Banking in the 21st century

VIKTORS BOLBATS
Co-Chair of the Strategic Development Committee at the Finance Latvia Association
Chairperson of the Management Board of the Baltic International Bank
HOW DOES THE BANKING TRANSFORMS?
GLOBAL DEMAND

The financial sector is experiencing a reputational crisis. Customer supervision regulation strengthens.

Technological and financial industries transformation

• Customers are increasingly looking forward to banks transparency and clarity in its services and products
• Investors demand for sustainability performance assessment
• Employees value the ethical performance of the companies in which they work
• Society and governments expect greater commitment to development
• Competition: market participants introduce new standards on sustainability and new technologies
WHAT'S ON OUR AGENDA?

CUSTOMER SERVICE
Consulting - tailored advice, product sales - data driven & real time, sustainability, seamless & unbundled services

INNOVATION & TECHNOLOGY
New solutions / processes, research, testing, products, service, systems

COMPLIANCE AND REGULATORY REQUIREMENTS
AML & KYC, MiFID II & PSD II

TRANSFORMATION

COMPETITION
FinTechs (P2P), challengers & big techs
Payment service providers
Lending & Investment Banking
INNOVATION EXAMPLE

Open banking
Mobile solutions
Platforms
Communication
Corporate solutions
Alternative types of authorization
HOW DOES THE INDUSTRY IN LATVIA CHANGE?
Concept of a locally-owned bank

**Local ownership**

Owned by local entrepreneurs, these banks are naturally attached to local market and have no other option but to be part of local business and social community. Being deeply integrated in local community these banks are sharing and adapting to the needs and values of the local community.

**Sustainability**

These banks have entrepreneurial independence and a **sustainable approach**. They are focusing on long-term preservation of value. This approach produces particularly strong risk awareness and a **high degree of predictability**.

**Relationship**

A partnership-based relationship with clients plays crucial role. **Transparency and a spirit of partnership** are present. A lean organization and flat hierarchies ensure a swift response to changes in the clients' needs.
Locally-owned banks’ actively promote Latvia's economic development

In Latvia, locally-owned banks are focusing on a wide range of services – corporate and retail banking, private banking, wealth management, fintech solutions.

The locally-owned banks represented in the Finance Latvia Association:

- Employing 1,070 finance industry professionals
- Made €15m of total tax payments to the State budget in 2018
- Had €500m loan portfolio in 2018
- Plan to have €650m loan portfolio in 2019
Latvia’s geographical location and trade partners drive the demand

Total exports in 2018 (12.7 billion euros)

- EU-28: 71%
- CIS: 13%
- Others: 16%

Total imports in 2018 (15.8 billion euros)

- EU-28: 74%
- CIS: 11%
- Others: 15%

FDI inflows
- Sweden 17%
- Russia 11%
- Estonia 10%

Sectors involved:
- Financial and insurance activities 24%
- Retail 16%
- Real Estate 15%
- Manufacturing 12%

76.7 million tons
(Goods transported by auto transport)

49.3 million tons
(Goods transported by rail)

66.2 million tons
(Goods transported by sea transport)

6.1 million
(the number of passengers carried through RIX yearly)

Source: Data, Central Statistical Bureau of Latvia, Investment and Development Agency of Latvia.
Locally-owned banks is a significant part of Latvia's economy

- Locally-owned banks in Latvia are actively contributing to the development of the economy as well as supporting local culture and community, their role in the Latvian local banking market is growing.
- Locally-owned banks are strong market participants in providing financing to local companies. Their role is expected to increase and strengthen in the future, making a significant contribution to the Latvian economy.

Committed to clear risk-based approach

- Banks are part of the large networks joining companies, customers, financial institutions, regulators and many other parties.
- Locally-owned banks is committed to clear risk-based approach when servicing local and international clients.
- It is essential to continue a high-quality dialogue between banks and their supervisory authorities on future supervisory principles and methodologies to be based on adequate and appropriate risk assessments.

An active dialogue with the industry and state

- The current changes in the financial sector undeniably contribute to the restoration of the international reputation of Latvia's financial system. At the same time, a shared vision of government and industry for strategic development is necessary to boost the international competitiveness of the sector.
- Discussion is needed on a review of regulatory terms to ensure further sustained growth of local capital banks' new business models.
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