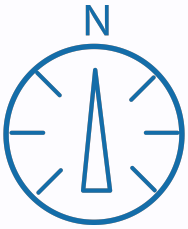

North Lab

Stay focus on innovation

Let's build
the future of the
banking industry
through **North** Lab

Topics we will cover

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north embraces its first success

LUXEMBOURG / Feb 01, 2020 - Banque Internationale à Luxembourg R&D department, which launched last year, announced today that *24*, a credit consumer app, will continue as spin-off.

BIL aims at staying ahead of its competitors embracing digital technologies though an innovation mindset. Investing in North in 2019 allowed the 1856-established-Luxembourg-based bank to increase the pace of innovation and to be much closer to its customer expectations. Following an internal start at BIL, the *24* credit consumer tool will continue as a standalone brand offering loans to all European households and individuals, not just BIL customers.

Most companies that get disrupted are generally well-run companies with excellent conventional management practices.
BIL was one of them.

A decade ago digital banking was perceived as a modern "nice-to-have", but its acceptance came faster than some were expecting. New regulation and open banking emphasized those changes and threats. FinTech were testing new business models every day and there was no more doubt BIL had to develop and test new concepts if it wanted to keep its head out of water.
Reminding that great companies such as Kodak, BlackBerry or Nokia were unable to perform some innovation during their good times, BIL didn't want to face the same fate.

BIL had to fund the innovations that would deliver tomorrow's value. The main issue was that even if it felt it should be spending more on innovation, the battle between today operational issues and tomorrow new opportunities raged on. Unfortunately, tomorrow opportunities generally lose and no budget is allocated to new great ideas.

While transformation of the financial scene itself represent many challenges, bank executives saw this as a huge growth opportunity. As a consequence, BIL stopped thinking as if it were a single monolithic organization with one business model and embraced a new way of considering innovation. It decided to favor a mix between cash cow products (retail and private banking) and a portfolio of new products that were searching for a profitable business model.

After having launched in 2016 its Business Transformation plan, the bank decided (2 months only after Lenovo's holdings acquired Precision Capital's stake – coincidence?) to go one step further and setup its R&D department, North Lab.

[1] https://adobbels.github.io/innovationlab/welcome.html

north embraces its first success

"In the first stage we were thinking that projects incubated within the Lab would be a sandbox for BIL. This is not what happened! Actually, BIL and Luxembourg were used by 24 as a proof of concept. It can now stand on its own feet and target 160M potential European millennials!" **David Mansy, Innovation Lab driver**

Consumer credit was the first topic covered by the Lab. An in dept analysis had already been done and BIL wanted to digitalize this service. As a result, Lab worked side by side with the XCCX (Cross Chanel Customer Experience) team.

It was a great success: adopting a Lean Startup mindset and an Agile methodology, they built a first prototype[1] and an MVP in 3 weeks. Iterating on a build-test-learn loop, the feature went live in less than 4 months. They got ready for the Auto Festival[2] (a period during which car dealers have special promotions for people looking to purchase new vehicles and where banks offer tempting loans to finance them) and BIL registered 826 new loans (out of 5,184 cars sold) over the 10 day period!

Built on this success, BIL decided to improve the process and the *24* project was born. *24* can instantly pre-approve or decline any loan request. Once pre-approved, customers can upload their documents and the final decision is made within 24 hours. *24* technology has then been implemented in BILnet App in 2 weeks.

"Being a FinTech which is the trade mark of a bank like BIL is really helpful because it brings trust and security in customers mind." **Nathalie Knops, Business Transformation plan driver**

Seeing the growth potential, BIL decided to provide *24* with more resources and decided to create a standalone trade mark which is now targeting a new customer segment (far from old fashion HNWI), European millennials.

Those creative, idealistic, and hyper-connected individuals needed a fresh brand, with a strong corporate culture, and which offered a unique experience, authenticity and a good value.
Talking about value, Starling, one of the most successful FinTech, has just contacted *24*: they want *24*'s offer to be onboarded on their marketplace!

The company is doing well and its future is looking bright.

"Let's take Revolut or N26 examples: within 3 to 5 years they became unicorns. Who knowns, 24 should become more valuable than BIL itself." **Aurélien Dobbels, 24 driver**

More information about *24* can be found at https://www.get24.co
App available on AppStore or Google play

[1] https://adobbels.github.io/innovationlab/Prototype_24hLoan.mov
[2] http://www.auto-festival.lu/

a few words

In parallel of my 10 year experience as an investment manager, I have developed a strong interest in digital economy and innovation. In 2014, I had the opportunity to present to the previous CEO of Banque Internationale à Luxembourg – M. François Pauly, a business plan I elaborated, which shed some light on the following question: "Is crowdfunding an opportunity for BIL?".

Following the conclusions of my report, a working group was created. As a member of this group I was in contact with the bank's head of Strategy. I produced a weekly FinTech newsletter for 6 months, which provided some updates related to the FinTech industry.

By the time, my follow up and reports where not translated into action. Maybe BIL was not ready for innovation and digital was not a priority.

This highlights how a Lab will be useful for the bank. Not only it will support innovation and innovators but it will allow BIL to stay ahead of its competitors embracing **digital technologies** and thinking beyond classic banking in order to be **customer centric** and respond to continuous changing needs. Lab will be dedicated to innovation with the aim of identifying relevant technologies and solutions for its customers and helping BIL in its **transformation plan**. From a wider point of view, it will build new **cross border leaders**, relying on Legend Holding know-how.

Our secret sauce will be to develop **an ecosystem** of motivated, ambitious people, federated around a meaningful project and provide them with a space where ambition is valued, risk-taking is embraced, knowledge is shared and awesome products are built.

Based on **Lean Startup model**, we should start small, have huge ambition, be ready to fail cheap and fast, and learn as much as possible. Some projects will die while having spent just few resources, other will disrupt the entire industry and create exponential growth.

The Lab to be organized in 3 business lines: **Product**, **People**, and **Growth**. This organization will contribute to the development of 3 kind of projects, internal and external: collaboration with FinTech, ventures factory or funding.

The purpose of this document is to provide the vision of what the Lab will be and how it will achieve its long term goals. In this document we will develop the following:

- How FinTech emerged since 2007 financial crisis and in what way they threat incumbent banks.
- The context in which BIL is evolving.
- Explain why BIL should launch an Lab.
- Our understanding of what the Lab will be.
- Explain the different missions that will be entrusted to the Lab.
- Assess the business model the Innovation Lab.

how all this began?

The financial crisis resulted in a loss of trust among retail customers who rushed to take their business elsewhere. At the same time, Financial Technologies (FinTech) Ventures popped up all over the world and brought many new concepts.

Disruptive technologies forced all industries to reshape their strategies and the very classic banking industry was no exception.

Just as during the 18th century and the industrial revolution, **we are now experiencing the 4th economic revolution** driven by technologies that are changing the way humans live and specifically the nature of banking.

From Wall Street to The City, bankers were hearing about a new technical jargon that came from the Silicon Valley: User Experience, APIs, digitalization are so many examples. At that time, only few banks embraced radial innovation adoption and most of them lagged behind in digital innovation.

New players seized the opportunity to take the most lucrative parts of their business which is an issue as classic sources of income, such as lending, are much less lucrative because of the erosion of interest margins.

This trend is a reality for more than a decade and the growing use of smart phones confirms the "mobile first" spirit. Customers want everything, anywhere, anytime.

This pressure is even being fostered by governments that publish **new regulations** which purpose is to increase competition amongst investment services while also boosting consumer protection. Last January, the PSD2 directive came into play, and GAFAM will be able to make payments directly without the bank's help.

Since then, most banks massively invested in IT and digital transformation. Those programs became a priority for 85% of them and a way to promote innovation and increase digital exposure is to launch innovation labs initiatives. Some are close to us and examples include L'Atelier by BNP Paribas, Start It by KBC or Le Village by Crédit Agricole which is even domiciliated within LHoFT, Luxembourg House of FinTech.

In all those aspects, FinTech and more generally, large Tech companies, represent a threat to banks as testifies Alibaba example becoming the 10th largest bank within only 4 years.

Bill Gates, 2010

"We need banking but we don't need banks anymore."

stay ahead

BIL aims at staying ahead of its competitors embracing digital technologies though an innovation mindset. The bank thinks beyond classic banking and wants to increase the pace of innovation in order to be customer focus and respond to its changing needs.

North will be a BIL department dedicated to transformational innovation with the aim of identifying relevant technologies and solutions for its customers.

As a focal point for innovation programs and activities, Lab objectives are the following:

.01

Support innovation & innovators

Foster innovation and digital in the banking industry, work with passionate, motivated and inspired people, and boost entrepreneurship within and outside BIL.

.02

Leadership

BIL wants to be a **leader** in Luxembourg digital banking landscape. North will be its weapon to reach that objective and to build new cross border leaders which will increase BIL valuation significantly.

.03

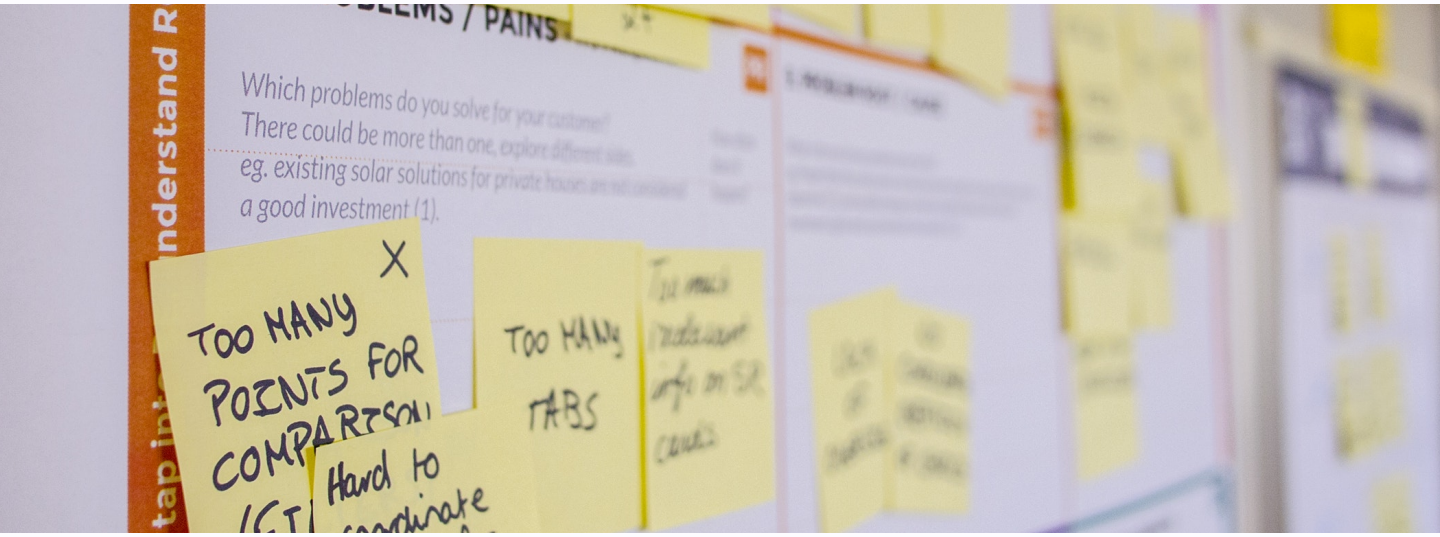
New way of thinking

Encourage **outside the box vision**, put ourselves in question, reshape what we know, learn from startups best practices such as agility and peer learning, admit that innovation comes from inside and outside, improve decision making processes.

.04

Synergies

Develop **synergies** and **interactions** with Legend Holdings Angel, VC and PE financial investments.



threats we plan to alleviate

Financial sector executives fear FinTech. Those new ventures could involve a loss of market share, a pressure on margins and an increase of clients' churn.

Most traditional banks are associated with trust, security, significant capitalization and customer indifference.

Alternatively, FinTech are usually associated with mobile functionality, simplicity, accessibility, agility, personalization, convenience and overall, customer centricity.

.01

Customer-focus culture

According to a PwC Global FinTech Survey, only 50% of traditional players believe they are consumer centric compared with 80% for new comers who take over new functionalities wanted by end users.

Moreover, those FinTech mainly team up with millennials who have a digital native culture as they grew up in an environment that has been transformed by all the uses of new technologies. As such, they have a **mobile-first approach** which is consistent with end-users needs.

Customer expectations towards banking services changed and increased because of FinTech; traditional financial institutions need to understand and respond to them otherwise no doubt they will lose market share.

Customers want to be taken seriously, to be known, to be respected, and to be listened to.

Banks have to be honest with them, be trustful, and work the way customers work, ie being available everywhere and respond instantaneously.

.02

FinTech are agile

Size matters!

When an organization gets bigger, it becomes harder for it to keep culture of innovation. Instead of silos, FinTech have a **flatter structure and just few barriers** to change which encourages not only innovation but allow them to pivot and rebuild if needed. While freedom, pace, energy, adaptability, and flexibility are all concepts FinTech promote, governance, planification, rigidity, organization and risk focus are ideas conveyed by incumbent banks and make innovation difficult.

However, we have to admit that banks show a strong clients database, a large distribution network, decades of experience, and a certain financial power.

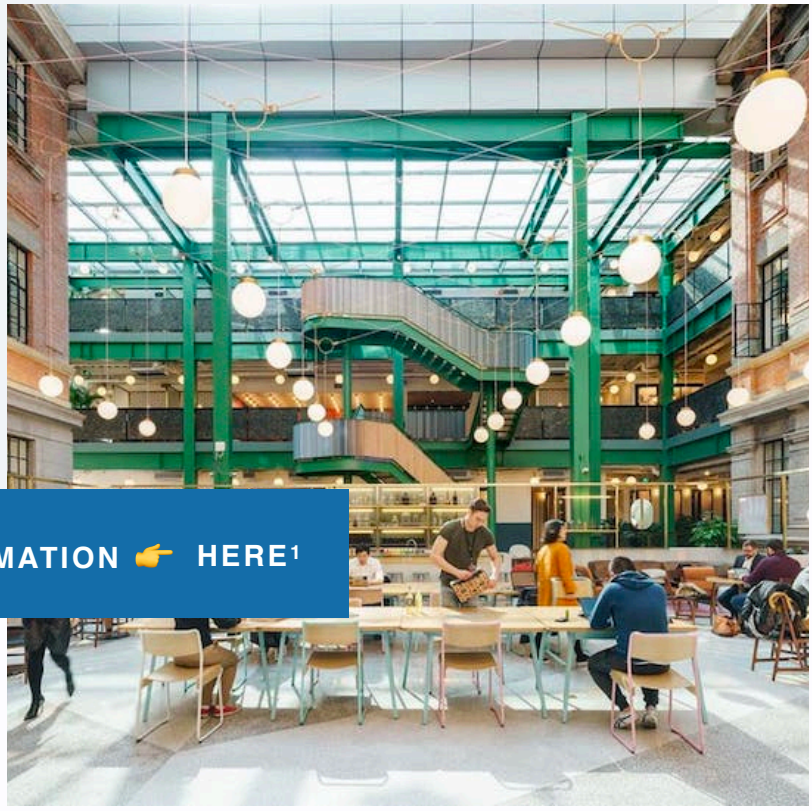
Partnering with these new agile ventures allows traditional players to expand and grow at much faster rates.

So. Competition or Collaboration? Threat or Opportunity? Cannibalism or Complementarity?

Those are the important questions banks face nowadays as they continue to deal with the boom in global FinTech. We will show in this vision document how a Lab will help BIL achieve its transformation plan, become a larger player in a borderless landscape and face several issues.

our value statement

For **Banque Internationale à Luxembourg**,
Which aims at **staying ahead** of its competitors **embracing digital technologies**,
North is a R&D Lab,
That **supports** financial projects from inception to scalability,
Gathering a large **network of experts** who are **operationally involved** and who will help scale and finance successful projects.



MORE INFORMATION 👉 HERE[1]

[1] https://adobbels.github.io/innovationlab/welcome.html

Why should BIL launch a Lab?

values that matter to us

1

Dare

People have big ideas! They must not keep them and we will help them build awesome products customers dream of.

2

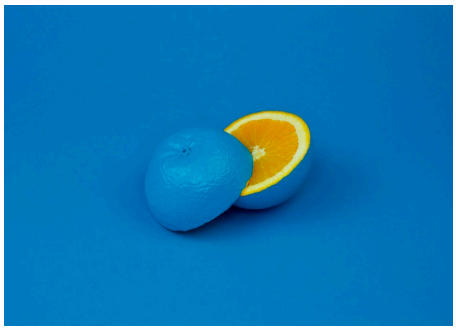
Meet

Learn from people and their experience. Knowledge sharing while having fun is key!

3

Impact

Founders and their projects will change the world.



4

Identity

Disruptive design and trendy brand is important to display a strong, singular and coherent culture.

market, Lab, MVP teams, lean startup

.01

Market

As discussed previously, we are currently in the middle of the 4th economic revolution and all sectors are disrupted. Banking industry is no exception. This closed industry in which we are currently evolving and which offers its own products and services will soon be over for the benefit of **open banking**.

According to a report which was published this month by The Financial Board, 94% of banking companies are either concerned or very concerned about FinTech startups.

> *"There's no chance that the iPhone is going to get any significant market share. No chance [...]"*
>
> Steve Ballmer, Microsoft ex-CEO, 2007

Back in 2007, Steve Ballmer, Microsoft ex-CEO, when interviewed about the phone business is a good example of what is known as the **disadvantage of incumbency companies**. Those successful companies generally focus on high revenue – high profit cash cow products, must often reach short term expectations for returns, and thus leaderships teams can become "climate change deniers".

.02

Lab

Companies must remind that **business models tend to expire** as business environment change. BIL is aware of that and is currently assessing different ways to develop its Research & Development department, North Lab. This part of the document aims at highlighting how innovation should be managed and what tangible actions should be setup.

.03

MVP Teams

BIL Business transformation plan is changing the way projects are led within the bank: agile methodology is embraced and scrum is the framework in which MVP teams are evolving. Bit by bit, and when not appropriate, classic management practices, such as **waterfall and silo, will disappear**.

Under those circumstances, innovation emphasizes a **different approach**: launch small initiatives, be ready to make mistakes, learn along the way and constantly improve how things are done. All this requires a **deep cultural transformation** and a totally new environment to foster innovation; none of these happens magically overnight.

.04

Lean Startup

Lean Startup provides us with a set of methods we can use to treat innovation management: start small, aim high, fail cheap and fast and, most importantly, let the bank learn as much as possible. Working this way should **accelerate the way to success** for the whole organization.
Many projects will inevitably die spending a few resources but some will be highly valuable.

issues BIL is currently facing

.01

Strategic Innovation Management

Companies that get disrupted are generally well-run companies with excellent conventional management practices. The problem is not an inability to take action but an inability to take appropriate action because they are **stuck in the modes of thinking and working** that brought success in the past.

Steve Blank distinguished **searching** (startups) Vs. **executing** (established companies). The later must figure out a way to be searching while they are executing. We must stop thinking as if we were a **single monolithic organization** with one business model. We should favor **a mix** between cash cow products and portfolio of new products that are searching for a profitable business model.

Nowadays, companies need ambidextrous organizations that are **excellent at searching while executing**.

It is necessary for BIL to create an internal process that:

- Facilitates a creative ideation.
- Captures and tests the outputs of this creative ideation.
- Transforms ideas into successful products with profitable business models.

As such, BIL Lab will run experiments while BIL core business will keep on executing traditional business.

.02

Innovation Accounting

As defined in Wikipedia, "in Greek mythology, Procrustes was a bandit who attacked people by stretching them or cutting off their legs, so as to force them to fit the size of an iron bed. The word "Procrustean" is thus used to describe situations where different lengths or sizes or properties are fitted to an arbitrary standard."

The way most large companies and BIL consider innovation could be regarded as **procrustean as they use wrong indicators** such as business plan, ROI, or ARR. Those tools should only be applied to core products as they could kill innovative ideas before they get a chance to be tested.

Business planning doesn't fit innovation as where new ideas are based on assumptions, business planning takes those assumptions for granted. **Business models are only valid if they have been tested with real customers in the market place**.

Make investment decisions in new ideas using financial metrics can result in companies deciding to work on **same types of products** they have always worked on. It can destroy their capabilities to innovate as evidenced by the Dell/ASUS story[1].

BIL needs to **separate processes for managing innovation and managing their core business**.

[1] https://www.quora.com/What-is-the-story-of-asus-and-dell

issues BIL is currently facing

.03

Attract best developers Vs. Luxembourg and BIL perception

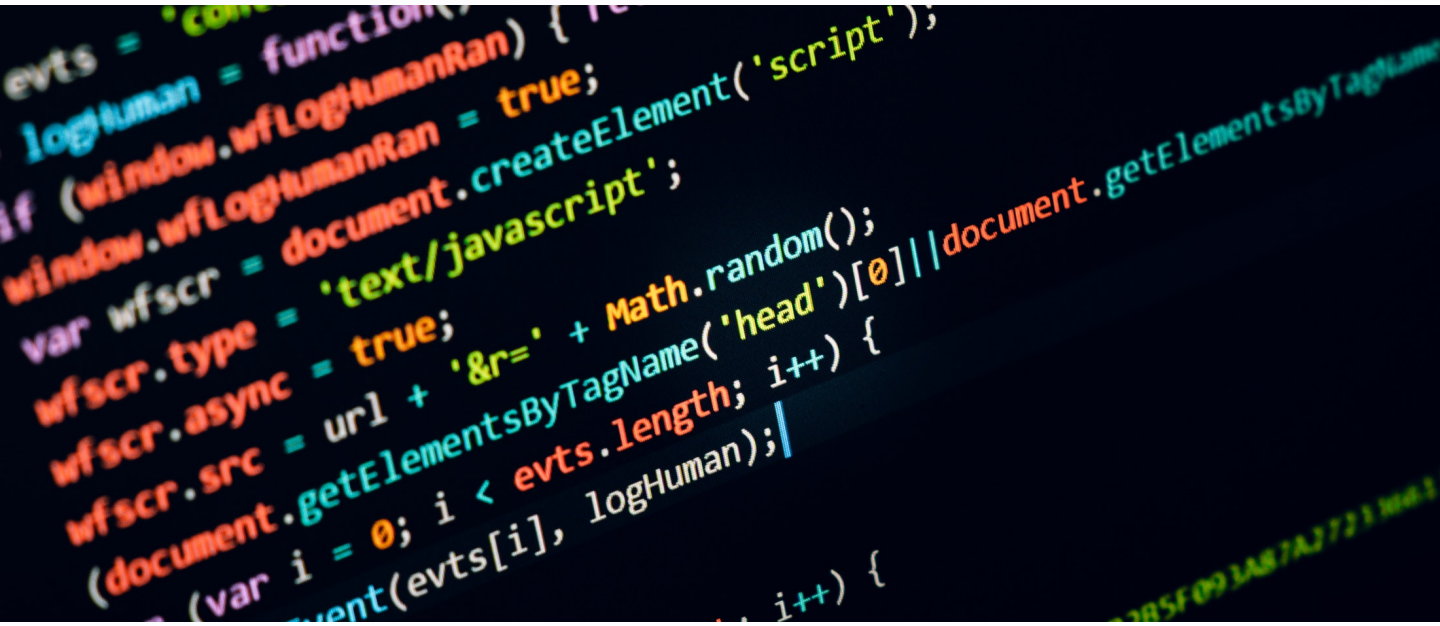
Despite what one can read in local newspapers, when strangers are being asked what Luxembourg evokes to them, it is unlikely the first words that will come to their mind are "FinTech", "Startup" or "Innovation".

On the contrary, Luxembourg is **mainly known as** one of the most notable **tax havens** around the world. The country would offer secrecy and advantageous tax laws for large corporations which would create subsidiaries and branches in this offshore tax haven to cut taxes.

From an investment point of view, Alain Rodermann, founding partner at Expon Capital, the Digital Tech Funds asset manager, underlines in a Paperjam article, that there is not enough resources allocated to Startups: the private/public fund objective is to invest up to €20M in 15 to 20 companies over the next 6 years, which represents an average of €1.3M per deal.

Reading this article from cestpasmonidee.blogspot.com, a widely distributed FinTech newsletter, it testifies that BIL must work on its image if it wants to attract best talents.

From this point of view, it is **challenging for BIL to attract best developers** and hire best talents. Even if compensation is often one of the first things they consider about any developer job opportunity, it's not enough to convince top tech talents to jump and join a company. We must highlight that according to a Stack Overflow survey, 37% of the people did not include compensation on their list of job priorities at all. The desire to **work with impressive team members** was one of the biggest priorities. On the other hand, over 32% of respondents wanted to work on **innovative projects**. Developers want to see the **impact of their work** and value **company culture**.



[1] paperjam.lu/news/le-digital-tech-fund-a-besoin-de-fonds-pour-reussir

issues BIL is currently facing

.04

Reputation risk

In the computer science world, a sandbox is an environment designed for experimenting safely with web or software projects. When it comes to test assumptions, these testing grounds are relevant because they avoid the company to expose its brand and limit its reputation risk.

Currently BIL has no sandbox for experimentations, and as such, has very limited innovation capabilities. Moreover, its activities can be **at risk**: change the Core Banking System and deploy it without performing any test in production mode is a serious bet!

.05

Communication with millennials

By 2030, **millennials will hold 5 times as much wealth**. BIL should focus on attracting those first-time investors ahead of the great wealth transfer. However, and as most of incumbent banks, **BIL isn't meeting the expectations of millennials customers** on mobile, their favorite devise. Those early life stage consumers are struggling but are eager to take control of their financial future. Financial industry changes are driven by new, beautifully design products with new business models.

Whereas companies such as Wealthfront, Robinhood or Acorns are rated 5 stars on Apple store, BILnet displays a 3.7 stars average. Those customers require **specific needs**, they **communicate in a new way** and they have **their own codes**. In a word, they are different from HNW individuals and our **marketing efforts must be different** than the ones BIL is currently using.

.06

BIL lags behind FinTech

Bank executives and analysts see **huge growth opportunities in digital banking**, while the fast advancement of IT, changing customer behaviors and needs as well as the transformation of the financial scene itself represent many challenges for industry players.

After years of lagging behind in the digital arena, banks must create and use the latest fintech solutions to tap growth and keep their competitiveness which is not always the case: as an example, while BIL was implementing IDnow within its paperless onboarding process, N26 had already switched to Safened, a more advanced technology which improved even more user experience.

[1] https://www.quora.com/What-is-the-story-of-asus-and-dell

issues BIL is currently facing

.07

IT infrastructure

Customers are constantly **changing their expectations towards bank**s. Those connected customers want a bank which is integrated within their daily life. If banks struggle to understand and if they don't respond, they will **lose many customers**.

It concerns every segment but it is especially true with the **millennials** who represent the **fastest growing segment**, and with the most profitable consumers, wealth management. Some of attitudes and expectations that arise from customers are: omnichannel, paperless, recognized, valued and properly served, and expect to be proposed the right offer at the right time. Many of these customer expectations look familiar but it is not that easy to answer them. New technologies should help BIL reach those requirements.

Open Banking

Open Banking refers to the used of APIs that enable third party developers to build applications and services around the financial institution. Since October 2015, the European Parliament adopted a new directive, Payment Services Directive 2 (PSD2) which aims at promoting the **development and use open banking concept**.

That being said, we should r**eshape the way our applications are connected each other** and start developing public services. It would foster **transversal innovation** and develop a **customer centric mindset** instead of keeping product-oriented silos. In this context, Core Banking Transformation Program should develop and analyze "Bank as-a- Service" use cases. **APIs**, which allow application to connect and talk to each other, became a **standard**. This should not only be included in our roadmap but also within the new CBS implementation program which should go live by 2021.

It is thus obvious that a **strong shift will be necessary** in our IT landscape to cope with Agility, Scalability (including Cloud opportunities) and APIsation.

On top of that, all these steps will **require an organizational support** at several levels. This "Open Banking community" will drive and develop the strategy:

- A marketing workforce identifying and negotiating partnerships, defining the business model and pricing.
- A commercial workforce monitoring and animating these new partnerships.
- A dedicated agile business/IT workforce taking in charge the development/integration of the necessary APIs

Open Banking makes it clear that the most successful bank of the future will be the bank with the most popular and widely accepted platform for lending, investing, paying and additional services that will help customers to manage life projects.

[1] https://www.quora.com/What-is-the-story-of-asus-and-dell

issues BIL is currently facing

.07

IT infrastructure

Why is a monolithic CBS not the most appropriate solution?

The needs described above impact the CBS BIL is currently deploying. BIL should increase its **agility and scalability** through Agile Feature teams and Cloud opportunities.

A product should be managed as a **value chain** (end to end) in a single creative feature team with a **startup mindset**.

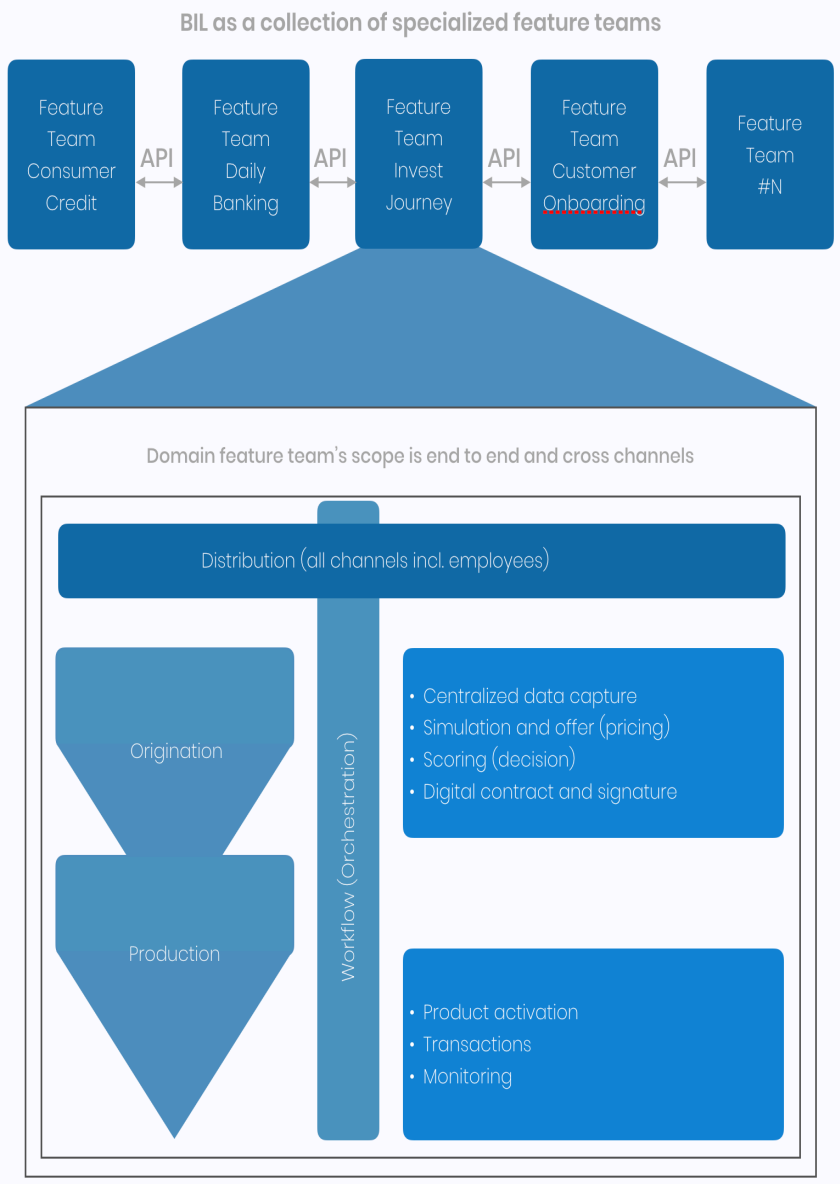
Each feature team should have the ability to **launch developments front to back without impacting other feature teams**. Their components should exchange via API's. Each team should be able to **choose** the right technology and we should not build solutions on old and non-maintained technologies. They should be able to manage all the business logic.

Deployment of new features should not generate service disruption and t**ests should be automated**.

In order to be flexible and scalable and to avoid IT maintenance & complexity, **Cloud solutions should be preferred**.

We should manage external providers and vice-versa be able to act as a provider towards intermediaries.

The business should be able to build offers based on various products and services from several sources. These offer and pricing combination should be registered in a **reference catalog accessible online** for the creation of offers and contracts.
Feature



[1] https://www.quora.com/What-is-the-story-of-asus-and-dell

innovation management

Digital banking was perceived as a modern "nice-to-have" a decade ago, but its acceptance came faster than some were expecting. New regulation and open banking emphasize those changes and threats. New business models are tested every day and there is no more doubt BIL must develop and test new concepts if it wants to keep its head out of water. We should keep in mind that great companies such as Kodak, BlackBerry or Nokia were unable to do some innovation during their good times and when they were profit still making.

.01

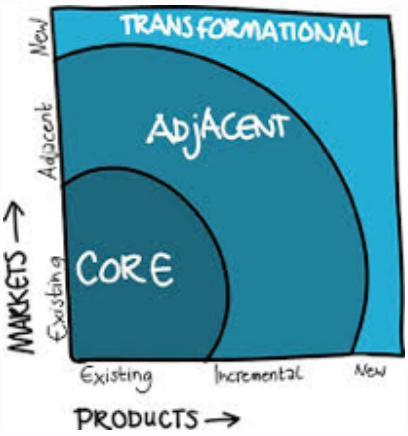
Innovation thesis

In order to **lead innovation successfully**, BIL needs a **clear innovation thesis**. On this particular topic, key lessons can be learned from how VC operate and make investment decisions within Startup ecosystem. Innovation thesis is a kind of VC investment thesis (in what can / can't those funds invest in). This one-pager document helps management assess how it plans to use innovation in order to respond to the changes banking industry goes through. This innovation thesis must be aligned with the overall corporate strategy.

Innovation should be viewed as a process for managing mature business units through operational excellence, while at the same time exploring new opportunities and new markets, guided by the innovation thesis.

BIL must have **a balanced portfolio** of product and services.

Product classification



.02

Innovation portfolio

As stated earlier, companies need to stop thinking as if they were a single monolithic institution. They need to **view themselves as portfolio of products and services**.

A distinction between searching and executing must be done. An innovation portfolio will help companies to be better placed to respond, adapt and cope before a crisis arrives.

BIL must have a balanced portfolio of product and services.

Products can be classified within **3 sections** (see opposite):

1. **Core** products, ie BIL core business, classic banking.
2. With **adjacent** innovation, the company is drawing on existing capabilities and putting them to new uses. Levels of risk are no longer substantial. This is about BIL's transformation plan.
3. **Transformational** innovation focuses on creating new offerings for new markets. Those are bets on future trends, emerging technologies and markets. This is where the Lab would stand.

innovation management

Each of those innovations belongs to a specific horizon.

1. Horizon 1 (**H1**) represents the core business and cash cow products.
2. Horizon 2 (**H2**) are opportunities that will generate profits in a near future. The level of risk is no more substantial.
3. Horizon 3 (**H3**) are moonshots opportunities.

In order to execute its thesis and manage its portfolio of products and services, **BIL needs a framework for managing the journey from searching to executing**: "Strategy, Regulatory Affairs & MarCom" department currently takes care of core businesses, MVP teams are focusing on adjacent innovation, and Lab should be in charge of transformational Innovation and should work on ground-breaking ideas.

[0-3y]: improving Facebook as an ecosystem
[3-5y]: strengthening products such as WhatsApp and Instagram.
[5-10y]: AI and virtual reality

innovation management

.03

Innovation committee & innovation strategy

An Innovation committee will be created in order to **help the Lab in selecting FinTech / Projects which have a significant potential for growth** and the ambition to cause a real impact to the future. This committee should include a BIL executive, a Legend Holdings executive, several Lab executives and if it exists, an external investors representative.

Our investment and selection should be made of several steps:

- An initial review determines whether the business fits our basic criteria.
- An initial meeting where the project holder uses this opportunity to present its business in details.
- A second meeting is our chance to focus on particular areas where we have questions.
- A committee meeting: if everything went well, North invites the project holder to meet the partners of the committee and pitch the project to all of them.
- Final decision.

Our secret sauce will be to develop an ecosystem and provide a space where ambition is valued, risk-taking is embraced, knowledge is shared and awesome products are built.

Weekly events will be held and our strong brand image will allow us to be visible on a borderless landscape.

This secret sauce implies that the Lab will be organized with 3 business lines: **Product**, **People**, **Growth** (see below).

change the mindset

.01

Organizational challenge

One of the key success factors comes from the **organization** itself and the **way management will embrace innovatio**n.

Many people will get involved, each one with a different vision. There will be **many bureaucratic issues** and a **trend to cling to their own beliefs**. Sustained internal support for successful internal venturing is needed. A significant cultural change will occur.

Building a stimulating environment around learning, experimentation and prototyping is essential. By default, we must adopt a "**minimal assignment of resource**s". Performance reviews should be **based on the learnings and experimentation** results rather than traditional tools. If not viable, projects must be killed as fast as possible.

Lab's teams will be **multidisciplinary** so that there will be a mix of profiles (tech, UX, business etc) in order to improve the outcome. As we will explain below, Lab should be a business unit, not a feature team.

A **flat organizational structure** can drive rapid growth because it involves l**ess bureaucrac**y; this makes **decision making processes faster** and **more efficient**. When properly executed, cutting out managers can give individual employees more responsibility and true ownership of projects. As previously explained, people are looking for meaningful projects, in which they will be empowered.

.02

Empowerment and ownership

Employees appreciate to make a difference. When people see that their contributions are **valued**, their self-respect will soar and instead of feeling like numbers in an Excel spreadsheet, they feel their work is important which makes them feel that they count.

While it's the employee's job to adequately perform work "for" the company, it is the company's responsibility to **develop the career of the employee and help them grow professionally**. In other words, the employee is self-interested. This means the company must give **more than money** in exchange for the service of the employee. It must enhance employees skill, knowledge, and awareness in the professional domain.

.03

Budget allocation

BIL has to fund the innovations that will deliver tomorrow's value. The main issue is that even if most organizations feel they should be spending more on innovation, the battle between today operational business and tomorrow new opportunities rages on. Unfortunately, tomorrow opportunities generally lose.

As per definition, innovative projects on which Lab will work on can't be known in advanced. As such, **the best way to proceed would be like a line of credit**: a pool of money would be available for innovation purposes, and as ideas are generated and validated, resources would be assigned to them.

how are we different?

.01

With the right support, nothing is impossible

Hands-on mentoring and support

Unlike most of players in Luxembourg, Lab aims at helping project holders in their daily operational jobs and offers practical solutions. Lab is not just a training center where they follow a workshop and then go back home not being followed up. We will **actively follow each project with 1-on-1 sessions**. All actors will be provided with the tools and resources needed to help them realize their dreams.

.02

First class shareholders

BIL

That means FinTech products and solutions will be directly implemented and addressed to more than 220,000 customers.

Legend Holdings

It holds Lenovo, one of the largest computer makers in the world, which means that FinTech will have access to the latest available cutting-edge technologies.

Legend Holdings Angel, VC and PE investment management companies

They are among the best investment companies in China: ranked top 3 PE firms by Zero2IPO and ChinaVenture in 2015, and the second best early-stage venture PE firm in 2016 by ChinaVenture in 2017.

.03

Community

People are key

We will **develop a dynamic ecosystem** and organize weekly and monthly events, focusing on the theory, on experiences of startups, on practical aspects of growing a company, on case studies and on interviews with successful entrepreneurs. We will develop our FinTech culture.

On the other hand, we will expect a lot from our built / incubated FinTech

Communication

clear, honest and relevant information on a regular basis

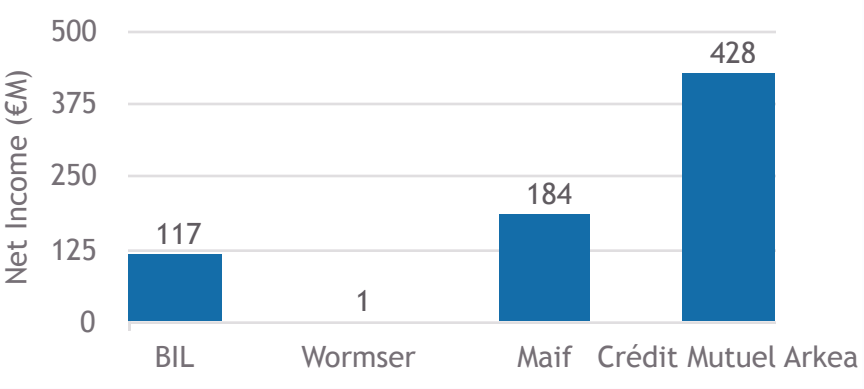
Commitment

spend 100% of their time on projects

Knowledge sharing and peer learning

teach other in material on which they are experts

from whom could we take inspiration



Dalai Lama

"If you think you are too small to make the difference, try sleeping with a mosquito"

.01

Crédit Mutuel Arkéa

Crédit Mutuel Arkéa bought and funded several FinTech such as MangoPay in 2015, or more recently Pumpkin and Yomoni in 2017.

The bank manages its own fund (€35M AuMs) and accelerator under the name West Web Valley[1]. Last year, it invested €20M to launch its own neo bank, Max[2].

The company has the full support of the whole digital ecosystem, from VCs to startups.

« Arkéa est un acteur agile, moderne et innovant très utile à l'écosystème 'digital' français - sa taille moyenne et son indépendance sont certainement à la base de ce positionnement et de cette efficacité » Jean-David Chamboredon, président ISAI

.02

Community

Maif manages Maif Avenir[3], a €125M fund that invests in innovative and digital startups.

For instance, it recently led a $7M investment in Ledger, a bitcoin hardware startup along with first class VCs (Xange and Kima Venture to name a few). In 2015, the fund invested €4M in Morning, a French neo bank.

Early 2018, Maif inaugurated its Startup Club and strengthened its support to startups.

Crédit Mutuel Arkéa and Maif are leading players in innovation within the banking and insurance industry.

Those capital-intensive operations enable them to remain at the cutting edge of technology, monitor changes in consumption patterns and cultivate their agility in a rapidly changing environment.

Smaller initiatives exist as well. Banque Wormser Frères, founded in 1936, remains one of the only banks in France still independent, privately owned and managed by its founders.

However, the bank is really innovative: it has launched in 2014 a venture loan department and since 2015 the bank has partnered with Lendix[4], the leading online marketplace for business loans, enabling investors to lend money directly to small and medium sized enterprises. More recently, they launched Manager One[5] (an online business account for companies) with Saga Corp (an IT company managed by Adrien Touati).

[1] west-web-valley.fr/
[2] https://www.max.fr/
[3] https://www.maif-avenir.fr/
[4] https://en.lendix.com/
[5] https://www.manager.one/fr/

stakeholders and actors

Key counterparts with whom we will collaborate

- BIL, Legend Holdings and its subsidiaries as shareholders, in particular:

1. Legend Star: it is the investment arm of LH specializing in incubation, seed and early stages. It primarily invests in companies based in China and prefers to invest in TMT & Innovative Consumption, Healthrcare, Culture & Sports, Professional Services & Intelligent Manufacturing.

2. Legend Capital: it is the investment arm of LH specializing in VC. It has the same investment focus than Legend Star.

With the Lab focusing on FinTech, it will be a new business development for the company.

- BIL's employees as experts from which founders and project holders will learn.

- Advisors / Mentors / Entrepreneurs willing to tell their story and support FinTech from a strategic point of view.

- Partners from different businesses: legal, accountancy, consultancy, HR, design etc.

- Services providers: unfair negotiated advantages with all startup tools such as Algolia, Aircall, Forest Admin, Sketch etc.

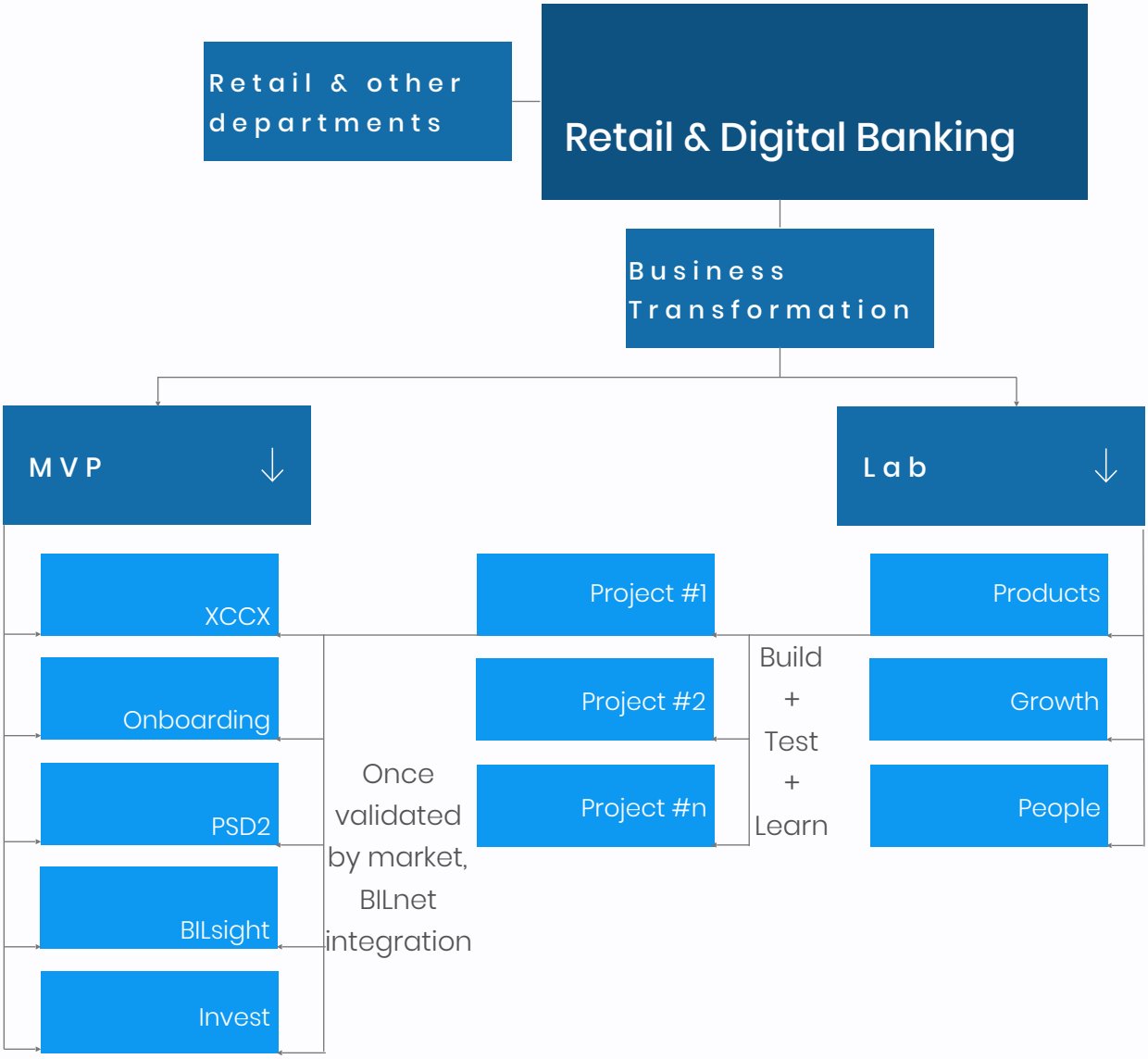
- External Investors (HNWI, VC, BA) willing to invest in ventures built in North: Belair House, Private Banking desks, LBAN, Expon, Mangrove, Digital Tech Fund, European Investment Fund.

- Public entities and initiatives: City, Government, Chambre de Commerce, House of Entrepreneurship, Luxembourg House of Training, House of FinTech, Luxembourg for Finance, Luxinnovation.

- Startup Ecosystem: Incubators, Coworking, Newspaper, meetups.

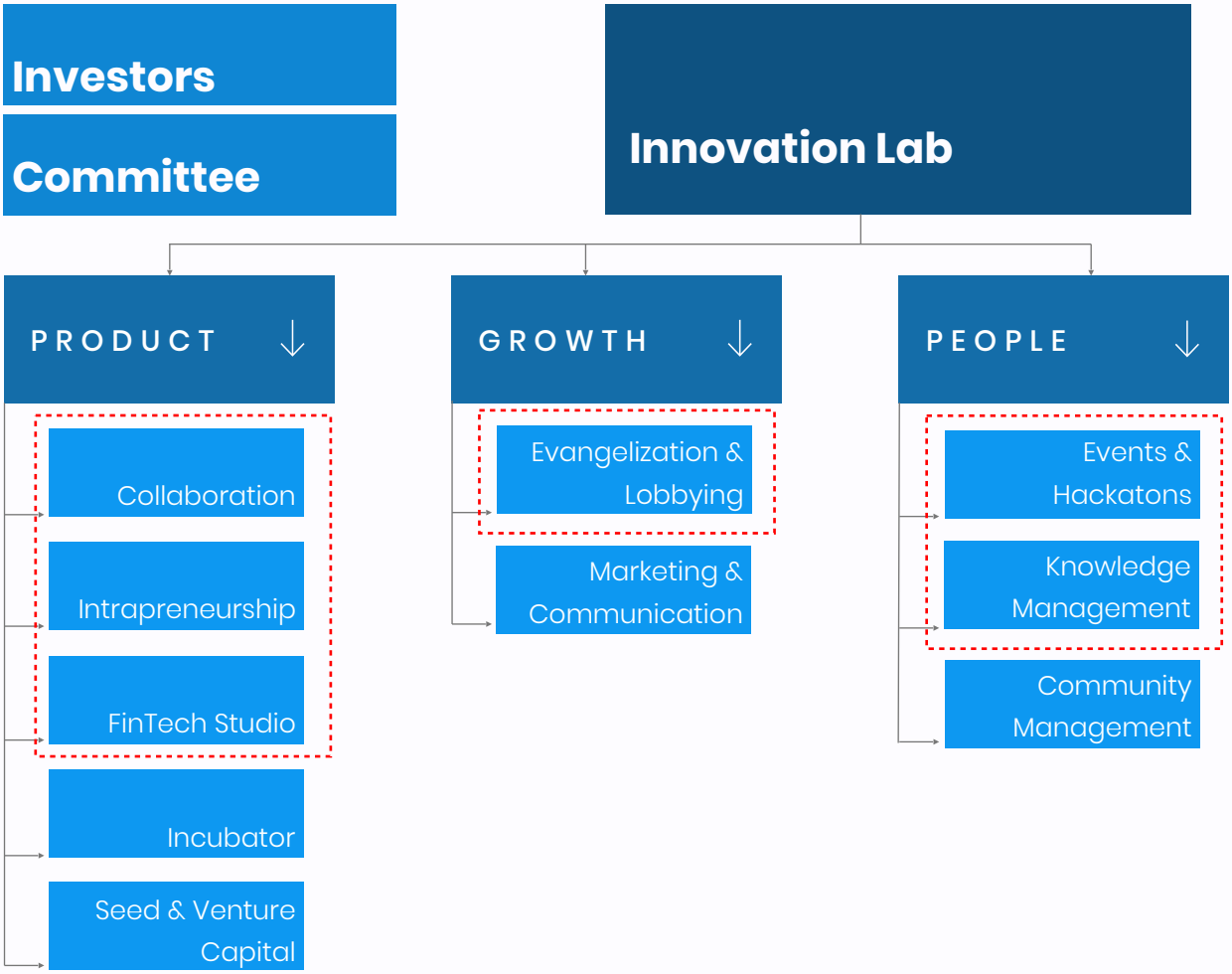
- Business Schools, Engineering Schools, Universities, Clusters.

north lab within BIL structure



[1] https://adobbels.github.io/innovationlab/Prototype_24hLoan.mov

north lab structure



Activities currently under deployment
Collaboration: Neuroprofiler, Koosmik, taxx.lu
Entrepreneurship: Innovation Days
FinTech Studio: First prototype: 24h loan[1]
Evangelization & Lobbying: Innovation Community
Events & Hackatons: Innovation Days
Knowledge Management: Develop service design knowledge.

[1] https://adobbels.github.io/innovationlab/Prototype_24hLoan.mov

in-house built technologies

Product

The first purpose of the Lab would be to help BIL **stay ahead of its competitors**.

"Uber, the world's largest taxi company, owns no vehicles. Facebook, the world's most popular media owner, creates no content. Alibaba, the most valuable retailer, has no inventory. And Airbnb, the world's largest accommodation provider, owns no real estate."
The banking industry is evolving and, in a near future, this quote may include "the world's largest bank owns no branch and/or no assets and/or no banker".

As mentioned previously, Alibaba became the 10th largest bank within 4 years. On the other hand, retail banking has been a mature industry for decades. What if BIL doesn't innovate? Will BIL know the same fate than Kodak, BlackBerry or Nokia?

Banks that will work properly as a digital-first platform will do things better. When all the systems talk to each other, staff are freed from paper based processes and can deliver better services.
BIL can achieve this purpose in several ways.

Collaboration and FinTech integration

After having spotted a FinTech that matches our criteria, we will plug its solution on the bank level.
This should be the first step and the most straight forward way to perform digital transformation.
BIL is already involved in this process as it is partnering with FinTech solutions such as IDNow, Budget Insight or Neuroprofiler.

As part of Research and Development, market intelligence is a process of gathering, organizing, managing, digesting, and finally delivering information with the aim of supporting a decision. In order to spot the best FinTech with whom BIL should be working with, this analysis will be in the scope of the Lab.

in-house built technologies

Product

FinTech Studio

FinTech Studio is an organization that builds companies using its own ideas and resources. It focuses on **creating and developing a company from the ground up**. It pulls business ideas from its own network of resources and assigns internal teams to develop them. It is a kind of a holding company that would be much more operational and hands-on than traditional holdings.

Being involved from the very start implies an **important involvement of time, dedication and resources** to work operationally on the project.

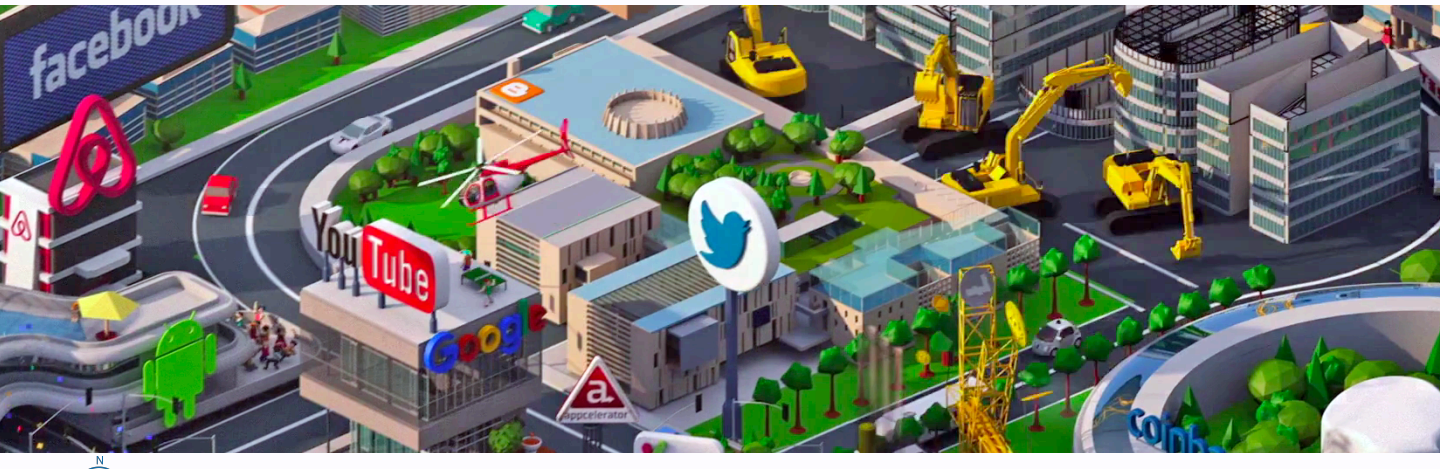
In order to create a business from the ground, Lab may **partner up with external founders** who will need to combine a strong business expertise with entrepreneurial vision.

The studio provides human capital and support: a place to work, advices from experienced persons, and other kinds of non-financial services such as getting over legal issues, help with HR, and general management advice.

After recruiting a great team, project is **spin off into a venture**, and Lab help it grow and become a **successful business**.

While VC typically place a large number of small bets, FinTech studio will only operate a small number of ventures at any given time and therefore should focus on models with medium risk-return profile.
There is a high potential ROI in case of exit / IPO.

Rocket internet (2007, berlin) founds online startups following the strategy of building companies on the basis of proven internet-based business models.
For instance, it founded Zalando in 2008, getting inspiration from zappos, a US company.
It IPOed in 2014, currently has ~300 employees (30,000 if we include its ventures) and had €2.2bn of turnover in 2016.



in-house built technologies

Product

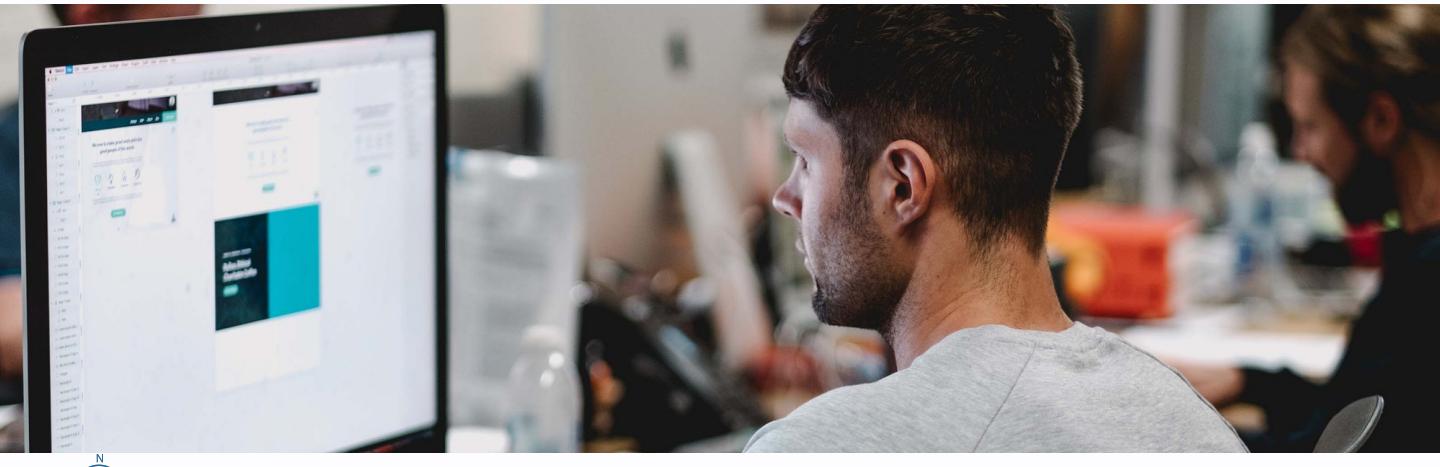
Intrapreneurship

It is a **FinTech Studio from the inside**. Intrapreneurship initiatives encourage the banks' existing employees and undiscovered creative talent to submit ideas in areas in which they are specialized. It ensures **innovation comes from the organization, promotes cultural transformation, conveys positive brand image and reputation, develops agility, answers a real nee**d.

Employees will develop their own project for several weeks / months and a cross functional team will be built around them.

BIL Innovation Day will be a 24 hour hackaton which purpose is to promote intrapreneurship. The first one will occur mid-October 2018.

BNP Paribas for example has his Innovation Booster. However, some other non-financial companies are well known for their intrapreneurial programs, such as Intel. In 1998, it launched its New Business Initiative. Since then, the initiative allows employees to pitch their ideas, with the winners receiving funding and incubation.



[1] https://www.ing.be/en/retail/fintech-village

third party built technologies

Product

Here after are listed some other ways BIL could perform innovation. They should be considered in a second stage.

FinTech Incubator

This is a several month incubation program that targets early stage FinTech startups with huge ambition. The purpose is to **create an optimal launchpad for entrepreneur**s wishing to start their business.

Projects have access to our teams and to a carefully curated group of industry leaders to assist with both general company-building needs and with topics specific to each theme.

What could be included: office space, access to our corporate partners and sponsors offers, coaching and daily support from our experts, connection with other FinTech, invitations to our events, access to our knowledge center, pitch to partners and VCs at the end of the program, alumni will have access to all our resources.

Last November, ING FinTech Village[1] launched its third edition and invited startups from all around the world to apply to its program. Applicants had to be able to tackle 4 challenges: personal bank, secure bank, efficient bank and beyond bank. Deloitte, SWIFT Innotribe and The Bridge were the main partners

VC Fund

In order to foster invention and innovation, and **for investors who seek private equity stakes in financial startups with strong growth potential**, North should launch its own fund. It will address this **new asset class to BIL wealthiest customers** that have high-risk / high-return profile.

We might partner with European Investment Fund and our fund might be listed within 2 programs:

- European Angels Fund: EAF provides equity to Business Angels and other non-institutional investors for the financing of innovative companies in the form of co-investments.
- Pan-European Venture Capital Fund-of-Funds program: it aims to further address Europe's equity gap, the fragmentation of the VC market and to attract additional private funding from institutional investors into the EU venture capital asset class.

As a reminder, BIL and EIF already partner through InnovFin program.

There are many synergies to build with Legend Holdings and Legend Star which manages approximately RMB2.5bn (~€340M) through 5 angel investment funds and over 200 projects. A new fund has just been launched as it closed a RMB800M (~€110M) round opened for the first time to third party investors.

As described previously, Crédit Mutuel Arkéa West Web Valley Fund and Maif Avenir Fund are great source of inspiration for the Innovation Lab.

[1] https://www.ing.be/en/retail/fintech-village

third party built technologies

Product

Fund of VC Funds

Lab could launch a fund-of-funds and will **invest in VC funds along with other institutional investors**.

For instance, mid-July, BlackFin Capital Partners closed a new €180M fund which is now the largest independent FinTech fund in Europe. It will finance FinTech, InsurTech and RegTech, from seed to Serie C. The following institutional investors closed this first fund raising: Bpifrance, Groupama, Sogecap, Natixis Assurances, Swiss Life, Vaudoise Assurances Group, BNP Paribas, la Macif, Crédit Agricole, Banque Populaire, Caisse d'Epargne.
Lab could have invested in this round.

On the other hand, top 10 French private VC firms involved in FinTech are the following: Kima Venture, Xange Private Equity, Newfund, Partech Ventures, Truffle Capital, Idinvest Partners, 360 Capital Partners, Iris Capital, Elaia Partners and Alven Capital.
Should those VC firms launch a new fund, Lab may participate in the round.

FinTech studio builds ventures

Should Lab be physically separated from BIL core business or can R&D be managed within the same company?
This is a sensible discussion that is filled with polemics (in a first stage, Lab should be located within C-L@B space).
However, a consensus arises when it comes to launch brand new products or services. Below are listed the main reasons why incubated projects within the FinTech studio should be built under their own brand.

> *"No matter what you do, you have to shoot for the moon. That has to be the starting point."*
>
> Ilkka Paananen, CEO Supercell

.01

Reputational risk mitigation

Making use of the established brand when launching experiments and tests is **not the right approac**h because:

- It can **undermine the main brand** over time if new products don't fit with previous brand profile.
- **Expectations** created when a product is launched under the main brand **can be high**.
- Digital natives don't have t**he same expectations** than main stream BIL customers who are generally HNWI.

Launching a new brand is probably the **safest direction** for a product line extension. For instance, this is what Toyota did with its Lexus brand. Once a new brand is launched, it should have limited links to the original brand in the minds of consumers. The brand needs to stand on its own and build itself from the ground.

A new brand's website **can mention the parent company, but only in minor ways**. This is what ING has done with Yolt, its bank accounts aggregator. We can read either within their footer or within their FAQ that Yolt is a registered trade mark of ING Bank N.V. In such a way, ING built a new brand that is already **secure** and **trustful** in customers mind.

.02

Reach digital native customers

Millennials are creative, idealistic, and connected individuals who like to gather together in order to create a more meaningful world. They seek brands that can offer **experience, authenticity, social responsibility and a good value**. They like proving that things that were deemed necessary for decades are now outdated. They are convinced that incumbent banks have a lot of shortcomings and an alternative exists through challenger banks which offer a better experience. In the US, the 4 leading banks are 4 of millennials' least loved brands today. They feel no loyalty toward their bank and some don't see the difference between their bank and other banks.

As hyper-connected, they are far more likely to make purchases on their mobile devices instead of desktop computers or in-person; and they are constant users of social media. **Marketing efforts must go beyond traditional digital marketing channels** like paid search or SEO. This is one more reason why projects that will be developed within Lab must display their own brand. **BIL communication plan doesn't fit millennial audience expectations**. The last campaign Volvo launched to promote its new XC40 (#MaVilleMonXC40[1]) is a good example of what can be done.

[1] https://www.linkedin.com/feed/update/urn:li:activity:6444856912180703232

FinTech studio builds ventures

.03

ROITI: Return On IT Investments

Return on investment or ROI measures how much money or profit is made on an investment as a percentage of the cost of the investment. For a single-period review, ROI formula is the following.

$$ROI = \frac{gain\ from\ investment - cost\ of\ investment}{cost\ of\ investment}$$

BIL has massively invested, and keeps on investing, in IT technology through the transformational plan. Over a 5-year period BIL is investing:

- €130M in order to reshape its Core Banking System (which, by the way, raised some questions)
- €40M in order to develop new features within BILnet (desktop and App)

Based on this, and as BIL displays approximatively 200,000 customers, this is a €850 cost per customer, or €170 cost per customer per year.

What if BIL could capitalize on its IT infrastructure, expand its business to Europe and improve significantly its ROI?

As we have just seen, **a new brand would allow BIL to get into European Millennials market**.
This generation born between roughly 1981 and 1997 accounts for 27% of the global population according to Pew Research Center and millennials in Europe represent 8% of global Millennials, ie **a market of 160M people**.
Creating a new brand would then broaden BIL scope and could target a new market worth several billions.

.04

Attract best developers

Recruitment is a key driver. In such a digital context, hiring and retaining the right people is crucial. BIL must find employees who are passionate, highly skilled and who have the right mindset. As explained previously, even if compensation is often one of the first things developer consider about any job opportunity, it's not enough to convince top tech talents to join a company.

Building a new brand, with a strong culture, where developers work on innovative projects with the latest available technology and where an entrepreneurial spirit is embraced, will help BIL hire best IT profiles.

[1] https://www.linkedin.com/feed/update/urn:li:activity:6444856912180703232

FinTech studio builds ventures

.05

Strong culture

A **strong corporate culture** is a must have if BIL aims at hiring best developers and founders. In order to reach that objective, the freshly new brand will have to **convey values that are meaningful for them**.

Establishing a culture in which future employees believe in means having a clear vision and knowing how we would like everyone, inside and outside, to view the company. Cornerstones of a solid business culture can include innovation, empowerment, goodwill, community, stack etc.
That puts Fintech projects and ventures in a position to capitalize on the gaps with traditional banking culture and image.

.06

From a project to a standalone venture

Once teams will have developed MVPs that will receive positive traction from customers, **projects that are ready to scale will be set up as separate companies. This will provide teams with the independence to manage the growth of their product.**

Those freshly built ventures will then become **privileged partners to BIL** and their **products or services will be added on the adjacent innovation team roadmap** (MVP teams) in order to be implemented (from H3 to H2 as seen before).

Each venture will be **autonomous** and will have its own organization, B**IL remaining a key shareholder**. However, if the company needs new money to scale and grow at a steady pace, new investors may show off and participate in financing rounds. As a result, BIL will either sell its stake or remain an investor while seeing its valuation increased.

Mid-September, Rabobank announced that Tellow book-keeping app continue as spin-off. Tellow originated in 2016 from the Rabobank's Moonshot internal accelerator program which encourages employees to come up with innovative ideas and develop them in-house to bring them to market.

.07

Lab Vs. Feature Team

	Lab	MVP Feature team
#Features to be developped	Many	One
#Persons within the team	5 to 8 / project	5 to 8
Innovation	Transformational	Adjacent
Horizon	H3	H2
Deployment	Continuous deployment	Depedencies between teams / Release planning
Financing	Innovation budget allocated before idea generation	Innovation budget allocated after idea generation

[1] https://www.finextra.com/newsarticle/32647/rabobank-spins-off-moonshot-book-keeping-app

you hold all the cards !

People

In order to source new ideas, launch new projects, develop new skills and help BIL achieve its digital transformation, Innovation Lab will focus on people, on their development, interactions, vision and motivation.

This 3 minute video about Skello[1], or this 45 minute podcast on Boris Paillard[2], CEO of Le Wagon, are the kind of stories that will be built within the Innovation Lab. This is inspiring, motivating, visionary, and federative.

Problem-Solving on Demand

All founders run into a problem they can't solve: they haven't seen it before or don't know where to start. Innovation Lab will develop a network made of people who are our in-house experts. Whatever the issue, we will find the exact right person. Experts include executives willing to meet over coffee or help as official advisors in order to sky rocket FinTech data

Workshops / On demand training

An intense program will be delivered by the best speakers. Internal and external experts will be there to guide entrepreneurs with their project and help them gather all the tricks and tips they can't find in books or on the internet.
All workshops will be recorded and will be made available on the internet.

Those workshops could include topics such as:

- Project management methodologies: service design, story mapping, scrum, agility, lean startup.
- Technical: 2 hours landing page, mockup with Sketch and MarvelApp, UI, UX, Web design, Git and Github.
- Entrepreneurship: mindset, idea, team, product, technical workflow for a startup.
- Fund rising: pitch deck, roadshow, negotiation and closing.
- Sell: lead generation, pricing, go to market, large account sales, customer care and empowerment.
- Growth Hacking: KPIs, tests, analytics, acquisition, activation, retention, revenue, referral.

Koudetat[3] is a program run by The Family[4].

The Family

"We're not an incubator, not a VC, not an accelerator. We are The Family for entrepreneurs in Europe"

Initially all their workshops were held physically and attendees had to pay. After having recorded each of them, they made them available on their Youtube channel, Startup Food[5]. 53,000 people subscribed and each video has been watched tens of thousands times.

[1] https://www.youtube.com/watch?v=AiDhPJAzbnA&feature=youtu.be
[2] https://nouvelleecole.org/ep-01-boris-paillard-monter-wagon-code/
[3] http://www.koudetatondemand.co/
[4] https://www.thefamily.co/
[5] https://www.youtube.com/channel/UCYxgidQYV3WPD0eeVGOgibg

you hold all the cards 🃏 !

People

Online resources

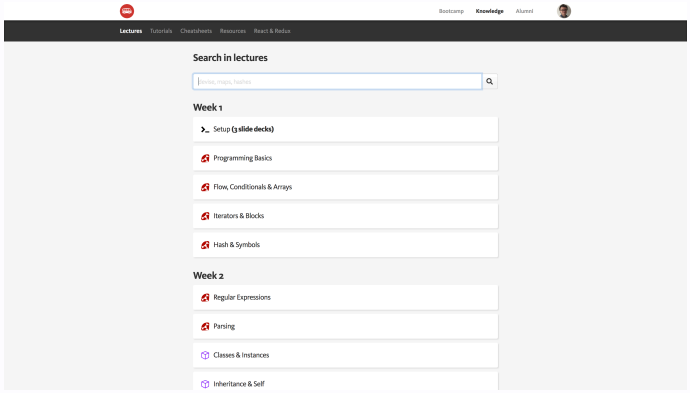
Every training support provided during workshops will be online. Alumni will have a fast and convenient way to look for the information they need.

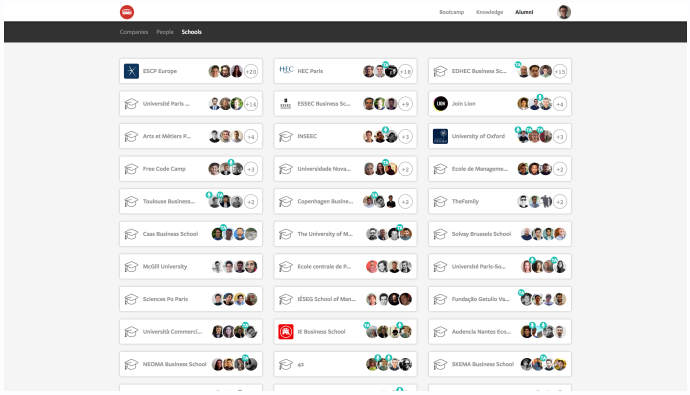
Alumni will also be able to share any materials they gauge useful.

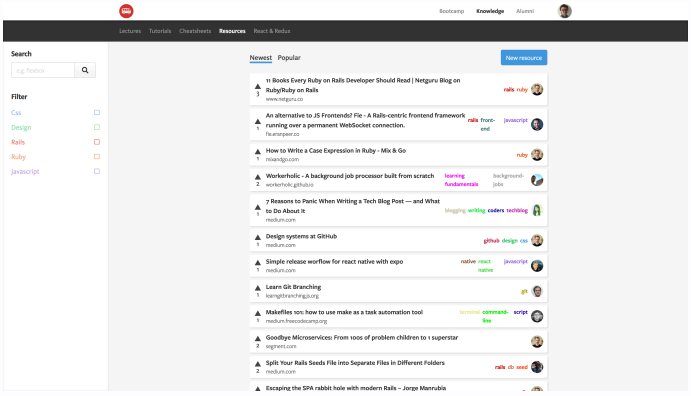
Le Wagon[1] (a 9 week-coding bootcamp rated first in the world according to Coursereport and Switchup, +3,500 alumni, 28 cities, 5 continents) developed such a solution for their alumni.

When students become alumni, they are granted an access to all Le Wagon resources:

flash card, tutorial, lectures, cheat sheets, Slack channels, and alumni details.







[1] https://www.lewagon.com/

stronger. together.

People

Talks / Podcasts / Youtube videos

Motivation is fleeting; it comes and goes depending on our moods and circumstances. The purpose of those weekly talks is to promote entrepreneurship, innovation and inspire attendees by learning from the best entrepreneurs.

They will cover insights from successful individuals in the business space: it is about motivation, success, failure, happiness, and fulfillment.

A vibrant entrepreneur or executive is invited to share his experience, to explain how he turned his idea into a profitable business, what issues he had to overcome, how he got helped at the beginning.
This is a source of motivation that is critical to success.
This is why talks will be recorded and available on demand.

Here is a list of podcasts that motivated me the most. Le Wagon[1]. Nouvelle Ecole[2]. Crème de la crème[3].

> *"Some of our most-loved products started at hackathons"*
>
> Pedram Keyani, Facebook Engineering Director

Hackaton

A hackathon is a venue where people come together and use technology to transform ideas into reality. All teams must be cross functional and self-organized. They include people with different profiles such as IT, design, projects and business. BIL Innovation Day will be a 24 hour hackaton which purpose is to promote intrapreneurship. The first one will occur mid-October 2018.

Diversify[4] was a week-end event at Spotify in Stockholm, where 40 employees came together and designed, wrote code, and created new products.
There are many Apps and products that people don't know they were born at Hackaton. Among them, GroupMe[5], a group messaging app that was acquired by Skype for over $40M, or some of the best Facebook features such as the "Like button".

[1] https://shows.pippa.io/lewagon
[2] https://nouvelleecole.org/
[3] https://podcast-cremedelacreme.com/category/podcast/
[4] http://diversify.github.io/
[5] https://techcrunch.com/2012/05/11/from-disrupt-ny-to-a-43-million-skype-acquisition-groupme-tells-all/

Great people build great things

stronger. together.

People

Community

Community management is a key part of any social strategy and is about relationships and how our brand seizes opportunities to interact with our community.
Our community will be made of our FinTech (in-house, incubated or funded), the target ventures we would like to work with, and all the people who interact with our brand directly and indirectly.
We must federate all the network that we will have gathered around our brand and vision.
We will create opportunities for people to learn and interact with each other: weekly talks and hackaton are good examples. We may organize monthly drinks or dinners where entrepreneurs, investors and media will have a good time.
We will organize our community around Slack and several channels will be accessible to our alumni. Those channels could include many topics such as jobs, help, pay-forward, products, ruby, JavaScript etc.
Entrepreneurs will be linked to our network of FinTech, specialists, mentors, and potential customers.

> *"Pay it forward: Respond to a person's kindness to oneself by being kind to someone else"*
> The Oxford English Dictionary

Coworking spaces

This is a good way to ease community development and to build an infrastructure to empower interactions. Coworking develops workspaces where FinTech and people will grow together in order to increase productivity, innovation and collaboration. We will offer flexible plans where FinTech offices will grow as their team grow, dedicated rooms to host meetings / events and all needed features such as internet, printer, or spacious common areas. Must read books / resources will be available in a dedicated library.

North Lab

0 to 1

Growth

Growth mindset

"growth mindset" has become a buzzword in many companies. Growth, growth hacking, quantitative marketing, inbound / outbound marketing, technical marketing, or whatever, the purpose is to develop business, create and promote a trendy image with a strong brand.

We need to make our leads want to be part of our ecosystem, be proud of being one of us, give them the possibility to develop our community, and their referral must be automatic.

"Content is king"

Content production is the fuel for modern online marketing strategies, whether the goal is to drive more traffic via SEO or social media, get more conversions, or just feed the audience we will already have.
It is great for SEO, it encourages engagement, it generates new leads and it adds value to our service.

A study showed that 82% of buyers view at least 5 pieces of content from a company before they become a paying customer and 68% of them feel more comfortable with a brand after consuming content from them.

If we want to be competitive we need high-quality content. To do so, our experts and founders will write about their experiences, their perspectives and knowledge.
Been active on forums (Reedit, Stake Overflow), publish articles on Medium, make our workshops available on our YouTube channel, write white papers are good examples of what should be done.

Speed-Business Dating

As a FinTech, every opportunity you get to showcase your brand to a targeted audience of potential investors, partners and customers is invaluable.

On the other hand, as an Innovation Lab, we want to maximize the rate at which we will receive attractive business proposals and investment pitches

France Digitale created the France Digitale Tour[1] event which is a speed-business dating where VC and founders can discuss one-on-one for 15 minutes. We could get inspiration from this event.

[1] www.francedigitale.org/agenda/

leverage your network

Growth

Partnership

Innovation Lab will partner with universities, business and engineering schools. New entrepreneurship projects often require many capabilities and we will help them to acquire must-have skills, providing them with all the support they need to launch their business.

In that way, Innovation Lab will have access to young and ambitious entrepreneurs and will get a continuous flow of best ideas / talents / patents.

The CEO Training Program[1] managed by Legend Star and co-founded with Chinese Academy of Sciences, first opened in 2008, has been successfully held for 10 consecutive years. Its purpose is to discover and train talented entrepreneurs, incubate tech startups, and promote scientific and technological achievements.

Lobbying and evangelization

Evangelism is the commitment to preaching of the good about a particular mission. We need to build relationships (seek for influencers, press etc) in order to seed, create and grow a community that will share our vision. Ecosystem needs to be aware of our actions so that our traction and deal flow rate increase, allowing us to spot and meet best FinTech.

[1] http://www.legendstar.com.cn/home/ceo?lang=en

how should we get started? 🏁

BIL has recently assessed the opportunity to digitalize its consumer credit process. The main underlying assumptions of this project are the following:

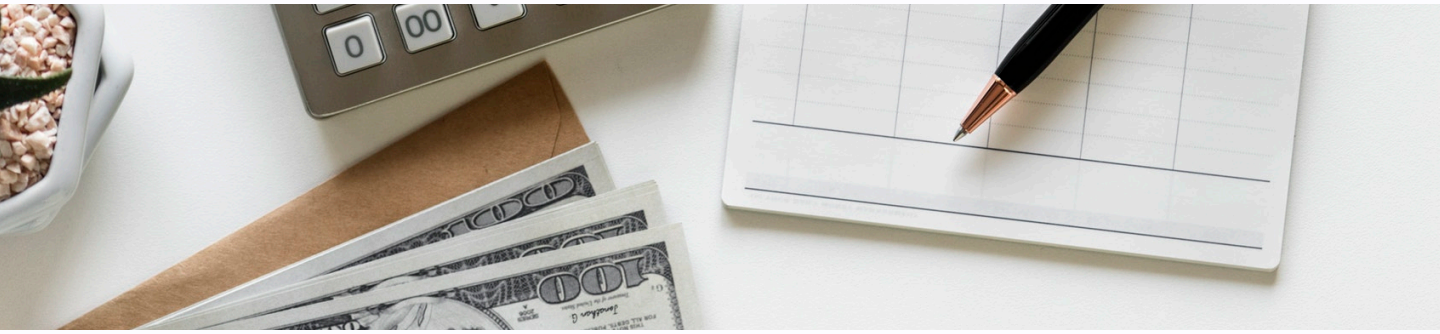
- Automation of credit acceptance process will enable to reduce the FTE allocated to this task
- Avoid customers dropping during acceptance
- Attract new customers
- More credits involve more revenues

Based on this information, Lab could contribute to this project. Here is a sum-up of the case.

Target
Borrowers.

Problem
There is no FICO credit score in Europe.
Run a credit check and assess the credit worthiness of a customer is time consuming.
It takes time to let customers know whether then can borrow or not the money they need.

FICO score
Investopedia defines FICO score as "a type of credit score created by the Fair Isaac Corporation. Lenders use borrowers' FICO scores along with other details on borrowers' credit reports to assess credit risk and determine whether to extend credit. FICO scores take into account various factors in five areas to determine credit worthiness: payment history, current level of indebtedness, types of credit used, length of credit history and new credit accounts."



Solution

- Thanks to open banking, we ask customers to provide us with a connection to their bank accounts so that we can perform the assessment of their credit worthiness. We would have access to the following information: loans, credit card, mortgage, joint accounts that are open.
- From this data, we perform an analysis (cash flow, good months and bad months), we determine what their typical income and expenses are, and we compute a FICO score like.
- We compare their financial capabilities with their project.
- Based on that, customers will either be declined or granted the loan / mortgage.
- In a second time, this model should be applied to businesses as well.

Value Proposition
Loan offers when needed, not several days/weeks later.

let's prototype our ideas! 🎨

Here[1] is a mockup that has been done within 8h. Based on a lean startup mindset, I wanted to demo an App that could be done within a short notice period and that could be tested easily, with a very limited budget. We should first start with loans and then, in a second stage, assess the opportunity to extend this offer to mortgages. This MVP should first be considered as a lead generator and then should be enhanced over time.

Authentication: In the first instance, no authentication needed (only email + password) as the lead will just have a pre-approval. No engagement from BIL.

Pre-approval agreement: It should be based on the information customers provide us with. Based on this data and on our own criteria (expense/income ratio, type of labor contract, country of residence etc), we can instantly pre-approve any loan. This is just an "if" waterfall.

No algorithm: instead of developing a complex algorithm that would assess credit worthiness of a customer thanks to open banking (standalone and longer term project), all the requests can be analyzed by an employee who works in credit department. He would just receive an email with the information and documents he needs.

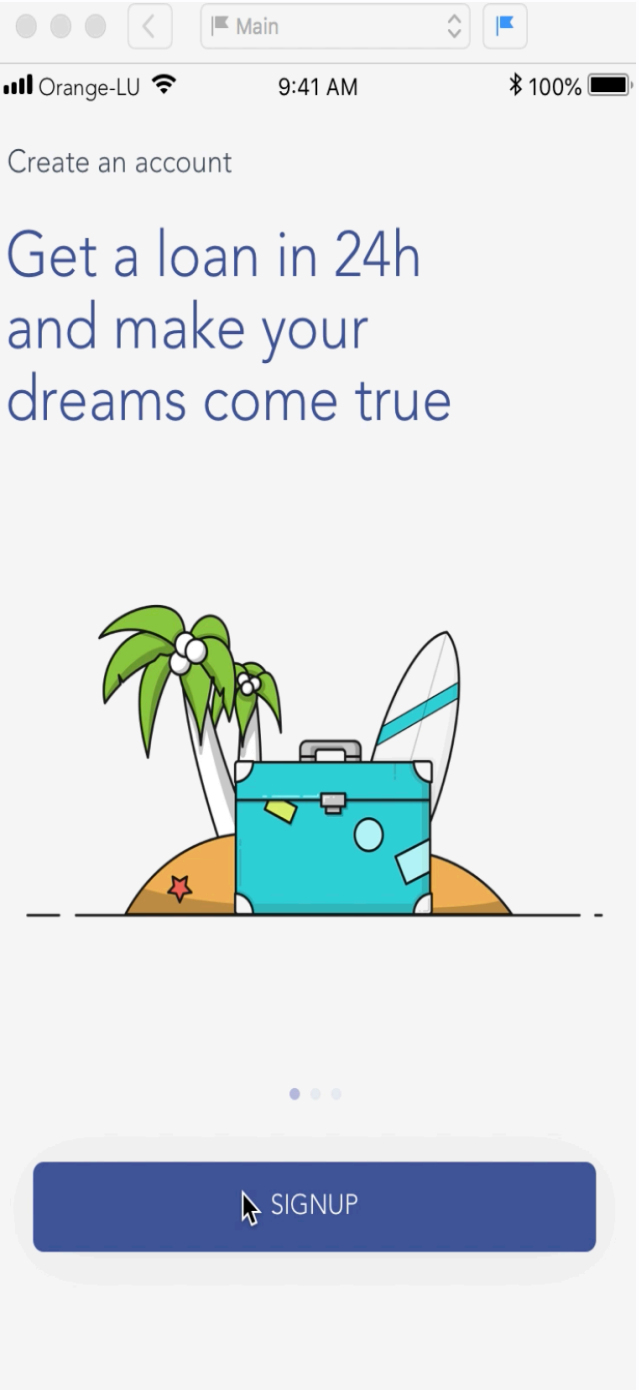
Approval: if all the documents uploaded by the customers are consistent with the information he provided us with for the pre-approval, employee should be able to validate customer requests in a short notice period (<24h).

Once a loan has been granted by credit department, there are 3 possible alternatives:

- We ask the customer to open an account within a branch
- We ask the customer to open an account within BILnet App
- The lead doesn't open any account with BIL, and BIL would transfer the proceeds to the customers' bank (as Younited Credit is currently operating).

If not approved, customers are instantly informed

From the development side, no major issue. The "bot" is just an interactive form, no AI behind.



[1] https://adobbels.github.io/innovationlab/Prototype_24hLoan.mov

figures and synergies

Business model

- Yearly recurring revenue through interest margin (1.50% to 2.75% margin depending on loan tenor)
- A 100% digitalized loan process involves savings
- White labelling so that retailers offer this service to their customers (furniture stores, interior designers, car dealerships etc)
- SAAS business model.
    - Sell our "24h loan" technology to other counterparts.
    - Sell our credit scoring technology to other counterparts.

Synergies with BIL MVP teams

- XCCX
  Along with XCCX, Lab should be charge to develop this feature. Lab should be in charge of the service design and then help XCCX to develop the feature.
- PSD2
  This project could be considered as a TPP, Third Party Provider, for PSD2 team. We could easily display the credit line within the App and test it in real market environment with another brand (see above the benefits).
- CBS
  If the project were part of a standalone brand, we could test T24 before it goes live.
- Data
  In order to perform a FICO score we would need the help of "Advanced Analytics & Data Governance" team in order to analyze a large amount of data.

how will we make money?

Net Income from the business we built

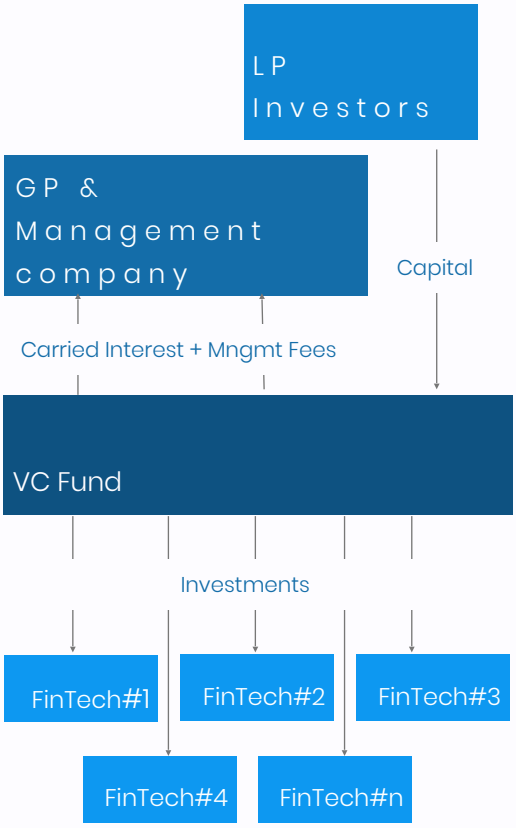
Obviously, once the project will be profitable, the team will stand on its own feet but from an investor point of view, once a venture scaled, there are two ways to make money from the shares he owns: i) capital appreciation which is the way described below, ii) dividends.
A dividend is a distribution of a portion of a company's earnings, decided by the board of directors, paid to a class of its shareholders. Dividends can be issued as cash payments or as shares of stock.

Exit: IPO, getting acquired, or sell our stake

After recruiting (or incubating) a team and put it through our development program, the venture will start standing on its own two feet.
A few years later, the venture we built or funded will either get bought by larger companies, get re-capitalized, or go through an IPO.
In case of success and in each case, the shares we own will be sold for more money than it originally cost us.
The profit will depend of i) the proportion of capital we own (100% if we built it from scratch, ~10%-20% if we funded it, <5% if we incubated it) and ii) the sale amount.

VC Fund and GP/LP structure

LP stands for Limited Partners, and GP for General Partners.
LP are the external investors (such as institutional investors as well as high net worth family offices and individuals) in a VC fund. They commit capital to the fund and demand a return for it. If something goes wrong, the investors' risk is only the capital committed.
The GP manages the fund and takes investment decisions. It is paid with management fees (typically 1% or 2%) which are a percentage of total amount of the fund's assets. Those fees cover general expenses such as salaries, consultants, travel etc. GP can also earn a carried interest which is a performance fee (typically 20%) charged on the basis of the total amount of profits which have been earned by the fund.



Coworking space

With the recent developments regarding the rise of the space-as-service industry, we could create multiple revenue streams, and rent coworking spaces. That would foster our community which would be more powerful and interconnected. We could offer offer various membership options.

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