

SPACE

THE FINSTAR CUSTOMER MAGAZINE

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Science fiction for the banking industry

Welcome to the first edition of “Space”, our Finstar customer magazine. True to its name, “Space” makes use of space and time to regularly inform you of developments involving our banking platform and ecosystem. Communication is a vital element for any organism or organization. If this exchange is interrupted, environment-oriented and goal-focused further development is no longer possible. This is why we are enhancing our living ecosystem by adding “Space”. Alongside staff, customer banks, fintech firms and partners, we are also inviting all interested parties to take part in this dialog – a dialog that, as befits an ecosystem, is open. Our focus is on current challenges and issues surrounding banking and the resulting banking IT. At the same time, we would like to venture a look into the future with you, to develop and discuss hypotheses and solutions, and to discount these as necessary. In this very context, “Space” actually has a little science fiction thrown in as well: Based on our experiences and current knowledge, we create an image of tomorrow and work to make our fiction become reality. I look forward to your reactions, your input, and our shared journey into the future of banking and banking IT.

Yours, Marianne Wildi
CEO



∴ INTERVIEW WITH ANDRÉ RENFER

«Giving more ideas a chance.»

Having opened its comprehensive banking platform and established its award-winning ecosystem, Finstar is optimally prepared for the challenges of the new decade. The basis for this strong future was put in place at an early stage and consistently adhered to on all levels.

For André Renfer, the 2010s were all about opening up and reorientation, with a unit of his own, focused on Finstar and related services. According to this member of the company management at Hypothekarbank Lenzburg, the Finstar comprehensive banking platform’s better positioning and visibility as a stand-alone product brings significant advantages, for instance regarding communication with the market. There is an awareness on the market that Finstar and the bank are not one and the same. Nevertheless, the affiliation with Hypothekarbank Lenzburg still plays a very important role.

“We have mastered the technology and the banking”

Renfer states that opening up technically, under the heading of Finstar open banking and the Finstar ecosystem, also entailed opening up mentally: New people incorporating their ideas and increasing the dynamism, from conception through to implementation. Right now, there are around 50 experts on the Finstar team. The fact that Finstar has moved into offices of its own underlines the importance of this unit to Hypothekarbank Lenzburg. There are many who have mastered technology or



André Renfer, Director of Services,
Hypothekarbank Lenzburg

banking, but Renfer says that having mastered both is a highly distinctive feature that makes Finstar and 'Hypi' Lenzburg unique.

Mr. Renfer, looking at the Hypothekarbank Lenzburg business report for 2019, it seems Finstar is also becoming increasingly important with respect to business results. Is that a misleading impression? No, Finstar has become a substantial part of the profit and loss account. The intention is to generate constant income through the sale of services. This decision was made in the year 2000, when the solution started to be given a new technological basis, so as to achieve technical independence from Hypothekarbank Lenzburg. From a present-day perspective, that was a wise and providential step: We know where parts of our future revenue will come from.

“New technologies offer many new opportunities, but also raise questions.”

Financial aspects aside, how would you summarize the past financial year?

The year 2019 was all about a new beginning, change and dynamism, especially regarding fintech firms. Many different domino effects took place. The year 2020 also brings interesting projects. Now that another decade has passed, the next technological change is coming. Cloud computing, blockchain, service strategy and a large ecosystem offer many new opportunities, but also raise questions about future architecture. Here, in addition to technological aspects, we also have to take regulatory and

banking-related aspects into account. Our banking license and reputation depend on our decision-making, as does our most important asset: Our customers' trust.

“Whoever has control over the data, controls the bank”

Could you describe the Finstar ecosystem in a little more detail?

We are receiving many more queries about open banking from fintech firms and banks than we can process at present. This shows how many ideas are out there and reflects the size of the market, but it also demonstrates that our resources are limited. We have to be capable of giving more ideas a chance and of not only coupling, but also decoupling, in a quicker and more standardized way. The Finstar platform must enable fintech firms to start their businesses within no more than half a year. We have the technical integration sorted out, but we need to work on opening up mentally: Our task is to make innovations possible. We must allow partners to do more and impose fewer specifications on them, without neglecting key issues, such as security and the legal framework conditions.

Does Hypothekarbank Lenzburg deem it important to have its own software?

It is vital: Ultimately, banks are nothing more than data. Whoever has control over the IT, controls the data and therefore the bank. At the same time, we eliminate dependence on external software providers. Without its own platform, Hypothekarbank Lenzburg would be a regional bank like any other. It wouldn't be so widely known, and it wouldn't be known for being digital and innovative.

What are the goals regarding new Finstar banks?

As mentioned before, Finstar not only guarantees efficient operation of the bank, but as an additional source of income, it adds flexibility and scope. In order to reinforce this strong position, we have set ourselves the goal of bringing in at least two new partners every year, either for our comprehensive banking platform or for individual banking elements. When any Swiss bank starts strategic deliberations on where its future is heading and what capabilities will be relevant, it gets in touch with us sooner or later. In this industry, it is now well known that we at Hypothekarbank Lenzburg realize good, open, flexible and innovative solutions with Finstar.

>> [The interview with André Renfer continues on the back page.](#)

The chance to shape the future

An open API allows efficient technical integration of innovative third-party solutions within overall banking solutions. Such open interfaces enable fintech firms to access the data core system, which was a closed-off area until only recently. Opening this up helps to accelerate innovations. Banking customers benefit from an expansion and improvement of services. By becoming Switzerland's first provider of open standard interfaces for fintech firms with its core banking system Finstar, 'Hypi' Lenzburg has set another milestone on the journey into the future of digital banking.

Rapid rollout of solutions

Although the introduction of PSD2 in Europe does not oblige Switzerland to open up, 'Hypi' Lenzburg has come out in favor of this strategy. Alongside the regulatory framework conditions, the proliferation of mobile devices and apps is contributing to the rise and development of open interfaces. Psychological aspects are equally important: More and more customers are taking the opportunity to manage money on the Internet and to conduct financial transactions anytime, anywhere, with the

aid of modern user-focused applications. In addition to opening up technically, another major challenge is mental openness toward change and the speed of change. Fintech firms drive innovation, move fast and depend on solutions becoming available quickly.

Agile and flexible

When selecting services, those in charge at Finstar ensure that all solutions suit the award-winning ecosystem and can be used as broadly as possible. This is because the open API ultimately serves to activate new business segments, to integrate additional customers and to enable collective tapping of new sources of income. For this purpose, Finstar provides not only open interfaces, but also secure infrastructure and established processes, for aspects such as monetary transactions. On this basis, fintech firms launch their innovative solutions, focusing on the front end, the user experience and the usability of their mobile applications. In parallel, Finstar presses ahead with its own technical matters, whereby the decisive significance of cooperation, learning from partners, flexibility and agility as success factors goes beyond the development process.



Success with a hybrid approach

Thanks to open interfaces, the products and services on offer are constantly being added to. However, certain selected aspects remain, for which Finstar will retain sole responsibility, even in the future. Here, the secret to success resides in a hybrid approach that combines the advantages of digital channels with personal consulting. The core area, with functionality encompassing regulations, security etc., also remains untouched by regtech and fintech partners. This is due less to technical considerations than to risk factors, as issues regarding the bank's license and reputation are involved: 'Hypi' Lenzburg is not only responsible for the availability of its infrastructure, but also for data security and system security. For this reason, even with the open API, Finstar relies on sophisticated security technologies that are proven suitable for daily use in e-banking.

Come what may

From development to the pilot, through to live operation: Finstar is currently collaborating with over ten fintech firms within its ecosystem. For 'Hypi' Lenzburg, the way of the future is toward opening up, along the lines of the worldwide initiatives surrounding the issue of open banking. What these efforts will lead to, and what the future holds for the bank and its software, remain to be seen. However, for 'Hypi' Lenzburg and Finstar, this is a unique opportunity, not just to be involved, but to actively shape one's own future and the future of banking from the outset, whatever is to come. Here, the fusion of bank and software firm is advantageous: Banking-related requirements are identified quickly and can be met efficiently. This interface between business and technology is just as important as the open API interfaces – and to date, in Switzerland, it is just as unique.

Do you have questions or ideas about the future of banking? Get in touch with: andre.renfer@hbl.ch



∴ NEON IN THE FINSTAR ECOSYSTEM

Three months. First transaction.

Neon gives customers the option of handling everyday banking in a modern, innovative, simple and cheap way – with their smartphone. All the end customer needs is the Neon app, the Neon card for monetary transactions and a Hypothekarbank Lenzburg account. The rest is taken care of in the background, via result-oriented cooperation between this Swiss fintech firm and the bank Hypothekarbank Lenzburg.

While Neon defines what is offered to the customer and takes charge of customer acquisition, 'Hypi' Lenzburg provides the Finstar banking platform and the banking license, carries out the monetary transactions for the Neon customers' accounts that it manages, operates the call center, and issues the card. "We were looking for an IT partner and, after considering many candidates, opted for 'Hypi' Lenzburg," says Jörg Sandrock, looking back. "After the first meeting in spring 2017, it quickly became clear that 'Hypi' Lenzburg would enable us to launch our concept on the market promptly," adds the Neon co-founder. The Finstar core banking system and its processes were already being used productively by several banks. The link to Swiss monetary transactions was established, the interfaces via open API were ready and, with Finstar, the fintech firm secured operation of the software. "The technical prerequisites were met and the size was right too: We are appreciated as a customer, which is important to us."

150 years of experience and a digital reputation

There was still one key issue remaining, as Neon had originally intended to start with a fintech license. Due to a delay in its introduction, and on the basis of discussions, it was agreed that the fintech firm would use an external banking license. "Neon customers are automatically 'Hypi' customers," explains Sandrock. "Everyone is satisfied with this

solution." This also applies to the shared customers: "Experience spanning 150 years, technical expertise and a healthy balance speak for themselves. For our customers, the fact that their accounts are managed by 'Hypi' Lenzburg is a real plus." This bank also has a good reputation within the world of banking, especially in the digital domain. "For us, the fact that Hypothekarbank Lenzburg consistently presses ahead with digitization brings nothing but advantages."

Opening up technically and mentally

"We examined the Swiss market and saw that the concept behind Neon, which does exist on other markets, was absent here. We then decided to do it ourselves." With this concept, a deep understanding of the market and a business plan, Neon embarked on its adventure in 2017. Development of the Neon app began in early 2018 and before long, communication with the Finstar core banking system was established. "With the aid of the open API, we saw the first transactions on our app after three months." The available open interfaces played a key role, because the Neon founders, with their many years of experience as consultants, had imagined that it would be difficult to open up a complex banking system – both technically and mentally. "For that reason," says Sandrock, "we were surprised by how efficiently 'Hypi' Lenzburg and the German software firm ndgit were able to open it up." Thus, Neon found itself facing the most demanding phase: mar-

ket entry. “We had ambitious schedules and high expectations. Other providers were edging into the market. We were glad that we could already launch our solution in August 2018.”

2000 customers in one day

“A Maestro card and a simple version of our current app,” says the Neon co-founder, describing the beginnings. In retrospect, the fintech start-up benefited greatly from the early launch: Processes and customer onboarding were optimized, and training on how to handle customer feedback was conducted. “When we then intensively advertised our solution in March 2019, there was a lot of joy and excitement. We were all eagerly awaiting the response.” This turned out to be excellent, with 2000 new customers in one day, but it also brought huge challenges for Neon, ‘Hypi’ Lenzburg and the card issuers. Experience gathered back then has now been incorporated into the app and services. The focus is on constantly adding to what is offered, and in this regard, according to Sandrock, there are still a few good ideas around. Just like the launch, further development of the solution would be impossible without partners. In turn, ‘Hypi’ Lenzburg and Finstar also benefit from Neon. “Despite all the differences, there needs to be a common denominator. You can’t have different characters within a single firm,” says Sandrock with conviction. “We are all open, transparent and honest about our agendas.”

“The Finstar ecosystem is crucial to the implementation of our strategy.”

Faster. More intuitive. Leaner.

“That wasn’t a criterion for us at the time,” says Sandrock, when asked about the importance of the ecosystem when selecting a partner. In the meantime, though, exciting contacts have been made. Cooperation with Sonect has been initiated, for instance. “Neon has no intention of developing its own banking products. We want to manage the ecosystem together with partners, with selected products and services, in the interests of our customers. This makes the Finstar ecosystem crucial to the implementation of our strategy.” Alongside adding to the product range, this fintech firm focuses on continually optimizing and updating the app, which is becoming faster and more intuitive, while the processes are getting leaner, “because customer requirements should be met immediately.” According to Sandrock, users still benefit from a simple off-the-shelf product. With regard to the future, those

in charge at Neon are considering online onboarding, international monetary transactions, or a card product in the premium segment. Thus, the fintech start-up is consistently working to put its vision into practice: “We want to make the best mobile retail bank available to as many customers as possible. An everyday bank offering competitive value for money. In addition, we are getting much, much better and becoming more widely known.”



Both partners benefit

In September 2019, the first partial success on this journey was achieved: 10,000 customers. “The next major milestone is 50,000 customers by the end of the year.” So what is the future role of the traditional bank? “Not all of the Swiss want to conduct banking transactions in a mobile way,” says Sandrock. “Today, around 50 percent of them do. The branch office is still very important when it comes to specific financial transactions, which the customer wants to conduct with a person, or which an app can’t represent.” Thus, the collaboration between this fintech firm and the tradition-rich bank is only in its infancy and has fascinating challenges ahead of it.

“Assistant instead of app in the future?”

Having launched mobile banking and e-banking, Hypothekarbank Lenzburg lets its customers choose the channel.

According to Massimo Catrambone, Technology & Development Partner Manager at Finstar, digital and analog platforms will continue to supplement each other in the future, and the way in which they will do so is yet to be determined.

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Mr. Catrambone, when did Hypothekarbank Lenzburg’s mobile banking and e-banking go live?

Hypothekarbank Lenzburg customers have been able to use e-banking since summer 2018 and mobile banking since fall 2018. Both channels were developed in parallel. (Editorial note: At ‘Hypi’ Lenzburg, e-banking refers to online banking via desktop devices, while mobile banking refers to the use of mobile devices such as smartphones or tablets). Mobile banking took us a little longer though, because it was new to us. With regard to e-banking, we draw a distinction between two phases: The introduction of new functionality was followed by optimization of usability. The work is now mostly finished and we are focusing on further development, while taking feedback and users’ wishes into account.

What role, if any, do the analog channels still play?

On the one hand, we still give our customers the option of maintaining personal contact, especially when it comes to the individual consultation. On the other, the customer can do as much as they want via the electronic channels. That is up to them, and they can switch between analog and digital as they see fit. I see e-banking and mobile banking as the bank’s most important branches. We must invest accordingly: It is increasingly the case that every visitor to a real branch office is also a user of the virtual branches.

How is the use of the electronic branches developing?

Today, around 30 percent of customers use our e-banking. Of these, about one in five also uses mobile banking, but the numbers are growing fast in both categories. Users of mobile banking can be characterized as follows: Largely male, between thirty and fifty. Account balance queries, as well as the scanning and approval of payments with e-billing, are at the top of their list of requirements.

How many Finstar banks use mobile banking and e-banking?

Eight Finstar customers use e-banking and four of them use mobile banking. Retail banks and private banks are among them.

And how have users reacted?

While e-banking had a few teething problems, mobile banking was a huge success from the outset. User feedback has been very positive. If any issues or questions arise, we can be contacted and we seek a solution.

Customized off-the-shelf product

How did you evaluate the solution?

Rather than a ready-made product, we looked for a development partner, so that we could help shape the product. With the Portuguese firm ebankIT, we were able to define what our solution contains and how it looks on the basis of a proven e-banking platform. This approach minimizes the time required for development and the costs for the banks. In addition, the solution can be adapted to the changing requirements of banks and their customers. In this way, we also safeguard our independence in the long term.



Massimo Catrambone,
Technology & Development
Partner Manager,
Finstar

How can a Finstar bank adapt its digital presence?

It can define which functionalities are activated, formulate text elements and decide on elements of the corporate identity. In the future, Finstar banks will specify the structure of the home page and how widgets are used. Thus, a customized platform can be realized, even though this is an off-the-shelf product. At the moment, though, we are not considering solutions that can be completely personalized. Otherwise, we would run the risk of the end customer no longer being able to find key functions. We will continue to invest heavily in usability, so that the customer can orient themselves better and better.

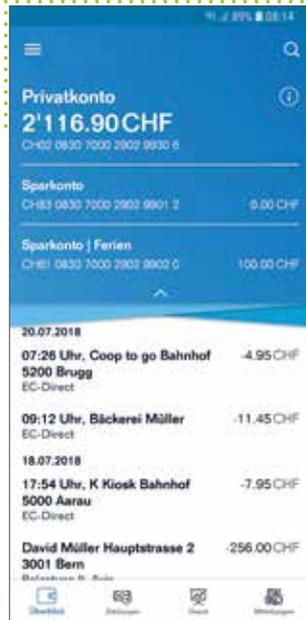
“I see e-banking and mobile banking as the bank’s most important branches.”

What additional digital services can users look forward to?

We are integrating a messenger as another interesting form of communication between customer and bank. We are introducing an application for foreign payments, QR billing, transaction signatures and other selected features. Areas that development work is focusing on include opening additional accounts, taking out or extending mortgages, and managing debit and credit cards. In parallel, investment in security is continuing and we have ideas on how we can make our e-banking even more efficient. Last but not least, on the Finstar level, we are looking into how we can offer selected services to banks via our shared platform.

What about topics like cryptocurrencies and artificial intelligence?

The bank SEBA has already become the first crypto-bank in the Finstar community. We are watching and influencing developments in the cryptocurrencies domain – especially when it comes to mobile applications. In the context of artificial intelligence, we are assessing the use of bots, because recurring general queries can be answered in an automated way, around the clock. Our open interfaces, our ecosystem, and ideas and innovations from external sources play a key role in the use of many such technologies.



Suppose I have a good idea. How do I approach Finstar?

First, we evaluate the benefits for our customers. Feasibility and the cost of development also play a role. If we are convinced, we prepare initial prototypes and develop these further as a team, with usability experts and technical staff. We also make it possible for fintech firms to implement their ideas with our open banking platform. To this end, we provide a sandbox for trying things out. Here, regulatory and technological guidelines apply, as well as the bank's internal guidelines. We are thus able to observe the development work, to support the fintech firms, and to assess relevance with regard to us and our customers.

“Accolades included”

‘Hypi’ Lenzburg is one of Switzerland’s most digital banks. How important are mobile banking and e-banking to the bank’s reputation?

The medium is the message. Without modern digital channels, firms cannot claim to be forward-looking. For banks, simply having e-banking will be insufficient. In the future, the most digital bank will maintain open interfaces, because the customer will not just want e-banking, but also other cool fintech firms’ apps, which they can combine with the ‘Hypi’ banking app. We make that possible with our open banking APIs.

Do Finstar and ‘Hypi’ Lenzburg attach much importance to such titles?

What matters most to us is customer satisfaction. That is more important than any title. However, if you do something well, accolades are often included. They are the result and not the goal. Furthermore, they are merely snapshots. If we are to be the most digital bank, we must keep reinventing ourselves and continue to work in a focused manner.

What has (and is) development work focused on in this respect?

For the customer, it has to keep getting faster and simpler. If the customer sees that digital channels are quick, easy, transparent and reliable, then they will stay with mobile banking, with e-banking, and with the bank that offers them these services together with a personal consultation.

How has Finstar addressed user experience and usability?

We have collaborated intensively on these key aspects with the University of Applied Sciences and Arts Northwestern Switzerland. We jointly developed a design that outlines interactions and develops prototypes. The results were validated with diverse user groups. We visited business customers to see how they work and we arranged incorporation of these findings into product development.

For acceptance of digital solutions, security is key. How do you deal with this issue?

Our two-factor authentication with two isolated apps gives our solution an advantage. It makes things a little more complex at first, because two apps have to be set up, but it provides greater security.

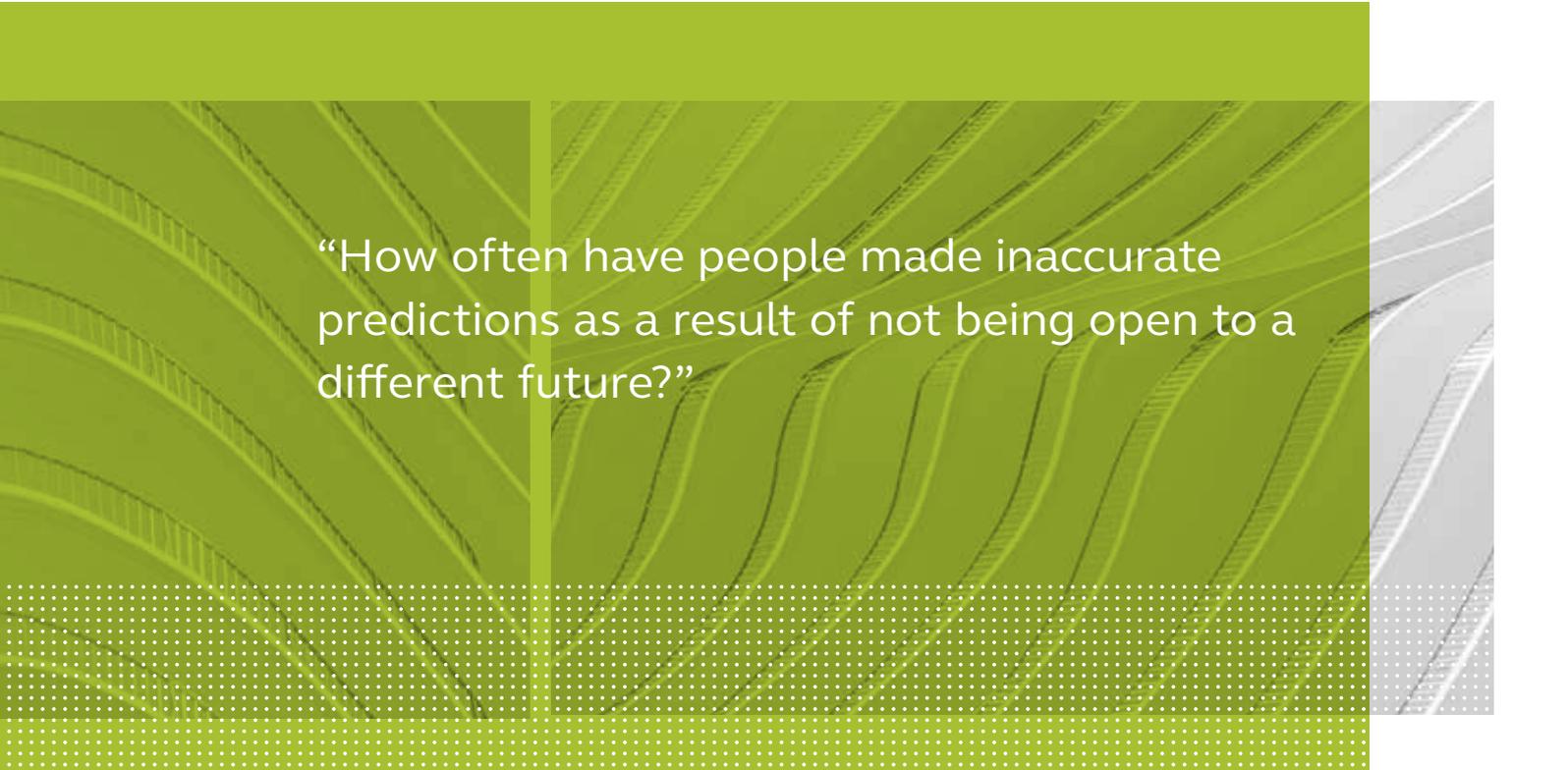
What are you particularly proud of, personally?

In my view, the mobile banking has turned out really well. Not because of the quantity, but the quality of the functions. Also because of the ease with which banking transactions can be conducted.

And what does the future hold for digital channels?

Maybe there will no longer be any need for mobile banking because we will all conduct banking transactions with the aid of a virtual assistant. Whether it is voice-controlled or gesture-controlled doesn't matter at all, the only prerequisite is a platform as an enabler. Consequently, we need APIs with which we can seamlessly combine any number of front ends and apps to form a large whole. Maybe mobiles will no longer be needed, but in order for our customers to be able to conduct their banking transactions easily and reliably, a bank with a modern IT platform and interfaces will be essential. Therefore, despite contrary expert opinions, there will be a need for banks, as long as these adapt to technological progress and customer requirements. How often have people made inaccurate predictions as a result of not being open to a different future?

Please send your questions on e-banking and mobile banking to:
massiom.catrambone@hbl.ch



“How often have people made inaccurate predictions as a result of not being open to a different future?”

>> (André Renfer interview continued from page 3)

Differentiation upon customer contact

Efficient integration of customers and fintech product ranges is just one advantage of the functioning ecosystem. However, the fact that participants have the opportunity to work together is often forgotten. Anyone with sufficient openness and flexibility can cooperate with anyone else and no longer has to do everything alone. Differentiation occurs at the digital and analog interfaces between bank and customer. The combination of selected services from various providers ensures bank-specific further development and continual updating of the platform, while making complex migrations unnecessary. Neon serves as just one example of this flexibility: This fintech firm was initially interested in the banking package. During talks though, it became clear that banking as a service would be more appropriate, at least in the beginning. Thanks to the open interfaces, the new concept was implemented in a time- and cost-efficient way.

“Thanks to the open interfaces, the new concept was implemented in a time- and cost-efficient way.”



Innovating and optimizing

In Renfer's opinion, the challenges in cooperating with fintech firms reside not so much in the technical as in the regulatory domain and in the coordination of processes. Moreover, for various reasons, fintech firms are faster and more direct, so they put more pressure on the internal organization to continually innovate and optimize, and to work consistently on the future of the Finstar banking software. This software is becoming more modular, more flexible, more efficient and, from the overall system to the individual products and services, configurable in a bank-specific manner. Cloud computing, blockchain, service strategies and ecosystems make these developments possible initially, while also placing new demands on banks and software firms. Those who have a clear vision and a stringent strategy are prepared for the banking of the future. Here, being both a bank and a software firm in one will also turn out to be a decisive advantage in the new decade ahead.

If you have any questions about Finstar, send them to: andre.renfer@hbl.ch

You will find the latest news about Finstar, customers and partners at: www.finstar.ch/en/news/

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