



Cornerstone
ADVISORS

The Fintech State of the Union

Presented by:

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“Knowledge speaks,
but wisdom listens.”
— Jimi Hendrix

Threat of Fintech

Gaining Considerable Customer Share

- Customer share rivals mega banks
- Growth has been at the expense of community institutions

Driving Consumer Expectations

- Tech-first approach
- Leading UX/UI
- Innovative features/functionality

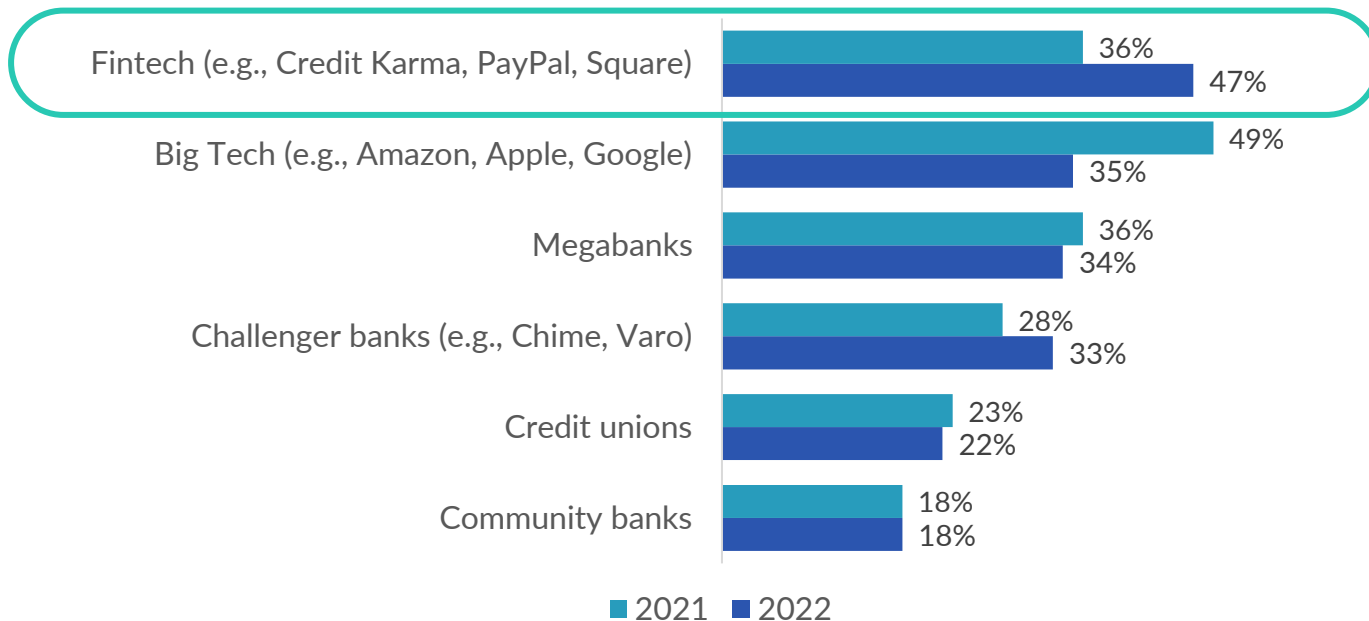
Expanding to Other Verticals

- Expanding from single product focus
- Driven from need to for profitability



Competitive Landscape Now Driven by Tech...

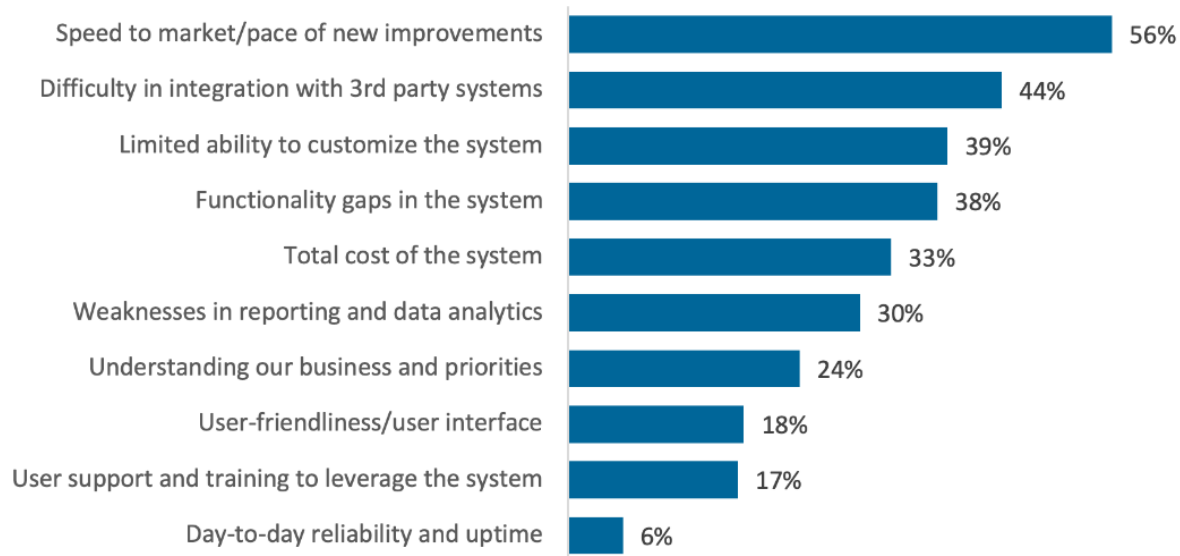
Percentage of Bank Executives Who See the Following Types of Companies as Significant Threats in the Coming Decade



Source: Cornerstone Advisors survey of 300 U.S.-based community financial institution executives, 2021-2022

Banks Believe Core Vendors Are Slowing Them Down

Financial Institutions' "Big Frustrations" With Their Core Systems Vendor



So Are Core:Fintech Partnerships The Solution?

AMERICAN BANKER

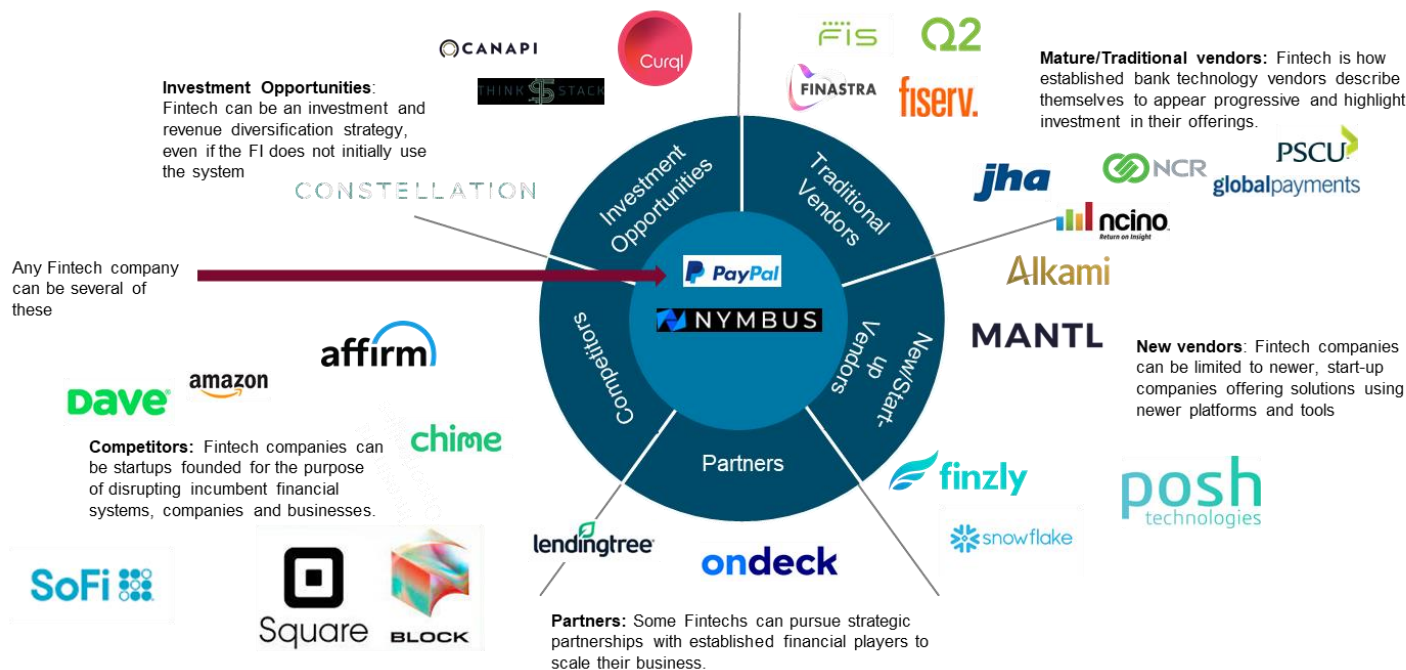
Fintech friendly

Core-banking software providers have established an array of partnerships with startups

Vendor	Activities	Selected fintech partners
Finastra	Hosts marketplace of 180 fintech apps	Flybits, Kore.ai, SavvyMoney
FIS	Operates referral network that matches fintechs with sponsor banks; runs fintech accelerator	OakNorth, Railz, Stratyfy
Fiserv	Courts fintechs that fill technology gaps for bank clients; sponsors a fintech accelerator	FutureFuel.io, NYDIG, StreetShares
Jack Henry	Gives fintechs access to the same API on which its Banno digital banking platform is built	Alloy, Autobooks, Plaid

Fiserv is not alone: FIS, Jack Henry and Finastra are also building technology bridges between traditional financial institutions and innovative fintech companies, in efforts that have sprung up anywhere from the last few years to the last few months.

Fintech in the eye of the beholder



Recent Fintech Trends: Crypto Winter

July 28, 2022

Voyager: The Convergence of Chapter 11 and the Crypto Winter

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Voyager Digital Assets, Inc., a leading cryptocurrency brokerage and lending platform, filed for Chapter 11 bankruptcy protection on July 5, 2022 in the Southern District of New York following a recent financial crisis impacting the crypto industry, which investors are calling the “crypto winter.” The filing was followed by the Chapter 11 bankruptcy of Celsius Networks. While

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Recent Fintech Trends: Cost of Funds Matters Again

bankrate.com/banking/savings/best-high-yield-interests-savings-accounts/#best-hysa

ON THIS PAGE

Best high-yield savings accounts

How to choose a high-yield savings account

What to know about high-yield savings accounts

Pros and cons of high-yield savings accounts

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Alternatives to high-yield savings accounts

High-yield savings account FAQs

Research methodology

Best high-yield savings accounts for October 2022

ufbDIRECT[®]

★★★★☆ 2.9



3.16% APY



\$0 minimum opening deposit

[UFB Direct](#) – 3.16% APY, \$0 minimum opening deposit

Overview

The UFB Direct Rewards Savings account has one of the highest yields available and it offers ATM access. The account offers the same yield on every balance and it doesn't require a minimum balance at account opening.

Why we chose it



What to watch for



LendingClub

★★★★☆ 4.4



3.12% APY



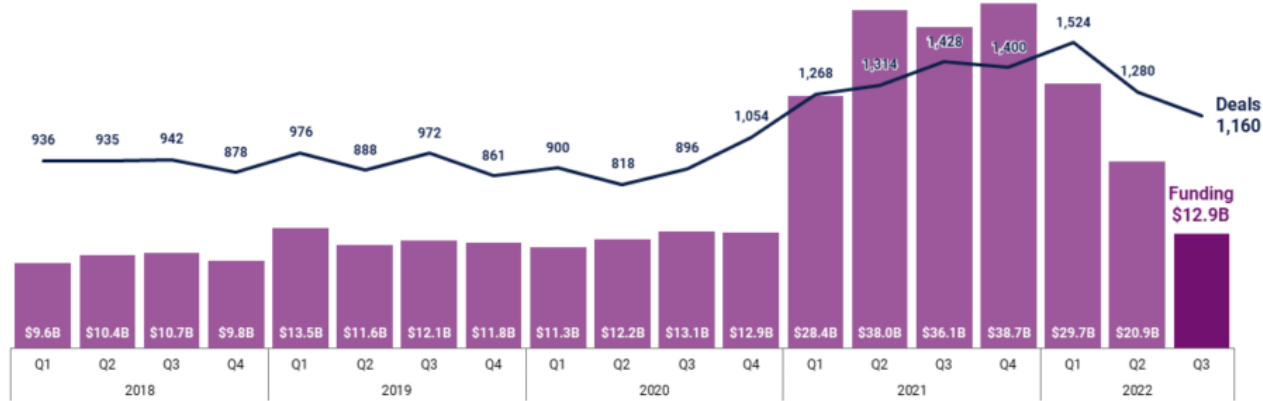
\$100 minimum opening deposit

[LendingClub Bank](#) – 3.12% APY, \$100 minimum opening deposit

Overview

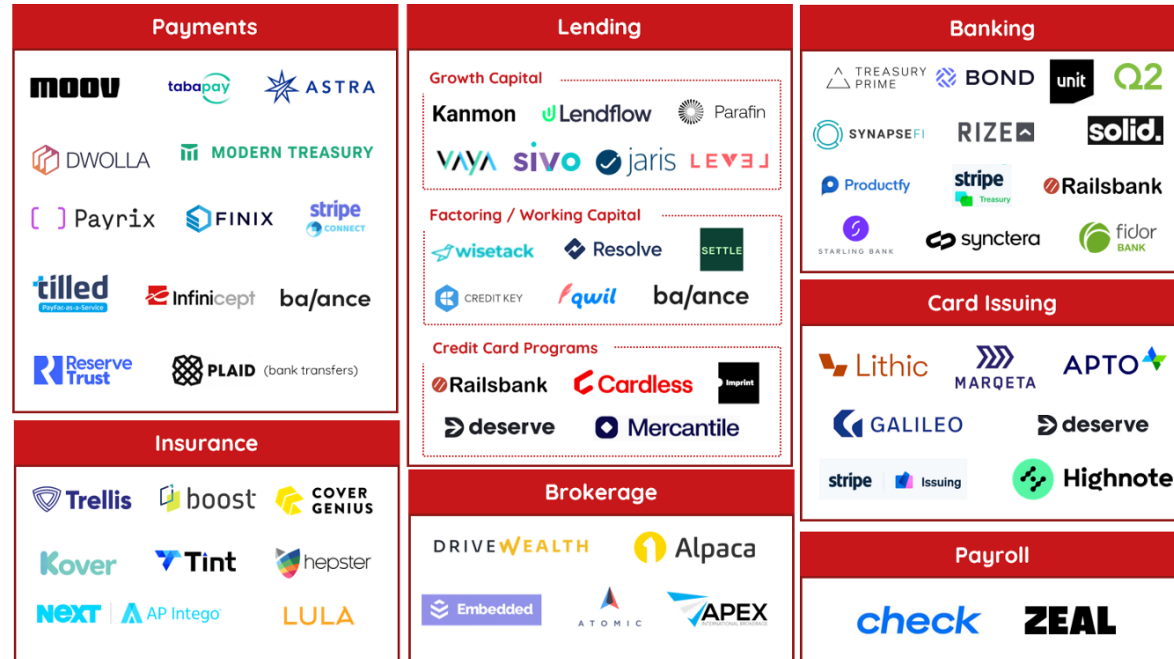
LendingClub Bank's online savings account doesn't have a monthly service fee and it will help you earn a top-tier yield on your savings. Although you'll need to do your banking online, LendingClub Bank offers access to an ATM card so customers can deposit cash and make withdrawals. There is no minimum balance required to earn interest.

Recent Fintech Trends: Fintech Frothiness Subsides



Recent Fintech Trends: Fintech 2.0 *(aka Embedded Finance/Fintech)*

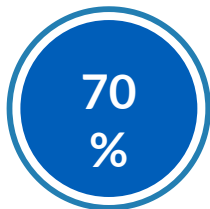
Embedded Fintech Infrastructure Landscape



Recent Fintech Trends: Business Banking Is Also Being Threatened



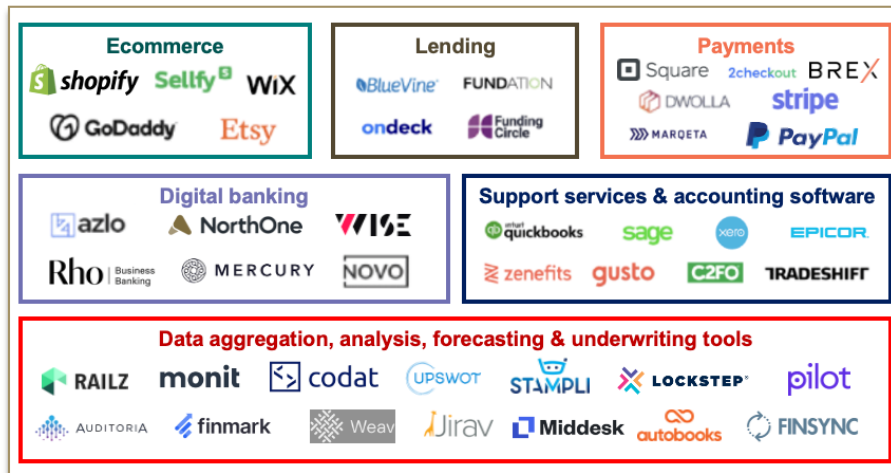
of SMBs feel that their primary banking partner simply does not understand their needs



of SMBs will consider a new banking partner within the next 12 months

Because banks have largely not delivered products tailored to their SMB customers, most SMBs find themselves using what are effectively scaled-up consumer banking products or watered-down commercial features.

WHAT



The competitive threat of fintech is not limited to the consumer banking space as many new digital competitors have emerged, targeting small business customers with an easy, accessible and tailored approach to business banking.

“You see all these groups get to the top, get too content and then blow it with bad music. Work on the songs.






— Tom Petty



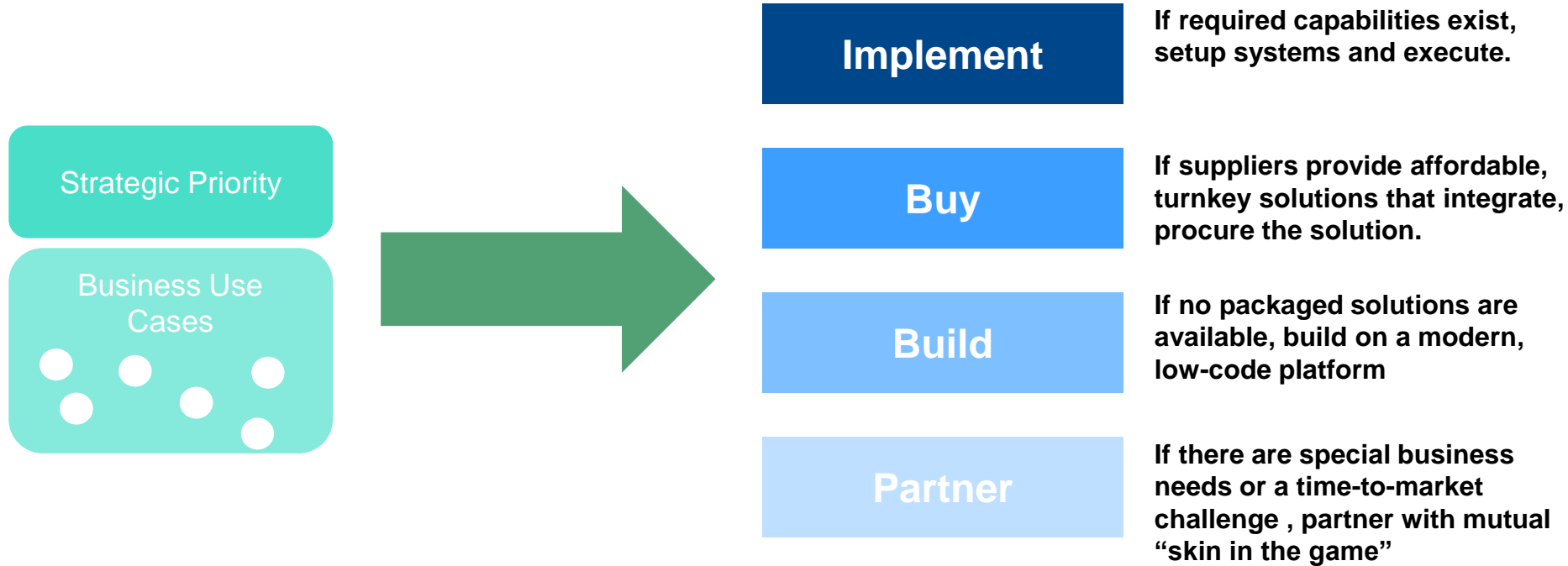
Strategic Consideration #1: What's Your Niche?



Strategic Consideration #2: Can Fintech Support Your Niche?

	Medical	Commercial Real Estate
Digital Bank Examples	  	  
Potential Fintech Partners for Your Offering	     	       

Strategic Consideration #3: What's Your Execution Approach?



“This is the fast lane, folks...
and some of us like it here.”
— Hunter S. Thompson



WHAT

1. Don't get overwhelmed. "Fintech" is just new tools to execute your strategy.
2. B2B embedded finance is the next threat/opportunity. Define your niche, figure out what those customers need to be successful and solve their financial pain points with embedded finance/fintech solutions.
3. Vendor due diligence and risk appetite are important, but don't be afraid to invent new ideas, build new tech and test new concepts.



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THE SMALL BUSINESS DIGITAL ACCOUNT OPENING IMPERATIVE

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