First Sound Bank

Experienced. Innovative. Sound.

Dear Shareholders: May 31, 2022

I am pleased to report the first quarter 2022 financial results for First Sound Bank ("the Bank").

For the quarter ending March 31, 2022, the Bank generated a small net income of only $12 thousand compared to net income of $284 thousand during the first quarter of 2021. There were several contributing factors to the decline in income: a) in anticipation of our previously-announced proposed merger with BM Technologies, we had about $50 thousand of out of pocket legal costs and numerous additional administrative costs related to that transaction; b) loan demand was considerably down compared to previous quarters and as a result our net loan production was below budget; c) we did not close any SBA loans during the first quarter, which compared to our recent history is an anomaly for our bank; d) our operating expenses have increased during the past year as wages, occupancy, and technology costs have all increased; and e) our 2021 numbers were positively impacted by the PPP loan program which has now ended. We anticipate these trends to improve in Q2 and beyond; we now once again have a strong pipeline of new loans, including several SBA loans, and we do not anticipate any material further expense increases this year. We are continuing to execute our new strategic plan for the Bank, which has involved building out a new lending team, restructuring both the asset and liability sides of our balance sheet, re-engineering our operating costs to improve efficiency, and most importantly, continuing to grow our earning assets. We are squarely focused on getting our proposed merger with BM Technologies closed, subject to regulatory and shareholder approval, and so there will likely be more legal and administrative expenses associated with that effort.

Regarding the balance sheet at 3/31/2022:

- Total loans are down 14% from a year ago, however this number includes two non-recurring loan categories. First, our PPP loans peaked at this time last year and these are rapidly being forgiven by the SBA and paying off as planned; between 3/31/2021 and 3/31/2022 our PPP loan balances declined by $36.4 million which is a significant number for our Bank. This was fully expected and is a non-recurring event. Second, we continue to purposefully exit the equipment finance ("EFA") business; between 3/31/2021 and 3/31/2022 our EFA loan balances declined by $2.6 million, and as of today the entire EFA loan portfolio is down to about $500 thousand. This is viewed as a positive outcome because EFA is a non-recurring and unprofitable business line for us. Offsetting these paydowns is our new core loan production which despite our slower than expected Q1 performance continues to be very robust; after backing out both the PPP and EFA loans, the Bank's core loan portfiolio grew by a very strong 19% during the 12 months ending 3/31/2022 which exceeded our budget and will position us for improved earnings in the months and quarters to come.

- Deposits were down slightly from a year ago, a decline of 2%, for several reasons: a) like most community banks, we experienced a surge in deposits during the PPP loan program; these funds are gradually being spent by those customers, especially those whose profits have not yet recovered from the pandemic; b) in anticipation of the proposed BM Technologies merger which would create substantial excess liquidity for the Bank, we are purposefully not pursuing transactional deposits but rather only relationship deposits; and c) interest rates have finally begun to gradually increase which tends to induce customers to seek yield through non-bank deposit investment alternatives; we have in fact seen numerous customers transfer large amounts of cash out of the Bank and into brokerage accounts; and d) as the economy has been recovering we are seeing our customers use their cash to make more business and real estate investments. Our Bank's deposit mix continues to be favorable, with 32% of our deposits being non-interest bearing. Overall, the Bank's liquidity position continues to be strong.

Regarding the income statement at 3/31/2022:

- Net income for Q1 2022 was below our budget for the reasons outlined in the first paragraph of this letter. As mentioned, we are seeing improved trends thus far in Q2 and we are optimistic that our earnings performance will improve in future quarters.

- The Bank's net interest income decreased 5% in Q1 2022 compared to Q1 2021, due to the combined paydowns of $39 million in our non-recurring PPP and EFA loan portfolios plus the lack of PPP origination fees in 2022; these decreases were largely offset by the increased interest income from the 19% growth in our core loan portfolio. As mentioned previously, as of today's date we once again have a large pipeline of new loans and we are actively seeking new asset growth opportunities.

- Non-interest income was flat from last year but we expect this to improve in future quarters as we successfully close the SBA loans we have in the pipeline. SBA lending continues to be one of the most important elements of our new strategic plan.

- As discussed previously, the Bank's operating expenses have increased over the past 12 months. Backing out the one-time expenses related to BM Technologies and the fact that 2021's personnel expense was temporarily reduced by offsets from booking the PPP loans, we estimate that our recurring operating costs in 2022 will be about 7% higher than 2021. We have made additions to our lending, credit and operations teams, improved the competitiveness of our employee compensation to retain our key people, and invested in technology and marketing. We believe these investments will result in improved Bank performance in the near future. Going forward, Management continues to be very focused on expense control.

Our plan from this point forward is to continue to grow the Bank's core loan portfolio, run off the remaining EFA loans, control operating expenses, focus on SBA origination and sales, and work toward increasing the Bank's core profitability. More information will be coming your way soon on the proposed BM Technologies merger as we work through the details of the regulatory approval process.

Thank you for your continued support of the Bank. Please contact me at any time if you have questions, concerns, business referrals, or ideas.

Sincerely,

Marty Steele
President & CEO

First Sound Bank

STATEMENT OF CONDITION (IN 000'S)
Unaudited

	As of March 31, 2022		As of March 31, 2021	
ASSETS				
Cash & Due From Banks	$	862	$	716
Fed Funds & Int Bearing Dep		13,353		21,349
Investment Securities		8,958		7,366
Loans on Accrual		121,744		141,430
Loans on Non Accrual		1,525		2,506
Total Loans		123,269		143,936
Less Allowance for Loan Losses		(1,473)		(1,400)
Net Loans		121,796		142,536
Bank Premises & Equipment		97		124
Other Real Estate Owned		0		0
Other Assets		4,385		2,547
TOTAL ASSETS	$	149,451	$	174,638
LIABILITIES & SHAREHOLDERS' EQUITY				
Liabilities				
Non IB Demand Deposits	$	36,105	$	37,343
Interest Bearing Deposits		76,433		77,972
Other Liabilities		22,100		45,865
Total Liabilities		134,638		161,180
Shareholders' Equity				
Common Stock & Related Surplus		14,801		13,174
Accumulated Surplus (Deficit)		12		284
Total Shareholders' Equity		14,813		13,458
TOTAL LIABILITIES & EQUITY	$	149,451	$	174,638

STATEMENT OF OPERATIONS (IN 000'S)
Unaudited

	For the Quarter Ended March 31, 2022		For the Quarter Ended March 31, 2021	
INTEREST INCOME				
Loans	$	1,152	$	1,192
Equipment Financing		28		61
Fed Funds & Int Bearing Dep		10		5
Investment Securities		23		15
Total Interest Income		1,213		1,273
INTEREST EXPENSE				
Deposits/Borrowings		138		170
NET INTEREST INCOME		1,075		1,103
Less Provision for Loan Losses		0		0
Net Interest Income After Provision for Loan Losses		1,075		1,103
NON INTEREST INCOME		52		57
NON INTEREST EXPENSE				
Salaries & Benefits		575		407
Occupancy & Equipment		250		259
Other Expenses		290		210
Total Noninterest Expense		1,115		876
Income taxes		0		0
NET INCOME (LOSS)	$	12	$	284

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