First Sound Bank

Experienced. Innovative. Sound.

Dear Shareholders: February 7, 2022

I am pleased to report the year-end 2021 financial results for First Sound Bank ("the Bank").

For the year ending December 31, 2021, the Bank generated recurring net income of $886 thousand compared to a loss of $207 thousand during the same period in 2020. This represents a turnaround of over $1 million and was the result of four primary drivers: a) strong core loan growth, b) increased non-interest income primarily from SBA lending, c) our success with the second round of Paycheck Protection Program ("PPP") loans, and d) continued diligent expense control. 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.

Regarding the balance sheet at 12/31/2021:

- Total loans are down 4.9% 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 12/31/2020 and 12/31/2021 our PPP loan balances declined by $20.0 million. This was fully expected and is a non-recurring event. Second, we continue to purposefully exit the equipment finance ("EFA") business; between 12/31/2020 and 12/31/2021 our EFA loan balances declined by $3.5 million, and as of today's date the entire EFA loan portfolio is finally below $1 million. This is viewed as a positive outcome because EFA is a non-recurring business line for us. Offsetting these paydowns is our new core loan production which continues to be very robust; after backing out both our PPP loans and our EFA loans, the Bank's core recurring loan portfiolio grew by a very strong 19.1% in 2021 which exceeded our budget and will position us for improved earnings in the months and quarters to come.

- Deposits are continuing to grow and are up 3.1% from a year ago, which slightly exceeded our budget. The Bank's rate of deposit growth has slowed in recent months, which we believe is a reflection of three factors: first, our team's purposeful effort to continue to not seek transactional deposits but rather relationship deposits; second, interest rates have finally begun to gradually increase which tends to induce customers to seek yield through non-bank deposit investment alternatives; and third, the COVID-induced soft economy has been strongly rebounding and we are seeing our customers use their cash to make more business investments. Our Bank's deposit mix continues to be favorable, with 31% of our deposits being non-interest bearing. Overall, the Bank's liquidity position is strong.

- The Bank's total assets declined 6.4% from year-end 2020 to year-end 2021, which was completely attributable to the payoffs of our PPP loans and the corresponding paydowns of our Federal Reserve borrowings from year to year. This was in our budget and fully expected.

Regarding the income statement at 12/31/2021:

- As illustrated in the attached Statement of Operations, the Bank reported net income for the full year 2021 of over $2.3 million. However that number includes two non-recurring items. First, now that the Bank has returned to recurring core profitability, our outside auditors determined that we could bring our $1.7 million deferred tax asset back onto our balance sheet and into capital. This is a positive event because it increases our capital and will continue to shelter our income from federal income tax for the near future, however it is a non-recurring event. Second, as previously announced in November, the Bank is currently in the process of seeking regulatory and shareholder approval for its proposed merger with BM Technologies Inc. (The full press release can be found in the "News Center" section of our Bank's website). As part of this merger process we are gradually incurring certain transaction expenses such as legal, accounting, and investment banking fees. These are all non-recurring. As stated previously, our recurring net income for 2021 was $886 thousand which represents a substantial improvement from the previous year.

- The Bank's net interest income increased 3.0% in 2021 compared to 2020, despite the combined paydowns of $23.6 million in our non-recurring PPP and EFA loan portfolios, due to our strong core loan production during the year. As of today's date we continue to have a large pipeline of new loans and we are actively seeking new asset growth opportunities.

- Non-interest income has had a strongly positive reversal from last year. In 2020 the Bank had non-interest income of negative $228 thousand which included a one-time charge off of a foreclosed real estate property (OREO). For 2021, due to our increased focus on SBA lending and other sources of fee income, the Bank had recurring non-interest income of $714 thousand. SBA lending continues to be one of the most important elements of our new strategic plan. The reported non-interest income number of $2.5 million includes the aforementioned deferred tax asset recapture, which is a non-recurring event.

- Despite the numerous additions we have made to our lending, credit, and operations teams, the Bank's operating expenses remain tightly controlled and in fact are down slightly from last year. The Bank's total non-interest expense dropped 2.3% for the full year 2021 compared to the same period in 2020. 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 transaction as we work through the details of the 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 December 31, 2021	As of December 31, 2020
ASSETS		
Cash and cash equivalents	$ 772	$ 926
Fed funds and interest-bearing deposits	7,551	13,984
Investment Securities	9,892	8,233
Loans on accrual	116,651	122,821
Loans on nonaccrual	2,545	2,545
Total loans, gross	119,196	125,366
Allowance for Loan Losses	(1,492)	(1,407)
Total loans, net	117,704	123,959
Premises and equipment	102	136
Other real estate owned	0	0
Other assets	3,924	2,316
Total assets	$ 139,945	$ 149,554
LIABILITIES		
Noninterest-bearing deposits	$ 33,458	$ 32,366
Interest-bearing deposits	75,877	73,732
Other liabilities	15,264	30,090
Total liabilities	124,599	136,188
SHAREHOLDERS' EQUITY		
Common stock and related surplus	63,283	61,096
Accumulated deficit	(47,937)	(47,730)
Total Shareholders' Equity	15,346	13,366
TOTAL LIABILITIES & EQUITY	$ 139,945	$ 149,554

Statement of Operations

(In 000's) Unaudited

	For the Quarter Ended December 31, 2021	For the Quarter Ended December 31, 2020	For the Twelve Months Ended December 31, 2021	For the Twelve Months Ended December 31, 2020
INTEREST INCOME				
Loans	$ 1,249	$ 755	$ 4,856	$ 4,561
Equipment finance	$ 33	$ 54	194	312
Fed funds & interest-bearing deposits	$ 6	$ 6	24	51
Investment securities	$ 34	$ 20	97	96
Total interest income	$ 1,322	835	5,171	5,020
INTEREST EXPENSE				
Deposits/Borrowings	$ 148	188	654	624
Net interest income before provision	$ 1,174	647	4,517	4,396
PROVISION FOR LOAN LOSSES	$ -	-	71	-
Net interest income after provision	$ 1,174	647	4,446	4,396
NONINTERST INCOME	$ 1,854	31	2,508	(228)
NONINTERSEST EXPENSE				
Salaries and benefits	$ 547	454	2,263	2,369
Occupancy expenses	$ 314	214	723	687
Other expenses	$ 532	281	1,624	1,319
Total noninterest expense	$ 1,393	949	4,610	4,375
INCOME TAXES		-	-	-
NET INCOME	$ 1,635	$ (271)	$ 2,344	$ (207)