

Silicon Roundabout Ventures

Confidential Memorandum

- I. Company Overview
- II. Market & Industry Overview
- III. Opportunity: Why Acquire now
- IV. Scope of Transaction: Synergies
- V. Economic Value of the acquisition
- VI. Appendix



Strictly Confidential

Loot - Company Overview



Loot was preparing to be acquired by **RBS-Natwest** through a gradual takeover, after the latter had raised its stake in Loot to 25% at a **£30m pre-money valuation**.

The deal fell through as RBS withdrew their investor support and decided instead to spend money on their own digital banking solution: **Bó**.

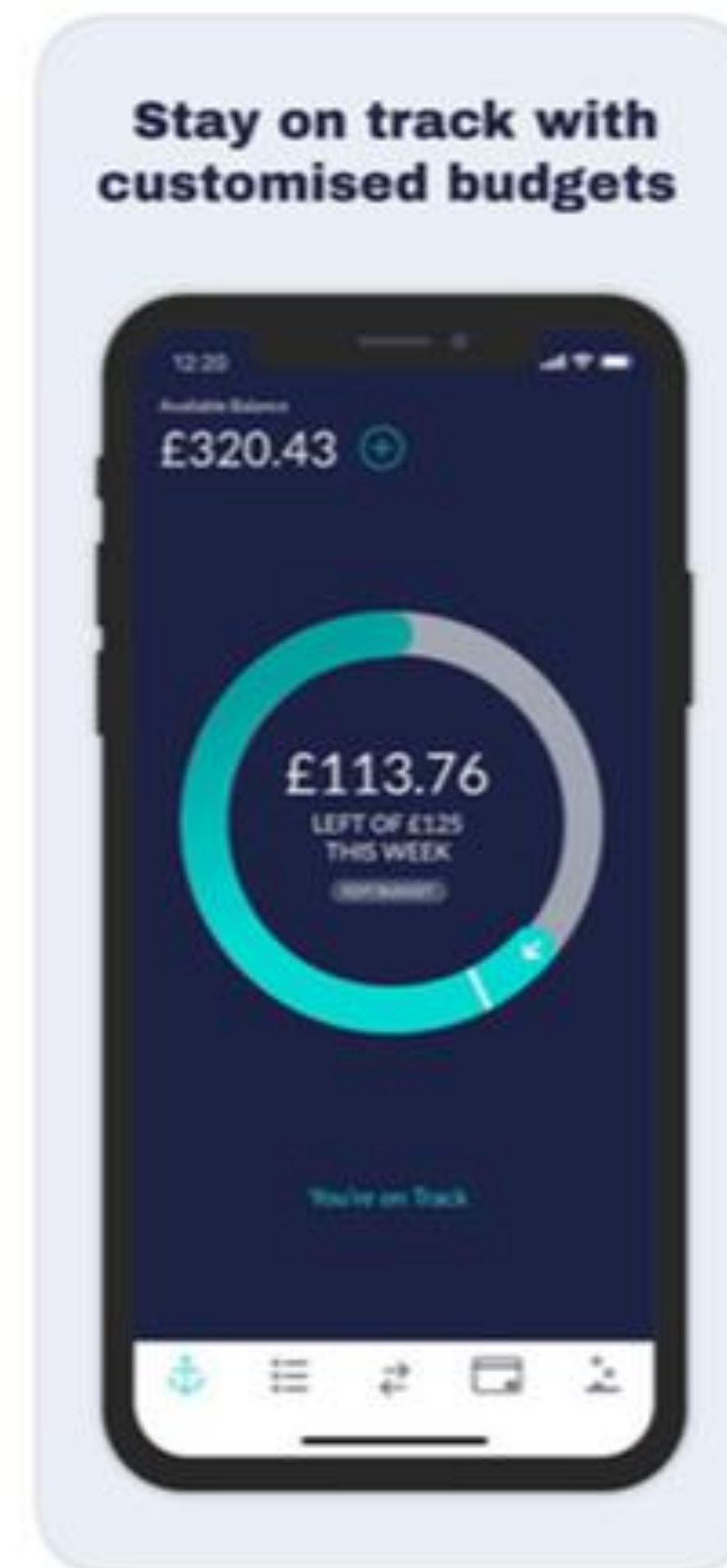
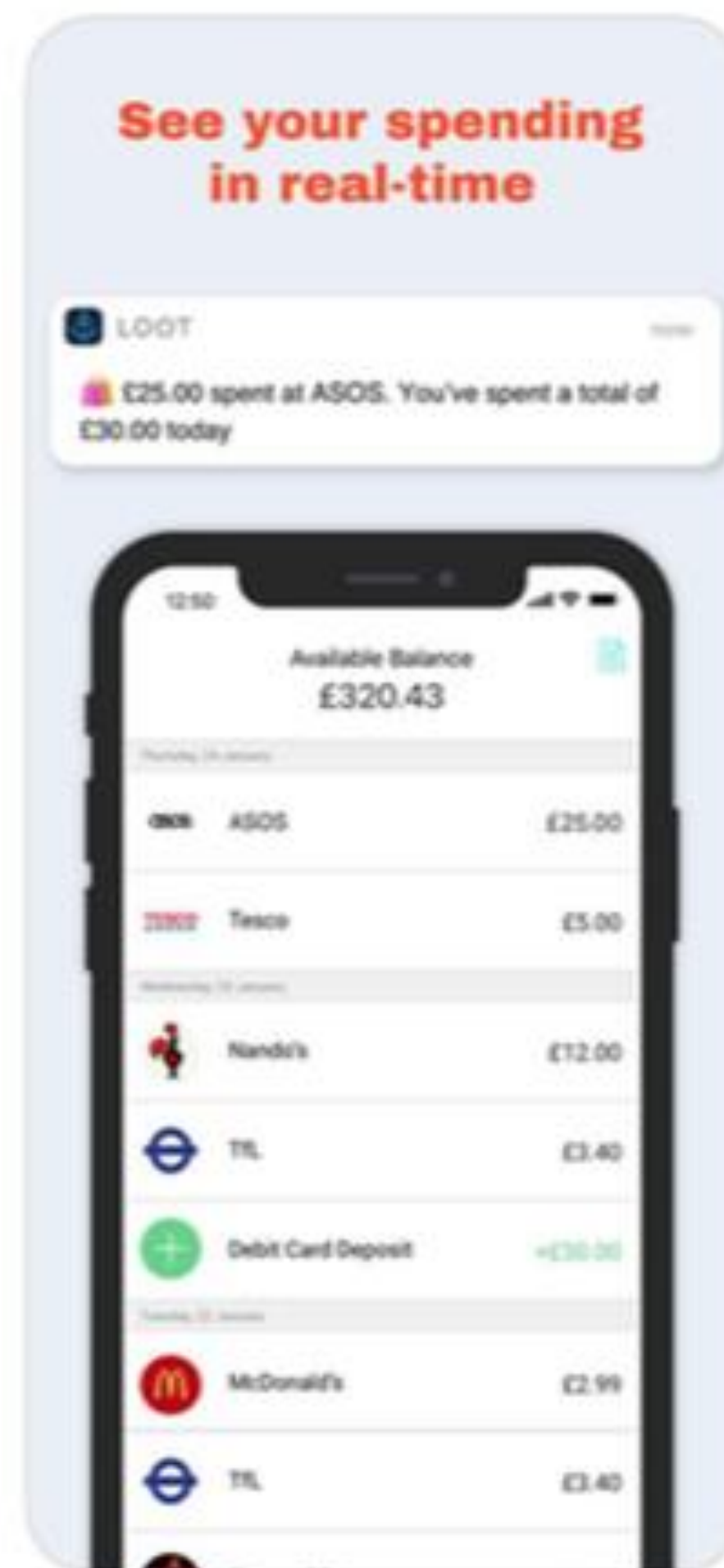
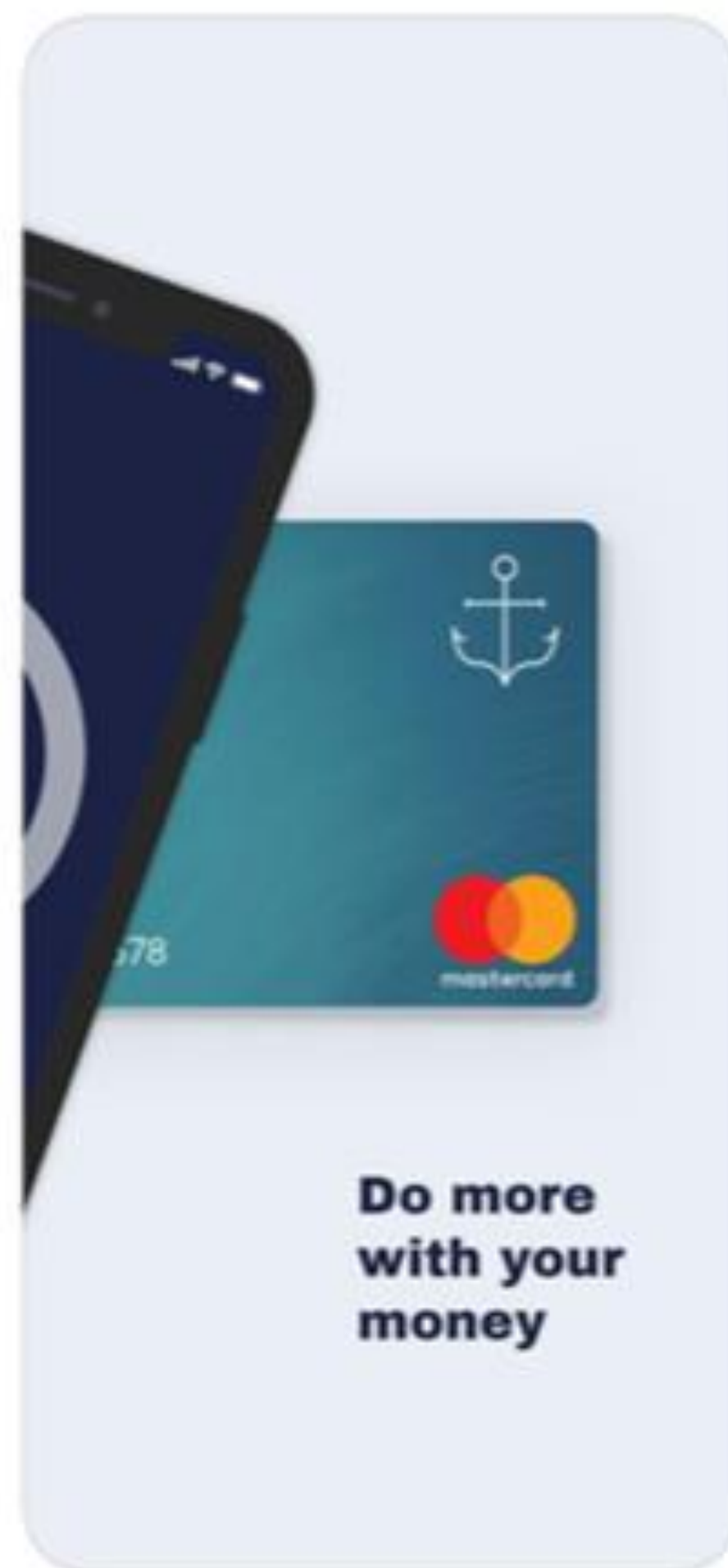
This ultimately caused the cashflow struggle that pushed Loot's banking license provider, **Wirecard**, to kickstart administration proceedings.

Meanwhile **Bó**, the Neo bank being developed by RBS-owned Natwest, has been costing **£120M+** for the last 26 months and has **just launched (Dec '19)**, after massive project delays. Bó is being built on a new technology stack, operating as a separate unit and tech platform from RBS/Natwest' legacy operations.



BY





Loot - Company Overview



Loot Financial Services Ltd fell into administration on May 28th 2019, due to mismanagement and over-hiring and had subsequently shut-down.

On 28 May 2019, 150K+ customers of Loot Financial Services were given 60 days' notice that the product will be closing (by 26 July 2019) and services no longer provided beyond that point.

As a result, customers of Loot Financial Services have been asked to withdraw their electronic money funds and to make alternative arrangements.

Loot Tech IP assets have been acquired by SRV and are up for acquisition.



Loot - Tech IP description



Tech IP available for acquisition, supports the following capabilities:

- Current account
 - Faster payments (with bottomline)
 - Savings goals (pots)
 - Round ups on purchases
 - Spending analysis (merchants, categories)
 - Budgeting (advanced and custom)
 - Budgeting notifications / assistant
 - Inbound/Outbound FX Transfers
 - Analytics on customer spending and offers to switch providers (Utilities, Telecoms, etc)
 - In-App Customer support
- Card pausing
 - Pin reminder
 - Pay to contact (contact list)
 - Bank to bank payments
 - Direct debits in progress
 - Google & Apple pay integration
 - Virtual cards (*different than digital cards*)
 - Stock investment/trading through 3rd party Investment partners
 - Apply for loans



Company Products & Services



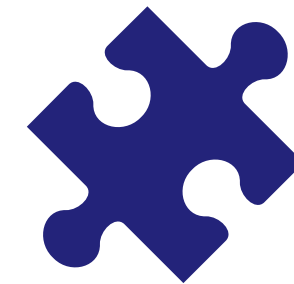
Team



Filip Jakubowski - Loot CTO & CSO 2015-2019

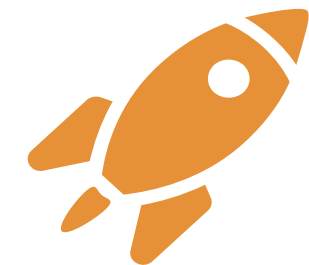
- Filip has been the CTO of Loot since the beginning and was co-responsible for architecture, stack and development process, working closely with business, compliance and security, quality and scalability.
- Filip is available to join and help integrate Loot's tech IP with the new acquirer tech stack for the first 3 months of the acquisition

Product



- Fully integratable Online Banking platform ready to **Plug & Play**
- **240k** hours of product development
- Modern tech stack that is scalable to millions of users

Market



- Neo Banks are redesigning their business models around customer-centricity, for significant user growth.
- The likes of, Revolut, N26 and Monzo have acquired **millions of users with total transactions value running into \$14-\$28 Billions** (*based on 2018 data*)

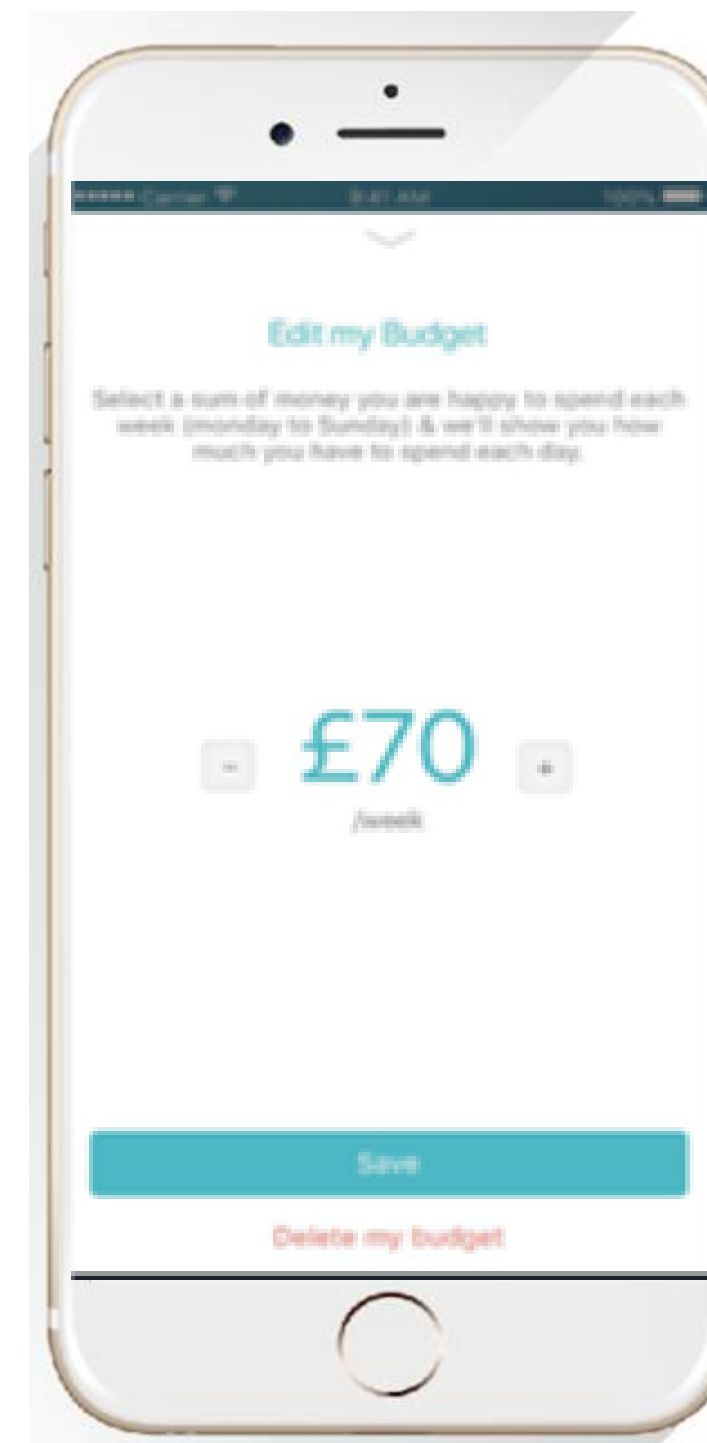


Company Products & Services



Loot tech IP is Next Generation Banking Account

- Tech IP enables **5 minutes Account SIGN-UP process** for new accounts, on both native apps in iOS & Android as well as Web.

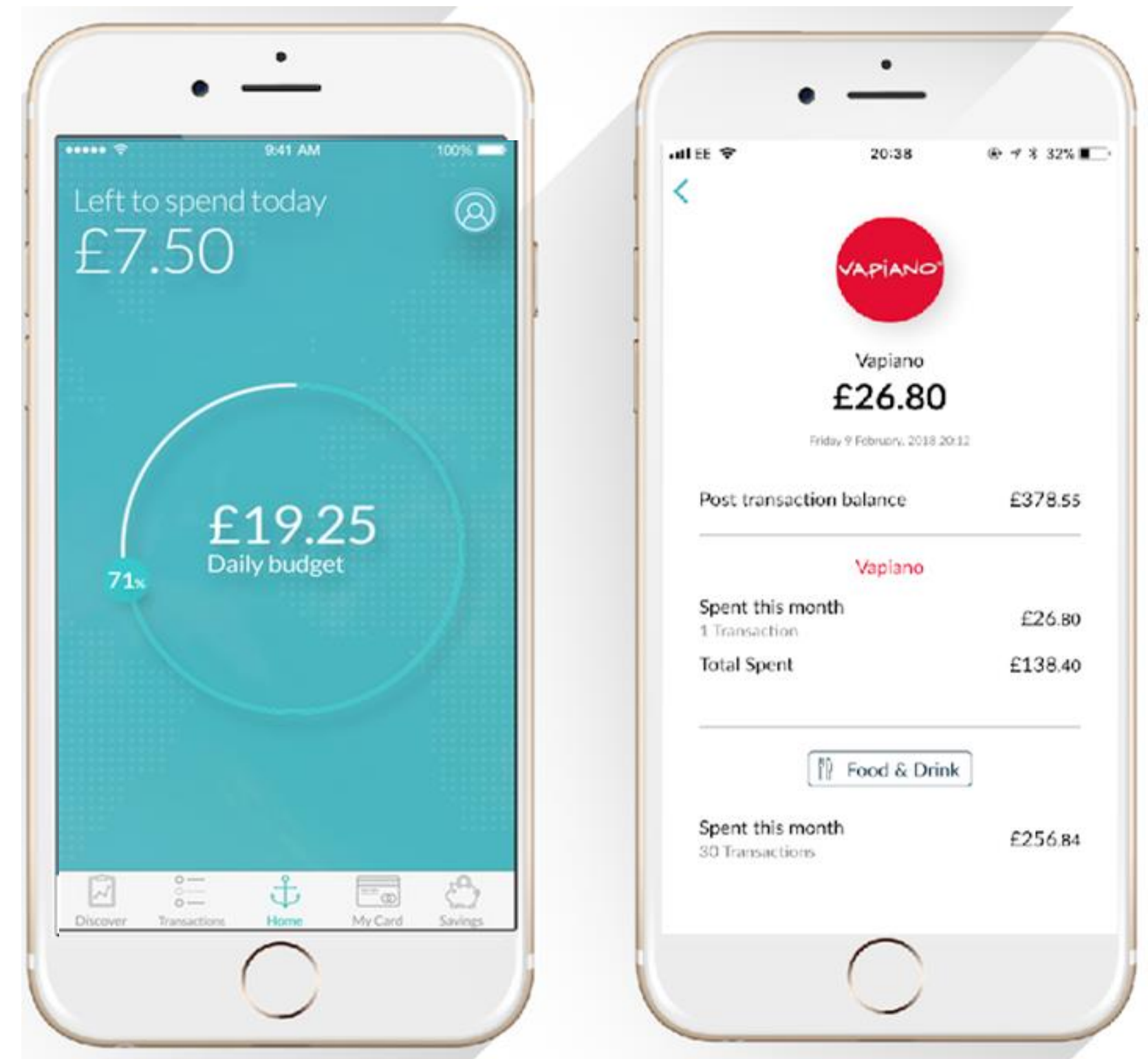


Company Products & Services



Loot tech IP is Next Generation Banking Account

- **Budget:** Set a daily, weekly, monthly or make a custom budget. The platform provides a daily spend limit so you can track your spending and save effectively.
- **Instant transaction list:** Enables View of spending in real-time. Purchases made abroad, converts spending into GBP, with a live currency exchange rate.
- **Pause/Unpause:** You can pause your account if card or phone gets lost or stolen.

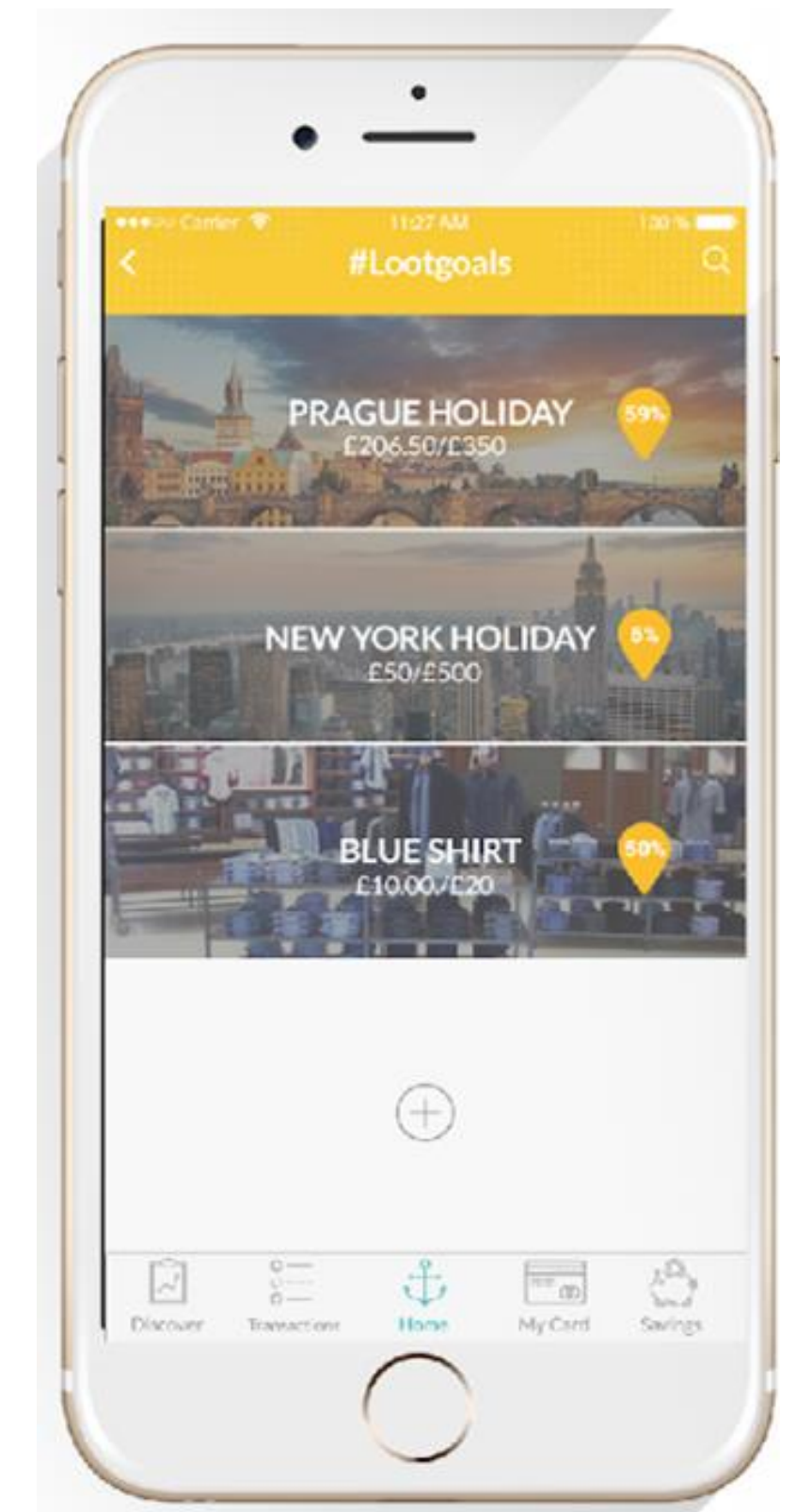
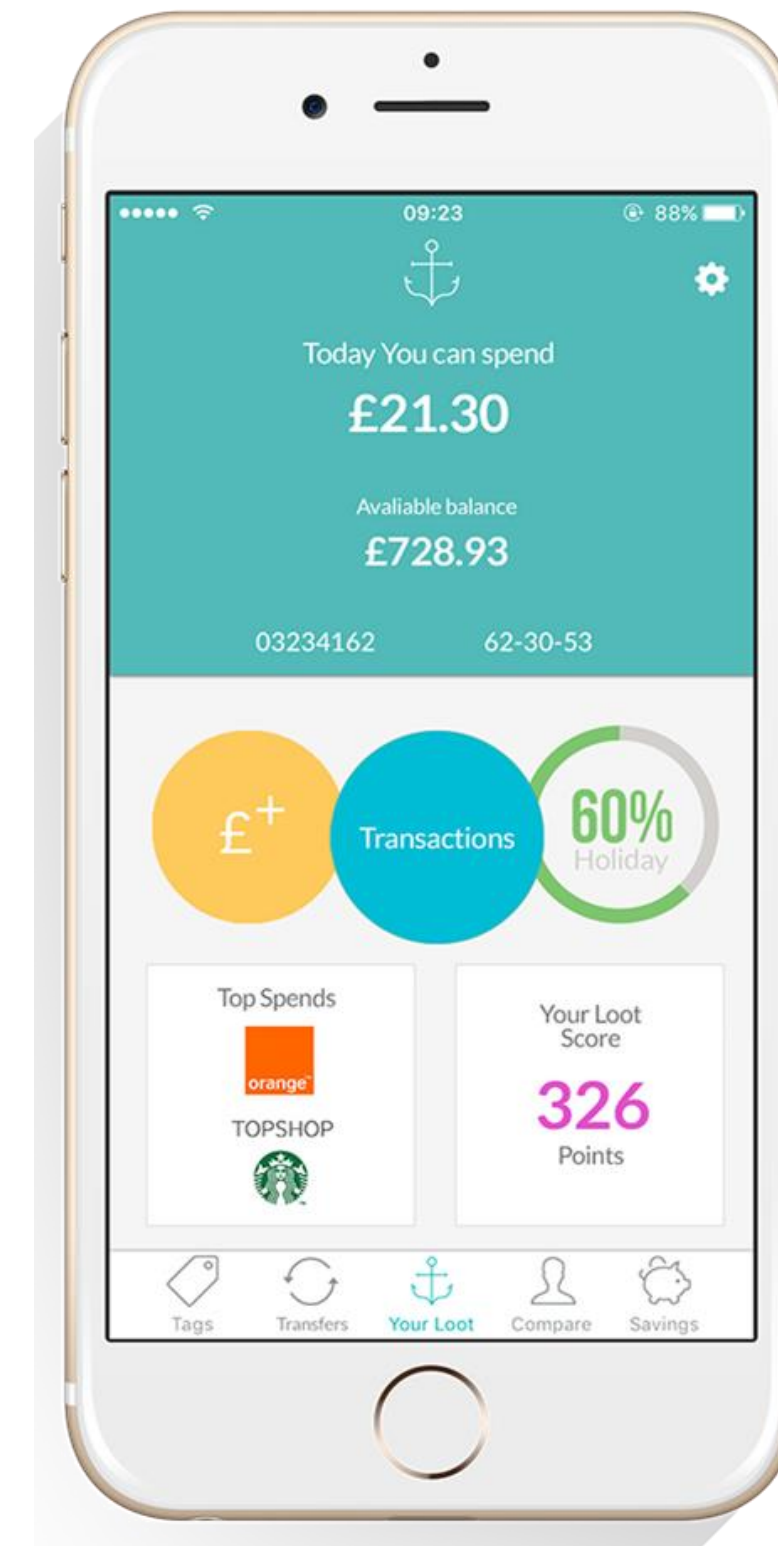


Company Products & Services



Loot tech IP is Next Generation Banking Account

- **Virtual Cards:** Are unique digital cards that allow you to transact on your main bank card account without using your main card account number. This helps prevent fraudulent purchases without affecting your main bank card account. **Users can make their own virtual cards.**
- **Spending Guide:** Shows how much you can spend each day, which sits in the budget circle. The circle will go from blue to yellow to orange to red, depending on whether you're spending too fast.

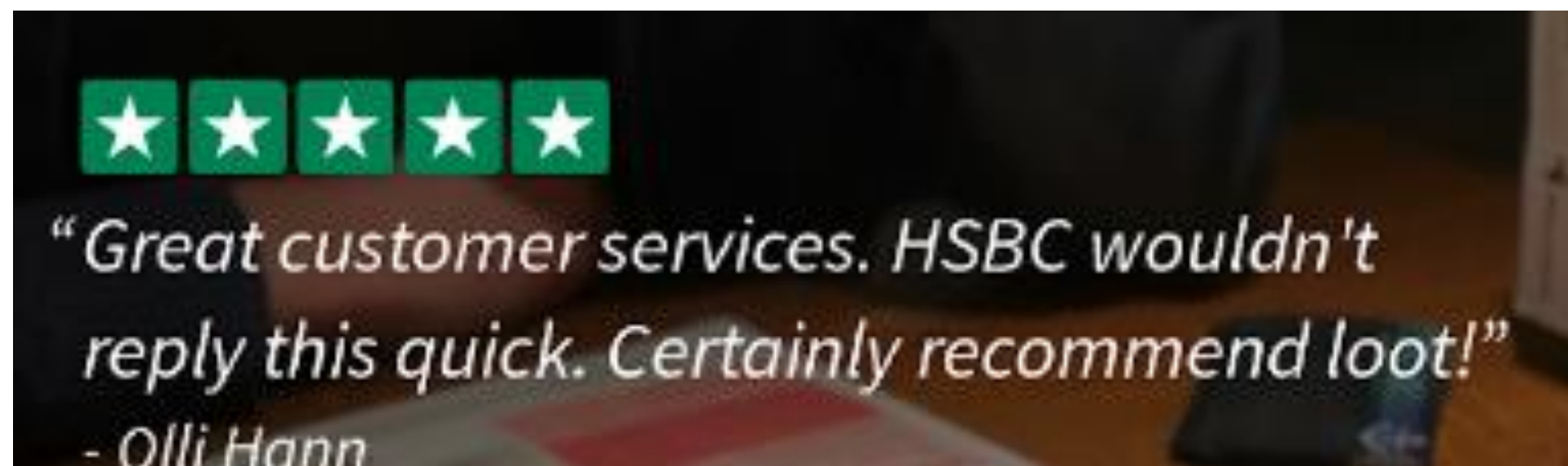


Company Products & Services

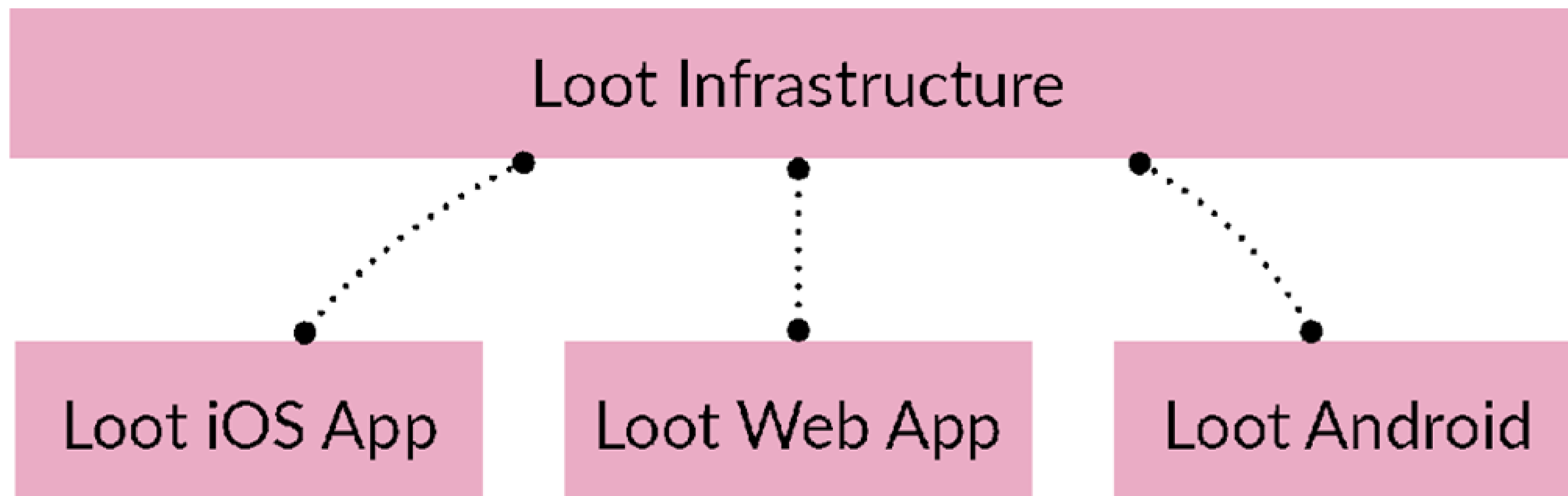


Loot tech IP is Next Generation Banking Account

- **In-App Customer Support:** The Mobile messaging customer support is very robust built in with a combination of AI and Human support.
- **1 Loot operation person was able to support 11,000 online users.**



Company Tech IP description



Loot operated under Wirecard banking license



Company Tech IP description



Backend:

- **Microservices** / fine-grain services written mostly in **Ruby on Rails**
- Cloud: **AWS**
- Database: **Postgres** (RDS on AWS)
- CI/CD: **Jenkins, Circle, Bitrise**
- Elk stack: **Elasticsearch, Logstash, Kibana**
- **New relic**
- **Cloudflare**

Frontend:

- iOS: **Swift**
- Android: **Java**
- Web app: **React**



Business Model



Possible Business models based on *Available* tech features

1. Overdraft Fee
2. In App Investment - Pay a monthly fee to have access to investment features, provided through 3rd party partners
3. **Data Analytics** - Analyze customer spending and suggest to switch providers, based on partnership with 3rd party Service providers (*Ex: data analytics suggests that customer pays a monthly fee of €55 for internet service to Vodafone. Online bank Suggests to switch service to TMobile for €45 per month. Get a €50 referral fee from TMobile for new client*). Bank can leverage the access to direct data of customers and direct debit from account.
4. FX Inbound/Outbound transfer fee
5. Tiered services with access to different services for a monthly fee
6. Cross services selling, like Travel Insurance, Mortgages, Loans
7. 1 Free Virtual card. Monthly fee for unlimited cards
8. Credit score rating - based on customer Money In/Money Out activities & Saving habits
9. Increase Bank Deposit amounts through Budgeting & Savings Tools. Increase profit from Loans



Market: Industry & Sector info - *Traditional Retail banks*



M&A consolidation has remained a market driver in European banking, from 9,771 banks in 2010 to 7,246 in 2017 – a **drop of over 2,500**.

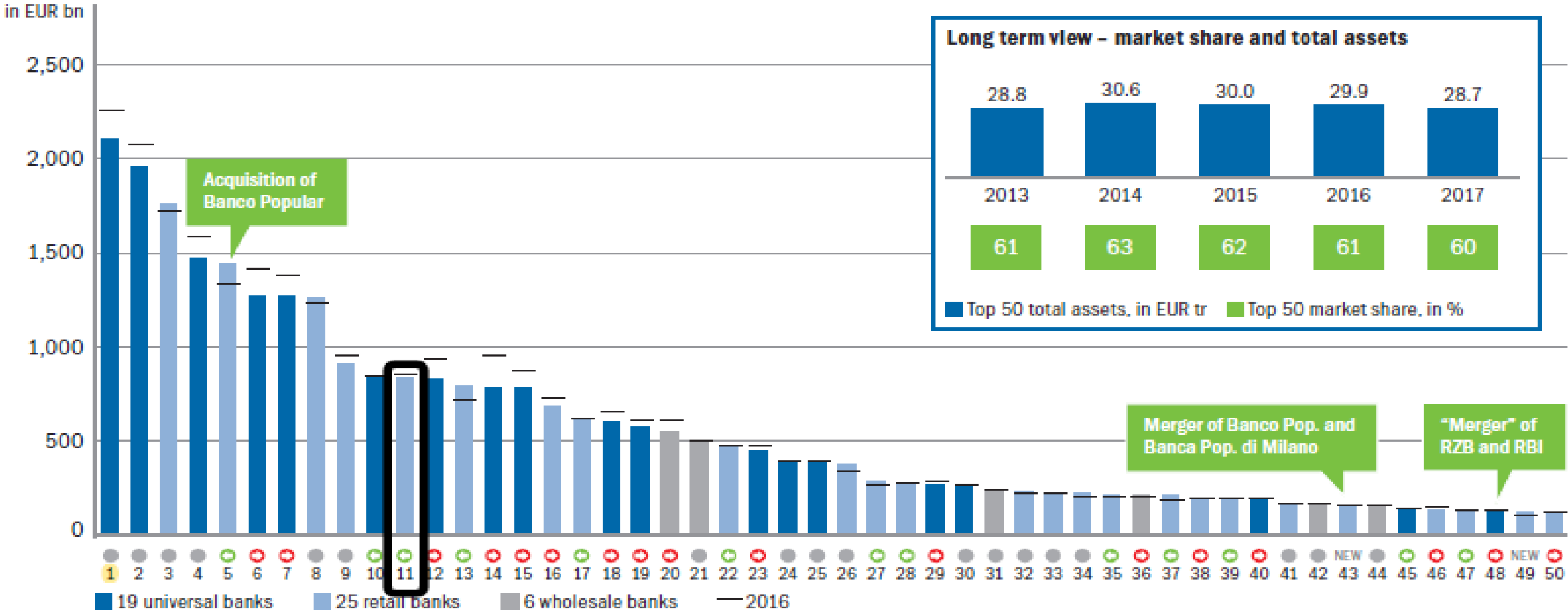
Banks as utilities - the break-up of the value chain

Reducing costs, ultimately means implementing state-of-the-art IT infrastructure, digitalising processes and reducing legacy systems wherever possible – in addition to reducing personnel costs.

Ultimately, this drive towards a better IT infrastructure within banks may lead to an increase in offerings such as ***Banking As-A-Service***, with some banks becoming IT companies. I.e. the **Amazon of banking IT services** has not yet emerged.



Market: Industry & Sector info - *Traditional Retail banks*



Top 50 Banks in Europe by Market Share & Assets

1. HSBC Holdings Plc (HSBC)
2. BNP Paribas (BNP)
3. Crédit Agricole Group (CA)
4. Deutsche Bank AG (DB)
5. Banco Santander SA (SAN)
6. Barclays Plc (BAR)
7. Société Générale SA (SocGen)
8. BPCE Group (BPCE)
9. Lloyds Banking Group Plc (Lloyds)
10. ING Group N.V. (ING)
11. UniCredit S.p.A. (UniCr)
12. RBS Group Plc (RBS)
13. Intesa Sanpaolo S.p.A. (ISP)
14. Credit Suisse Group AG (CS)
15. UBS Group AG (UBS)
16. BBVA SA (BBVA)
17. Fédération du Crédit Mutuel (CM)
18. Coöperatieve Rabobank U.A. (Rabo)
19. Nordea Bank AB (Nordea)
20. Standard Chartered Plc (STAN)
21. DZ Bank AG (DZ)
22. Danske Bank A/S (Danske)
23. Commerzbank AG (CBK)
24. ABN AMRO Group NV (ABN)
25. Sberbank of Russia OAO (Sberb)
26. CaixaBank SA (Caixa)
27. KBC Group NV (KBC)
28. Svenska Handelsbanken (SHB)
29. DnB ASA (DNB)
30. SEB AB (SEB)
31. LBBW (LBBW)
32. La Banque Postale (LBP)
33. Swedbank AB (Swed)
34. Banco de Sabadell SA (Saba)
35. Erste Group Bank AG (Erste)
36. Bayerische Landesbank (BayLB)
37. Bankia S.A. (Bankia)
38. Raiffeisen Schweiz (Raiff CH)
39. Nykredit Realkredit A/S (Nykr)
40. JSC VTB Bank (VTB)
41. Belfius Banque SA/NV (Bel)
42. NORD/LB (NORD/LB)
43. Banco BPM S.p.A. (BPM)
44. Helaba (Helaba)
45. Zürcher Kantonalbank (ZKB)
46. Banca Monte dei P. di S. S.p.A. (BMPS)
47. OP-Pohjola Group (OP)
48. RZB Group (RZB)
49. Unione di Banche Italiane (UBI)
50. Bank of Ireland (BoI)



Market: Industry SWOT Analysis



- Established institutions with strong Brand Name
- Tens of Millions of customers
- Robust deposit accounts
- Lots of FCF



- A real brand issue with millennials who are tech savvy
- Lots of branches
- Huge CAC compared to Neo Banks

- M&A to acquire technologies
- Develop parallel banking platform for the younger generation and launch services in Phases

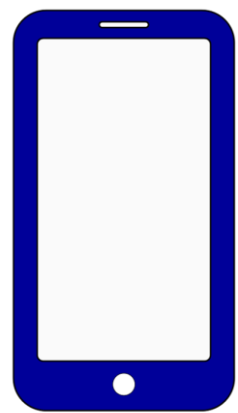
- Neo Banks are growing exponentially
- Neo Banks have huge access to capital from investors
- Millennials want fast & efficient financial solutions from banks



Market: Industry & Sector info - *Neo Banks*



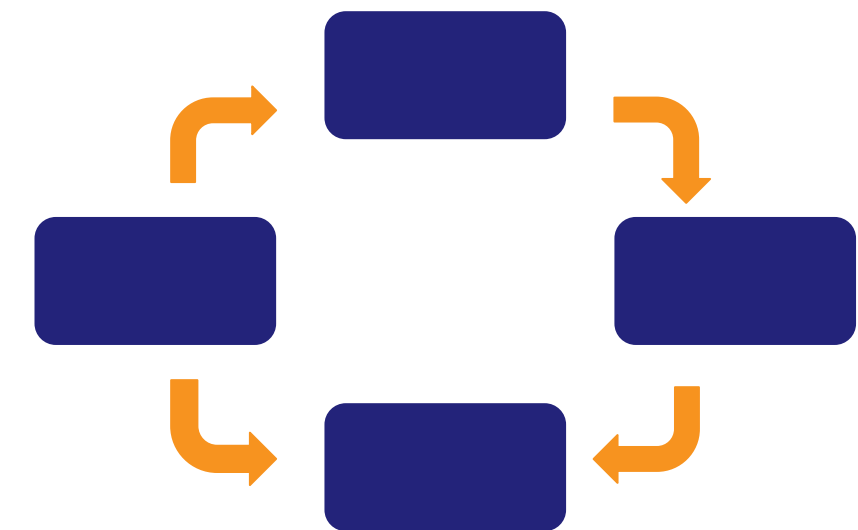
Neo banks are challenging the universal banking model with their **lower costs, personalized insights, predictive intelligence, user-friendly interfaces, easy accessibility and simplified processes.**



Consumers feel that their finances were better understood, better guided and better managed by alternative banking providers, such as challenger banks and neo-banks



Consumers are demanding ever-more consistent and convenient banking experiences, with an increasing preference for a mobile user interface instead of a physical location or bank personnel



Consumers are willing to try new banking platforms in order to save money and to simplify financial transactions



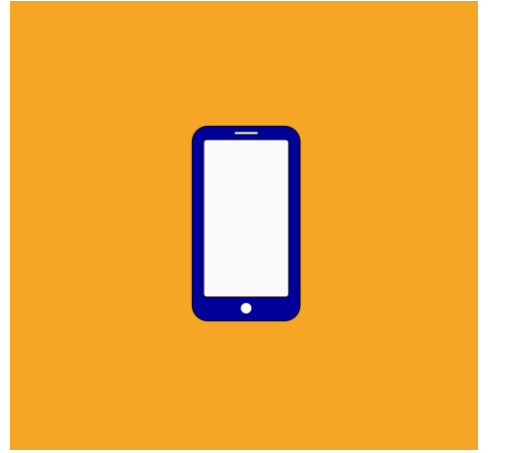
Market: Industry & Sector info - *Neo Banks*



Neo Bank	Valuation	Customers	Market
1. Nubank	\$10 Billion	15 million	Brazil, Mexico, Argentina
2. Revolut	\$5 Billion	10 million	EEA, US, Singapore, Canada, Australia
3. N26	\$5 Billion	5 million	EEA, US
4. Monzo	\$2.5 Billion	3.8 million	EEA, US
5. Starling	\$1.4 Billion	1 million	UK



Market: Industry & Sector info - *Neo Banks*



Innovation: *Customer Experience*

Neo-banks prioritize customer needs and circumstances – structuring their products and services in a way that is empowering(*budgeting & saving tools*) instead of punitive(*fees*).

Interchange Fee Based Model Minimizes Front-End Friction

Use of Interchange Fee model to minimize customer-facing fees, such as monthly fees, minimum balance fees, and overdraft fees.

N26 generates interchange fees from merchants

Spending Analysis and Controls

Focus on **Personal Financial Management** with real-time insights.

N26 sends push notifications on all account activity (e.g. card payments, ATM withdrawals).

Tandem provides personalized insights on money management

AI Credit Scoring Enables Smoother and Faster Decisions

Use of AI models and analytical engines to enable faster decisions.

Kredit Kudos



Market: Industry & Sector info - *Neo Banks*



Innovation: *Usage Convenience*

Digital banks are creating convenient ways of accessing banking needs by tapping into local ecosystem, collaborating with technology specialist firms and embedding AI-based capabilities into their offerings.

Location-Agnostic Banking

Anywhere, anytime models
Banking through Digital Venues as
against Physical Branches
Round-the-clock access on-the-go.

Collaboration

Partnerships with local/global
banks and FinTechs for expanded
cross-sell and Re-bundling services
through tight-knit integrations,
Services Integrator model.

Automated Accounting and Cash-flows

Targeting SMBs, freelancers

Starling Bank Core features:
Accounting, Tax, and Business
reporting



Market: Industry & Sector info - *Neo Banks*



Innovation: *Simplified Process, Times and Cost Savings*

Digital banks are helping users save money, especially on international transactions, and to better manage their finances, all without physically transacting with a bank.

Low Cost Exchange Rate

Fast, secure, low-cost international purchases/transfers using the mid-market exchange rate.

Revolut customers can spend in over 90 currencies at the best exchange rate available with no fees

Quick and Paperless Sign-Up

Seamless customer onboarding experience.

Open user accounts via mobile or web within a few minutes and with minimal requirements.

Revolut: 3 minutes
N26: 8 minutes

Savings

Zero fee-account' model to promote savings.



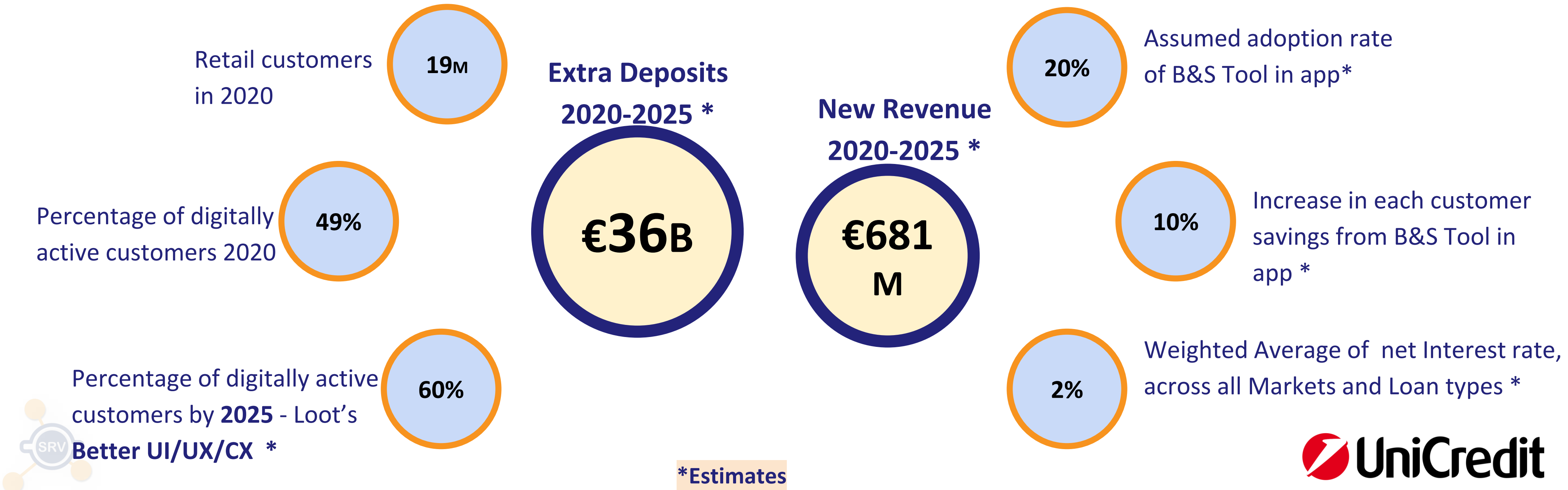
UniCredit Scope of Transaction: Financial Synergies



Increased Deposits from Budgeting & Saving(B&S) Tool built in

A [Financial Times study](#) suggests that on average the B&S tools help customers achieve 14-17% in monthly savings.

UniCredit can leverage LOOT’s built in B&S tool to promote it to its customer Savings and therefore increase Deposits and Revenue from Loans.



Market: Traditional Banks vs *Neo Banks*



Neo Banks adopt Platform-Centric models compared to Product Centric models for traditional banks

Incumbent's Model	Neo-Banks' Model
Product-Centric	Platform-Centric
TECH INFRASTRUCTURE	TECH INFRASTRUCTURE
· Outsourced technology	· Open architecture technology stack
· Non-modular architecture with limited scalability	· Ability to 'plug and play' best-in class tools/services
· Large branch/network	· Open banking through APIs
· High customer acquisition cost	· Mobile only (<i>low</i> customer acquisition cost)
· Products and verticals drive organization structure	· Customer needs drive data architecture

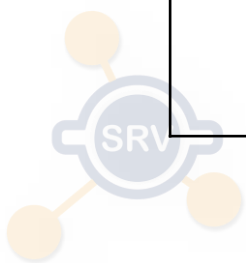


Market: Traditional Banks vs *Neo Banks*



Neo Banks adopt Platform-Centric models compared to Product Centric models for traditional banks

Incumbent's Model	Neo-Banks' Model
Product-Centric	Platform-Centric
PRODUCT-CENTRIC BUSINESS	DATA-DRIVEN BUSINESS
· Banking data divided into silos	· Real-time data integration and management
· Mix of paper-based and online data	· Current accounts generate key data for 3 rd parties
· Difficulties in reconciling, monitoring data	· Data powers business model through 3rd party affiliation fees
ORGANIZATIONAL DESIGN	ORGANIZATIONAL DESIGN
· Product-centric organizational design	· Customer-centric organizational design



Unicredit: SWOT Analysis



- Highest total assets across CEE
- Strong brand power in the Pan-European market
- Strong compliance rating with a focus to “Do the right thing”

- Embrace open-banking technology to create new revenue streams and diversify client base
- Transition to digital-based apps to embrace a “low carbon environment”
- Partner with Neo-banks having well-developed architecture to “grow and strengthen client franchise”

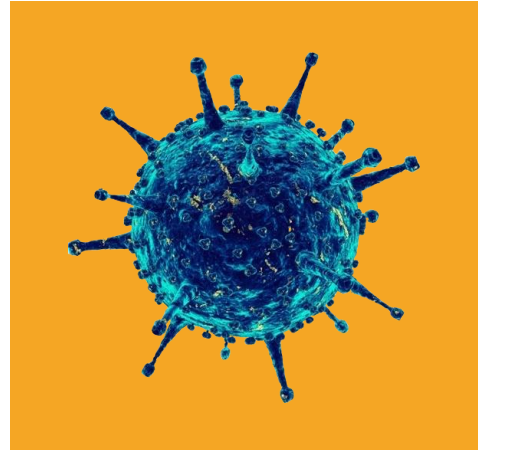


- Underdeveloped suite of digital products and services
- Relatively high cost/income ratios (52%) compared to existing Neo Banks (40%) due to IT and operational inefficiencies
- Heavily branch-centric focus

- Coronavirus economic slowdown and social distancing
- Changing consumer trends towards heavy implementation of digital tools
- Competitors expanding their suite of new technologies and rapidly innovating



UniCredit Opportunity: Why acquire now



Agile Digital Banks are the future: Corona Virus will impact our future social behavior

- **Social Distancing** is here to stay. People will fundamentally change their social behavior for the future. Physical Branches are not the future of banking.
 - Older people will avoid crowded branches.
 - Younger people prefer technology tools that are easy to use
- Cashless payments for consumer **safety through Digital Cards**. According to WHO, viruses can linger on bank notes for 3-4 days
- **New technology** that cuts down on Operation costs, Branches, Staff, Analysts, Sales People, while **Increases Revenue**
- Maintaining an online *digital bank* built on a legacy platform (database, architecture) is costly and not compatible with new Open Source technologies
- Clean UI/UX/CX increases app usage, which allows banks to leverage customer data for more profitable revenue models rather than Punishing Fees



UniCredit Opportunity: Why acquire now



Challenger Banks are growing at an accelerating pace and are threatening the traditional retail banking model

- Revolut has now 10m+ users in 12 countries
- N26 and Monzo passed the 5 million users mark
- Monzo & Revolut have just begun their US expansion
- The global Neo/Challenger Bank market size is expected to reach \$30.1 billion by the end of 2025, with a CAGR of 40.4% during 2019-2025.

Revolut

N26

monzo

TANDEM



Atom bank



STARLING BANK

monease

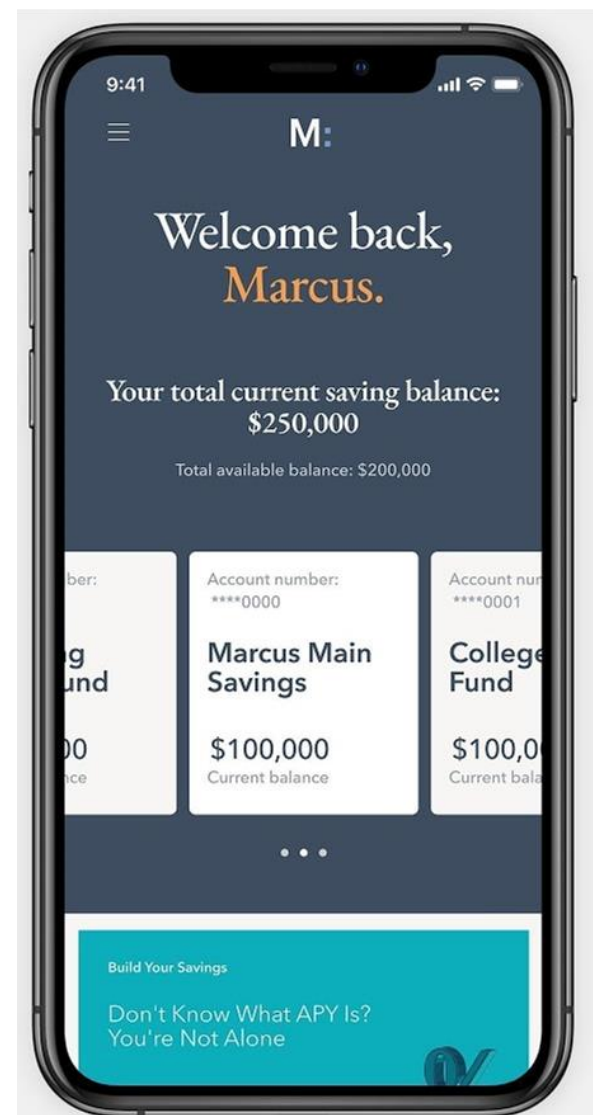
UniCredit



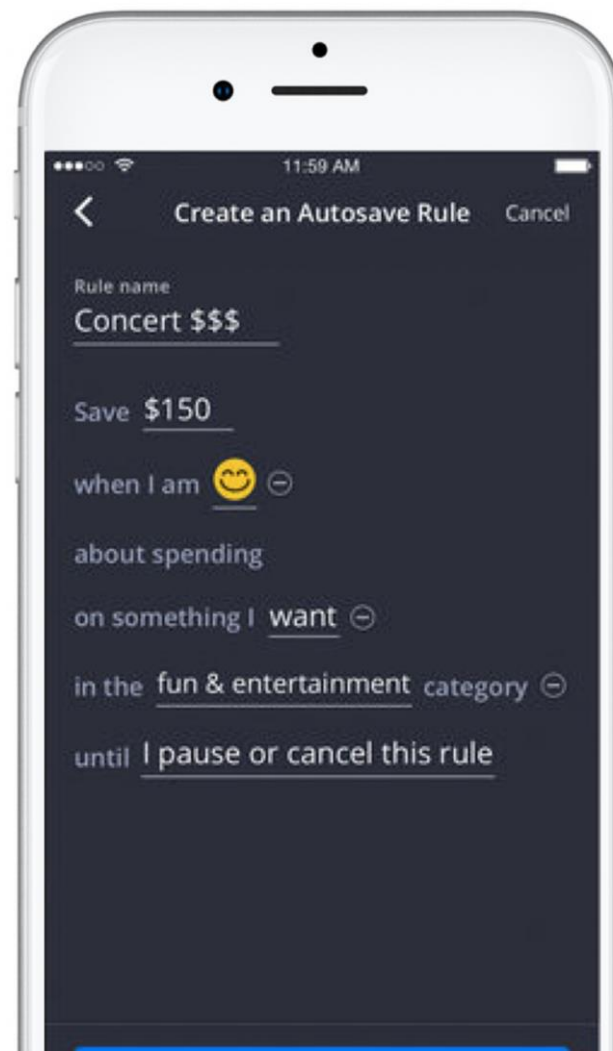
UniCredit Opportunity: Why acquire now



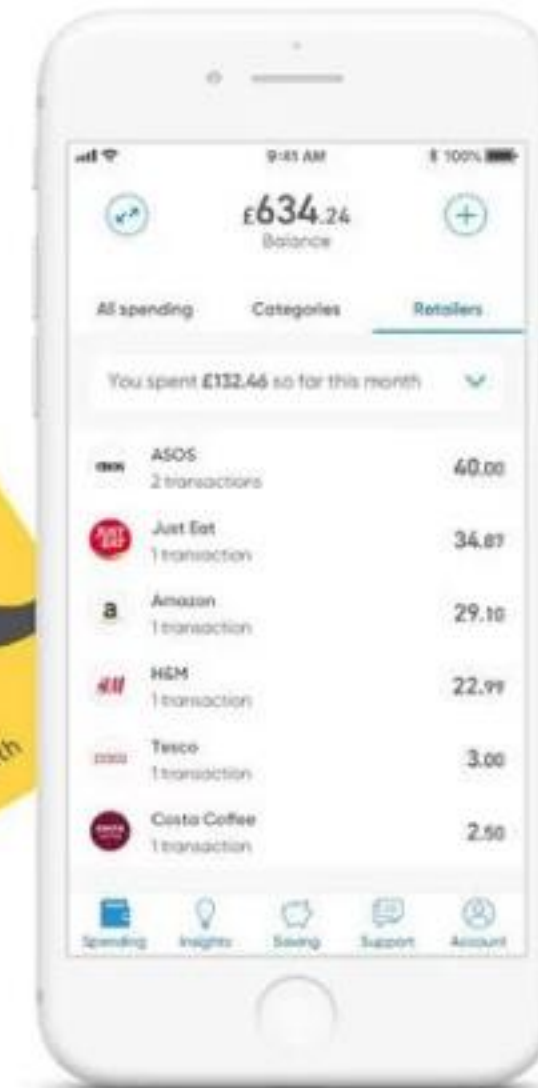
The large Traditional Banks are hedging their bets and building Neo banks to run in parallel and target the younger generation that is flocking to the likes of **N26 & Revolut**.



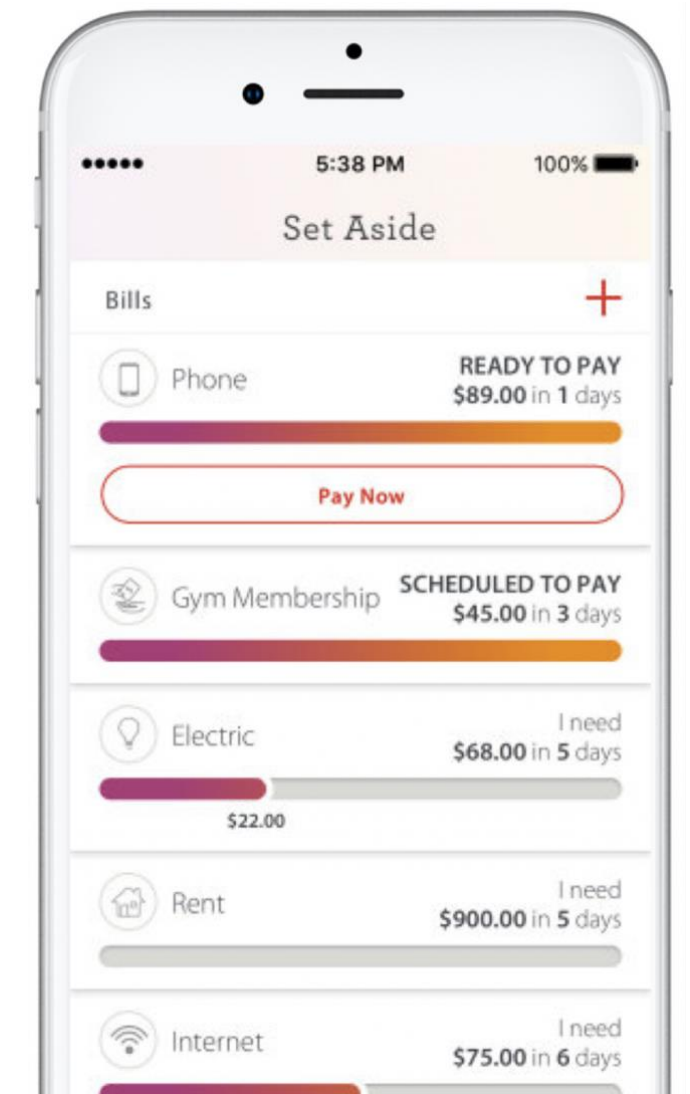
Marcus:
BY GOLDMAN SACHS®



finnSM
by CHASE



RBS



greenhouse
by WELLS FARGO

UniCredit





UniCredit Opportunity: Why acquire now

Own a fully functioning technology at a fraction of the development cost:

It is an opportunity to acquire an innovative technology already built and have the opportunity to capitalize on the market digital trends by **deploying it in day 1**.

TDD & BDD Software planning & Architecture	6 months (2015)
Development time	2 years (2015-2017) - 138,000 hours
Development team	36 (25 Software Engineers, 2 Data Scientists, 6 UI/UX Designers; 3 Q&A Testers)
Software refining & continuous development	18 months Live (2017-2019) - 104,000 hours
Software Robustness	150 000 users when Loot closed down
Daily customer transactions	420,000



UniCredit Opportunity: Why acquire now



Own a fully functioning technology at a fraction of the development cost:

Startups develop software in a super cost efficient and agile way and most often, on a tight budget.

Case study:

VS.

Loot Development

- 2 years
- Native iOS, Android & Web
- £9 Million
- Equal features
- Robust software, 5 stars in app store



Bo (RBS) Development

- 2 years
- Native iOS & Android
- £120 Million
- Equal features
- Buggy software, 3 stars in app store

3.0
★★★★★
139 total



Bee's Knees

★★★★★ January 25, 2020



i still after weeks cannot login the same error is popping up on my screen about an expired link and the support have no answer whatsoever....they cant even seem to pinpoint what the problem is



UniCredit Scope of Transaction



Acquiring Loot Tech IP will Create SYNERGIES for UniCredit

Financial Synergies:

- Think beyond traditional banking: develop revenue models from Data, 3rd Party Referral Fees
- Increase Deposits and Revenue by Empowering people to stay a step ahead in life through the app's budgeting and savings tool

Operational Synergies:

- Cost savings from operating less branches with a full online digital bank
- Cost Savings from issuing and promoting usage of Digital Cards
- Achieve the ESG Commitment
- Time & Cost saved on developing a modern banking platform akin to Monzo/N26/Revolut
- Cost savings on Fraudulent Transactions





UniCredit's Scope of Transaction: Financial Synergies

New Revenue Models from Data and 3rd Party Referral Fees

- With Loot's Technology, UniCredit can achieve a **Platform-centric model via Open-banking API**.
- This will enable UniCredit to provide a platform-based ecosystem, and increase revenue potential through data monetization and improved analytics.
 - o *Ex 1: Data analytics suggests that customer pays a monthly fee of €55 for internet service to Vodafone. Online bank Suggests to switch service to TMobile for €45 per month. Get a €50 referral fee from TMobile for new client).*
 - o *Ex 2: Assess customer Credit Score by analyzing Spend (Money In vs. Money Out) and habits. Much more precise than Equifax or Experian. Charge other FIs a commission for referral to Credit cards, mortgages and loans.*



UniCredit Scope of Transaction: Operational Synergies



Cost reduction from Operating less Branches with an Online Bank app:

Loot Technology allows the full implementation of an Online Bank. This means that UniCredit is not dependant on staff and physical location to stay in business and **open new accounts.** (*Note: Current UniCredit app do not have this capability. New customers still need to open an account in person in branches*)



*Estimates

UniCredit Scope of Transaction: Operational Synergies

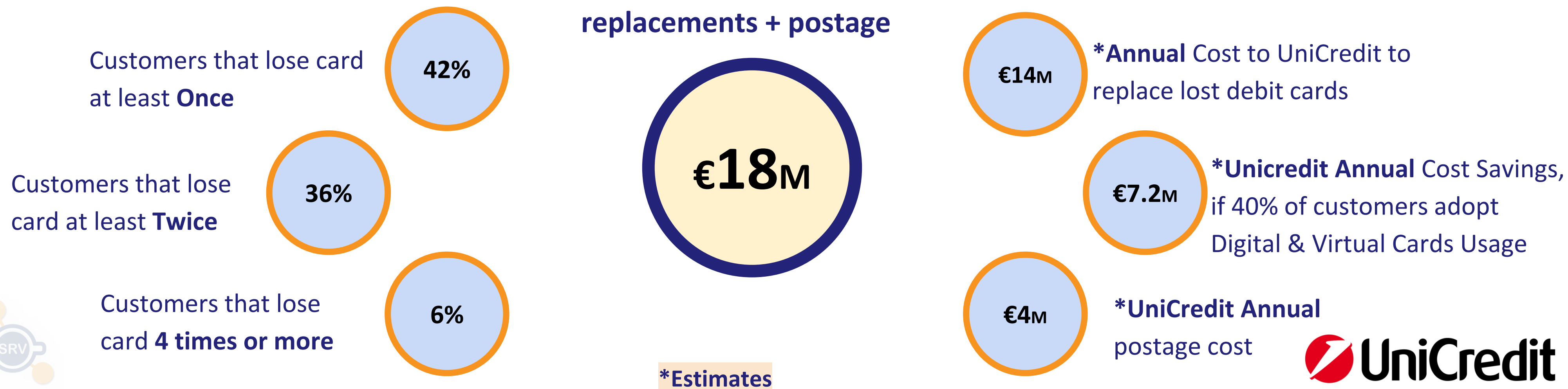


Cost reduction from issuing Digital Cards as opposed to Plastic cards:

Loot Technology allows the issuance of Digital & Virtual cards as opposed to Plastic ones. This means that UniCredit will **save significantly** on replacing cards and postal cost by not replacing lost cards.

UniCredit can Incentivize clients to use digital cards through Push Notification, if customer requests a Card Replacement. ***With the rise of COVID-19, Mastercard & Visa have increase the contactless payment limit to \$250.***

***UniCredit Annual Operational
Cost from Debit/Credit card
replacements + postage**



UniCredit Scope of Transaction: Operational Synergies



ESG Commitment

As part of UniCredit's “**low carbon environment**” commitment, transitioning from physical credit cards to **virtual credit cards** and **digital apps** like **LOOT**, UniCredit can make vital progress toward this goal and contribute to make a **significant impact** on the EU's goal of “**Net-Zero Greenhouse-Gas Emissions**”

***Ratio of UniCredit credit card
CO2 Emissions to EU Credit
Card Emissions**

5.6%

***Estimates**

***Total Credit Cards
issued by UniCredit**

**30.4
Mn**

***Number of bank
cards per EU citizen**

**1.6
cards**

**2837
tonnes**

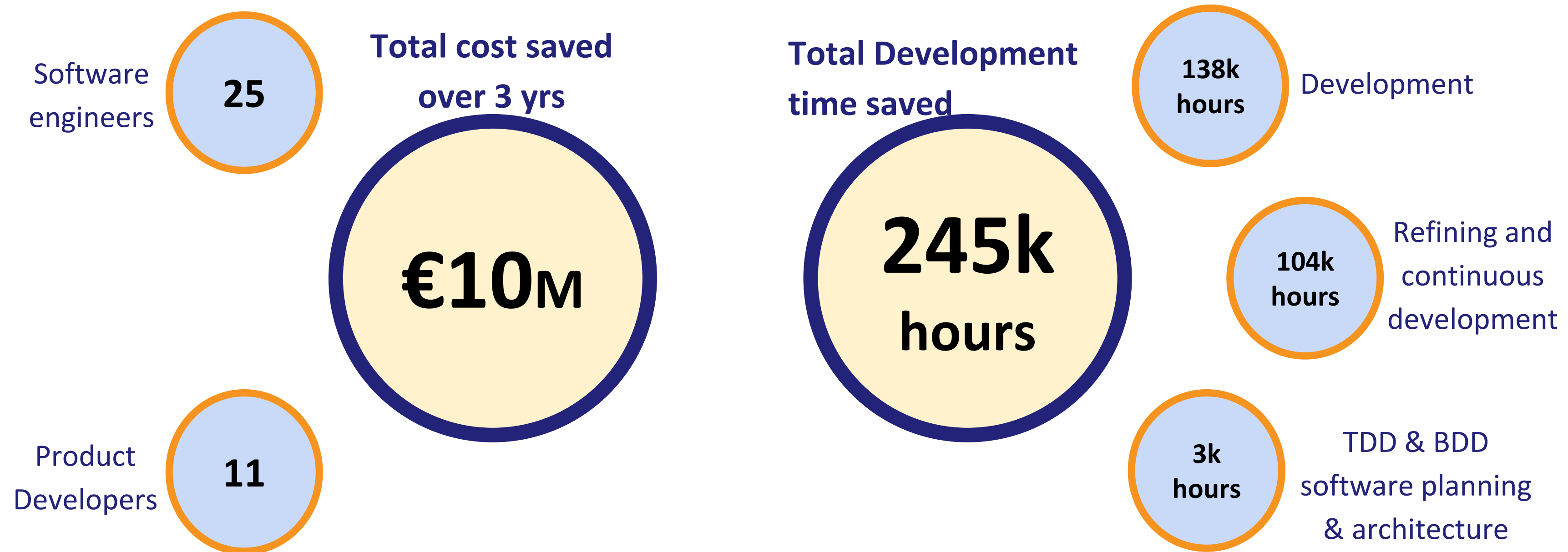
***UniCredit CO2 Emissions by
producing Credit Cards**

UniCredit Scope of Transaction: Operational Synergies



This acquisition allows UniCredit to Save Time and Cost, compared to internal development

- Time & Cost saved developing a modern bank platform akin to Monzo/N26/Revolut



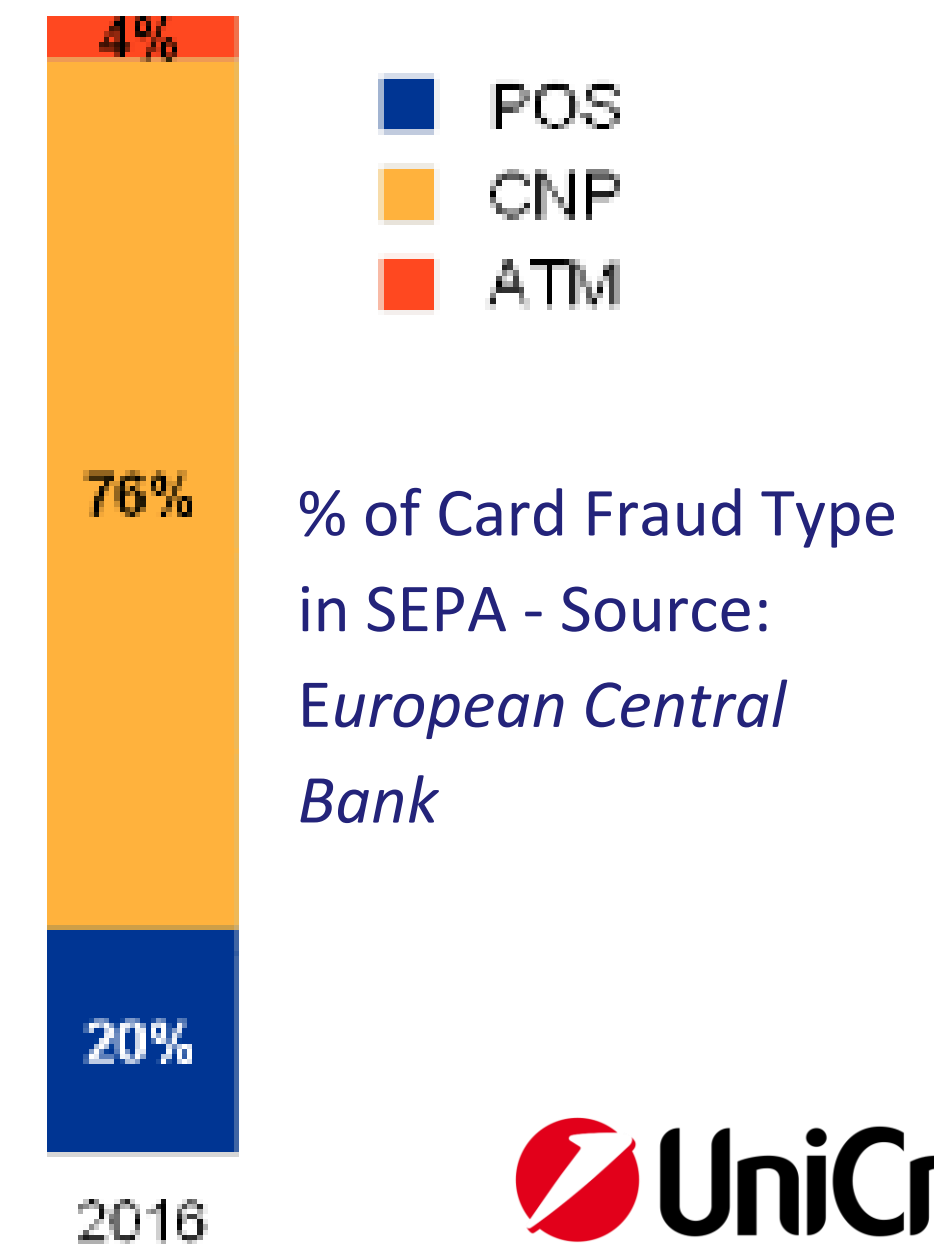
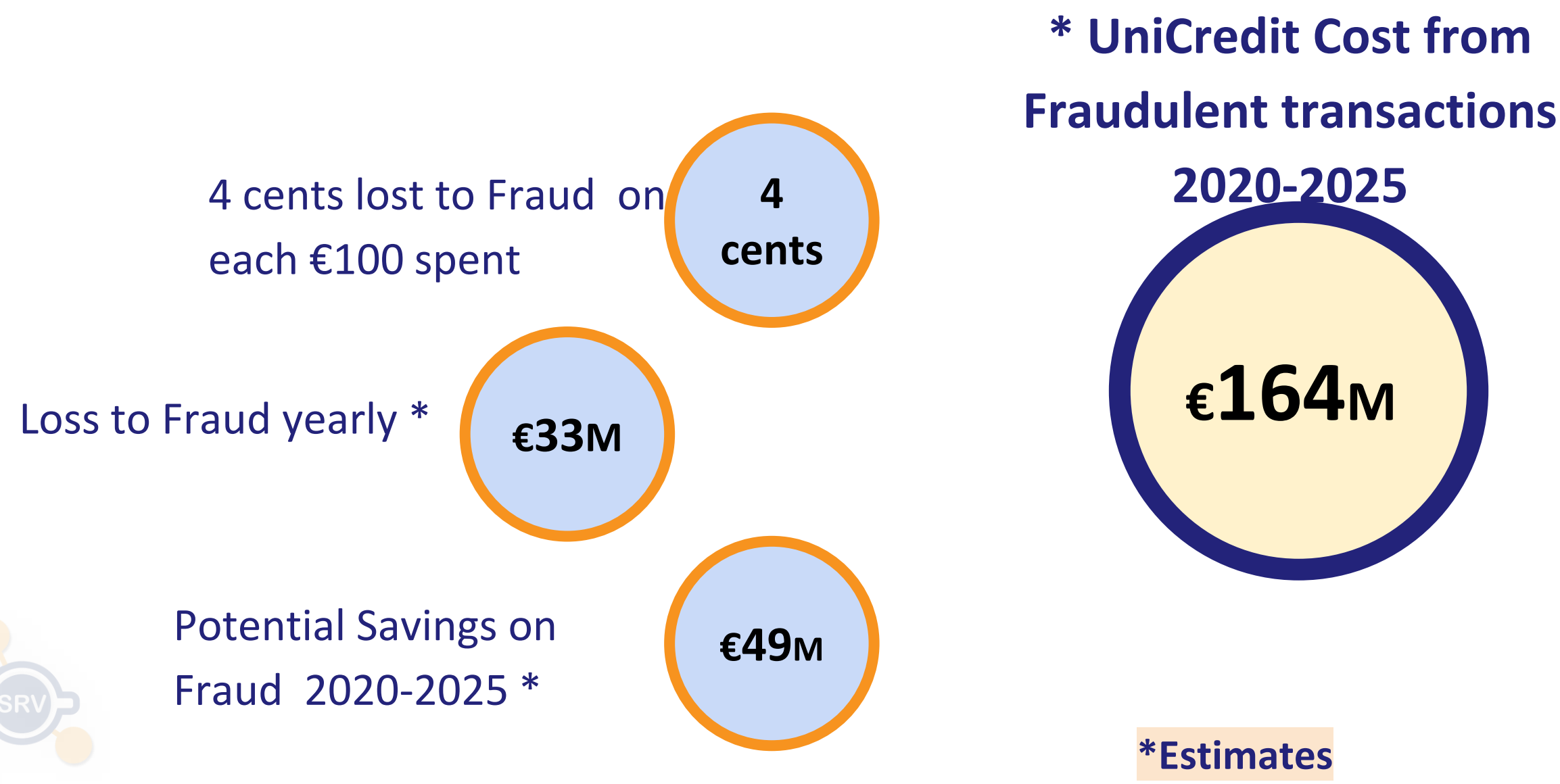
*Estimates

UniCredit Scope of Transaction: Operational Synergies



Cost savings on Fraudulent Transactions

- **Virtual Cards:** Are unique digital cards that allow users to transact on the main bank card account without using the main card account number. (Ex. Customer can make a Virtual Card only for Amazon purchases) This helps prevent fraudulent purchases without affecting the customer's main bank card account. With Loot's Technology, users can make their own virtual cards.



Proposed Acquisition Structure



Technology Asset Purchase	Historical Cost	Adjusted Cost
Value of technology How much it would cost to develop this from scratch	£9.8M	£10M
Functioning Bug Free Software (5 years of R&D and BD) Cost of a fully tested and scalable product to 150K users		£1.4M
Total Asking Price		£11.4M



UniCredit's Economic Value of acquisition

Conclusion: why there is economic value for UniCredit to make this acquisition:

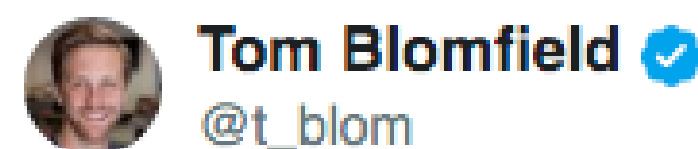
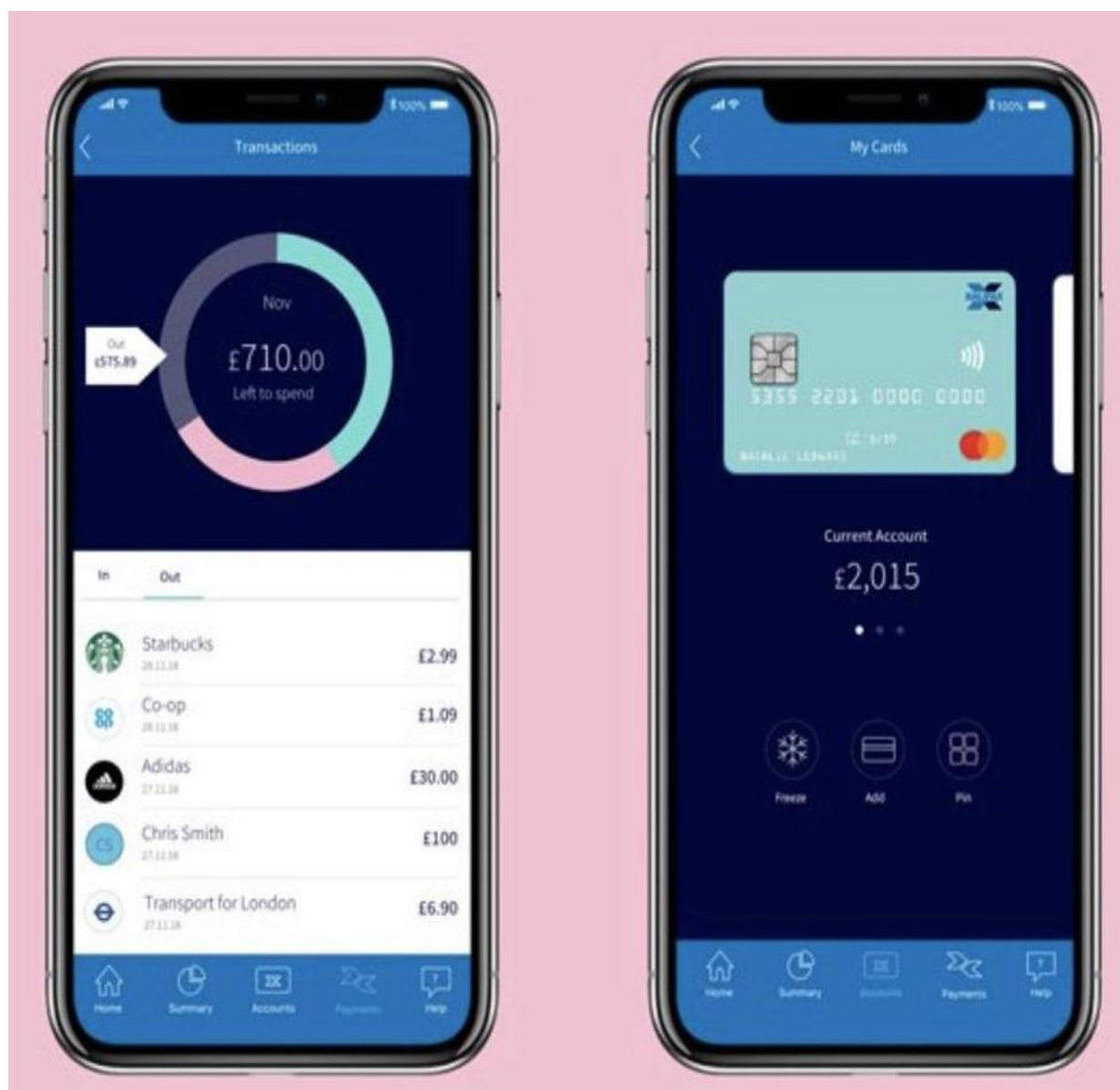
1. **Corona Virus** will fundamentally change our social behaviour for months and even years to come, especially if the virus will reoccur in winter and next year again. **Social Distancing** is here to stay.
2. **Aggressively enter the challenger bank market:** Consumers love challenger banks like Monzo/Revolut/N26 because their apps and services are easy to use and deliver features that make money-related tasks easy to solve. **Able to open new accounts in 5 minutes on app.**
3. **Leverage the challenger bank technology:** Challenger banks are able to identify and deliver new features that make sense to end users. Features are themselves a solution for something people want to do, it doesn't need to be explained or "sold" in order for people to adopt it.
4. **Penetrate geographies and demographics that don't have access to a retail branch footprint:** It is economical to manage clients account through online banking mobile applications.
5. **Own a fully functioning technology at a fraction of the development cost:** An opportunity to acquire an innovative technology already built and capitalize on the market digital trends by **deploying it from day 1.**



APPENDIX

When Corporate “Innovation” FAILS

Halifax Bank accused of copying rival banks Monzo and Starling with rebrand



Hey @AskHalifaxBank

It's great to see your updated brand identity, but it looks like you forgot to update couple of things.

The card in the photo still displays the @monzo BIN (5355 22) and the name of one of our staff members...

8,635 12:28 PM - Apr 12, 2019

2,921 people are talking about this



John Biondini
@johnbiondini

Replying to @jrg005 and 4 others

And the budget “wheel” is from @StarlingBank too. They definitely started a while ago as the “My Account” interface is identical to the old one from Monzo. Luckily they already moved to a better one, this also shows how Halifax didn't do much research to improve the UI and UX.

13 13:25 - 12 Apr 2019

See John Biondini's other Tweets