THE NEW FINTECH CYCLE:

Discipline, Integrated Platforms, and Scale

FinTech Report | January 2026

REPORT HIGHLIGHTS:
2025 DELIVERED. MOMENTUM CONTINUES INTO 2026.

FinTech has emerged from the reset stronger, leaner, and structurally improved.

After a multi-year contraction driven by rising interest rates, closed capital markets, and a repricing of risk, 2025 marked a clear inflection point. The recovery underway is not a return to the excesses of the prior cycle, but the beginning of a more disciplined, durable phase of FinTech growth.

KEY TAKEAWAYS

01. THE FINTECH DOWNTURN WAS CYCLICAL, NOT STRUCTURAL

The 2022–2024 contraction was primarily macro-driven. As interest rates stabilized and capital markets normalized, FinTech activity resumed in predictable ways: selective private funding, a rebound in strategic M&A, and FinTech-led reopening of IPO markets. The underlying modernization of financial services remains incomplete and unavoidable.

02. CAPITAL HAS RESET – AND THE QUALITY BAR IS HIGHER

Public and private markets now reward profitable, efficient growth over scale at any cost. Business models with embedded distribution, automation-driven margins, and proprietary data command clear valuation premiums. This repricing has raised the bar, but it has also aligned incentives across founders, investors, and acquirers.

03. AI IS SHIFTING FINTECH FROM SOFTWARE TO SYSTEMS OF ACTION

AI adoption is accelerating across financial services, moving from copilots and interfaces to agentic systems that execute workflows, make decisions, and resolve exceptions across core financial infrastructure. The next generation of FinTech leaders will be defined not by better UX, but by autonomous execution, real-time decisioning, and operational leverage.

04. ISRAELI FINTECH IS EXITING THE DOWNTURN WITH STRUCTURAL ADVANTAGES

Israeli FinTech mirrored global trends but rebounded with outsized outcomes. While cyber remains the largest sector by headline valuations and liquidity, FinTech has emerged as Israel's second most significant vertical, particularly evident in the depth of late-stage private companies, public listings, and repeat founders. A dense network of experienced operators now feeds back into earlier stages, reducing execution risk across the ecosystem.

05. FUNDING HAS BEEN SELECTIVE – AND THAT'S A FEATURE, NOT A BUG

FinTech funding in Israel and globally remains below peak levels, but the composition of capital has improved. Capital is flowing toward software-led, asset-light, data-rich models with clearer paths to scale. This sets up a healthier recovery into 2026 rather than a fragile rebound driven by excess liquidity.

06. THE NEXT PHASE OF FINTECH IS ABOUT DEPTH, NOT BREADTH

The most compelling opportunities are emerging in:

- **Agentic AI** embedded directly into financial workflows
- **Value-add insurtech** that redefines insurance around outcomes, not policies
- **Embedded ecosystems** that orchestrate full financial lifecycles instead of specific features
- **Vertical FinTech** built around industry-specific data, regulation, and distribution
- **Stablecoin-based infrastructure** enabling faster, cheaper, programmable value transfer

These models benefit from embedded distribution, proprietary data moats, and compounding economics that horizontal FinTech struggled to achieve.

VIOLA'S PERSPECTIVE

At Viola, our conviction in FinTech is shaped by investing across cycles. The last downturn forced a structural upgrade in how FinTech companies are built: sharper unit economics, deeper integration into workflows, and AI-native infrastructure from day one.

As we move into 2026, FinTech is entering its next chapter with clearer rules, stronger founders, and more durable business models. We believe this environment will produce fewer companies, but better ones, and that Israeli FinTech is uniquely positioned to be overrepresented among them.

VIOLA

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INTRODUCTION:
FINTECH AFTER THE RESET

The past five years have tested the FinTech sector more than any period since its emergence as a standalone category.

From the unprecedented acceleration of 2020–2021, through the sharp contraction of 2022–2024, and into the "comeback" of 2025, FinTech has matured significantly.

This report reflects Viola's perspective on where the sector stands today - globally and in Israel, and more importantly, what has fundamentally changed.

Our core conviction is simple: FinTech did not merely survive the downturn, it was reshaped by it. The result is a more disciplined, more efficient, and ultimately more durable ecosystem entering its next growth phase.

PART 1
THE GLOBAL FINTECH RESET

The global FinTech market entered the downturn with excess: excess capital, excess expectations, and excess tolerance for inefficiency. It is emerging with far less of all three.

This section examines how 2025 marked the transition from contraction to recovery, and why this recovery looks fundamentally different from the previous cycle.

2025 MARKED THE FINTECH COMEBACK: **VALIDATING OUR LONG-TERM CONVICTION**

By 2025, it became increasingly clear that FinTech's downturn was cyclical rather than secular. Activity did not rebound indiscriminately, but it resumed in ways that signaled renewed confidence among founders, investors, and strategic acquirers.

Private financings returned selectively, often at more rational valuations and with clearer expectations around profitability. M&A activity accelerated as incumbents and scaled FinTechs moved from balance-sheet preservation back to strategic execution. Importantly, this comeback was not driven by macro exuberance, but by the recognition that financial services modernization remains both incomplete and unavoidable.

For long-term investors, this phase validated a central thesis: that FinTech's role in reshaping financial infrastructure would persist beyond any single capital cycle.

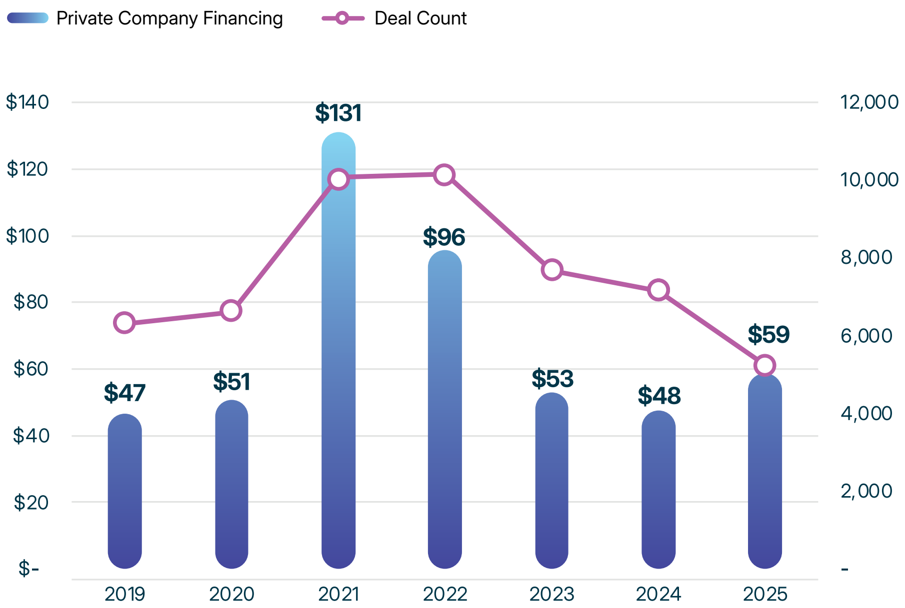
FINTECH RE-ACCELERATES IN 2025:
PRIVATE FUNDING AND M&A SIGNAL STRUCTURAL RECOVERY

The first tangible signs of recovery appeared in private markets. While total funding volumes remained below peak levels, the composition of capital shifted meaningfully toward companies with demonstrable operating leverage, embedded distribution, and clear paths to scale.

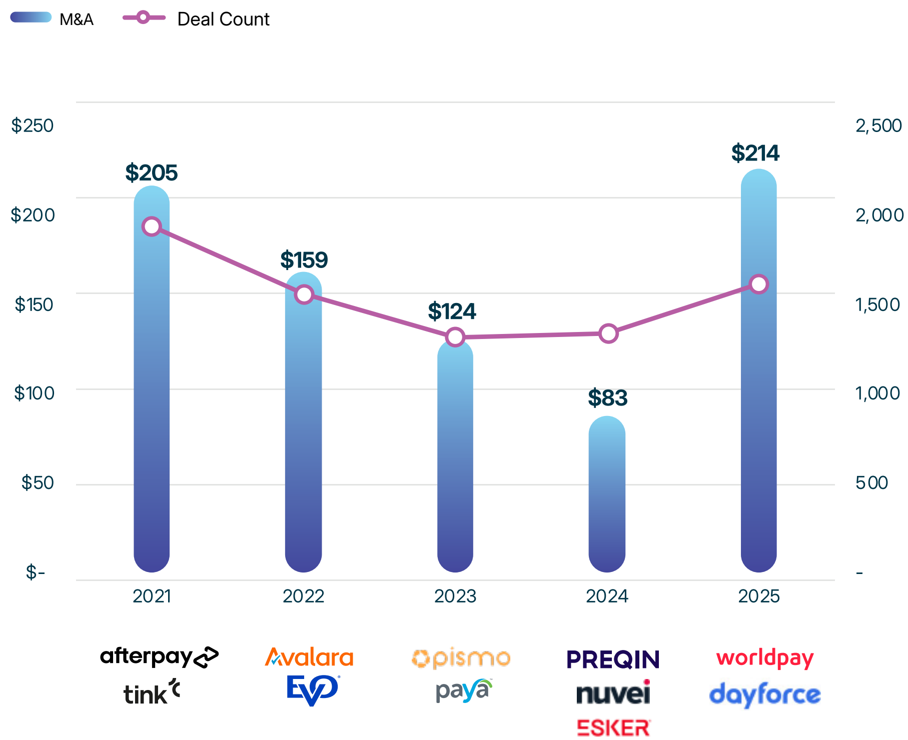
At the same time, global FinTech M&A reached its highest level since 2021. These transactions reflected strategic intent: Payments platforms expanded vertically, enterprise software providers deepened financial capabilities, and incumbents returned to inorganic growth after years of restraint.

Together, these trends signal a market that has moved beyond triage and back into value creation; albeit with sharper filters and higher standards.

Global Private FinTech Company Financing Upticks in 2025 (in billions USD)



Global M&A Volume in 2025 Reached its Highest Level Since 2021 Peak (in billions USD)

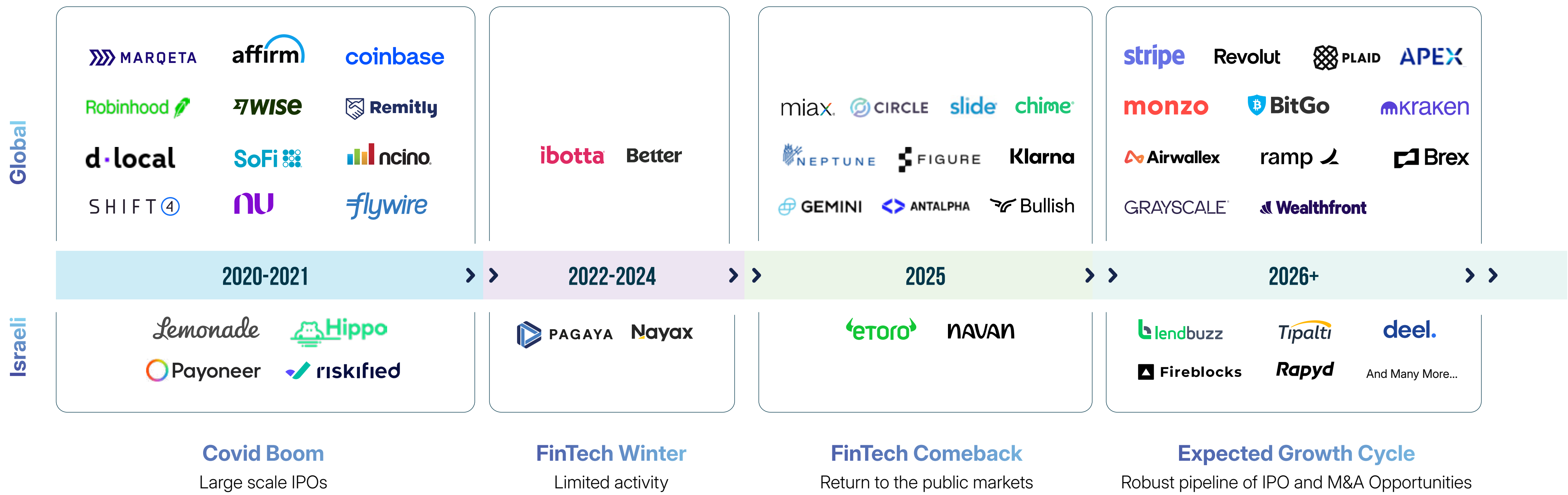


Source: Viola Data, Pitchbook

ISRAELI FINTECH LEADS THE REOPENING OF GLOBAL IPO MARKETS

Public markets reinforced this narrative. After an extended freeze, FinTech was among the first sectors to test the reopening of global IPO windows in 2025. The companies leading this return were markedly different from their predecessors: larger, more operationally mature, and far closer to sustainable profitability.

While IPO volumes remain modest relative to historical peaks, the depth of the pipeline suggests momentum into 2026. Importantly, the re-emergence of public exits restores a critical release valve for the ecosystem - supporting both private liquidity and strategic M&As. Ultimately, the long-term value creation of the Israeli FinTech companies that went public in 2025 will depend on management teams' ability to translate strong private-market narratives into consistent, disciplined execution in the public markets over time.



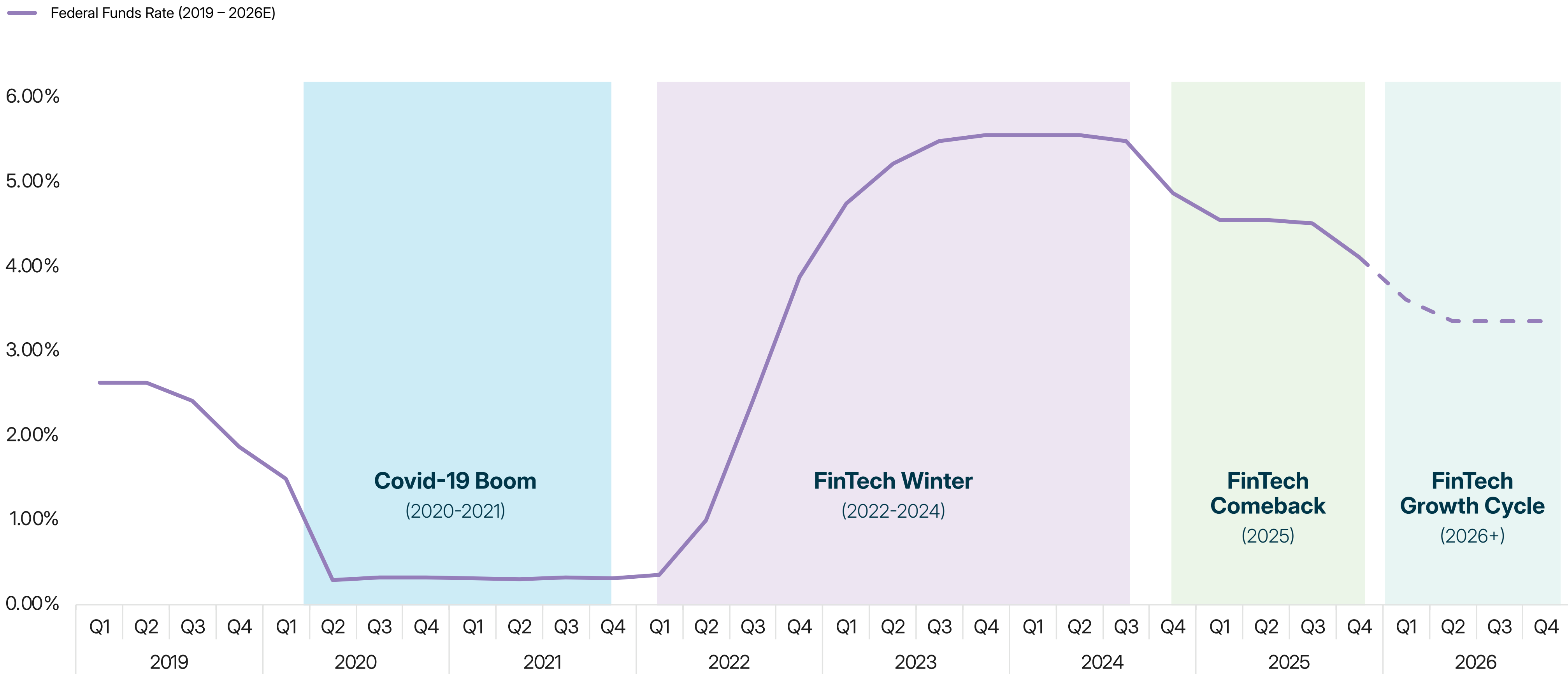
Source: Viola Data, Pitchbook

FINTECH IS EMERGING FROM AN INTEREST RATE-DRIVEN DOWNCYCLE

The FinTech downturn cannot be understood without reference to interest rates. Rapid rate hikes in 2022 and 2023 vincreased discount rates and capital costs across financial services, compressing valuations and exposing fragile business models.

As rates peaked and began to stabilize in 2024, pressure on FinTech economics eased. Funding and exit windows did not reopen immediately, but they reopened predictably. This underscores a crucial point: **FinTech's contraction was driven primarily by macro forces, not by a failure of the underlying thesis.**

Rising interest rates increased discount rates and capital costs, compressing valuations and unit economics - closing funding and exit windows in 2022-2024, and reopening them as rates stablizie from 2025 onward



Source: Federal Reserve Data, Goldman Sachs Research

PUBLIC MARKETS HAVE REPRICED FINTECH TO REWARD PROFITABLE, EFFICIENT GROWTH

Perhaps the most enduring outcome of the downturn is the reset in valuation logic. Revenue multiple analysis shows a decisive shift away from rewarding growth in isolation. In today's market, profitability and efficiency command clear premiums.

This repricing aligns incentives across founders, investors, and public markets. It raises the bar for new entrants, but it also creates a healthier environment for companies built on sound fundamentals. The result is a sector better positioned for sustainable expansion rather than cyclical excess.

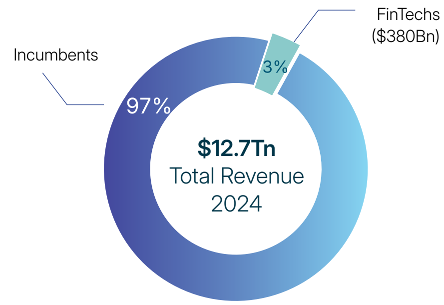
Revenue multiple analysis shows a cleare valuation reset. During the COVID-era boom, high growth commanded premium valuations regardless of profitability. In the current market, public investors consistently reward efficient growth, with profitable companies trading at a significant premium.

LTM Growth	Covid Boom (Dec-2021)	FinTech Winter (Dec-2023)	FinTech Comeback (Dec-2025)
>40%	23.2x Multiple (17)% EBITDA Margin	5.0x Multiple 10% EBITDA Margin	4.5x Multiple 1% EBITDA Margin
20-40%	12.2x Multiple 17% EBITDA Margin	3.9x Multiple (17)% EBITDA Margin	8.1x Multiple 13% EBITDA Margin
<20%	11.1x Multiple (15)% EBITDA Margin	1.8x Multiple 2% EBITDA Margin	3.4x Multiple 15% EBITDA Margin

Source: Viola Data, Pitchbook

FINTECH IS POSITIONED FOR LONG-TERM EXPANSION ACROSS FINANCIAL SERVICES

Despite recent volatility, FinTech's long-term opportunity remains substantial. With only ~3%-6% penetration of global banking and insurance revenues, the sector's growth runway is driven by AI.



Legacy financial institutions continue to grapple with outdated infrastructure, fragmented workflows, and rising cost pressures.

FinTech's role is to re-architect these systems incrementally - embedding technology deeper into core financial operations rather than competing at the surface.

FinTech Penetration Per Selected Sectors

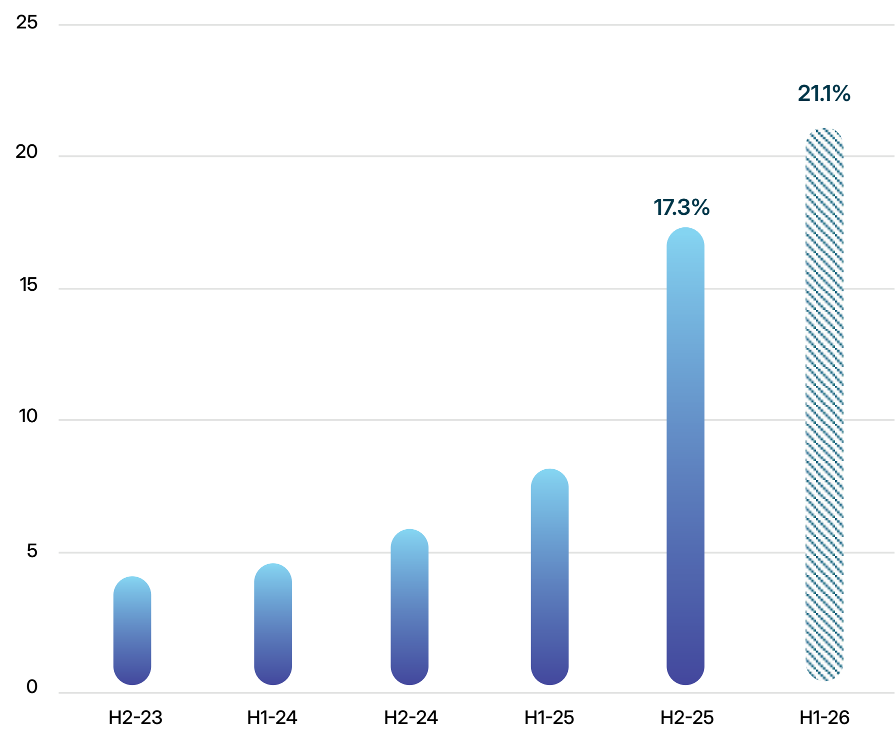
Source: BCG FinTech's Next Chapter: Profits Rise, AI Reshapes the Landscape, and Scaled Winners Come of Age

AI IS ACCELERATING THE NEXT PHASE OF FINTECH EXPANSION

AI is accelerating this process. Finance and insurance rank among the fastest-adopting service sectors, leveraging AI to automate decision-making, reduce operational friction, and improve risk management.

Companies that embed AI into their core infrastructure rather than layering it on top can scale faster, operate more efficiently, and compete more effectively in a market that increasingly rewards discipline.

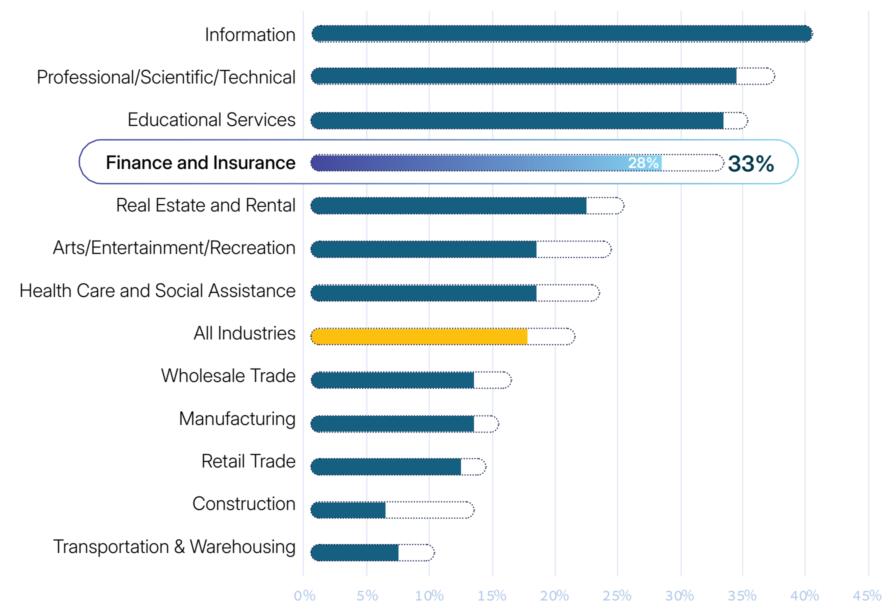
AI Adoption (%)



Source: Viola data, IVC

Share of US Firms Using AI by Sector (%)

Next Six Months   Nov-25



Source: Viola data, IVC

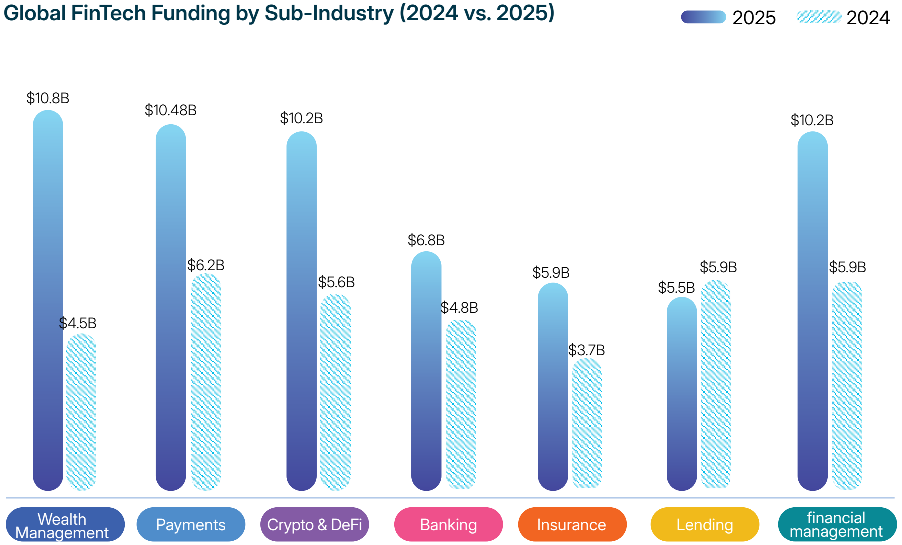
GLOBAL FINTECH FUNDING HAS RESHAPED LANDSCAPE IN 2025

As AI-driven efficiency becomes embedded across FinTech operating models, capital allocation has begun to respond. Global FinTech funding in 2025 rebounded selectively across sub-industries, with notable strength in wealth management, payments, financial management solutions, and crypto-related infrastructure. While overall funding levels remain disciplined relative to the 2021 peak, the year-over-year increase reflects renewed investor confidence in categories where technology directly improves scalability, margins, and defensibility.

This recovery is not broad-based; instead, it reflects a more intentional reallocation of capital toward software-led, data-rich, and relatively asset-light models that perform well in a higher cost-of-capital.

The result is a reshaped FinTech landscape. Driven by the continued democratization of wealth management for mass-market consumers, this sector emerged as the top-funded category in 2025, propelled by AI's ability to transform advice, portfolio construction, and financial planning into scalable software rather than labor-intensive services. Payments, crypto & DeFi infrastructure, and financial management platforms followed closely, underscoring continued demand for core financial infrastructure, now built with greater modularity and operating leverage. Together, these shifts mark a transition from a decade focused on infrastructure build-out to a phase centered on value capture, where monetization of decision-making, automation, and insights defines where durable FinTech leaders are being formed. It is worth noting that lending startups attracted less private funding, reflecting compressed margins, rising default rates, and the balance-sheet–intensive nature of the business model.

Global FinTech Funding by Sub-Industry (2024 vs. 2025)



A HEALTHIER GROWTH CYCLE AHEAD

Taken together, these dynamics point to a structural recovery rather than a temporary rebound. FinTech is re-emerging from the downturn leaner, more disciplined, and better aligned with the realities of global financial services.

Source: Viola data, IVC

PART 2
ISRAELI FINTECH DYNAMICS

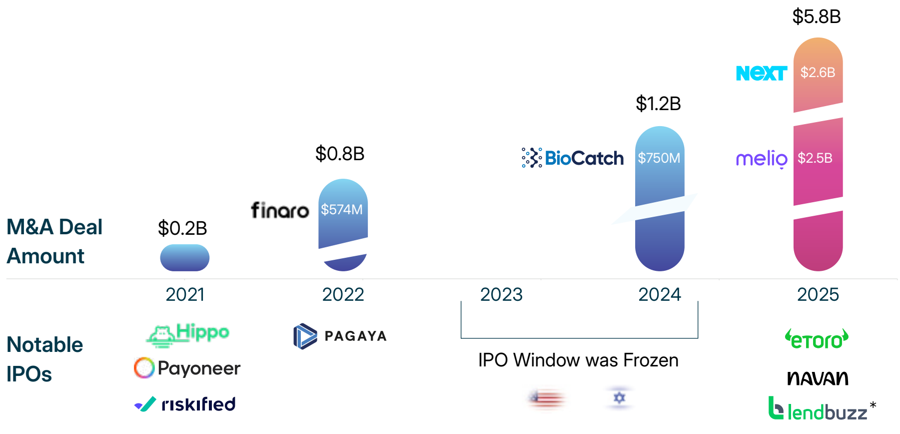
Israel's FinTech ecosystem mirrors global trends, but with important distinctions. Its scale, density of talent, and history of global execution create a system that often lags in capital flows, and then rebounds with outsized outcomes. This section examines how Israeli FinTech navigated the downturn and why it is well positioned for the next phase.

ISRAELI FINTECH EXIT ACTIVITY IS RECOVERING ALONGSIDE GLOBAL MARKETS

Israeli FinTech exit activity slowed materially during the 2022–2024 global freeze, reflecting closed IPO windows and reduced M&A appetite rather than company-specific weakness. As global markets reopened in 2025, Israeli FinTech exits resumed in parallel, spanning both strategic acquisitions and, more importantly, IPOs. Israeli FinTech companies disproportionately reopened the U.S. IPO market, helping reignite broader IPO momentum.

The rebound reflects pent-up demand. Many Israeli FinTech companies continued to scale operationally through the downturn and entered 2025 prepared for liquidity events once conditions normalized. The recovery in exit activity therefore signals readiness, not opportunism.

After Lagging During the Freeze, Israeli FinTech Exits and IPOs Are Leading the Global Market



*Lendbuzz filed S-1

Source: Viola Data, IVC | M&As >$10M

ISRAELI FINTECH DELIVERS DISPROPORTIONATE LATE-STAGE OUTCOMES

FinTech continues to represent a significant share of Israel's active unicorns and publicly listed technology companies, on par with cybersecurity.

These outcomes are not evenly distributed across the ecosystem; they are the product of accumulated expertise in regulation, risk management, lending, enterprise sales as well as in SMBs. As a result, Israeli FinTech has developed a depth of late-stage talent that now feeds back into earlier stages of company formation.

Cybersecurity remains the leading sector in Israel in terms of the scale of public companies, M&A activity and headline valuations. That said, FinTech has clearly emerged as the second most significant vertical - particularly evident in the breadth of both private and public Israeli companies, and in the consistency with which the sector produces scaled, institutional-grade outcomes.

Israeli FinTech Delivers Disproportionate Late-Stage Outcomes

Source: Viola Data, IVC | *Lendbuzz filed S-1

ISRAELI FINTECH PRIVATE FUNDING MAINTAINED STABILITY

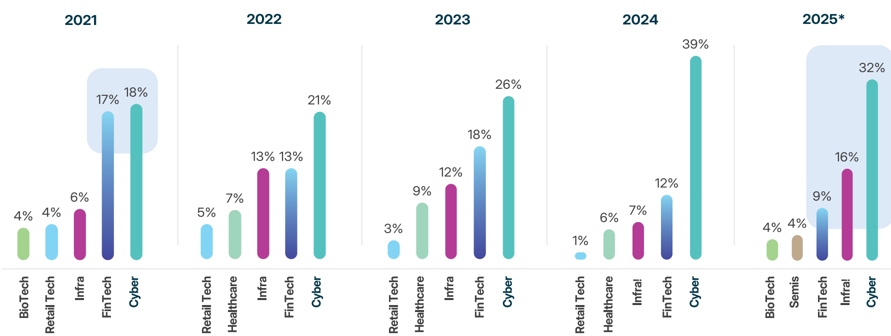
During the downturn, Israeli venture capital reweighted toward cyber and infrastructure, sectors perceived as more defensive amid macro uncertainty and AI boom.

FinTech's relative share of capital declined as a result, even as company-level performance and exit readiness remained intact.

Even as a larger share of Israeli venture capital shifted toward cyber and infrastructure, FinTech entered a period of normalization rather than contraction. Between 2023 and 2025, absolute private funding volumes in FinTech remained broadly stable, even as the overall venture funding "pie" expanded and other sectors captured a greater percentage of total capital.

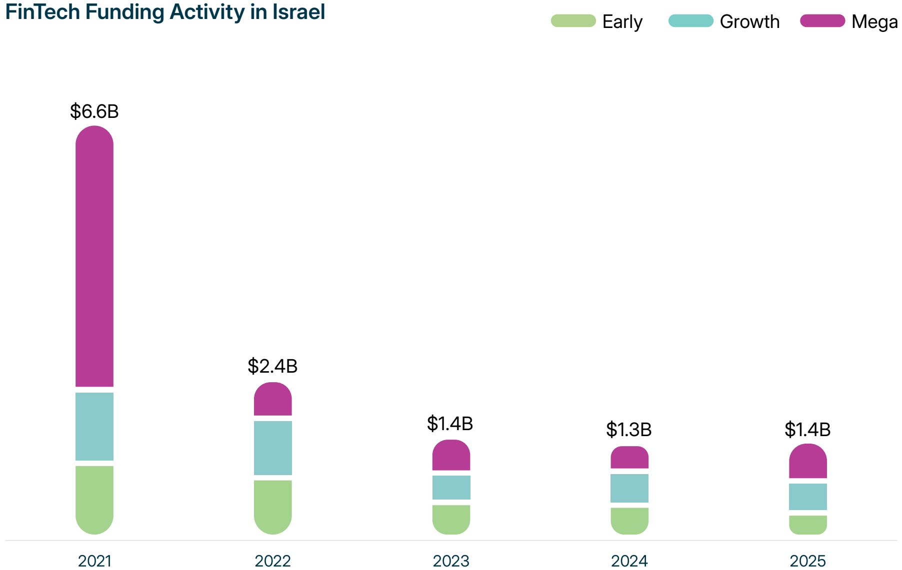
In this environment, FinTech funding became more selective, with capital increasingly concentrated in companies demonstrating discipline, scalability, and clearer paths to durable growth–setting the foundation for a more sustainable next phase rather than a capital-driven rebound.

% of total capital raised in Israel, by year and category



Source: Viola Data, IVC | Infrastructure excludes SSI $1B and $2B deals in 2024, 2025 respectively | *As of September 30

FinTech Funding Activity in Israel



Source: Viola Data, IVC | As of Jan 14, 2026

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THE ISRAELI FINTECH 'MAFIA'

One of the most defining characteristics of Israeli FinTech today is the strength of its founder and operator network. Executives from scaled FinTech companies are repeatedly founding or joining new ventures, bringing with them hard-earned experience in regulation, go-to-market execution, and organizational scaling.

This founder network effect reduces execution risk across the ecosystem and accelerates learning curves for new companies. Crucially, it allows innovation to continue even during periods of constrained capital availability.

ISRAELI FINTECH FOUNDERS 'MAFIA'

Derived Venture

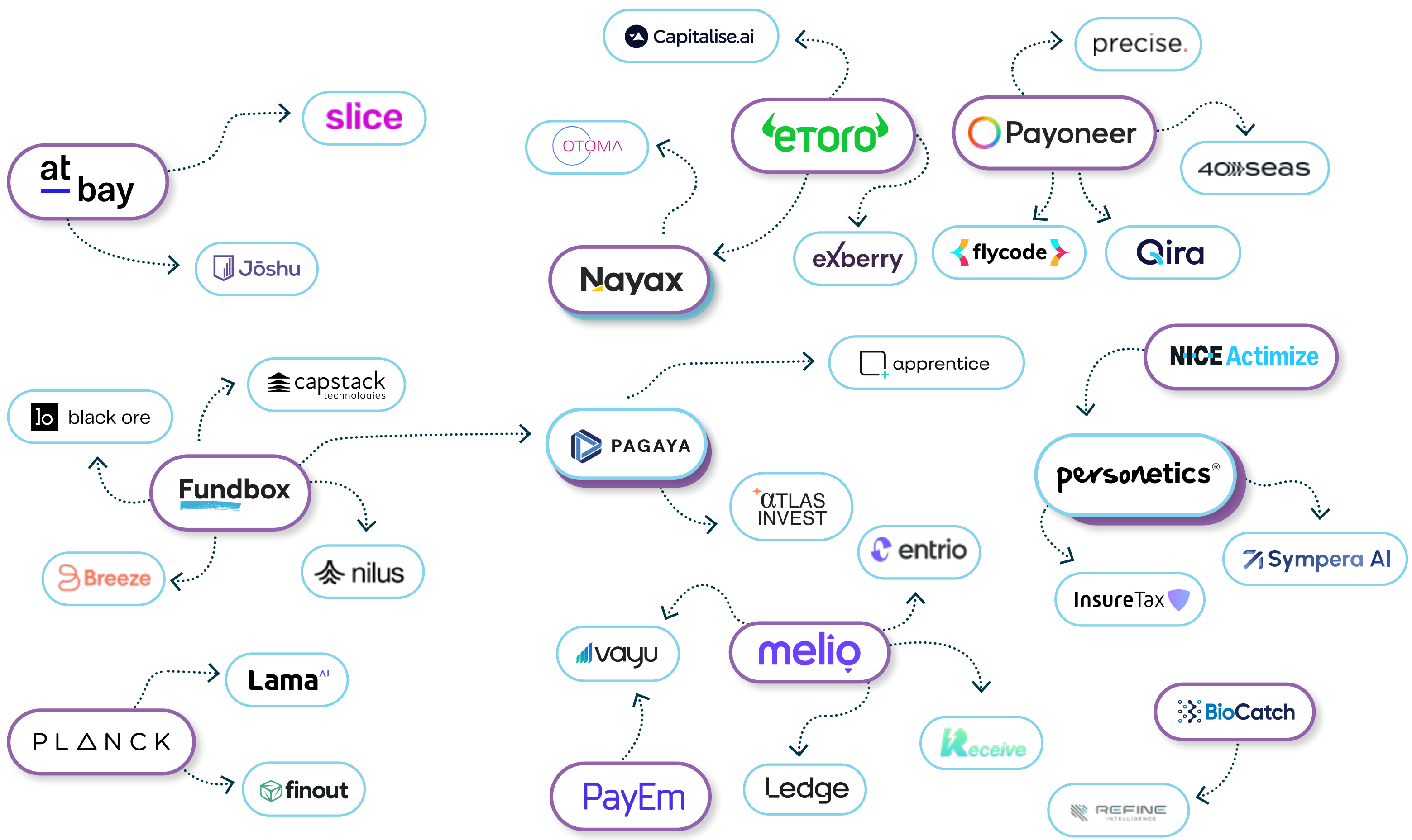
Founder Factory

MATURE ECOSYSTEM

~380 FinTech Companies

~42K FinTech Employees

~7% Of Total High-Tech Workforce



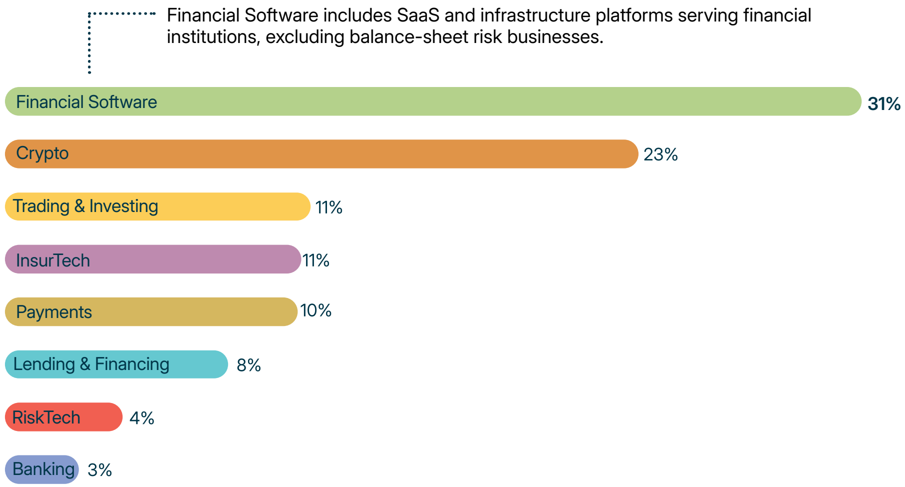
Source: Viola data, IVC

EARLY-STAGE FINTECH INVESTMENTS FAVORS INFRASTRUCTURE AND SOFTWARE PLATFORMS

While many of the ecosystem's largest successes were platform-led businesses or focused on money transfer, recent early-stage capital has increasingly favored software-first, asset-light models.

This shift reflects both investor preference and founder learning. Software-led FinTechs offer faster iteration cycles, lower capital requirements, and greater flexibility in a market that now rewards efficiency and adaptability. Rather than signaling a retreat from ambition, this trend points to a structurally stronger next cohort – companies building the pipelines of financial backoffice, agentic workflows, money transferring and stablecoin infrastrcture.

% of FinTech Early-Stage Funding 2024-2025



Source: Viola Data, IVC

WHY WE ARE BULLISH ON ISRAELI FINTECH – NOW MORE THAN EVER

At Viola, our conviction is grounded in experience. Companies such as **Actimize, Payoneer, Personetics, Pagaya, PayZen, Faye** and **Duetti** demonstrate Israeli FinTech's ability to build durable, global category leaders across cycles.

Our excitement about Israeli FinTech is driven by a convergence of structural factors that have strengthened through the last cycle. Israeli FinTech is entering its next phase with sharper business models, more experienced founders, and a clearer alignment between technology, economics, and distribution.

01. PROVEN ABILITY TO BUILD GLOBAL, SCALED FINTECH COMPANIES

Over the past decade, the ecosystem has produced multiple global success stories across payments, lending infrastructure, insurance, trading, anti-fraud and spend management. These outcomes demonstrate not only technical excellence, but the ability to operate within complex regulatory environments, sell into global enterprises, and manage risk at scale.

Importantly, these companies were built across different market regimes - expansionary, contractionary, and now recovery - reinforcing the view that Israeli FinTech success is driven by execution capability rather than favorable conditions alone.

02. THE PAST TWO YEARS FORCED A STRUCTURAL UPGRADE IN COMPANY RIGOR

The rising interest rates and closed capital markets exposed fragile unit economics and unsustainable growth strategies. Companies that kept disciplined were rewarded, and Israeli FinTech teams were quick to adjust, by:

- Embedding distribution into existing workflows instead of paid acquisition
- Automating operations to structurally improve margins
- Refocusing on data quality, AI and decisioning as core competitive advantages

The result: an ecosystem that now builds companies with economic durability from earlier stages.

03. A SELF-REINFORCING FOUNDER AND OPERATOR FLYWHEEL

Israel's FinTech founder network effect materially reduces execution risk by embedding hard-earned lessons in regulation, capital markets, go-to-market, and scaling. New companies start with clearer product boundaries and more realistic growth expectations, allowing this flywheel to compound over time, even as capital cycles fluctuate.

These advantages are reinforced by Israel's structural strength in data infrastructure, decision-making, and risk management, capabilities forged in cyber, defense, and intelligence and carried over into financial services.

The result: a founder base that builds platforms designed for real-world complexity, compliance, and edge case handling from day one.

04. TIMING ADVANTAGE INTO THE NEXT CYCLE

Finally, timing matters. As we move into 2026:

Private funding is on the rise > Exit windows have reopened > Valuations have reset > Expectations are grounded

The result: Israeli FinTech is entering this phase with a stronger baseline than in prior cycles - stronger companies, more experienced founders, and clearer rules of the game.

VIOLA GROUP FINTECH PORTFOLIO

VERTICAL FINTECH

PayZen, Duetti, EasyKnock, CASAVO, Summer, Grover

TRADING & INVESTING

PAGAYA IPO, home365, Quinn, TRADAIR, TREX, AVIONE, rest less

BANK SERVICES/CFO OFFICE

personetics, Sympera AI, Candis, Alviere, TrueAccord, BLUEONION, viably, ember EXIT, rewire EXIT

PAYMENTS

Payoneer IPO, PayEm, nilos, balance

LENDING & FINANCING

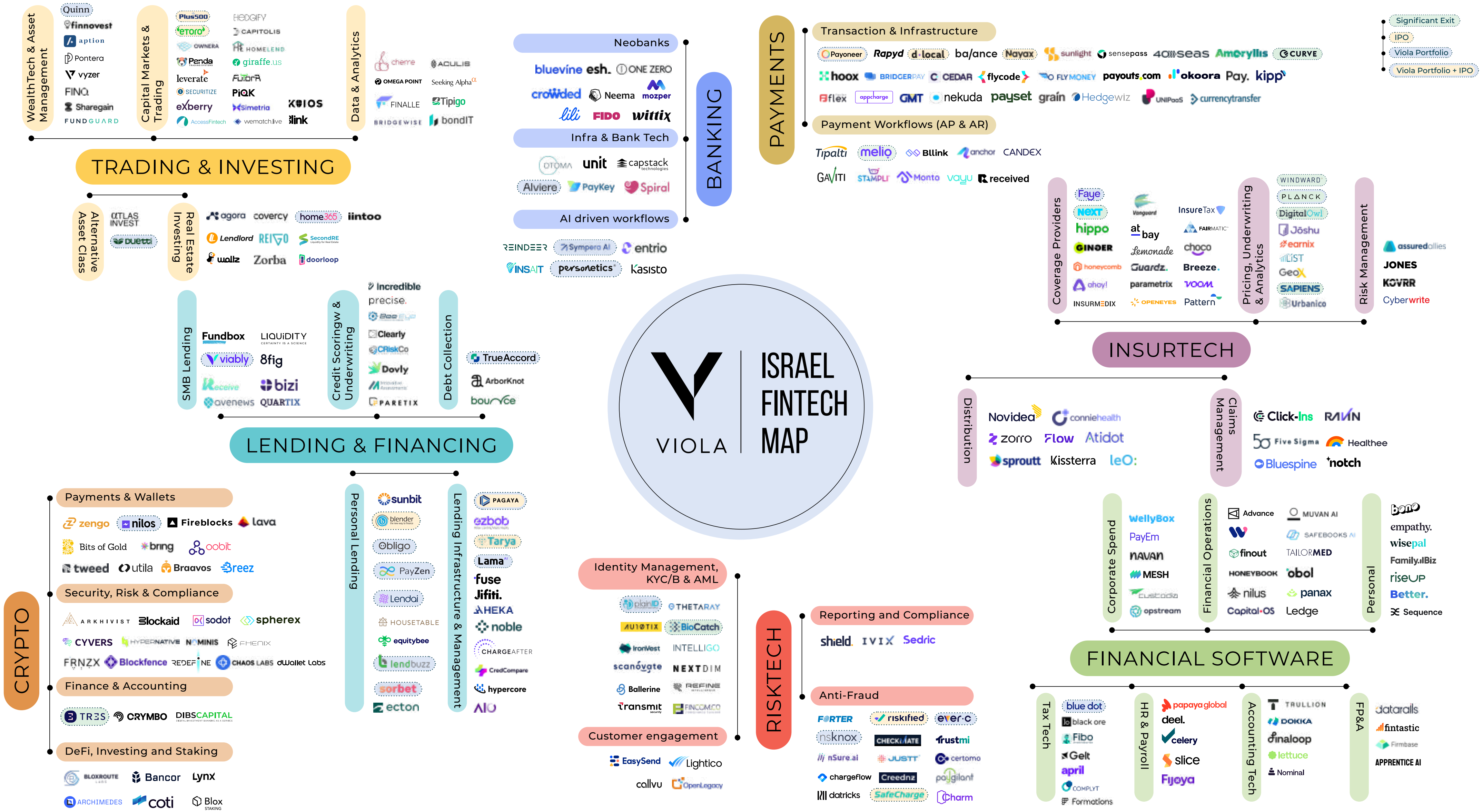
lendbuzz, Lama AI, ZayZoon, koverly, KRIYA, Obligo, Lendai, QuickFee., defacto

FRAUD/REGTECH

chargeflow, nsknox, plainID, blue dot, NICE ACTIMIZE EXIT, Tookitaki EXIT, ever-c EXIT

INSURTECH

Faye, INSURIFY, omni:us, INSHUR, cowbell, baobab, PLANCK EXIT



This map is curated by Asaf Schreiber & Tal Abuloff (Viola Ventures) and Jacob Nelson (Viola FinTech)

PART 3
VIOLA'S INVESTMENT THESES

The lessons of the last cycle are now embedded in how the best FinTech companies are built.

This final section outlines our investment theses in five major FinTech pillars.

VIOLA'S FIRST PRINCIPLES FOR BUILDING A SUCCESSFUL FINTECH COMPANY

HOW WINNERS ARE BUILT - INDEPENDENT OF CATEGORY

01 | **The Trifecta of Distribution, Unit Economics, and Data.**

None can be optimized independently. Distribution must be embedded within existing workflows or platforms rather than driven by unsustainable paid customer acquisition. Unit economics must be structurally sound early, enabled by automation rather than headcount, and scalable business model. Data must be proprietary and compounding, directly improving underwriting, pricing, and personalization. The strongest companies create a feedback loop where distribution generates data, data improves economics, and economics enable scalable distribution – eventually leading to a scalable business model.

02 | **From Retrospective Finance to Proactive, Real-Time Systems.**

Legacy financial infrastructure was built for delayed settlement and after-the-fact risk management. Modern FinTech platforms operate continuously, price risk in real time, monitor exposure as it evolves, and act proactively rather than reactively. This shift enables better outcomes, lower losses, and stronger customer trust across the financial stack.

03 | **AI Must Be Native, Not Layered.**

Enduring FinTech platforms are built around automated execution, with AI embedded at the core of real financial workflows. When AI operates natively within the system, it enables proactive decision making, continuous improvement, and durable performance over time.

These principles define how FinTech winners are built in 2026. Companies that internalize them early will scale more efficiently, adapt faster, and build durable competitive advantages.

INVESTMENT THESES

01. AI IN FINANCIAL SERVICES: BEYOND CONVERSATION, THE SHIFT TO AGENTIC OUTCOMES

From **Assistant**

Chatbots and Copilots that answered questions and raised insights but rarely changed core workflows

To **Agent Owning "Decision Context"**

Execute Multi-Step Workflows

Resolve Exceptions

Produce Auditable Outcomes

Agentic AI succeeds by understanding policies, risks and underlying human decision maps to execute structured tasks.

AI in financial services is moving from systems that communicate to systems that execute. The first wave of AI focused on chatbots and copilots that answered questions or assisted human operators. While valuable, these tools rarely changed how financial work gets done. **The next wave is defined by agentic AI: systems that take action across financial infrastructure, execute multi-step workflows, resolve exceptions, and produce auditable outcomes.** The opportunity is not better interfaces, but automation of financial decision-making and execution across siloed systems that currently may be internally automated, but can't speak with each other.

This shift is uniquely important in finance because execution requires full decision context, not just intelligence. Financial decisions depend on policies, historical actions, risk constraints, regulatory requirements, and downstream consequences. Most manual processes exist because humans implicitly manage this context and translate it into action. Agentic systems become valuable when they can capture and operate on a complete decision-context map, turning fragmented human judgment into structured, repeatable execution.

Financial infrastructure has become increasingly API-accessible, which allows AI to leverage both proprietary and general data and to read and write directly into core workflows. At the same time, model capabilities have advanced from prediction to multi-step reasoning and execution across systems. This is landing in an industry that remains highly operations-heavy, with significant labor devoted to accounting, underwriting review, dispute handling, and compliance, making agentic automation economically compelling. As value shifts from systems of record to systems of action, agentic platforms are positioned to capture both efficiency gains and strategic control.

We view the agentic opportunity across four core pillars

- Backend processes (efficiency) – automating finance operations workflows
- Front-end experience (personalization) – enabling contextual financial navigation
- Fraud (autonomous risk response) – autonomous detection and resolution
- Underwriting (adaptive decisioning) – continuous context aware decisioning

Across all four, the most compelling platforms are those that **own decision context and execute inside real workflows,** enter through a narrow high-ROI wedge, and expand as they accumulate operational context and trust.

EXAMPLES BY PILLAR

Backend Processes:

BLUE ONION provides an AI-ready data infrastructure for e-commerce, providing a single source of truth that powers multiple use cases such as reconciliation, finance operations and business operations. Their e-commerce focus enables them to develop an expert layer that contextualizes the data and makes it clear and coherent, and cover specific edge cases that are challenging to address.

Front-End Experience:

Sympera AI uses agentic AI to enhance relationship banking by equipping financial institutions with real-time insights that help relationship managers understand client needs, prioritize opportunities, and personalize engagement across digital and human touchpoints. The platform scales high-quality, data-driven interactions by embedding institutional knowledge and best-performer behavior directly into everyday client workflows.

Fraud:

chargeflow automates the end-to-end chargeback and dispute management process for merchants. By shifting fraud management from manual review to AI driven resolution, Chargeflow improves recovery rates while reducing the operational burden of handling friendly fraud and disputes.

Underwriting:

Lama AI embeds agentic decisioning into loan origination and underwriting workflows. By enabling faster, more consistent credit decisions within defined risk parameters, Lama supports continuous, data-driven underwriting while maintaining lender control.

02. VALUE-ADD-INSURTECH

From **a Passive, Claim-Focused Model**

Optimized for pricing efficiency and claims settlement instead of customer outcomes

High friction customer experience

Based on after-the-fact gathering of data

To **Proactive, Value-Add Eexperience**

Proactive, human-centered experience – combines coverage with prevention-empowerment and concierge-level support

Delivers value before, during and after a policy is activated

Powered by AI-read time data that enables dynamic and personalized underwriting and real time invervention

Insurance remains one of the largest financial services markets, yet it is structurally under-innovated. The category is fragmented, and still optimized around policies and claims rather than customer outcomes. In focused lines of risk, low loss ratios and automation-driven operations enable attractive unit economics early in scale, while embedded and B2B2C distribution models allow new entrants to bypass traditional agent-driven CAC. These dynamics make insurtech a persistently compelling investment vertical.

In 2026, however, the source of advantage in insurtech is shifting. Winning companies are no longer defined by underwriting alone, but by their ability to deliver value across the full lifecycle of risk: before, during, and after policy activation. **Value-add insurtech** transforms insurance from a passive financial product into an active, experience-driven service that helps customers avoid, absorb, and recover from loss, not simply receive reimbursement.

Historically, insurance companies optimized for pricing efficiency and claims settlement, even though customers experience them at their most vulnerable moments - when friction, delays, and poor coordination amplified the damage of the underlying event. Today, however, advances in AI, real-time data, and digital distribution now make a different insurance model possible: Rather than relying on static proxies and after-the-fact claims, modern insurers can underwrite and personalize risk dynamically, intervene earlier, and combine coverage with prevention, empowerment, and concierge-level support. As customer expectations shift toward proactive, human-centered experiences, this integrated approach allows insure-tech companies to be designed around real-world outcomes, not just balance sheets.

Our conviction in value-add insurtech is grounded both in the companies we have backed and in the structural shift reshaping risk markets.

Faye, for example, goes beyond indemnification: when travelers face covered events, its platform combines claims settlement with proactive support, concierge services, and contextual guidance designed to reduce the real-world impact of disruption. By putting the traveler (and not the policy) at the center of the experience, **Faye** transforms insurance into **travel care**. Importantly, this foundation also enables expansion beyond protection, with embedded FinTech services such as wallets, FX, and trip-based savings that empower users before, during, and after the journey.

baobab illustrates how modern InsurTech companies can reimagine risk for new verticals by combining better underwriting with tailored services. Baobab's approach uses real-time data and AI to price risk more precisely while also providing cyber assessment and monitoring, helping customers to act before loss becomes damage.

In 2026, companies that can orchestrate the full lifecycle of risk - from prevention to recovery - will unlock higher lifetime value, stronger retention, and pricing power.

03. THE SHIFT TO EMBEDDED ECOSYSTEMS

From Embedded Features

Fragmented Utility
Focused on adding simple, single function tools like a payment button

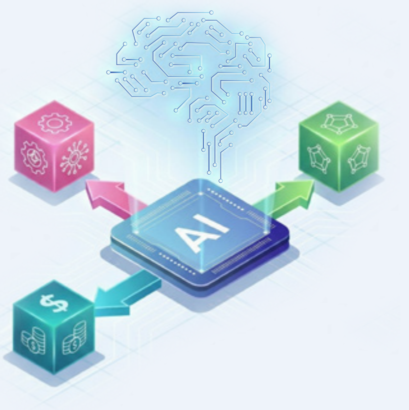
Limited Economic Advantage

To Embedded Ecosystems

A Financial "Operating System"
Manages an industry's entire financial lifecycle, from invoicing to autonomous underwriting.

Compounding Revenue Stack
Near zero CAC unlocks multiple, diversified revenue streams.

Powered by a Proprietary "Data Moat"
Uses unique, real time platform data to fuel an AI driven intelligence layer.



While early embedded finance focused on fragmented utility, we are seeing a shift toward a model that views financial services as a non-linear "value web" integrated directly into vertical SaaS platforms.

In 2026, we will focus on the transition from Embedded Features, such as the simple addition of payment buttons, to Embedded Ecosystems that orchestrate the entire financial value chain. In this ecosystem, a platform doesn't just move money; it manages the entire financial lifecycle, including automated tax withholding, invoicing, financing, autonomous underwriting, and real-time risk mitigation. This represents an evolution of our earlier thesis on contextual financial services. Today, by harnessing the power of AI and fueling it with the right data, companies can create truly personalized and holistic experiences that deliver the exact solution a customer needs at the precise moment they need it, particularly within vertical platforms.

What makes this compelling is the structural defensibility and margin expansion that horizontal FinTech never achieved. Embedded ecosystems allow for a multi-product revenue stack where a single customer acquisition (at near-zero CAC) unlocks compounding, diversified revenue streams. This defensibility is cemented by a proprietary data moat; by sitting on the industry's "system of record," these platforms capture real-time, "ground truth" data, like SKU-level performance or project milestones–that is invisible to traditional banks. This unique data fuels an AI-driven feedback loop, where superior predictive insights and underwriting create a specialized intelligence layer that generalist competitors simply cannot replicate. Fundamentally, this experience is flexible in its delivery. Whether presented as a trusted third-party service or a seamless white-label integration, the customer feels the financial value is a native, indispensable part of the platform's core offering.

PayZen moves beyond a simple "payment button" to serve as a comprehensive, AI-driven financial operating system for healthcare providers. By integrating directly into EHR/EMR systems, PayZen leverages thousands of data points to autonomously orchestrate the entire financial value chain from pre-service credit intelligence and automated underwriting to real-time, interest-free payment plans, invoices and more.

Quinn transforms high-level wealth management from a separate, human-constrained service into a frictionless, AI-native layer of the digital platforms users already trust. By embedding fiduciary-grade guidance directly within financial institutions and publishers, Quinn leverages a smart matching engine to deliver financial products that are aligned with the personalized plan that they had created. Quinn captures users at the exact moment of intent, replacing generic product sales with contextual advice that autonomously bridges the "guidance gap" for underserved millions.

04. VERTICAL FINTTECH

Whilst earlier generations of FinTech set out to disrupt traditional finance primarily through digitization, many winners have been firmly established. Platforms such as PayPal, Payoneer, Stripe, SoFi, and Revolut have achieved global scale, regulatory legitimacy, trusted brands, and default "go-to" status.

These are largely horizontal platforms serving broad user bases, and as they scale, they begin to share certain structural constraints with incumbent banks: personalization weakens at scale, regulatory complexity compounds, and innovation slows as products converge toward the average customer. The model is optimized for distribution rather than depth.

In our view the next phase of FinTech is therefore not horizontal, it is vertical.

Vertical FinTechs are built around the operational, financial, and regulatory realities of a single industry or tightly defined customer segment. By owning industry-specific systems of record, vertical platforms gain access to proprietary data and meta-data, predictable cash-flow signals, and trusted distribution channels that horizontal players cannot replicate.

This structural positioning unlocks four durable advantages –

01 | Better Risk Understanding Through Industry-Specific Data

Vertical FinTechs focus on a single industry or customer type, allowing them to build deep operational understanding and superior underwriting models. Instead of relying on generic credit scores, they price risk using industry-specific data, workflows, and behaviour - resulting in better decisions and more predictable outcomes.

Duetti underwrites catalog and tracks behavior, by through a rich understanding of industry dynamics. By leveraging historical and current streaming data, Duetti leverages asset predictability to optimize royalty flows.

02 | Lower CAC Through Embedded Distribution

Horizontal players spend heavily on marketing to reach broad audiences. Vertical FinTechs acquire customers where they already operate, inside existing workflows, platforms, or partner ecosystems - leading to lower CAC and higher trust-driven conversion.

lendbuzz embeds credit directly at car dealerships, turning the point of sale into the distribution channel rather than relying on paid acquisition.

03 | Liquidity Where Traditional Finance Can't Operate

Vertical FinTechs unlock financing for assets and cash flows that banks historically ignore or misprice. By understanding niche economics, they create entirely new liquidity pools instead of competing for the same borrowers.

PayZen turns complex hospital patient receivables into underwritable cash flows - unlocking healthcare liquidity that banks can't efficiently touch.

04 | Regulatory Edge Through Focus

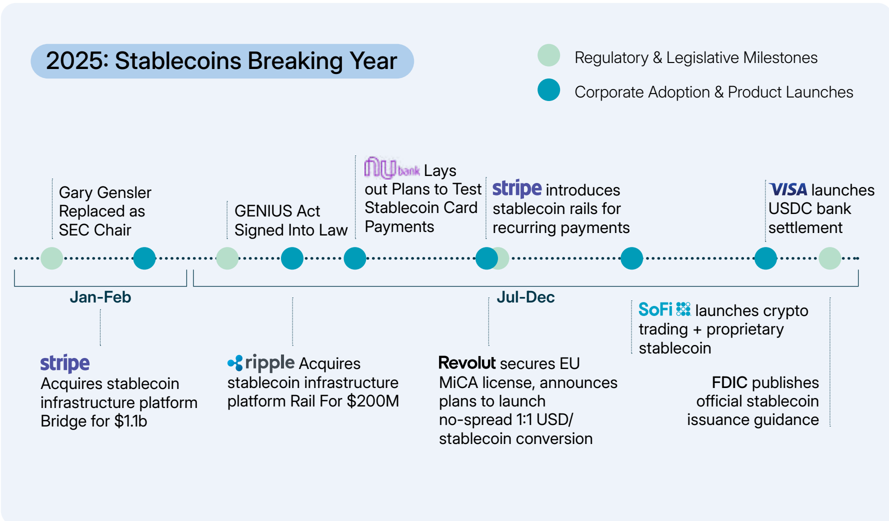
Financial regulation varies widely by industry. Vertical FinTechs are built from day one with a specific regulatory framework in mind. By operating within a narrow regulatory scope, they can design products, processes, and compliance infrastructure tailored to a single rulebook.

Obligo was designed from day one around rental-deposit regulation, embedding trust-account, fund-segregation, and landlord–tenant compliance into the product itself.

While individual verticals may be smaller than horizontal platforms, we see the financial industry uniquely suited to vertical scale. Even narrow industries often represent multi billion-dollar pools of payments, credit, and risk transfer. When underwriting improves and distribution is embedded, vertical FinTechs can penetrate these markets far more deeply, resulting in large, durable markets despite tighter initial scope.

Therefore, we believe that capital in FinTech will increasingly be allocated not to the broadest platforms, but to the deepest ones. Vertical FinTech represents the compounding layer of the next decade: industry-native, data-advantaged, capital-efficient businesses capable of reshaping how finance operates in the economy.

05. EFFICIENT VALUE TRANSFER VIA STABLECOINS

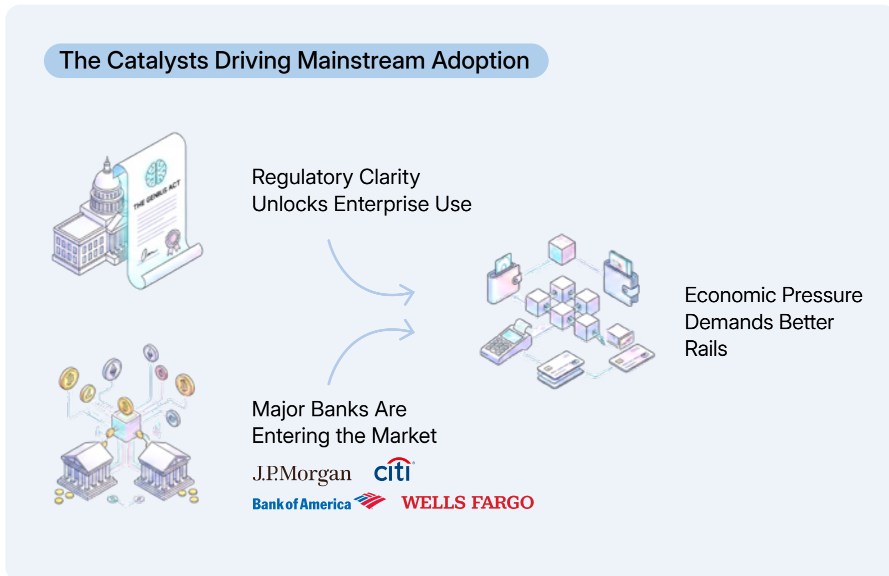


At their core, financial services are about transfer of value. Yet in 2026, the dominant rails for global value transfer remain slow, expensive, and fragmented. Stablecoins introduce a fundamentally better primitive: digital cash that settles instantly, operates 24/7, and is programmable by default. More than a crypto use case, stablecoins represent a new infrastructure layer for efficient value transfer, capable of displacing legacy payment and settlement systems across borders and industries.

What makes 2026 different is that stablecoins are transitioning from experimentation to infrastructure. Regulatory clarity has reached an inflection point, most notably with the passage of the **GENIUS Act**, which establishes a clear U.S. framework for stablecoin payments, including reserve requirements, licensing, and disclosure standards. This removes a critical barrier that kept enterprises, banks, and FinTechs on the sidelines. Stablecoins can now be built into mainstream financial systems with legal confidence rather than regulatory ambiguity.

At the same time, economic pressure is accelerating adoption. Cross-border payments remain costly and slow, FX spreads are opaque, and settlement delays tie up working capital. Stablecoins solve these problems structurally, not incrementally. They enable near-instant settlement, materially lower costs, and seamless global interoperability. As enterprises increasingly operate across borders and time zones, the demand for always-on value transfer rails is becoming unavoidable.

Major Western banks are already experimenting with their own tokenized money: **JPMorgan's** JPM Coin is live for institutional dollar settlement; **Société Générale** (via SG-Forge) has issued euro- and dollar-backed stablecoins under European regulatory oversight; and leading U.S. banks including **JPMorgan, Bank of America, Citi**, and **Wells Fargo** are reportedly exploring a joint dollar stablecoin to modernize interbank and cross-border payments. In parallel, a consortium of large European banks is working toward a MiCA-compliant euro stablecoin targeted for launch in 2026.



This creates a massive opportunity not at the token layer, but at the infrastructure layer. The winners will not be issuers alone, but the companies that build compliant, secure, and easy-to-integrate systems that connect stablecoins to real-world financial workflows: treasury, payouts, payroll, B2B settlement, and marketplaces.

> Our portfolio company, nilos, exemplifies this: it enables companies to run international payouts and treasury flows through a single platform, using stablecoins as the underlying settlement rail while abstracting away crypto complexity - which is precisely where stablecoins win in 2026.

Stablecoins are rapidly becoming the default settlement layer for digital value, and we believe 2026 will be the year this shift becomes unmistakable. As value transfer moves from legacy rails to programmable money, the most enduring value will accrue to infrastructure companies building the plumbing that makes stablecoins reliable, compliant, and invisible to end users.

CLOSING REMARKS

2025 marked a reset year for Israeli FinTech, one that strengthened the ecosystem through greater discipline, clearer differentiation, and more resilient business models. While public market normalization is still underway, the return of IPOs and strategic M&As has restored an essential foundation for long-term value creation.

In line with Viola's theses, we remain bullish on FinTech companies that combine deep regulatory and risk expertise with global distribution, capital-efficient growth, and AI-driven productivity. With a growing pool of experienced operators and a renewed focus on fundamentals, Israeli FinTech is well positioned to produce the next generation of scaled, enduring market leaders.

Contributors:

Tal Abuloff, Principal, Viola Ventures, tala@viola.vc
Ilan Stein, Principal, Viola Growth, ilans@violagrowth.com
Shaun Zamir, Analyst, Viola Credit, shaunz@violacredit.com
Jacob Nelson, Associate, Viola FinTech, jacobn@violafintech.com

A special thanks to **Scott Galit**, former CEO of Payoneer & member of Viola Ventures' Leadership circle

In memory of **Jeremy Solomon** (RIP), a visionary investor, a friend, and a defining force in FinTech.

Jeremy played a meaningful role in both the global and Israeli FinTech ecosystems, supporting founders with insight, integrity, and deep conviction.

His impact continues to be felt across the community he helped build.

ABOUT VIOLA GROUP

Viola Group is Israel's leading tech investment firm, with over two decades of experience partnering with entrepreneurs across market cycles. Managing more than $7B in assets and operating multiple dedicated strategies, from early stage to growth, credit, and FinTech - Viola has backed many of Israel's most scaled and successful Israeli tech companies.

In FinTech specifically, Viola has been the most active Israeli investor across generations of winners, combining long-term conviction with deep sector expertise. This perspective, which was shaped by investing through booms, downturns, and recoveries, informs our view of where FinTech stands today and how the next chapter is being built.

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