

RESPONSES TO RECENT INVESTOR QUESTIONS

March 30, 2023

We've recently received some questions from investors that we want to answer. This document is generally ranked by frequency, most asked to least. Thematically most of the questions we've received have to do with how we measure Cash App transacting actives and our compliance program. As we look forward to our next public conversation with you all, our Q1'23 earnings call, we'll include more discussion on Cash App's stated priority of Trust. Until then...

Why would a Cash App customer have multiple accounts?

Cash App is built to support customers who may want to maintain multiple accounts. For example, customers can maintain a separate business and personal account or can also maintain multiple personal accounts (e.g., one for everyday personal use and one to set aside funds for budgeting).

We disclose in our current 10-K filing with the SEC, that one customer may be associated with one or more accounts. We also disclose that a "transacting active" is a Cash App account that has at least one financial transaction using any product or service within Cash App during the specified period. We reported that as of December 2022, Cash App had more than **51 million** monthly transacting actives.

We believe this approach is more conservative than potential alternative measurements. For example, some companies include any account that opens their mobile application or loads a webpage on a browser as an active account.

How many accounts have gone through your identity verification program?

As of December 2022, Cash App had more than **51 million** monthly transacting actives. Of these, approximately **44 million** were connected to an identity verified through our Identity Verification (IDV) program.

Many of the remaining accounts will eventually go through IDV as they increasingly engage with the Cash App platform. Approximately **13%** of the unverified accounts as of December 2022 have completed IDV so far in 2023 as of the date of this release.

The **44 million** verified accounts represented approximately **39 million** unique Social Security numbers as of December 2022 (we use Social Security number as a logical, unique identifier to estimate the number of identities in this analysis).

How much of Cash App's business comes from these identity verified accounts?

We estimate that the **44 million** verified accounts constituted approximately **97%** of Cash App inflows in December 2022.

As we shared in our most recent shareholder letter, we use our inflows framework to assess the performance of Cash App's gross profit as a result of three primary variables: (1) transacting actives, (2) inflows per transacting active, and (3) monetization rate on inflows. If

one were to lower the number of actives by only considering, for example, unique Social Security numbers, one would increase the inflows attributed to an active and arrive at the same overall gross profit numbers for Cash App.

How does your identity verification system work?

Similar to how other peer-to-peer platforms in the U.S. operate, when a customer signs up for a new Cash App account, they can send and receive peer-to-peer payments up to a threshold (\$1,000 within any 30 day period in our case) before going through identity verification.

Over time, as customers engage more with our platform or want to use additional products like the Cash App Card, send money from their Cash App stored balance, or transact at higher dollar amounts, they are required to complete our IDV process.

For customers in the U.S. who undergo IDV — a part of our Know Your Customer (“KYC”) controls — our policy is to obtain their full name, date of birth, address, and Social Security number, as well as government-issued photo ID in some cases. We then use their information to verify the customer’s identity.

Is your approach to compliance different from others?

We believe that our approach to compliance is consistent with other financial services platforms for the reasons described below.

We maintain a culture of compliance and a holistic program designed to comply with a range of regulatory obligations in the markets where we operate. As disclosed in our public filings, in the U.S., we maintain a Bank Secrecy Act (BSA)/Anti-Money Laundering (AML) program in accordance with federal AML guidelines, the US Bank Secrecy Act, and the USA Patriot Act.

Our AML program is led by experts in the field and includes systems, policies, procedures, and controls designed to prevent and disrupt criminals from using our platform to facilitate money laundering, terrorist financing, and other unlawful activity. Like other financial institutions, our AML program is independently assessed on an annual basis and we are examined by both state and federal regulatory agencies.

Implementing compliance controls is an embedded part of our product development process, and we endeavor to understand potential patterns of abuse and prevent bad actors from exploiting our system. In cases where we observe vulnerabilities, we adapt and work to improve. In addition to our IDV controls described above, we maintain ongoing KYC, transaction monitoring, and suspicious activity reporting programs. We leverage in-house and third-party detection models and tools for both risk and compliance monitoring purposes, including the use of advanced machine learning techniques to identify prohibited and/or potentially unlawful activity on the platform.

How much fraud and illicit activity do you have in your system?

While people use products like Cash App to improve their financial lives, there are individuals who nevertheless seek to perpetrate fraud and other illicit activity — this is

unfortunately the case across the financial services industry. Our Risk and Compliance teams and programs are built around mitigating these instances and their impact.

Building a trusted platform and combating fraudulent and other illicit activity is a top priority for Cash App and Block more broadly. Our risk models focus on typologies such as suspected stolen identities, scam payments, and potential account takeover in order to prevent potentially fraudulent transactions from occurring on the platform and to keep the platform safe for good customers. Our Compliance team also investigates, takes actions and reports cases of suspected fraud to law enforcement.

While it's challenging to arrive at definitive estimates of the amount of fraud and illicit activity, we measure the number of accounts that we "denylist" (a control that prevents, among other things, sending and receiving funds, using a Cash App Card, buying stocks or bitcoin, or taking a loan). In 2022, approximately **2.4%** of Cash App transacting active accounts were denylisted by our Compliance and Risk teams during that year. We have additional controls to help prevent known bad actors from returning to the platform.

How is Cash App peer-to-peer risk loss reflected in your financials and how has it trended over time?

Risk loss is another mechanism that can be used to assess our management of the platform. The portion of risk loss recognized in sales and marketing primarily includes losses on peer-to-peer transactions and cash-ins, as well as a small portion from direct deposit and checks. This figure has remained at or below **0.20%** of both applicable peer-to-peer payment volume and of overall inflows for each of the past five years. While we saw an increase during 2020, we have driven improvements since, and, in 2022, Cash App risk loss recognized in sales and marketing was **0.14%** of applicable peer-to-peer payment volume and **0.12%** of overall inflows.

How much have you invested in your compliance program?

Since 2019, the company's compliance investments have grown **more than twice as fast** as overall gross profit, and compliance investments have also **meaningfully increased as a percentage** of our overall operating expenses. Our Adjusted EBITDA and Adjusted Operating Income guidance for 2023, shared on our recent earnings call, already includes another meaningful increase in compliance investments, which are expected to again outpace growth in total operating expenses. These investments go towards personnel as well as software and tooling, amongst other areas, to support our program.

Central to our purpose is promoting financial inclusion to those excluded by traditional financial institutions, even when activity from bad actors makes providing access more challenging. We remain dedicated to complying with all applicable legal requirements, and we will continue to invest significantly in compliance and other practices that enable us to democratize access to the financial system.