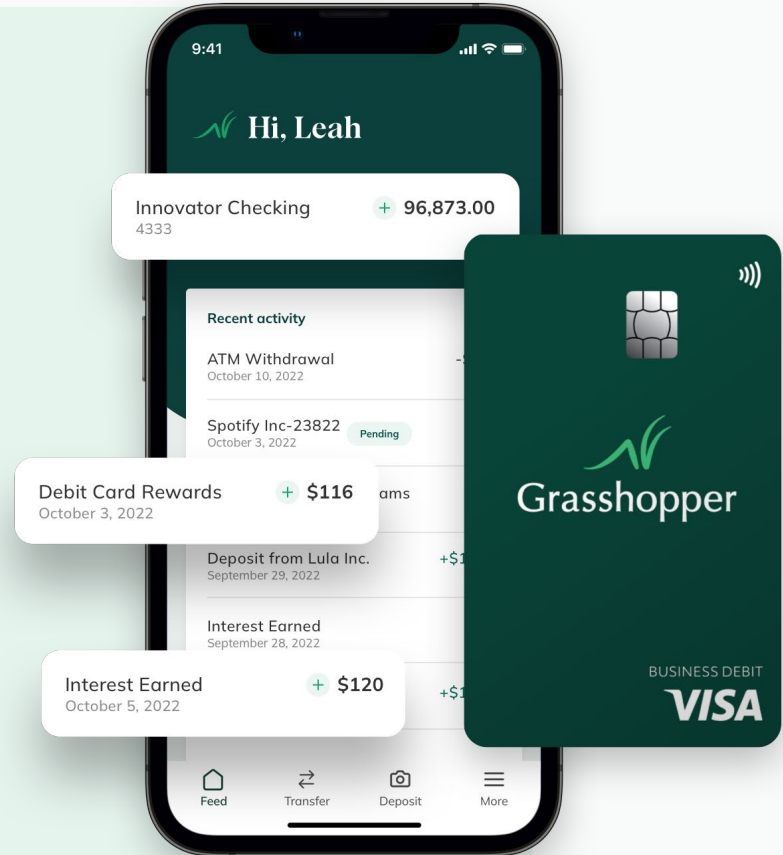




22nd Annual Regional and Community Bankers Conference Grasshopper Bank: Digital Banking

October 12, 2023

Mike Butler



Executive Summary

Business Line Objectives

- Digitally gather lower-cost, sticky, insured deposits
- Deliver an excellent banking experience that will drive additional revenue opportunities

Large Market Opportunity

- 33+ million small businesses in US
- Pandemic + recent banking crisis have pushed more in search of digital banking solutions

Cross-Functional Team is a Key to Success

- Experienced team across all facets of digital banking
- Ability to operate cross-functionally enables nimbleness & scalability

Just Getting Started

- *March '22*: launched SMB product & platform
- *June '22*: launched marketing efforts
- *Q1 '23*: digital channel acquisition partner relationships began working
- *Q2 & beyond*: large opportunity to grow deposits and revenue

SMB Market Analysis

Market Analysis: Small & Mid-Sized Businesses (SMBs)

Large Market Opportunity

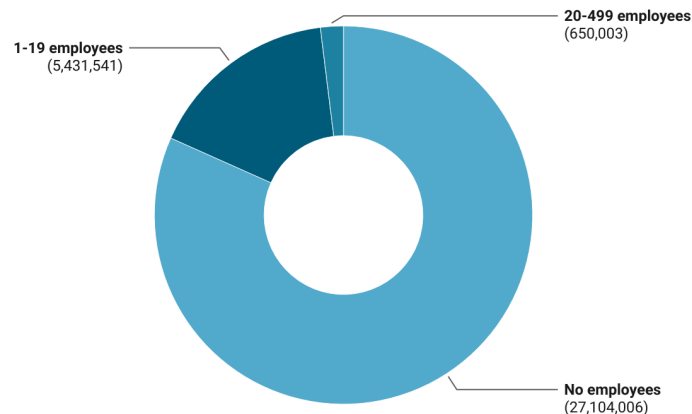
- 33.2 million U.S. small businesses in America
- Employ ~62 million people
- Age Range
 - Millennials -12.9%
 - Gen X - 39.6%
 - Boomers - 47.2%

Future Growth:

- The industry with the highest projected job growth is home health and personal care
- Over the next decade, it is estimated to grow by 924%

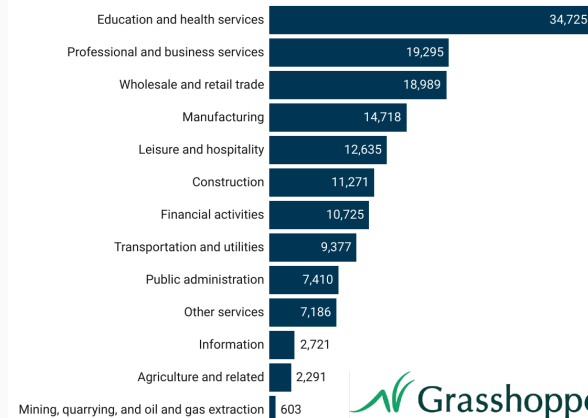
Sources: [US Chamber of Commerce](#), [Nerdwallet](#), [Forbes](#)

Small Businesses by Employee Size



Source: Forbes Advisor

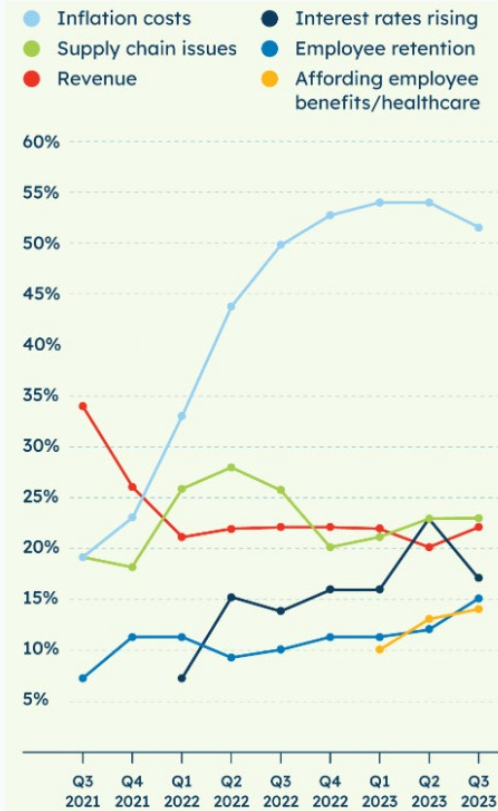
Number of employees by industry



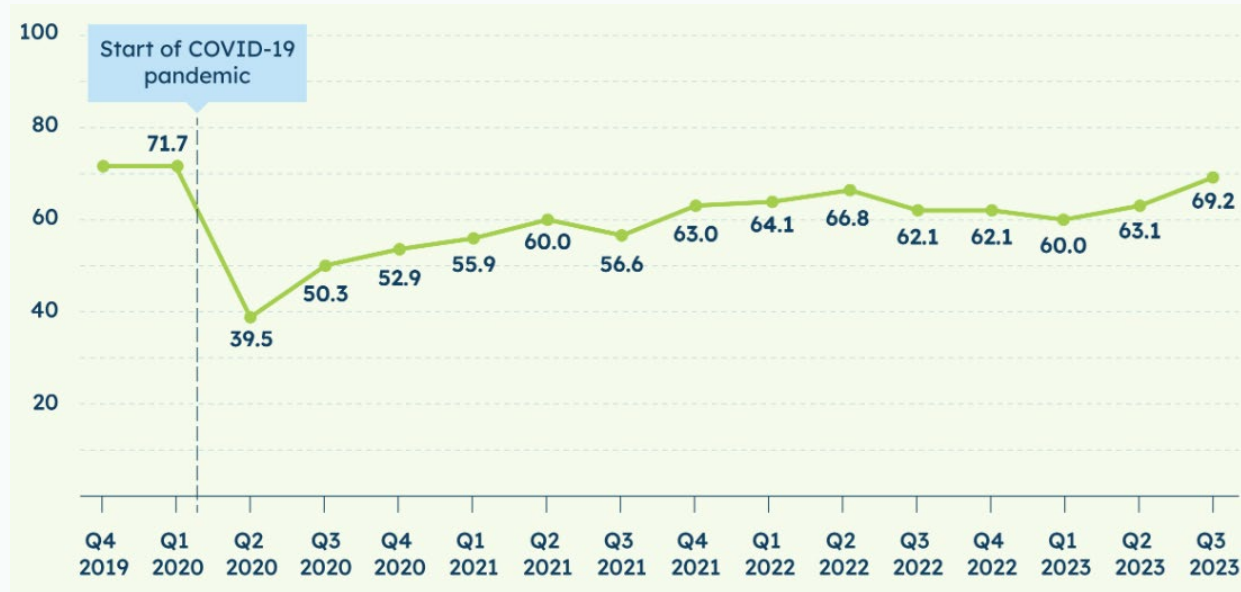
Source: Forbes Advisor

Market Analysis: SMBs

Top 6 biggest challenges facing small business owners



Small Business Index Score 2019 Q3 - 2023 Q3



Takeway: Small Businesses are more positive about the economy & feeling better about their business health

Market Analysis: SMBs

SMB Banking Profile:

- 96% have business bank accounts
 - 52% use 1 bank
 - 38% use 2
 - 10% use 3+
- Deposit Balances
 - 55% say they have \$50K+ in balances
 - 27% say they have \$25K or less in balances

Source: NerdWallet Q2 2023 small business survey

Digital Banking Preferences:

- 41% interested in using a digital bank
- 44% prefer digital platforms offering embedded finance solutions

Source: Digital Banking Rises to Meet SMB Needs, PYMNTS/NCR Feb 2023

Deposits:

- 66% somewhat/very likely to look for a bank in the next 12 months
- 40% want to move for better business checking account product features & capabilities
- 70% with a primary checking account at a mega/regional bank use it every week
- 27% at community banks use it often, more than 50% never use the card

Lending:

- ~80% will consider their primary business checking account provider for their borrowing needs over the next 2 years
- 50%+ will consider another bank or credit union for loans

Source: Cornerstone Advisors

Product and Platform

SMB *Innovator Checking* Platform Overview

Value Proposition

- Dedicated to providing small businesses with the best digital banking solution on the market
- Advanced features save small business owners time and money managing their operating account and business

Target Client

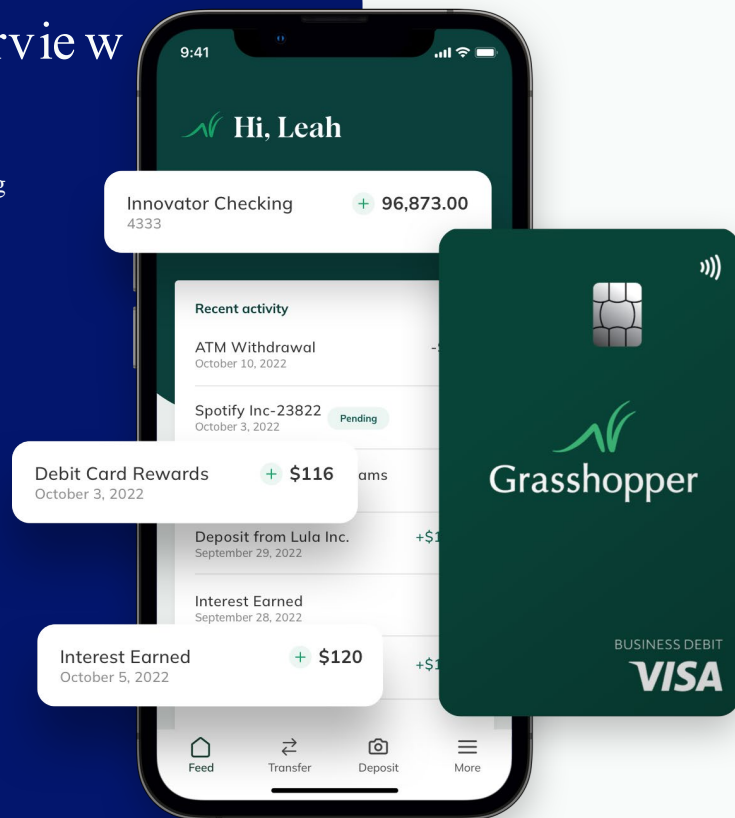
- Most industries and business types nationwide
- Generally 4 people or less signing to open the account
- Cash-light businesses that are comfortable banking digitally

Industry-Leading Product & Customer Experience

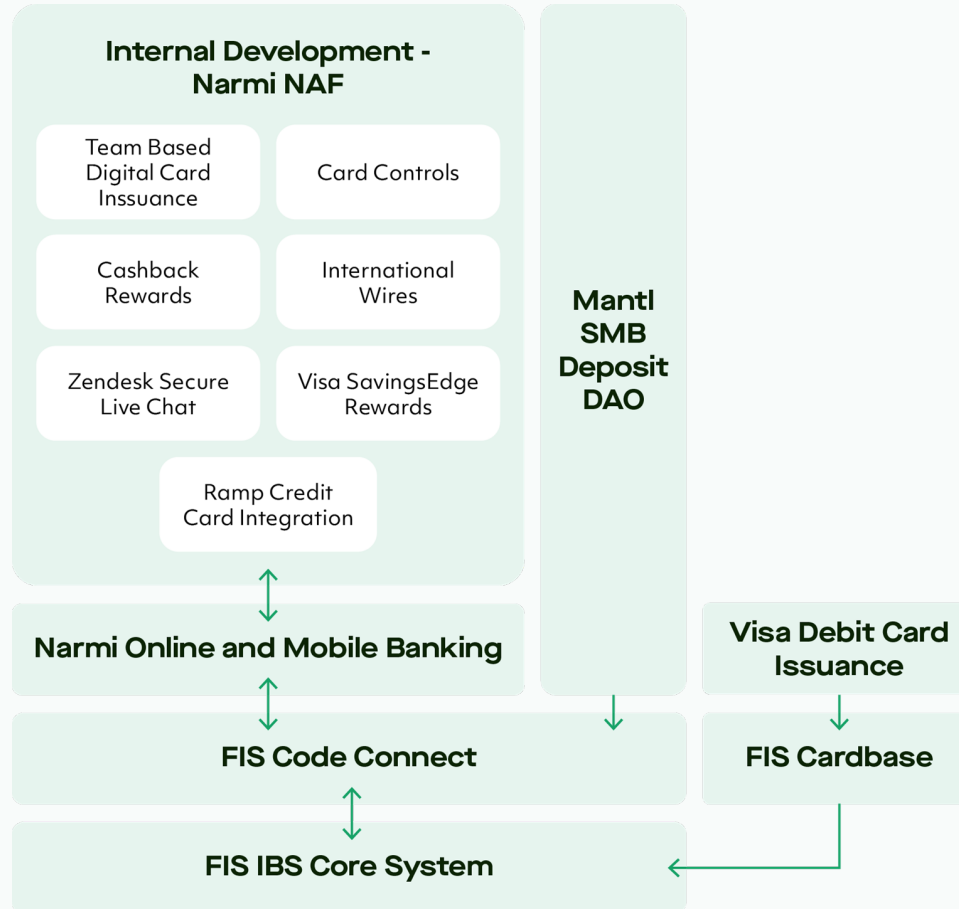
- Quick digital onboarding: open an account in little as 5 minutes
- Full-featured Online & Mobile Banking platform
- Multi-channel US-based client services: M to F 9am to 11pm, ET

Market Validation

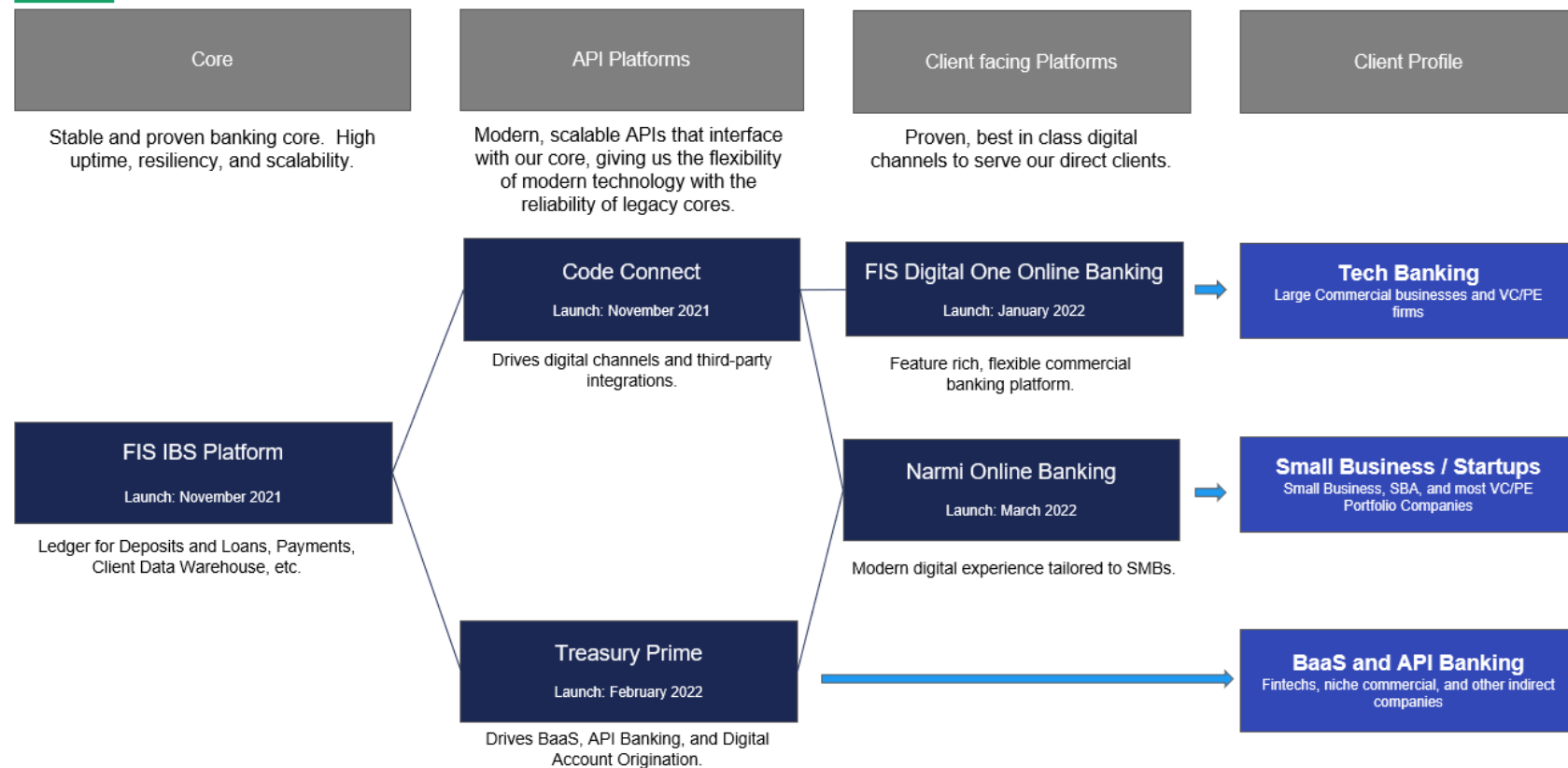
- Grasshopper rated 5 Stars by Nerdwallet



SMB Partner - Driven Technology Stack



Technology Architecture



SMB Technology Platform Highlights

Account Opening (Mantl)

Open in less than 5 minutes with no documents required

It's easy to fund your account:

- Debit Card
- ACH via Plaid

Integrates with Narmi online banking for seamless onboarding

Reduced risk to Grasshopper with enhanced controls and automation for manual reviews

Banking Platform (Narmi)

Fully-featured Payments:

- ACH
- Wire (Domestic, Int'l)
- Bill Pay
- Check Deposit
- Virtual Card Issuance
- Card Controls
- Ramp Credit Cards

Digital Invoicing (Autobooks)

Budgeting & business financial management tools (MX & QuickBooks)

Debit Card (Visa, FIS)

Clients are rewarded for their spending with Unlimited 1% cash back on Signature Purchases and Visa SavingsEdge Rewards

Easy to withdraw cash with no fee ATM withdrawals:

- 37,000+ MoneyPass ATMs
- 8,500+ SUM ATMs

Acquisition & Engagement

Acquisition Strategy Overview

Data and optimization are at the forefront when designing the Grasshopper website and funnel

Establish GH as a leader in channels where SMBs are actively searching for banking services

Allocate majority of spend in channels that convert

Leverage brand authority of partners to grow organic & unpaid channels

Acquisition Channels

Paid Channels

Affiliates: Online publishers with strong brand trust and domain authority. CPA payment structure.

Nerdwallet

Bankrate

Fit Small Biz

Paid-Search: Google Search brand and non-brand keyword ad placements. Variable CPC payment structure.

Paid-Social: LinkedIn Boosted posts for brand-awareness and brand trust initiatives.

Podcasts & Newsletter: Sponsored ad placements for brand awareness and exposure.

*70 % of accounts opened today and will be 50 % of accounts at future state.

Non - paid Channels

Organic Search: SEO Content marketing strategy driven from well optimized website, engaging blog content and strong backlinks.


Email: Utilize Active campaign to drive bottom funnel conversions through retargeting campaigns.

Social Media: Active on LinkedIn and Twitter to promote brand story and drive brand trust.


PR: Work with Caliber to promote brand story and trust through, press releases, media relations and events.

*30 % of accounts opened today and will be 50 % at future state.

Acquisition Strategy Flow



Landing Page

Grasshopper

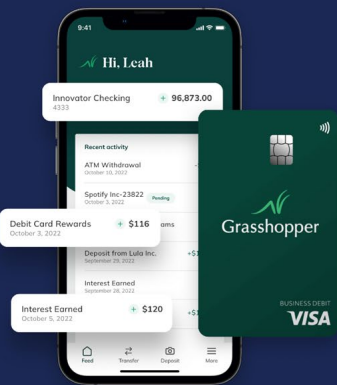
[Our Offerings](#) [Who We Are](#) [Resources](#)


[Log In](#) [Get Started](#)

Meet the best digital business checking account

Earn up to 2.25% APY and 1% cash back. Plus, no monthly fee and unlimited transactions. Open an account in little as 5 minutes today.¹

[Open an Account](#)





Application

Let's open a new account today.

You could be using your new account in as little as 10 minutes.

Company Name

[Get started](#)

[Resume application](#)

Engagement & Retention

Client Literacy, Communication & Support

- Constant adjustment of FAQ's and process changes based on client feedback
- Educational and timely blog posts specific for small business owners
- Constant communication to clients through email and OLB.



Engagement Campaigns & Product Adoption

- Utilizing data to create personalized engagement campaigns to promote deposit growth and product adoption through email marketing, social media and in app messaging.

Product Enhancements

- Work with technology partners to improve features & usability of product.
- Execute on in-house roadmap to deliver new features and products personalized for SMB's.

Data: Client Onboarding & Monitoring

Data - Driven Client Onboarding

Onboarding

- Automated decisioning powered by multiple data/tech partners
- In-house developed risk algorithm (ex. 148 iterations to-date)

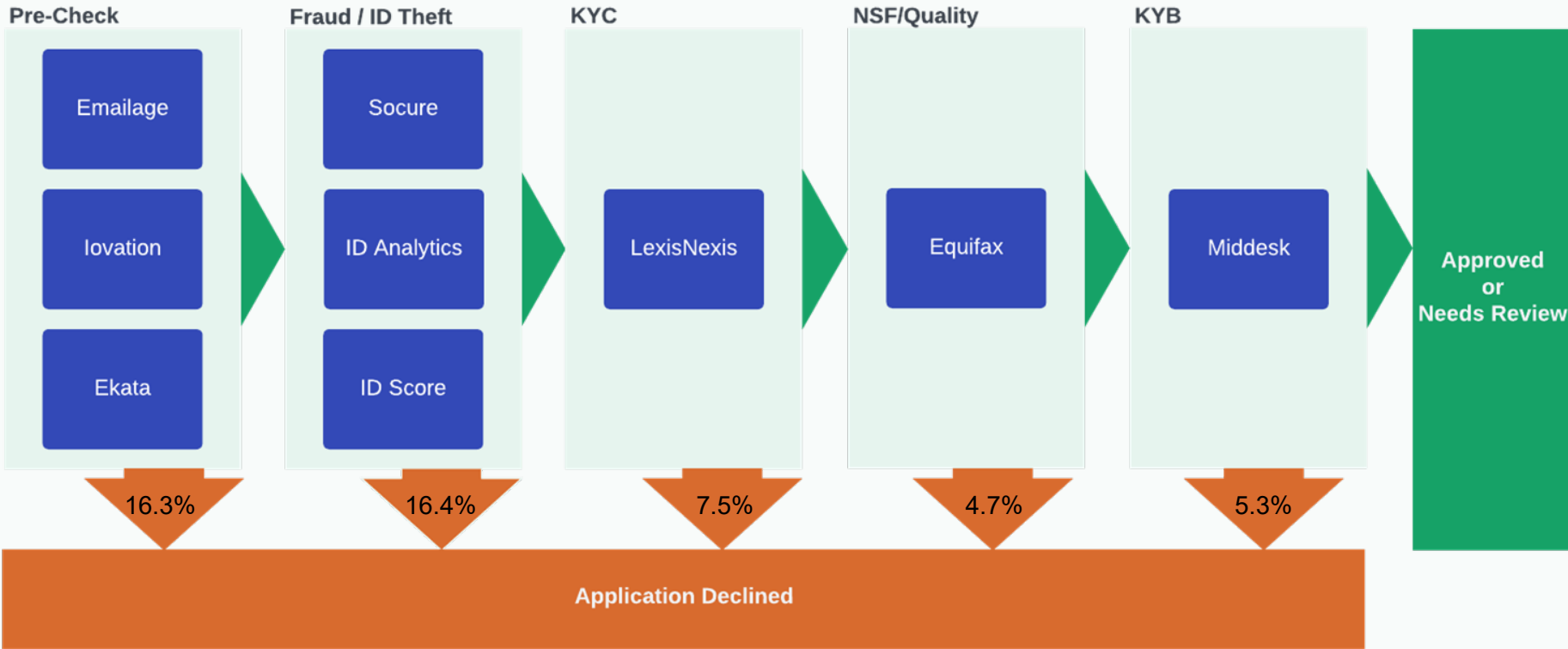
Early Lifecycle (<30 days)

- Enhanced real-time monitoring (Narmi)
- Limited Money Movement

Ongoing (30+ days)

- Break-out fraud monitoring (Alloy)
- Real-time monitoring (Narmi)
- Training

Decision Scorecard: Efficient Onboarding via Technology



Internally - Developed Rules Drive Increase in Quality Accounts



Enhanced KYC & KYB

- Multi-sourced KYC verification to maximise hit rates and approvals
- Direct API access IRS & SoS real-time data on business registration & status



Population Specific Fraud Rules

- multiple fraud vendor data sets offer greater visibility than any one service could
- In-house developed rules react to fraud trends instantly rather than on a release cycle



Quality Scoring

- ISRB by Equifax, a DDA equivalent to FICO, predicts likelihood of NSF event
- Offer accounts only to those who meet the quality standards of Grasshopper Bank



Shared Industry Data of known Bad Actors

- Reference blacklists from industry consortiums to identify repeat offenders
- Upfront rejections decrease spend on obvious fraud applications

Ongoing Monitoring: Combination of Technology & Experienced Team

Early Lifecycle

Technology

- Treasury Prime/Tableau – Automated holds for new accounts
- Narmi- Restricted access to money movement & features

Process

- Risk profiles created from data sets collected at onboarding
- EDD for accounts with high-risk indicators

Ongoing

Technology

- Alloy – Transaction trend monitoring
- Narmi – Real-time monitoring
- Hummingbird - Single workflow for all alerts

Process

- Front-of-house team cross training
- Loss mitigation strategy focused on verifying safety of incoming funds
- Prioritize client experience

Performance Statistics

Innovator Checking Acquisition Report

Weekly/Monthly/Yearly view of digital acquisition funnel and portfolio summary. Portfolio is defined as all Innovator Checking clients under cost center 2400

Date Range: 9/1/2023 - 9/30/2023

1,809 Apps Started	74.0% Submit Rate	1,338 Apps Submitted	55.2% APR	736 Accounts Booked	40.9% Conversion Rate	\$2,186,835 New Balances	\$2,971 Avg per New Account
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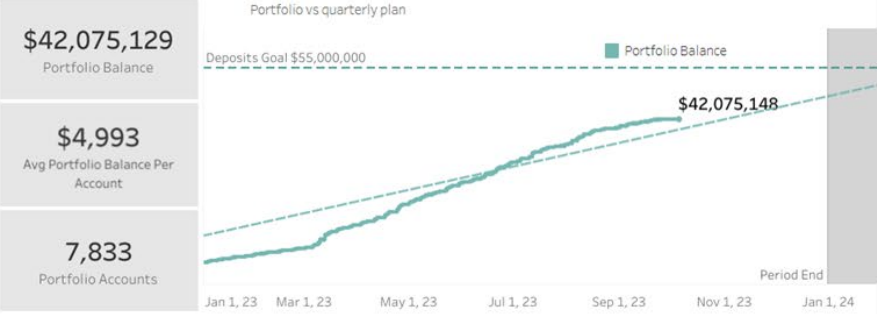
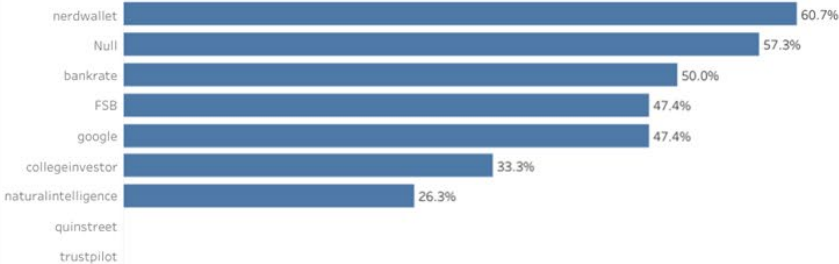
Application Funnel Breakdown



Accounts Booked by Corp Type

Corp Type	Gross Booked	% of Total Accts	Balances	Average Balance
corp	68	9.3%	\$627,566	\$9,229
General Partnership	11	1.5%	\$8,344	\$759
llc	587	80.5%	\$1,517,093	\$2,584
Non Profit	16	2.2%	\$2,944	\$184
soleprop	47	6.4%	\$16,639	\$354

UTM Toggle Metric



Data as of 10/5/2023

Q 3 KPIs

- Narrowed placement to decrease volume while simultaneously increasing application quality.
- Decreased overall CPA while increasing average deposit balance.

KPIs	Q1	Q2	Q3	Q1 vs Q3 Change
Submission Rate	58.7%	63.8%	68.0%	15.8%
Approval Rate	42.7%	52.7%	55.8%	30.7%
Conversion Rate	25.1%	33.6%	38%	51.4%
Accounts Booked	616	1015	813	31%
CPA	\$192	\$141	\$122	(36.5%)

MOM KPIs

- Increased CPA in Nerdwallet for higher quality clients. Increased conversion rate and average balance of deposits for clients acquired in September.
- Decrease of accounts MOM is due to budget cap.

KPIs	Jul. '23	Aug. '23	Sep. '23	MOM Change
Submission Rate	64.8%	66.2%	73.8%	38.9%
Approval Rate	53.7%	57.3%	55.2%	2.8%
Conversion Rate	34.8%	37.9%	40.7%	17%
Accounts Booked	851	857	733	(13.9%)
CPA	\$111	\$117	\$125	12.6%

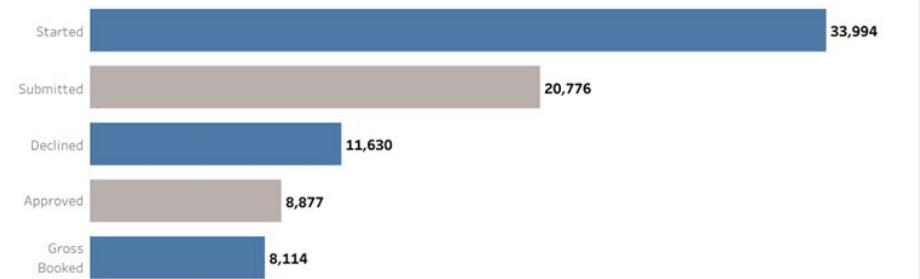
Innovator Checking Acquisition Report

Weekly/Monthly/Yearly view of digital acquisition funnel and portfolio summary. Portfolio is defined as all Innovator Checking clients under cost center 2400

Date Range: 3/1/2022 - 9/29/2023

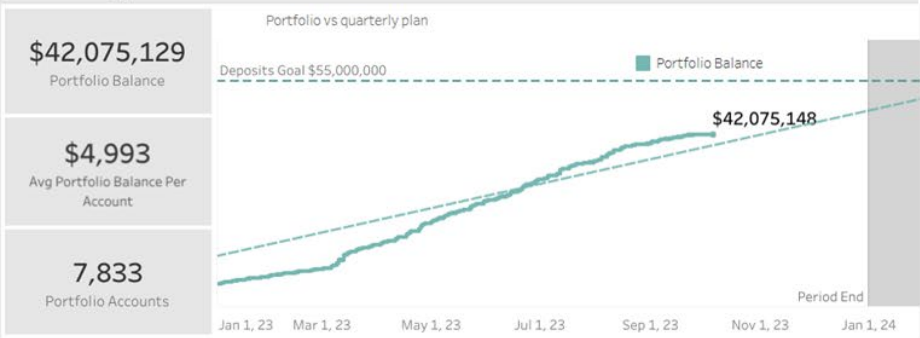
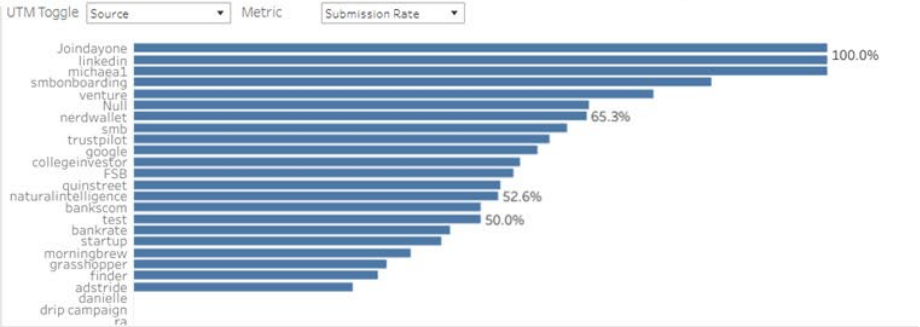
33,994	61.1%	20,776	42.7%	8,114	26.1%	\$42,067,194	\$5,185
Apps Started	Submit Rate	Apps Submitted	APR	Accounts Booked	Conversion Rate	New Balances	Avg per New Account

Application Funnel Breakdown



Accounts Booked by Corp Type

Corp Type	Gross Booked	% of Total Accts	Balances	Average Balance
corp	720	8.9%	\$10,319,835	\$14,333
General Partnership	44	0.5%	\$409,619	\$9,310
llc	6,275	77.8%	\$27,875,523	\$4,442
Non Profit	46	0.6%	\$110,904	\$2,411
nonprofit	59	0.7%	\$1,093,005	\$18,526
partnership	34	0.4%	\$261,099	\$7,679
soleprop	890	11.0%	\$1,774,402	\$1,994



Keys to Success

1) Culture

- CEO / Board
- Non- negotiables

2) Injection of new hires who have necessary skill set

- Hire from fintech
- Rockstar CCO/ CRO

3) Cross functional teams

- LOB/ Technology/ Risk/ Product/ Marketing

Building a Digital Bank: The Radius Story



The Beginning

- First Trade Union Bank was an underperforming, union-owned \$400M bank when Mike Butler and executives joined

Rebuild & Execution

- Developed & executed a strategy that focused on digitization and diversification of deposits and loans
- Attracted a team of professionals to run the business lines
- Reestablished a strong relationship with regulators
- Rebranded the bank to Radius, recapitalized with private equity investors and rebuilt the Board of Directors
- Strategically partnered with leading-edge technology companies to execute business plans for BaaS, DTC, SMB & SBA
- Grew balance sheet to nearly \$2 billion, with digital deposit gathering efforts on a \$1 billion+ annualized run rate at the end of 2020
- Recognized as a leader in digital banking & won many awards, including *Bankrate's* "Best Online Bank of 2020"

Successful Exit

- In February 2020, Radius made headlines when it announced its intent to be one of the first banks to be acquired by a fintech
- In February 2021, LendingClub acquired Radius for 200% of TBV

Repeatable

- Many executives & other management from Radius have joined the Grasshopper team to lead a similar effort
- Strategy of digitization, diversification and technology partnership have been put in place over the last 12 months
- Growth opportunities in our market(s) are large and early wins are indication of success in the short and longer term

