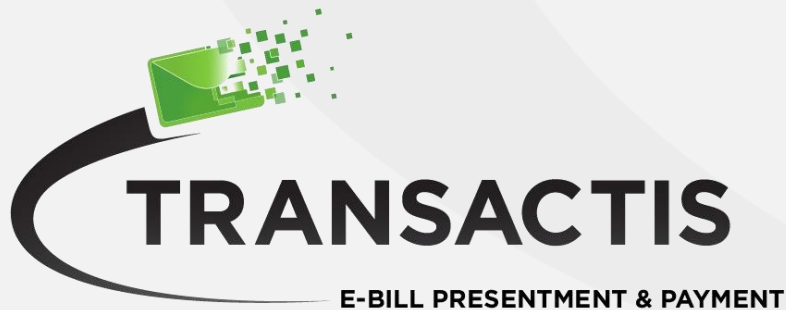


Welcome to the Land of **FINTECH**



OPPORTUNITY

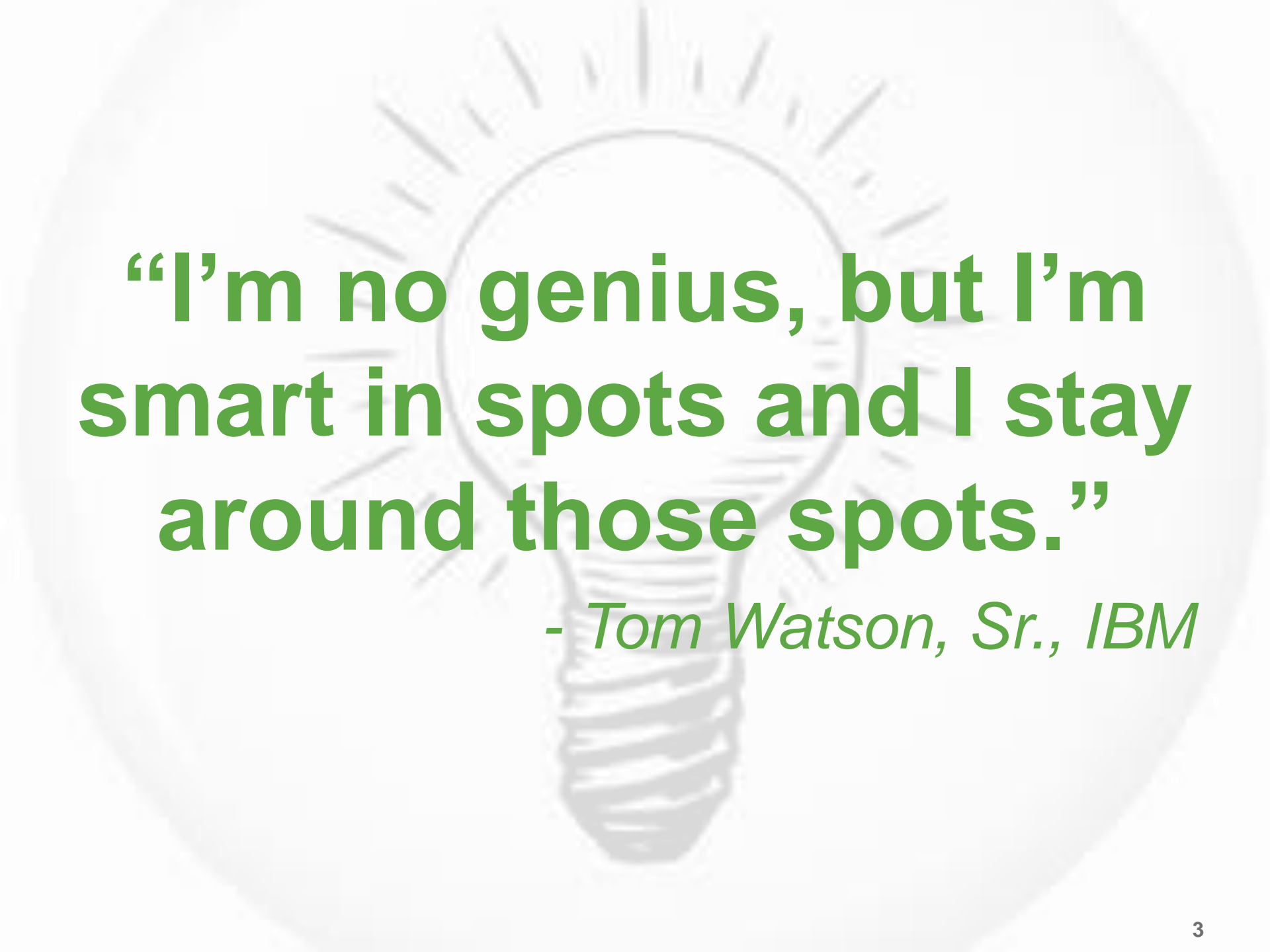


INNOVATION

INVESTMENT



DISRUPTION



**“I’m no genius, but I’m
smart in spots and I stay
around those spots.”**

- Tom Watson, Sr., IBM

Transactis at a Glance

Transactis transforms traditional paper billing and payment processing by enabling businesses of all sizes to replace paper bills, statements, invoices, payments and documents with more efficient digital alternatives.

- Founded in 2007
- Headquarters in NYC
- 80 Team Members
- 16 of the top 50 U.S. Banks use our technology (5 investors)
- 20+ Million Payments Processed
- \$20+ Billion Deposited
- 1.3 Billion Bills & Documents Hosted



Fintech Disruption

The bad news for banks is that plenty of danger is coming from Fintech companies poised to outclass banks in cherished business lines through better technology and fresher approaches to delivering customer satisfaction — just like Tesla is doing.



Fintech is Really Disrupting Banking

**Fintech could take between
10% and 40%
of bank revenue by 2025**

Successful disruptors need superior ability in:

Technology

Risk Management

Regulatory Change

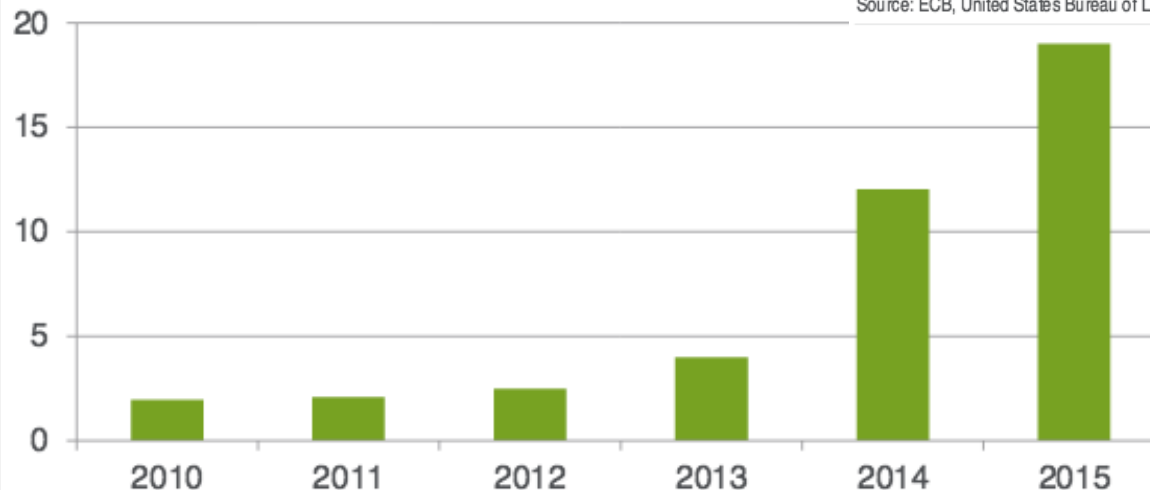
Fintech Threatening 1.7M Bank Jobs

**40% of banking employees
could lose jobs to new
technologies**

**New players likely to take 13% of
the business in the next 5 years**

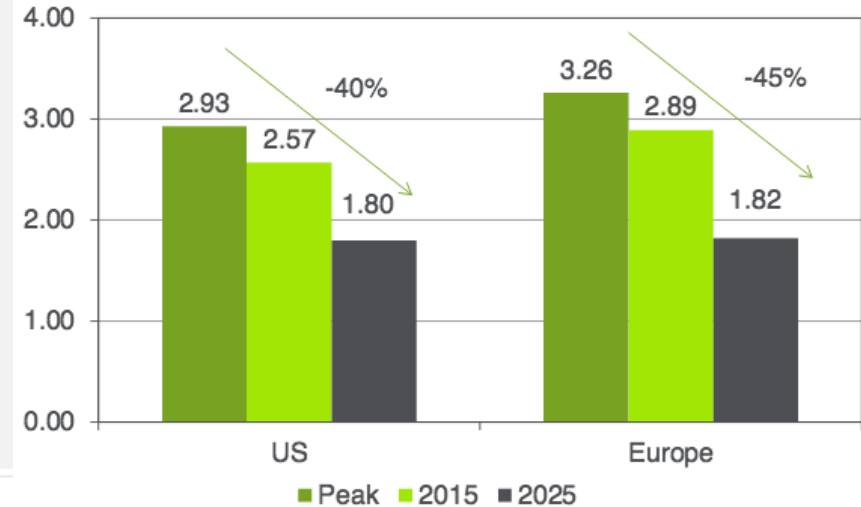
(digital payments, personal lending,
wealth management)

Figure 1. Private Investment in Global FinTech Companies (\$bn)



Source: Citi and CB Insights; Includes first around and subsequent private investments

Figure 11. At the Tipping Point of Full-Time Employee Reduction (million)



Source: ECB, United States Bureau of Labor Statistics, Citi Research estimates

Source: Citigroup, NY Times

The “Havoc” Phase of Fintech Disruption

- Digital disruption is here to stay
- Led by customers who are increasingly empowered with information, access and options
- Well-funded and carefully managed startups will survive and become stronger
- The weaker ones will be snapped up by larger companies and banks
- Eager to pick up emerging technology and talented employees at a discount
- Amped up by the competition among incumbents
- But worried about exposure to the risk of poor acquisitions

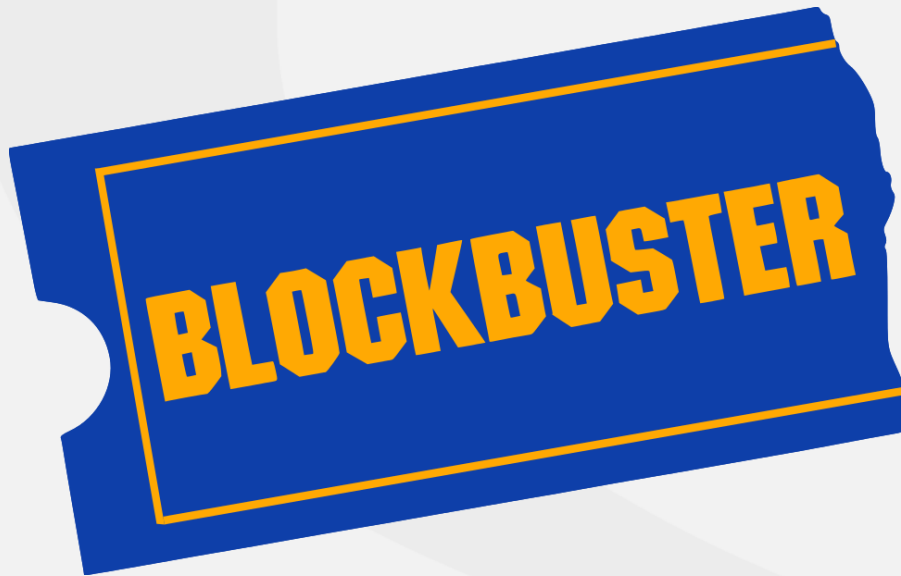
The “Havoc” Phase of Fintech Disruption

The havoc stage is typically marked by a tumultuous set of **acquisitions and mergers** as both startups and incumbent players reposition themselves

Making Tough Choices

The Netflix logo, consisting of the word "NETFLIX" in white, bold, sans-serif capital letters with a black drop shadow, set against a solid red rectangular background.

\$38.6B



\$0

Gen Y and Gen Z are Changing Financial Services

This may be the most diverse generation, but ...

67%

say they will never invest in stocks

70%

believe that in five years the way we pay for things will be totally different

68%

think that in five years, the way we access money will be totally different

33%

believe they won't need a bank in five years

1 in 3

are open to switching in the next 90 days

73%

Would be more excited about a new offering in financial services from Google, Amazon, Apple, PayPal or Square than from their own nationwide bank

71%

would rather go to the dentist than listen to what banks are saying

53%

don't think their bank offers anything different than other banks

67%

millennials use mobile apps while shopping in-store aka "reverse showrooming"

43%

say bank doesn't use preferred communication channel

... and they believe innovation will come from outside the industry.

Top 25 Global Banks by Market Cap

Rank	Bank	Country	Market Cap (US\$B)
1	Wells Fargo & Co	US	\$254.19B
2	Industrial & Commercial Bank of China (ICBC)	China	\$226.55B
3	JP Morgan Chase & Co	US	\$217.79B
4	China Construction Bank	China	\$155.97B
5	Agricultural Bank of China	China	\$155.04B
6	Bank of China	China	\$144.16B
7	Bank of America	US	\$142.39B
8	HSBC Holdings	UK	\$128.91B
9	Citigroup Inc	US	\$126.74B
10	Commonwealth Bank of Australia	Australia	\$99.69B
11	Westpac Banking Corporation	Australia	\$83.53B
12	Royal Bank of Canada	Canada	\$83.36B
13	Toronto-Dominion Bank	Canada	\$77.11B

Rank	Bank	Country	Market Cap (US\$B)
14	Lloyds Banking Group	UK	\$73.777B
15	Banco Santander	Spain	\$71.16B
16	US Bancorp	US	\$70.24B
17	Mitsubishi UFJ Financial Group (MUFG)	Japan	\$69.43B
18	Goldman Sachs Group	US	\$67.91B
19	UBS Group AG	Switzerland	\$65.33B
20	BNP Paribas	France	\$62.6B
21	China Merchants Bank	China	\$59.17B
22	Bank of Nova Scotia (Scotiabank)	Canada	\$56.62B
23	Australia & New Zealand Banking (ANZ)	Australia	\$56.48B
24	National Australia Bank	Australia	\$56.27B
25	Bank of Communications	China	\$55.08B



U B E R

\$62.5B

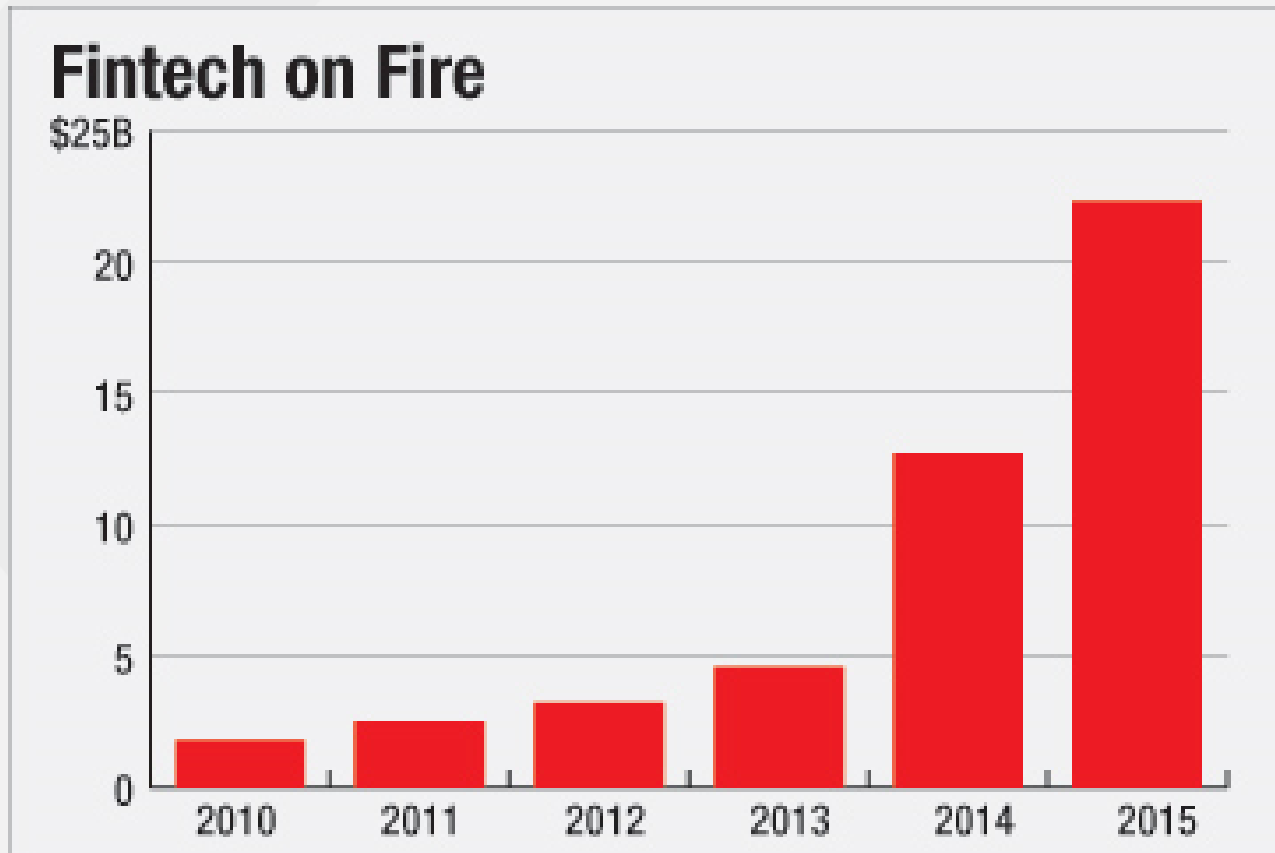


Fintech Investment

Fintech
investments
up over 100%
in 2015

Fintech Goals Changing

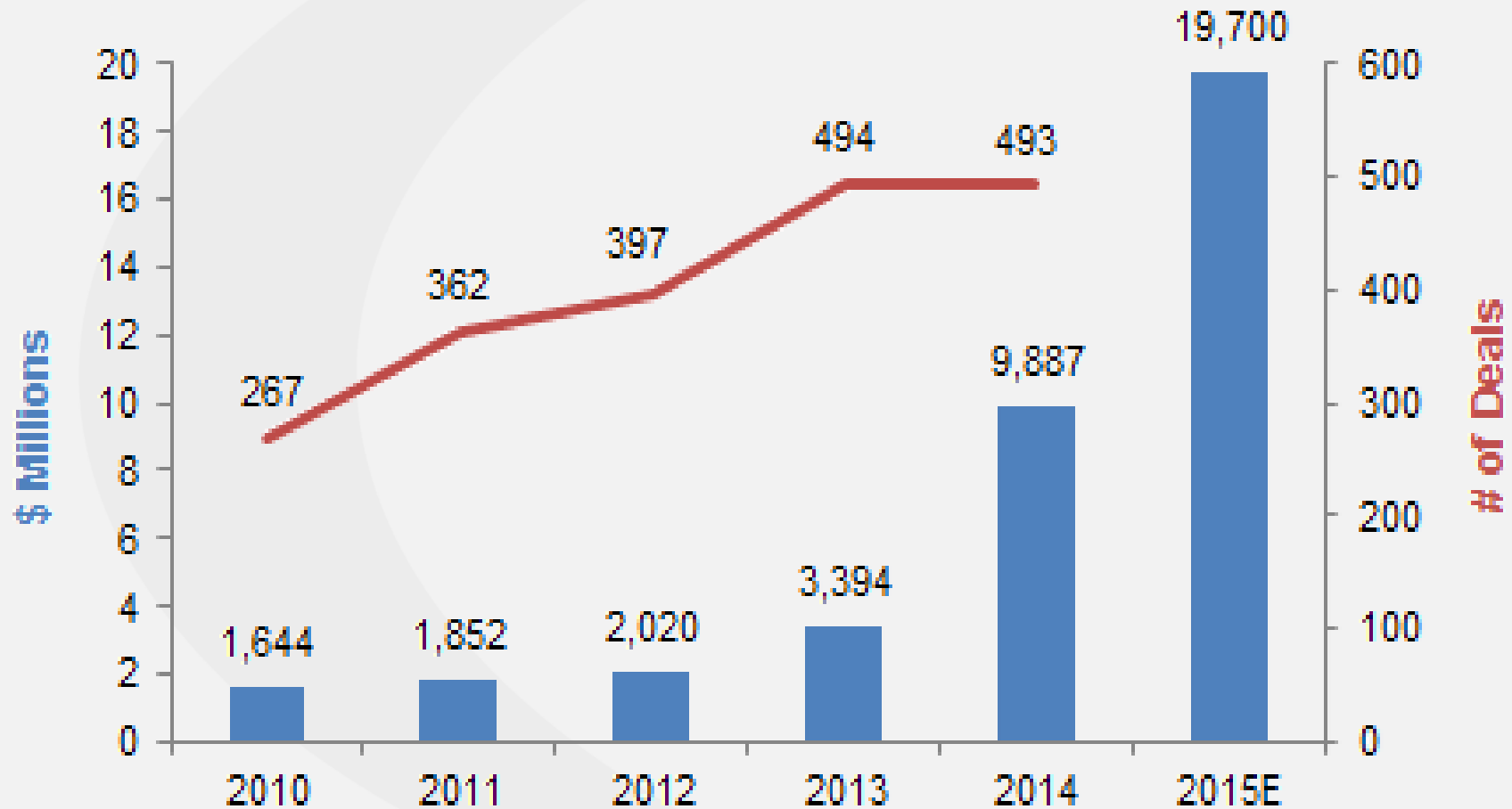
As the Fintech market matures, investments are shifting from startup “disruptors” to “collaboration” with the financial services industry



Source: American Banker

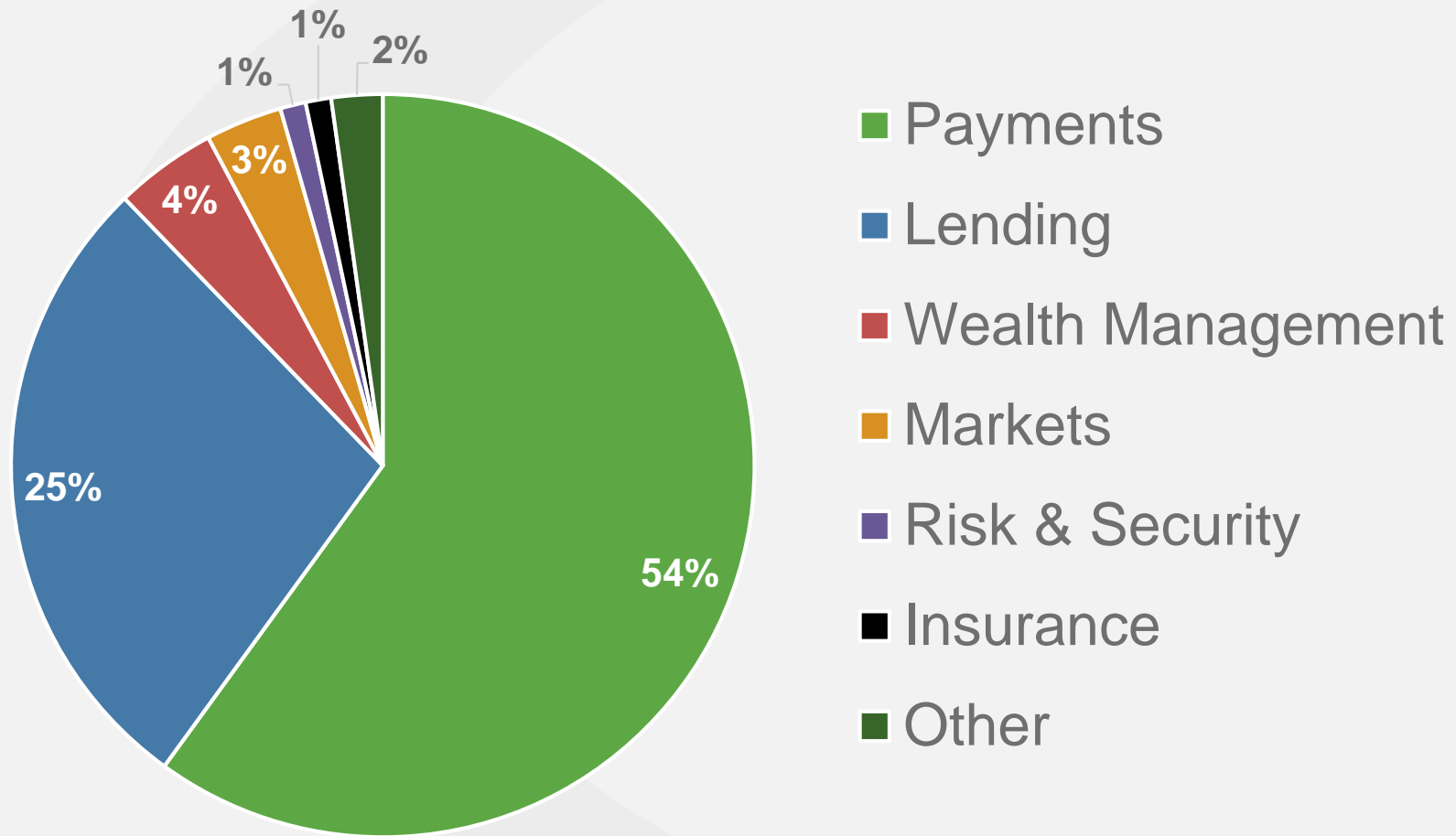
Fintech Deal Size Triples

Fintech Investments (2010-2015E)



Payments Lead Fintech Investments

2014 U.S. Fintech Investment by Subsector



Source: CB Insights, Accenture, MarketResearch, BI Intelligence

VC's are Safe from Falling Unicorn Valuations

Only most recent investment rounds are in “the red,” making traditional VC's relatively safe and “tourists” more risky

Led Most Recent Round in a Unicorn

Investor Name	# of Deals
Fidelity Investments	9
Insight Venture Partners	6
Tiger Global Management	5
Sequoia Capital	5
T. Rowe Price	4
SoftBank Capital	4
DST Global	4
Baillie Gifford	3
General Atlantic	3
TPG Growth	3
NBCUniversal	2
Individual Investors	2
Salesforce Ventures	2
BlackRock	2
Wellington Management	2
Alibaba Group	2
Rakuten	2
Hillhouse Capital Management	2
All-Stars Investment	2
ICONIQ Capital	2
Accel Partners	2

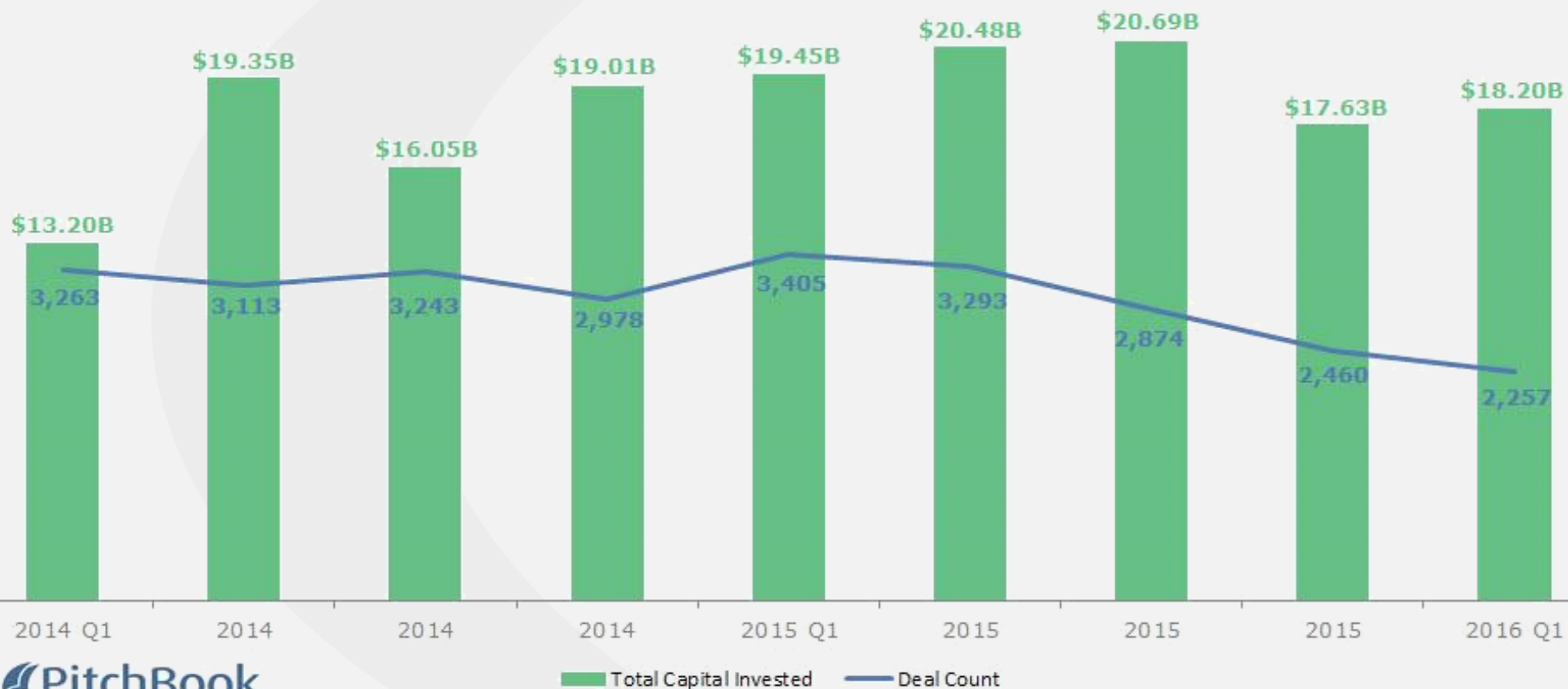
Investor in Most Recent Round for a Unicorn

Investor Name	# of Deals
Sequoia Capital	18
Fidelity Investments	17
Tiger Global Management	16
T. Rowe Price	12
Andreessen Horowitz	12
DST Global	12
Wellington Management	12
Baillie Gifford	11
Accel Partners	10
Kleiner Perkins Caufield & Byers	10
IVP	8
New Enterprise Associates	8
Insight Venture Partners	8
The Goldman Sachs Group	8
Temasek Holdings	7
Salesforce Ventures	7
SoftBank Capital	6
Google Capital	6
Coatue Management	6
Hillhouse Capital Management	6
Individual Investors	6
ICONIQ Capital	6

Source: Pitchbook

What Drop in VC?

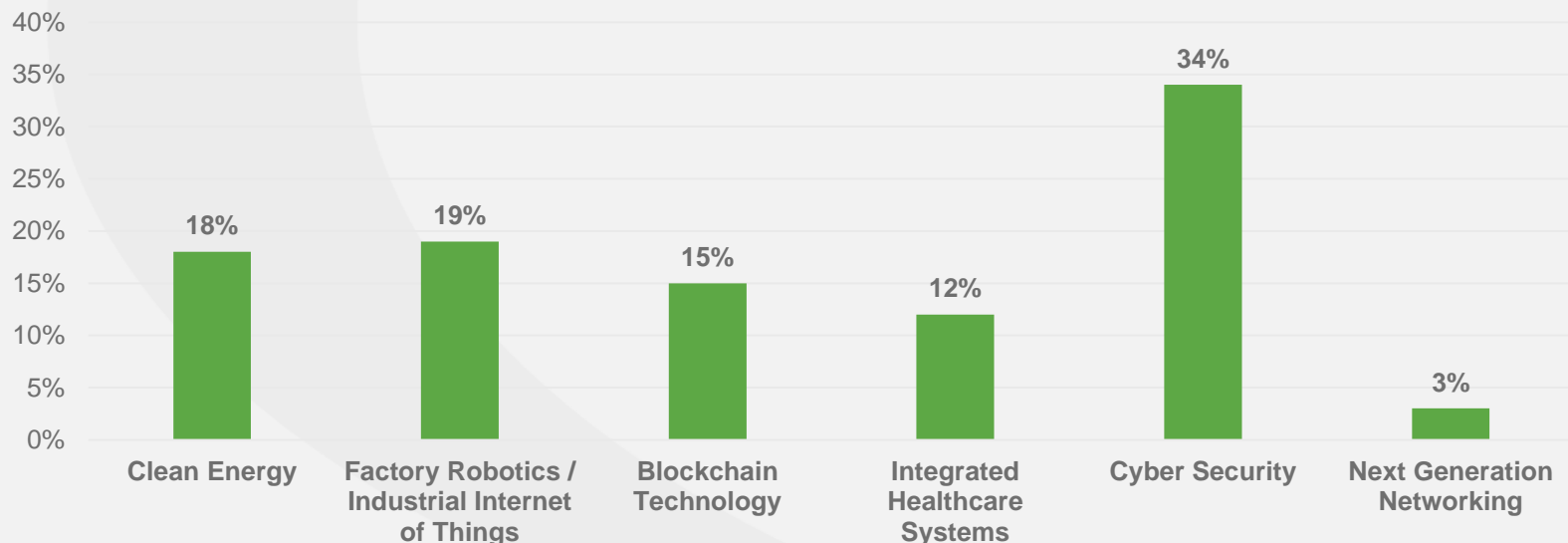
Venture Capital Activity



Wall Street Goes Big on Blockchain Technology

- Depository Trust & Clearing Corp. announced first test of blockchain application for repo trades
- DTCC estimated \$500M invested by VC's and banks in blockchain
- Big potential for cost savings compared to current systems

If you had \$10 million to invest in one of the following, which would you pick:



World's Largest Private Fundraising Round for an Internet Company

- Alibaba affiliate Ant Financial Services has raised a whopping \$4.5B at a reported valuation of \$60B
- Ant operates Alipay, which is China's biggest online-payments platform by transaction volume and which has 450M annual active users
- Ant was spun off from Alibaba (NYSE:BABA) prior to the latter's record \$25B New York IPO in September 2014
- The companies still invest together and Alibaba uses Alipay



Fintech Innovation

The Future of Bill Pay



"Over the next 10 years we will see a number of very significant disruptions in financial services... Uber moments"

-- **Antony Jenkins**
Former CEO
Barclays

The “S” Factors of Billing and Payments

Consumers’ billing and payment behavior is linked to three factors:

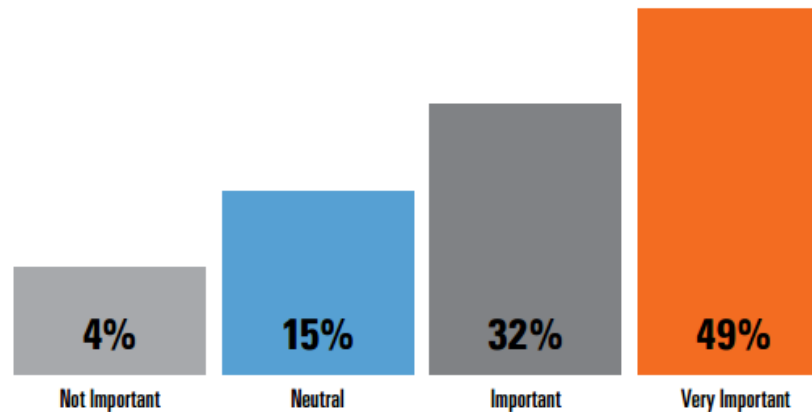
- **Speed:** sync with busy lives, real-time and emergency payment options
- **Security:** all about trusting that payments are secure
- **Satisfaction:** customers want things on their terms and a variety of ways to receive and pay bills

Expectation of Faster Payments

Expectations of Faster Processing on the Rise

When Credit for Bill Payment Is Expected	Today	Change From 2014
Instantly	27%	59%
Same Day	43%	54%
Next Day	20%	-31%
2-3 Days	9%	-64%

The Importance of Real-Time and Same-Day Payment Processing



Security is Top of Mind

On the List of Bill Pay Concerns, Security Jumped From Sixth to Second Place



Top Concerns Related to Receiving
and Paying Household Bills

In terms of consumers' perceptions of the most secure ways to receive and pay bills, bank bill pay and biller direct options are virtually tied (32 percent and 33 percent respectively). These are followed by mail (25 percent), email (8 percent) and nonbanking sites (2 percent). In addition, plastic is seen as more secure than ACH, with 57 percent of people saying they view credit, debit or prepaid cards as the most secure options compared to ACH.

65% of consumers say
biller direct and
bank bill pay
are the most secure ways
to receive and pay bills

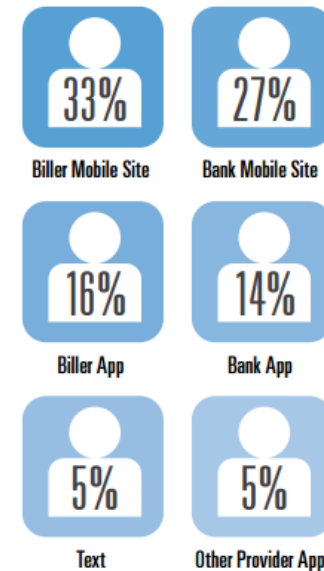
What Billers Need to Know

All billers know security is non-negotiable and it must be bank-grade with respect to internal and vendor protocols. Consumers, on the other hand, don't always understand this. There is an opportunity for billers to focus attention on educating consumers. For example, receiving electronic bills at the biller site or bank site is more secure than receiving paper bills which can be easily stolen through unsecured residential mailboxes and recycling and garbage bins.

Mobile Bill Pay

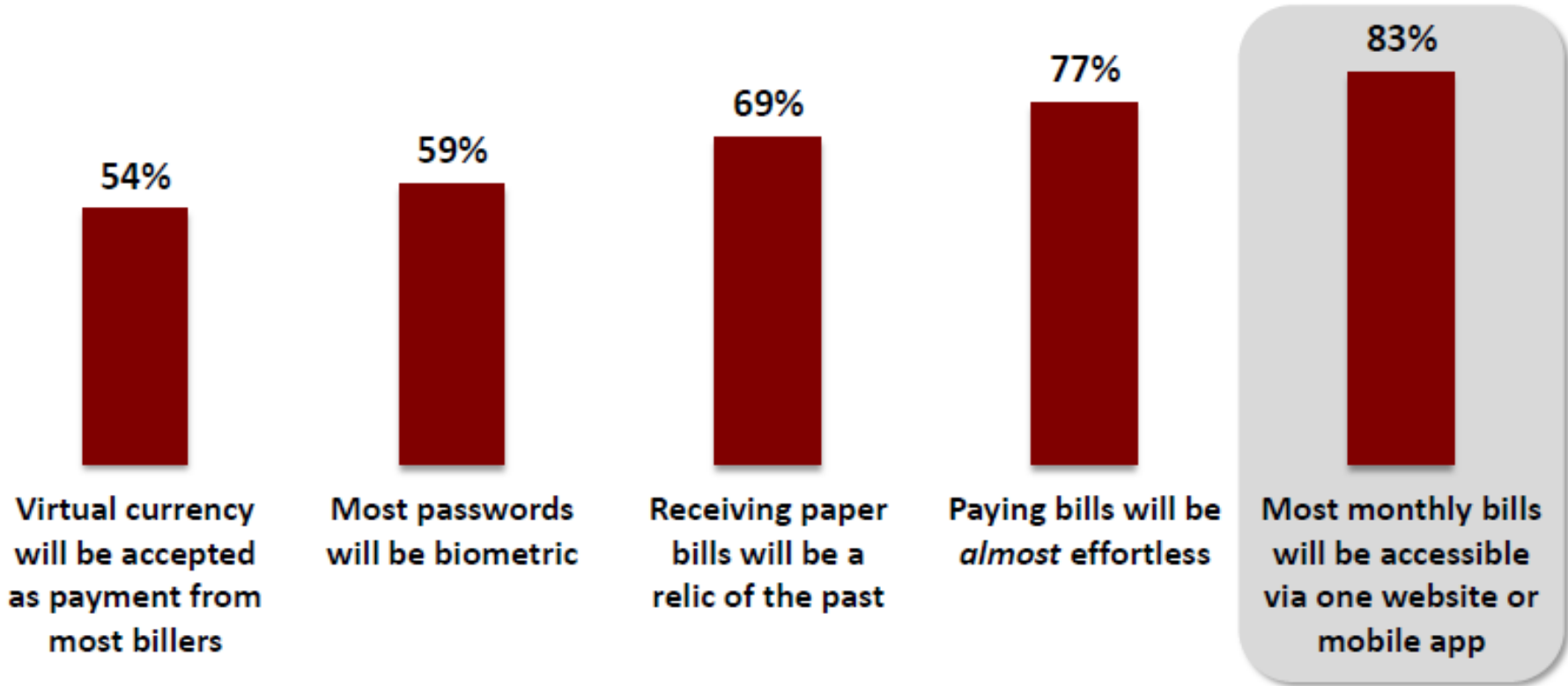
Overall, 33 percent of online households report having paid a monthly bill through their mobile phone. This marks a 22 percent increase compared to last year's survey. Not surprisingly, smartphone owners are more likely to access mobile payment options, with 42 percent reporting having paid bills via smartphone.

Bill Pay Omnivores Go Mobile: Consumers Use Multiple Subchannels



Volume of Mobile Bill Payment
Transactions by Mobile Subchannel

Within 5 Years, Consumers Believe...



“I want to be able to manage **all
of my **monthly bill** payments
through a **single portal**.”**



Where Would You Most Prefer to Pay Your Bill?

A. Bank/Credit Union

B. PayPal

C. Amazon

D. Gmail

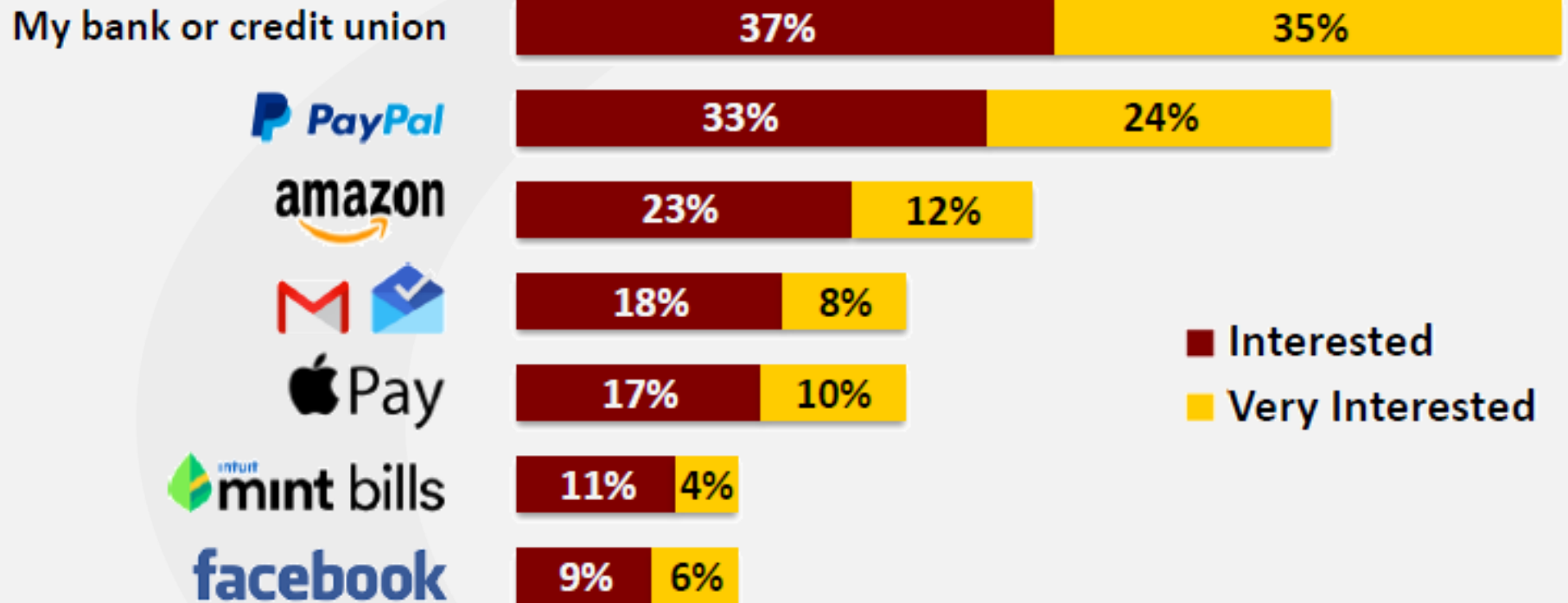
E. Apple Pay

F. Facebook

www.transactis.participoll.com



How interested are you in paying monthly bills via the following channels?



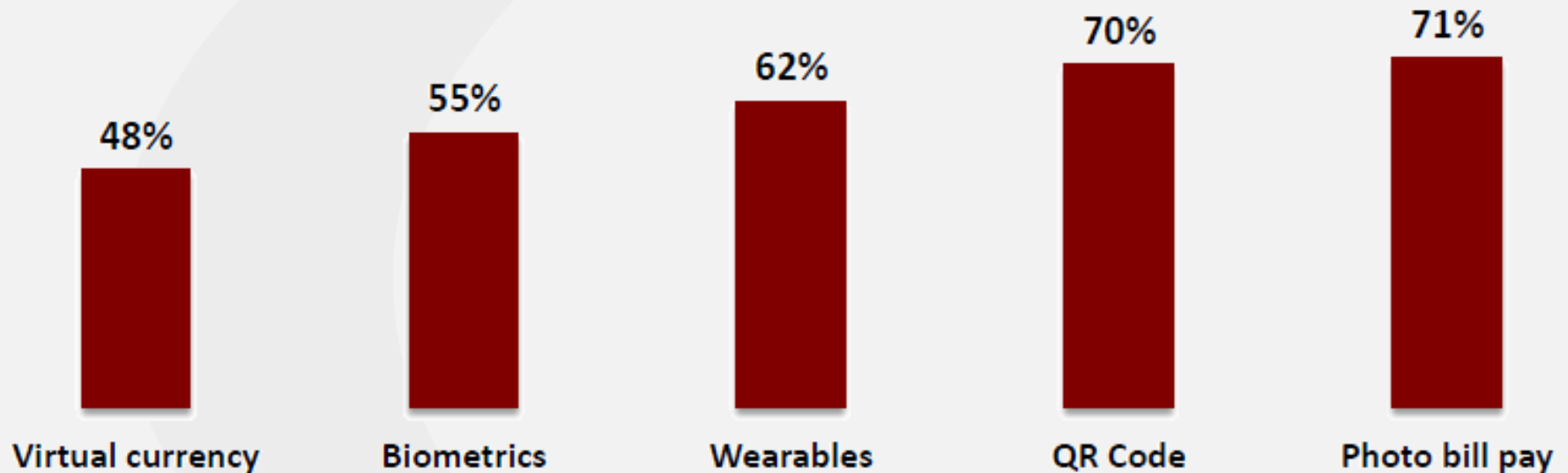


Fintech Opportunity

The Future of Household Bill Pay

- Paying bills is the **2nd least-liked household task**, and **32% of consumers have missed a bill payment** in the last year
- Consumers expect to **increasingly pay via mobile devices**, through mobile **apps**, and using **automatic payments**
- Payment **methods** that consumers expect will grow in the future are **electronic transfer** and using **virtual currency**
- The majority of consumers are **open to switching** their primary payment channel, and want to be able to **manage** their monthly bill payments **through a single portal**

Technology Disrupting Bill Pay by 2020



**“It is important that my
electronic payment is processed
on the same day that I pay.”**



“Faster Pay” Will Increase Fraud Risk, But...

- U.K. launched a “Faster Payments” system in 2008
- In the years following, losses from online banking fraud went from \$22.6 million in 2007 to \$52.2 million in 2008 and \$59.7 million in 2009.
- In 2015, losses in the U.K. jumped to more than \$100 million

Lessons Learned from U.K.'s Faster Payments Migration

1. Faster Payments = Faster (and larger) Fraud
2. Automation is Key
3. Streamline the “Recouping” Process
4. Expect a Jump in Remote Access (RAT) Fraud
5. Share Data

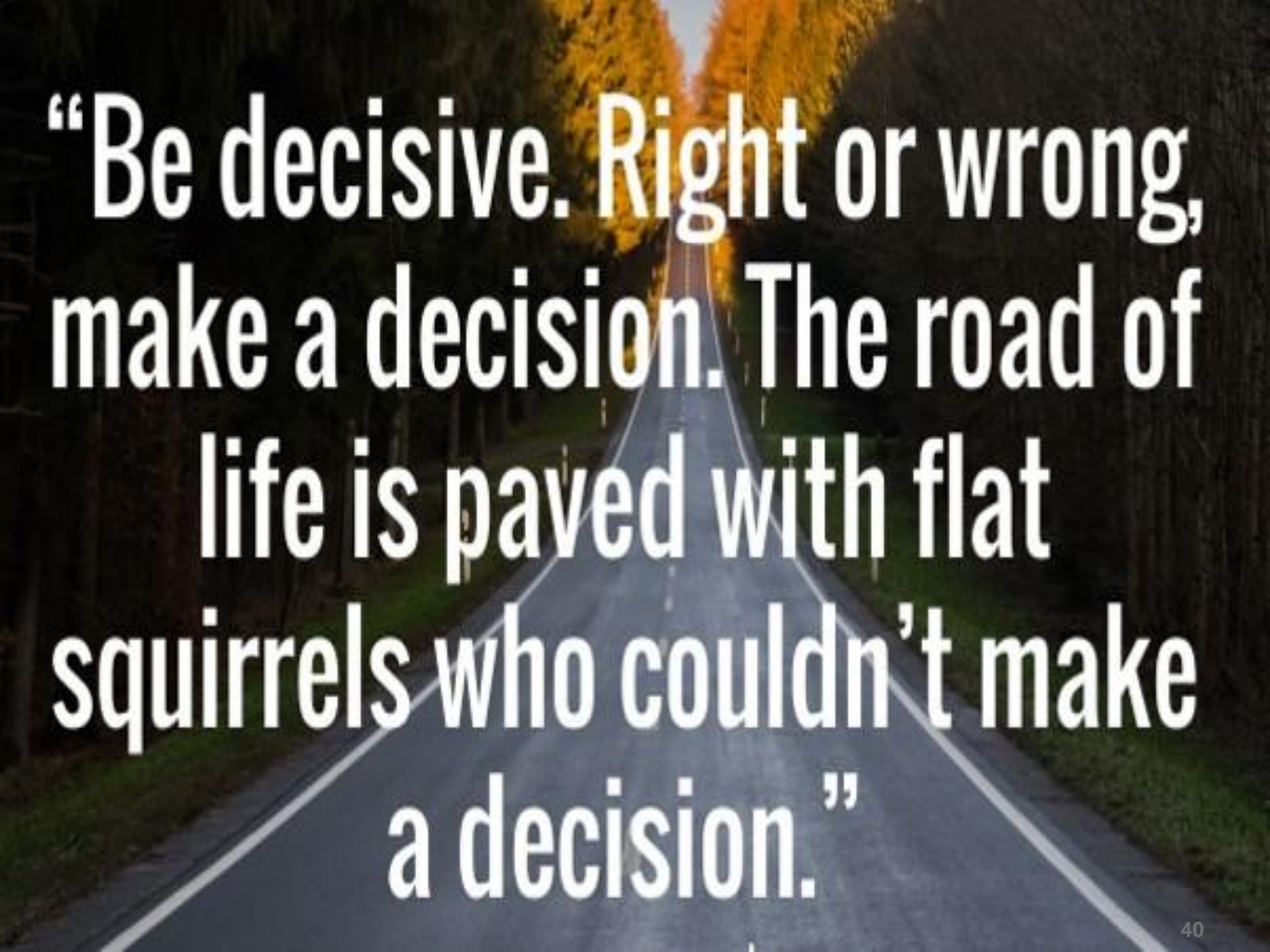
“Silicon Valley is Coming”

“There are hundreds of startups with a lot of brains and money working on various alternatives to traditional banking...

We are going to work hard to make our services as seamless and competitive as theirs.

And we also are completely comfortable with partnering where it makes sense.”

- Jamie Dimon, Chairman and CEO, JP Morgan



**“Be decisive. Right or wrong,
make a decision. The road of
life is paved with flat
squirrels who couldn’t make
a decision.”**

Joe Proto
jproto@transactis.com

