



Q2 Catalyst

FOR CREDIT UNIONS

Redefining What's Next
in Commercial Banking
Through Digital Experiences





Over the past several years, businesses of all sizes are looking more and more to digital solutions to manage the financial aspects of their business. In fact, the pandemic environment did nothing but accelerate this movement to digital, as the majority of businesses used branches less and many businesses stopped using branches altogether. This shift in preference for digital is putting more pressure on financial institutions to deliver better experiences to businesses not only for transactional banking, but for all interactions including account opening, adding new solutions, lending, and even purchasing digital products beyond traditional banking from fintechs. For credit unions, these challenges pose opportunities to grow their commercial services.

On top of the market shift to digital, credit unions are under pressure to grow deposits and strengthen member relationships in an interest rate environment many bankers have never experienced. Given the increasing preference for digital, credit unions need to provide these value-add services through a great digital experience—“good enough” functionality and one-size-fits-all experiences are not a recipe for winning in today’s digitally competitive market.

As many now understand the importance of the digital banking experience, the process of transforming to a digital-first approach will require credit unions to address the inefficiencies inherent in their current operational processes. While providing a great digital banking experience is critically

important, businesses also expect a great experience from Day 1, even before they become a business member. This requires removing the inefficiencies and friction associated with the processes to open new accounts and to onboard new products, which today include a significant number of manual processes and handoffs.

Although understanding what needs to be done to win and grow in a digitally competitive market is Step 1, executing on a digital transformation strategy can be daunting for many credit unions. For this reason, Q2 has put together an integrated set of commercial banking digital solutions that we combine with deep industry expertise to help credit unions tackle these challenges head on. We call it Q2 Catalyst.



Q2 Catalyst solutions are aligned with the end-to-end journey for commercial businesses, starting on Day 1. By leveraging Q2 Catalyst's comprehensive set of commercial solutions, credit unions can deliver an end-to-end experience that removes process inefficiencies and provides the tailored digital experience that businesses need.

The member journey starts at the Win stage. In an extremely competitive market to acquire new commercial relationships, credit unions need to equip their teams with the tools they need to demonstrate value to prospective businesses while optimizing the banking opportunities of the new relationship. While this may sound intuitively obvious, the reality is that on average 37% of commercial relationships at a financial institution are credit only. A high percentage of credit-only relationships will have a significant drag on the services and solutions growth of the overall commercial franchise at a financial institution.

By providing tools to teams that coach them on how to optimize the value of new relationships that are integrated with other CRM solutions used across the organization, credit unions can improve collaboration across different teams to deepen relationships and optimize the value of the relationship. In addition, to reinforce how the credit union can provide value to new commercial businesses, they need to demonstrate what it will be like to be a commercial business member of the credit union. Given the importance of digital, credit unions need to provide access to their digital solutions to new prospects to convince them that it can meet their financial needs.

For these reasons, Q2 Catalyst now offers the solutions to help credit unions effectively prospect and sell in the market. First, Q2's Relationship Pricing solution provides teams with the analytics and insights that relationship managers need to optimize the value of relationships. Q2 PrecisionLender drives

this solution and leverages the world's largest set of pricing data, including data from over \$1 trillion in loans priced in 2022 alone, to provide actionable insights to relationship managers through a digital assistant called Andi. Andi goes well beyond just loan pricing and considers all aspects of the deal with each business, including market conditions, credit risk, and deal structuring. With the assistance that Andi can provide, relationship managers at a credit union can optimize the value of each relationship and help build a portfolio of businesses.

One of the recommendations that Andi often makes to relationship managers is to add additional credit union services to the relationship, such as treasury management. To help relationship managers and treasury management officers address this recommendation, treasury management product pricing is included in Q2 Relationship Pricing, providing a full view of the profitability for each relationship and improving cross-LOB collaboration. This solution helps the credit union replace loan-only relationships with multisolution relationships that improve the credit union's overall business portfolio.

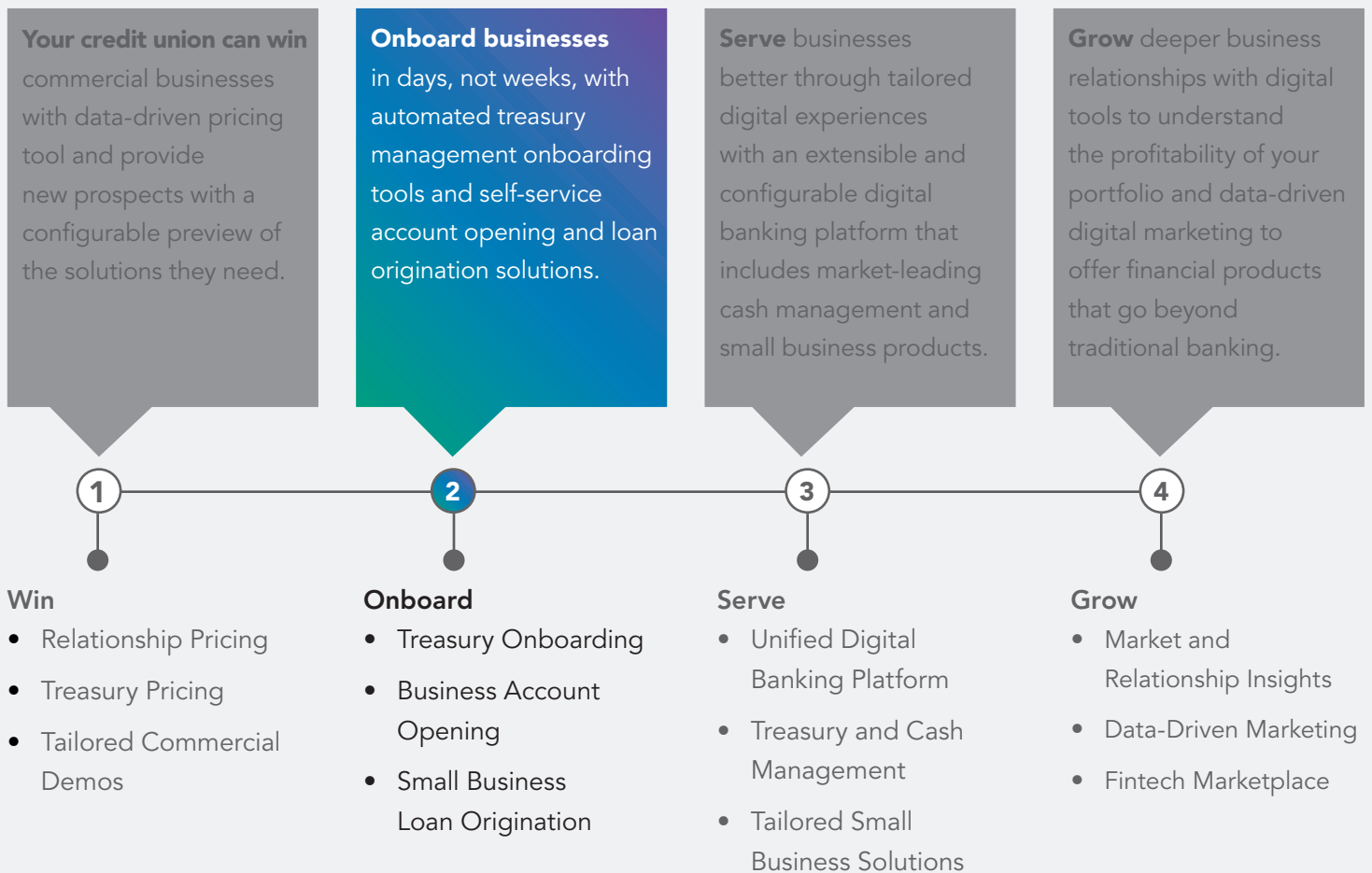
New businesses need to understand how the treasury management offerings will help them with the financial aspects of their business before they agree to purchasing them from a financial institution. Providing new businesses with a realistic view of how treasury management solutions work is a challenge for many financial institutions, as those that do offer a demo environment often use a test environment that has limited data and provides a one-size-fits-all configuration. To solve for this problem, Q2's Digital Banking Platform now enables credit unions to set up new business prospects in demo mode within their production environment before they become a member of the financial institution. With this capability, credit unions can provide their prospects with a tailored view of what it will be like to be a business member, which is extremely important when trying to broaden the relationship beyond just a lending relationship.



Improving Relationship Pricing with PrecisionLender with Alex Habet



Optimizing Treasury Management Pricing with PrecisionLender with Iris Friedman



A lot of time and effort goes into winning a new business, but in the end, both the financial institution and the business are excited about the start of a new relationship. However, the effort is not done once the deal is agreed to. Now the financial institution has to onboard the new member. For many financial institutions, the onboarding process for new business members is littered with paper-based manual processes that require several handoffs between several different departments. As a result, the new business often feels the friction the paper-based processes create and this can result in a bad first impression, eroding the excitement generated during the new account holder process. In addition, the onboarding process associated with new products can take weeks and months to get right, delaying value for both the financial institution and the new business.

Q2 recognizes the challenges associated with onboarding new banking products and now offers loan origination and treasury management onboarding solutions that a credit union needs to improve the speed and efficiency of onboarding. Q2's Commercial Loan Origination solution automates the process associated with setting up and underwriting the new lending agreement. This includes managing the collateral that is needed to support the lending agreement, understanding the risk associated with the loan, generating the credit memo, and final loan approval workflow. By integrating all of these steps associated with loan processing into a single tool, a credit union can improve the speed and efficiency of getting to loan approval and funding for their new business member.

While speed of loan approval and funding is critically important to a business, delays associated with setting up treasury management products will also impact time to value for both the financial institution and the business. Historically, setup of new treasury management products has been a major pain point for both the credit union and the businesses. To address this pain point, Q2 now offers Treasury Management Onboarding that automates the processes associated with managing agreement documents and setup. Q2's Treasury Management Onboarding digitizes the handoffs between the multiple departments within the credit union and the business, eliminating friction and improving efficiency. As a result, a credit union can significantly reduce the time to value from weeks and months to just a few days.

While many commercial relationships start with a lending opportunity and then expand to include deposit and treasury management products, relationships with smaller businesses are more likely to start with deposit products and grow to a lending relationship down the road once the credit union understands more about the business. Q2 now offers Business Account Opening that enables smaller businesses to open new business deposit accounts on their own through the digital channel.

Although digital account opening is not new, current solutions in the market do not provide the additional capabilities that financial institutions need to start new business relationships, which is why many credit unions require businesses to open accounts in person. With Q2 Business Account Opening, smaller businesses can provide the additional information and documentation required to open a new deposit account, and the credit union has the ability to review and approve new deposit account applications. In addition, Q2 Business Account Opening can include opportunities to open loan accounts and purchase treasury management solutions during the deposit account opening process. If the credit union allows smaller businesses to apply for loans and treasury management during the account opening process, their application information will be collected during the account opening process and passed to the Q2 Loan Origination and/or the Q2 Treasury Management Onboarding solutions for processing. This seamless integration between deposit account opening and other banking solution applications will create a better experience for new businesses and drastically improve the speed and efficiency for the financial institution.





OK, so all of the hard work to win and onboard a new business is complete and the relationship management team has established a foundational relationship with the business centered on their needs—but when the business user logs into digital banking for the first time, they are presented with a one-size-fits-all experience that does not at all reflect that their credit union understands their business needs. Unfortunately, this is exactly what happens if a credit union provides only a generic digital experience that is the same for any business member regardless of size, industry, or business profile. But what if your credit union could provide a digital experience that was aligned with the needs and interests of your new business member? Today, 80% of consumers say that they are more likely to do business with companies that offer personalized experiences. Are businesses any different?

Creating a digital experience that reflects that a credit union understands the needs of the business can be a major competitive advantage and lead to a deeper relationship. That's why Q2's Digital Banking Platform enables a credit union to differentiate through configuration and extensibility with an open architecture that they need to create tailored digital experiences that align with business expectations and needs. Given the importance of digital to businesses of all sizes, credit unions must start viewing their digital platform as a key part of the relationship-based approach to the market rather than just a transactional banking utility that is the same for every business.

Historically, treasury management products have been offered to larger businesses with a separate digital platform that supported the complex needs they have. Advanced reporting capabilities,



Streamlining the SMB Lending Experience with Terri Prince

ACH and wire initiation, sophisticated entitlements, and positive pay solutions are typically made available to commercial and corporate businesses; however, they are also needed by smaller businesses as well. Because the treasury management solutions have been built as one-size-fits-all and focused on servicing businesses that have trained financial staffs, smaller businesses are left to choose between retail banking digital solutions that are more intuitive to use but lack the functionality they need and the treasury management digital solutions that have the functionality they need but are overly complex and difficult to use.



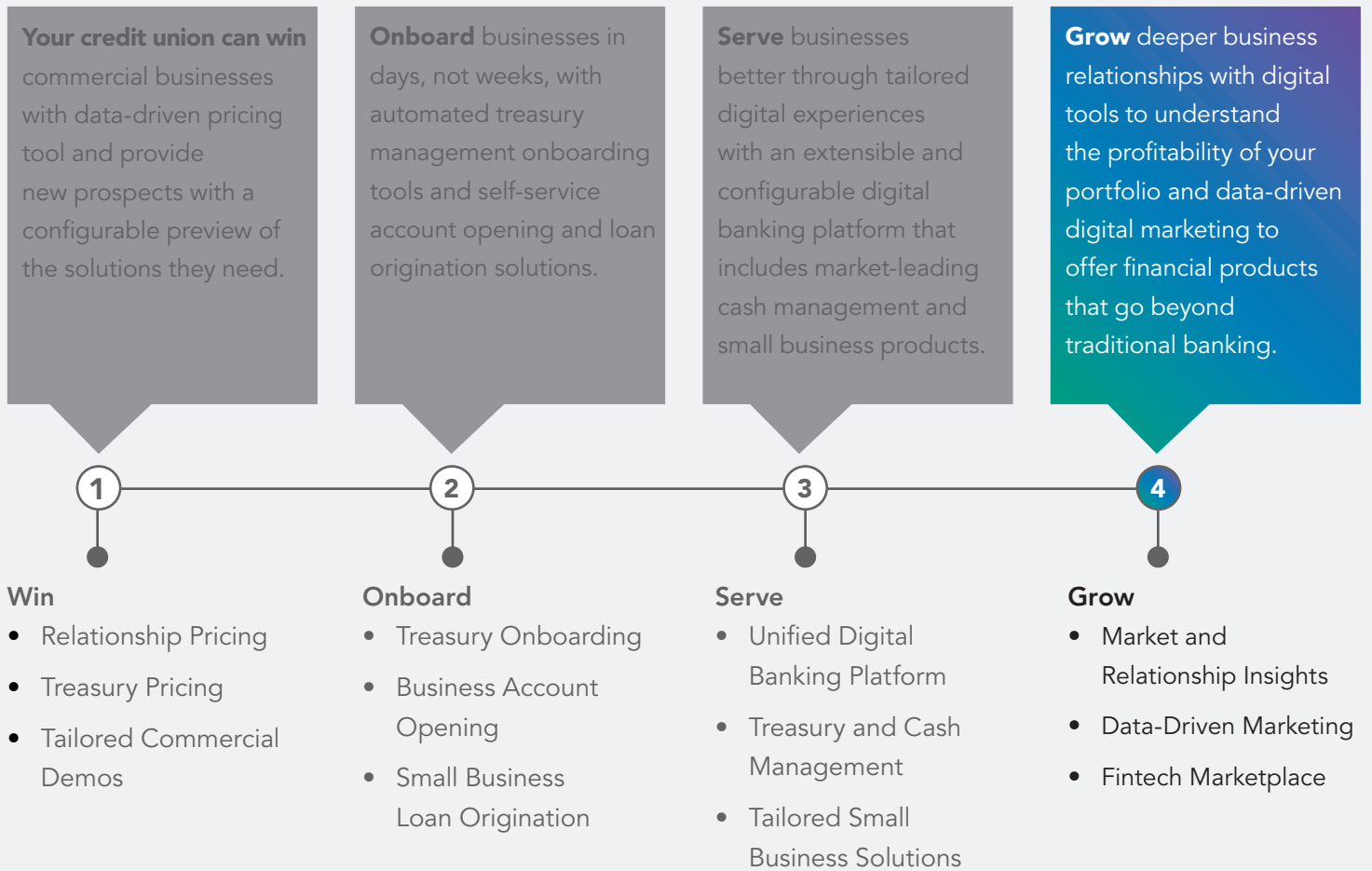
Better Serving SMBs with a Better Digital Experience with Wendy LaLonde

One-size-fits-all is not only problematic for smaller businesses. Larger corporate businesses are also looking for digital solutions that will work in concert with their Enterprise Resource Platform (ERP) and accounting systems. These larger corporate businesses are looking to improve efficiency and reduce costs across their business departments, including the finance department. Financial institutions that can provide a seamless integration with ERP and accounting systems will be in a position to help their larger business clients achieve efficiency and cost reduction objectives, positioning them to deepen their relationships with these businesses with solutions that are connected with departments beyond the finance department.



Tailored Experiences for Commercial Businesses with Wendy LaLonde

Q2's Tailored Business solutions enable credit unions to provide digital experiences that are aligned with the needs and profile of the business. Smaller businesses can now see their full relationship at the credit union with a single solution that includes their business and personal accounts, leverages advanced treasury management capabilities with a digital experience that they can understand, and controls access with easy-to-use user entitlements. And larger businesses can either leverage treasury management solutions through the digital banking platform, or seamlessly send and receive transactions within their ERP system, or both. With Q2's Tailored Business solutions, credit unions can provide the right experience to the right business, eliminating one-size-fits-all digital experiences and better serving businesses of all sizes.



In 2020, over \$100 billion was invested in fintech solutions—which is more than twice the amount invested in IT by all of the financial institutions in the U.S. combined. Why? Because businesses and consumers are looking for financial help beyond traditional transaction banking. The fintech industry has done a great job of identifying and solving for specific financial problems, creating a bigger financial ecosystem along the way. To maintain relevance, credit unions need to figure out how to become part of the broader financial ecosystem, or risk being reduced to transactional utilities.

While the thought of going beyond traditional banking may be terrifying to many credit unions, they do have a major competitive advantage over their non-FI competitors—member trust. Most businesses and consumers still view their financial institution as a

trusted source, and they would prefer that it provide financial products beyond traditional banking products. Businesses and consumers expect that their financial institution will look out for them and provide financial solutions that are safe and secure. In addition, many financial institutions have a wealth of data about their customers and members, including transactional and behavioral data, that can help them understand what their needs are and when they will benefit from additional financial solutions.

Member trust and depth of member data are very compelling assets that credit unions can leverage to create partnerships with fintech providers. While fintech providers have done a great job of solving specific problems, many of these firms struggle with reach. By combining member trust, data, and innovative financial

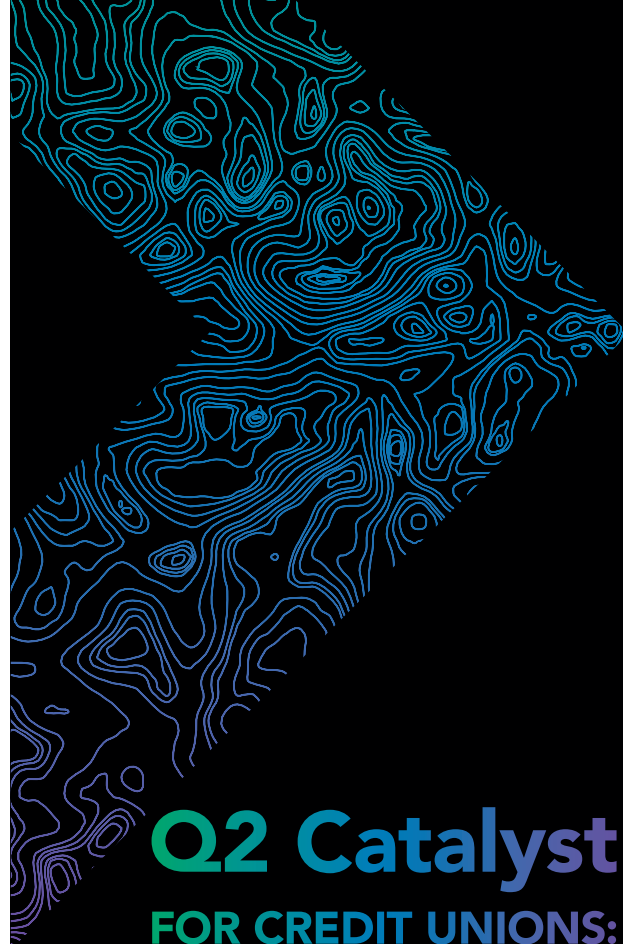
solutions, partnerships between credit unions and fintechs can create win, win, win solutions—better service for business and consumers, deeper relationships, and faster growth with lower acquisition costs for fintechs.

To help credit unions establish and grow partnerships with fintechs, Q2 offers Innovation Studio that enables fintech providers to create a seamless integration with the Q2 Digital Banking Platform on their own. Instead of requiring each credit union to fund and manage integration efforts with each fintech provider, they can now choose pre-integrated solutions from a catalog that addresses the needs of their businesses.

This is a complete paradigm shift for the industry, as fintech providers can now integrate once into the Q2 Digital Banking Platform for all Q2 clients, and financial institutions are now in position to deliver innovative solutions to their customers and members faster than ever imagined possible. In addition, financial institutions can now plug into the non-interest revenue stream that the fintech industry has created through revenue share programs with fintech providers.



Accelerating Innovation through Fintech Partnerships with Ryan Hollister, Sr. Director, Engineering, Q2 Marketplace R&D



Q2 Catalyst FOR CREDIT UNIONS:

A new approach to commercial banking

What is it?

A comprehensive portfolio of commercial banking digital solutions that, combined with Q2's deep industry expertise, help credit unions identify how and where to scale their digital commercial banking offerings. It solves the challenge of constant change by providing credit unions with a portfolio of scalable, individual solutions that enable best-of-breed experiences across the end-to-end commercial member journey.

For credit unions, this means optimized relationship value, seamless and efficient onboarding, custom-tailored engagement solutions, and the capability to further relationships.



For more information on Q2, go
to Q2.com or call (833) 444-3469.