NEWS RELEASE

Q2 Unveils 2025 State of Commercial Banking Report

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New report reveals combating payment fraud, strengthening client relationships and enhancing commercial banking experience are top trends for financial institutions

AUSTIN, Texas--(BUSINESS WIRE)-- **Q2 Holdings, Inc.** (NYSE:QTWO), a leading provider of digital transformation solutions for financial services, announced today it has released its State of Commercial Banking January 2025 Market Analysis report. Key findings from the annual report reveal major trends in the commercial banking industry, in addition to the challenges and opportunities banks and credit unions will face in the coming year.

“The commercial banking industry demonstrated resilience and adaptability in 2024, successfully rebuilding liquidity to near pre-crisis levels,” said Q2’s Senior Strategic Business Advisor Gita Thollesson. “2025 will present its own challenges and opportunities, including combating payment fraud and strengthening primacy in a competitive digital landscape. For banks and credit unions to maintain their edge, they should strategically leverage digital offerings to enhance profitability and meet customer demands for efficiency and innovation.”

This report is based on findings from **Q2 PrecisionLender’s** proprietary database of 2024 commercial lending deal flow, along with economic data from several public sources, including the Federal Deposit Insurance Corporation (FDIC) and Federal Reserve, and industry research. Q2 PrecisionLender data reflects commercial relationships from more than 140 geographically diverse banks and credit unions in North America, ranging in size from small community banks to top 10 U.S. institutions. This report also references data from Q2’s Centrix Exact TMS positive pay solution and live polling conducted during Q2 webinars in 2024.

Key Takeaways from the Report:

1. Liquidity has improved but has become more costly, squeezing net interest margins – Financial institutions have emerged from the liquidity crisis with a solid foundation of deposits, approaching pre-crisis levels.
2. Federal Reserve rate cuts have reshaped the commercial loan pricing landscape –The 100 basis points in Federal Reserve rate cuts between September and December 2024 contributed to a shallowing of the inverted yield curve, with short-term rates declining while mid-term rates spiked.
3. Pockets of credit stress reside in the commercial real estate sector – Credit performance has exceeded expectations across much of the market, with only a modest increase in delinquencies and a decline in commercial and industrial (C&I) downgrades.
4. Fraud continues to concern bank and credit union executives –By embracing collaboration, advanced technologies like AI, and a centralized approach, banks and credit unions can be a strong ally for business customers in the ongoing battle against fraud.

5. Data and digital technology drive the acquisition and growth of small business relationships – The underserved small and medium-sized business (SMB) market presents an opportunity for banks and credit unions to grow deposits.
6. Efficiency and user experience are becoming even more pivotal for midsize and large companies – Commercial clients are looking to their banks and credit unions to help them manage their business more efficiently.

Click here to download the 2025 State of Commercial Banking Market Analysis report.

For additional insights related to the report, listen to Q2 senior strategic business advisor and report co-author Anna-Fay Lohn's episode on **The Purposeful Banker podcast,** and **watch the recording** of Q2's annual State of Commercial Banking webinar.

To learn more about how Q2 delivers simple, smart, end-to-end banking and lending solutions for commercial financial institutions, visit **https://www.q2.com/commercial.**

About Q2 Holdings, Inc.

Q2 is a leading provider of digital transformation solutions for financial services, serving banks, credit unions, alternative finance companies, and fintechs in the U.S. and internationally. Q2 enables its financial institutions and fintech customers to provide comprehensive, data-driven digital engagement solutions for consumers, small businesses and corporate clients. Headquartered in Austin, Texas, Q2 has offices worldwide and is publicly traded on the NYSE under the stock symbol QTWO. To learn more, please visit **Q2.com**. Follow us on **LinkedIn** and **X** to stay up to date.

Forward-looking Statements

This press release and the report referenced herein contains forward-looking statements, including statements about: anticipated challenges and opportunities in 2025, including combating payment fraud and strengthening primacy in a competitive digital landscape; requirements for financial institutions to remain competitive; improved liquidity, with increased costs and tighter net interest margins; the effects of interest rate cuts on commercial lending; credit stress levels across the market; increased fraud and ways to combat it; opportunities for data and digital technology within the SMB market; and, the increased importance of efficiency and user experience. The forward-looking statements contained in this press release are based upon our historical performance and our current plans, estimates, and expectations and are not a representation that such plans, estimates or expectations will be achieved. Factors that could cause actual results to differ materially from those described herein include risks related to: (a) global economic uncertainties and challenges or changes in the financial services industry and credit markets, including as a result of recent bank failures, mergers and acquisitions within the banking sector, inflation, higher and shifting interest rates and any potential financial regulations and their potential impacts on our prospects' and customers' operations, the timing of prospect and customer implementations and purchasing decisions, our business sales cycles and on account holder or end user, or End User, usage of our solutions; (b) the risk of increased or new competition in our existing markets and as we enter new markets or new segments of existing markets, or as we offer new solutions; (c) the risks associated with the development of our solutions, including artificial intelligence, or AI, based solutions, and changes to the market for our solutions compared to our expectations; (d) quarterly fluctuations in our operating results relative to our expectations and guidance and the accuracy of our forecasts; (e) the risks and increased costs associated with managing growth and global operations, including hiring, training, retaining and motivating employees to support such growth, particularly in light of recent macroeconomic challenges, including increased competition for talent, employee turnover, labor shortages and wage inflation; (f) the risks associated with our transactional business which are typically driven by End User behavior and can be influenced by external drivers outside of our control; (g) the risks associated with effectively managing our business and cost structure in an uncertain economic environment, including as a result of challenges in the financial services industry and the effects of seasonality and unexpected trends; (h) the risks associated with geopolitical uncertainties, including the heightened risk of state-sponsored cyberattacks or cyber fraud on financial services and other critical infrastructure, and political uncertainty or discord, including related to the 2024 U.S. presidential election; (i) the risks associated with accurately forecasting and managing the impacts of any economic downturn or challenges in the financial services industry on our customers and their End Users, including in particular the impacts of any downturn on financial technology companies, or FinTechs, or alternative finance companies, or Alt-FIs, and our arrangements with them, which represent a newer market opportunity for us, a more complex revenue model for us and which may be more vulnerable to an economic downturn than our financial institution customers; (j) the challenges and costs associated with selling, implementing and supporting our solutions, particularly for larger customers with more complex requirements and longer implementation processes, including risks related to the timing and predictability of sales of our solutions and the impact that the timing of bookings may have on our revenue and financial performance in a period; (k) the risk that errors, interruptions or delays in our solutions or Web hosting negatively impacts our business and sales; (l) the risks associated with cyberattacks, financial transaction fraud, data and privacy breaches and breaches of security measures within our products, systems and infrastructure or the products, systems and infrastructure of third parties upon which we rely and the resultant costs and liabilities and harm to our business and reputation and our ability to sell our solutions; (m) the difficulties and risks associated with developing and selling complex new solutions and enhancements, including those using AI with the technical and regulatory specifications and functionality required by our customers and relevant governmental authorities; (n) risks associated with operating within and selling into a regulated industry, including risks related to evolving regulation of AI and machine learning, the receipt, collection, storage, processing and transfer of data and increased regulatory scrutiny in financial technology and related services, including specifically on banking-as-a-service, or BaaS, services; (o) the risks associated with our sales and marketing capabilities, including partner relationships and the length, cost and unpredictability of our sales cycle; (p) the risks inherent in third-party technology and implementation partnerships that could cause harm to our business; (q) the risk that we will not be able to maintain historical contract terms such as pricing and duration; (r) the general risks associated with the complexity of our customer arrangements and our solutions; (s) the risks associated with integrating acquired companies and successfully selling and maintaining their solutions; (t) litigation related to intellectual property and other matters and any related claims, negotiations and settlements; (u) the risks associated with further consolidation in the financial services industry; (v) the risks associated with selling our solutions internationally and with the continued expansion of our international operations; and (w) the risk that our debt repayment obligations may adversely affect our financial condition and that we may not be able to obtain capital when desired or needed on favorable terms.

Additional information relating to the uncertainty affecting the Q2 business is contained in Q2's filings with the Securities and Exchange Commission. These documents are available on the SEC Filings section of the Investor Relations section of Q2's website at **http://investors.Q2.com/**. These forward-looking statements represent Q2's expectations as of the date of this press release. Subsequent events may cause these expectations to change, and Q2 disclaims any obligations to update or alter these forward-looking statements in the future, whether as a result of new information, future events or otherwise.

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