

The rise of embedded finance



Leading fintech corporate venture fund.

ABN AMRO Ventures is the corporate venture fund of ABN AMRO Bank, a leading bank in the Netherlands.

The €150m balance sheet fund invests in the most relevant up-and-coming technology companies to boost and accelerate innovation for the bank and its clients.

The collaboration between the fund and the portfolio companies goes far beyond capital: ABN AMRO Ventures actively provides knowledge and expertise, access to the bank and its systems, support from relevant specialists inside and outside ABN AMRO, as well as an extensive external network.

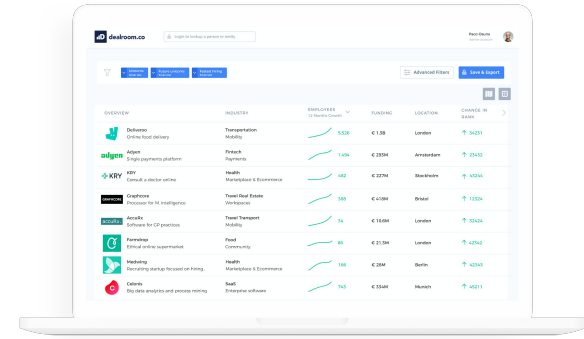
Examples of portfolio companies



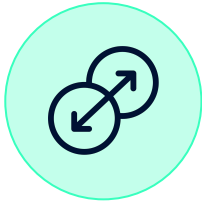
Global startup & venture capital intelligence platform.

Dealroom.co is the foremost data provider on startup, early-stage and growth company ecosystems in Europe and around the globe.

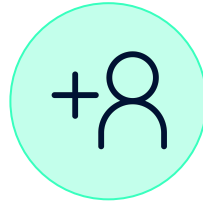
Founded in Amsterdam in 2013, we now work with many of the world's most prominent investors, entrepreneurs and government organizations to provide transparency, analysis and insights on venture capital activity.



Why embedding now?



Pandemic accelerated **online transition** of many services. Embedding online is much easier.



Acquiring a customer for a bank or insurance costs **4x than an e-commerce** and **30x a retailer.***



Fintech **infrastructure** has matured massively, BaaS to open banking.

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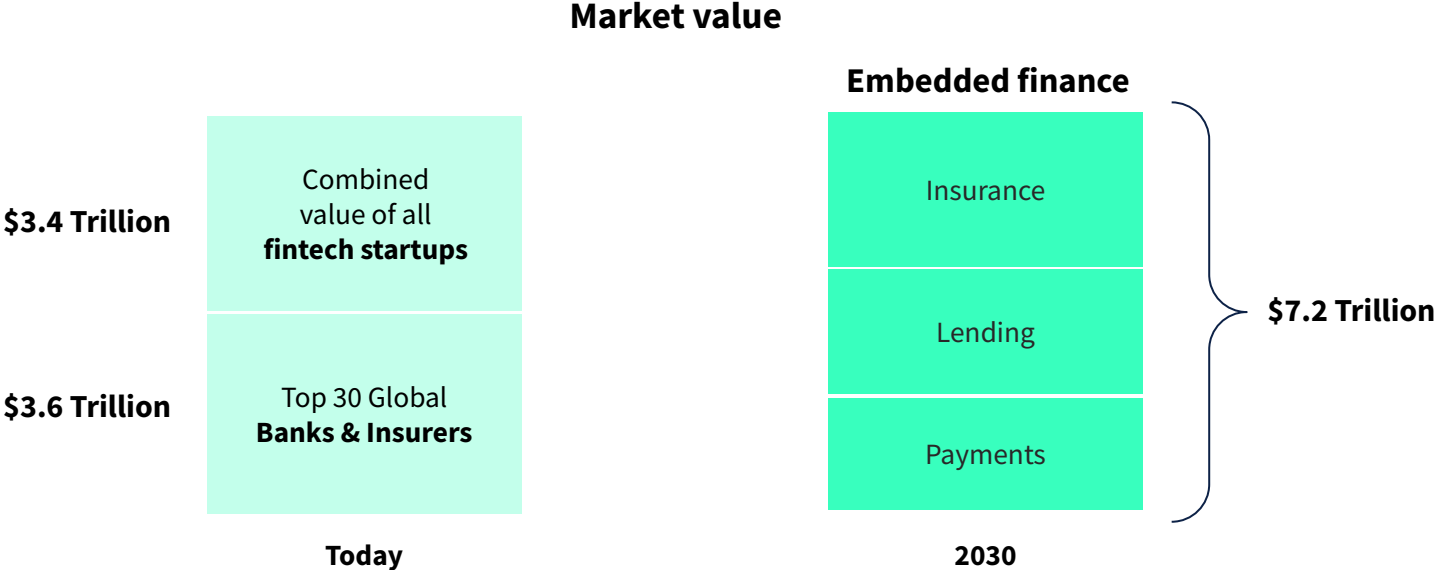
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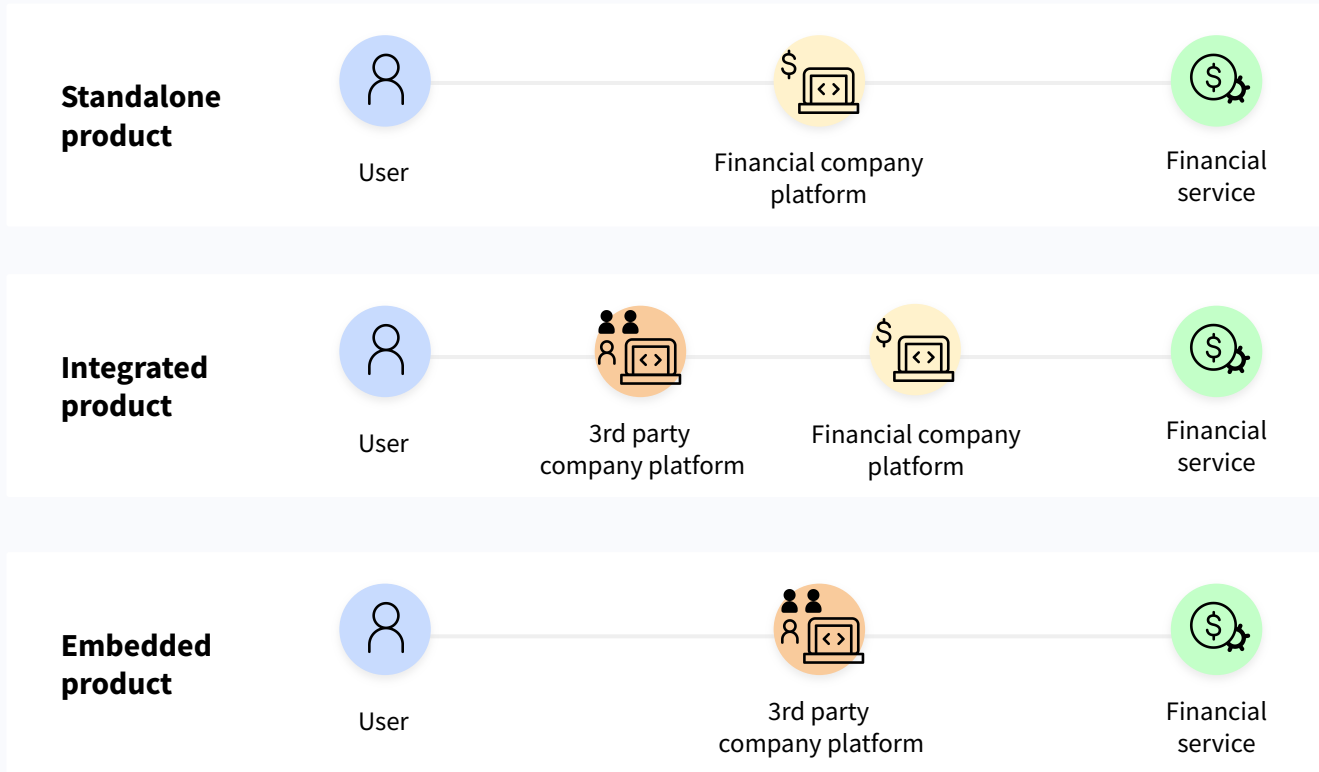
Why embedded finance matters now

Embedded finance is a multi-trillion dollar opportunity.

Embedded finance can unlock an opportunity bigger than the current value of all fintech startups and the top global banks and insurers, *combined*.



The embedded finance customer journey: bringing finance when and where the customer needs it.



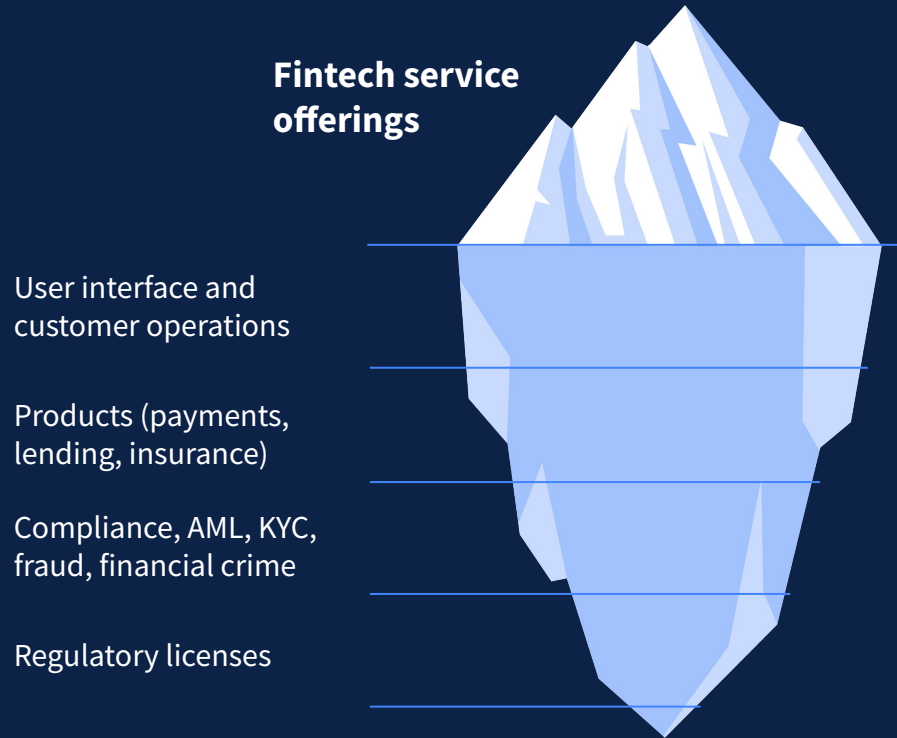
“We believe financial services are the lifeblood of the economy, moving beyond old fashion products and moving towards customized products. It's a coming-of-age for embedded financing.

Matthew Jones
Managing Director

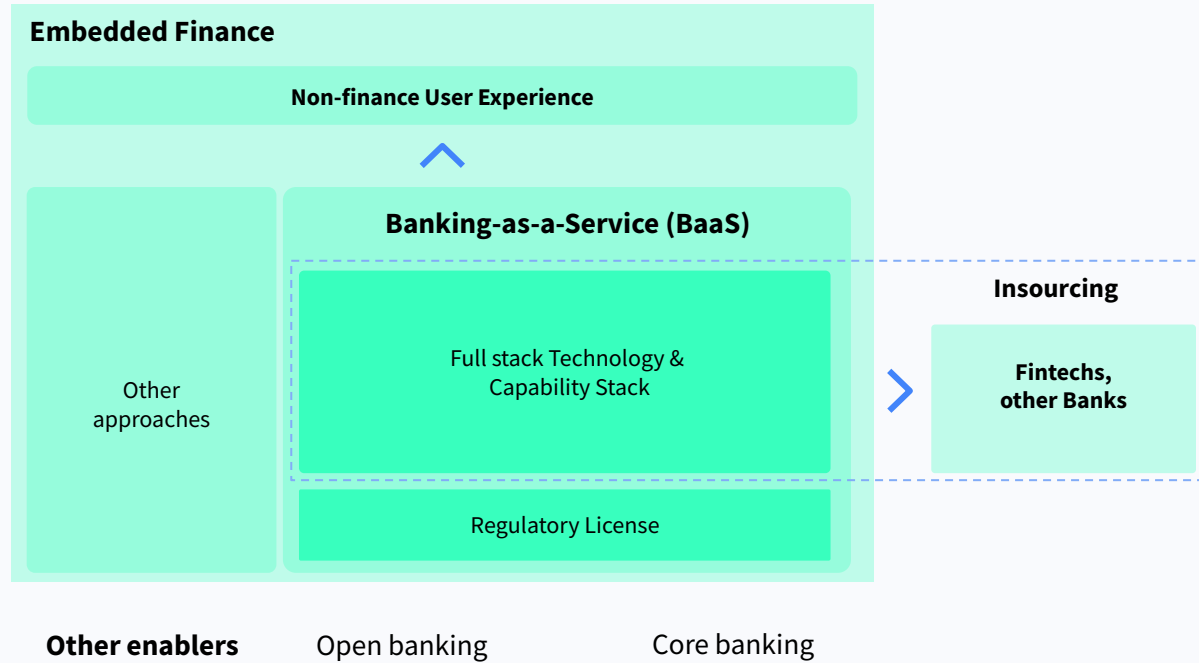
anthemis



Every company ~~will be a fintech~~ → will act as a fintech



The Architecture of Embedded Finance



“It's important to build a product that serves as a common denominator for all platforms. The platform is only happy when the customer is happy.”

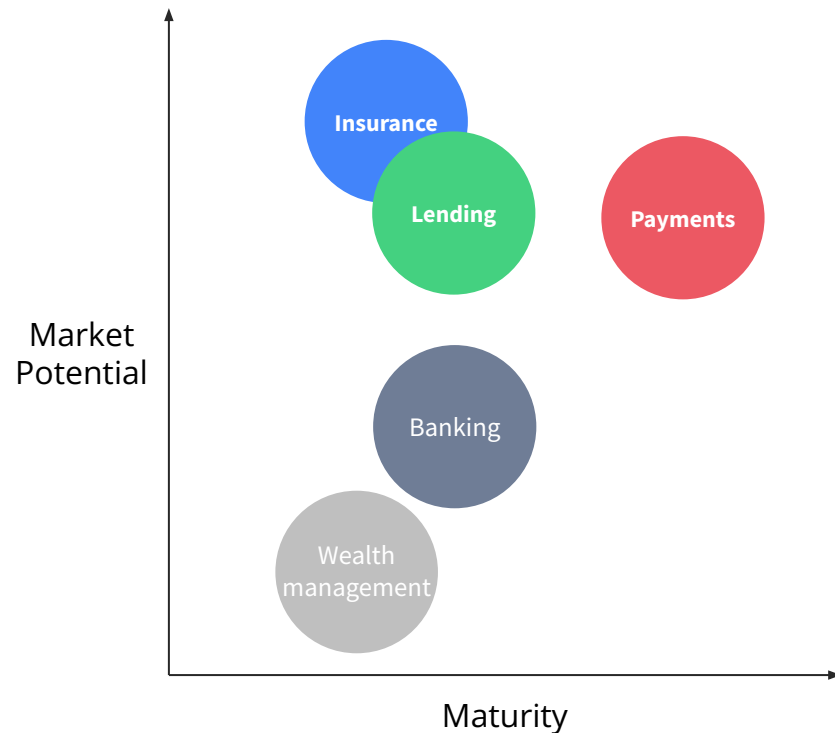
Jens Roehrborn
Co-founder and CEO

BANXWARE



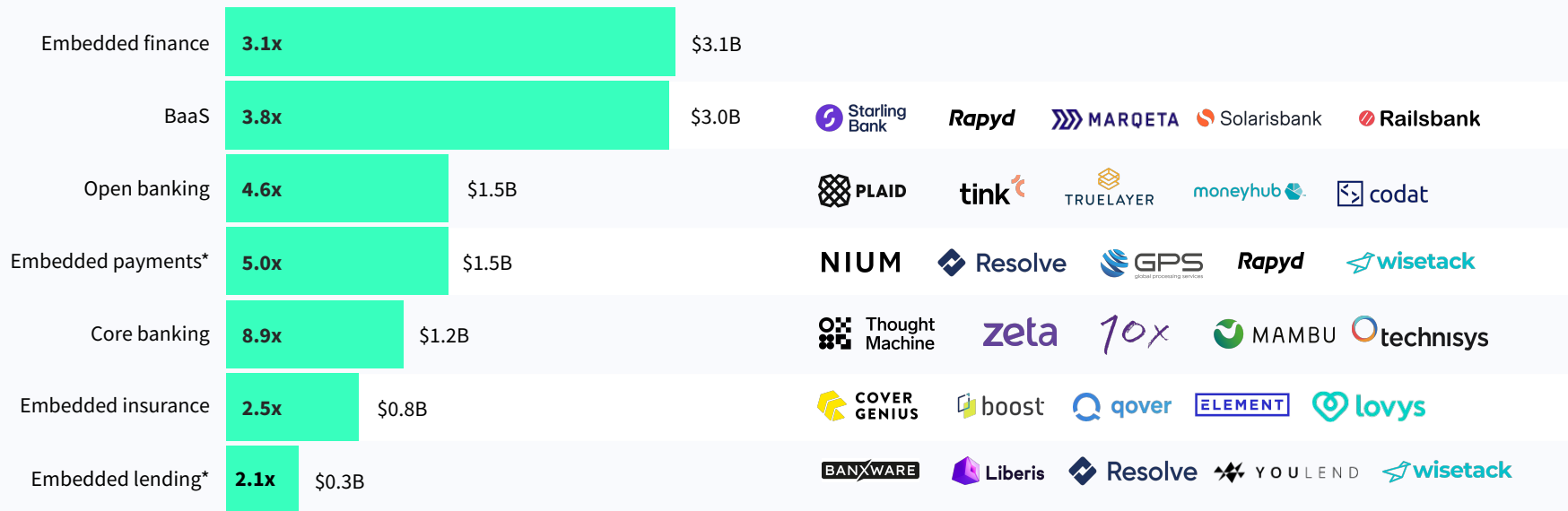
Embedded finance maturity and potential by use case.

- Embedded insurance and lending: huge potential and still early in the journey.
- Embedded payments are already de facto, but BNPL, one-click checkout.

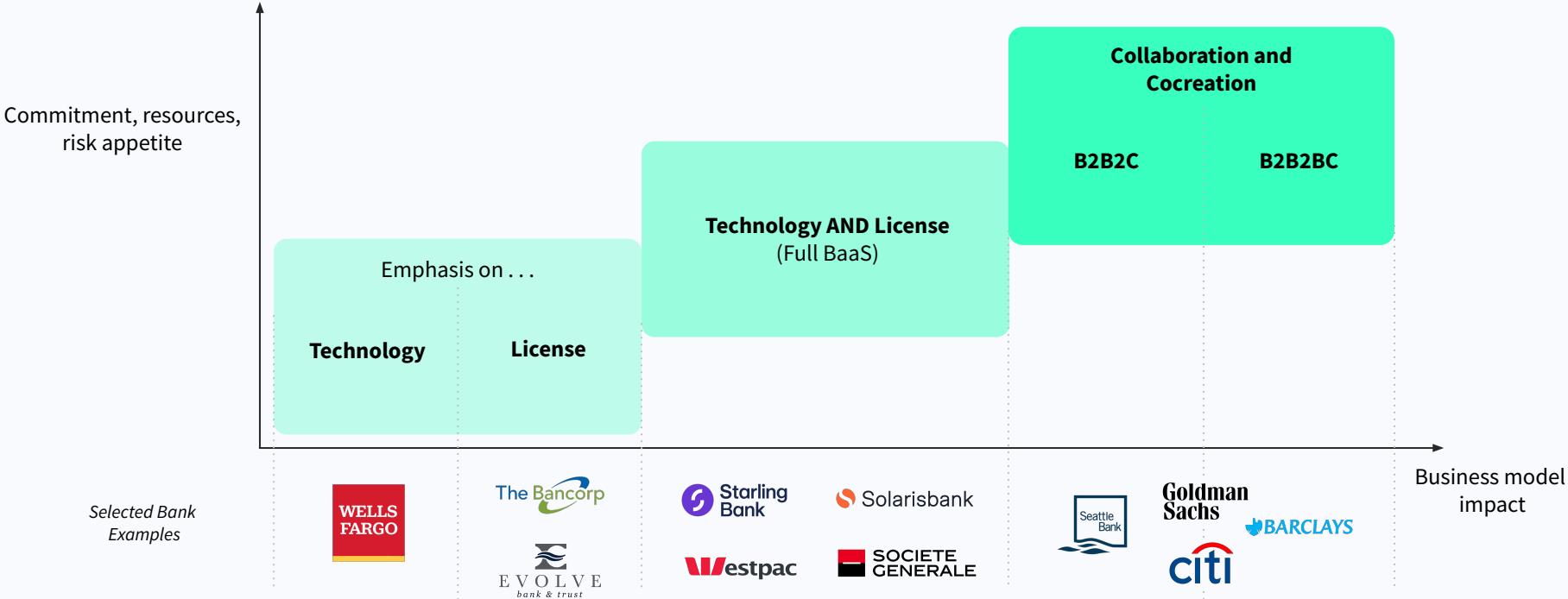


Embedded finance and BaaS have attracted billions of dollars in funding and grew 3x last year.

VC funding growth by embedded finance trends (2021 vs 2020)



Banks can play a key role in embedded finance. If they want to.



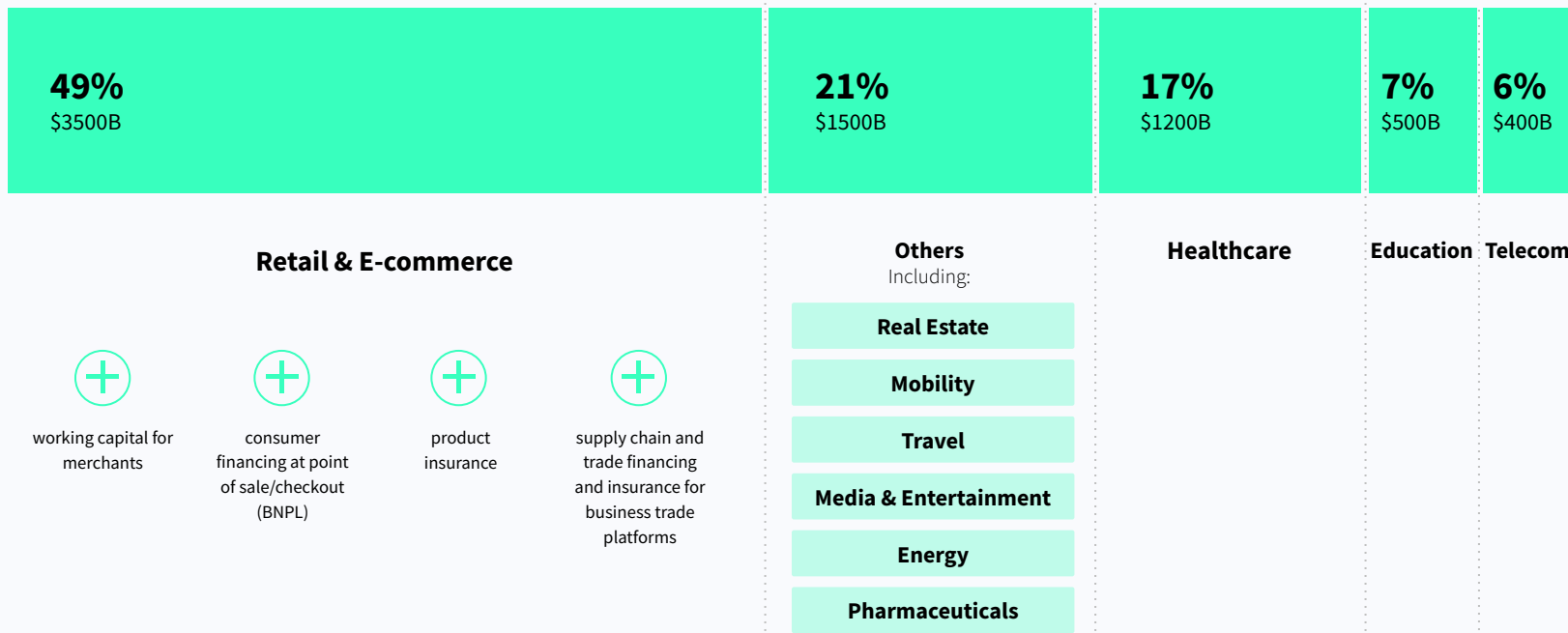
“For banks, it can be challenging to have a long-term commitment, even if they have a specific niche. It’s a big fight to take on, and one that’s better to fight together.”

Hugo Bongers
Head



Embedded finance opportunities by sector.

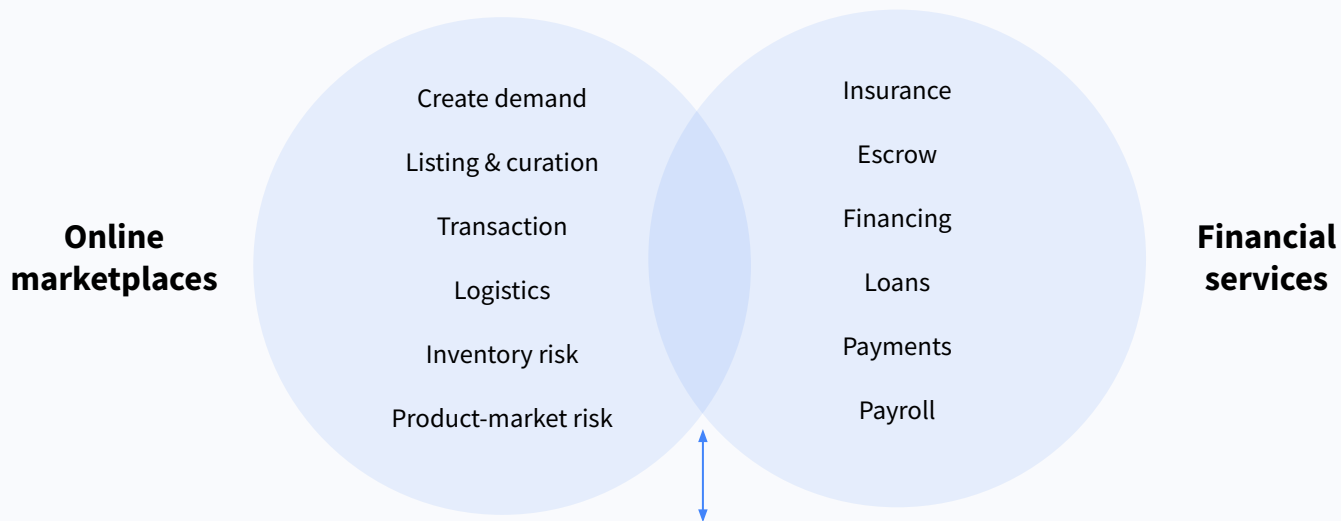
Embedded Finance Opportunity by 2030*



2

Fintech-enabled marketplaces and vertical SaaS

Marketplaces are increasingly embedding financial services: “fintech-enabled marketplaces”.



Fintech-enabled marketplaces
















- ✓ Expanding total addressable market
- ✓ New and recurring revenue streams
- ✓ Lower Customer Acquisition Costs
 - ✓ Sustainable unit economics
 - ✓ Reduce friction at order

Marketplaces that embed financial services command higher valuation than their peers.



Some marketplaces have invested in building their own fintech products in-house.

Investments, strategic acquisitions and in-house products

	Payments	Lending	Insurance	Cash
Amazon	   	  		
Shopify				
Jumia				
MercadoLibre				

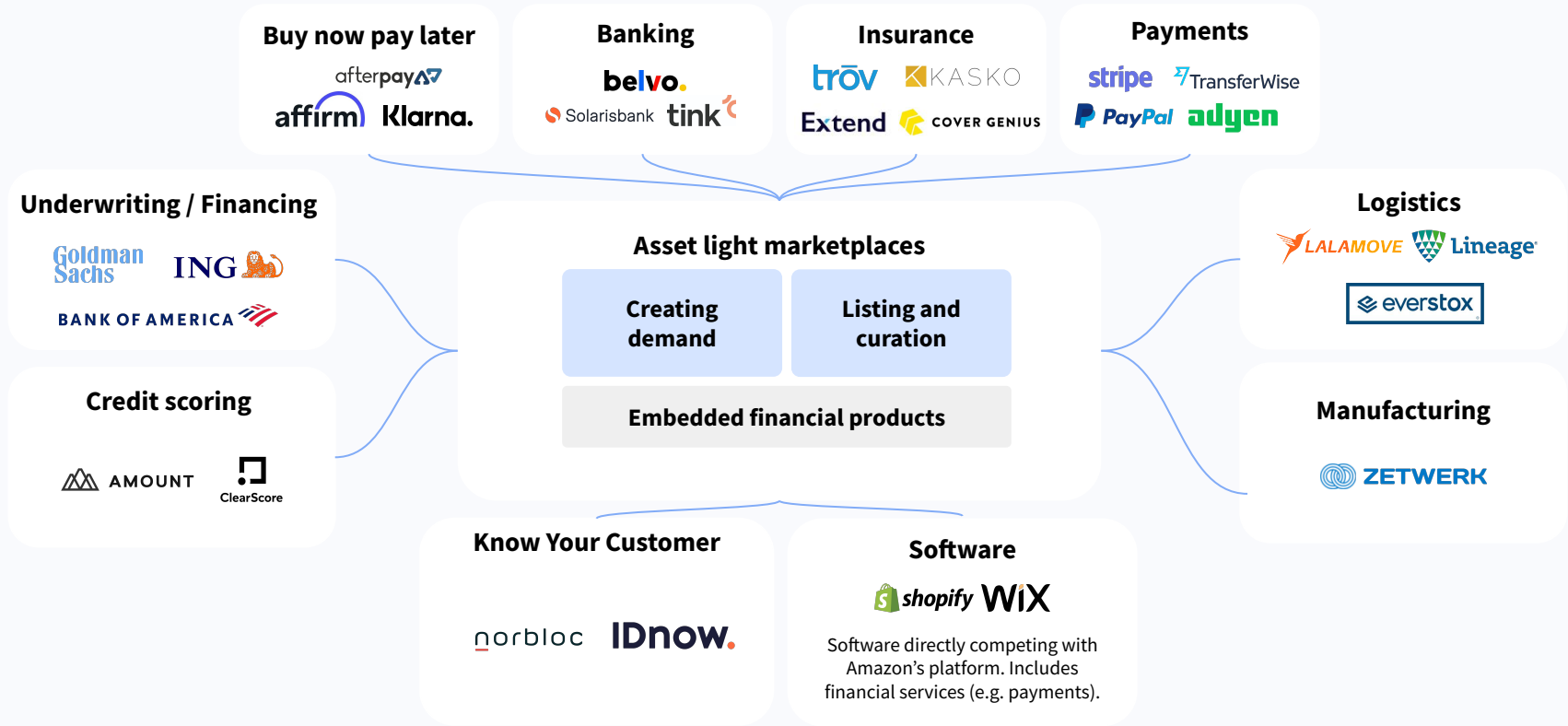
Marketplace operators develop financial services products in-house to strengthen its core ecosystem (e.g. Amazon, Shopify), increase financial inclusion and extend payment infrastructure to third parties to collect consumer data (e.g. Jumia, MercadoLibre).

Starting with MercadoLibre (marketplace) the team has built an ecosystem, adding payment solutions (MercadoPago), logistics (MercadoEnvíos), financing (MercadoCredito), advertising for sellers and publishers (MercadoAds) and software to help offline businesses digitize and have an online shop (MercadoShops). Also, Mercado Pago already [represents 50%](#) of the company value in terms of revenue generated and transactions.

Shopify uses its merchant solutions (mainly payments) to drive higher retention for its core subscription product.

Developing financial services product in-house is expensive and time-consuming (e.g. build compliance, credit risk, anti-money laundering teams from scratch).

While other marketplaces partner with third-party fintech startups, to control and improve the user experience at lower initial costs.

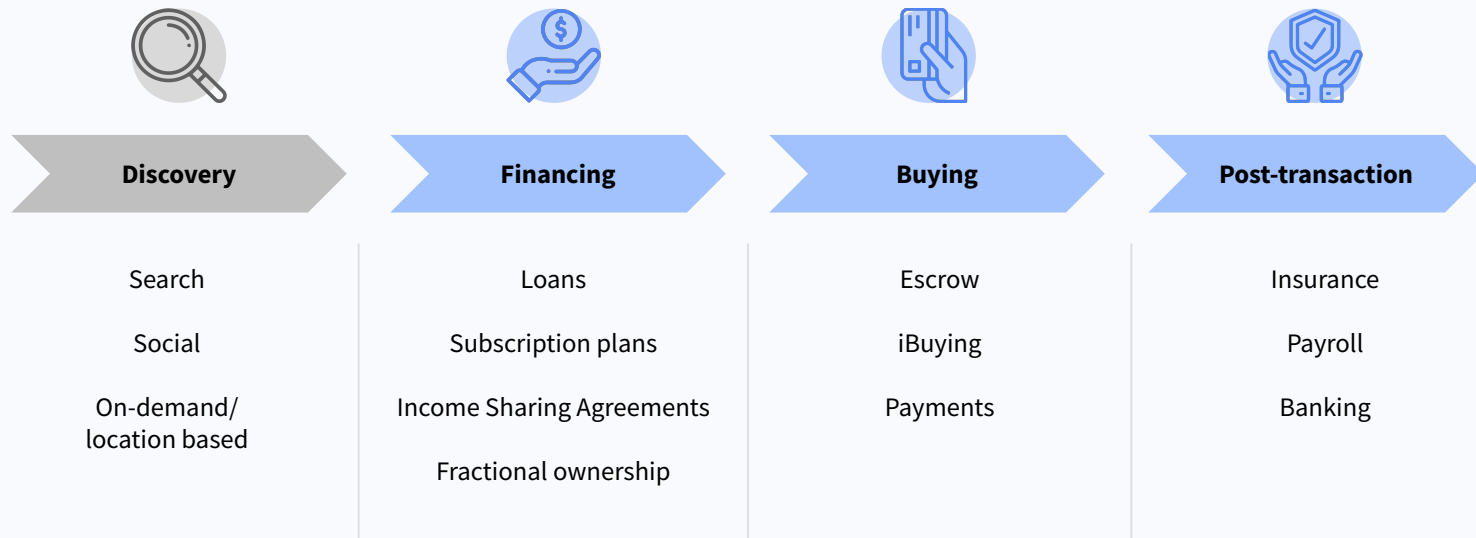


“It’s great to put our brand out there [via embedded partnerships] because it gives credibility, and it maintains engagement from the client. The cross-selling is quite significant; we onboard more clients in the end.

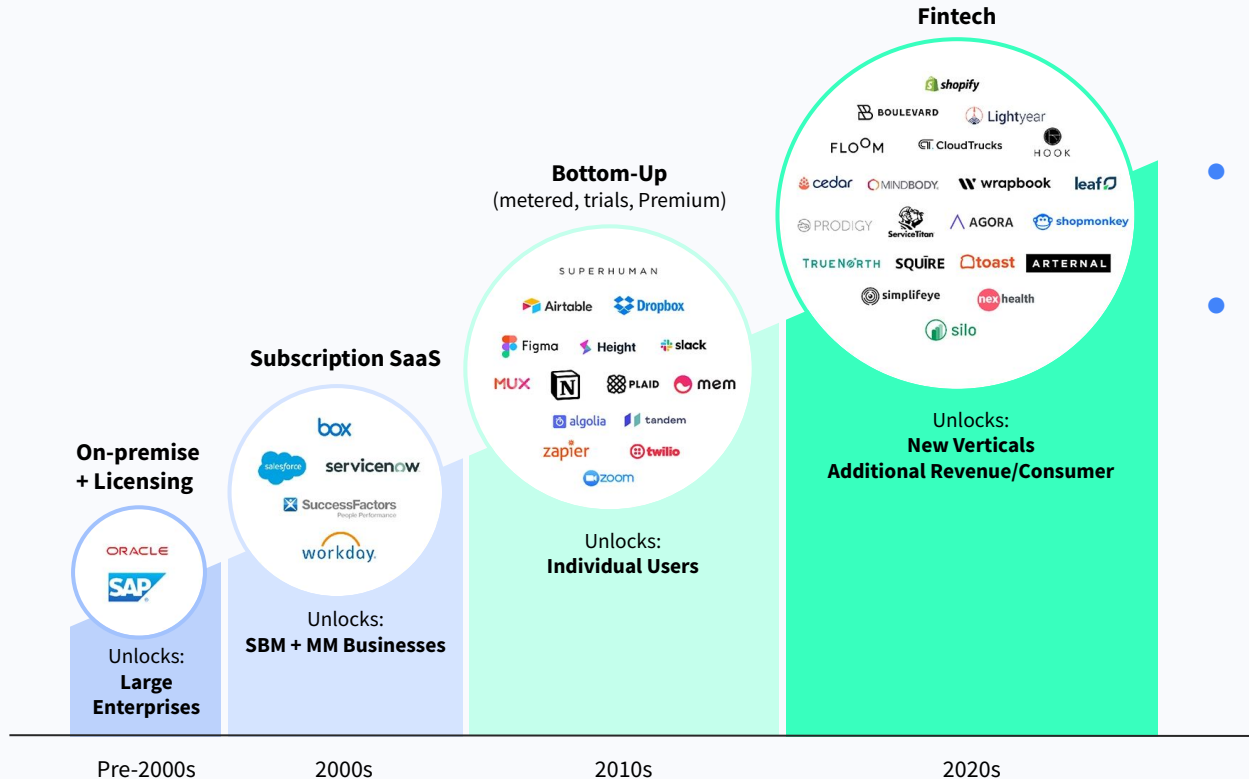
João Cardoso
CEO and Founder



Financial solutions massively extend the value added in the process of matching supply and demand.



Fintech is the latest evolution for Vertical SaaS.



- It increases revenue per user by 2-5x.
- It unlocks new verticals where market was too small or cost to acquire customers too high.

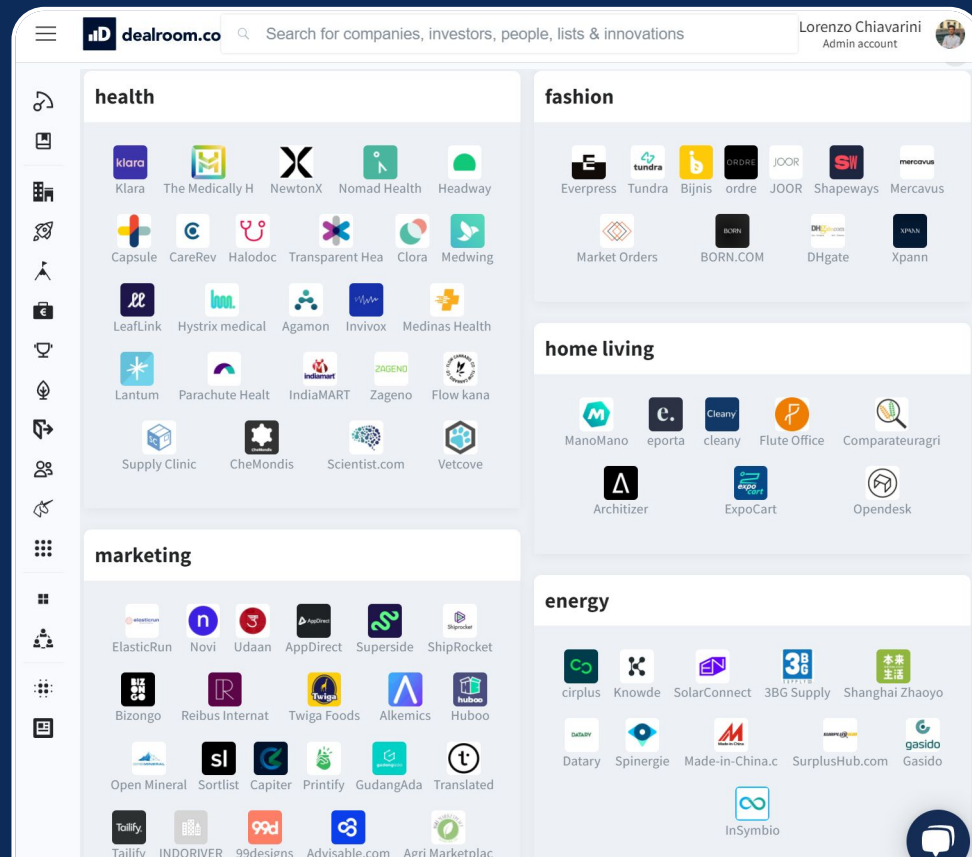
Opportunities to embed finance in **Marketplaces** and **SaaS**.

» Global B2B marketplaces

» Health platforms

» Foodtech + fintech

» Insurance ecosystems



3

Embedded insurance and embedded lending

Embedded insurance can benefit all the actors involved, from 3d party distributors and insurers to end users.

3rd parties distributors (Platforms)

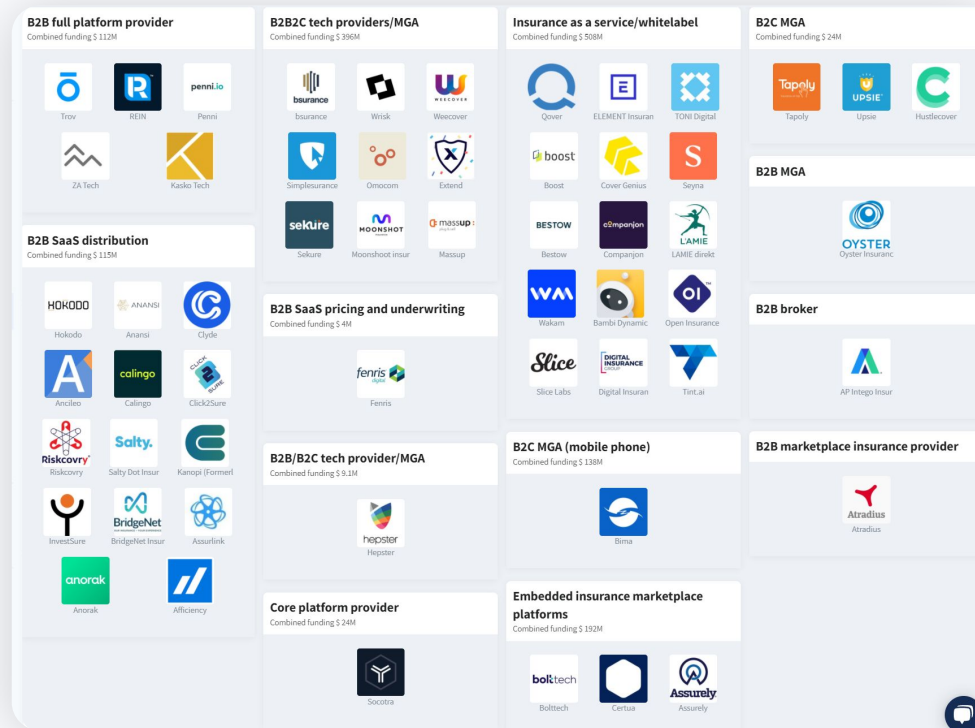
- significant revenue stream (average 18% of total revenues)
- increase loyalty and retention
- improved customer service

Insurers

- Lower cost of customer acquisition (CAC)
- Greater availability of data
- Higher penetration rate






Customers

- More relevant, customized products
- Streamlined customer experience



» Find more on the Blog

Amazon, Shopify, Paypal and Square are leaders in lending for merchants and SMBs.

	 Amazon lending	 Shopify capital	 Paypal business loans and paypal working capital	 Square Capital	 Square Capital
Type of financing	Business loans	Business loans, cash advances/working capital	Business loans, cash advances/working capital	Business loans, cash advances/working capital	Business loans. Stopped merchant cash advances.
Amount	Up to \$1M	Up to \$2M	Up to \$500k	Up to £1M/5M pound (depending on provider)	Up to \$250k
Countries	US, UK, Germany, Canada, China, France, India, Italy, and Spain	Loans: US Cash advances: US, Canada, UK.	US, UK, Australia, Germany, and Mexico (available through Konfio)	UK	US, Australia
Launch year	2011	2016	2013	May 2021	2014
Total funding provided	Unknown (\$1B/year in 2019)	>\$3B, \$400M in Q3 2021.	\$54B in total assets as of February 2021 Largest non-bank lender	£25.7M in the first 3 months, up to Aug.	>\$9B
Partnerships	Goldman Sachs Bank of America ING (Germany)	Mostly directly	Mostly directly through partnership with WebBank	YouLend , Funding Xchange , Wayflyer	Mostly directly

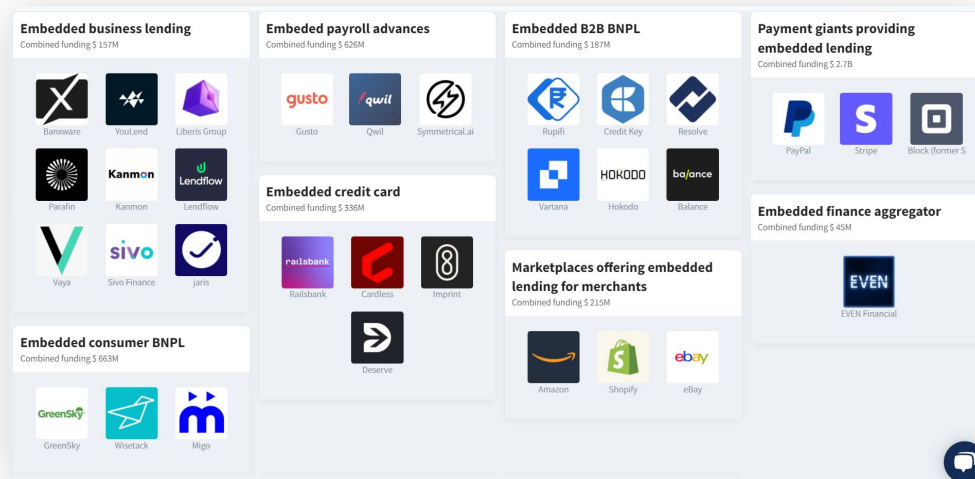
The future of business lending will be platform-embedded lending solutions.

Jens Roehrborn
CEO and founder,
Banxware



“Lending is the master discipline of embedded finance. It is yet the most underserved and underdeveloped finance product.”

» Find more on the Blog



Explore the key embedded finance trends.

» Embedded finance

» BaaS

» Embedded insurance

» Embedded lending

» Open banking

» Core banking



The screenshot displays the dealroom.co dashboard with a search bar at the top right for "Lorenzo Chiavarini Admin account". The main content is organized into several categories, each with a title, combined funding amount, and a grid of company logos:

- B2B full platform provider** (Combined funding \$ 112M): Trov, REIN, Penni, ZA Tech, Kasko Tech.
- B2B/B2C tech provider/MGA** (Combined funding \$ 9.1M): Hepster.
- Embedded insurance marketplace platforms** (Combined funding \$ 192M): Bolttech, Certua, Assurely.
- B2B SaaS distribution** (Combined funding \$ 115M): Hokodo, Anansi, Clyde, Ancileo, Calingo, Click2Sure, Riskcovry, Salty, Kanopi (Former), InvestSure.
- Core platform provider** (Combined funding \$ 24M): Socotra.
- B2C MGA** (Combined funding \$ 24M): Tapoly, Upsie, Hustlecover.
- Insurance as a service/whitelabel** (Combined funding \$ 452M): Qover, ELEMENT Insuran, TONI Digital, Boost, Cover Genius, Seyna, Bestow, Companjon, LAMIE direkt, Wakam, Bambi Dynamic, Open Insurance.
- B2B MGA**: OYSTER Oyster Insuranc.
- B2B broker**: AP Intego Insur.
- B2B2C tech providers/MGA** (Combined funding \$ 396M): bsurance, Wrisk, Weecover, Simplesurance.
- B2B marketplace insurance**: Slice, Integro.



Embedded finance: insurance

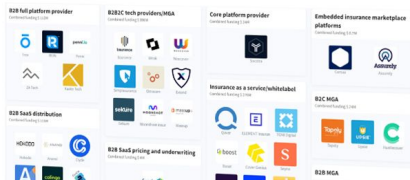
In the coming weeks, we will discuss many sides of the **embedded finance** revolution. Today we start from one of the hottest topics: **embedded insurance**.

Embedded insurance means that the insurance product is not sold to the customer ad hoc, but is instead provided as a **native feature**, **embedded in a platform, marketplace or ecosystem**. E.g. car insurance bundled with the purchase of a used car.

Embedded insurance is projected to account for over **\$700B in Gross Written Premiums by 2030 in P&C alone**, or 25% of the total market worldwide.

Startups in the space **raised almost \$800M** in VC funding last year, led by Extend, Boltech and Cover Genius, but we are still in the first innings. With most startups founded in the last 5 years, they are only now entering their scaling phase.

We discussed the topic in our **"The State of European Insurtech"** report in partnership with Mundi Ventures. Since then we have mapped and analyzed **over 60 embedded insurance startups** and next month we'll be holding a dedicated event on embedded finance - **sign up not to miss it**.



Get the latest weekly insights, with the Fintech newsletter.

» Sign up

