Summit, ImpactFintech, Fintech Congress, Cashless Congress, Digital Banking and Payments Summit bring startups, funds and corporations into the same space to cross paths and ideas - says Michal Sobczyk, External Relations Manager at ImpactCEE.

Fintech & Insurtech Digital Congress organised annually and has already become the important point on the map of Polish finance industry events. It is held by MCI, a PE/VC investment company specialised in Emerging Europe.

OpenReaktor is a monthly event where individuals from the Warsaw startup scene speak and network to nurture any ideas that are in their infancy. OpenReaktor has had speakers from businesses like Google, Facebook and TechCrunch.

Women Startup Competition is an event aimed at bringing together female entrepreneurs and their teams with potential investors.

FinTech Trends - trends and insightful chats on wealthtech, investech, robo-advisors, automated asset management, peer-to-peer finance, cryptocurrencies, big data, credit scoring, regtech, insurtech, blockchain, payments, transfers and many other topics that fall into so-called FinTech. Check also their FB Page.

Startup Weekend is organised in various Polish cities. Participants should create their startups within 54 hours only. After that, they have a chance to consult with experienced mentors. Last year Startup Weekend Warsaw was hosted by BGŻBNP PARIBAS Bank Polska and the leading subject of the event was FinTech & blockchain.

HackYeah is the biggest stationary hackathon in Europe. The track partners are Ministry of Finance and UBS bank while among the partners you can find PKO BP bank. Despite the event is strongly tech-oriented, not only developers are invited to participate, but all creative minds, too.

Infoshare is the largest tech conference in CEE (over 6000 attendees). Although not exclusively dedicated to Fintech, many representatives from the banking sector, VC funds and FinTech startups are present at the conference.

The wide range of accelerators, incubators and VC funds that are based in the CCE region are tools that can make Poland the hub of FinTech innovation and development in Central and Eastern Europe.

#2 The major players in Polish FinTech

In this report, major FinTech ventures were divided into 7 groups. Each company was categorised into one class and only identified by their type operations. Naturally, the character of some operations extends beyond one category. However, this assumption makes it easier to understand the morphology of the Polish FinTech scene without exaggerating its size.

→ Digital & Mobile payments



Payments are the second field of investment in FinTech industry in terms of financing, following loans & credits. According to Accenture, it gained 29% of all investments in the financial-technology sector between 2010 and 2016.

In Poland, you can find a large number of innovative solutions implemented by banks and FinTech. There is a developed payment infrastructure, too. This is a good starting point for growth in the segment. The biggest players in this category include:

Billon - designs and develops a digital cash solution for mobile phones and computers

BillTech - powers single bill payment site

Blik - popular payment, withdrawal and transfer mobile platform

Blue Media - major player offering express money transfers, payments, online authorization

CallPay - disrupts mobile payment sector

CashBill - payment platform for e-commerce

DotPay / eCard - local Polish payment method and PS

GoPay - innovates ticketing and payment methods in the public transport sector

MCX Systems - payment solution for retail **mPay** - provides services for mobile payments

Paylane - online payment gateway for SaaS and E-Commerce

Payarto - services for electronic payments sector

PayU - provides financial solutions for local and cross-border merchants in emerging markets, POS credit and alternative payment methods

Przelewy24 (Dialcom24) - popular payment solutions provider

SkyCash - application for mobile payments

Tpay.com - online payment system enabling fast and convenient internet payments **uPaid**

- payment solutions for e-commerce and m-commerce

The payment processing solutions are often exported from Poland to foreign markets.

→ Financial Platforms



The next major sector of the Polish FinTech industry is the area of financial platforms. Specifically, financial platforms that allow individuals and companies to tap into credit scoring, crowdfunding and various forms of loan products. Another large sector in this area is online currency exchange, mobile banking solutions and value-added services. Another up and coming sector is credit counselling and loan comparison engines.

The pioneering companies in this sector include:

Kantoria - online currency exchange platform

Kasomat - service for internet loans

Kredytmarket (Polska Platforma Kredytowa) - service for b2b credits

Lendguru - financial platform for SME's

LepszaOferta - comparison platform for finance, telco and utilities

CompareKing - compares loan offers across the web

Loando / Pozyczkaportal.pl - internet loans platform

MyPlacimy.pl - provides deferred payment solutions for companies

Payholding online currency exchange

Walutobox (Moje Waluty) - provides a platform for p2p currency exchange

Vivus - online loans service

Yobanking - a platform for group buying

→ Crowdfunding & P2P lending



Next in the Polish FinTech environment is the crowdfunding and P2P lending sector. Charity collections, social loans, P2P currency exchange and the public financial support of business ventures are an up and coming segment of the Polish FinTech market.

The Polish market has been quick to capitalize on social loans and the power of crowdfunding. Delivering a wide range of products ensures gaps in the market can be filled and funding is easier to come by.

Polish companies at the forefront of Crowdfunding and P2P lending are:

Beesfund - a crowdfunding platform

Currency One - online currency exchange

eMonero - a platform for social loans

Faktorama - helps SMEs obtain funding secured with future cash flows

Finansowo.pl - p2p lending platform

Kundi - insurance referral platform

Polakpotrafi.pl - popular crowdfunding platform

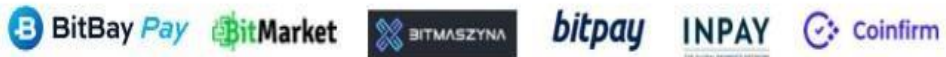
Siepomaga - charity fundraising platform

Wspieram.to - crowdfunding platform

→ Blockchain & Cryptocurrencies



Blockchain &
Cryptocurrencies



One of the quickest growing sectors in the Polish Fintech Market is based on Blockchain technology and cryptocurrencies. Virtual currencies and distributed data structures are unquestionably shaking up traditional markets, and Polish startups are well in the thick of things.

However, right now Bitcoin and blockchain are buzzwords that warm investors' hearts and stimulate their imagination. In fact, they are just technologies that can be used for utilitarian goals. That is why some of the companies below can be classed in different categories, too.

Polish startups at the forefront of Blockchain and crypto technology are:

BitBay - bitcoin payment operator

BitMarket - bitcoin exchange platform

BitMaszyna - bitcoin exchange platform

BitPay - blockchain payment platform

InPay - global payments platform

Confirm.io - blockchain AML risk & compliance platform

→ Big Data and Analytics



Big Data
and Analytics

atsora
innovation in finance

bacca

cenatorium

ICRA

Nethone

New technologies give us an excellent opportunity to collect various data. Using them, a business can provide a new level of services. However, to achieve this goal, entities must be able to collect the right data, store and analyze it properly, draw conclusions and make the right decisions. The financial industry faces this problem as well and tries to solve it with decent tools built by itself.

Among Polish companies focused on analytical services, you may find ones that estimate the value of real estate properties online or provide business intelligence solutions for SMEs. There are some also specialised in risk scoring, i.e. risk index of drivers based on their behaviour or providing SME's & individuals with credit scoring in order to decrease their instalments. Here are some flagship Polish companies in Big Data & analytics sector:

Bacca - helps to spread the cost of insurance by paying smaller regular fees

Cenatorium - provider of data-based solutions

ICRA - allows reduction of costs for individual and small business loans

Nethone - provider of predictive intelligence and machine learning solutions

→ Personal Finance Management



Personal Finance
Management

iqwisher

kontomierz



One of the most promising segments in FinTech are solutions helping individuals manage their saving and/or financial commitments. The default way of development for companies specialized in this kind of technologies is a close alliance with a large bank.

In Poland, there are relatively fewer FinTech entities who concentrate on personal finance management. However, there are a few worth mentioning:

iWisher - re-invents the way people give & receive gifts

Kontomierz - provides insights for personal finance management

Moneyfriend - money e-coach for young people

→ Other



The FinTech companies that were not categorised in any of the groups above make a significant number among all Polish FinTech entities. Among them, you can notice factoring service providers, both traditional and so-called silent. Their characteristic feature, though, is much less bureaucracy comparing to traditional factoring institutions.

Another bigger group within the segment are companies handling payments with their hardware solutions (i.e. providing and servicing payment card readers).

There is also a well-developed ecosystem of digital payment solutions who run their operations more “offline” or supporting the FinTech startups whose services are “fully digital”. But you can find virtual debt collection company or an entity, whose products simplify clearance and settlements between business clients and taxi companies.

Have a look at the following list:

eWindykator - debt collection tool

Fandla - factoring platform

FXMANAGO - improving the currency management for SMEs.

Finanteq - provider of mobile banking solutions

Finiata.com - provides working capital financing for freelancers and SME's over a fully automated data-driven scoring technology

IAI - online selling solution

inviPay - payment method for business

iPOS - tech solutions for POS

IT Card - provider of banking self-service solutions

LeaseLink - online shopping for business owners

Lider Walut (Cashhome) - currency exchange platform

Mobiltek - aggregation of SMS services for mobile banking

NFG - e-factoring platform

Paymax - mPOS solution

Paymento - financial technology solutions

Polskie ePłatności - provider of electronic payments

Sum Up - credit card readers

Taxilog - accounting and management of transportation expenses for b2b

xchanger - global API for international payments

Zencard - customizable loyalty redemption platform

#3 The strengths and weaknesses of operating in the CEE region (POLAND)

Like with everything, there are some things that are better than others. Poland is no different. In order to be fully aware, the strengths and weaknesses need to be looked at side by side.

→ Strengths

- 8th Largest economy in the EU and the largest in CEE
- **Proven track record of success with FinTech & B2C SaaS startups**
- Access to the global standard services and products as well as office spaces with lower prices

→ Weaknesses

- Recently much has changed but there is still a gap between the approach of administration and regulators in Poland and their counterparts in leading FinTech hubs
 - Smaller number of Venture Capitals and/or Equity Funds actively investing in the Polish FinTech scene than Germany, France or the United Kingdom
 - No single comprehensive system of support for startups but a series of somehow coordinated initiatives
-

For other FinTechs that are looking to step into Poland there are a few things to remember - says Alexander Beresford, Head of Marketing at Finiata. 'First, Poland is more advanced than Western Europe and North America in a lot of regards, especially the banking sector. Digital banking has been normal since the year 2000 here, contactless card payments already for nearly a decade too – Your “novel” idea is probably tried and tested here.'

“Glocal” has true meaning – you really must adapt to local needs, you will not succeed with a copy pasted go-to-market, I find this especially the case in Poland when compared to the other EU-28.

Finally, pick a small number of things to focus on, and do them at least 10x better than anyone else. Even if Poland is very innovative, focusing on generating value for your customer will win in the end – even if your customer might be augmented in the near future' - says Beresford.

Finiata faces one main challenge (and plenty smaller ones): People don't know there is a solution to their problem of getting paid after 30/60/90 days for an invoice. It's their money already, they just don't have it yet! 'This means we need to educate an entire market about the existence of our solution and the benefits it has for them' - Beresford explains.

This makes our marketing challenge quite unique, including something we coin “latent demand” – meaning there is inactivated demand out there waiting for this solution, which requires a 2-fold approach to activating this customer and then capturing the demand' - says Alexander Beresford from Finiata.

#4 Growing and scaling your FinTech product in Poland

Not only is the Central and Eastern European (CEE) region a beautiful part of the world, it's home to some of the best development teams in Europe - arguably, the world.

Eastern Europe provides the best value for money for startups anywhere in the world. The domestic banking sector's enthusiasm toward FinTech means that Poland and its neighbours should be the first place you look at to scale your FinTech project.

There are nearly 1,5 million students which make around 10% of the all European students. **Poland also ranks 11th in the world in English proficiency.**

Education in technology is only more impressive. In the Topcoder rankings of best developers, **Poland ranks 4th, Ukraine 5th and Belarus 8th.** With education and developer proficiency like this, it's safe to say that your idea is in capable hands in Eastern Europe.

How to grow faster being a Fintech?

'If you are FinTech you have to be either in London or NY, I was told by a top manager in a Polish Fintech' - says **Marcin Boroń**, Investment Advisor at Department for International Trade at British Embassy in Warsaw.

For Polish Fintech's London is the first most rational step in going global. Put simply, benefit from the FCA Sandbox regulations coupled with welcoming attitude from the DIT (Department for International Trade). Crucially, locating in London, one needs to be dedicated and success orientated, as the competition is fierce. This path was chosen in recent years by Billion Group.

Billion Group is a great proof of this strategy working perfectly.

Now, could it be possible the other way round? Surprisingly yes. Look at **Azimo**, cofounded by **Marta Krupinska**. The company initially started in London, has now its tech core in Poland, employing dozens of Poles in Kraków.

This shows, that although Poland still cannot compete with the UK in terms of access to the smart money, infrastructure or global outlook, Poles are widely recognized for its tech skills, ambition and perseverance.

'To recap, there's no one right strategy to scale-up. There are Fintech's that incrementally grow in Poland i.e. Braintree, Lease Link, Bacca or Confirm. Others, like Billion Group, have already been in London. Importantly, UK Fintech's do also try benefit from tech skills and knowledge in Poland (look Azimo)' - explains Boroń.

Direct presence in London guarantees credibility, access to the top Fintech oriented VC & allows global expansion. Having the tech core in Poland initially, followed by HQ formation in the UK, benefiting from the DIT's support and the mature financial market is a receipt for success – the recurring customers.

Summary

'If a FinTech company manages to implement their solution in Poland, they are ready for the rest of the world. I strongly believe that Poland will be in the vanguard of Fintech development' - explains Michał Miszulowicz from BGŻBNP PARIBAS Bank Polska.

It's easy to see how FinTech companies can easily make use of the Polish FinTech Industry. A proven track record of successful startups, a thriving and resourceful community and a society open to digital financial technology makes the CEE region very promising.

Sources:

- 1) www2.deloitte.com/content/dam/Deloitte/global/Documents/About-Deloitte/central-europe/ce-fintech-in-cee-region-2016.pdf
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