The Future of Payments
What we talk to our customers about

Traditional Payments
- ACH
- Check
- Wire
- Card

Faster Payments
- Nacha Same Day ACH
- The Clearing House EPN
- FedACH

Real-Time/Instant Payments
- RTP
- FedNow

Available Now
Launched November 2017
Available 2023

Credit: Peter Davey, Head of Payments Innovation

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What our Customers Want:

Payments

ACH
Card
Wire
SD ACH
Real-Time/Instant

Credit: Peter Davey, Head of Payments Innovation
A Payment Is A Payment Is A Payment

Credit: Peter Davey, Head of Payments Innovation

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What customers want: experiences that leverage behavior insights, data and technologies to enhance the movement of money
Growth in embedded payments

$43b 2021

$138b 2026

Source: Steve Murphy, Director of Commercial & Enterprise Payments
Global growth in digital wallet transactions

$7.5t
2022

$12t
2026

Source: Juniper Research

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Source: The Census Bureau of the Department of Commerce
Growth of U.S. peer-to-peer payments

- Billions
- % change

<table>
<thead>
<tr>
<th>Year</th>
<th>Billions</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>$569.39</td>
<td>59.8%</td>
</tr>
<tr>
<td>2021</td>
<td>$785.19</td>
<td>37.9%</td>
</tr>
<tr>
<td>2022</td>
<td>$983.85</td>
<td>25.3%</td>
</tr>
<tr>
<td>2023</td>
<td>$1,152.08</td>
<td>17.1%</td>
</tr>
<tr>
<td>2024</td>
<td>$1,261.53</td>
<td>9.5%</td>
</tr>
</tbody>
</table>

Includes mobile payments of one individual to another via companies like Cash App, Google Pay, Facebook Messenger, Venmo and Zelle. Excludes cross-border transactions and peer-to-merchant transactions.
Community banks are also being left behind
ABOUT ALLOY LABS ALLIANCE

70+
BANK MEMBERS
NATIONWIDE AND GROWING

TOP 20
BANK EQUIVALENT WITH
>$250B IN COMBINED ASSETS

70M+
CONSUMER
CUSTOMER BASE

10M+
SMALL BUSINESS CUSTOMER
BASE

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The genesis: To Zelle or not to Zelle?
Real question: how should community banks think about participating in the payment revolution?
Situation Analysis

Negotiate as a group with Zelle
- Defensive move that doesn’t differentiate
- Risk is ATM 2.0 e.g. escalating price after mass adoption
- Expensive

Tools from existing providers
- Outdated without a large network
- Defensive

Build our own network
- Capital intensive
- Lacks network effects

Alloy Labs a payment hub with partners
- Differentiates while leveraging existing momentum
- Open platform that is a utility for community banks

There are 4 options in response; two defensive and two offensive.
What banks need: a cost effective (CAPEX/OPEX/Fraud) yet differentiated way to participate in the payments revolution
CHUCK Guiding principles

1. Customer first
2. Promote inclusivity
3. Level playing field (for customers and financial institutions)
4. Hub vs. Point Solution
5. Platform that allows FIs to differentiate
6. Open network vs closed
HOW DO WE COMPETE

Pains, Gains, Jobs to Be Done
OPEN vs. CLOSED NETWORKS

(a) Closed network    (b) Open network

Source: Wiley Online Library
CHUCK Architecture:

- DEVELOP USE CASES
- AGGREGATE PAYMENT RAILS
- SHARED MARKETING
- FRAUD PREVENTION
CHUCK FOR FIs:
DEVELOP USE CASES

- Customers don’t think of payments based on the method by which it is sent but by the *job to be done*
- The job is often a combination of cost, speed, ease, “risk” and ancillary services (escrow/titling/receipt management/lending)

<table>
<thead>
<tr>
<th>P2P</th>
<th>Micro business accounting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Money</td>
<td>Industry specific (auto, real estate, etc.)</td>
</tr>
<tr>
<td>SMB Embedded Lending</td>
<td></td>
</tr>
</tbody>
</table>
CHUCK FOR FIs:
AGGREGATE PAYMENT RAILS

P2P (Payrailz)  Social Money (Prizeout)
RTP (Southstate/TCH)  FedNow

- Based on identified use cases, CHUCK will develop partnerships & integrations to fulfill the differentiated customer needs
CHUCK FOR FIs: SHARED MARKETING

- Best practices
- Shared assets
- Shared spending

Drive enrollment
Accelerate activation

Deepen engagement
Benchmark success
CHUCK FOR FIs: FRAUD PREVENTION

<table>
<thead>
<tr>
<th>Connect the network</th>
<th>Flag for senders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Add account level understanding</td>
<td>Freeze accounts</td>
</tr>
<tr>
<td>Ability to warn other institutions</td>
<td>Recoup Losses</td>
</tr>
<tr>
<td></td>
<td>Forensics</td>
</tr>
</tbody>
</table>

- Leverage network (especially BaaS)
- Build partners
- Shared data
P2P Sender Experience
P2P Recipient Experience
Send a Gift

1. Select send gift
2. Choose contact to send to
3. Select "Choose a card for them"

Send a gift with Prizeout
Choose between letting your recipient pick their own gift card or picking one out for them:
- Let them pick a gift: Your recipient will be able to pick a gift card of their choice.
- Choose a card for them: You can pick a card that will be sent to your recipient.
Send a Gift (Part 2)
## Risk & Mitigants

<table>
<thead>
<tr>
<th>Risk</th>
<th>Mitigant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fraud</td>
<td>• Scams most frequent loss vector</td>
</tr>
<tr>
<td></td>
<td>• Existing bank risk factor</td>
</tr>
<tr>
<td></td>
<td>• Focus on education, limits and 1&lt;sup&gt;st&lt;/sup&gt; time recipient verification</td>
</tr>
<tr>
<td>Adoption</td>
<td>• Because the recipient doesn’t need to join the network (just have routing/account at an FI) or debit card, the network has utility</td>
</tr>
<tr>
<td></td>
<td>• Banks collaborating on marketing materials, campaigns and performance</td>
</tr>
<tr>
<td>Dependence on Payrailz</td>
<td>• Well financed with potential for additional investment from existing investors and customers</td>
</tr>
<tr>
<td></td>
<td>• Utilizing separate technical resources that could support if necessary</td>
</tr>
<tr>
<td>Execution</td>
<td>• We believe pooling resources and collaboration significantly reduces execution risk</td>
</tr>
</tbody>
</table>