



FinTech in Germany

RESEARCH REPORT
2020

EXECUTIVE SUMMARY

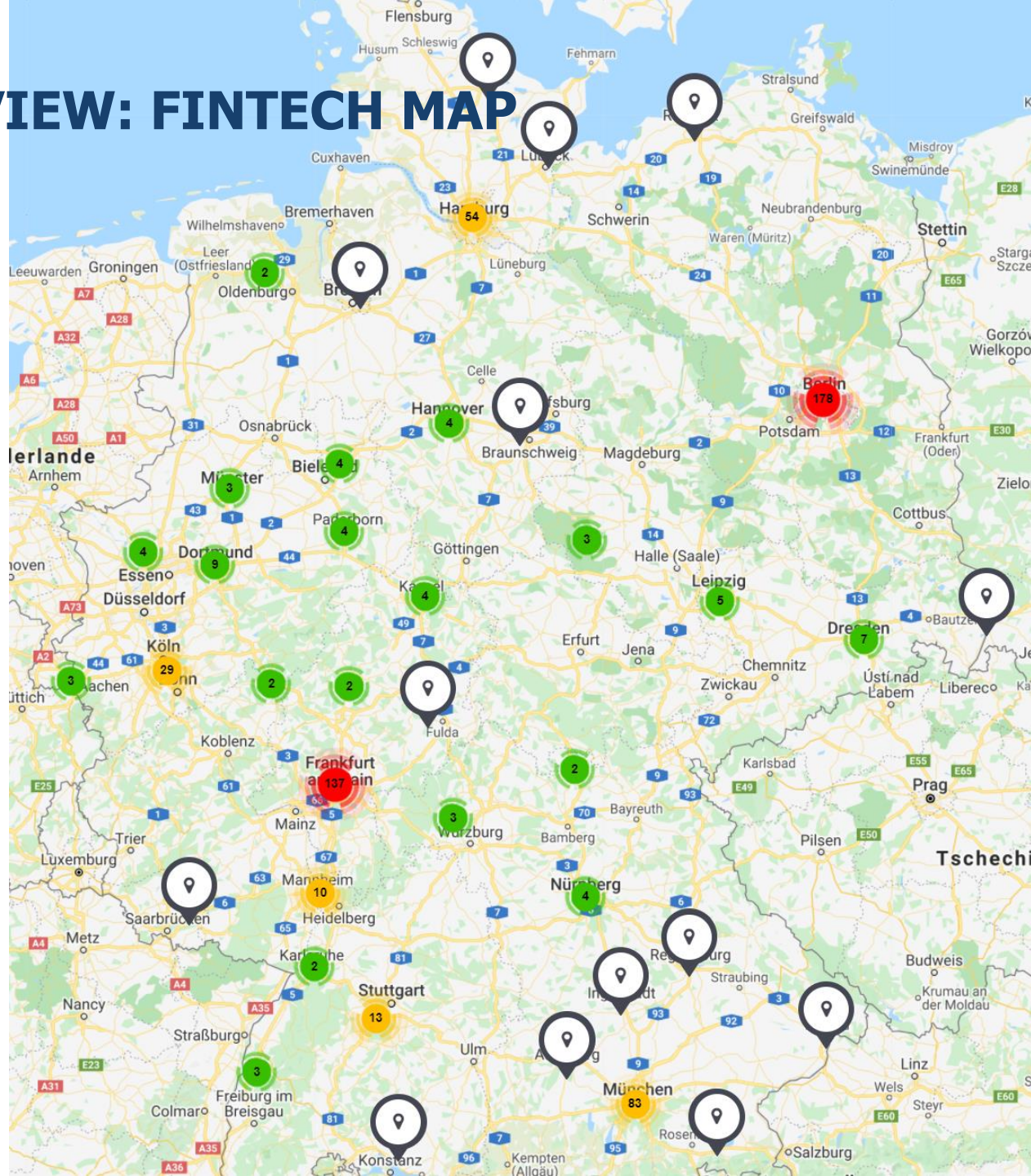
1. FinTech in Germany is **decentralized**. Several hubs (Berlin, Frankfurt, Hamburg, Munich, Cologne) exist, each with a decent share of a total of 600-800 FinTechs. Among the top ones, Frankfurt is home of many **B2B** FinTechs, while Berlin is rather B2C, due to its ecommerce roots.
2. Many FinTechs are now in **scale-up** phase, step-by-step becoming profitable, after the 2015 peak of new FinTechs. In 2019, more than € 2bn were invested in German FinTechs.
3. Frankfurt and Berlin are the two official FinTech hubs assigned by the German government as part of its digital hub strategy (**de:hub**). Cologne and Munich are the two official InsurTech hubs.
4. National & international FinTechs use Frankfurt as **the place to meet and to do business** with German financial institutions and corporates. In the last years, many foreign start-ups came to Frankfurt and Berlin, in particular from the EU, Israel and various Asian countries.
5. Berlin attracts many developers and excels in **Digital Banking** and **Blockchain/Crypto**. Major topics in Frankfurt are **Open Banking** and **RegTech**, driven by rich process & infrastructure expertise locally as well as the presence of several German & EU regulatory authorities.
6. Main topics of ecosystem building between 2014 and 2017 were co-working spaces, talent, accelerators/incubators, investors, regulation & events. Since 2018, the focus is more on new trends, e.g. **AI in Finance**, **Blockchain** and **Green/Sustainable FinTech**.

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1. OVERVIEW: FINTECH MAP

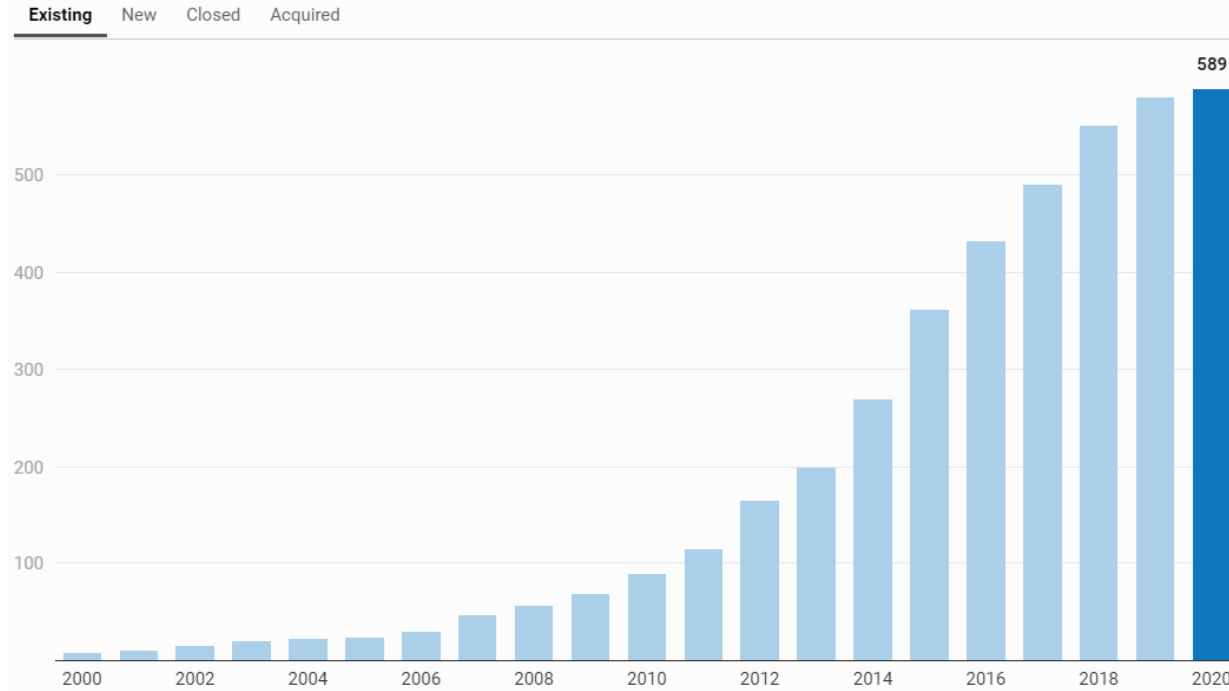


[LIVE VIEW](#)

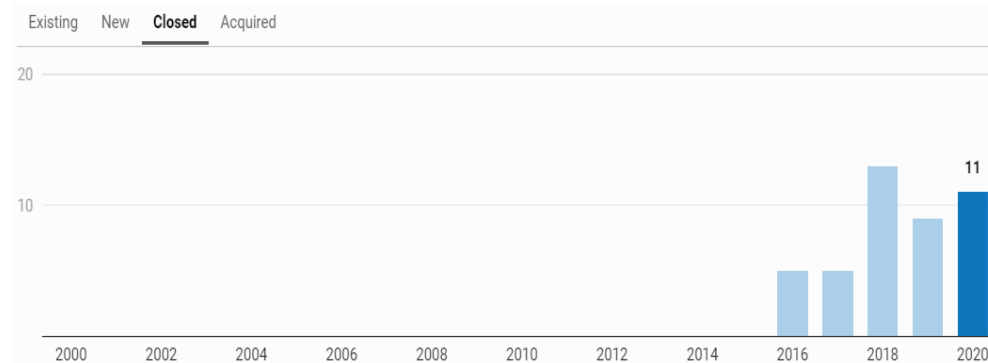
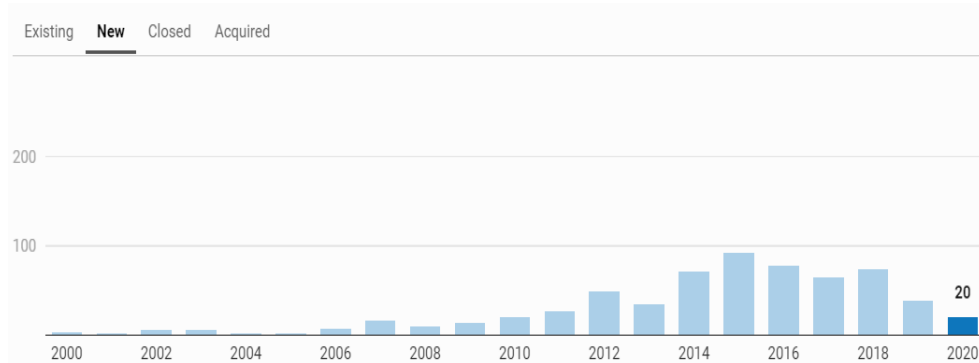
GROWTH

FinTech Companies in Germany

as of 13 September 2020



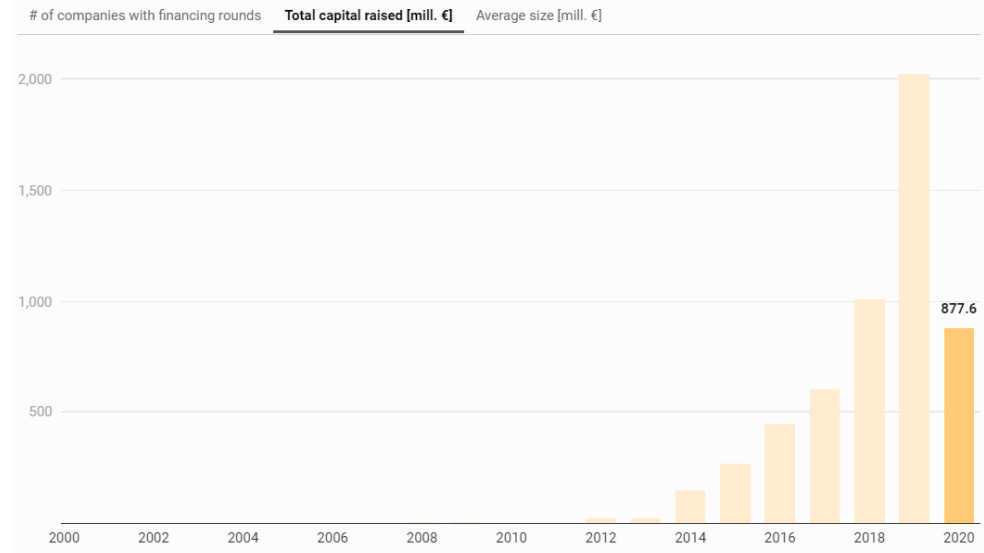
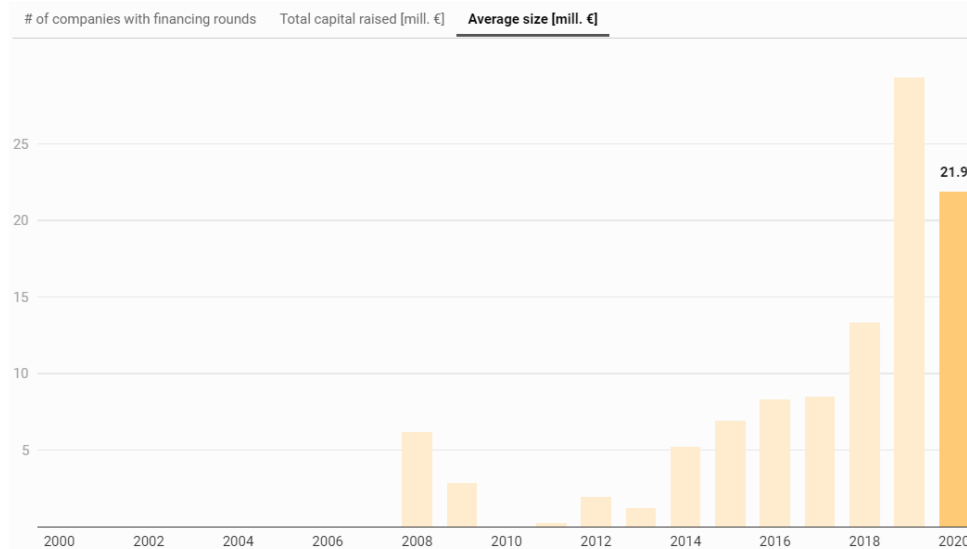
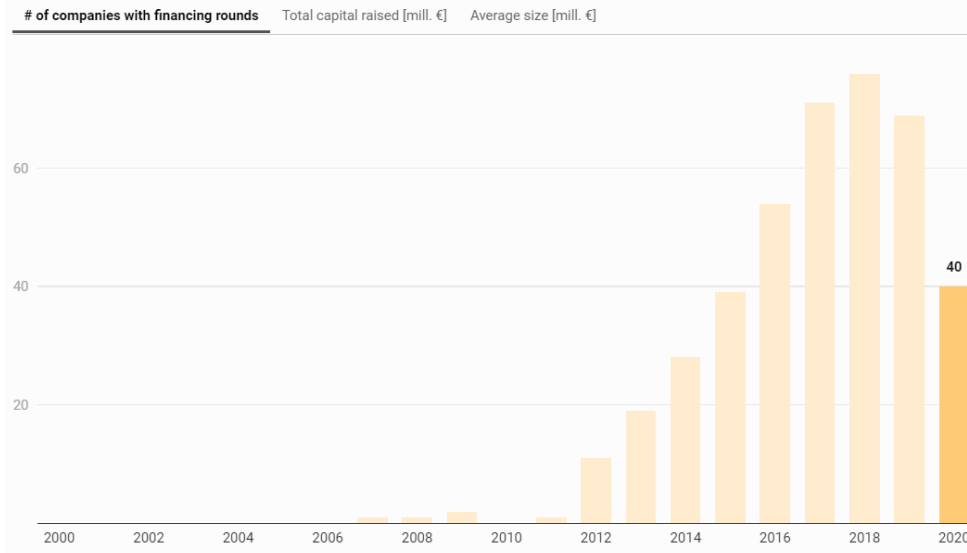
The strongest period of growth was between 2012 and 2018. More FinTechs have closed their businesses since 2018. 11 closures in 2020 keeps within limits in the face of the pandemic.



FINANCING ROUNDS

Financing Rounds of German FinTech Companies

as of 13 September 2020



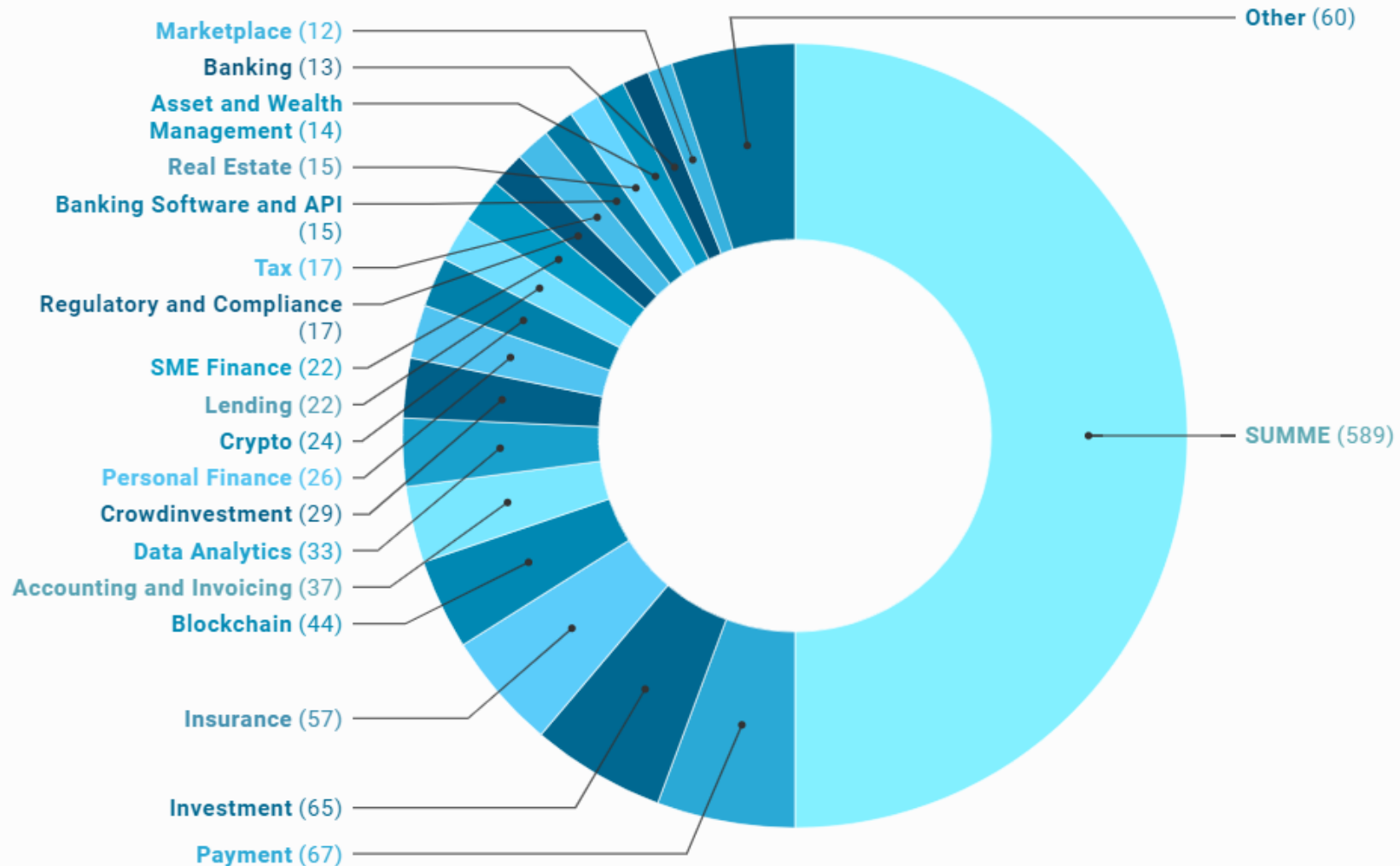
2019 showed 69 financing rounds with an average size of € 29.3mn for a record volume of €2.0 bn.

2020 volumes expected to be on the same level as 2018 (€1.0 bn), with much less financing rounds, though.

ECOSYSTEM DIVERSITY

Categories of German FinTechs

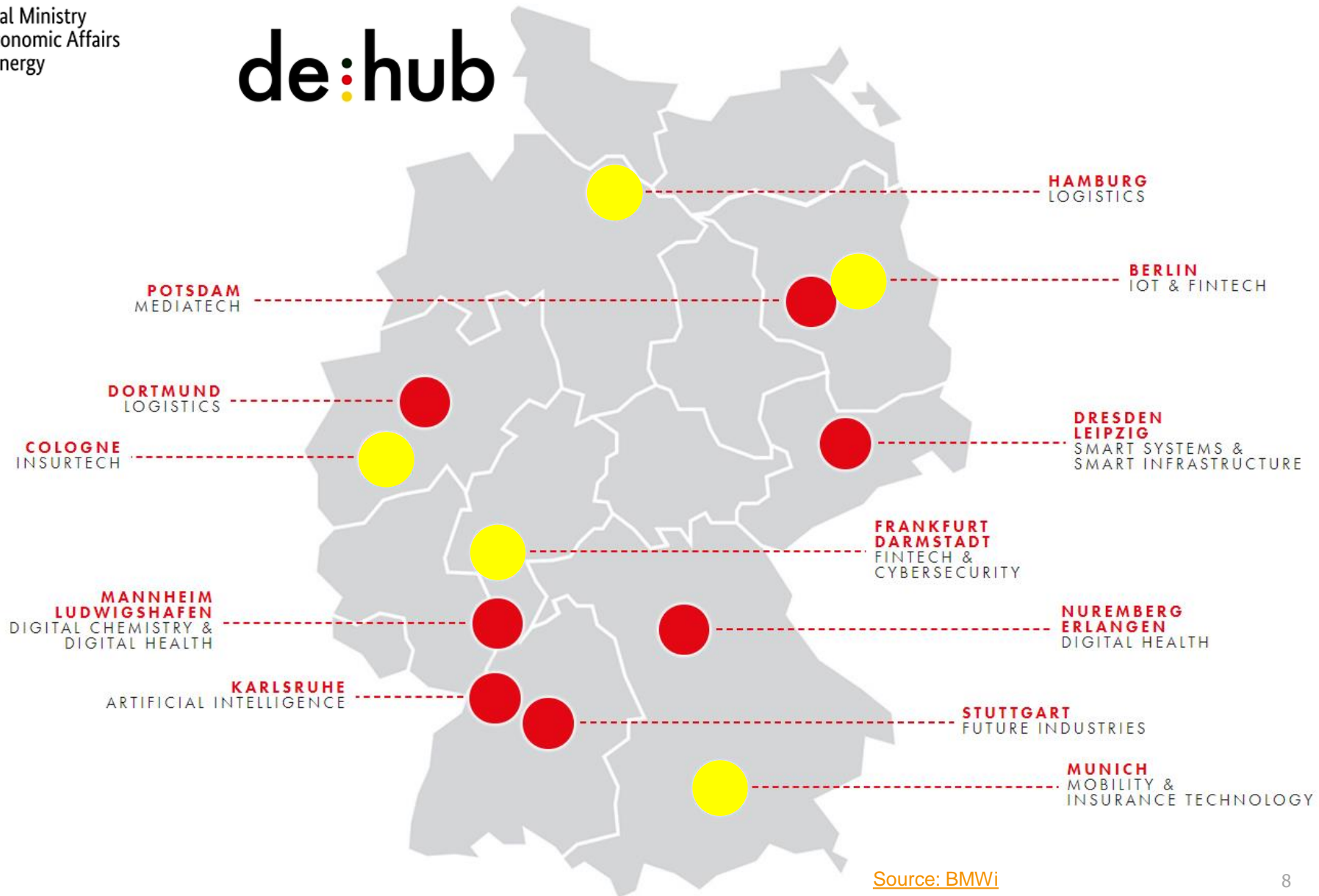
as of 13 September 2020



2. MAJOR HUBS



de:hub



BERLIN

- German capital and largest German city
- 178 FinTechs registered
- FinTech roots in ecommerce payments
- Top FinTechs (valuation):
 - N26 (€ 3.3bn), wefox (€ 1.7bn),
 - Grover, raisin (€ 0.7bn), smava (€ 0.5bn), solarisbank (€ 0.4bn), Friday
- Listed FinTechs (market cap):
 - Hypoport (€ 2.9bn)
- Mainly B2C FinTechs
- Top FinTech categories:
 - Payment (18), Blockchain (16), Insurance (15)

PLUGANDPLAY

MINDSPACE
betahaus



Factory

DEEP
BRN

Techcode 太库

wework



Berlin is a digital melting pot and the home of venture capital. With its powerful network of experts and entrepreneurs, the German capital is a strong competitor with other international start-up cities.

- With around 40,000 new companies founded each year, Berlin is the start-up capital of Germany.
- A healthy entrepreneurial culture, tech conferences, start-up contests, incubators, and investors attract talented founders from all over the world, year after year.
- The atmosphere in Berlin is young, creative, and fresh combining an elaborate history with assorted culture which makes new ideas welcome to the market.
- As the city tries to make its mark on the Fintech world, it is providing more and more opportunities to entrepreneurs with innovative and marketable business strategies.
- Berlin attracts developers from Eastern Europe and elsewhere into an international hub where English is the lingua franca among startups and costs are noticeably lower than in London or Paris.
- Top international VCs are active in the Berlin ecosystem and invest into German FinTechs. Receiving 59 % of the venture capital invested in Germany, Berlin is clearly the most important region for tech investments.
- Berlin continues to be one of the top European locations for such investment and is just behind London on the second place.

FRANKFURT RHEIN MAIN

- Germany's leading financial center (#13 globally, according to Z/Yen GFCI 27)
- Home of ECB, EIOPA, Bundesbank, BaFin (German Financial Regulatory Authority), as well as 200+ banks
- Largest Internet node worldwide in terms of traffic (DE-CIX)
- Largest German airport
- 134 FinTechs registered
- Top FinTechs: 360T, October, concardis, Clark
- Listed FinTechs (market cap): flatex (€ 0.8bn), creditshelf (€ 0.1bn)
- Mainly B2B FinTechs
- Top FinTech categories: Investment (19), Data Analysis (15), Insurance (14)

PLUG AND PLAY

Unibator
enabling innovation.



Goethe University
Business Incubator
Frankfurt am Main

MINDSPACE



blackprint
PROPTech BOOSTER



wework



FRANKFURT RHEIN MAIN

The region of Rhine-Main is one of the strongest economic and research centers in Germany and across Europe. Frankfurt am Main and Darmstadt, two outstanding university cities, have joined forces in the fields of finance and cybersecurity to deliver marketable solutions for the digitization of Germany.

- Frankfurt is an international financial center boasting a high concentration of outstanding universities.
- As a FinTech hub, it builds upon these locally founded strengths. It unites players from the financial sector and the entrepreneurial scene, who work together on new security products and infrastructures for the financial market. Innovative entrepreneurial ideas are developed into market-ready products in the environment of scientific institutions, and in partnership with businesses.
- Frankfurt Rhein Main area also hosts Germany's [Cybersecurity hub](#) (CRISP) and the largest Internet node world-wide in terms of traffic ([DE-CIX](#)). Frankfurt's data centers are not only home to capital market and financial institutions, but also to many FinTechs.
- Open Banking and RegTech are core in Frankfurt, driven by rich process & infrastructure expertise locally as well as the presence of several German & EU regulatory authorities.

- Germany's 2nd largest financial center (#29 globally, according to GFCI 27)
- 54 FinTechs registered
- Top FinTechs (valuation):
Deposit Solutions (€ 1.0bn)
- Listed FinTechs (market cap):
The Naga Group (€ 0.1bn)
- Top FinTech categories:
Investment (8), Real Estate (6),
Insurance (5)

Fintech Hamburg *FinHam*

 MINDSPACE

SPARKASSEN
INNOVATION HUB

wework

HaspaNEXT

betahaus | hamburg



Hamburg is the international innovation hub for digital business transformation in the fields of finance and logistics.

- Hamburg is not just one of Germany's oldest banking cities, but one of its most innovative financial economies, and offers high quality of life and a compact center.
- Furthermore, it is the best point of contact for digital business transformation in the logistics industry for both the region and across Germany. From financing of vessels up to trade & supply chain finance: start-ups in Hamburg work at the intersection of logistics and finance.
- FinTech Hamburg is a community initiative with the aim is to provide a forum for exchange open to all FinTechs and established financials.

MUNICH

- Germany's 4th largest financial center (#37 globally, according to GFCI 27)
- 83 FinTechs registered
- Top FinTechs (valuation):
Check24, Scalable Capital (€ 0.4bn)
- Listed FinTechs (market cap):
UMT (€ 0.3bn)
- Top FinTech categories:
Payment (16), Investment (10),
Personal Finance (7)

The automotive and insurance industries come together in Munich: a digital eco-system with radiant influence around the globe is growing around these two core industries.

- Bavaria and the greater Munich area constitute one of the most important innovation centers in Europe.
- The automotive industry, which accounts for 28% of total revenue, and the insurance industry, with more than 100,000 employees, represent the strongest sectors of the regional economy.
- Established companies and founders work together in Munich to promote the digital transformation of products and services.



COLOGNE

- 21 FinTechs registered
- Top FinTechs: [moneymeets](#)
- Top FinTech categories: Payment (4), Investment (4), Insurance (3)

Cologne has a long history as a center for the insurance industry. The collaboration between established companies and entrepreneurs from the insurance technology sector is just one example of the industry's readiness to develop innovative insurance solutions.

- Cologne is one of Germany's most important insurance locations. The city attracts founders from all over Germany and abroad.
- There are currently around 650 start-ups with more than 9,000 employees based in Cologne.
- They focus on digital solutions for the German insurance sector and facilitate transfers of knowledge between the scientific community and the industry itself, thereby guaranteeing that the insurance sector remains on the cutting edge.



3. TOP PLAYERS: GERMAN UNICORNS



- Founded in 1999
- Private company
- Platform for financial services
- 1000+ employees
- 15+ million customers
- €0.5 billion revenues in 2015/2016



- Founded in 2013
- Private company
- European mobile bank
- 5+ million clients
- 1,300+ employees
- Valuation of \$3.5 billion after \$170 million financing round in July 2019



- Founded in 2015
- B2B2C platform that connects carriers, agents, and insurers
- \$100 million revenues
- 500k+ customers
- Valuation of \$1.7 billion after raising \$235 million in two financing rounds in 2019



- Founded in 2011
- Marketplace for bank deposits in 20+ European countries
- 300+ employees
- €20+ billion deposits
- Cooperation with Deutsche Bank
- Valuation of \$1 billion after \$55 million round in Sep 2019

M&A DEALS IN FINTECH



- Founded in 2000
- Located in Frankfurt
- FX trading platform for corporates
- Bought by the global exchange group Deutsche Börse for **€ 725 million** in July 2015

- Founded in 2003
- Located in Eschborn (near Frankfurt)
- Acquirer / payment service provider
- Bought by private equity investors Advent and Bain Capital for more than **€ 700 million** in January 2017



- Founded in 2003
- Located in Heidelberg (south of Frankfurt)
- Payment service provider
- Majority bought by KKR in August 2019, at a valuation of almost **€ 930 million**

WINNERS OF THE FINTECH GERMANY AWARDS 2020

Seed Stage:



[Tangany](#)

Custody of digital assets. Founded 2019
Last Financing Round 2020
Total Raised: 0.2mn €, EBIT 2019: 0.0mn €

Early Stage:



[Myos](#)

Working capital for merchants. Founded 2018
Last Financing Round 2020 (2mn €),
Total Raised: 11.4mn €

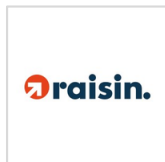
Late Stage:



[Penta](#)

Business banking for SMEs. Founded 2016
Last Financing Round 2020 (22.5mn €),
Total Raised: 39.7mn €

Growth Stage:



[Raisin](#)

Interest rate savings for consumers. Founded 2013
Last Financing Round 2019 (121mn €),
Total Raised: 169mn €, EBIT 2016: -9.3mn €

InsurTech:



[GetSafe](#)

Digital insurer. Founded 2015
Last Financing Round 2019 (15mn €),
Total Raised: 20mn €, EBIT 2018: 2.3mn €

AI:



[Hawk.AI](#)

Fighting financial crime.
Founded 2018



Blockchain:



[Cashlink](#)

Digitalization of company participation rights.
Founded 2016, Last Financing Round 2018

OUR WATCHLIST



Arabesque S-Ray

Well-positioned to profit from increasing demand in ESG data



Hypoport

Well established player with profitable platform business (loans, mortgages, insurances)



CrossLend

35mn € funding in 2019 to weather the crisis. Interesting new partnerships



Mambu

Household name in banking SaaS. 30mn € funding in 2019 as a stable basis



Finanzguru (dwins)

Mobile UI of Deutsche Bank and backed by them. Profitable, 4mn € funding in 2019



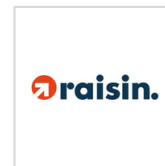
Moneyfarm

First independent robo advisor in Germany. 40mn € funding 2019



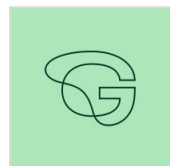
Fraugster

Benefits from sharply increasing numbers of fraud cases in ecommerce & payments



raisin

Germans continue to prefer term deposits. 121mn € funding in 2019



GetSafe

Popular digital insurer. Profitable in 2018. 15mn € funding in 2019



troy

Smart and digital debt collection. Possible beneficiary of the crisis

4. MAJOR TREND: CASHLESS PAYMENTS

- Cashless payment instruments in Germany were already being used more frequently in 2019, i.e. prior to the outbreak of the COVID-19 pandemic.
- A total of 24 billion cashless payment transactions, worth a combined €61 trillion, were processed by German payment service providers. This represents an increase of 7% in volume or 8% in value compared with 2018.
- Card payments increased the most, by almost 19% to 6.3 billion, with debit card transactions accounting for the greatest share. Their usage rose by 20% in 2019. Cash was withdrawn less frequently at ATMs.
- The average payment made with a debit card was €49 in 2019, lower than in previous years. This indicates that such cards are increasingly being used for smaller transactions, too.
- The coronavirus pandemic heralded a rise in the number of contactless payments.



Reasons for More Card Payments

multiple choice answers possible



Because I want to maintain a
distance to checkout staff



Because my retailer
has requested it

As part of a representative online survey conducted on behalf of the Initiative Deutsche Zahlungssysteme e. V., infas quo analyzed customer motive to move away from cash payments to electronic payment methods. The market researcher surveyed 1,475 people between 16 and 69 years of age between the end of March and mid-April 2020. Source: Initiative Deutsche Zahlungssysteme e.v. (IDZ)

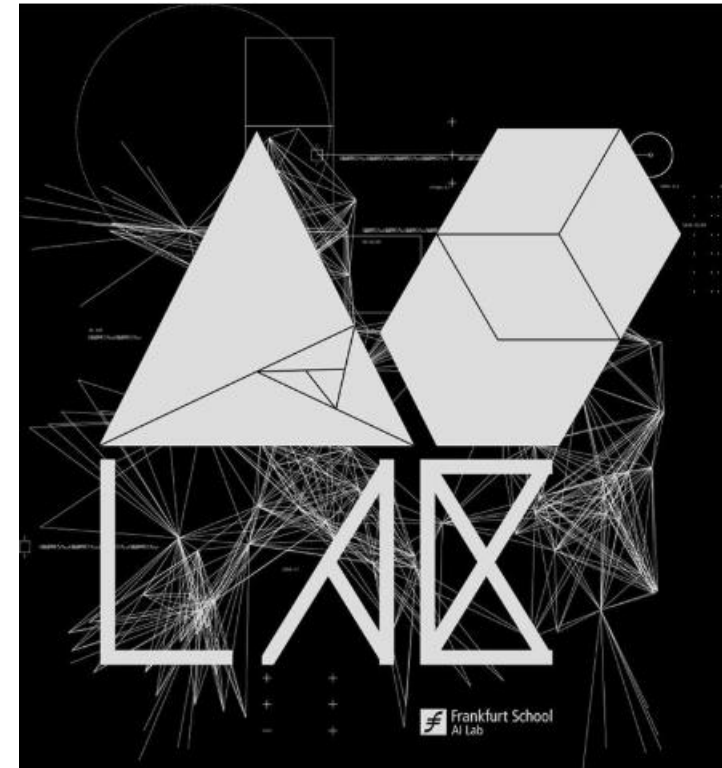
ARTIFICIAL INTELLIGENCE IN FINANCE

- Artificial intelligence (AI) is already playing a significant role in the German financial sector.
- Especially for credit decisions and fraud detection, FinTechs have developed AI-based applications, which they use themselves or license to incumbents like banks.
- A major hub for AI is the city of Karlsruhe, with is leading in academia and research.
- The association [AlinFS e.V.](#) (“Artificial Intelligence in Financial Services”), based in Frankfurt, pools the knowledge of start-ups, universities, and traditional companies in the financial sector.



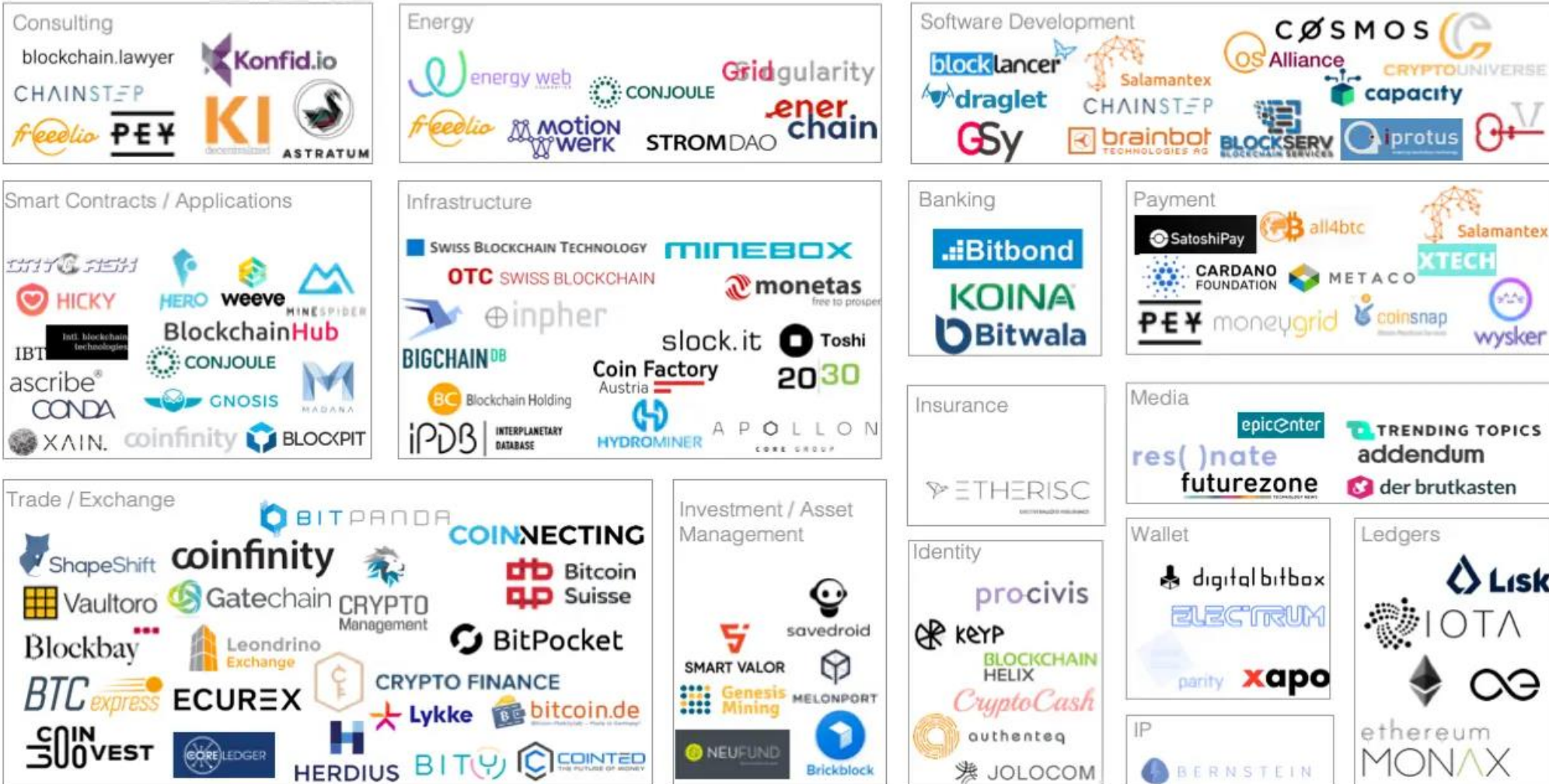

**WE CONNECT YOU
TO THE RIGHT
EXPERTS!**

GET TO KNOW INDUSTRY EXPERTS AT OUR
EVENTS AND SEMINARS.



BLOCKCHAIN/DISTRIBUTED LEDGER TECHNOLOGY

About 200 startups in Germany



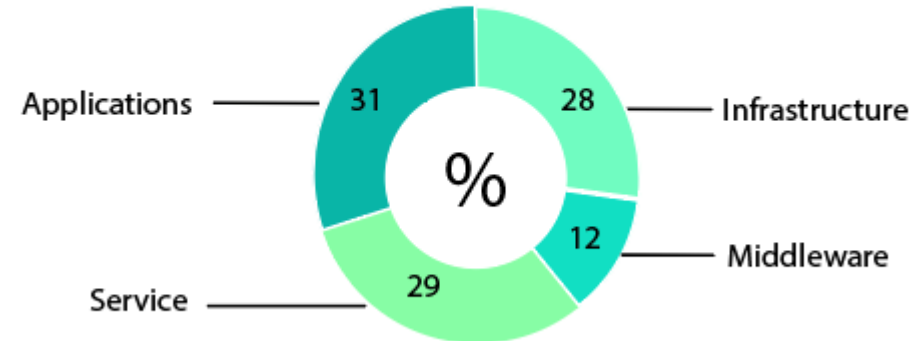
BLOCKCHAIN/DISTRIBUTED LEDGER TECHNOLOGY

Many smaller teams all over Germany

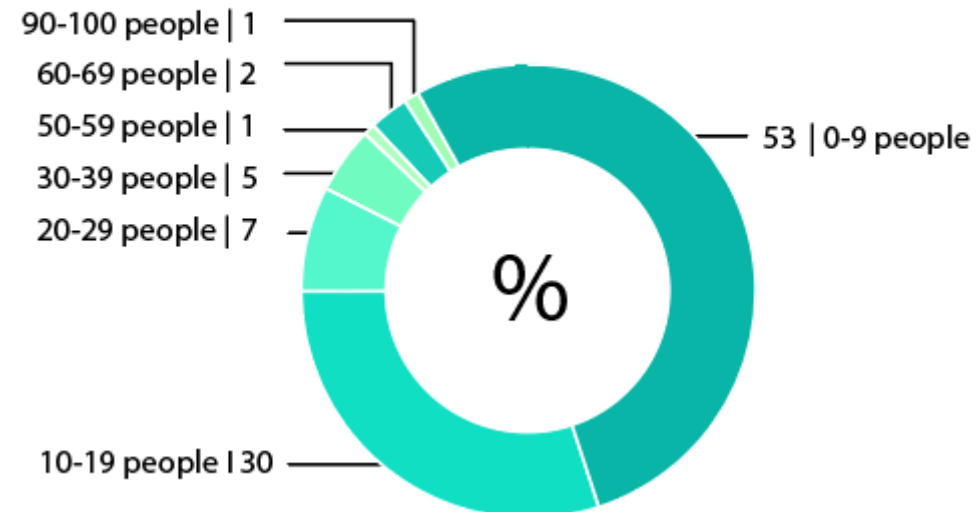
The cities where the companies are located



The „layers“ in which the companies are active



Team sizes (excluding contractors)



SUSTAINABLE FINTECH



SDG-FINTECH INITIATIVE

Sustainability and responsible conduct in the financial industry



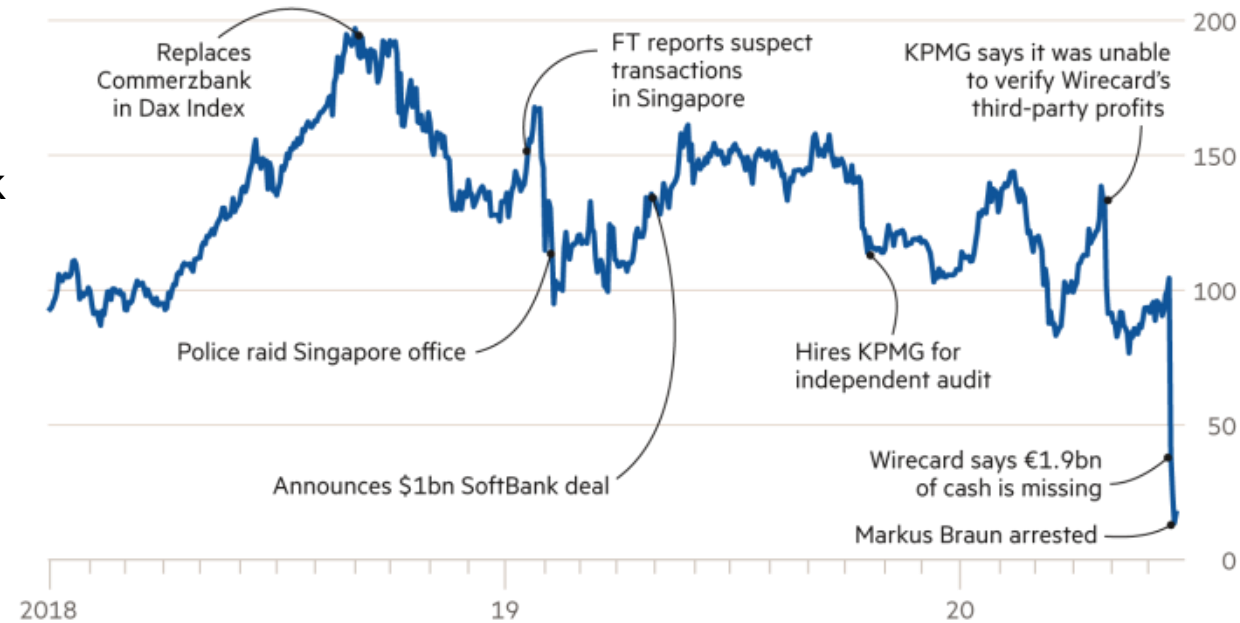
5. RECENT DEVELOPMENTS

wirecard

- Founded in 1999
- International supplier of electronic payment and risk management solutions
- Successful cooperation with Alipay
- Joined the German blue-chip index DAX in 2018, replacing Commerzbank
- 5300+ employees in 2019
- Early 2019, Wirecard's market value hit around €17 billion, matching Deutsche Bank with 15 times fewer workers and revenues.
- Beginning of 2019, a string of Financial Times reports highlighted accounting irregularities, notably in Wirecard's Asian division.
- **Filed for bankruptcy in June 2020**, after € 1.9bn cash missing at two trustee accounts on the Philippines, which might never have existed.

Wirecard: from stock market star to scandal

Share price (€)



Source: Refinitiv / FT

ELECTRONIC SECURITIES

German Ministries publish draft for a new Electronic Securities Act (Aug 2020)

- In the implementation of the AMLD5, the German Federal Government focused on the regulation of crypto assets. Following on from this, the federal ministries of justice and finance recently published a proposal to further digitalize the world of securities. The Electronic Securities Act would allow the issue of bearer bonds without a physical securities certificate.
- According to the draft, securities can be issued electronically. Such electronic securities are issued through a record in a newly established electronic securities register, instead of issuing a securities certificate. They are supposed to carry the same rights and obligations as physical, certificate-based securities.

Electronic bonds

- Electronic bonds are proposed to be full electronic securities, and generally, all rules regarding certificate-based bonds apply. The electronic bond becomes an object by legal fiction, allowing property rights.

[Source: Bird & Bird](#)

Crypto securities registry management

- The draft also introduces a new financial service, the crypto securities registry management, and anyone who manages a crypto securities register must obtain a license as a financial services institution.
- The issuer of a crypto security must name a crypto securities registry manager. The issuer who does not name such a manager, shall itself be a register managing entity.
- A crypto securities registry must be managed through a decentralized, tamper-proof recording system that records all data in a time series and, save these from unauthorized deletion or subsequent changes.
- The registry manager is obliged to fulfil the orderly entry of securities and the orderly change of entries. Consumers shall receive a register excerpt every time there is a change of the registration, or at least once a year.

6. MARKET ENTRY

- The German market is attractive for foreign FinTech companies. On one hand, it offers a **sizeable consumer market** with 83 million inhabitants domestically, and access to the whole EU with 450 million consumers via passporting regimes. This is a great potential for B2C FinTechs, which excel in their home market.
- On the other hand, Germany has **3.5 million SMEs**, and among them leading global exporters. B2B FinTechs offering innovative financing solutions for SMEs, from accounting up to trade finance, find plenty opportunities for selling their products.
- Finally, German incumbents like banks, insurance companies, or asset managers, often need to improve their digital service offering and are **willing to license** from leading global FinTechs.
- German consumers are **risk averse**, and not easy to convince to change to new technologic solutions, even if they are superior. They are often happy with their existing (second best) solution, which works and is proven.
- Furthermore, they are **highly price-sensitive** and used to search for the best deal. This leads to the proliferation of so called “comparison portals”, which find the best service for the lowest possible price. CHECK24, a German FinTech unicorn and comparison portal makes more than half a billion € in sales.
- Also German SMEs are rather **conservative**. Many of them are **family-owned**, sticking to their traditional ways of doing business. It is difficult to reach out to them, and it takes long time to convince them changing their behavior, i.e., selling new services to them. Personal relationships are very helpful.
- The same applies for German financial institutions. Without **access to decision makers**, preferably via personal contacts, it is extremely difficult to sell to them. The **sales cycles are usually quite long**, typically more than 12 months, as numerous departments have to be involved: from business, to legal & compliance, to IT.



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