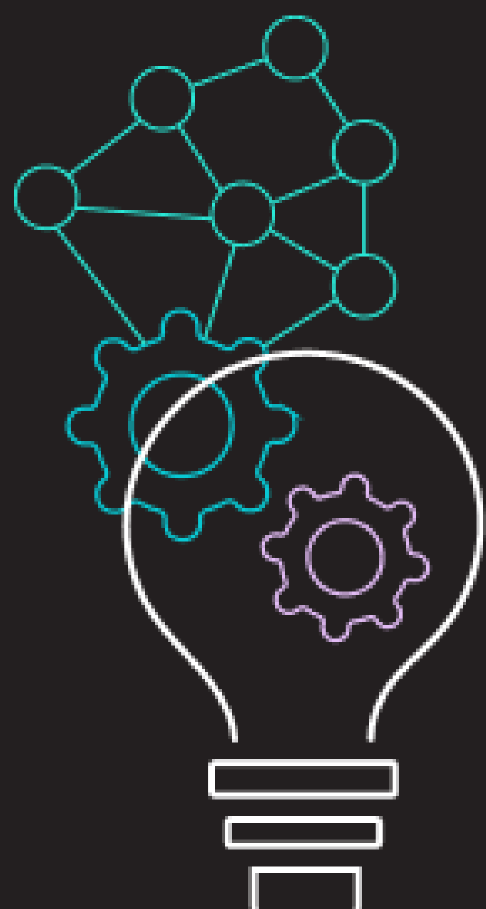
AMOUNT

The Future of Banking and the Pursuit of the Performance Advantage



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The banking industry is in a state of flux…again. Daily news headlines serve as a reminder that powerful market changes are forcing banks to pivot their strategies, making diversification in product offerings and modernizing the customer experience a strategic imperative now more than ever.

Fluctuating interest rates and declining commercial real estate and home mortgage loans are putting pressure on banks. At the same time, competition for deposits has never been more fierce. Banks are also feeling the pressure of rapid industry consolidation, with a [32% decrease in the number of banks in the past ten years]. And because consumers have now gone digital, many of which are using newer disruptive financial technology companies, banks are facing greater expectations about digital convenience and speed.

Banks have awakened to a new reality. They're unable to tackle product diversification alone and build platforms internally that assist with new strategies to drive profitable growth. Banks need help and partners to fill the gaps with modular platforms that can power critical areas of a bank's existing value chain, like digital fraud prevention, as well as power multiple asset classes across consumer and small business lending to be relevant and successful.

Banks' tone has evolved regarding technology modernization in the past few years, focusing on profitability, efficiency, and flexibility. This focus also simplifies internal architectures and vendor relationships, making partnerships more attractive. In a similar fashion, this focus on profitability is pushing banks to technology partners that can serve multiple needs. That, in turn, is forcing third-party fintechs to reinvest in themselves and build more comprehensive offerings that address the gaps in a bank's current product lineup and digital value chain.

At Amount, we've seized the moment with the launch of our new Digital Origination and Decisioning Platform. This platform will enable banks to break free from manually powered processes and origination systems built for a past era that created numerous "profitability chokepoints" that severely limited growth potential. Amount has packaged battle-tested lending intelligence accumulated over a decade of lending billions of dollars profitably into the platform. Now, banks and other lenders can benefit from these best practices and policies to get to market faster and increase performance. Amount clients can scale profitably, utilizing the power of Amount's Cognitive Decisioning engine for digital credit, fraud, verification, and compliance tools to make superior risk decisions with confidence.

Today, bank leaders face a once-in-a-career opportunity to reshape their product strategies by working with a partner that enables them to level the playing field with the largest financial institutions. This strengthening can happen via the elevation of the role Consumer and SMB products play as a differentiator (as well as profit drivers) for the bank. The painful reality is that it's impossible to gain a performance advantage with legacy loan origination systems and manually powered processes. And that's the calling that drives us every day at Amount on behalf of our clients.

Section I: How we got here

From the aftermath of the 2008 financial crisis to today

After the 2008 financial crisis, multiple fintech lenders emerged to fill the void left by the banks that pulled back on consumer and small business lending.

Post-crisis, companies that were founded like Lending Club, Sofi, and Avant "largely substituted for a reduction in lending by banks," according to a 2020 report from the FDIC. "By 2016, the increase in fintech lending almost perfectly offset the decrease in bank lending," the report said.

The rise of these alternative lenders caused two challenges for traditional banks:

1. Banks were now competing with both each other *and* lending fintechs for loan revenue.
2. Fintechs held an advantage because they offered a digital experience that, in many ways, remains unmatched by banks today.

Digital lending disrupted the status quo during that period, demanding banks adapt and diversify their strategies. And 15 years later, banks are still having trouble catching up with technology innovation. A recent Bank Director technology survey found that many banks below $100 billion in assets lack the wherewithal to offer consumers and small businesses digital loan application options. Some 20% of the 102 respondents said they lack a fully digital process for any retail loans. On the SMB front, only 37% offer digital banking capabilities for loan applications.

Enter the "profitability chokepoint"

If banks are to pivot their strategies in the current market to focus more on consumer and small business lending products, they must first assess and then combat the profitability chokepoints that are stymieing their path to success.

And what exactly are these chokepoints? Amount has identified several over the years, including, but not limited to:

- Higher application volumes require armies of employees to originate loans, leading to a non-sustainable acquisition cost for higher volumes
- Fraud and defaults lead to significant financial losses
- Loan processing takes weeks, and new product or program launches take years
- Customers must come into a branch if something goes wrong in the loan approval process. Friction-filled, daisy-chain loan origination experiences
- Creditworthiness is not precise enough, products can be underpriced, or certain customers are unnecessarily denied due to inadequate modeling
- New or existing customers find other lending options, causing banks to lose wallet share

Lenders must act now on these chokepoints or suffer the negative consequences. There are several examples we can draw from that are related to the aforementioned roadblocks:

- 53% of customers abandon online applications, resulting in missed revenue.
- 75% of fraud losses are not recoverable, depleting margins.
- $34 million is the average fine for AML compliance infractions.

Unfortunately, the choices available to banks to combat these profitability chokepoints are limited.

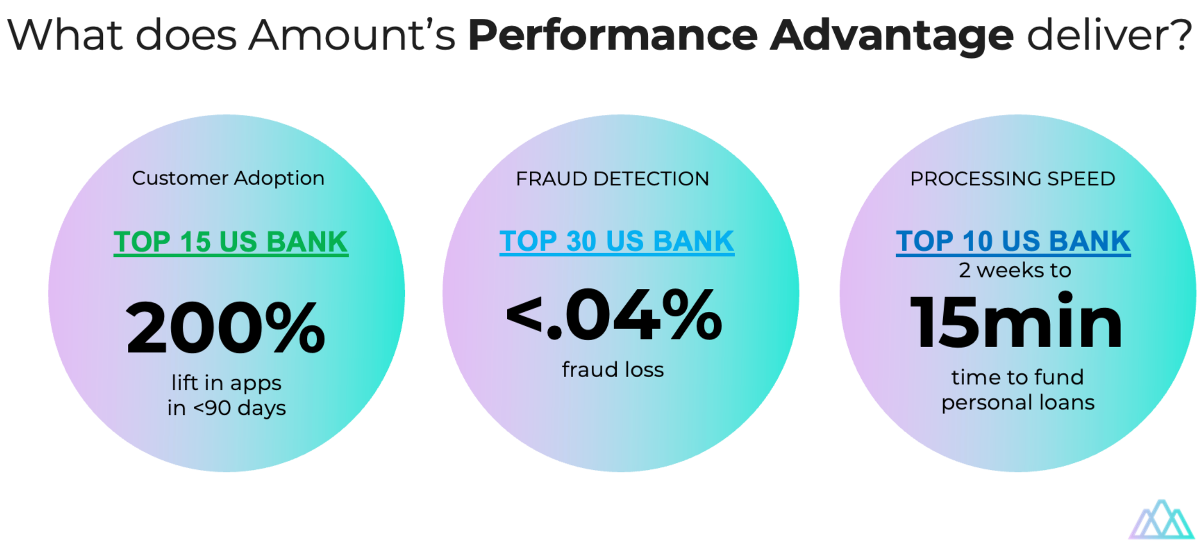
Internal legacy systems are resource intensive with long implementation times and are often rigid and challenging to modify. Point solutions yield integration headaches, vendor management overhead, and high customization requirements. It is common to find these legacy loan origination systems on multiple platforms and systems from prior acquisitions and conversions, which don't scale and can't meet today's experience demands. Working with some of these legacy vendors can be especially challenging, particularly if not on their most recent platform, as support systems are limited.

Turning the Tide

Fortunately, the banking industry's mindset is beginning to change about the operational problems that need to be solved. Banks want and need to change to meet customer expectations and delight their customers.

In Arizent's [2023 State of Digital Banking Research](), the company that publishes American Banker found that 58% of bank executive respondents have pegged new customer acquisition as the top goal/outcome for digital banking initiatives. 58% of executives also said improved customer loyalty and retention as a top goal/outcome, while 50% said keeping pace with competitors is important.

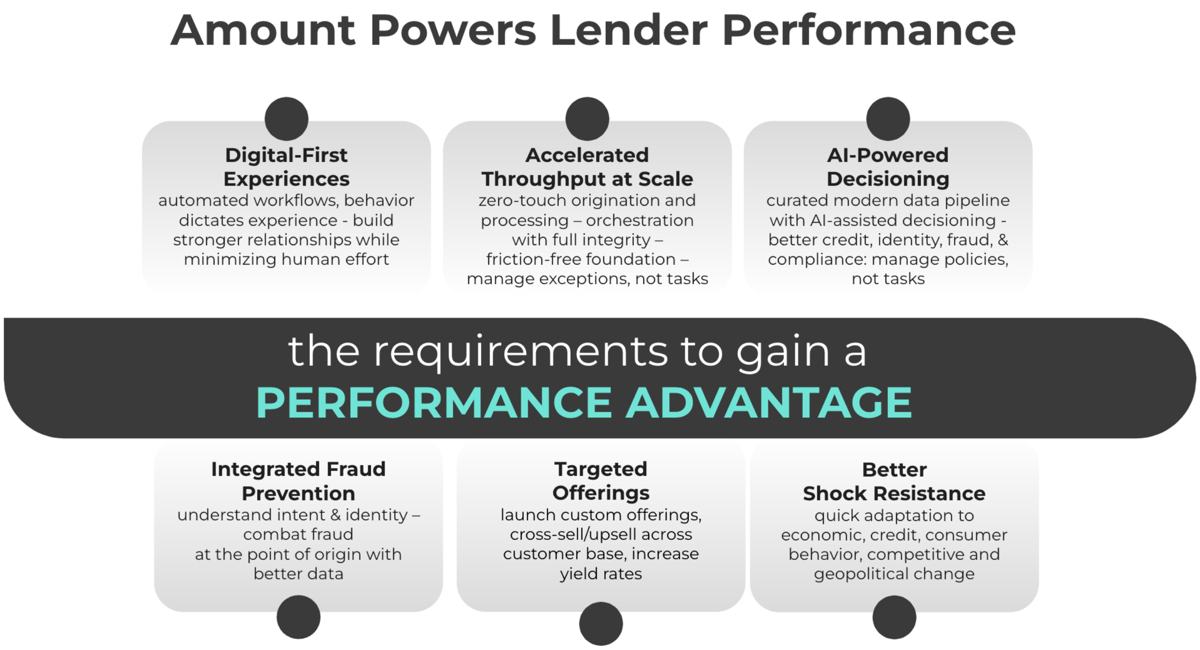
Amount already has found success in helping banks power through profitability chokepoints and helps to address the digital initiative goals referenced in the Arizent survey. Here are a few results from our bank clients:



Section II: Defining the Performance Advantage?

The devil is in the details

What does it take to achieve a performance advantage when it comes to high-velocity account origination? Amount believes there are six requirements to gain this advantage that only a comprehensive origination and decisioning platform can effectively deliver.



These six pillars are what banks should expect from any third-party vendor relationships in addressing digital lending improvements and modernization projects. A platform that can deliver these will dramatically accelerate key internal build milestones, hit digital expectations for clients, and drive increased profitability for the institution.

Section III: Putting it into practice

A unified platform yields results

How does this all work in practice? Allow me to walk you through a brief case study on how we eliminate or greatly reduce profitability chokepoints.

Our client, a leading financial institution, needed help with its conventional lending system. Their process was characterized by a lack of automation, high operational costs, and a protracted decision-making process. They also had limited capabilities to manage high-volume applications and struggled with implementing effective and efficient fraud detection measures.

The lack of a unified proven platform resulted in inefficiencies, slow service delivery, and lost opportunities. That likely drove potential customers to seek service elsewhere, particularly with alternative lending fintechs. Amount came in with a platform that offered a unified and future-proofed solution with the rapid innovation needed to replace the disparate systems the bank previously used.

Key Benefits and Results

By leveraging Amount’s platform, the bank gained a Performance Advantage in several areas, including:

- **Improved efficiency and speed:** With Amount's event-driven Microservices Architecture and API-first approach, the bank managed high-traffic situations without any code changes, significantly improving their efficiency and speed of service delivery.

- **Enhanced fraud detection and credit decisioning:** Amount's Cognitive Decision Engine and AI-powered model performance provided the bank with built-in credit decisioning and fraud solutions. This integration significantly reduced fraudulent applications and improved the bank's overall profitability.

- **Increased scalability:** By leveraging Amount's platform, the bank could efficiently handle a higher volume of applications and scale the portfolio. The system's robust integration layer allowed seamless integration with the bank's existing IT systems.

- **Future-proof investment:** Amount's modern data architecture and dynamic UI gave the bank a fast and flexible platform, saving significant time and resources and future-proofing strategic investment. The Amount platform was completed in 2023 using all modern tech, so there is no massive replatforming project in the near future that will slow innovation for Anount’s clients, which is unfortunately common with many legacy banking platform companies.

Ultimately, the partnership with Amount transformed the bank's lending practices, improving efficiency, enhancing fraud detection, and increasing scalability. The bank now enjoys a performance advantage in delivering high-velocity digital financial products, underlining the value of Amount's comprehensive origination and decisioning platform.

Section III: The way forward

Final thoughts

With market dynamics becoming increasingly challenging, there's never been a more urgent need to adapt and diversify your digital strategies. Banks must be agile, innovative, and proactive in addressing these challenges to thrive in this evolving landscape.

Many banks are already on their way to modernization via the partnership model. More financial institutions than ever before are partnering with fintech companies such as Amount to launch new products faster and in a more cost-efficient way. These banks have realized that diversifying their product lineup with a high-level of detail on the digital customer experience, while balancing risk and profitability hurdles is the path to drive growth and combat market dynamics.

Amount can help a bank reach that goal and is already doing so with many large commercial financial institutions. But the flexibility of our offering also means we are able to make our enterprise-grade platform accessible to middle-market banks and credit unions. We offer end-to-end lending and deposit products that utilize the full platform and API-based platform services that seamlessly integrate with existing in-house systems.

Going forward, banks and credit unions must understand that innovation and adaptability are crucial to driving success in the digital age. With Amount, you can be up and running in less than 90 days, achieving rapid time to value. As a single platform for all products, Amount makes it easy to bring new lending products to market. Tap into customer profile data to cross-sell and upsell for better yields; create custom policy with our highly configurable policy engine; and see all policy adjustments reflected in real time for users. Amount’s truly modern SaaS platform delivers a Performance Advantage today and a solid foundation for tomorrow.