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Battle Financial Inc.

Battle Financial – Bringing that Community Bank Approach Across the US and Returning Value to Deposit Accounts



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Battle Bank

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CEOCFO: Mr. Trotter, what is the idea behind Battle Financial, Inc.? What is the need?

Mr. Trotter: I think it is pretty straightforward. You look across the banking environment today, most people are banking with big box banks and financial supermarkets. The financial supermarkets do not provide much value or service. We started another institution over 20 years ago and looked out across the landscape and that was the situation then and amazingly, 24 years later, that is still the case.

People want great value in their deposit accounts, and they do not want to pay fees. They want to have choices of what to do with their money. We do not think these things are available, particularly for a community where people are thinking about contrarian-type investments. That is why we started Battle Financial building Battle Bank.

CEOCFO: Why has this been missed by so many people who should know better?

Mr. Trotter: We believe our biggest competitor is inertia. You open an account at one of the big box banks and it just keeps going despite the fact they are paying you little to no interest and quite possibly charging you fees to do so. We have done some recent surveys of the market and the top four or five banks for checking accounts typically pay between 0.02% and 0.05% APY (annual percentage yield). There are some exceptions. If we were open today, and we’re hoping to launch soon, our Battle Bank cash account would probably be paying in the 4.30% to 4.40% APY range.

I think a lot of people just do not pay attention to that part of their life; it is just easier to forget about it. Many retailers take advantage of people in the same sort of way with a higher price for a similar item that they could get on the street. It is not uncommon; it is just the way business is done and if they want to run their business that way, so be it. We just do not think that is the right way.

CEOCFO: *Why not a brokerage firm if you are looking for basic checking and additional investments?*

Mr. Trotter: We have been in the brokerage business before. However, we believe that banking is the right platform from a legal and regulatory standpoint to deliver our products. Many brokerage firms give you some level of check writing capability and investment choices. However, they typically are providing their supermarket of options to invest in opposed to letting you make those choices yourself from anywhere across the globe.

We think that banking where you can have checking and savings accounts, where you can have a truly self-directed IRA and a truly self-directed 401k, is just a better legal platform to do it. People, appropriately, have confidence in banks in terms of their stability and safety, and of course with the FDIC insurance, the security of their money.

CEOCFO: *Where are you today in the process of opening?*

Mr. Trotter: We have filed regulatory applications and have begun to raise capital. We do not know when the regulators will get back to us, but we are hoping very soon. We have conditional approval from our primary regulator, the OCC (Office of the Comptroller of the Currency) and we are in the final stages of working with the FDIC. It is a matter of letting the regulators do their job and hopefully coming back with a certificate of insurance for us very soon.

CEOCFO: *Where does the current economic environment play into what you are trying to do? Is it helpful, not helpful, or does it matter?*

Mr. Trotter: It always matters. I go back a long way to the early seventies and eighties in banking. Around 1980 rates were quite high. They have been on a downward trend for the last nearly 40 years. I think at this level, the possibility of paying 4.30% to 4.40% interest on a checking account gets peoples' attention and it also helps us stand out against big box and local community banks. We are talking to a community of individuals who feel that these are important things, and they like the higher rates.

Our products allow us to deliver things that are interesting to our clients based on the current economic environment.

We deal in things like precious metals, foreign currency deposit accounts, and market index deposit accounts. A lot of our prospective clients are very interested in these products and we tailor our offerings to what is happening in the economic environment. For example, right now we are experiencing relatively high inflation and our precious metals

products would provide an opportunity for our clients to hedge against this inflation risk with ease from their online banking account.

CEOCFO: *One of your goals is to offer a client a first approach. How do you help your clients understand some of these lesser-known options or maybe options that people may view with some trepidation as they cannot quite wrap their heads around how it works?*

Mr. Trotter: We have a very vibrant and content-rich website that is ready to go when we open. It explains our products and provides insight about the pros and cons to help our clients decide if the product is right for them. I think, importantly, even though we are a national, branchless institution, we plan to provide very good phone service, so if you prefer to engage with us over the phone, rather than through your online banking access, we're ready to assist. And, our Client Services Specialists are not brand-new to banking and reading off a script, or based off-shore. They are experienced individuals who have possibly been a branch manager, or have worked with us in a previous institution for many years. They can explain and answer questions and complete transactions when requested because they have done it thousands of times. We feel that having that level of service is very important to our future clients to help them understand and get things done.

You may call a number of different banks these days and the person on the phone says they need to check on that or go upstairs to get help from the supervisor. Or they direct you to their website. One of our large shareholders has a great story where he walks into his local branch and there is a very nice person who is the branch manager. He asks her a question and she just points to a white phone on the desk that is presumably connected to their call center and she says "I do not know, call them." We are striving to have experts who know what they are doing and who have done it many times before. I think that helps our prospective client base understand the value of what we do and how we get things done efficiently.

CEOCFO: *How do you attract experienced people to be on the phone talking to customers? How does expertise translate to this approach.*

Mr. Trotter: We strive to offer a high-energy, positive environment that prides itself on superior client support and creates a positive and motivating environment for our Client Services Specialists to love their job. I have been in a few bank branches in the last year or so and there might be 3,000 square feet and maybe fifteen or twenty people. I was in one of the branches for 45 minutes and not a single other client came in. That is just not the environment people want to work in. We offer a great community for banking experts and individuals dedicated to a high level of client service.

CEOCFO: *What has changed in your approach from concept to where you are today and what have you learned as you have been putting this all together?*

Mr. Trotter: A few years ago, when we started to dream about building Battle Bank, we started a waitlist for those interested in learning more. And I'm proud to state that the waitlist now exceeds 13,000! We have regularly surveyed this community on various elements of the business

we are building. We have been able to alter and revise product designs and key elements and refine the narrative around parts of our business as we have heard back from these future clients. We ask them what they want from an offering standpoint; for example, how they would want their precious metals to be delivered or if they have interest in borrowing against their precious metals to utilize the value of their metal. We get the responses, and we tweak our product offerings based on this feedback. I believe businesses should always listen to their clients. In-person stories have done it for eons and we should do that in the online community as well.

CEOCFO: *What are you doing right now as you are waiting for the approvals? Are there things you are working on or is it at a standstill?*

Mr. Trotter: A lot is going on. We are building the entire bank from the ground up. We are nearing first version completion on several aspects. There is online account opening, the online banking experience, and the operations that are behind that. When you create a bank, the industry is highly regulated and requires policies and procedures to be written and approved as well. As we wait for final approvals, we are continuing to work out the bugs, that all software invariably has.

We were not pleased with the out-of-the-box solutions that were available in the market at the time, so we went back with a partner and are building from the ground up the experience that we believe our prospective client base desires.

Also, banks need capital, so we are raising capital.

These are all parts of a start-up bank. We are working with financing firms, regulators, attorneys and doing all the nuts and bolts. The team is working very hard to get all these things done in anticipation of an upcoming launch date.

CEOCFO: *How do you attract potential investors?*

Mr. Trotter: We are a community of individuals that have no geographical constraints but have similar ideas and values. Our clients often have a bit of a contrarian approach. They certainly read the Wall Street Journal or some of the other financial publications, but they typically consume independent financial research and prefer to come to their own opinion when it comes to their financial decisions. They just don't want a 60/40, 70/30 portfolio. They want options that are not as mainstream. We believe that many of these individuals will want to be clients and if they are an Accredited Investor, also invest in Battle Financial, Inc. building Battle Bank.

We know this community very well as we are part of it too. We promote the bank and our investment opportunity at in-person conferences where we meet clients face-to-face, as well as virtually through a number of online financial publishers and editors. We try to present ourselves as a fresh opportunity, an alternative to the traditional options, and a place for the community to come in and have banking the way banking should be done.

CEOCFO: *Your corporate presentation mentions competitive strengths. One of the things you indicate is differentiated robust asset origination and acquisition capabilities; would you give us an example?*

Mr. Trotter: The ideal example is a majority of our future clients have precious metals and believe metals, as an asset class, should be part of a diversified portfolio. They do not want to sell them, but from time to time they need liquidity. It is amazingly hard to do that with physical gold or silver. If you have a couple of gold bars at home, I suppose you could walk into your local bank branch and ask them to loan you some money against them, and maybe the branch would do it, but more than likely, they would not. We are building a solution for prospective clients to have liquidity against their precious metals. We are calling it a MELOC or metals equity line of credit. If they want to take that cash and make another investment or put a deck on the back of the house, or just buy more precious metals, a MELOC will enable them to do so without having to sell the metal outright and lose the long-term hedging value of the metal.

Secondly, we aim to step into the fray where we see a gap – an unfulfilled need in the marketplace. These often exist because the local community bank does not have the lending expertise on staff and the big box bank does not have the interest, due to perceived lack of scale. Not unlike our Client Specialists, we have experienced people on the credit side who are comfortable in these niche markets given their many years spent meeting unique credit needs.

CEOCFO: *What if anything might prospective investors or prospective customers miss or misunderstand about Battle Financial?*

Mr. Trotter: I think these days there is some misunderstanding about a few trends occurring in the banking industry. One is type of company called neo-banks. These are companies that are not banks but are software companies that partner with underlying banks that need your deposits for their balance sheet. They operate nationally, many times virtually, and sometimes they offer a great rate on a single bank account to lure you in or maybe only offer a single bank product with the idea of expanding to more profitable products after accumulating a large number of new customers. We are not a neo-bank. We will be a full-service banking institution for our ideal community of depositors and borrowers that is important to us at Battle Bank. We are here for the long run and our goal is to do banking the old fashion way, with a solid balance sheet – our balance sheet, not passing it through to some third-party partner or entity.

I believe our focus on the community aspect is just something that people can understand and appreciate. If you are interested in a community bank not constrained by geography but more about similar ideas and values, then fantastic. We are looking forward to welcoming you as a client or a potential investor. If you want to stay with your big box, mega bank, receiving no interest and paying higher fees than you deserve, that is up to you. I think that our message about inertia being our biggest enemy and why we are creating Battle Bank, is really what we believe will resonate with our ideal client.