

## **FinTech market in Germany – Nontechnical summary**

In this study, conducted on behalf of the Federal Ministry of Finance, we provide the first comprehensive analysis of the German FinTech industry. We quantify the market volume of the industry between 2007 and 2015. On the basis of this data, we also predict the future development of eight sectors of the FinTech market, offering detailed forecasts for the years 2020, 2025, and 2035. The most important results of the study are:

- A total of 433 Fintech businesses with operations in Germany were identified; 346 of those remain active. The other 87 businesses either did not begin their operations before 2016 or else are no longer active.
- A general definition of "FinTech" is not possible. For this reason, we defined various subsections of the market. Our study focusses particularly on financing and wealth management sectors. These sectors include web portals for such activities as crowdlending, crowdinvesting, social trading, and robo-advice.
- In 2015 the total market volume of FinTech businesses in Germany in the financing and wealth management sectors was 2.2 billion EUR. A significant part of the financing sector is crowdfunding (270 million EUR), and wealth management is dominated by social trading and robo-advice platforms (360 million EUR).
- FinTechs in the payment solutions market had a transaction volume of 17 billion EUR.
- Approximately 1.2 million Germans used independent personal financial management systems to manage their personal finances in 2015.
- Almost all FinTech sectors observed very high growth rates in recent years. The robo-advice market recorded the largest compound annual growth rate, and its market share grew almost tenfold between 2007 and 2015. However, social trading and crowdinvesting sectors also had compound annual growth rates in triple digits.
- We estimate the total volume of the potential addressable markets of the financing and wealth management sectors in Germany to equal almost 1.7 trillion EUR in

2015. This figure comprises a market volume of approximately 380 billion EUR for the financing sector and about 1.3 trillion EUR for the wealth management sector. In a real case scenario, we forecast growth in the total market volume of FinTechs of approximately 58 billion EUR in the year 2020 and 97 billion EUR in 2025. In 2035 the market could realistically reach a volume of up to 148 billion EUR.

- Almost 87 % of the surveyed financial institutions currently cooperate with a FinTech business and strive for cooperation with or a participation in a FinTech business in the future.
- The FinTech industry does not currently represent a systemic risk to the German economy. However, if the dynamic growth of the FinTech industry is to continue and the huge potential for growth is realized, systemic risks might arise from this industry.
- After the UK, Germany is the second largest FinTech market in Europe. Internationally, Germany is rapidly catching up.

FinTech is a very fast-moving and dynamic industry, in which there is a multitude of different business models. Comparable with other industries having a large share of start-ups companies, it is assumed that not all of the recent innovations in the existing market are viable. However, the future undoubtedly holds new ideas and business models that will help to fill these gaps with different innovations.

In this study, then, we provide a comprehensive overview of current trends and the drivers of growth that have affected the FinTech industry in the past, as well as the factors that could spur and hinder growth in the industry in the future.