Letter from the CEO

BY FRANK SANCHEZ, CEO

Thank you for checking on our progress here where we continue to provide updates to our community of clients, prospects, partners, and shareholders via this quarterly newsletter. As we come to the close of 2020 Finxact has, under very challenging circumstances, made tremendous progress as a young company. Throughout the year, we focused on our product roadmap and delivered a market leading platform. With their generous support and patience we transitioned our initial customers from implementation to production. At the time of writing this we have 7 clients in production, and a total of 19 signed customers including 5 of the top 80 banks. Our value proposition speaks directly to those incumbent mid-tier and top-tier institutions that understand deeply that resiliency, scale, and continuous product innovation must be first principles that guide their legacy core transformation. I would like to thank our technology and SI partners for the discipline and professionalism they’ve brought to our projects throughout the year. Together we are showing the promise of a next gen core that gives banks choice of the solutions they deliver and control of how they design their customer experiences. I am optimistic that in the coming year we will be able to assemble together again, and I look forward to that very much. Until then, be well and have a safe and happy holiday season.

Finxact In the News

Headliners in Finxact-related news stories this quarter included the production launch of Finxact Core-as-a-Service at Live Oak Bank and the Finxact Marketplace’s expansion to include two of the hottest brands in fintech.

LIVE OAK BANK POWERS DIGITAL BANKING ECOSYSTEM WITH FINXACT

Earlier this quarter, Finxact announced that Live Oak began offering business savings and CDs on the Finxact platform to its rapidly growing deposit customer base. Finxact also powers the bank’s PPP loan portfolio that is helping over ten thousand small businesses, including both new and existing customers.

“We believe the Finxact core is the new standard for the industry. As we develop purpose-built products and services for our customers, we can now do so at a pace that customers have come to expect but rarely see from their bank.”

– Huntley Garriott, President of Live Oak Bank

Learn More in American Banker

FINXACT MARKETPLACE WELCOMES NEW MEMBERS TRANSFERWISE AND UNQORK

The Finxact Marketplace is fast becoming the hub of the most in-demand companies in fintech. This quarter, the Marketplace welcomed Unqork, the leader in no-code application development, and TransferWise the cross-border money transfer service used by over 9 million people.

“It’s now easier than ever for Finxact customers to get started building the bank of the future with Unqork and, as a result, we are going to drive a lot of value in the industry.”

– Brian Karimi-Pashaki, Director, Technology Partnerships & Marketplace, Unqork

Read the Release
Updates from Around Finxact

**NEW PRODUCT UPDATES**

Enhancement themes for the second half of 2020 focused on expansion of ACH processing capabilities including the ability to post payroll deposits early, and checking features to support temporary transaction limits plus more flexibility in setting funds availability policies to allow customers access to their funds sooner. Additional scope included multiple types of operational reports for various bank users, real time system health monitoring functions to ensure the application is performing optimally, and the delivery of GL batching which is a mechanism for a real-time system to provide a reconcilable cutover of transactional updates from various sources in order to update a GL that does not support a real-time balance sheet.

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**FROM THE TECH TEAM**

Ryan Gontarek, Finxact DevOps Engineer, and recent graduate of University of Wisconsin (2019) has been speedily progressing through the most challenging certification curriculums from AWS, Azure, Google, and HashiCorp. We congratulate him on his most recent accomplishment, AWS Certified Solutions Architect – Professional. Outstanding work Ryan, especially considering your day job!

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**NEW CUSTOMER UPDATES**

2020 has been a year of building and executing on market credentials, developing strong partnerships, and showcasing the Finxact Core as a highly scalable, reliable and innovative real-time system of record. We have seen digital banks, fintechs, and well-established brands within the top 130 show a great deal of interest in Finxact and become part of the Finxact family. We close this year with great thanks to our partners, customers, and developing alliances. 2021 is shaping up to be a tremendous year as Finxact aims to support use cases and drive market needs in a very definitive way.

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**NEW COMPLIANCE UPDATES**

We have completed SOC2, Type 1 report and we are finalizing the SOC 1, Type 2 before the end of year. The team has also successfully completed our second annual pen test. Looking ahead, we are continuing to focus on internal assessments so we can continue improving our already strong operational and regulatory posture within the Finxact Marketplace.

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The Finxact Roadmap

**BY DEBORAH KOVACS, CHIEF PRODUCT OFFICER**

Focus in the beginning of 2021 will be to support customers in conversion activities by adding vintage account features like inactivity and dormancy, non-accrual processing, charge-off dual accounting, and sold loan support. In addition technical integration activities continue for Fedline Direct, ISO 8583 First Data for debit cards, and Real Time Payments to enable more options to move money with ease and speed.
Marketplace Q&A with MX.

Q: COVID, and its implications for the US economy, has limited if not outright eliminated the discretionary spending of many US consumers. MX is putting banks into a position to provide their customers meaningful financial insights and budgeting guidance that may be needed now more than ever. Can you tell us what MX is seeing in this regard, and how you’re helping banks meet the need?

A: Financial guidance is a necessity for families and individuals of all economic backgrounds. More than 75% of American workers[1] find themselves living paycheck to paycheck to make ends meet, 25% of which make more than $150,000 per year.[2] Many American families are also at risk of emergency costs that could derail financial stability, with 19% of Americans having $0 saved and only 31% holding at least $500 in emergency savings.

With Pulse by MX, financial institutions and fintechs can offer customers a daily feed tailored to their financial wellness at their fingertips. Insight cards provide real-time information about a customer’s finances, serving up the insights that matter most to them. And because Pulse is customized to each customer’s spending profile, they feel more engaged and empowered to make choices that can impact their financial goals.

Q: What sort of technology is brought to bear to achieve this?

A: With Pulse by MX, financial institutions use MX’s machine learning data engine and predictive capabilities to visualize personalized financial insights directly to their customers. Pulse transforms finances from a chore to an experience with a simple and familiar interface that creates a seamless banking experience to keep customers coming back for more.

Q: MX’s solution, Pulse, is designed to provide guidance tailored to an individual’s spending habits. Why is that personalization so important?

A: Personalized financial guidance is crucial for consumers, financial institutions and fintechs alike. For instance, in a recent MX survey, we found that 94% of consumers surveyed said they want their institution to let them know about better deals on the financial products they currently have. This feature is only possible if an institution can see a customer’s full financial picture and easily analyze that individual’s personal financial habits. Otherwise, any advice an institution gives could easily be misguided and ultimately hurt the customer.

When a customer gets value each time they log in to their digital banking portal, they’re more likely to log in more frequently and also increase their brand loyalty. This in turn benefits the financial services company that offers personalized financial guidance, as increased time in their digital banking portal leads to an increased opportunity to upsell. What’s more, the same data that leads a financial services company to offer personalized guidance also enables them to present more precise upsell offers, increasing the likelihood that the offer will benefit both parties (resulting in a better product for the customer and higher revenue for the company).

Q: Engagement seems to be the metric that matters most today in retail banking. If banks can achieve higher levels of engagement a lot of positive things seem to follow suit, not least of which is revenue. How are you helping banks really appreciate this strategy, and execute against it?

A: When we demonstrate to financial institutions and fintechs what’s possible based on real-world results and then provide step-by-step guidance on how they can see these same results, they appreciate our engagement strategy and what MX offers their organization and customers.

Since using our products, M&T Bank has seen 50% more logins, a 4% increase in monthly profitability, and a 2% decline in overdrafts. BECU has received a 10% lift on loan applications, a 99% increase in mobile users, and a 170% increase in bill pay. We’ve even seen benefits for employees at institutions who use our products, with WaFd Bank seeing 1,800 employees increase their financial health score from 53 to 83 on average over the course of engaging in our FinStrong program.


Partner Spotlight: **Deloitte.**

**Banking as a Service (BaaS) Platform**

For the last several years the digital banking transformation practice at Deloitte has been steeped in research into the DNA and strategies of the successful challenger banks that are causing major disruption across the global banking value chain. Their insights have informed the BaaS platform offered by Deloitte to help US regional and super regional banks compete with the nimblest of competitors. Powered by the Finxact cloud core, Deloitte’s BaaS platform helps banks launch new retail and SME value propositions to market quickly, while showing the bank a clear path to broader core transformation that is pragmatic and measured. With already 6 implementations in the marketplace to date, Deloitte’s BaaS is gaining adoption quickly.

**Meet the Deloitte BaaS Platform:**

- **Ready. Set. Launch.** Get solutions to market and in the hands of your customers in 4 months.
- **Turn-Key Fintech Solutions.** Focus on the customer without worrying about all the implementation, contracting, and operations.
- **Award-Winning Experiences.** Deploy two compelling and seamless solutions proven in the marketplace: small business and retail journeys.
- **Fintech Hub and Spoke.** BIAN informed API interoperability layer connecting to a rich Fintech ecosystem.
- **Everything-Expressed-as-Code.** Cloud-native financial products enabled by Finxact. Processes, APIs, and infrastructure expressed in code.

**Check Out Deloitte’s Recent Publications**

- [Serving Small Business in a Time of Crisis](#)
- [The DNA of Digital Challenger Banks](#)
- [The Future of Retail Banking](#)

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DUBLIN

**Serving Small Businesses in a Time of Crisis: How banks can help**

**Learn More About Banking-as-a-Service**

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Innovation at the Core of Banking

Finxact is innovating the first enterprise class cloud-native Core-as-a-Service platform with a 100 percent accessible open banking API.