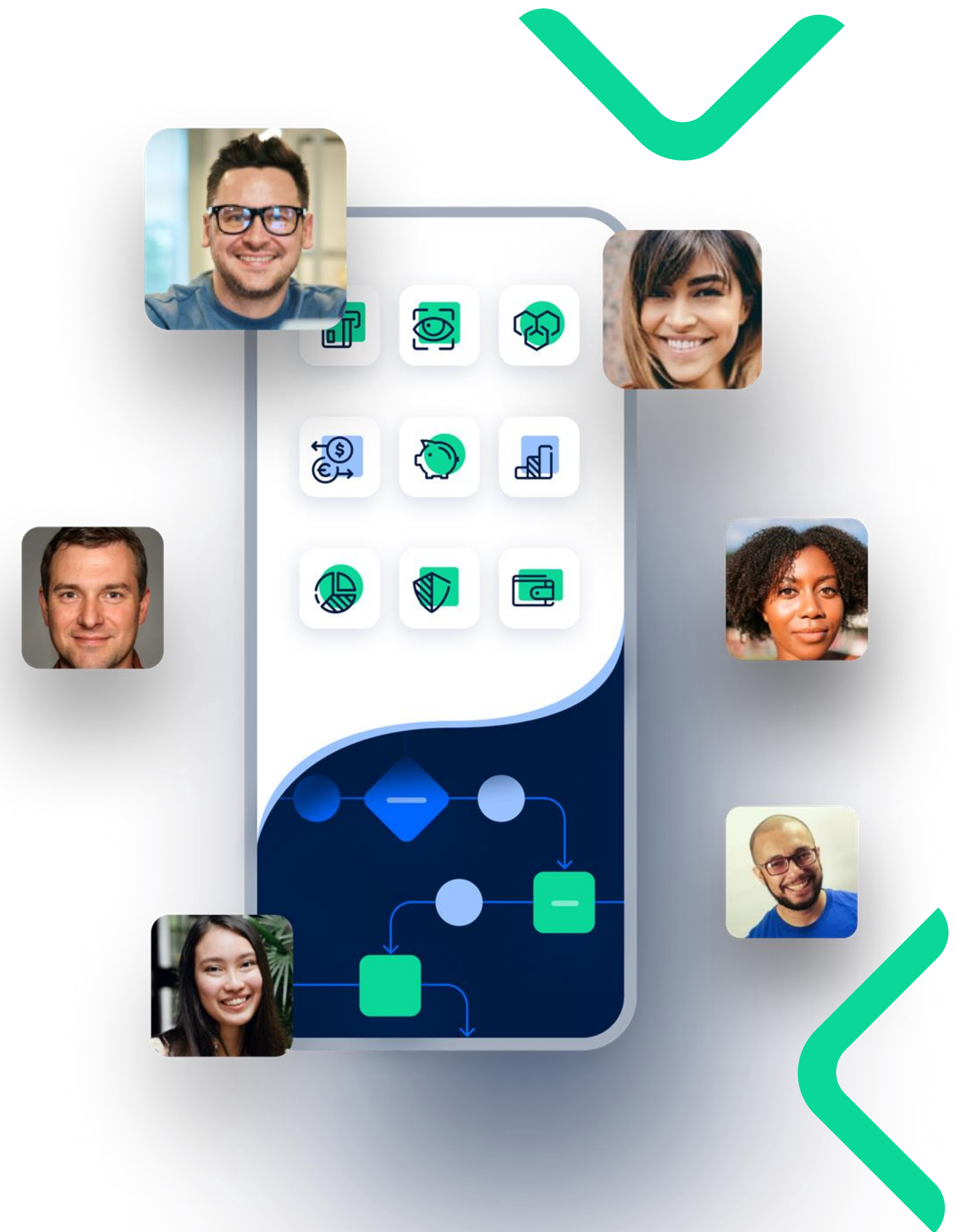




lighthouse

Digital Banking Enablement

Spring Release 2022



BNPL Plug&play E2E Solution

Business Enablement Session
Spring release 2022



Agenda

Accelerators

Business overview

- BNPL market context
- E2E BNPL solution Overview
- Solution walkthrough
- Take away

. Tech overview

- . Vertical solution Data Model
- . Formula engine
- . Business
- . Integrations
- . Connectors
- . CoreBanking
- . UI/UX
- . Tech challenges

Take aways -> TechDoc & MarketPlace

Core banking

Third Party Management
Configs + Mandatory Roles

- Reconciliation account
- Roles / limits
- Closure

Return Amounts or Goods

Don't miss out the BNPL growth wave

Launch your BNPL
product in less than 3
months with a plug &
play solution to
effectively compete in a
challenging, fast-growing
context.



Consumer

Best CX having a seamless payment method embedded in the customer lifestyle,
at their point of need. Simplified access to finance for the underbanked customers given flexible soft credit checks.



Merchant

Better business performance: higher conversion rates, order values, repeat business leveraging the innovation network effect from more fintech-DNA checkout/payments providers



BNPL provider

Growth of new digital customer base with both direct and indirect monetization across individuals and SME customers. Launch a new product in less than 3 months.

BNPL market context

Buy Now Pay Later has exploded in popularity as the **pandemic** drove a global fast-forward in **ecommerce**



\$1T

global BNPL industry
size by 2025
according to Bank of
America



181%

expected BNPL
market growth,
accounting for 13%
of all global
ecommerce
payments by 2024

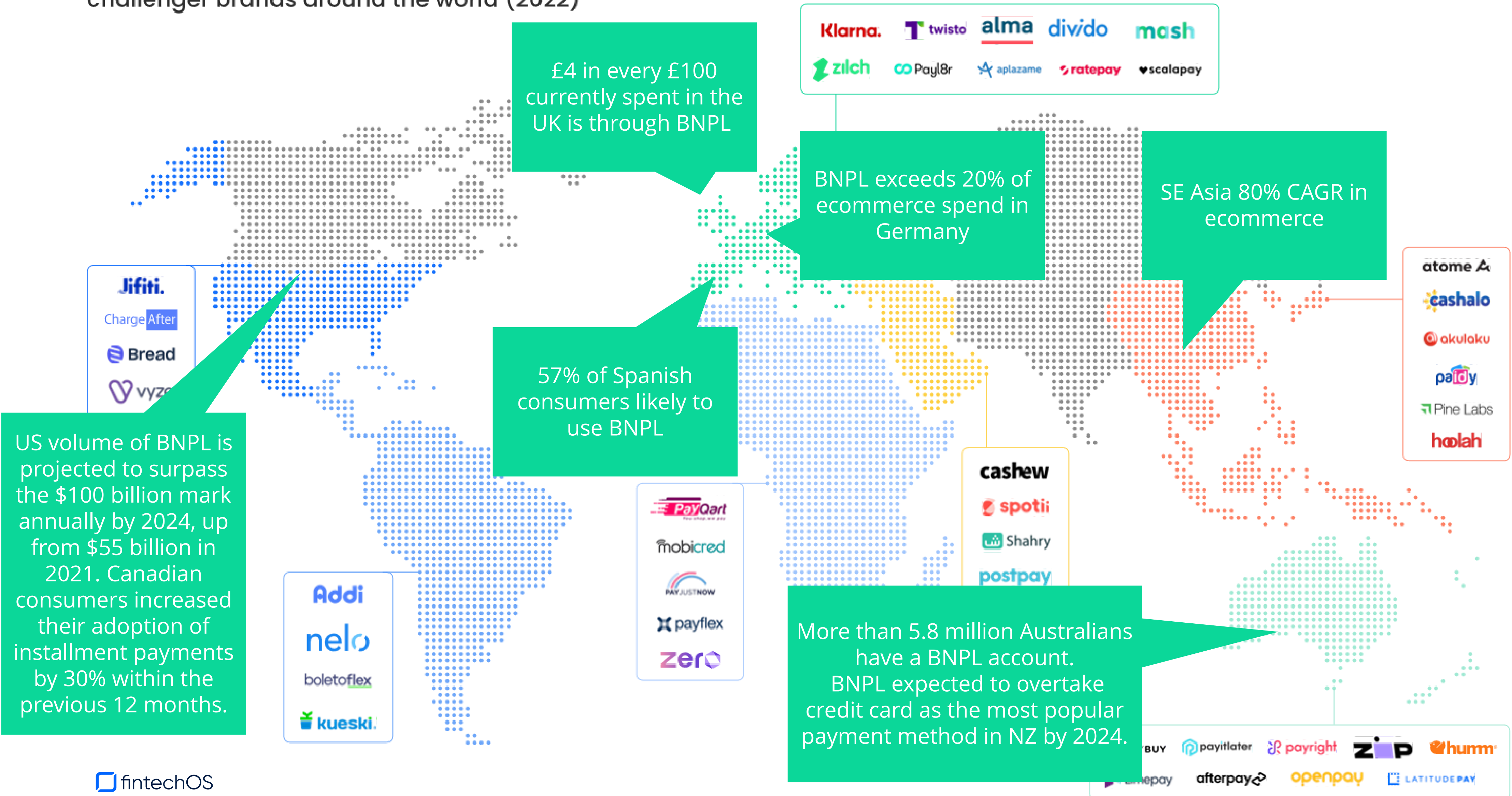


50%

of consumers of all
age groups in
Western Europe are
open to using BNPL
when they're
shopping

Leading Buy Now Pay Later

challenger brands around the world (2022)



BNPL Financing context

BNPL payment solutions provide shoppers with the opportunity to purchase something they would have otherwise walked away from. Increased transaction value — having access to credit means customers are prepared to spend more on the things they want.

Over the past few years, buy now, pay later (BNPL) has gone from a niche payment method to one of the hottest trends in payments, and in 2021 it became a mainstream payment method in most markets.



BNPL e-commerce transactions will total close to **\$700 billion** by 2026



16% of 18 to 34 year-olds use BNPL.



Almost half of US citizens are interested in BNPL services.



Klarna has almost 150 million active users.



Clothing - 63.5%
Entertainment - 30.3%
Reading material - 29.4%
Household furnishing - 28.7%
Groceries - 25%

The most common reason to use BNPL services is to make purchases that don't fit one's budget:

✓ Avoid credit card interest (36%)

✓ Borrow without a credit check (24%)

✓ Guard personal data (20%)

✓ Avoid using credit card (19%)

BNPL Providers market share



Source:
Fincog
June 2021

BNPL is impossible to achieve with traditional banking and lending systems

Shoppers want...

- Instant, pre-approved offers at the point of sale to “pay later” or “slice” their purchases
- Easy 1-2-3-done checkout experience
- Broader financial inclusion than traditional credit/risk systems

- Easy self-service shopping and payments management
- Clear repayment terms and flexibility in the case of exceptions
- Clear channels for support

- Easy returns, exchanges, and partial payments/refunds
- Competitive free structure for both shopper and merchant
- Trust and security around payments and personal data

- Shopping and loyalty offers
- Beyond PFM: behavioral finance

New PoS payment / borrowing options

- **NEW** credit/risk/eligibility approach
- **NEW** solution for BNPL customer onboarding and authentication that aids rather than impacts the checkout UX
- **NEW** degree of control of branding, content, and journey logic in (omnichannel) third party embedded context

Purchase & cash management

- **NEW** lending products with extensive novel functionality around terms, fees, repayments
- **NEW** insights and management tools for both merchant and lender

Merchant partnerships

- **NEW** ecommerce SKU / order / customer / payment data integrations
- **NEW** business model variables and technical solutions for transaction and fees management, escrow and limits, reconciliation, merchant payments, invoicing and accounting etc

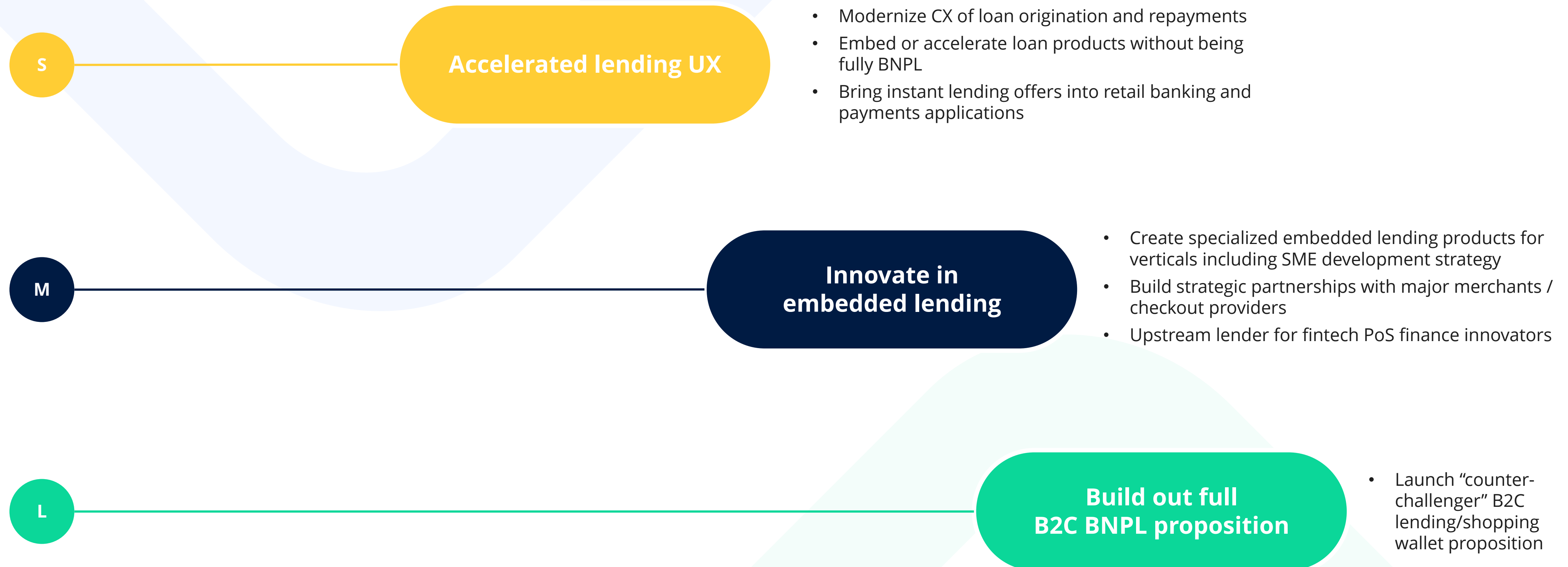
Shopping super-apps

- **NEW** integrations with identity, payments, savings and other key features of open finance future
- **NEW** capabilities for emerging “wallet 3.0” functional scope

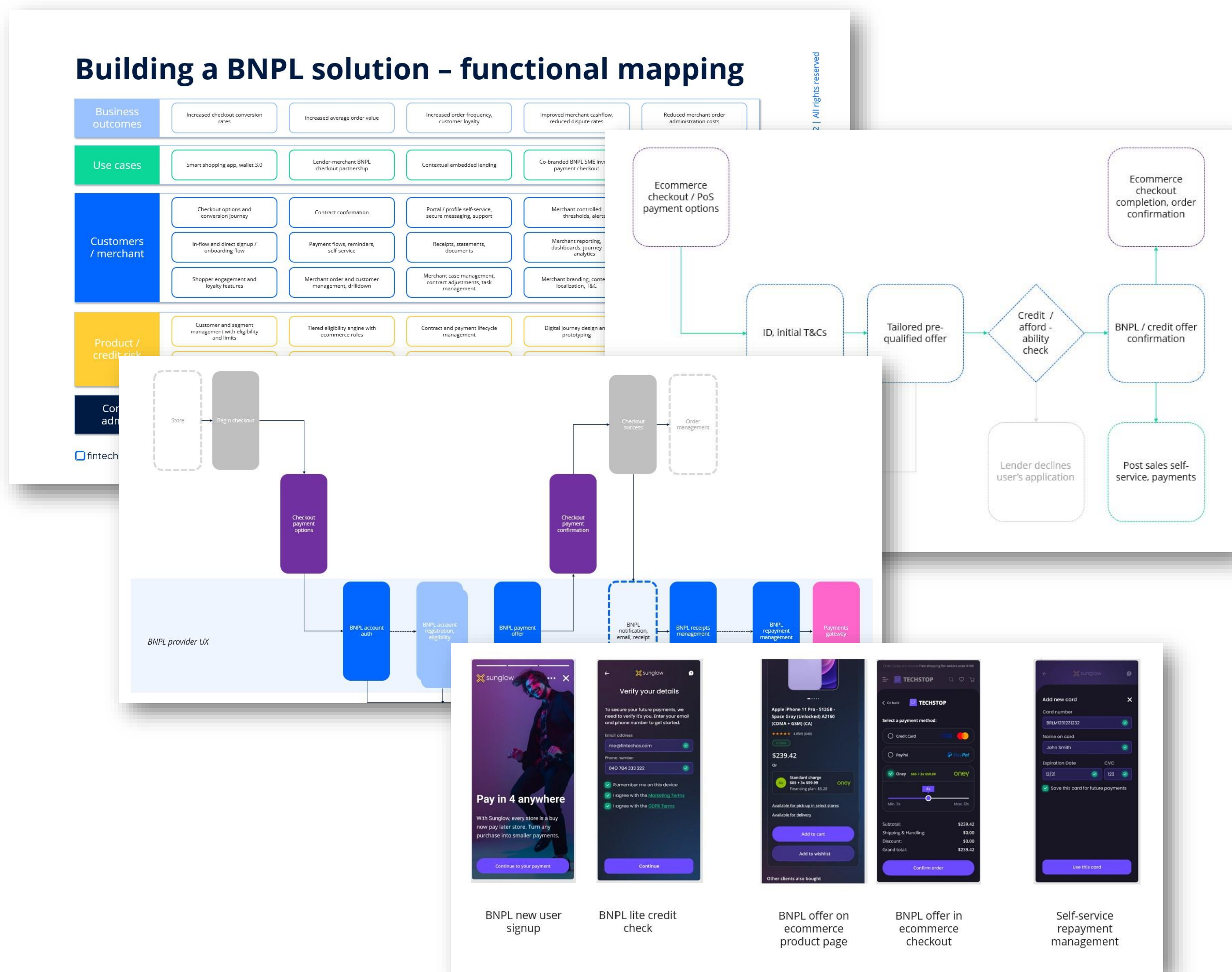
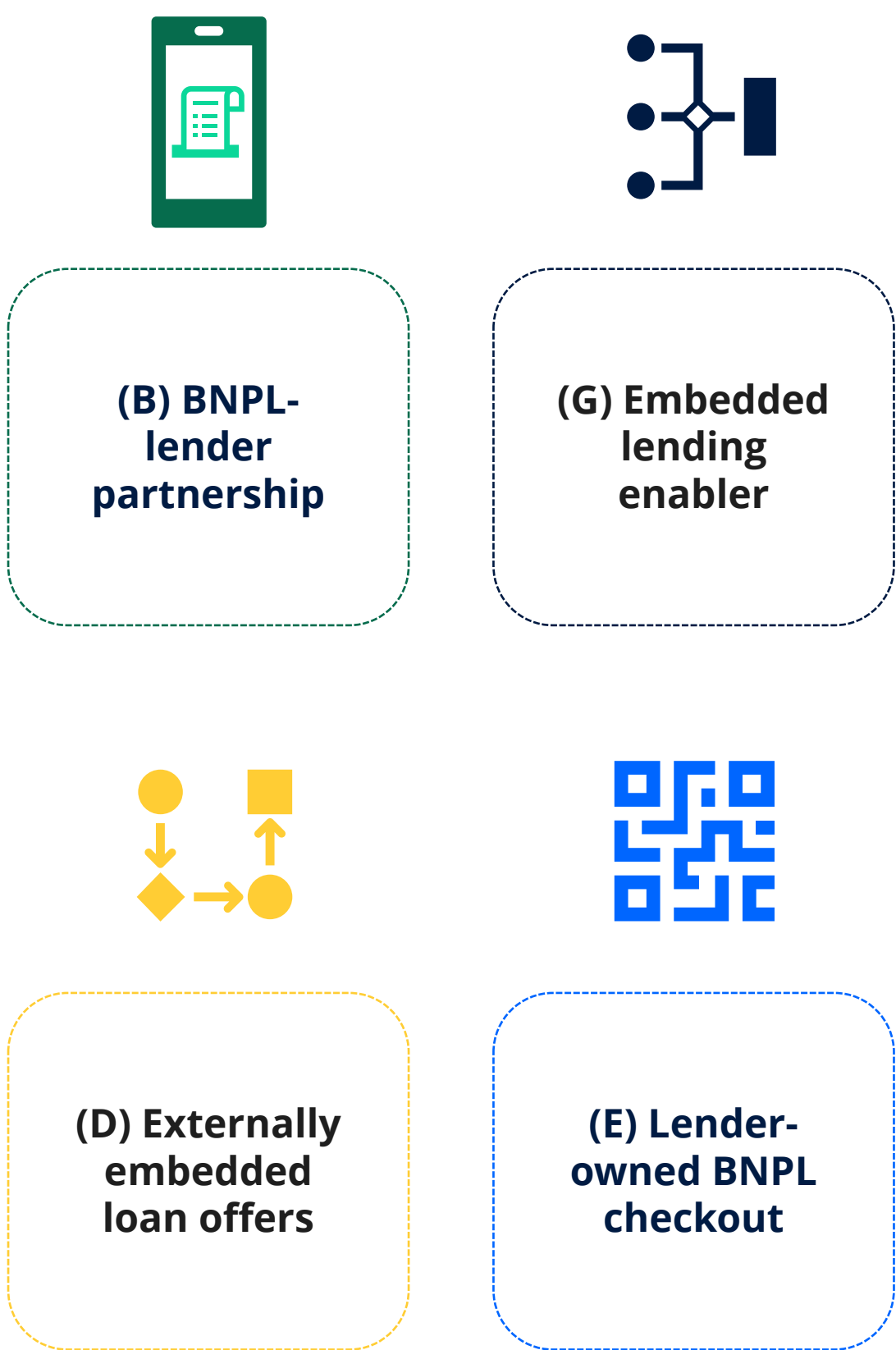
Solution capabilities

So established banks and lenders have to decide whether to go “full BNPL”

Digital ambition / investment scale



Strategic recommendation for incumbents



Pain points of the end consumer related to a classic personal loan



Hard access to finance at the point of sale

More traditional solutions require retail customers to first apply for a lending product (in many cases offline) and only after they finish the origination part for a classic loan or a credit card, they would have the ability to shop for what they need.



Unclarity of fees or interest rates

The most common alternative for BNPL is the credit card. In most cases, the costs associated with using the credit limit are hard to understand and they are not visible to the customer now of the purchase in a marketplace.



Lengthy approval process

Traditional alternatives like credit cards and personal loans require a lengthy process of approval that usually involves hard credit checks and more personal information and steps to complete.

Incapacity to monitor spending

Credit scores advanced checks

Drastic terms and conditions

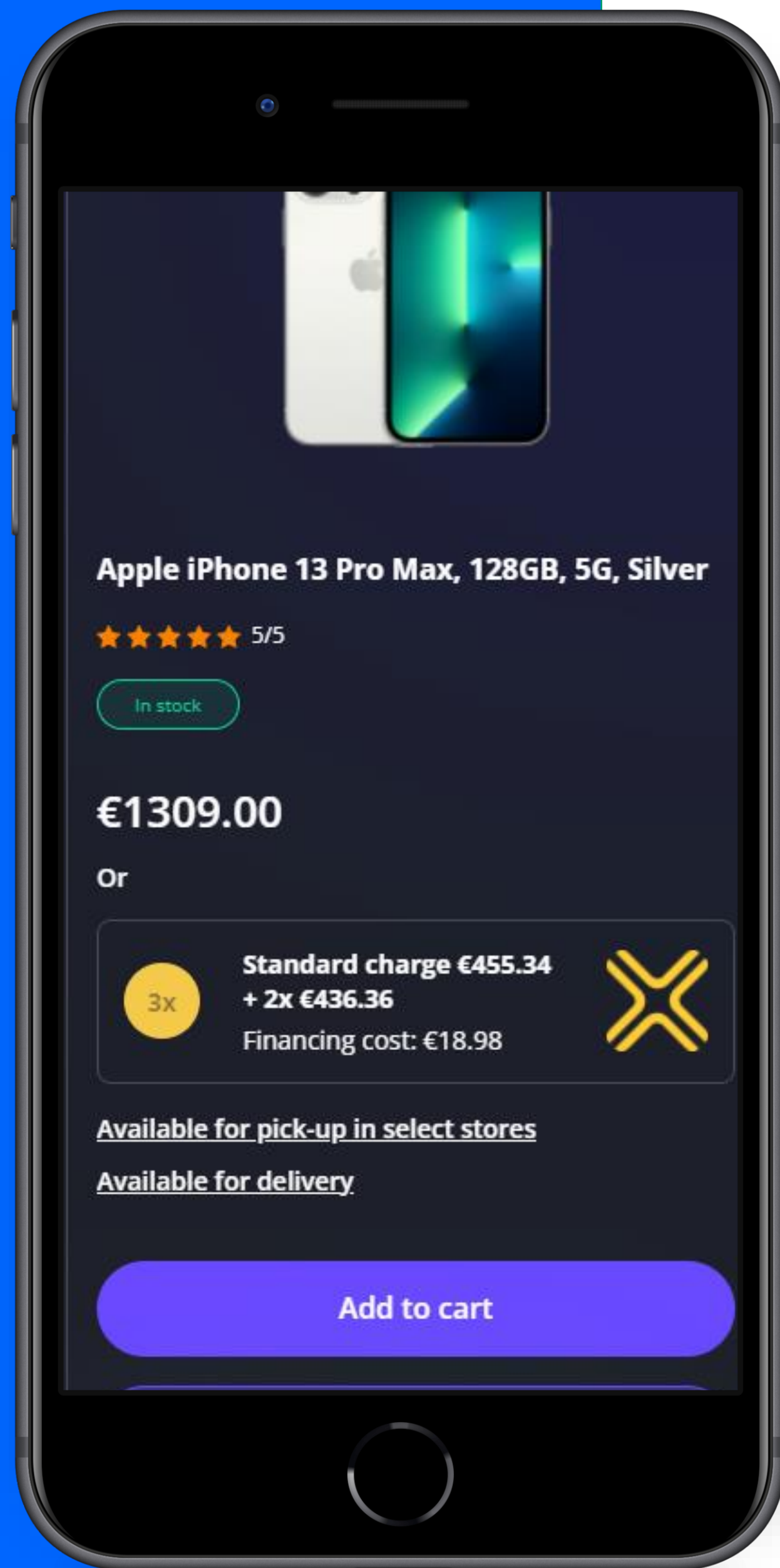
Replacement Credit Card Processes Too Complex

Paperwork

Too much time to cash

Not so easy to use

E2E BNPL solution Overview



Key differentiators

Launch your BNPL product in less than 3 months with a plug & play solution to effectively compete in a challenging, fast-growing context.

Fast track approval process. The underwriting process for customer can be as easy as confirming some personal details. This is enabled by calculating most of the risk before the customer proceeds with the BNPL payment option in the marketplace checkout.

Personalized product. The solution has the ability to filter the type of BNPL products available at checkout based on the customer risk profile, this helps to significantly reduce the possibility for a user to not get approved.

Seamless CX on checkout. For returning customers, their journey will usually take just 5 taps to complete after they choose to pay with a BNPL in the marketplace. Even for new customers, the process usually requires filling in the contact details, name and surname and the date of birth (if not available from the marketplace).

Flexible decision models. The solution can be adapted to fit most risk scenarios, leveraging data from the marketplace, lender and third-party providers. We included 2 variants for scoring that the lenders can choose to start from when configuring the accelerator. 1 – leveraging data from the marketplace. 2 – independent from any marketplace data and more traditional banking retail style with KYC and Bureau checks data.

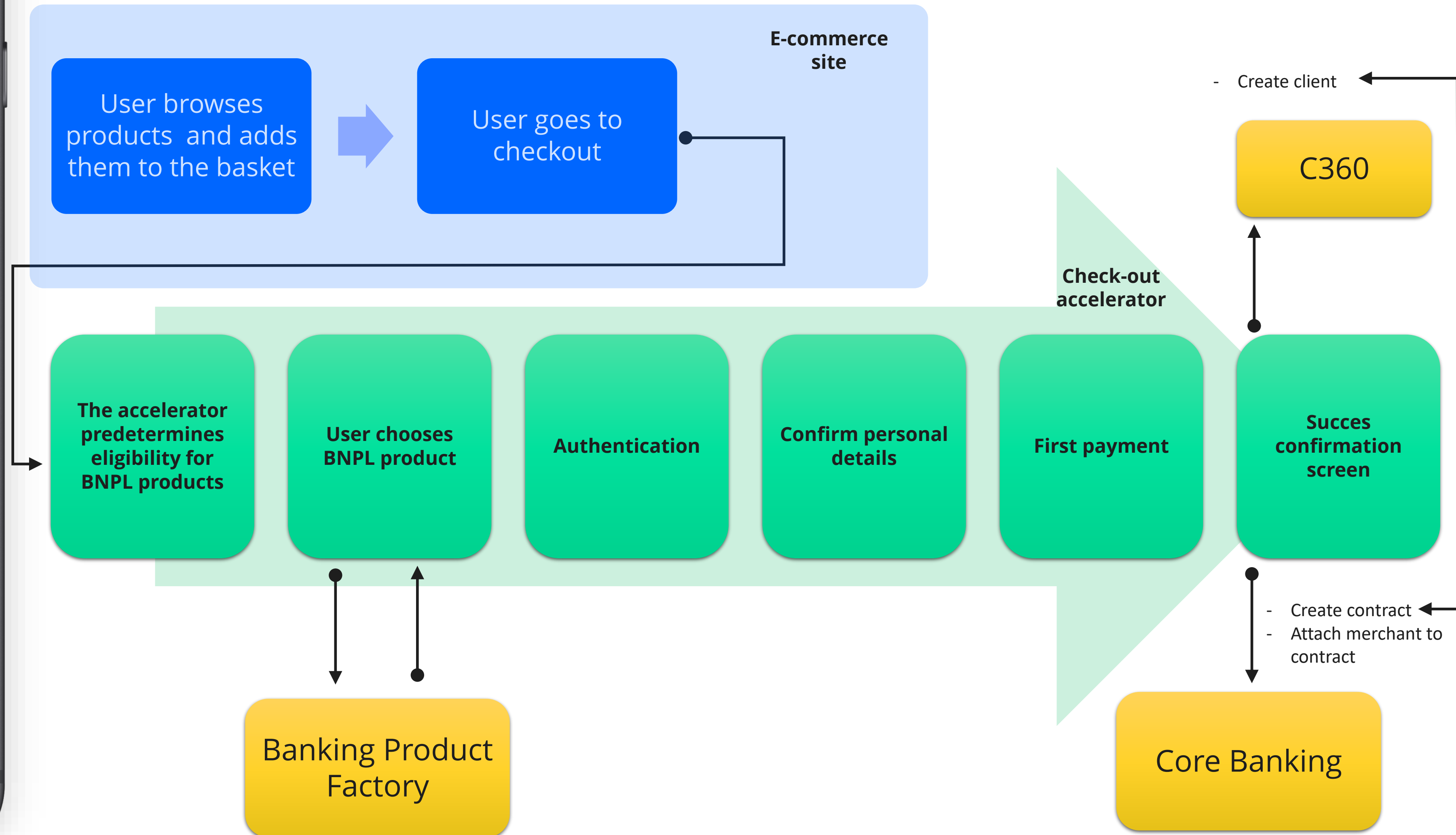
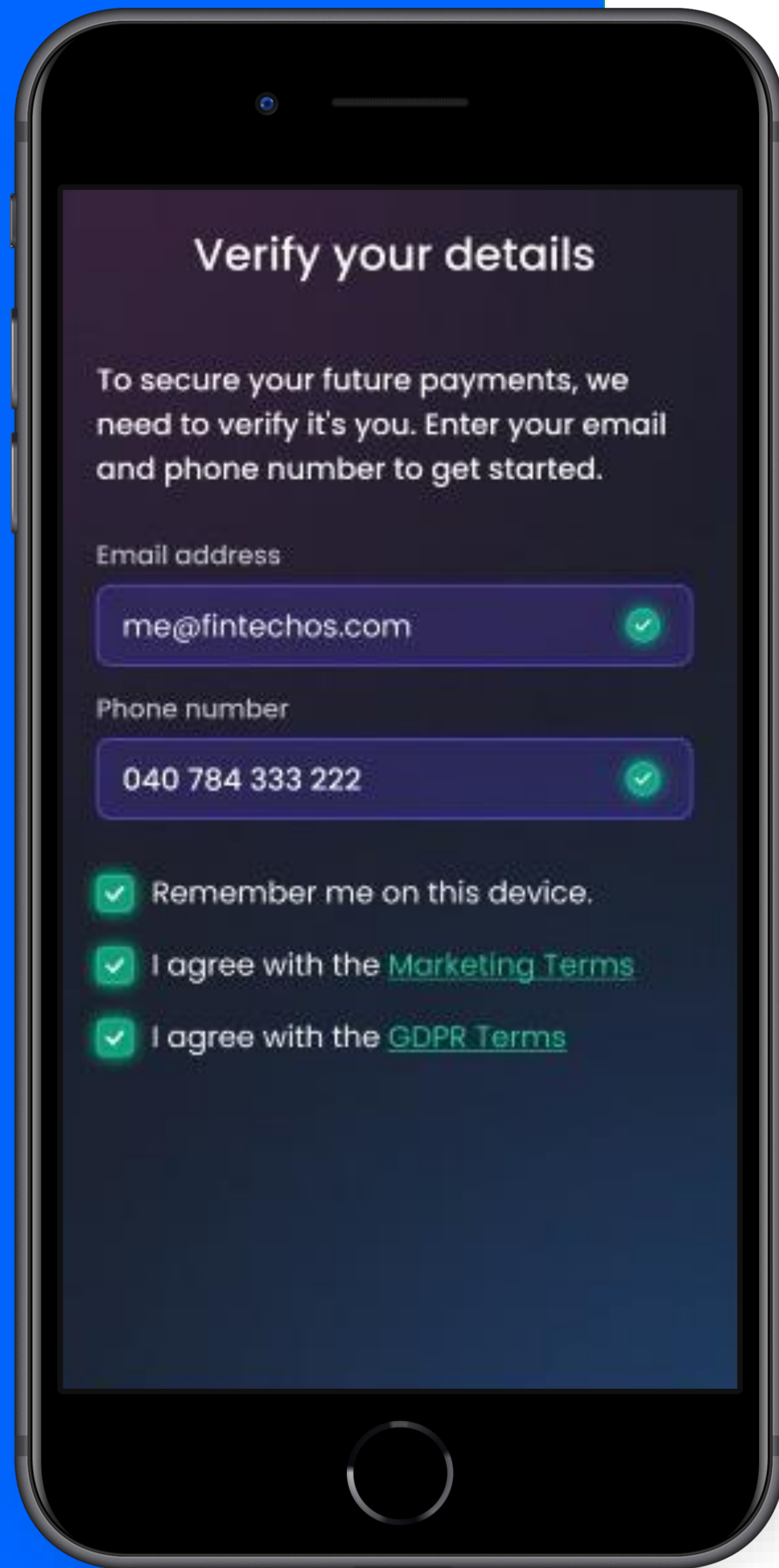
Easily & perfectly embedded journey to quickly onboard any new merchant. The entire journey is available to be orchestrated via APIs, from end to end. Post-granting APIs orchestration can be done to trigger also return of good in Core Banking.

Third Party Agreement empowering efficient and automate settlement. We enable management of 3rd parties as brokers in the Core Banking where we can capture the details about agreement, how BNPL lending can be monetized in a broker/agent manner, automated invoicing and settlement (reconciliation) based on loans intermediated.

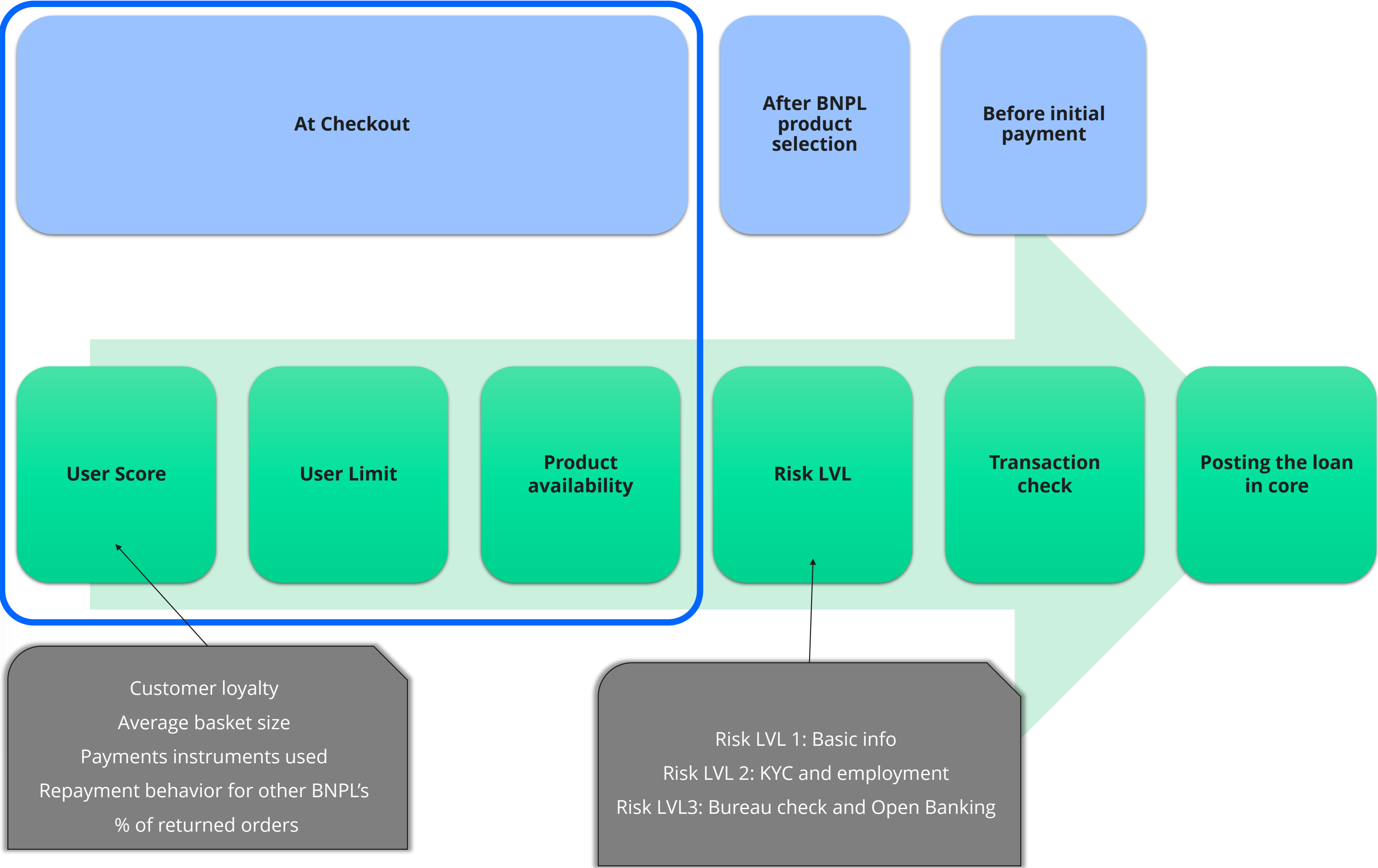
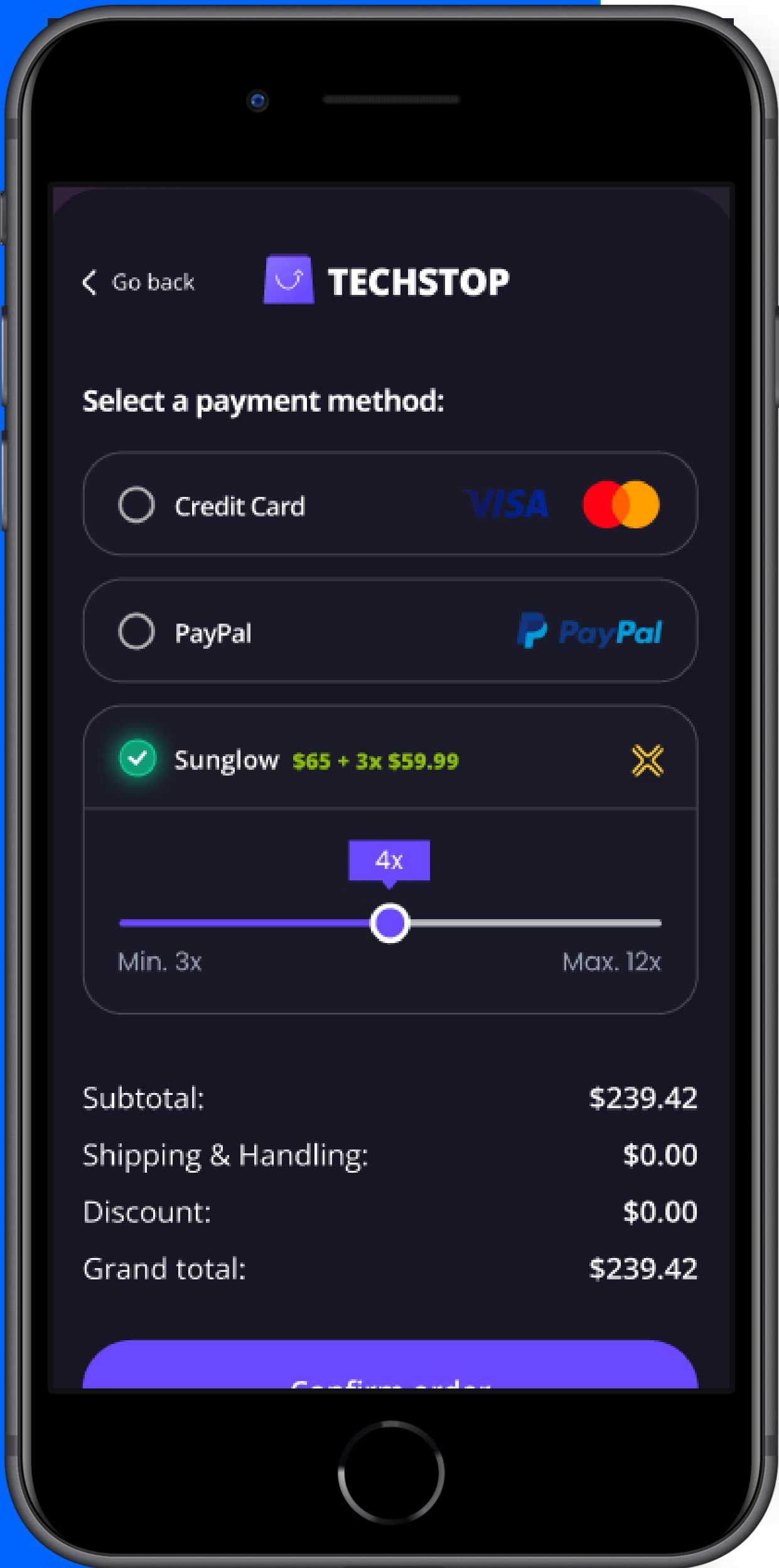
BNPL Loan Management Activities. We manage return goods & costs recalculation, early repayment, support other admin activities.

Exposure monitoring. Lenders can better control their risk exposure by merchant using the Limits for Customers & Merchants and receive notifications in case for a certain product the limit is exceeded.

Flow at a glance



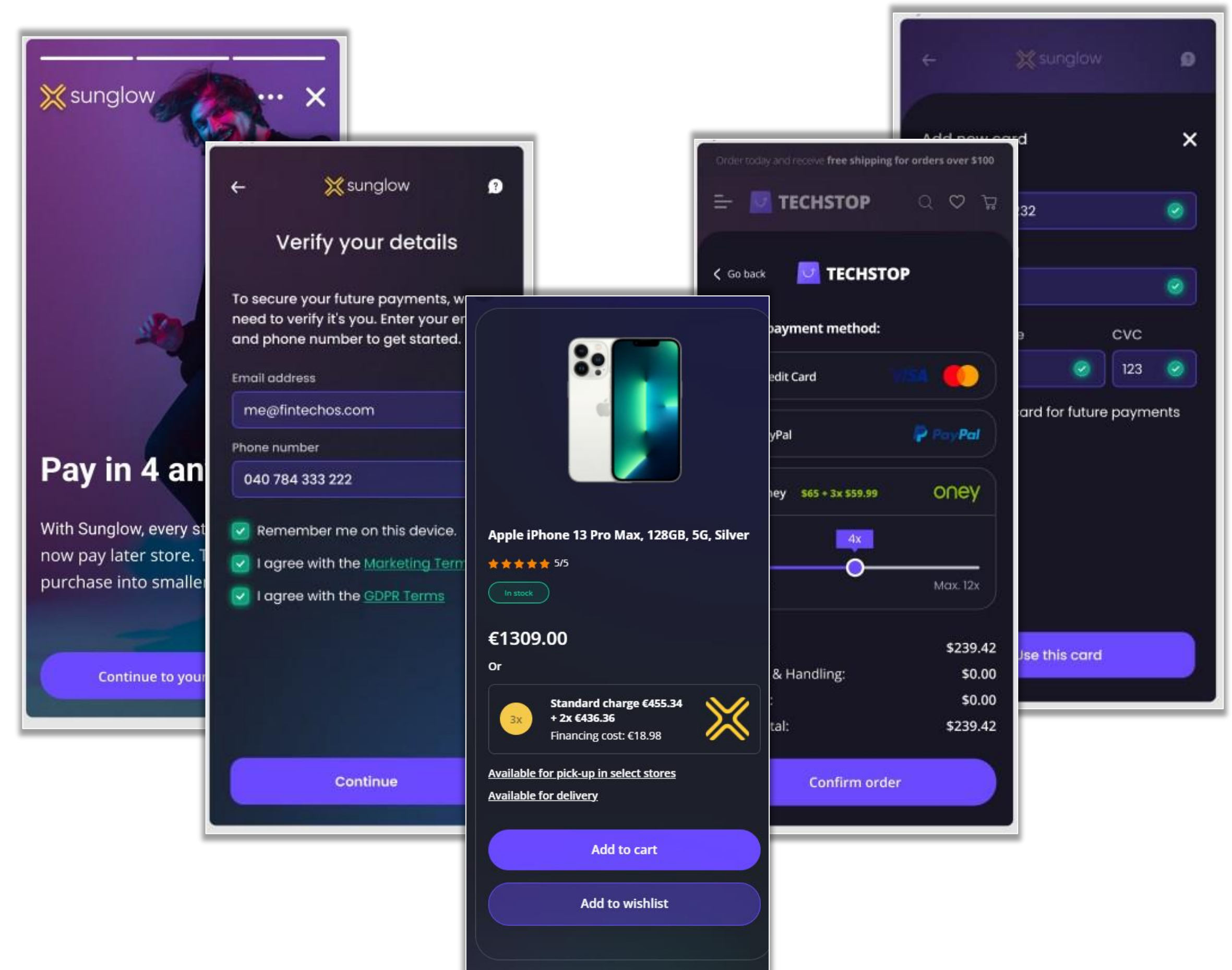
Progressive risk assessment



BNPL checkout journey (accelerator)

Smart customer experience empowered by data and automation

- ✓ Integrate your BNPL or split payments products in customers lifestyle, embedded into their buying experience by easily onboarding any new merchant.
- ✓ Drive innovation in an all-win disruptive embedded finance proposition.
- ✓ Customer centric inspiring trust
- ✓ New scoring models enforced by shopping behavior and profile
- ✓ Convenience. Optimized for a speedy, simple & convenient experience.



Lean Core: Automated, flexible BNPL servicing & repayment

- ✓ Return process and fees with early closing of the contract
- ✓ Merchant management, invoicing & reconciliation process
- ✓ Extended API

The screenshot displays the FintechOS interface for managing BNPL contracts. The top navigation bar includes a menu icon, the FintechOS logo, and a status bar showing 'CURRENT STATUS: DRAFT' and 'NEXT STATUS: CHOOSE STATUS'. A top right bar displays 'Administrator' and a 'Tooltips On' toggle. Below the navigation bar, a tabbed interface shows 'Overview', 'Payments', 'Contacts & Documents', 'History', and 'Accounting Entries'. The 'Overview' tab is active, showing a 'General Data' section with fields for Contract ID (1234567), Activation Date (08/02/2022), Amount (123.456), Start Calculation Date For Amount Unused (08/02/2022), Auto disbursement (checked), Product Interest Rate (zerorate), Total Interest Rate (0), and Date for Review Interest Rate (30/04/2022). The 'Repayment Overview' section shows Schedule Type (BNPL), Contract Period (15), Contract Period Type (Days), MaturityDate (23/02/2022), Due Day, Periodicity Type, and Installment Method. The right side of the form contains fields for Customer (Cezar Barbu), Main Bank Account, Banking Product (BNPL Merchant), Current Account, Advance Amount Percentage (0), Advance Amount Value (0), Currency (EUR), Destination Bank Account (1234567), and Managing Branch (root).

Lean Core: Automated, flexible BNPL servicing & repayment

ADMINISTRATOR

CURRENT STATUS: DRAFT

NEXT STATUS: CHOOSE STATUS -

VERSION 1

VERSION DATE 18/04/2022 03:00

CONTRACT CATEGORY Normal

CREATED BY host

CONTRACT NUMBER 191

TOOLTIPS ON

1 Overview

2 Payments

3 Contacts & Documents

4 History

5 Accounting Entries

General Data

Contract ID1234567

CustomerCezar Barbu

Banking ProductBNPL Merchant

CurrencyEUR

Activation Date08/02/2022

Main Bank Account

Current Account

Destination Bank Account1234567

Amount123.456

Advance Amount Percentage0

Advance Amount Value0

Start Calculation Date For Amount Unused08/02/2022

Maximum Disburse Date30/04/2022

Managing Branchroot

Auto disbursement

Product Interest Ratezerorate

Total Interest Rate0

Date for Review Interest Rate30/04/2022

Repayment Overview

Schedule TypeBNPL

Contract Period15

Contract Period TypeDays

MaturityDate23/02/2022

Due Day

Periodicity Type

Installment Method

FirstDueDate

Products & Services Factory

New products supported:
Credit facility, BNPL, Overdraft

Custom repayment plan

Calculated interests & commissions, banded Interest

Filters for tailored, data-driven offerings and servicing

New type of repayment plans

Lean Core

BNPL servicing covering principal decrease w/o claim of accrued interest to date

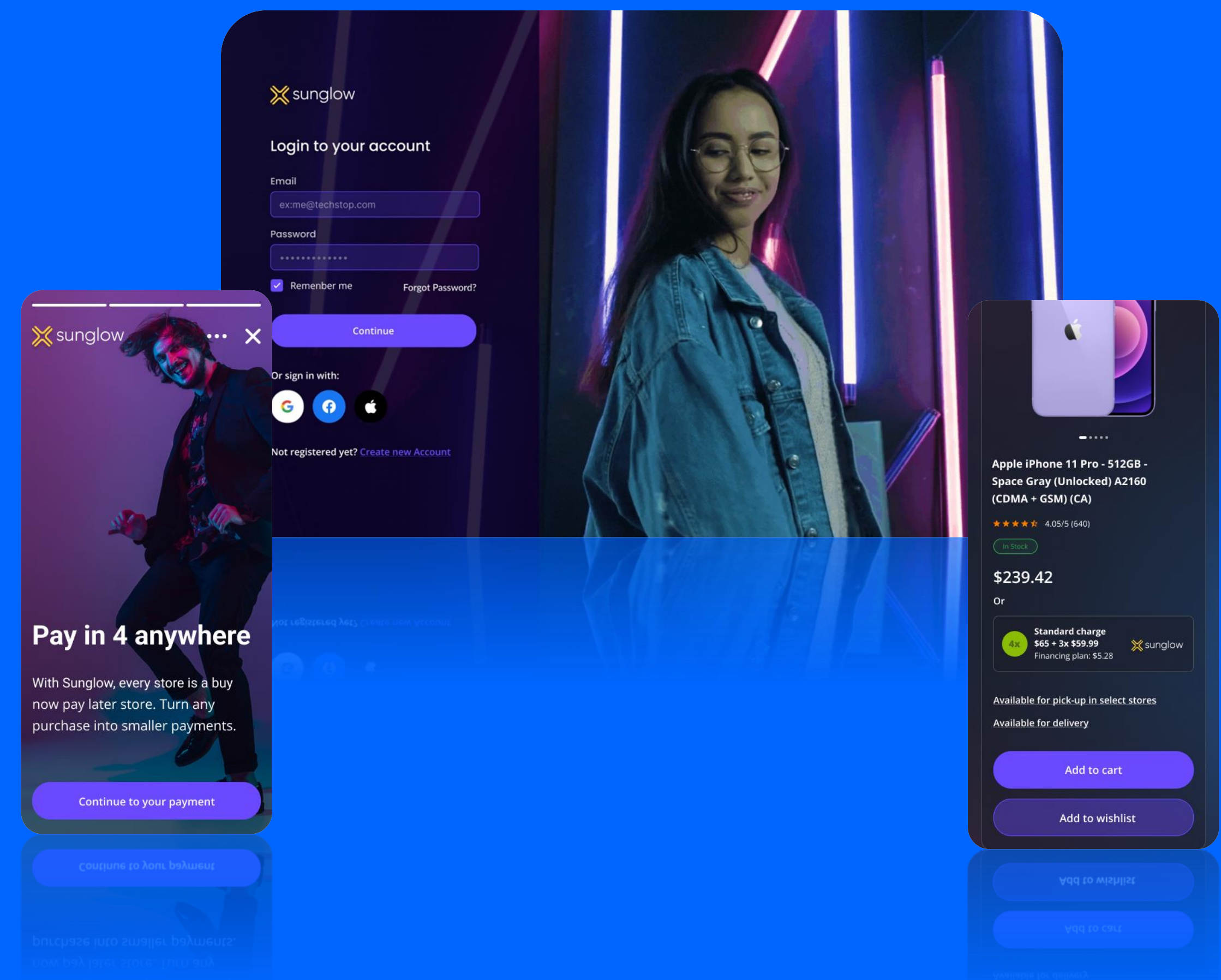
Support for repayment process with banded Interest

Merchants/Brokers Management

Open core banking: APIs for ledger data and contract management

BNPL origination & servicing within merchant Limit

Solution walk-through



Additional collaterals

Lighthouse accelerators take away resources



Technical documentation

<https://docs.fintechos.com/ACC/Home.htm>



- Release Notes & Product Documentation: <https://docs.fintechos.com>
- Dedicated product self-led courses on Academy: <https://academy.fintechos.com/>
- Academy platform has hosted the Product Management Enablement recordings <https://academy.fintechos.com>

Q&A