



PUBLIC DISCLOSURE

February 14, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Grasshopper Bank, NA
25152

915 Broadway, 7th Floor
New York, NY 10010

Office of the Comptroller of the Currency

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NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, and should not be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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Overall CRA Rating

Institution's CRA Rating: This institution is rated **Satisfactory**.

The lending test is rated: Satisfactory.

The major factors that support this rating include:

- The rating is based on the reasonable loan-to-deposit ratio.
- The rating is also based on the lending activity in the New York rating area, including Small Business Administration ("SBA")'s Paycheck Protection Program ("PPP") lending, given the size, financial condition, and nature of the institution.
- The rating is based on the volume of small business lending within the assessment area ("AA") given the location of the institution, amount of lending competition, size of the institution, and financial condition.

Loan-to-Deposit Ratio

Grasshopper Bank's ("Grasshopper" or "bank") loan-to-deposit ("LTD") ratio is reasonable.

The level of the bank's LTD ratio meets the standard for satisfactory performance. The bank's quarterly average LTD ratio for the nine consecutive quarters between October 1, 2019 and December 31, 2021 was 53.96 percent. The OCC noted that during the first three quarters of 2019, the bank's LTD ratio was at zero percent. Grasshopper is a de novo bank established on May 13, 2019. The bank did not have loans on their balance sheet until the quarter ending December 31, 2019. As a result, the OCC did not include the first three quarters of 2019 into the calculations. The bank's LTD ratios ranged from a high of 99.66 percent in first quarter 2020 to a low of 34.94 percent in first quarter 2021. The peer group average LTD ratio was 81.56 percent, with a high ratio of 116.44 percent and a low ratio of 44.37 percent. The peer group consists of 12 other banks of similar asset size to Grasshopper. The peer group were banks established as of fourth quarter 2021 and that have loans in Grasshopper's AAs.

Lending in Assessment Area

A substantial majority of the bank's loans are outside its AA.

The bank originated and purchased 23.6 percent of its total loans inside the bank's AAs during the evaluation period. This analysis is performed at the bank, rather than the AA, level. The table below illustrates the number and dollar volume of small business loans the bank originated inside and outside of its AA. The bank's market area is the New York City Metro area and includes four counties within this metropolitan statistical area ("MSA"). There is a significant concentration of online small business lenders within the AA.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Total Small Business Loans	13	23.6	42	76.4	55	2,019	12.9	13,582	87.1	15,602

Source: Bank Data

Due to rounding, totals may not equal 100.0%

Description of Institution

Grasshopper is a \$298.9 million bank, as of December 31, 2021, headquartered in New York, New York. The bank is a wholly owned subsidiary of Grasshopper Bancorp, Inc., a one-bank holding company, also located in New York, New York. Grasshopper is a de novo institution that was originally chartered in December 2018 and commenced operations on May 13, 2019.

Grasshopper maintains a branch at its headquarters located in New York, New York. In December 2020, the bank added a branch in Durham, North Carolina. The bank does not have any automated teller machines (ATMs). In addition to its branches, the bank offers its products through multiple electronic channels, such as mobile and online banking.

The bank has three AAs. One AA consists of Bronx, Kings, New York, and Queens counties located in the New York-Jersey City-White Plains, NY-NJ Multi-state MSA (“MMSA”). One AA consists of Durham County located in the Durham-Chapel Hill, NC MSA. One AA consists of Wake County located in the Raleigh-Cary, NC MSA. Due to the short time period of operations in North Carolina and the small number of loans originated or purchased, the state of North Carolina is excluded from this evaluation.

Grasshopper is a digital bank and offered technology and venture capital loans as its initial business model. In 2020, the COVID-19 pandemic eliminated normal face to face lending practices and negatively impacted Grasshopper’s loan production pipeline. In 2021, Grasshopper executed a complete leadership change with new executive management. New management augmented the original business plan focused on venture capital lending by expanding the lending focus into other business types and lending products. Grasshopper added new lending products, such as SBA and yacht loans, and developed new strategies for commercial real estate, commercial and industrial loans, and loan participation loans.

Grasshopper’s loan portfolio is approximately \$124.8 million, which represents 41.76 percent of total assets as of December 31, 2021. Total deposits are \$251.3 million, which represents 98.34 percent of total liabilities. The primary lending type is commercial and industrial (“C&I”) loans. C&I loans total \$79.9 million, which represents 64.0 percent of total loans. Tier 1 capital is \$44.2 million as of December 31, 2021.

Grasshopper originated loans under the SBA PPP. This program was implemented by the U.S. SBA and was a low-cost, qualifying forgivable loan program for small businesses to help cover payroll costs, interest on mortgages, rent, and utilities during the COVID-19 pandemic.

This is the bank's initial CRA examination. There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs of its AA.

Scope of the Evaluation

Evaluation Period/Products Evaluated

This performance evaluation is an assessment of Grasshopper's ability to meet the credit needs in its AA. The OCC evaluated the bank using the Small Bank evaluation procedures, which includes a Lending Test. The Lending Test evaluates the bank's record of meeting the credit needs in its AA through its lending activities. To evaluate performance under the Lending Test, the OCC reviewed small business loan originations between May 13, 2019 through December 31, 2021. The bank's primary product over the evaluation period was small business loans.

Selection of Areas for Full-Scope Review

In each state where the bank has an office, one or more of AAs within that state was selected for a full-scope review. For purposes of this evaluation, bank delineated AAs located within the same MSA, MMSA, or combined statistical area (CSA) are combined and evaluated as a single AA. Similarly, bank delineated non-MSA AAs within the same state are combined and evaluated as a single area. These combined AAs may be evaluated as full- or limited-scope. Refer to the "Scope" section under each State Rating for details regarding how full-scope AAs were selected. Refer to appendix A, Scope of Examination, for a list of full- and limited-scope AAs.

Ratings

The bank's overall rating is based solely on its performance in the state of New York.

The bank's overall rating solely focused on New York. The state of New York rating area carried the greatest emphasis in the OCC's conclusions as this area represented the bank's most significant market with approximately 99.8 percent of bank deposits. Refer to the "Scope" section under the State Rating section for details regarding how the areas were weighted in arriving at the respective ratings.

Although the bank has a branch located in the state of North Carolina, a meaningful analysis could not be completed. Over the three-year evaluation period, the bank did not originate enough loans to complete a meaningful analysis for geographic distribution and borrower income distribution.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Bureau of Consumer Financial Protection, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

State Rating

State of New York

CRA rating for the State of New York¹: Satisfactory

The Lending Test is rated: Satisfactory

The major factors that support this rating include:

- The lending activity in the AA demographic is reasonable, given the de novo status, size, and business strategy of the institution.
- The de novo bank did not originate enough loans to conduct a meaningful analysis of the distribution of small business loans to businesses in geographies of different income levels.
- The de novo bank did not originate enough loans to conduct a meaningful analysis of the distribution of small business loans to businesses of different income levels within the AA demographics.
- Management did not receive any complaints regarding Grasshopper's CRA performance.

Description of Institution's Operations in New York-Jersey City-White Plains, NY-NJ

Grasshopper has designated Bronx, Kings, New York, and Queens counties in the state of New York as its AA. All designated counties are located within the New York-Jersey City-White Plains, NY-NJ Metro Division (MD), which is part of the New York-Newark-Jersey City, NY-NJ-PA MSA. The AA consists of 2,057 census tracts (CTs) surrounding the bank's one branch located in New York City. These counties are predominantly urban in nature. The AA meets the legal requirements of the regulation and does not arbitrarily exclude low-or moderate-income ("LMI") geographies.

According to the June 30, 2021 FDIC Summary of Deposits report, Grasshopper's deposit market share is 0.01 percent in Bronx, Kings, New York, and Queens counties. The bank ranks 80 out of 110 banks in the four counties in New York in terms of deposits. The New York-Jersey City-White Plains, NY-NJ AA banking market is highly competitive. The New York City market area is dominated by large bank and multi-national institutions. Grasshopper's major competitors include JP Morgan Chase Bank, NA; Goldman Sachs Bank, USA; the Bank of New York Mellon; HSBC Bank USA, NA; Citibank, NA; Bank of America, NA; Signature Bank; and TD Bank, NA. These major competitors have an established presence in the AA and provide strong competition to the bank with a combined deposit market share of 84.75 percent.

According to the 2010 Census, Grasshopper competes with 377 small business peer lenders in the four counties of Bronx, Kings, New York, and Queens. The bank's major competitors for small business loans include JP Morgan Chase Bank, NA; American Express National Bank; Cross River Bank; Bank

¹ This rating reflects performance within the state. The statewide evaluations do not reflect performance in the parts of those states contained within a MMSA.

of America, NA; and Citibank, NA. The top twenty well established competitors have a combined small business loan market share of 89.02 percent and originated 241,932 small business loans in 2020. Grasshopper competes with nine established, small dollar lenders within the AA that comprised 55.09 percent of the small business loan market share. Small dollar lending is defined here as those banks whose average small business loan size is \$50 thousand or less. As a de novo institution, Grasshopper did not close enough loans to demonstrate any market share.

According to the 2015 ACS US Census, Grasshopper's New York AA included 797,998 businesses. Businesses with a single location comprise 94.10 percent of all businesses in the AA. Businesses in the service industry are 35.12 percent of all businesses in the AA.

Top industries in the area providing the most employment are hospitals and national banks. Major employers include Montefiore Health System, Mount Sinai Health System, JP Morgan Chase & Co, Bank of America, and New York-Presbyterian Healthcare System.

According to the U.S. Bureau of Labor Statistics (BLS), there was significant increase in the unemployment rates in the local New York area. The average unemployment rate in the New York-Jersey City-White Plains, NY-NJ MD in which the bank operates increased from 4.4 percent in January 2019 to 9.6 percent in December 2020 and fell to 6.6 percent in November 2021. The average unemployment rate in the bank's counties was above the unemployment rate in the state of New York which increased from 4.0 percent in January 2019 to 8.7 percent in December 2020 and 6.2 percent in December 2021.

The November 2021 report from Moody's Analytics indicated that the New York-Jersey City-White Plains, NY-NJ AA strengths included being a part of the financial capital of the world, high per capita income residents, had limited exposure to manufacturing, and strong international immigration. Weaknesses of the area include high costs, including taxes, housing, office rents and energy, a rapidly aging infrastructure, troubled fiscal health amid COVID-19 recession, and population losses. The report indicated the AA faces a long road to normalcy due to the COVID-19 pandemic which has negatively impacted tourism, consumer spending, and residential and commercial real estate.

As part of the CRA evaluation, the OCC reviewed information from two community contacts within the bank's AA to determine local economic conditions and community needs. The first community contact, located in New York City, is a non-profit organization that focuses on affordable housing, small business lending, and social services for LMI residents. The second community contact, located in Kings County, works to provide job readiness training to students with the aim of preparing them to enter the workforce. These contacts identified affordable housing, small business financing, sustainable employment, and improving LMI access to banking services as community needs.

According to the Federal Reserve Bank of New York's white paper published in December 2020, the COVID-19 pandemic has further exacerbated New York City's housing affordability and stability in both the residential and commercial areas. The housing and commercial property crisis is complex and impacted tenants, landlords, businesses, and neighborhoods. Given the increase in joblessness and recession, the federal government provided various forgivable loan programs, federal assistance, and grants to mitigate crises related to affordable housing, evictions, and household financial stability.

The following table provide a summary of the demographics that includes housing and business information for the New York-Jersey City-White Plains, NY-NJ AA.

Table A – Demographic Information of the Assessment Area						
Assessment Area: Grasshopper AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	2,057	13.9	27.3	29.8	25.9	3.1
Population by Geography	7,954,262	17.6	30.3	26.2	25.6	0.3
Housing Units by Geography	3,244,089	15.6	27.5	24.8	31.8	0.3
Owner-Occupied Units by Geography	877,350	4.0	18.1	34.2	43.5	0.2
Occupied Rental Units by Geography	2,070,401	21.1	31.9	21.3	25.3	0.3
Vacant Units by Geography	296,338	11.2	24.5	21.5	42.4	0.4
Businesses by Geography	794,884	8.9	21.3	20.5	46.4	2.9
Farms by Geography	3,114	6.3	17.4	21.7	52.7	1.8
Family Distribution by Income Level	1,742,525	33.5	16.5	15.6	34.5	0.0
Household Distribution by Income Level	2,947,751	32.6	14.8	15.3	37.3	0.0
Median Family Income MSA - 35614 New York-Jersey City-White Plains, NY-NJ		\$67,560	Median Housing Value			\$541,839
			Median Gross Rent			\$1,347
			Families Below Poverty Level			18.0%
<i>Source: 2015 ACS and 2020 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Scope of Evaluation in New York

The OCC completed a full-scope review of the New York-Jersey City-White Plains, NY-NJ MSA AA. The CRA evaluation determines the bank's record of meeting community credit needs in the state. The OCC used a combination of bank and examiner generated loan and demographic reports to assess CRA performance. In addition, the OCC used information about the community and the bank's performance obtained from community contacts. The OCC also considered the significant amount of market competition and the impact of the COVID-19 pandemic when evaluating overall performance.

The evaluation period for the lending test was May 13, 2019 through December 31, 2021. The bank did not originate a sufficient volume of loans within its AA to conduct a meaningful statistical analysis. Therefore, the income distribution analysis and the geographic distribution analysis is not meaningful and was not given any weighting.

Refer to appendix A for additional detail of the AA under review.

LENDING TEST

The bank's performance under the Lending Test in New York is rated Reasonable.

Conclusions for Area Receiving a Full-Scope Review

Based on a full-scope review, the bank's performance in the state of New York is Reasonable.

Responses to Complaints

Management did not receive any complaints regarding Grasshopper's CRA performance in the state of New York during the evaluation period.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the MSAs and non-MSAs that received comprehensive examination review, designated by the term “full-scope,” and those that received a less comprehensive review, designated by the term “limited-scope”.

Time Period Reviewed:	May 13, 2019 to December 31, 2021	
Bank Products Reviewed:	Small Business Loans	
Affiliate(s)	Affiliate Relationship	Products Reviewed
None	None	None
List of Assessment Areas and Type of Examination		
Rating and Assessment Areas	Type of Exam	Other Information
New York		
New York-Jersey City-White Plains, NY-NJ MSA	Full-scope	Counties of Bronx, Kings, New York, and Queens

Appendix B: Summary of State Ratings

RATINGS	Grasshopper Bank, NA
Overall Bank:	Lending Test Rating
Grasshopper Bank NA	Satisfactory
State:	
New York	Satisfactory

Appendix C: Definitions and Common Abbreviations

The following terms and abbreviations are used in this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending (Aggt.): The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

Census Tract (CT): A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

Combined Statistical Area (CSA): A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

Community Development (CD): Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into ‘male householder’ (a family with a male householder and no wife present) or ‘female householder’ (a family with a female householder and no husband present).

Full-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and for manufactured housing.

Home Mortgage Loans: A closed-end mortgage loan or an open-end line of credit as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income Individual: Individual income that is less than 50 percent of the area median income.

Low Income Geography: A census tract with a median family income that is less than 50 percent.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above, and half below, a range of incomes.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rating Area: A rated area is a state or multi-state metropolitan statistical area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan statistical area, the institution will receive a rating for the multi-state metropolitan statistical area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have

original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in ‘loans to small farms’ as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier 1 Capital: The total of common shareholders’ equity, perpetual preferred shareholders’ equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.