

EUROPEAN ETHICAL BANKING POWERED BY FINTECH

EUROPEAN COOPERATIVE SOCIETY

Cooperative for Ethical Financing

DECEMBER 2019

MARKET OPPORTUNITY

General trends



Global financial crisis has highlighted deficiencies and weaknesses of global economic model that next to financial profitability needs to add focus to long-term sustainability and impact it has on social and environmental issues.



People demand more transparency, decentralisation and democratic participation in management of their own funds and resources



Climate change and its impacts are calling for different types of investments and larger awareness of the role of financial institutions in the economic development

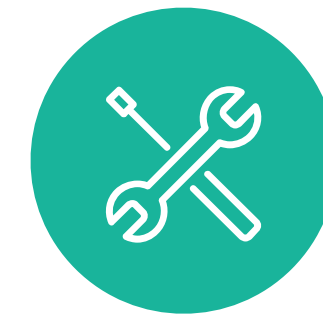


Fintech solutions are allowing inclusion of aforementioned demands into sound and robust business models of new financial institutions with much lower costs than by existing banks

PRINCIPLES OF ETHICAL AND RESPONSIBLE BANKING



Triple bottom line approach at the heart of the business model



Long-term, self-sustaining, and resilient to outside disruptions



Grounded in communities, serving the real economy and enabling new business models to meet the needs of both



Transparent and inclusive governance



Long-term relationships with clients and a direct understanding of their economic activities and the risks involved



All of these principles embedded in the culture of the bank

CURRENT MARKET TRENDS (FINTECH)



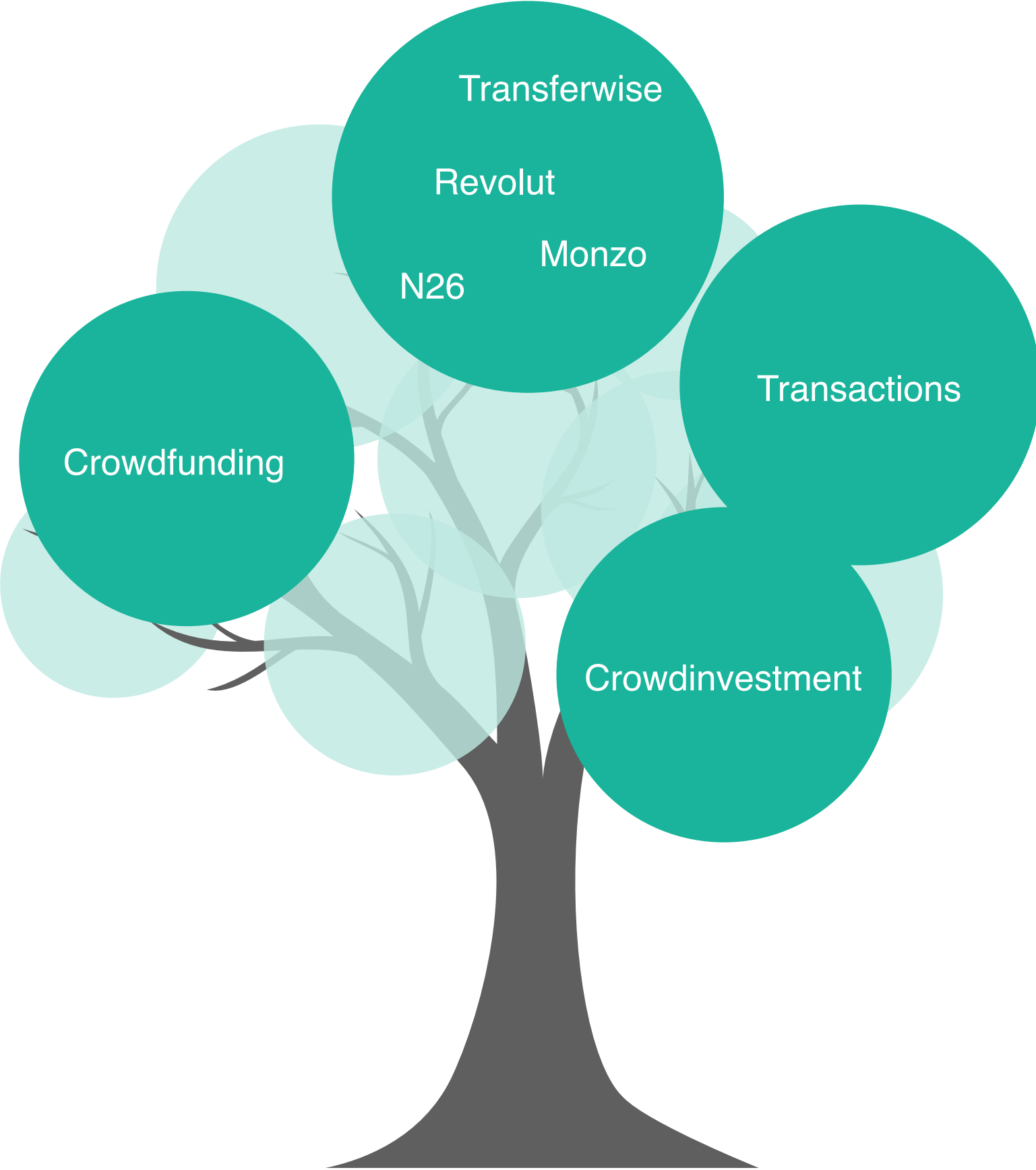
RETAIL

Most of the fintech companies are retail oriented



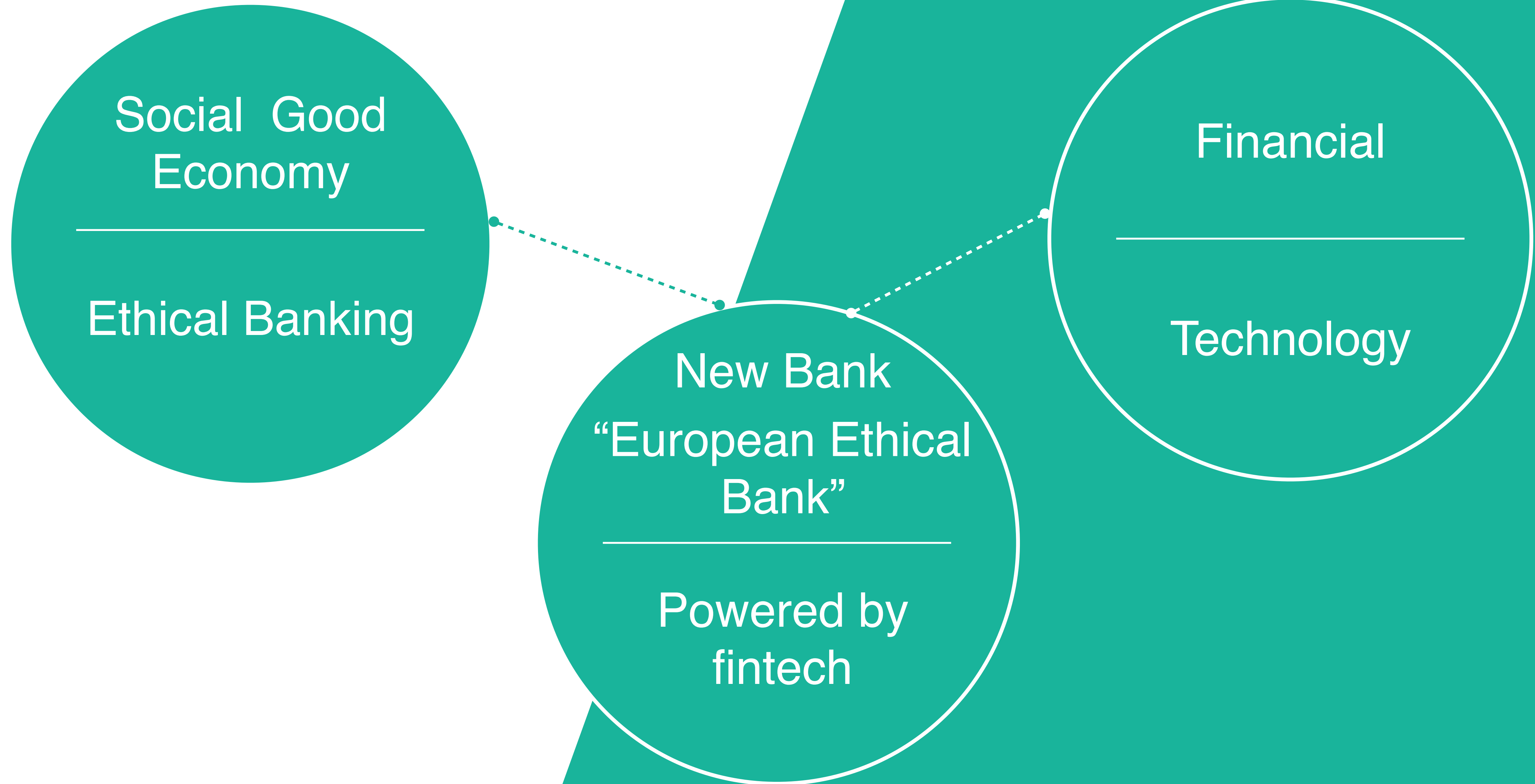
BUSINESS

We want to position ourselves for retail and business



SOLUTION: FINTECH BANKING FOR SOCIAL GOOD

WHY NEW BANK



Social Good
Economy

Ethical Banking

Financial

Technology

New Bank

“European Ethical
Bank”

Powered by
fintech

EUROPEAN COOPERATIVE SOCIETY

APPLICANT



European Cooperative Society (SCE) with a main mission to establish a specialized bank that would work on principles of ethical banking



SCE is a legal form of a cooperative. It aims to facilitate members cross-border and trans-national activities.



At least 5 founders



Founders are organisations from EU

OWNERS AND PARTNERS



Major shareholder of the bank will be newly established European Cooperative Society. Minority shareholder's position we'll be reserved for European and international development banks such as European Bank for Reconstruction and Development, European Investment Bank, European Investment Fund and Council of Europe Development Bank.



Foundation of European Cooperative Society will be initiated by ZEF and its European partners. We expect to form ECS with at least 4 partners from other EU countries, including 1 from Lithuania



Target groups that we are going to invite to participate in ECS are as follows:

- Community partners (are organisations with deep roots in local communities, able to identify and support creation and management local credit portfolios in the regions in which they operate)
- Impact-oriented financial institutions (are existing financial institutions (banks, credit unions, microfinance institutions, crowdfunding and crowd investment platforms, impact investment funds, etc.)
- Fintech companies that work in line with ethical values (offering new groundbreaking technological solutions with clear application in impact investment)

GOVERNANCE STRUCTURE



The bank will be registered and organised as a joint-stock company, with SCE as the majority shareholder in order to prevent moral hazard, principal agent problem and ensures continuity of original principles and vision



Possible minority shares will be offered to international development financial institutions

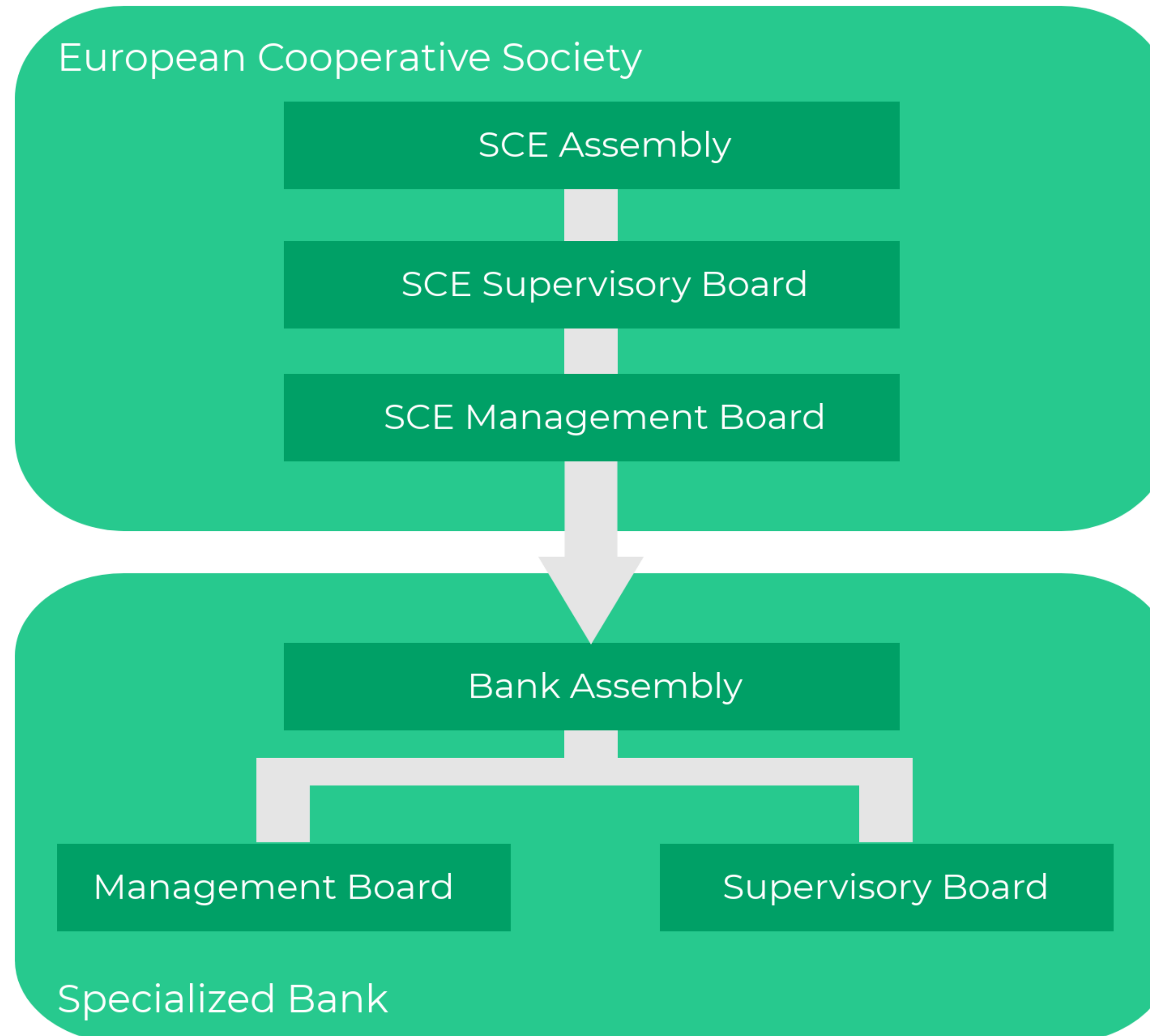


SCE decisions are made on a basis of one member = one vote principle



Owner interests will be represented by the president of the SCE, through joint-stock company assembly, in charge of relaying SCE decisions (made by the SCE Assembly) to the bank

GOVERNANCE STRUCTURE



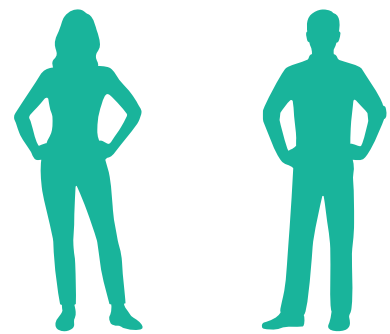
TARGET MARKETS



In the initial phase, target markets for non-credit services will be whole EU single payment market. Credit operations will be started gradually in countries from which ECS members are coming and where we have strong presence and knowledge on local markets.

Typical depositor would be an individual or legal entity willing to support bank being actively engaged in using their deposits for sustainable, local-oriented development projects in accordance with the principles of ethical banking and in ultima linea with key goals of UN sustainability charter

TYPICAL CLIENTS



Typical clients of the bank will be:

1. Technology-friendly individuals, aiming to have transparent control through mobile banking over their assets in a bank (with underlying objective that all their investments will be supporting projects with positive social and environmental impact)
2. SMEs looking for a bank that would support their businesses, operations and investments by reasonably priced loans, with thorough understanding and support to their individual business models while facilitating their expansion and growth on local and international markets.
3. Ethical and impact oriented financial institutions and intermediaries looking for a bank that would help them get access to cheaper sources of financing, lower transaction costs and support them with access to modern state-of-the-art financial tools and services
4. Fintech companies with aim to launch their services with a bank who understands technology and is able to support them with required regulatory services (KYC, AML, regulator required reporting)

PRODUCTS & SERVICES FOR INDIVIDUALS

Technology-friendly individuals willing to have transparent banking services with an impact



DIGITAL BANK ACCOUNTS



DEBIT CARDS



CROWDINVESTMENT



REMITTANCES



FOREIGN CURRENCY
EXCHANGE



ACCEPTING DEPOSITS



MOBILE BANKING



SAVING ACCOUNTS

PRODUCTS & SERVICES FOR SME'S

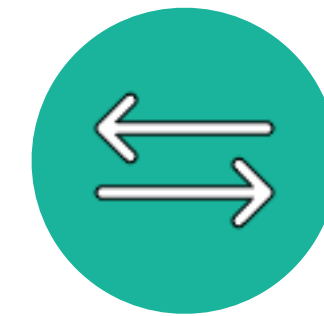
SME's in the sector of real economy willing to have tailor-made support for their businesses



THE FIRST DIGITAL BANK
FOR BUSINESS



OVERDRAFT FOR
LIQUIDITY



DISCOUNTING OF BILLS
OF EXCHANGE



BANK GUARANTEE



PAYMENT SERVICES



ACCESS TO EU
PROGRAMMES



TAILOR-MADE SERVICES



LOANS

PRODUCTS & SERVICES FOR FINANCIAL INSTITUTIONS

Financial institutions ready for broader and more effective support



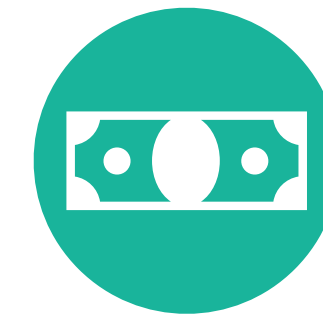
ACCESS TO FUNDS



LOWER TRANSACTION
COSTS



DIGITALISATION OF
SERVICES



FX HEDGING



EU WIDE OPERATIONS



ACCESS TO EU
FINANCIAL INSTRUMENTS



IMPACT MEASUREMENT



RISK MITIGATION

PRODUCTS & SERVICES FOR FINTECH'S

FinTech companies with ethical businesses aiming to get compliancy support



DIGITAL ONBOARDING
(KYC)



SEPA AND SWIFT
TRANSFERS



AML



COMPLIANCE



REPORTING



OPEN API



CLOUD
INFRASTRUCTURE



BLOCKCHAIN SUPPORT

BUSINESS STRATEGY

The bank will follow this strategy principles:



Full digital banking



Partners are the members of SCE



Continuous recapitalisation

- Reinvestment of profits
- Acquiring new capital through new SCE members
- Recapitalisation by existing members



Avoidance of market risks



Launchpad for new business cases of members



Limiting risks by acquiring of new licenses and separation of successful business cases into separate entities within common ecosystem

BUSINESS PLAN

The business plan is based on the following pillars:



Revenues:

- Credit spread
- Transparent margin fees on services
- Equity-based revenues
- Monthly fees for premium services



Costs:

- Personnel
- Operations
- Cost of risk
- IT
- Supervision (automatic & transparent reporting)
- Legal



Focus on real economy and SMEs for loans, digital transaction banking for business & retail



Hybrid capital sources for special purpose financing in cooperation with the EIB, EIF, EBRD, COEDB, KfW, FMO,...

IT INFRASTRUCTURE



Use of cloud-based modern infrastructure with distributed ledger



Fully AML compliant digital onboarding



Flexible assembly of financial contracts in credit application



Integrated KPI monitoring for loans



Proactive risk mitigation through predictions of future cashflows



Application layer designed as a set of modular micro services



Open API, compliant with PSD2



Maximum viable automatisation to support human decision-making



Near real-time financial overview of individual entities, portfolios and the entire system



Automated credit scoring with regard to more than financial history and available collateral

THANK YOU

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