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Email sales@auka.io
Press auka@clarity.pr
Twitter [@aukapay](https://twitter.com/aukapay)
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Your brand. Your customers.
Your mobile payments platform.

OWN YOUR CUSTOMER

Traditional banks are facing a massive change to the way they do business - and how they interact with their own customers - in the shape of the second iteration of the Payment Services Directive (PSD2).

Effectively, they are being asked to hand over the keys to their vaults to not just the new breed of innovative fintech service providers, but established tech giants like Facebook and Google, as well as their biggest rivals too.

While the banks are still best positioned to be the guardians of the money, they may still find themselves being disintermediated in the value chain, reduced to providing only the infrastructure. This would then open the door for other banks or digital services to position themselves at the front of mind for consumers.

Some banks, such as BBVA in Spain and Barclays in the UK, have already embraced the digital world and put themselves in a strong position to retain their market position in a post-PSD2 world. But what about those who haven't yet done so?

The answer is not as complex as you might think. To continue to be relevant after PSD2 comes into effect, banks need to be prepared to use the Access to Accounts (XS2A) provision within the new regulations to its full extent.

It's not just about complying with requests to provide their API, but building the kind of sticky, high-frequency use services that they can then plug their rivals' APIs into, ensuring that they are the brand that customers have facetime with.

This means that despite the plethora of companies that will now have access to their customers' information, the banks that move fast to embrace PSD2 will still be able to own their customers.

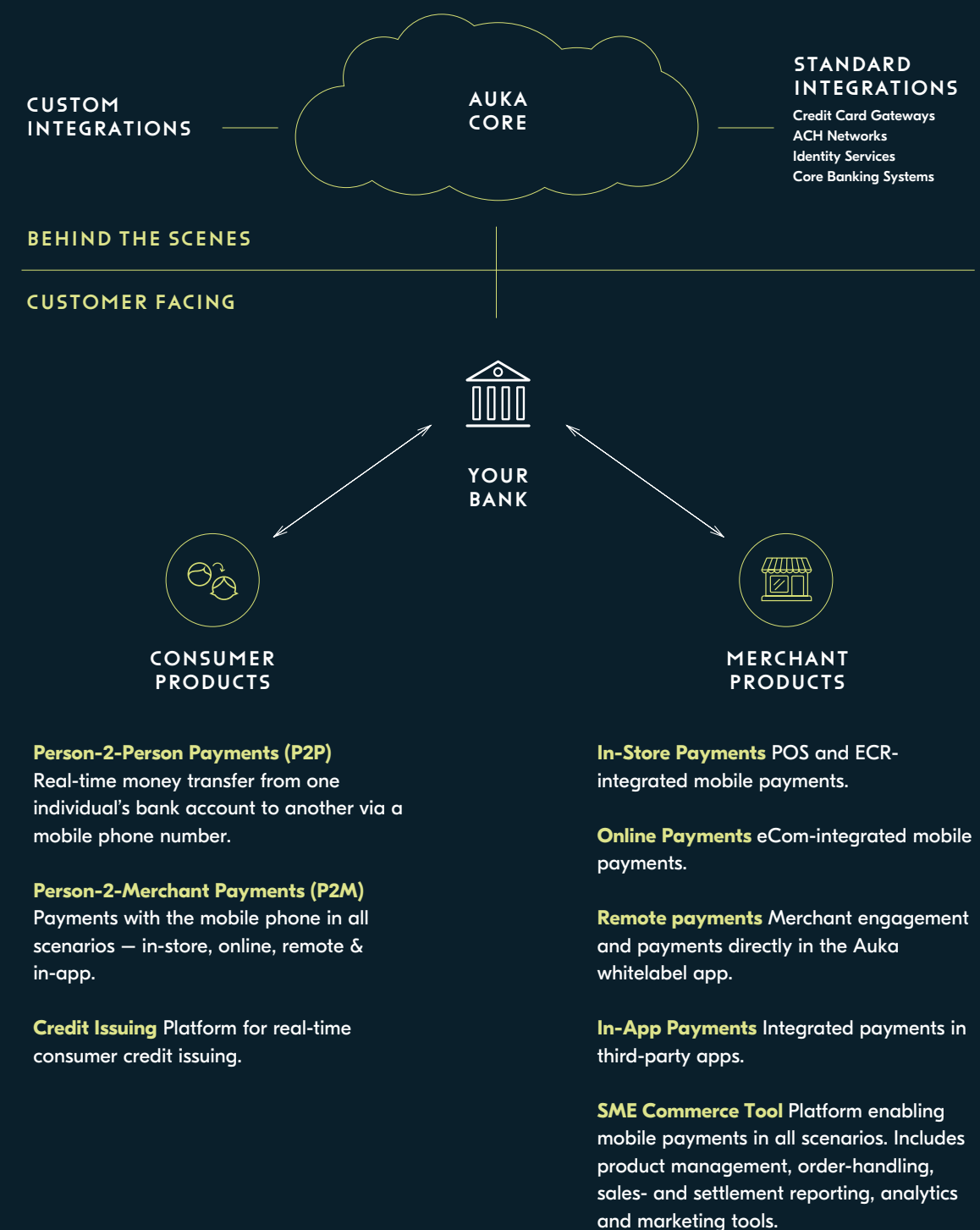
The question is - can you achieve this quickly enough to get ahead of your rivals?

Daniel Döderlein, CEO, Auka

AUKA

AUKA OFFERING

It's a full stack, white-label platform, enabling banks to offer mobile payment services to merchants and consumers. It's cloud based, compliant and future proof with flexible APIs



WHAT IS AUKA?

Founded in 2010 as mCASH, Auka enables financial institutions to maintain a prime position in the fast changing payment landscape. It does this by offering financial institutions access to a platform and services that enable them to deploy new innovative solutions at a rapid pace in, or across, geographical markets.

The company has built and operates a reliable, licensed end-to-end payments infrastructure that connects financial institutions, merchants and consumers through the cloud. Today it has 17 banks and several thousand merchants running live on the platform, deployed on a PaaS/SaaS model.

Auka's full-stack solution offers a number of benefits to banks such as a new customer acquisition channel, a new channel for up-selling other financial products, reduced transaction processing costs and increased transaction revenue. Furthermore, by creating a sticky, high-frequency, smartphone-based channel, Auka is giving banks the opportunity to ensure their brand is being seen by their own customers - and customers of rival banks - on a regular basis, so it remains front-of-mind for consumers.

For merchants, it provides a new sales channel with reduced transaction costs, creating new revenue potential through value-added services such as loyalty and discount schemes. Consumers get benefits such as real-time P2P payments through an app that is connected to all of their accounts, as well as the loyalty bonuses and discounts offered by participating merchants. In addition, their need to carry cash with them is greatly reduced - as long as they have their smartphone, they can pay.

THE AUKA STORY

Auka is a Norwegian VC-backed technology company that has developed a novel platform that enables retail banks to issue mobile payment products to its private and merchant customers.

The concept behind Auka was developed by Daniel Döderlein, and incorporated as 'mCASH' back in 2010. The company's vision was to enable everyone to pay and get paid with minimal friction. Under the original business model, mCASH would act as a technology provider and license its mobile payments infrastructure to banks on an issuing model. This proved harder than anticipated as mCASH was ahead of the hype cycle and banks still had a lot of issues when dealing with startup companies, despite the fact that mCASH was a regulated entity based on its granted licenses as an E-money and payments enterprise.

On the back of a successful \$7 million Series A financing round in January 2014, with Northzone Ventures and Entree Capital as lead financial investors, mCASH had to make a strategic decision on whether to continue with the bank distribution strategy, or whether it should address the market directly. mCASH chose the latter, and in February 2014 mCASH pioneered mobile payments in Norway when it launched its combined P2P and P2M platform, with one retail bank (BN Bank) and marquee merchants such as Starbucks and Burger King as partners. Over the following 20 months mCASH focused on end-user and merchant acquisition and acquiring, guerilla marketing, merchant onboarding and roll-out, risk management, product iterations and customer support.

By late 2015, when the hype curve around fintech started to gain serious traction, in the face of upcoming deregulation of the financial services space with PSD2, and with the need for banks to establish their position in the future ecosystem of a sharing economy, mobile payments caught up with the Norwegian retail banks. As a result, banks who had been watching mCASH's growth from the sidelines now wanted to get new products to market fast. In October 2015 mCASH entered into a flagship multimillion-dollar exclusive territory agreement with the second largest financial institution in Norway, the SpareBank 1 Group.

SPAREBANK 1 AND AUKA

- A MATCH MADE IN NORWAY

The Nordic region has a well-deserved reputation for being a world leader in bringing innovative financial services to market. Globally, this region is adapting mobile payments faster than any other, driven by retail banks offering peer-to-peer (P2P) payment services to the market to build volume, before adding other merchant payment services on to this platform.

In Denmark, Danske Bank has created MobilePay, which now has more than 3 million users. That's around half of the population of the country, and 70% of these users are not actually Danske Bank customers. In Sweden, a collaborative scheme between several large banks, Swish, has gained 3.2 million users since launching in December 2012 - that's around 40% of the population. Both MobilePay and Swish offer P2P and peer-to-merchant (P2M) services.

In Norway the Vipps app was issued by DNB, the largest domestic bank, in May 2015. It now has 1.5 million users - 30% of the population - and 50% of them are not DNB customers. Despite only offering P2P payment services initially, the introduction of Vipps provided something of a problem for SpareBank 1, Norway's second-largest bank.

SpareBank 1 came to Auka for help and deployed the mCASH technology platform in October 2015. Pre-dating MobilePay, Swish and Vipps, mCASH already offered integration with 80% of the ECR (electronic cash register) and e-commerce solution providers in the Norwegian market. This enabled SpareBank 1 to launch the 'mCASH digital wallet' - the most powerful mobile payments application in Norway. Offering P2P, e-commerce payments, in-store payments, direct account access for Sparebank 1 accounts, stored-value accounts, digital enrollment for real-time credit issuance and a self-served commerce tool for SMEs, the mCASH digital wallet

has the most comprehensive feature set in the region. With mCASH, a mobile phone effectively becomes a virtual bank where a customer can send and receive money instantly, pay bills, view transactions, and even obtain instant credit.

"We had to respond to the competitive threat introduced when our main domestic competitor launched its proprietary mobile P2P payments platform in conjunction with a blitz marketing campaign. They had tremendous initial traction and we saw that many of our customers gravitated towards their solution. We have also spent a lot of time thinking about the impact of the PSD2 implementation in Norway - and we believe that the right way for us to position ourselves is by offering innovative services that feel relevant to our customers. We also believe that the mCASH platform gives us the opportunity of strengthening the relationship with our SME customers, by offering them new innovative payment solutions that solve everyday problems for them," said Rune Fjeldstad, CEO of SpareBank 1 Buskerud/Vestfold, and Chairman of the Board of SpareBank 1 Mobile Payments.



"We had followed the team and company behind the mCASH platform closely as they pioneered mobile payments in Norway. They were the first company to launch a P2P proposition and a full scale proposition for merchant payments covering all relevant payment scenarios. By connecting our internal core infrastructure to their cloud-based, compliant, mobile payments platform we knew that we would get a battle-tested platform that had been running live in the market for over two years. Another benefit of working with the Auka team is their experience related to the operational and commercial side of launching a mobile payments proposition into the market. Lastly, but a very important point; we know that it takes time to change habits, and that the key to a successful deployment is providing solutions tailored to what the consumer actually wants - it is therefore critical to work with a vendor that can deploy new features at short release cycles based on how the customers are using the service. The team at Auka are super agile and has helped us define critical KPIs that we use as baseline for new feature and service development.

"Time-to-market was another very important selection criteria for us when debating whether we should buy an off the shelf solution from one of our regular vendors, or build it internally. We realized that the way that we usually deploy new services wouldn't work this time. We actually deployed the mCASH platform into the marketplace in less than two months from when we signed the contract."

The mCASH app is now at the top of the App Store chart with more than 240,000 people downloading it, 50% of whom have registered cards issued by rival banks. Five per cent of users also employ the mCASH stored-value account, which enables those under the age of 18 to make use of mobile payments. There are more than 1,500 merchants accepting mCASH payments and an advertising campaign for the platform went live throughout the whole country in February 2016.

"It's still early days but we see that the number of downloads, merchant sign-ups and the transaction volume is growing at a good rate, but more importantly we are focusing on product market fit right now. We believe that it is important to focus on solving actual problems. There have been too many mobile payments solutions that have had a generic use case - you don't solve a problem for anyone by tapping your phone to a payment terminal. So apart from the P2P proposition which is clearly solving an everyday problem for the consumer, we are focusing on solutions that reduce friction for small merchants across the country."

AUKA'S PRODUCTS AND SERVICES

Platform

The Auka Core Platform is the enabler for all core services and products that we offer your bank. The Core platform is hosted and runs on the Google Cloud Platform, and provides all critical operating functions, common services and data consistency so that the Consumer and Merchant products can focus on logic and providing business value.

Once subscribed to the Auka Core Platform, you get the benefit of seamlessly being able to extend your service offering with either or both consumer and merchant services or products. At the same time, the AUKA core platform offers robust, enterprise security in a compliant, regulated public cloud environment.

Consumer Products

Auka Consumer Products (ACP) is a platform that enables your bank to launch compelling mobile payment applications to existing and prospective customers. By deploying ACP you will be able to create and manage relevant customer interactions, delighting your customers and positioning your bank at the centre of the next generation payments landscape.

ACP comes with a complete set of functions and features that your bank can choose to deploy. These include a cross-platform, real-time P2P app that can be issued under your brand and connected to your local debit gateway, stored-value accounts or credit-card networks. The platform also features on-the-fly consumer credit issuing capability, allowing you to offer credit to your customers in a seamless, 'on-the-go' fashion.

Merchant Products

Auka's Merchant Products (AMP) let retail banks strengthen their relationships with existing and future merchant banking customers by making it possible for merchants in any industry - and of any size - to take the leap into next-generation retail.

The AMP stack consists of a complete range of mobile payment and sales tools that merchants can order from your bank. These include self-service solutions such as Auka KIOSK which the merchant can use immediately and solutions that can be deeply integrated into existing retail

systems such as the electronic cash register, the POS or the e-commerce payment windows. The platform also features a full set of reporting functions and access to customer data that can be used as a basis for analytics and campaign management.

Operations-as-a-Service

Auka offers its Core Platform customers the opportunity to outsource risk and compliance operations to Auka. Day-to-day activities such as KYC, AML, merchant lifecycle management, risk monitoring and compliance reporting will be handled by proven compliance technology and an experienced team on a monthly recurring service fee.

Advisory Services

Auka offers strategic advice to financial institutions that are in the process of implementing - or investigating whether they want to offer - mobile payment solutions. Auka advisors have deep operational experience in launching mobile payment solutions for multiple banks and can provide assistance on everything from go-to-market strategies, business development and understanding regulatory and compliance challenges such as PSD2.

AUKA SOLVES PROBLEMS FOR RETAIL BANKS

Retail banks across the world are being challenged by disruptive forces such as new entrants, new business models and changes

in regulation. In order to adapt and to stay competitive in the new payment landscape that will unfold over the coming years, banks will have to innovate on multiple levels from core infrastructure, to business models, to customer-facing payment applications. The main driver behind the transformation happening is new customer demands enabled by disruptive forces and new technological capabilities.

A significant proportion of the banking industry will find it challenging to adapt to the new reality, as reacting change and quickly developing technological solutions are not things that they are particularly adept at. When banks develop technology in house or purchase off-the-shelf software from their normal vendors there is a high probability of those solutions either fails, is launched too late, iterated on too slowly, or becomes incredibly expensive to build and maintain.

Focusing on the mobile payment category we solve the following problems for retail banks, regardless of market:

- We reduce market, operational and technology risk. Auka's mobile payments platform has been used at scale, live in the market by consumers, banks and merchants for over two years and has undergone multiple iterations.
- We provide short time to market. Auka delivers a fully customized, market-ready mobile P2P proposition integrated with any payment gateway or core banking system in less than three months. This channel can easily be modified and used to cross sell other financial products.
- We provide products that merchants' customers want. Auka delivers a complete merchant services operation and a suite of products that enable merchants, regardless of domain or size, to offer mobile payments.

BANKS FACE THE CUSTOMER CRUNCH

Banks face a threat greater than any other they have faced before in the face of the Access to Accounts (XS2A) provision in the second iteration of the Payment Services Directive regulations - or PSD2.

“PSD2 is a complete game-changer. It is different from previous regulations that have come before it and has the potential to create clear winners and losers in the payment services market,” said David Brear, Chief Thinker at Think Different Group.

By creating sticky, high-frequency use mobile payment services banks can give themselves the best possible chance of remaining front-of-mind with these customers. An app that a consumer regularly uses to make payments - whether to friends, splitting a bill in a restaurant, in a store or when they are at their local sports club or cinema - should be part of the roadmap of every retail bank right now.

Such services have been hitting the headlines in recent months and even years - though it is the ones that have come from technology providers rather than banks that grab the most attention. But analyst house Gartner predicts that mobile payment systems using Near Field Communication (NFC) technology - such as Apple Pay, Samsung Pay and Android Pay - will be limited in the short to medium term due to a lack of partnerships between retailers and financial organisations, as well as consumers seeing little value in such payments.

Rather, mobile payment initiatives need to be bank-driven to get mainstream consumer trust, according to research from ING. More than eight out of 10 people questioned - 84% - said that they would trust and use a mobile payment service offered by their bank, while only one in 20 said that they thought a mobile payment service offered by a tech giant such as Apple or Google would be satisfactory in terms of trust.

This view is shared by Ovum analyst Kieran Hines. “While there is a popular view of retail banks as sleepwalking towards disintermediation, the industry continues to hold an extremely strong position. High levels of customer and merchant penetration, coupled with the inherent trust placed in the industry to deliver secure transactions, are powerful assets that new entrants and other competitors cannot easily replicate.”

But banks could be squandering their opportunity to be the brand that the customer sees on a regular basis. Only 11 European nations with populations of 5m or greater currently have bank-issued mobile payment schemes. These are Denmark, Hungary, Italy, Norway, Poland, Russia, Spain, Sweden, Switzerland, Turkey and the UK. Only seven of these countries offer both P2P and merchant services, while the others only have P2P functionality so far.

Scandinavia is undoubtedly the region with the highest usage of bank-issued peer-to-peer (P2P) mobile payments apps, with 30% of the population using these services. The rest of the world will catch up, though - according to Gartner, half of consumers in mature markets are expected to be using smartphones or wearables for mobile payments by 2018.

So how can banks in other countries replicate the Scandinavian model? Well, there are a number of conditions in this region that have made it more conducive to innovation in banking and financial services. In Sweden, for example, inter-bank collaboration was the driving force behind Swish, a mobile payments platform offering both P2P and merchant services that is now used by 3.2 million people in the country. Denmark’s Danske Bank

invested very heavily in its MobilePay platform and, combined with Swipp, there are now 4.6 million users of bank-issued mobile payments services in the country. But following the Scandinavian model is likely to be a painful process. Dealing with legacy IT infrastructure is something that poses more of a challenge to the larger, global banks than the smaller, leaner banks in Scandinavia.

And while IT infrastructure is one thing, the organisational infrastructure and internal culture is something that needs to be challenged.

“Making the changes needed as part of PSD2 will require the banks to do something that they are inherently terrible at doing; working across

multiple significantly separate business units,” said David Brear of Think Different Group.

Change will be hard - but change they must. “Crocodiles, sharks and lots of other animals have been around since the time of the Dinosaurs. They adjusted to the changing environments, food supplies and evolved. Banks need to do the same.

They have all of the resources in place to survive the meteor heading to earth if they choose to do so. “Banks have all the investment they need, nearly all the customers and enough resources needed to make the changes required to defend, evolve and become a new type of bank,” Brear said.



TECHNOLOGY PARTNERSHIP

Google works closely together with Auka to bring new, innovative payment solutions to the financial industry.

Public cloud is transforming IT as we think today and enabling even smaller players to compete successfully in industries that traditionally have been dominated by companies with very large IT budgets. “I’m excited and privileged to work together with the Auka team. They introduce fresh ideas and services to what is considered a very traditional industry in terms of IT. I believe what Auka is doing is very disruptive and a great step forward for the financial industry,” said Otso Juntunen, Head of Google Cloud Platform in the Nordics.

Auka relies on Google App Engine, a service of Google Cloud Platform, on the backend. Google has been working closely together with Auka from the beginning.

Auka’s mCASH public cloud-based mobile payment solution is unorthodox for the financial services industry. Before it could operate as a payments provider, Auka first had to convince the Financial Supervisory Authority of Norway (FSAN), which regulates the country’s financial institutions, that the cloud was secure.

Google joined mCASH to demonstrate that Google Cloud Platform “makes perfect sense for running a safe, distributed and scalable payment infrastructure,” Daniel Döderlein, CEO of Auka said. When the FSAN had questions touching specifically on privacy or security-related issues, “Google really stepped up and delivered. The fact that Google uses credible third-party auditors who certify the infrastructure according to international best-practices (ISO 27001:2005 and SOC2) worked greatly to our benefit.”

“What really stood out for us in our dealings with the financial regulators was Google’s immense availability and flexibility when we needed them most” — Daniel Döderlein, CEO of Auka

After hearing the case, the FSAN granted Auka a license to operate as an E-money provider. Because the license complies with standardized regulations governing financial institutions throughout the EU, Auka became able to provide financial services across the EU. “What really stood out for us in our dealings with the financial regulators was Google’s immense availability and flexibility when we needed them most,” Döderlein said.

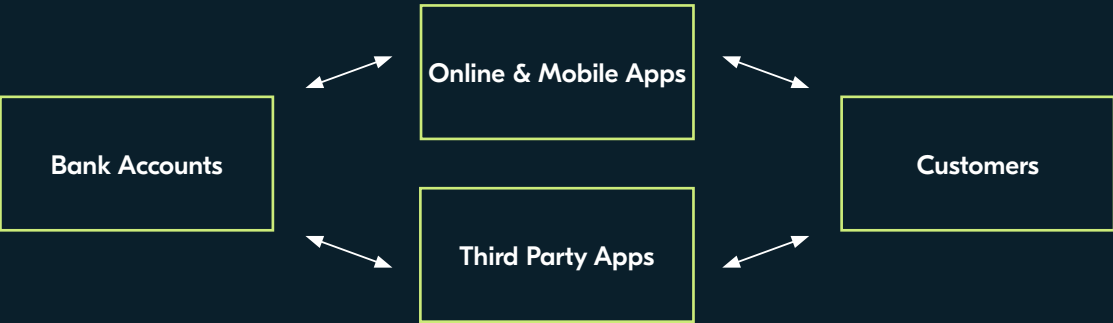
P2P PAYMENT TIMELINE

2016	↑	SpareBank 1 launches mCASH digital wallet
2015		Jiffy launched in Italy
2015		Swipp launched in Denmark
2015		Paymit launched in Switzerland
2015		Vipps launched in Norway
2015		Blik launched in Poland
2014		Yaap launched in Spain
2014		Paym launches in the UK
2014		Erste MobilePay launched in Hungary
2014		mCASH launched in Norway
2013		Tinkoff Mobile Wallet launched in Russia
2013		MobilePay launched in Denmark
2012		Swish launched in Sweden
2012		BKM Express launched in Turkey
2012		Barclays PingIt launched in UK
2007		M-Pesa launched in Kenya

CURRENT SET-UP



PSD2/XS2A SET-UP



BI SCHOOL OF BUSINESS

- CASE STUDY

There's no better place to launch new technology into the market than BI School of Business in Oslo. More than 8,000 young, smart and tech-savvy students flock together at this campus north of Oslo city center every day, studying innovation, business and marketing.

In 2014 BI refurbished its food court, coffee shops and restaurants. In its initial RFP, it specifically requested a restaurateur with an innovative approach to reflect the values of the institution. Gastro Catering, which had signed a contract with Auka, submitted a tender integrating mobile payments in every aspect of its operations.

At launch, students could buy fresh pizza, sushi and different hot dishes made on the spot directly on their mobile. This was typically done in class ten minutes before breaktime and eliminated waiting in line during these 15-minute breaks. The food was then picked up in a fast checkout line. It also allowed Gastro Catering to plan its sales and offers in a new way, pushing special offers and deals directly in-app. Within three months, 2,000 students had used the app to order food. Around 30% of turnover now comes from mobile payment purchases.

As well as this, Auka and Gastro launched a self-service coffee offering using mobile stamp cards. After buying a stamp card through the app, students scan a screen - which then lights up and blinks for visual confirmation - and serve their own coffee. This has proved a huge success, saving a lot of time for students while enabling Gastro Catering to offer a loyalty scheme and run the shop with one fewer employee. Students can also use the app paying for beer and snacks at the student bar, getting pre-paid drinks served at the table.

In March 2016 the student union (SBIO) signed a contract meaning all student organisations, web pages, concerts and events will accept payments only through the Auka app. The ultimate aim is to create the world's first 'mobile payment campus' by 2017. This goal - to move every transaction at campus into the Auka app - is also shared by the executive management at BI Business School. This will also be a very important testing arena for Auka going forward.

Being present on every mobile phone and every payment scenario at such an innovative campus puts Auka in a position where it can apply every part of its product stack and test new features while getting live feedback from students - traditionally the first movers in mobile payment schemes.

KING FOOD

- CASE STUDY

King Food, owner of the Burger King and Starbucks brands in Norway, had tried near field communication (NFC) schemes in the past but had never seen much value as a result. With mCash, however, it is not only making the lives of customers easier - by providing automatic electronic receipts, for example - but has also gained a whole new level of value customer insights.

Burger King and Starbucks were amongst the first Norwegian merchants to launch mobile payments in their stores in 2014. The unique opportunities provided by Auka's product portfolio played directly into their strategies, offering their customers innovative payment solutions whilst enabling the marketing department to sell products in-app and directly from ads by scanning offers with a mobile phone. In order to boost sales Burger King offered 5% off every purchase made with a mobile phone. In the longer run these merchants aim to use Auka's technology to offer in-app payments and loyalty schemes in their native apps.

"We've seen significant measurable increases in customer loyalty and satisfaction because of the enhanced experience we can now offer - for example, the pre-pay feature is reducing queue time in store. The mCash model rolls together the best of all other NFC technologies, loyalty schemes and CRM insights into one convenient app," said Henry Karlsen, CIO of King Food.

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"It is a great way to extend our product offering, and we see this as a great tool to fight back against the payday loan companies doing consumer lending with exuberant interest rates."

— Gunnar Hovland, CEO of BN Bank

BN BANK

- CASE STUDY

BN Bank, a bank in Norway with around 60,000 customers, was the first to launch a full-scale mobile payments proposition with both P2P and merchant services in the country in early 2014. After deploying Auka, it saw explosive growth, with its customer base increasing by 30% within six months. Gunnar Hovland, CEO of BN Bank, said: "Another benefit of the platform is that it reduced our customer acquisition cost by many factors as we managed to tap into other new potential customer pools through the offering." BN Bank has also piloted Auka's real time consumer credit issuing platform, Hovland said: "It is a great way to extend our product offering, and we see this as a great tool to fight back against the payday loan companies doing consumer lending with exuberant interest rates."