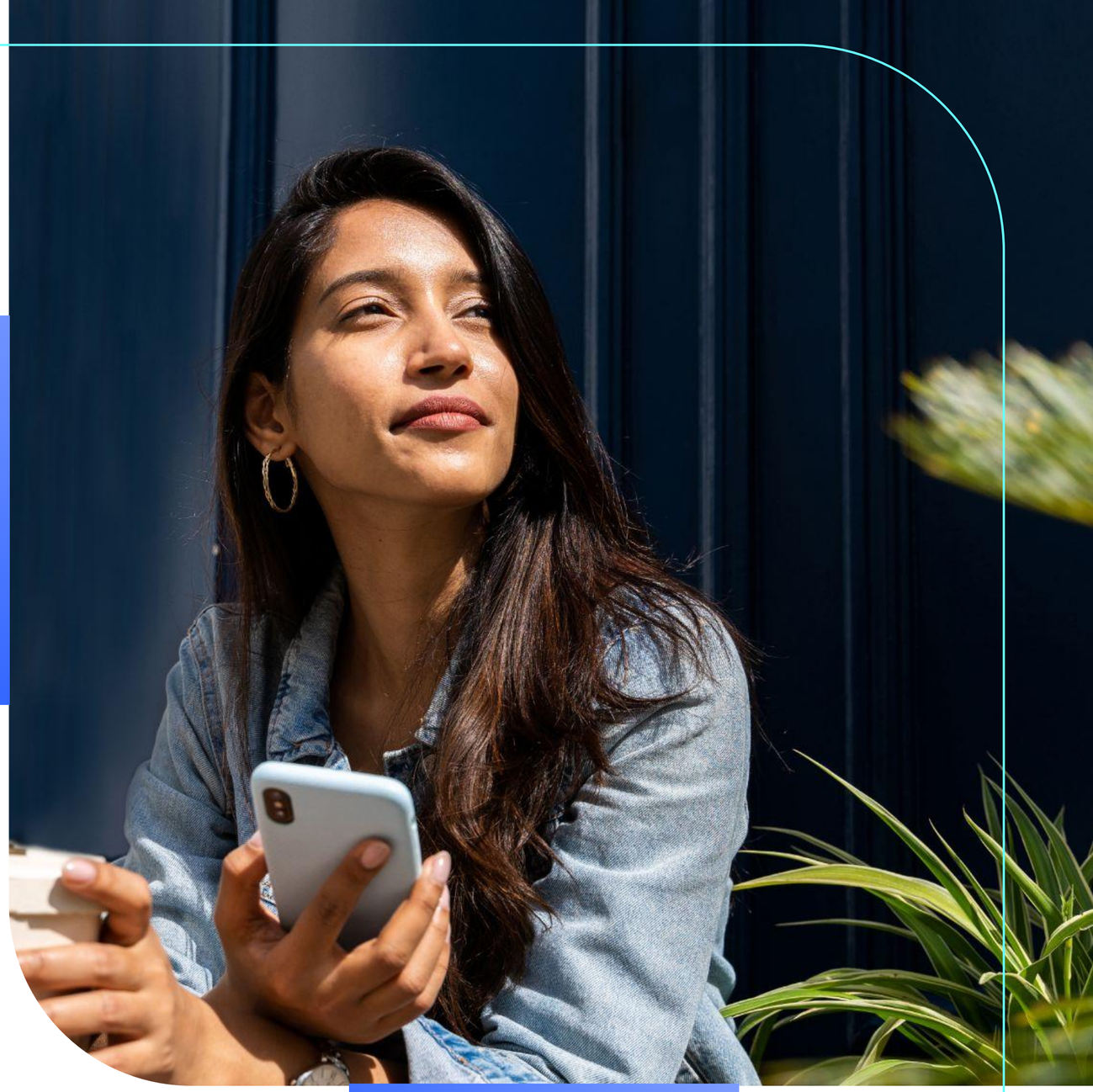
Backbase

Backbase vs. Q2

Value Consulting View



Agenda

01. Overview of the POV

02. Background

03. Comparison

04. Conclusion

05. Appendix

Backbase

01

Overview of the POV

Approach and methodology used for this product comparison POV

Overview

Q2 vs Backbase

Point of view based on value consulting experience

Purpose of this POV

Holistic framework for assessment

This document has been put together **for our internal sales team and any partners** only to use when comparing the Backbase and Q2 solutions.

Approach for this POV

Backbase experience from field through consulting

We have used our experience as former Q2 clients, employees, and consultants supporting clients using the Q2 platform. We have also gathered data from public sources, as possible.

Backbase

02

Background

What does each company offer and how analysts compare them

Backbase

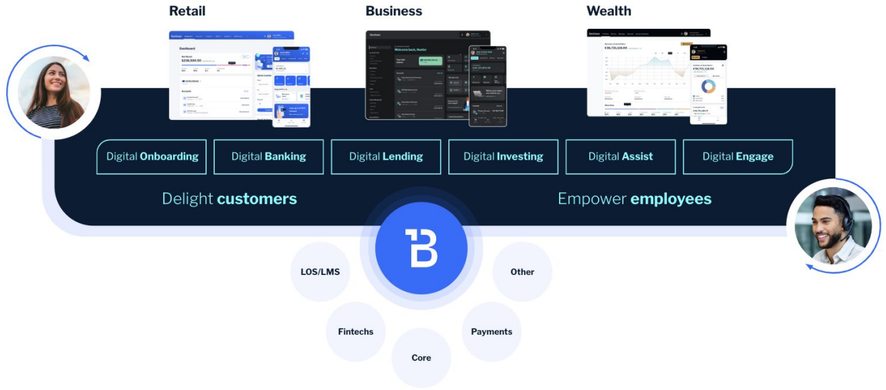
Who we are

Established: Found 20 years ago, profitable
Global: HQ in Amsterdam, 17 countries
Innovators: 50% dedicated to R&D
Diverse: Over 2,200 employees, 42 nationalities
Partners: Microsoft and leading ISVs

Who we serve

EverBank
NAVY FEDERAL Credit Union
KeyBank
BANK OF OKLAHOMA N.A.
BankUnited
Eastern Bank

Trusted by 200+ of the worlds best financial institutions.



What we do

What people say

CELENT
Celent Names Backbase a Leader in Digital Banking Platforms

FORRESTER®
Backbase is named a leader in The Forrester Wave™: Digital Banking Engagement Platforms and Hubs.

OMDIA
Backbase is named a leading Digital Banking platform

Q2

Who they are

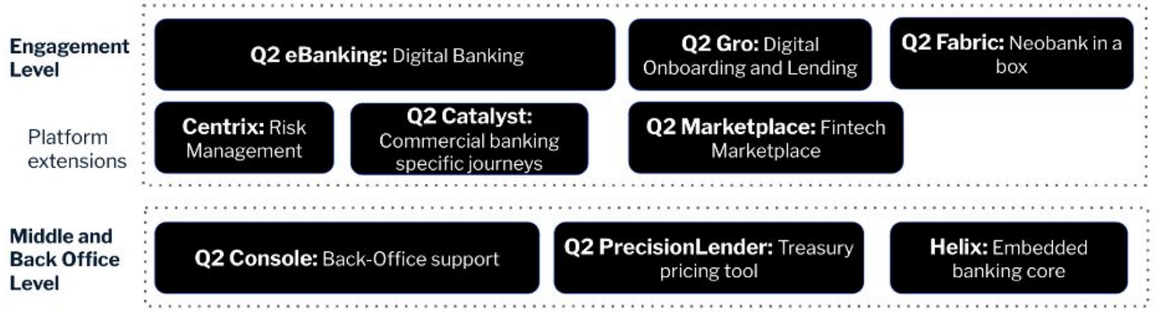
Established: 2004. Listed on NYSE.
Locations: HQ in Austin, TX. Also, India, Canada, Mexico, Australia, and UK.
Innovators: 35% spent on R&D in 2023
Diverse: Over 2,300 employees
Partners: Various tech firms like MX, Plaid, cpi, pendo, Socure, MasterCard, Autobooks, Salesforce. No integrators.

Who they serve

ABN·AMRO
axos BANK
SYNOVUS
Stanford FEDERAL CREDIT UNION
ROCKLAND TRUST BANK — Where Each Relationship Matters®
VISIONS FEDERAL CREDIT UNION
For The Life You Build NUVISION CREDIT UNION
UMPQUA BANK

Over 450 FIs in North America, including 50% of the top 100 US Banks. Steadily moving up market.

What they do



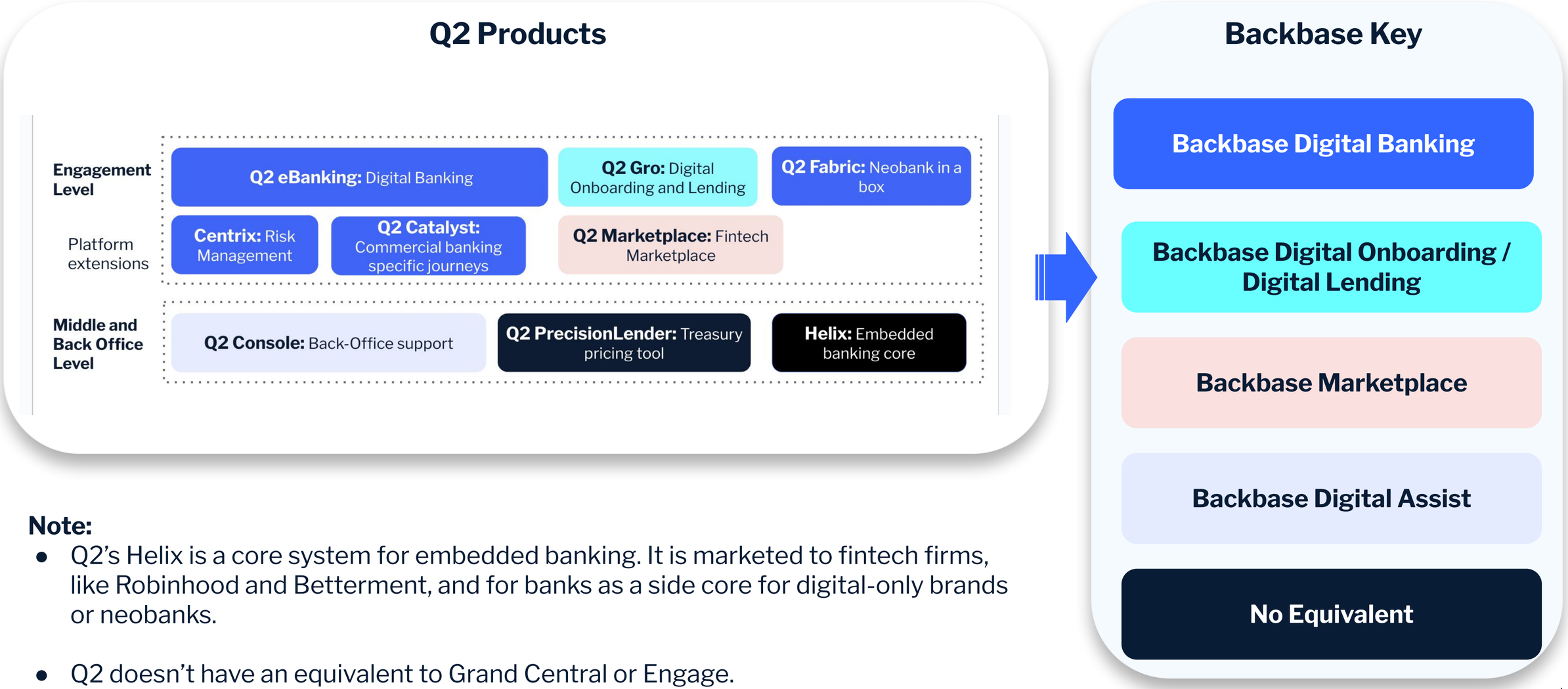
What people say

2023

2022

(Backbase were not part of the analysis)

Q2 Products with Backbase Equivalents



Note:

- Q2's Helix is a core system for embedded banking. It is marketed to fintech firms, like Robinhood and Betterment, and for banks as a side core for digital-only brands or neobanks.

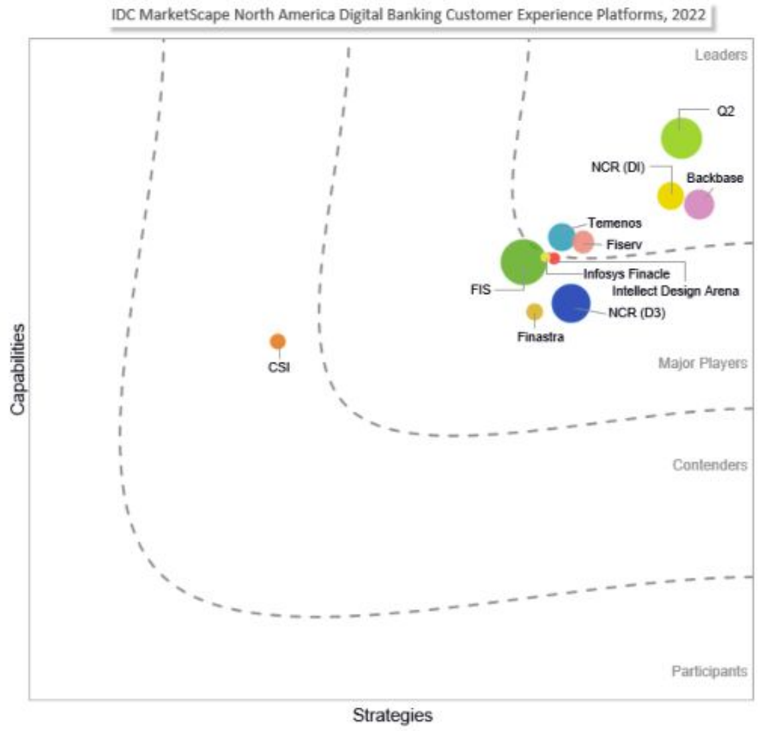
- Q2 doesn't have an equivalent to Grand Central or Engage.

How analysts compare us

IDC NA Digital Banking Vendor Assessment

IDC gave a slight edge to Q2 due to their larger market share in North America over Backbase. Q2 lost points due to several acquisitions that had yet to be integrated to the platform. That is still a current issue.

IDC MarketScape North America Digital Banking Customer Experience Platforms Vendor Assessment



Source: IDC, 2022

Javelin NA Digital Banking Vendor Assessment

Javelin recognized Backbase as the overall winner in their assessment. Most of Backbase's shortcomings noted have been addressed, particularly the lack of out-of-the box capabilities. Q2's more notable shortcomings were in money movement and APIs, most of which have been addressed since.

Backbase Wins 'Best in Class'

Figure 1. 2021 Digital Banking Platform Vendor Scorecard Results

OVERALL RESULTS (BEST IN CLASS)	Functionality (50% of overall score)	Experience & Engagement (30% of overall score)	Development & Delivery (20% of overall score)
1 Backbase	1 Backbase	1 Q2	1 FIS
2 Apiture	2 Apiture	2 Apiture	2 Backbase
3 Q2	3 Jack Henry	3 Alkami	3 Fiserv
4 Alogent	4 Alogent	4 Alogent	4 Apiture
5 Fiserv	5 Q2	5 NCR	5 Q2
6 FIS	6 Fiserv	6 Backbase	6 NCR
7 NCR	7 Alkami	7 Fiserv	7 Jack Henry
8 Jack Henry	8 FIS	8 FIS	8 Alogent
9 Alkami	9 NCR	9 Finastra	9 Finastra
10 Finastra	10 CSI	10 Jack Henry	10 Alkami
11 CSI	11 Finastra	11 CSI	11 CSI

Overall Leaders Category Leaders

Backbase

03

Comparison

How we see the differences between the two solutions

Comparison Matrix Categories

We used four categories to compare the solutions offered by Q2 and Backbase. These are:

Integrated Solution

Depth and breadth of functional capabilities in day to day digital banking operations through:

- Platform Architecture
- Available customer journeys
- Omnichannel experience

Operating Model

Operating model is vital for the success of digital transformation as it directly refers to efficiency, transparency, and control of digital operations through:

- Efficiency of operations
- Time to market
- Integration capabilities

Strategy & Roadmap

This category reviews the vendor's product roadmap and how its overall strategy aligns with current and future digital banking trends through:

- Platform vision
- Roadmap maturity
- Fintech marketplace

Solution Innovation

The solution is reviewed in terms of the innovation of its:

- Business functionality
- User experience
- Technology design.

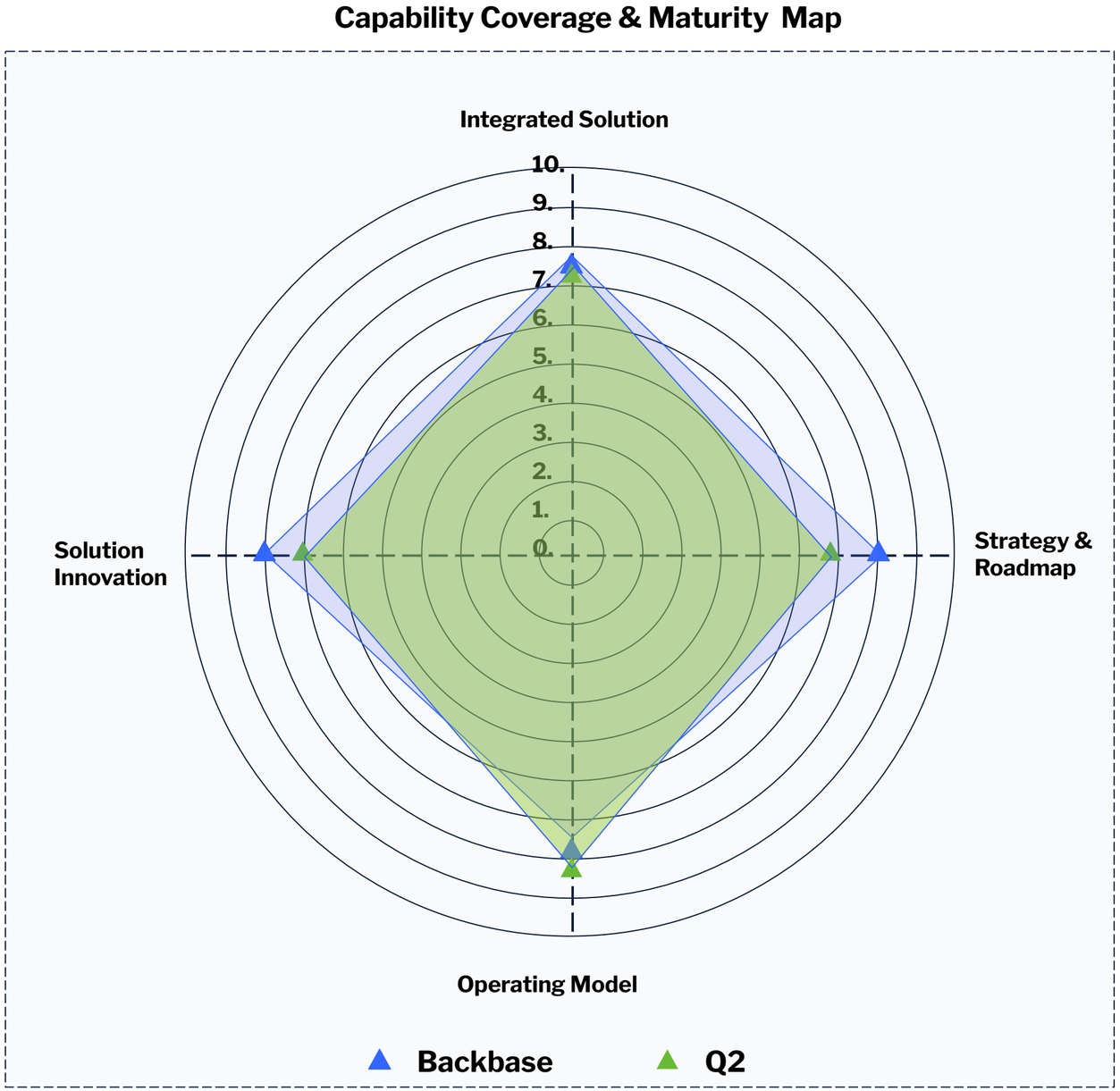
**Please note: we have not included market presence and product pricing of both solutions as these parameters are situational*

Backbase vs Q2 Capability Overview

We have used 4 categories and 12 criteria to compare the two solutions.

The final score shows a slight edge to Backbase, largely driven by the flexibility of the platform.

	Backbase	Q2
Integrated Solution	7.67	7.33
Operating Model	7.67	8.00
Strategy and Roadmap	8.00	6.67
Solution Innovation	8.00	7.00
Overall	**7.83**	**7.25**



Integrated Solution

Overall Backbase has a slight edge over Q2, due to extensibility and native mobile architecture

- **Platform Architecture:** We give Backbase an edge in this category. Backbase's architecture is extensible which allows for immediate customization, Q2's SDK is very limited.

Backbase	Q2
8	6

- **Available Customer Journeys:** As noted on this graph, both platforms have the standard journeys available. Q2 has significantly more out of the box journeys and therefore are easy to deploy, even compared against BB's Model Bank.

Backbase	Q2
7	9

- **Omnichannel Experience:** Both platforms are built to be omnichannel. Backbase has a slight edge as mobile is native, while Q2 is adaptive.

Backbase	Q2
8	7

Operating Model

Q2 has a slight edge due to its standard model

- **Efficiency of operations:** Q2's platform is a standard system, as opposed to Backbase extensibility, allowing for a standard operation that is defined from the start.

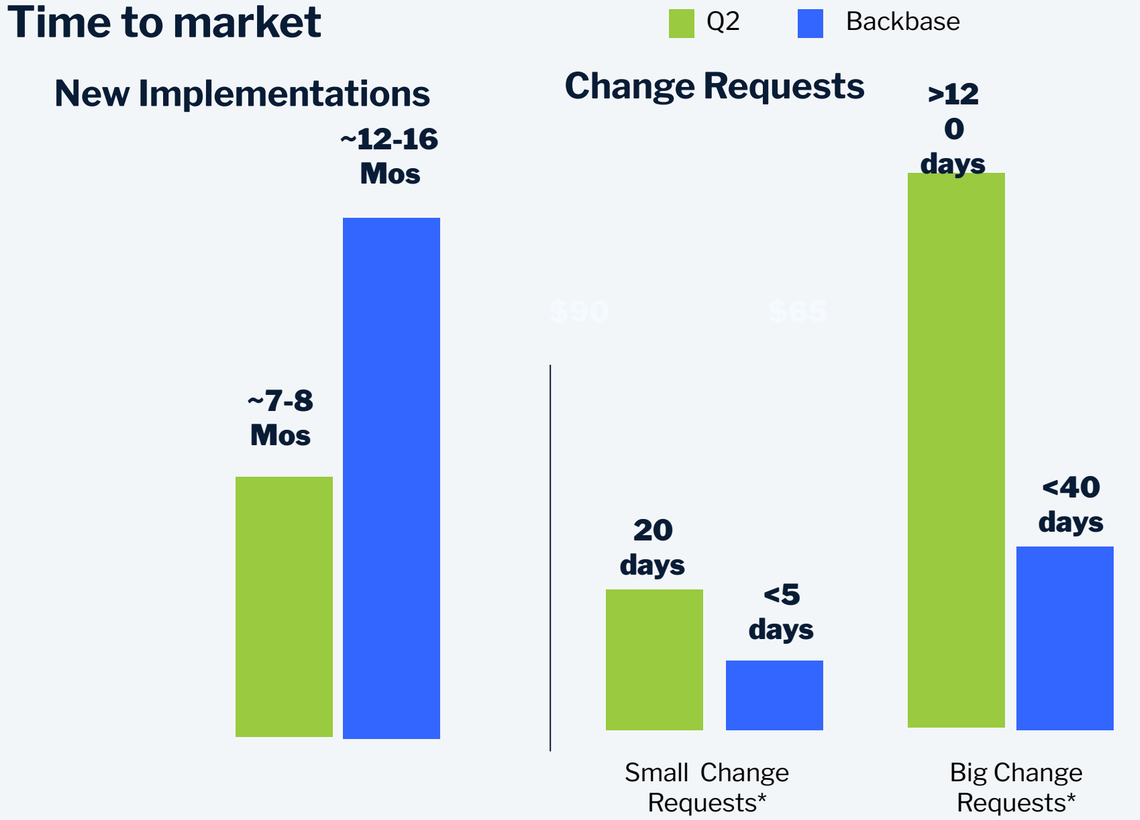
Backbase	Q2
7	9

- **Time to market:** Q2's platform is built for "plug-and-play" standard. While Backbase does Model Bank, it still requires a higher level of configuration than Q2, making it a longer time to market for a new implementation on average. Ongoing new functionality GTM is significantly faster with Backbase.

Backbase	Q2
8	8

- **Integration capabilities:** Both have well-defined integration capabilities. Backbase's Grand Central allows for more extensive integrations, while Q2 has an edge with having more experience with core and functional integrations in North America.

Backbase	Q2
8	7



- Small change request: field level changes like validations, UI/UX edits, branding changes
- Large changes request:: building a new customer journey from scratch e.g. building a new eKYC or enrolment journey for customer with multiple views, business workflows and integrations

Strategy & Roadmap

This is the biggest area of differentiation. Backbase's vision is of a true platform, while Q2 is of a standard digital banking solution.

- **Platform vision:** Backbase's extensibility allows for differentiation by FI. Q2's vision is generally tied to their single roadmap, requiring a client to wait 6-18 months for expected functionality. Q2 doesn't leverage an SI ecosystem.

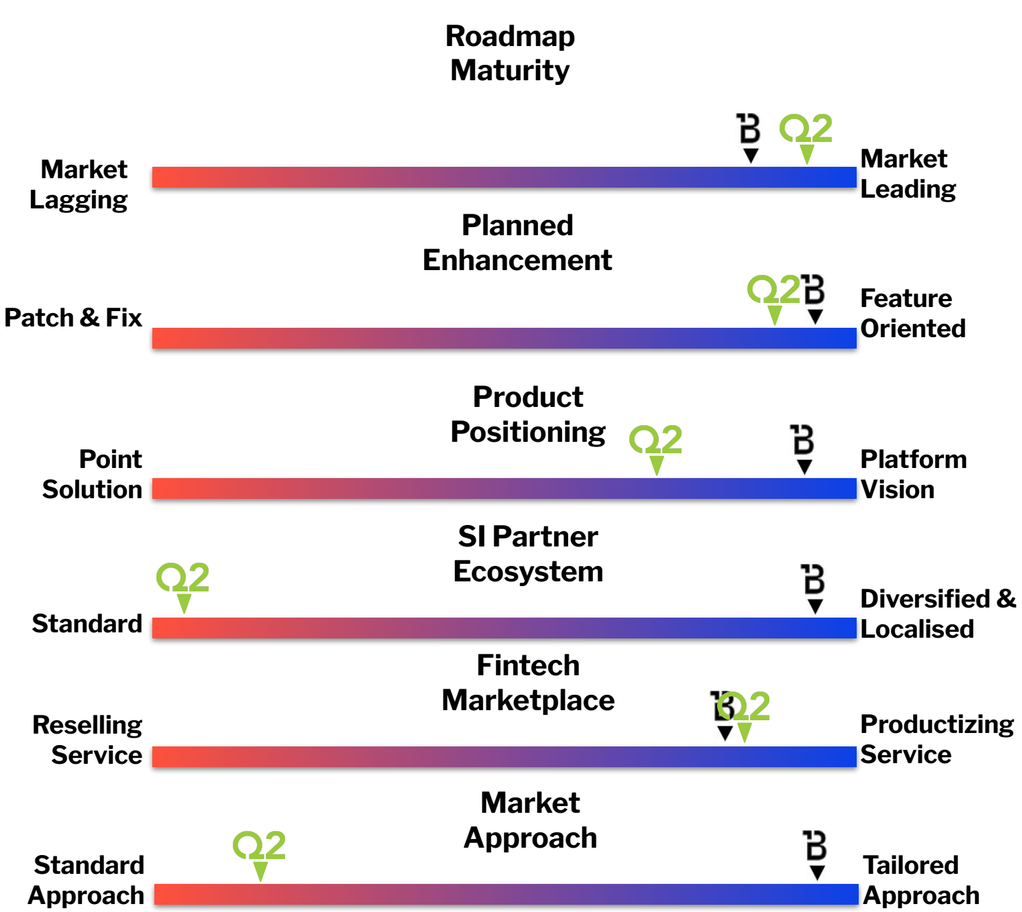
Backbase	Q2
9	5

- **Roadmap maturity:** With 20+ years in the space both platforms have a robust roadmap.

Backbase	Q2
7	7

- **Fintech marketplace:** Both platforms offer a fintech marketplace. Q2 has created ready to install integrations with a large number of fintechs that don't require intervention of Q2. However, with Backbase's superior integration layer, it is significantly easier to integrate vendors that aren't part of the official marketplace.

Backbase	Q2
8	8



Legend: Q2 = Q2 | Backbase = Backbase

Solution Innovation

Different philosophies drive how innovation is pursued by each solution

- **Multi-segment functionality:** Both platforms have coverage of consumer, small business, and commercial banking. Backbase has an edge due to wealth management and retail investment capabilities, while Q2 has more extensive business and treasury capabilities.

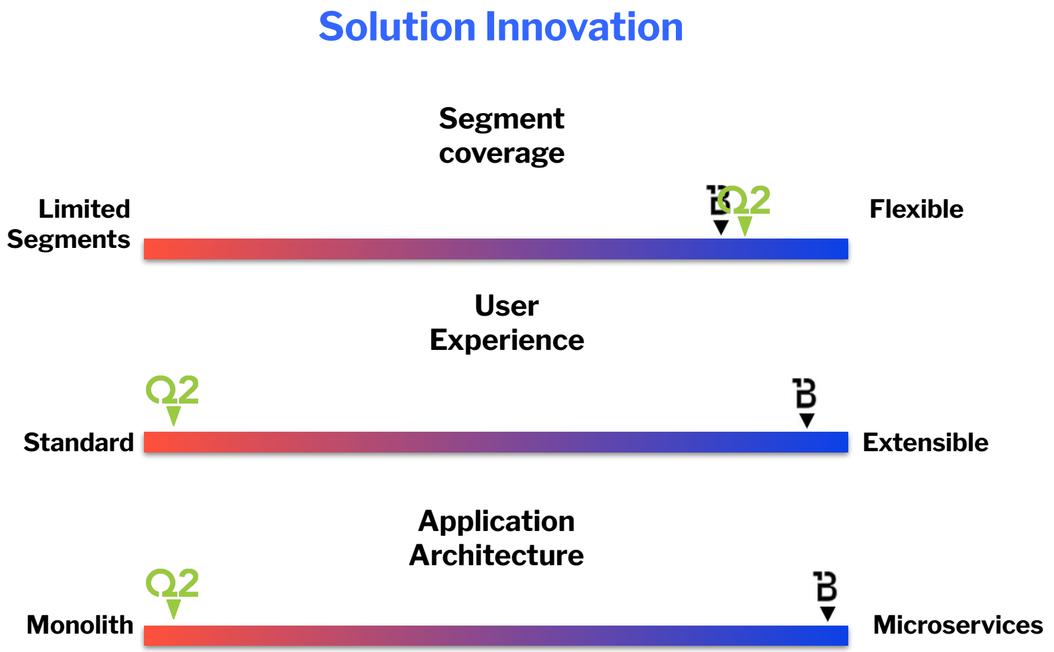
Backbase	Q2
8	8

- **User experience:** Backbase extensibility allows for a wide range in UX. While Q2 nominally supports user experiences beyond their standard through their SDK, it is not truly built for totally new experiences. Further, their UX has been largely static for nearly a decade.

Backbase	Q2
8	5

- **Technology design:** Backbase is built on Java while Q2 is python and docker images. Their technology is appropriate for their separate visions. Backbase allows wider range in installations (SaaS, on-prem, and fully hosted) while Q2 has better defined SaaS and multi-tenant offerings.

Backbase	Q2
8	8



Legend: Q2 = Q2 B = Backbase

Backbase

04

Conclusion

What are the salient differences between the solutions

Which is the Right Platform?

Making a choice for digital channels is a strategic decision for any bank, which will decide the direction for the next 5-10 years of market positioning of the bank, and impact top line and bottom line accordingly.

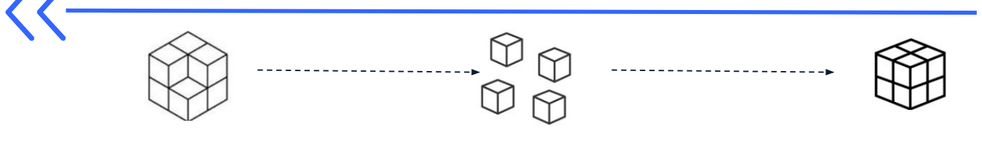
Q2

Choose a standard solution that many smaller organizations have deployed

- As a standard platform, implementation is fast but functionality delivery is limited by what their users vote for
- Customer experience is managed by Q2
- Q2 solutions lack robust integration (e.g., Q2 GRO's integration with Q2 eBanking)
- Q2 clients have to largely rely on Q2 for implementations and integrations as SIs aren't supported

Backbase

Embrace composable banking with 100% microservices architecture and agile operating model



- Embrace lean implementation with shorter functionality delivery cycle
- The FI can decide how much of the experience they design
- Native functionality across all parts of the platform
- Backbase clients can develop on the platform or can choose their own SIs or Backbase

Backbase

05

Appendix

Simplified Picture of Q2's solutions

Engagement Level

Q2 eBanking: Digital Banking

Q2 Gro: Digital Onboarding and Lending

Q2 Fabric: Neobank in a box

Platform extensions

Centrix: Risk Management

Q2 Catalyst: Commercial banking specific journeys

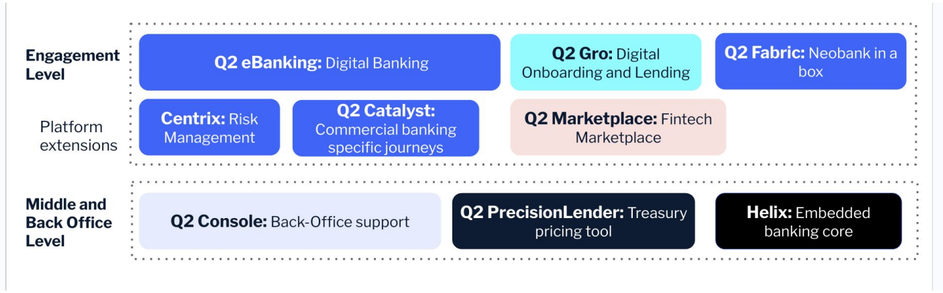
Q2 Marketplace: Fintech Marketplace

Middle and Back Office Level

Q2 Console: Back-Office support

Q2 PrecisionLender: Treasury pricing tool

Helix: Embedded banking core



Gartner Description of Q2

Q2Q2, headquartered in the U.S., offers the Q2 Digital Banking Platform. Q2's solution suite includes digital banking for retail and commercial users, a third-party marketplace, BaaS through open cloud-based APIs, and solutions targeted across the lending life cycle. Q2 has 414 North American customer deployments on the Q2 Digital Banking Platform, and 250 global clients with digital lending solution deployments.

Q2 targets North American banks and credit unions, with clients ranging from $40 million to $110 billion in assets under management, with a focus on a target market within the $5 billion to $20 billion asset range. The solution can be deployed in the cloud or through a SaaS offering, with a typical implementation timeline of six to 12 months.

Q2 is a .NET platform with an industry-standard relational database management system (RDBMS) provided as a SaaS solution. Cutting-edge technical differentiators include open API BaaS, and blockchain for data security (Q2 Trustview powered by ALTR).

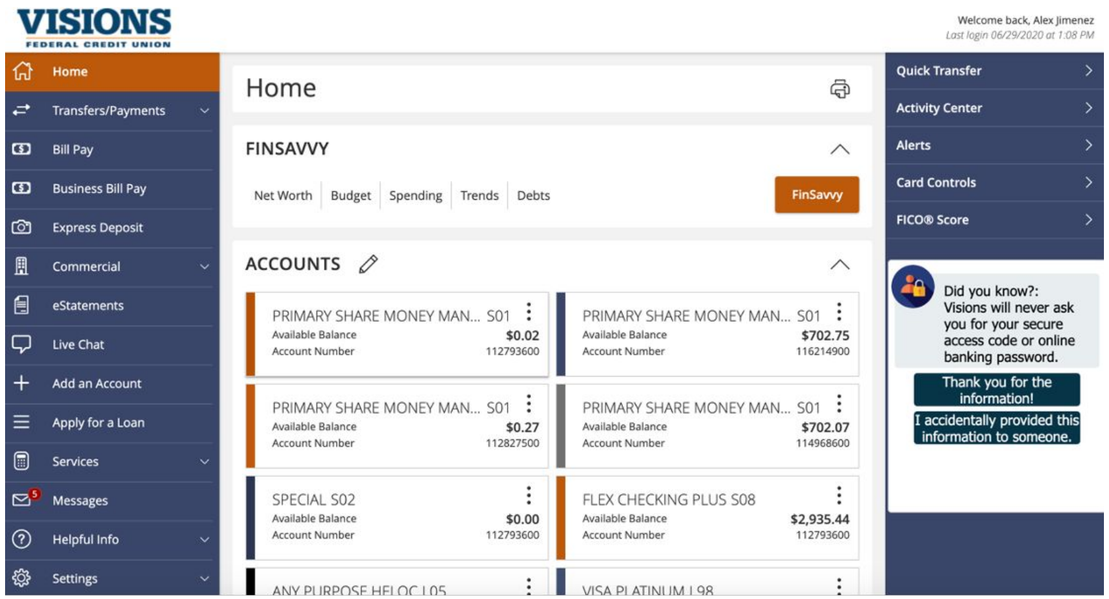
Gartner’s Description of Backbase

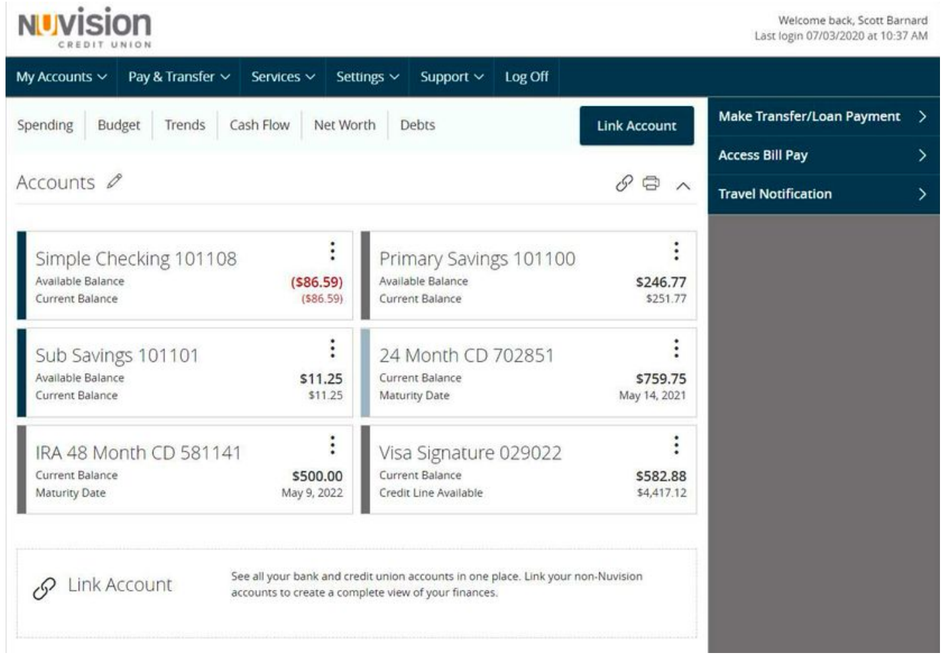
Backbase, headquartered in the Netherlands, offers the Backbase Engagement Banking Platform. Backbase has 316 customer deployments: 203 in North America, 61 in Western Europe, 26 in Eastern Europe, 16 in Asia/Pacific, and 10 in the Middle East and Africa. Backbase lets financial institutions adopt, extend or build on top of the Engagement Banking Platform.

Backbase capabilities are built in Java and are containerized through Kubernetes, allowing the solution to be deployed in the cloud, on-premises or SaaS, with a typical implementation timeline of three to six months. The Engagement Banking Platform is built on a microservices architecture. Backbase follows the OpenAPI specification and offers developer capabilities for firms seeking to build custom experiences. All APIs are compatible with open banking in the U.K. and the EU’s revised Payment Services Directive (PSD2), including consent management and strong customer authentication (SCA).

Q2 Screenshots

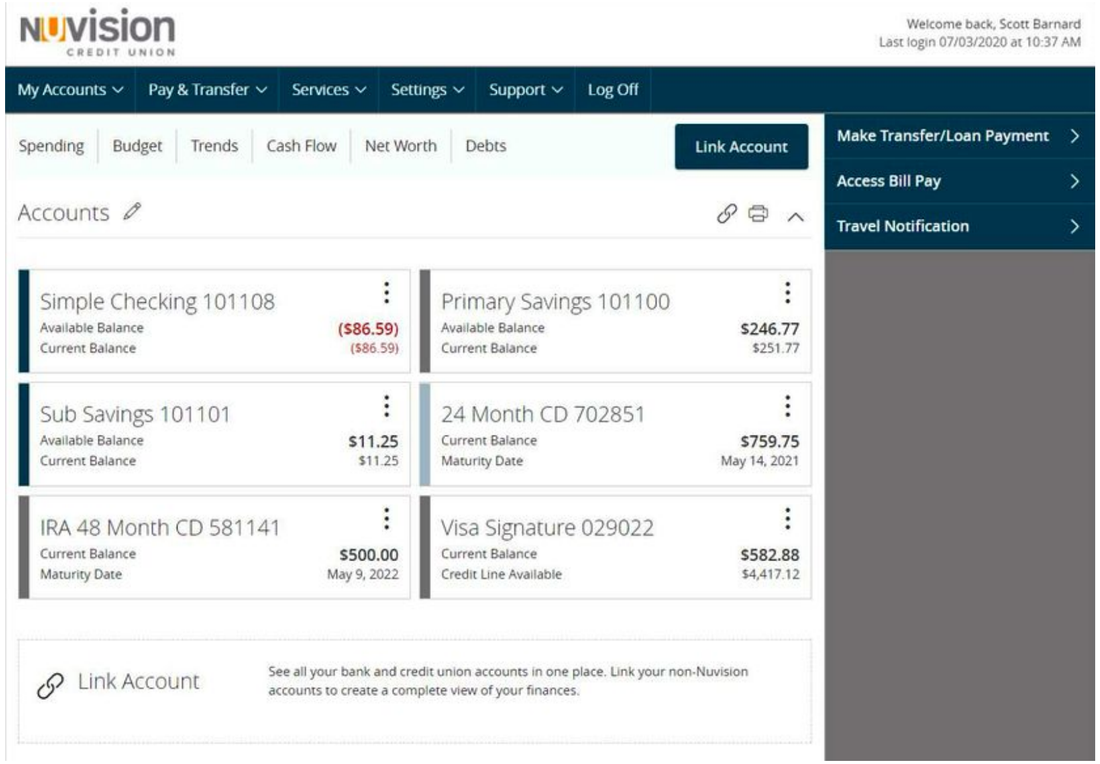
These two Credit Unions have nearly identical UX. Visions chose to have left hand navigation, while Nuvision chose a top navigation. These two screenshots are from 2020.

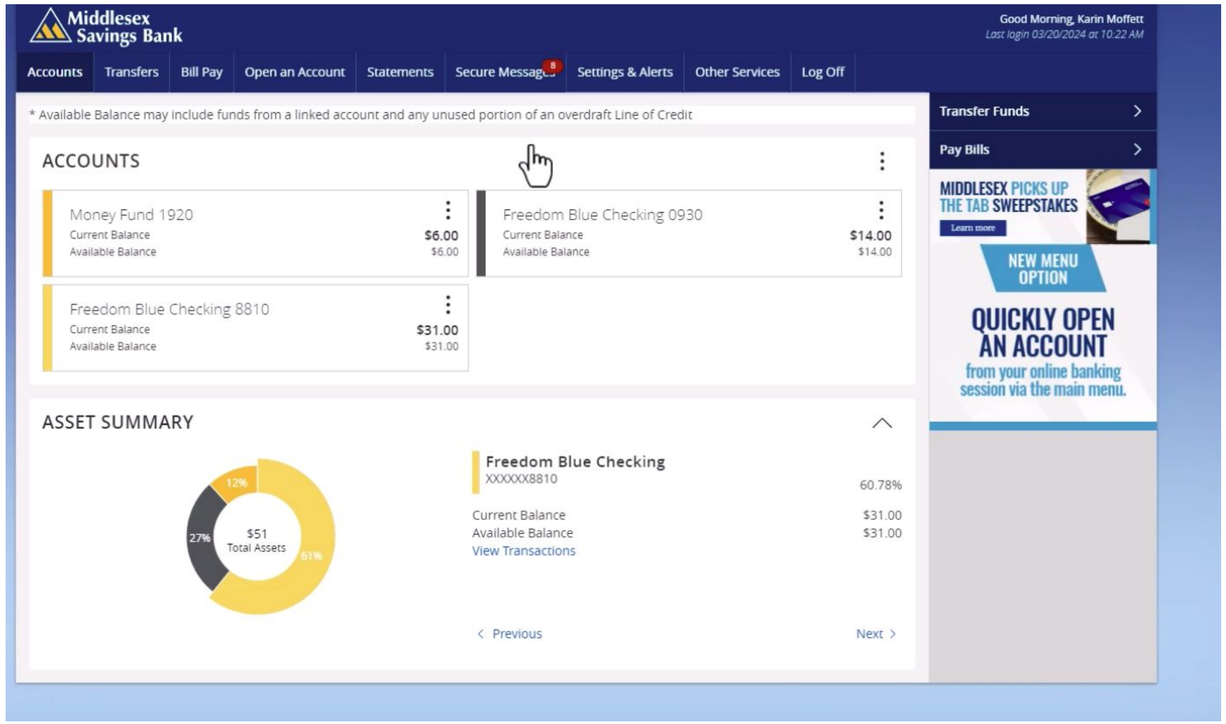




Q2 Screenshots

In this comparison, Nuvision’s 2020 experience is almost identical to Middlesex's 2024 experience. The major difference is the “Asset Summary” donut chart that was implemented in 2023.





Noted shortcomings of Q2’s platform from an insider

Architecture

- Native user experience for Android and iOS - This allows the user to interact with OLB with the same UX standards as the mobile device. Meaning that buttons, navigation, and other standards within the device carry over to the Backbase experience. Q2 is ~90% responsive design web UI. Meaning that the UI for mobile is the same as the web but adjusted to the screen size. They do not offer a way to provide a 100% native mobile experience.
- Database Changes - Q2 limits what FIs can add to the database for development. Access is also limited to SDK team review and addition. FI's cannot modify directly. It also does not allow any changes to the existing schema.
- No Code Templates - FI developers must start from zero when creating flows that are similar to standard banking use cases. Q2 does not have a model bank but only a product-based code. Thus, an FI cannot review how the journey works and modify it.

Noted shortcomings of Q2’s platform from an insider

Functionality and UX

- Push Notifications - since the Q2 app is not fully native adding push notifications is very limited. It requires changes to the product, while BB can do this via config. Q2 is addressing this gap as they now have push capabilities.
- Real-Time Alerts - Q2 does not have the ability to deliver real-time alerts since their integration model is based on batch import every 15 to 60 minutes. Backbase is performing this today by leveraging event messaging.
- The employ app does not allow modification by the FI and limited by Q2 professional services. They are moving from a Windows App to one that is web-based but still not flexible.
- Web UI cannot be easily altered outside of branding. It is easy to identify a Q2 customer since the UI is 90 to 98% the same. Q2 provides a standard solution for all FI's with some level of configuration.
- Q2 typically keeps the way it delivers features such as bill pay, loan payment, M2M, and RDC. They have a set integration and do not alter it to accommodate an FI's preference. That said, they will do this, but only if escalated and pushed very hard.

Noted shortcomings of Q2’s platform from an insider

Integrations

- SDK for FI Integration - The SDK is provided to FI's to make integrations, journeys, and connectors. Unlike BB, Q2 does not expose all of the OLB API's to the SDK. This means that an SDK developer working for the FI can fully integrate with a 3rd party but has many limitations to actions in OLB. Note, they continue to add API's but are behind and run into capacity issues. Per the BB architecture, this is never an issue since all the APIs are available to anyone doing the development. This is actively being changed by Q2 for the SDK limits to internal APIs.
- Onboarding - Q2 purchased Gro for onboarding users but it still needs to be integrated to OLB/DB. The roadmap and features are handled by separate teams, and they have not added a deep integration. It uses a different database, codebase, etc. This is true for new user onboarding as well as adding accounts, both perform the operations outside of OLB/DB and post limited data back.
- Integration to acquisitions - Q2 has not deeply integrated the software they have acquired. Any interaction is limited to posting data across the systems.
- Q2 Product does not Fully Leverage the SDK - Q2 does not have a standard coding language, architecture, etc, that RnD leverages. For example, we use Java and standard web technologies. Q2 uses Python, web technologies, C Sharp, Go Language, Java, and many more. Unlike BB, where CS, RnD, and FI all leverage the same standard development libraries and coding languages, Q2 is starting to use the SDK more, but the tools and languages used are different by the department.

Comparing chosen metrics

We chose 13 representative BB installations and similar Q2 installations. Q2 has a slight edge in nearly all areas.

		Backbase Installations															
Metric	Description	Eastern	Wings	Schools First	BankUnited	BOK	Navy Federal	UFCU	Blue FCU	First Bank	Ent	WSECU	Wildfire	Westerra	Min	Average	Max
Location		MA	MN (Airlines)	CA	FL	OK	VA (National)	TX	WY	MO	CO	WA	MI	CO			
Asset Size ($B)		21	9.6	30	36	50	168	4.6	2.25	6.8	9	5	1.1	2.1			
MB Customer Enrollment	Estimated current mobile bankin	15.55%	38.30%	36%	15.44%	77.33%	41.05%	34.84%	43.83%	17.46%	36.80%	39.30%	18.08%	42.73%	15.44%	35.13%	77.33%
OLB Enrollment	Estimated current online banking	17.47%	43.01%	40.43%	17.34%	86.85%	46.10%	49.33%	49.22%	37.80%	41.33%	44.14%	23.32%	47.99%	17.34%	41.87%	86.85%
ROA	Net income to average (tangible)	0.78%	0.20%	0.17%	0.67%	0.69%	0.99%	0.40%	0.33%	0.23%	0.70%	-0.12%	0.06%	0.22%	-0.12%	0.41%	0.99%
ROTE	Net income to average tangible e	7.09%			7.94%	8.99%				3.53%					3.53%	6.89%	8.99%
Efficiency Ratio	Non-interest expense to total rev	61.11%	76.46%	86.45%	59.02%	66.83%	55.92%	83.37%	84.54%	88.93%	71.39%	77.81%	95.54%	87.41%	55.92%	76.52%	95.54%
Revenue Growth	Period growth rate	-13.40%	-1.78%	6.99%	-5.38%	-5.64%	10.39%	1.87%	22.97%	-12.23%	2.94%	-21.17%	4.56%	4.71%	-21.17%	-0.40%	22.97%
MB App Rating	Average of Google and Apple	2.15	4.65	4.85	4.6	4.75	4.55	4.7	1.75	2.8	4.7	4.35	2	2.25	1.75	3.70	4.85
Google Play	Current Google Play Rating	2.4	4.5	4.9	4.4	4.6	4.2	4.7	1.7	2.9	4.6	4.8	1.8	2.5	1.7	3.7	4.9
Apple App Store	Current App Store Rating	1.9	4.8	4.8	4.8	4.9	4.9	4.7	1.8	2.7	4.8	3.9	2.2	2	1.8	3.7	4.9

		Similar Q2 eBanking Installations															
Metric	Description	RTC	American Airlines	UMB	Southstate	Umpqua	First Citizens	TEXAS DOW EMPLOYEES CU	Nuvision	LAKE CITY BK	CITIZENS EQUITY FIRST CU	Visions FCU	4FRONT CU	UTAH COMMUNITY FCU	Min	Average	Max
Location		MA	TX (Airlines)	MO	FL	OR	NC	TX	CA	IN	IL	NY	MI	UT			
Asset Size		20	9	45	45	52	218	4.8	3.3	6.6	8	5.5	1.1	3			
MB Customer Enrollment	Estimated current mobile bankin	65.79%	46.75%	18.69%	66.81%	70.26%	14.12%	56.25%	25.02%	77.34%	36.94%	32.47%	45.08%	34.22%	14.12%	45.36%	77.34%
OLB Enrollment	Estimated current online banking	73.88%	50.03%	31.84%	75.03%	78.91%	34.07%	63.17%	28.10%	86.85%	41.48%	36.46%	50.63%	38.43%	28.10%	52.99%	86.85%
ROA/ROTA	Net income to average (tangible)	1.08%	0.24%	0.99%	1.13%	1.05%	1.13%	0.45%	0.37%	1.48%	2.39%	0.02%	0.04%	1.15%	0.02%	0.89%	2.39%
ROTE	Net income to average tangible e	10.37%		15.65%	13.15%	14.61%	14.32%			15.34%					10.37%	13.91%	15.65%
Efficiency Ratio	Non-interest expense to total rev	57.59%	71.92%	57.27%	57.19%	51.96%	55.24%	77.89%	81.48%	47.19%	54.09%	95.96%	90.05%	69.12%	47.19%	66.69%	95.96%
Revenue Growth	Period growth rate	-10.60%	-7.58%	5.41%	-8.28%	12.74%	-78.10%	-3.79%	-1.29%	-3.13%	44.51%	9.29%	2.31%	3.07%	-78.10%	-2.73%	44.51%
MB App Rating	Average of Google and Apple	4.6	4.6	4.35	4.7	4.3	4.55	4.55	4.05	4.45	4.6	4.55	4.45	4.45	4.05	4.48	4.70
Google Play	Current Google Play Rating	4.70	4.50	4.40	4.80	4.20	4.60	4.50	3.90	4.50	4.60	4.50	4.50	4.40	3.9	4.5	4.8
Apple App Store	Current App Store Rating	4.50	4.70	4.30	4.60	4.40	4.50	4.60	4.20	4.40	4.60	4.60	4.40	4.40	4.2	4.5	4.7

Aggregate Leader