Investment Activity in FinTech for the Financially Underserved

November 2013

CFSI Center for Financial Services Innovation

CORE INNOVATION CAPITAL

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Executive Summary

This report explores recent investments and exits involving 74 FinTech companies that target financially underserved consumers in the United States. The 85 investments and exits in this market segment totaled more than $5.2 billion in allocated capital between July 2012 and June 2013. Together, these transactions demonstrate a dynamic and growing space furnishing opportunities and returns for a variety of investors. Transactions included 71 completed equity offerings, 11 acquisitions, and three IPOs, signifying significant investor confidence and a growing deal flow that is beginning to exhibit paths to exit at this relatively early stage of the market's development. The most active sectors among these transactions were specialty credit, which constituted 42% of transactions and 20% of allocated capital, and payments, which accounted for 33% of transactions and 79% of allocated capital.

At least 125 investors contributed to the 71 completed equity offerings observed, totaling $947 million. These dollars were heavily weighted toward specialty credit companies, which garnered 77% of funds invested and represented 20% of investment transactions. Companies that secured smaller equity investments represented a range of payments, personal financial management, and alternative data startups. The investors involved in financing were diverse, including both larger and niche players with varying levels of focus on this market.

There were 14 exits in this space totaling $4.2 billion. Eleven specialty credit and payments companies were acquired for a total of $1.6 billion by a combination of strategic and financial buyers. Three companies, all in the payments sector, completed IPOs, with aggregate market capitalization beginning at $2.6 billion and rising 22% to $3.2 billion by the end of the twelve-month period.

Introduction

This report examines the significant volume of recent investment activity in the FinTech market for financially underserved consumers. This consumer finance segment is a dynamic and growing space. Over the span of 12 months, investments and exits involving 74 companies and 85 transactions furnished opportunities and returns for more than 125 investors. A closer look at the size and key characteristics of the active market for consumer financial products addressing the needs of the underserved provides a chance to define and examine a unique consumer finance segment normally embedded in an array of mass-market segments including consumer finance, specialty finance, and financial technology.

FinTech, in this report, designates financial service companies that use technology to reduce costs and increase access to financial services as a key part of their strategy. More narrowly, this report focuses on the growing subset of FinTech companies developing products and business models that serve, or have the potential to serve, financially underserved consumers whose needs are not fully met by traditional financial services.

Underserved consumers struggle with their financial health in a number of ways. They may use alternative, and often costly, non-bank financial services – such as check cashing or payday loans – to meet some or all of their financial needs. They may be challenged in their access to credit by subprime credit scores and thin or no credit files. They may find their access to – and the benefits derived from – a full range of conventional financial products otherwise limited by low- to moderate-household incomes or other factors that inhibit the achievement of financial health.

This market segment constitutes 68 million consumers, who spend $78 billion each year on financial products to borrow, transact, save, and plan.[1] As such, the FinTech market aiming to address their needs draws from parts of the specialty credit sector, payments sector, and other financial technology sectors focused on personal financial management and financial data processing. It includes companies using new technologies, such as online and mobile payments systems, and sophisticated analytics for expanded credit opportunities to produce new financial services for consumers.

This report is an invitation to examine the investment trajectory of an emerging consumer finance segment that is still a work in progress. It represents a yearlong snapshot and opens the door for future analysis to track this evolving market over time.

Methodology

As the leading national expert and the leading venture capital fund focused on the financial services market for underserved consumers, the Center for Financial Services Innovation (CFSI) and Core Innovation Capital (Core), respectively, are in a unique position to identify companies that impact this space.

When deciding which transactions in the FinTech marketplace to include in this analysis, we limited our scope to those companies that explicitly serve financially underserved consumers or have a significant potential to do so. Identifying companies that fit this criteria, however, is challenging and ultimately relies on the subjective judgment of the authors.

In order to capture a comprehensive range of investment activity in the emerging FinTech market for financially underserved consumers, we examined financial technology companies and investors involved in investment activity between July 1, 2012 and June 30, 2013.[2] This includes transactions ranging from a $40,000 incubator seed investment to acquisitions and IPOs valued at more than $1 billion.

Information was drawn from a combination of public data and private deal source data proprietary to Core and CFSI.[3] Data on smaller investments is often unreported and thus is significantly less complete. We welcome additional information on the activity in this market.

Investor and Consumer Risk

The FinTech market for financially underserved consumers is at a relatively nascent stage of development, and it is too early to fully ascertain its true opportunity for growth. Better understanding of the levels of profitability, growth rates, exit opportunities, and intensity of capital investment required to succeed is still being honed as the market matures. The market also encompasses a heterogeneous collection of financial products drawn from several sectors, each with their own characteristics, challenges, and angles for successful entry and scalability. These challenges include regulatory risk that remains in flux for companies building new models.

This market holds potential to provide financially underserved consumers with greater levels of product choice, access, and quality. Currently, quality in the market remains uneven and business models that align with consumer financial health are far from universal. Identifying practical benchmarks to define high-quality investments is an important component of how we approach this market - and something that we urge investors to join us in considering. To this end, CFSI has developed the Compass Principles, a set of aspirational guidelines for industry, in consultation with Core Innovation Capital and other leading institutions.[4] The focus of this report, however, is a comprehensive analysis of investment activity. It does not make distinctions about the quality of companies and transactions included.

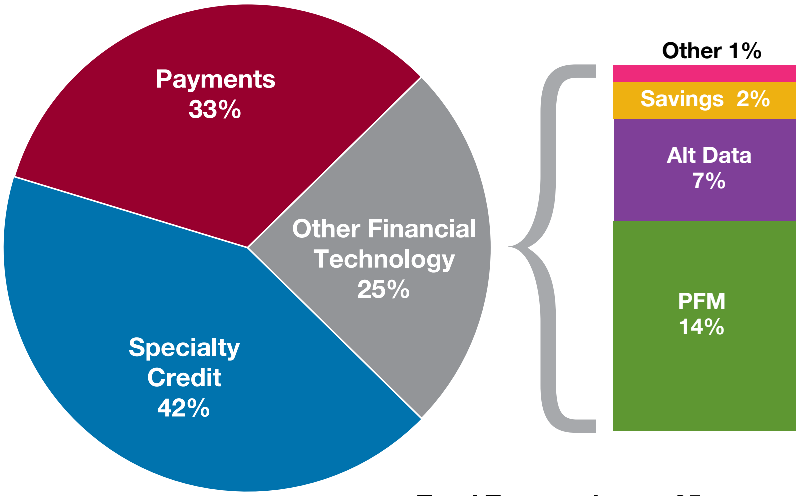
Please note that no content herein should be construed as investment advice, an endorsement of any company or investor mentioned, commentary on the quality, safety, appropriateness or viability of any specific product or investment strategy, or predictions of investment returns and results by the authors or sponsors of this report. Descriptions of companies, investors, and trends mentioned are solely the opinion of CFSI and Core and are intended to illustrate deal flow and financial investment trends. When not otherwise indicated, all facts and figures displayed are the results of original analysis by the authors. Descriptions of companies and investors may encompass only some aspects of their financial development, business agreements, and product offerings.

An Overview of Investment Activity by Financial Sector

Seventy-four FinTech companies that target financially underserved consumers in the United States were involved in 85 investment or exits with at least 125 investors, totaling more than $5.2 billion in allocated capital between July 2012 and June 2013. The companies that received funding provide a wide range of consumer financial products and some operate on business-to-business models. Forty-two percent offer some form of specialty credit service, while one third are payments companies. Of the other financial technology companies included in this analysis, several center on alternative data analysis used in lending decisions, bringing the total focus on credit to nearly half of all companies included. Personal financial management (PFM) products and savings tools rounded out the rest of the transactions observed.

Investment Activity by Financial Sector

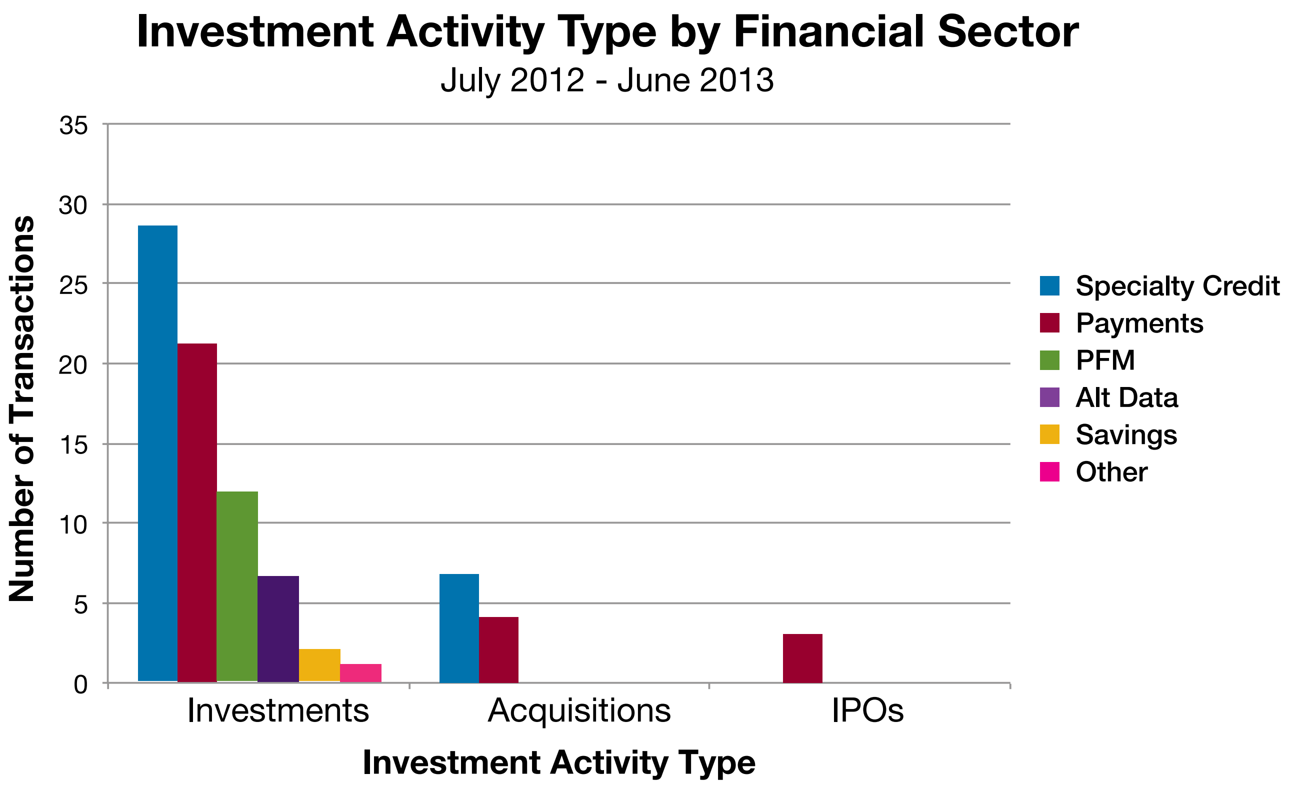
July 2012 - June 2013



Total Transactions = 85

Private equity investments in startups constituted 84% of all transactions and totaled $947 million. These were heavily weighted toward specialty credit companies, which garnered all but one of the completed equity offerings of $20 million or more. These transactions constituted only 20% of all equity investments, but represented 77% of the value of the funding provided. Smaller investments were more evenly distributed among specialty credit, payments, PFM, and alternative data companies

Exits through acquisitions or IPOs accounted for 16% of transactions and $4.2 billion in private and public activity. The eleven acquisitions included both specialty credit and payment targets and totaled $1.6 billion. The three initial public offerings completed during the period were valued at an aggregate $2.6 billion after their first day of trading. All IPOs were completed by payments companies. The largest acquisition, of the public company NetSpend (NTSP), was also in the payments sector.



Specialty Credit and Payments Driving Investment Activity

Most of the investment activity surveyed in this report clusters around two key sectors: specialty credit and payments. Together they comprised 75% of transactions - 42% specialty credit and 33% payments - and 99% of capital allocation, which was heavily weighted towards payments companies, the only ones to IPO, compared to specialty credit companies, 79% to 20%.

Among the five subsectors of investment activity observed in specialty credit companies, the most prevalent was small-dollar loans, which made up nearly one-third of transactions in the sector. Some small-dollar loan companies use technology to provide alternatives to payday loans through sophisticated underwriting and data analytics. Others employ online channels and digital technology that speed lending decisions for payday, pawn, and installment loans.

Private credit extended for higher education and for small businesses seeking alternative access to working capital rounded out the three most common subsectors of specialty credit products involved. Each comprised one quarter of specialty credit investment activity. The provision of subprime credit for auto loans made up an additional 14% of transactions in the specialty credit sector, while the remaining 5% represented companies facilitating personal loans through online peer-to-peer (P2P) lending models.

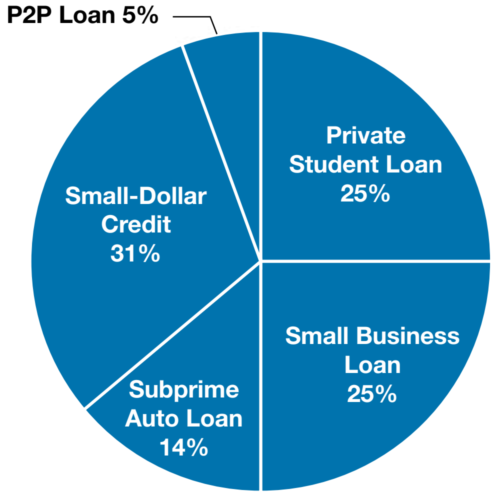
Companies in the payments sector likewise fell into one of five subsectors. 29% percent of transactions could be attributed to prepaid card providers, and another quarter to a broader class of technologically driven payments networks. A quarter of investment activity encompassed the subsector of international remittance services. 14% of payments sector investment activity was centered on domestic transfer and bill pay, and 5% on remote deposit capture (RDC) technology that allows a check to be cashed electronically via a digital picture of the check.

Companies in these subsectors of FinTech for the financially underserved hold the potential to help consumers who lack access to high-quality forms of credit, payments, and other financial services through traditional providers. For example, Progreso Financiero, a specialty credit lender that received a round of funding from investors including Core Innovation Capital, an author of this report, in October 2012, predicates its ability to scale on the unmet demand for small-dollar consumer loans among Hispanic immigrants who often lack full credit scores. Progreso's proprietary scoring model takes into account alternative consumer data to predict repayment, which allows customers to borrow at rates, and with terms, that support managable repayment schedules.

In the payments sector, Moven, which closed a $2.41 million round of seed funding in September 2012, led by the Anthemis Group and Raptor Ventures, provides a mobile wallet product that functions as a multiservice banking suite. It allows consumers to access a range of transaction functions from a smartphone, including billpay, check deposit, and other payments services. These are combined with reminders and other communcations that encourage healthy consumer behavior and a savings feature that allows for cash to be stored separately from transaction funds.

Specialty Credit Investment Activity by Subsector

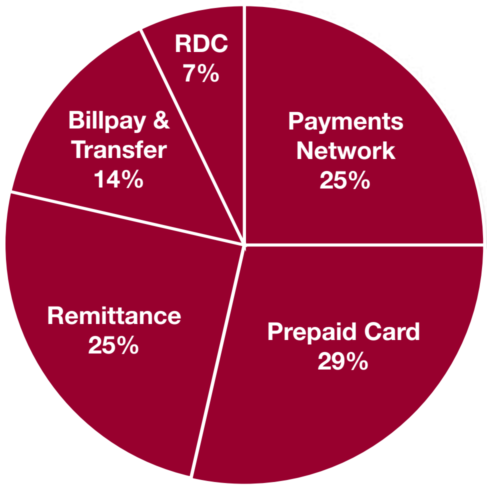
July 2012 - June 2013



Specialty Credit Transactions = 36

Payments Investment Activity by Subsector

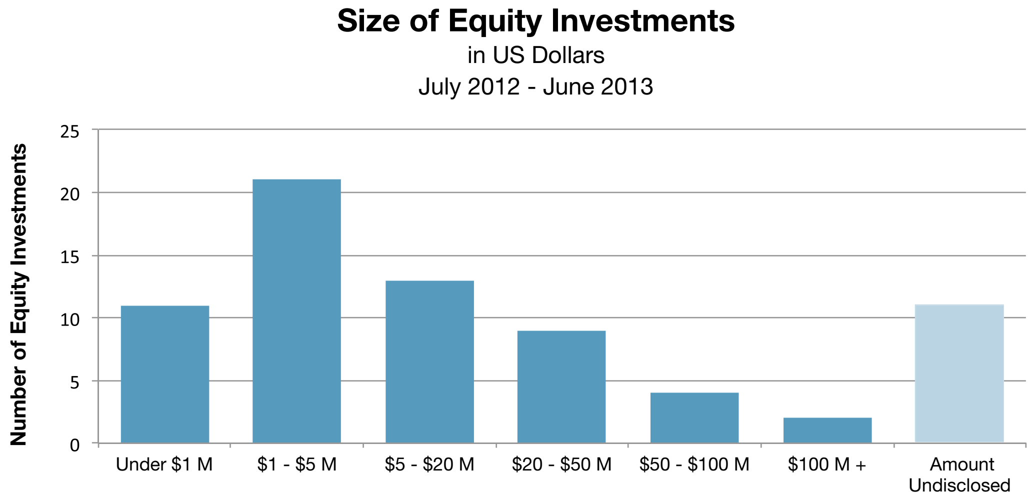
July 2012 - June 2013



Payment Transactions = 28

Focus on Funding: Twelve Months of Equity Investments

Private equity investments in FinTech companies for the financially underserved totaled at least $947 million across 71 equity investments from seed funding to Series F. These investments illustrate a wide spectrum of dollars allocated and a variety of companies at various growth stages. They ranged from a $125 million investment by Google Ventures in Lending Club, a peer-to-peer personal loan facilitator, to a myriad of small investments each under one million dollars that provided seed capital to new startups. The most common size of completed equity offerings observed was between $1 million and $5 million.

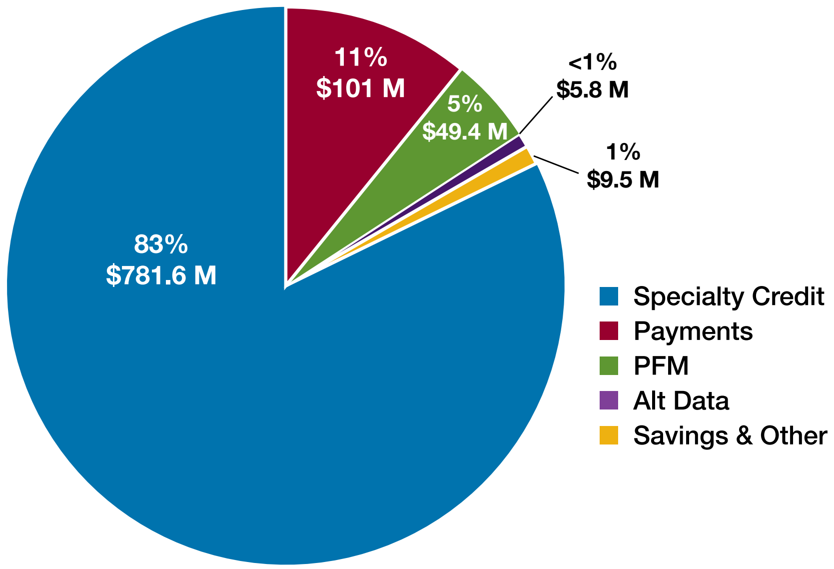


All but one of the larger cash infusions totaling at least $20 million were invested in specialty credit providers, while the smaller investments included a wide range of companies in specialty credit, payments, and other financial technology services. Overall, more than eight out of every 10 of the $947 million dollars invested went to specialty credit companies, and an additional one in 10 dollars went to companies in the payments sector. The remainder of companies that received investments were nearly all providers of alternative data analytics or PFM services. Of these, one third focus specifically on navigating student loans. This trend in PFM echoes the strong representation of private student loan providers among the specialty credit investments during the same time period.

In terms of dollars per equity investment, funding for specialty credit companies was significantly higher than it was for other sectors, averaging $30 million for a completed equity offering for all observable deals. While the preponderance of credit investments overall brought the average across all sectors up to $15 million per investment, the average level was considerably lower for the payments sector, where the mean dollar amount for a completed equity offering was $5 million.

Equity Investment Funding by Sector*

in millions of US Dollars
July 2012 - June 2013

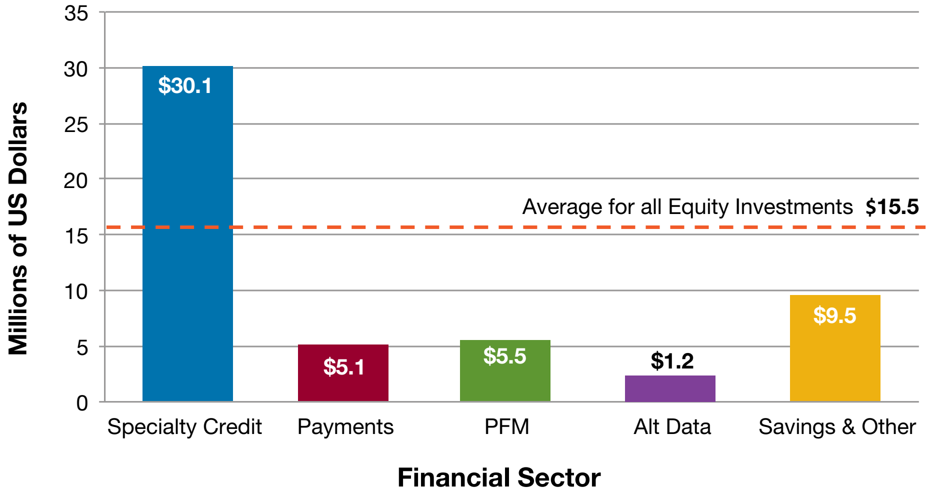


* Equity Investments for which financial data was undisclosed not included here

All Equity Investments = $947.3 M

Average Size of Equity Investments by Sector*

in millions of US Dollars
July 2012 - June 2013



*Equity investments for which financial data was undisclosed not included in averages.

Leading Investors in FinTech Startups for the Financially Underserved

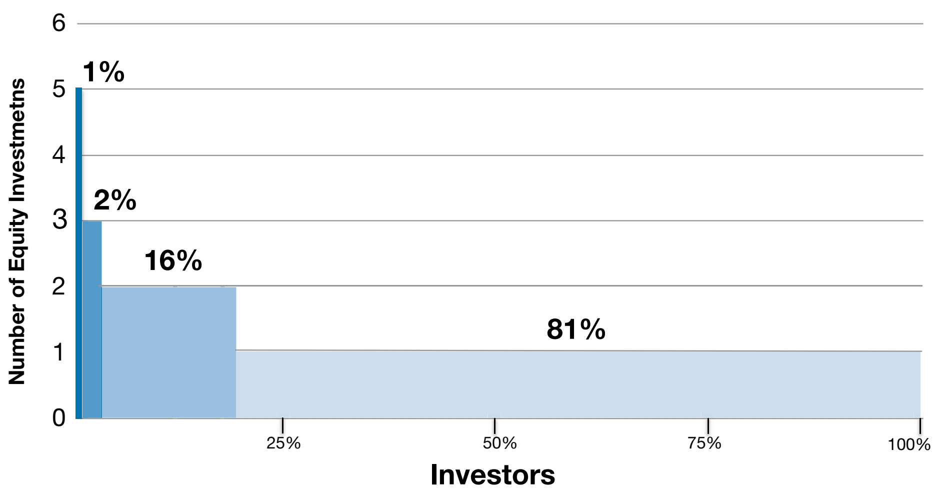
A wide variety of investors are active today in the FinTech market for financially underserved consumers. They run the gamut from large, well-known funds such as Sequoia, to smaller, more tailored firms such as QED Investors. We identified 125 investors who invested in 71 completed equity offerings during this period. Most investors made only one investment in a company serving the FinTech market for financially underserved consumers. A smaller number, constituting 19% of investors, invested in at least two companies in the space of 12 months, demonstrating a stronger alignment between their overall focus and the FinTech market for the underserved. The four most active investors made three or more investments during the twelve-month period. Google Ventures, which invested in five FinTech startups for financially underserved consumers during the course of the period, was the single most active investment firm.

Of these investors, only Core Innovation Capital (one of the authors of this report), invests exclusively in companies with the potential to improve the quality of financial products for underserved consumers.[5] Core Innovation Capital has made six such investments in early growth stage companies since its inception in 2010, although only one of these occurred during the timespan observed.[6] The other investors who demonstrate a high level of activity in this space tend to invest in a broader range of companies in the technology, financial services, or social impact sectors.

Fourteen of the 22 investment firms that made at least two investments during the period were founded within the past 10 years, and only three existed more than 20 years ago. This indicates the relatively recent groundswell of interest in the FinTech market for the financially underserved by young, leading edge investment firms. Among active investors in this period, the first to establish a pattern of investing in Fintech companies for the financially underserved was Sequoia Capital, one of the three oldest investment firms in the group. Its early equity investments in remittance provider Xoom and prepaid network Green Dot in 2003 provide a prime example of successful returns on investment. Both companies have since made public exits – Green Dot (GDOT) in 2010 and Xoom (XOOM) in 2013.

Equity Investment Participation per Investor*

July 2012 - June 2013



* Specific investors for whom participation in a syndicated round of funding was undisclosed not included in totals.

Top 22 Most Active Investors in FinTech for the Financially Underserved*
July 1, 2012 – June 30, 2013

Investor	Founded	Focus	No. Investees	Investees
Google Ventures Mountain View, CA	2009	Companies at all stages focused on mobile, big data, payments, other technology innovation	5	Cozy Services, Lending Club, LendUp, OnDeck Capital, Upstart Network
First Round Capital Menlo Park, CA	2004	Seed stage companies; financial technology is one of five areas of focus	3	BillFloat, OnDeck Capital, Upstart Network
Ribbit Capital Palo Alto, CA	2012	Startup financial service companies in lending, payments, insurance, accounting, tax preparation, and PFM	3	borro, Credit Karma, Fuze Network
SV Angel San Francisco, CA	1998	Early stage companies focused on online, mobile, e-commerce, and IT	3	ImpulseSave, Kabbage, TransferWise
Andreessen Horowitz Menlo Park, CA	2009	Technology companies at seed, venture, or late stage growth	2	Dwolla, LendUp
Anthemis Group London, UK & Luxembourg	2010	Growth stage, innovative financial services, and technology companies	2	Moven, PayPerks
August Capital Menlo Park, CA	1995	Early stage technology companies	2	AvantCredit, PayNearMe
Baseline Ventures San Francisco, CA	2006	Seed investments to bridge the gap between individual investors and VC firms	2	BillFloat, Social Finance (SoFi)
BlueRun Ventures Menlo Park, CA	1998	Early stage companies focused on mobile	2	Kabbage, SaveUp
Bronze Investments San Francisco, CA	2009	Investments aligned with positive social impact; technology is 1 of 3 strategic areas	2	BillFloat, LendUp
DCM Menlo Park, CA	1996	Technology companies innovating institutional and lifestyle conventions	2	PayPerks, Social Finance (SoFi)
DFJ Gotham New York, NY	2000	Early stage IT companies in the northeastern USA & Israel	2	LendKey, DailyWorth
Khosla Ventures Menlo Park, CA	2004	Technology companies in sectors including internet, mobile and computing	2	PayNearMe, Upstart
Kleiner Perkins Caufield & Byers Menlo Park, CA	1972	Early and growth stage companies; digital technology is 1 of 4 areas of focus	2	LendUp, Upstart Network
Mohr Davidow Ventures Menlo Park, CA	1983	Early stage technology startups redefining or creating large new markets	2	Kabbage, Tuition.io
Omidyar Network Redwood City, CA	2004	For-profit & non-profit companies with potential to scale for social impact; 1 of 5 areas of focus is Financial Inclusion Initiative	2	Cignifi, Prosper Marketplace
QED Investors Alexandria, VA	2004	Early to mid-stage IT companies committed to experimentation and innovation	2	Prosper Marketplace, SoMoLend
RRE Ventures New York, NY	1994	Fast growth IT companies focused on software, communications & financial services	2	Boom Financial, OnDeck Capital
Sequoia Capital Menlo Park, CA	1972	Seed, early stage, and growth stage emerging technology companies	2	Prosper Marketplace, Zazma
TomorrowVentures Palo Alto, CA	2009	Seed and early stage companies innovating technology, lifestyle, and philanthropic sectors	2	Prosper Marketplace, Remitly
True Ventures Palo Alto, CA	2006	Seed and Series A funding for early stage technology companies	2	PayNearMe, SaveUp
Victory Park Capital Chicago, IL	2007	Middle-market and lower middle-market companies across a range of industries	2	AvantCredit, Kabbage

* Includes all known investors making two or more investments in FinTech companies for the financially underserved, 7/1/12 – 6/30/13.

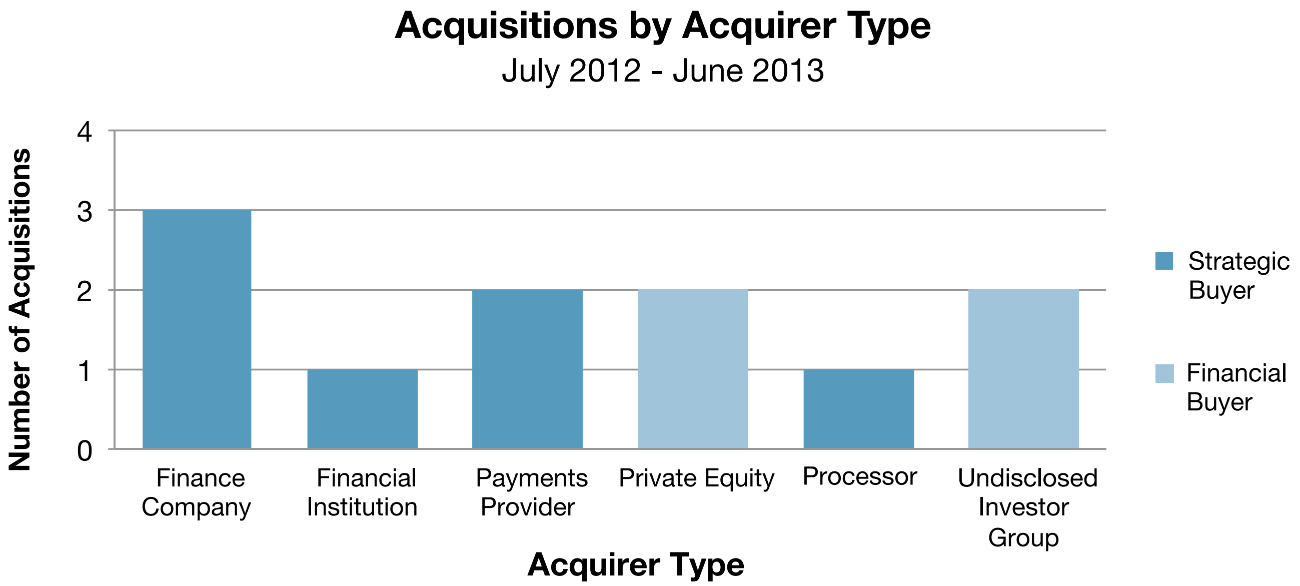
Completed Exits: Twelve Months of Acquisitions and IPOs

Fourteen FinTech companies in the FinTech market for financially underserved consumers saw exits during the twelve-month period, returning a total of $4.2 billion in liquidity. Eleven were acquired, either by strategic buyers or a new group of investors. Three companies completed initial public offerings, each debuting on the NASDAQ in the early months of 2013.

Sales of companies with observable sale prices totaled $1.6 billion dollars. Seven specialty credit companies were acquired. Three of these provide auto loans to consumers with subprime credit scores, making this the most significant trend among acquired lenders.

The other companies acquired were all focused on the prepaid industry, a fast-growing part of the payments sector. The prepaid card market saw both the smallest observed acquisition - the $1 million purchase of stored value card provider nFinanSe by the prepaid network AccountNow – and the largest, a $1.4 billion deal in which TSYS, a publicly traded payments processor, acquired the prepaid company NetSpend, which had recently gone public in 2010.

Overall, seven companies were acquired by strategic buyers, representing an array of finance companies, payments providers, processors, and a bank. Four other companies, all in the specialty credit sector, were acquired by investor groups acting as financial buyers. Even among this small sample, the healthy variety of acquisitive interest suggests the beginnings of a robust market with multiple options for exit.



Acquisitions in the FinTech Industry for Financially Underserved Consumers

July 1, 2012 – June 30, 2013

Target Company	Company Description	Acquirer	Acquirer Type	Date of Sale	Price in $M
Resurgent Auto Finance	Originator and servicer of subprime auto loans based on alternative risk analytics	Global Lending Services	Financial Service Company	8/16/12	n/a
First Investors Financial Services Group	Direct and indirect auto lending to consumers with subprime credit scores	Aquiline Capital Partners	Private Equity	9/28/12	$100
Cology Operating Assets	Private student loan originator, processer and servicer for credit unions and other Fis	First Marblehead	Financial Service Company	10/23/12	$4.7
nFinanSe Inc.	Prepaid card provider partnered with retail for distribution	AccountNow	Payments Provider	11/6/12	$1
Go Cash	Micro-transaction network and provider of prepaid cards to facilitate global transfer for gaming	EZCORP, Inc.	Financial Service Company	11/27/12	$50
Rapid Advance	Alternative financing to provide working capital for small and medium businesses including new or financially challenged firms	Individual Investor	Private Equity	11/27/12	n/a
FSV Payment Systems	B2B and direct to consumer prepaid card processer	US Bancorp	Financial Institution	11/27/12	n/a
White River Capital	Indirect auto lending to consumers including those with lower range credit scores	Parthenon Capital Partners; OPTrust	Private Equity	2/15/13	$79.5
NetSpend Holdings Inc.	Prepaid card processor and marketer	Total Systems Services (TSYS)	Processor	2/19/13	$1,400
GE Capital Retail Bank	Issuing bank underlying the Walmart branded prepaid card program MoneyCard	Green Dot	Payments Provider	6/10/13	n/a
Mariner Finance	Provider of consumer installment loans in seven US states	Undisclosed Investment Group	Private Equity	6/11/13	n/a

There were three initial public stock offerings (IPOs), all by payments companies in the FinTech market for financially underserved consumers, collectively valued at $2.6 billion on the first day of trading. Xoom Corporation (XOOM), which conducts online international money transfers, completed its initial offering in January 2013, valued at $509 million and saw its market capitalization increase by nearly 50% by the end of the twelve-month period on June 30, 2013. Blackhawk Network (HAWK), which offers prepaid and payments services through a large retail network, closed its initial public offering in April 2013, selling shares at a valuation of $1.2 billion. The company's market capitalization remained relatively unchanged at the end of the period studied. QIWI PLC (QIWI), a global payments processor and card network systems purveyor founded in Russia, went public in May 2013, valued at $884 million, and had increased its market capitalization by more than one third at the end of the period studied.

In total, these three companies were worth $3.2 billion by June 30, 2013, for an average increase in market capitalization of 22%. All three companies were underwritten by major financial institutions and trade on the NASDAQ. The exits of these three companies to the public market, all of which rely on innovative financial technology to reduce the friction costs of payments, indicates the continued growth potential of this consumer finance sector.

IPOs in the FinTech Industry for Financially Underserved Consumers
July 1, 2012 – June 30, 2013

Company	Symbol	Company Description	IPO Date	IPO Mkt Cap in $M	6/30/13 Mkt Cap in $M	Mkt Cap % Growth	Lead Underwriter(s)	Other Underwriter(s)
Xoom Corporation	XOOM	Global Digital Remittance Network	1/11/13	$509	$756	48.50%	Barclays	Needham, Raymond James, Robert W Baird
Blackhawk Network	HAWK	Prepaid Card-based Payments Network	4/18/13	$1,200	$1,205	0.40%	Goldman Sachs, Bank of America, Merrill Lynch, Citigroup, Deutsche Bank	Barclays, Bank of Montreal, Credit Suisse, Piper Jaffray, Raymond James, Wells Fargo
QIWI	QIWI PLC	Multipurpose Payments Network	5/5/13	$884	$1,206	36.40%	Credit Suisse, JPMorgan Chase	Renaissance, Robert W Baird, William Blair

The pace of IPOs in this market for the period covered is consistent with that of the several years prior. Five companies in the FinTech market for the financially underserved completed IPOs during the twenty-four months just prior to our examination period, and one other initiated the IPO process.[7]

Overall, eight companies in the FinTech market for underserved consumers completed IPOs in the past three years, while four other IPOs were cancelled.[8] The successful IPOs included five payments companies and three specialty credit companies, while all but one of the cancelled IPOs were from the specialty credit sector. The mixed rate of successfully completed public offerings for specialty credit companies underscores the significant regulatory hurdles and other challenges facing specialty lenders who want to go public.

Conclusion

This report is an initial attempt to track investment activity in the growing FinTech market focused on financially underserved consumers in the United States. This ecosystem is still developing, but it already encompasses a range of experimental models, a continued scaling-up of consumer services, and a growing cohort of companies addressing the needs of the financially underserved.

More than 125 private investors, 11 buyers, and numerous retail investors in public stock identified opportunity in 74 companies across the specialty credit, payments, and other financial technology sectors. This activity demonstrates the serious investment interest that this market is attracting, the return to investors it is already generating, and the potential for further investment opportunities and market evolution.

Alongside the financial opportunity for companies and investors identified here, the authors of this paper firmly believe that improved economic opportunity for customers must be an equally sought after goal. Currently, this market encompasses a variety of actors and product quality. In future reports, we hope to demonstrate how companies specifically offering high-quality financial services increase their enterprise value through pursuit of both company profits and improved consumer financial health.

Appendix

FinTech Companies for the Financially Underserved Involved in Investment Activity
July 1, 2012 – June 30, 2013

Akimbo Financial	FSV Payment Systems	PayNearMe
Allied Payment Network	Fuze Network	PayPerks
Alltuition	GE Capital Retail Bank's Walmart MoneyCard*	Pelican Auto Finance
AvantCredit	Genesis Financial Solutions	Progreso Financiero
BillFloat	Global Lending Services	Prosper Marketplace
Blackhawk Network	Go Cash	QIWI PLC
BlueKite	ImpulseSave	QuarterSpot
Boom Financial	InComm	Rapid Advance
borro	iPawn	Remitly
Cachet Financial Solutions	Kabbage	Resurgent Auto Finance
Cignifi	Kreditech	SaveUp
Cognical	Lending Club	SimpleVerity
Collections Marketing Center	LendKey	SimpleTuition
Cology	LendUp	Smarteys
CommonBond	LibertadCard	SoFi (Social Finance)
Convenient Cards	Mariner Finance	SoMoLend
Cozy Services	MoneyDesktop	Student Loan Hero
Credit Karma	Moven	The Currency Cloud
Cumulus Funding	NetSpend	TransferWise
DailyWorth	Nexxo	Tuition.io
DemystData	nFinanSe	Upstart
Dwolla	OnDeck Capital	White River Capital
First Investors Financial Services Group	OneLogos Education Solutions	Xoom
FlexScore	P2Binvestor	Zazma
Fortumo	Pangea	

* Transaction involved only assets of GE Capital Retail Bank pertaining to the Walmart branded prepaid MoneyCard

Morgan Stanley

This paper benefits from strategic input and financial support from Morgan Stanley. The opinions expressed in this report are those of Core Innovation Capital and CFSI only and do not necessarily represent those of Morgan Stanley.

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CFSI Center for Financial Services Innovation

The Center for Financial Services Innovation (CFSI) is the nation's leading authority on financial services for underserved consumers. Through insights gained by producing original research; promoting cross-sector collaboration; advising organizations and companies by offering specialized consulting services; shaping public policy; and investing in nonprofit organizations and start-ups, CFSI delivers a deeply interconnected suite of services benefiting underserved consumers. Since 2004, CFSI has worked with leaders and innovators in the business, government and nonprofit sectors to transform the financial services landscape. For more on CFSI, visit our web site and join the conversation on Twitter @CFSInnovation.

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CORE INNOVATION CAPITAL

Core Innovation Capital is a leading investor in financial technologies serving the Emerging Middle Class, defined as the 80 million Americans that annually generate over $1 trillion in income and spend more than $78 billion in fees and interest on financial services. Core partners with proven entrepreneurs and invests in disruptive financial technologies that measurably improve the lives of the Emerging Middle Class. The Core Impact Alignment Investment Thesis leverages this social impact to create market disruption, positive change, and greater financial return. For more information about Core Innovation Capital, visit www.corevc.com.

Endnotes

1 "2011 Underbanked Market Sizing Study," CFSI/Core, November, 2012.

2 This time period represents the four most recent consecutive quarters for which information was available at the time research was conducted.

3 No non-public information on specific transactions is displayed in this report. See source listing below for more information.

4 "Compass Principles: Guiding Excellence in Financial Services," CFSI, 2012. For complete information on the Compass Principles, visit cfsinnovation.com.

5 Core Innovation Capital is a double-bottom line venture capital fund, seeking both market-rate returns and companies with the ability to improve the lives of millions of low and moderate income Americans. Core believes financial services using technology creatively can dramatically reduce risk, losses and costs for payments and credit solutions and catalyze a positive trajectory for the bottom third of the American economic pyramid.

6 Core Innovation Capital is currently invested in SavvyMoney, Banking Up, L2C, Inc., Progreso Financiero, Tio Networks and Wipit.

7 IPOs from 7/1/10 to 6/30/12 were closed by: Rapid Holdings Inc. (RPDH) later acquired by Izea (IZEA), Green Dot Corporation (GDOT), NetSpend Holdings Inc. (NTSP) later acquired by TSYS (TSYS), Jth Holdings Inc. (TAX), and Regional Management Corporation (RM); Lending Club Corporation initiated the IPO process.

8 IPOs from 7/1/10 to 6/30/13 were cancelled by: Lender to Lender Franchise Inc., Community Choice Financial Inc., Enova International, Inc., and Springleaf REIT, Inc.

Sources

Data on the companies, investors, investments, acquisitions, IPOs and related information in this report, where not otherwise noted, was sourced from:

- Bloomberg Businessweek
- CB Insights
- CrunchBase
- Edgar Online
- FT Partners
- Pitchbook
- Private deal source data proprietary to Core and CFSI
- Securities and Exchange Commission
- Yahoo Finance
- And Company & Investor Websites

No non-public information specific to any transaction has been published in this report.

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