

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q**

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **June 30, 2024**

OR

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from to

Commission file number **001-38633**

BM Technologies, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

201 King of Prussia Road, Suite 650

Wayne, Pennsylvania

(Address of Principal Executive)

82-3410369

(I.R.S. Employer Identification No.)

19087

(Zip-Code)

(877) 327-9515

Registrant's telephone number, including area code

(Former name, former address, and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	BMTX	NYSE American LLC
Warrants, each whole warrant exercisable for one share of Common Stock at an exercise price of \$11.50 per share	BMTX-WT	NYSE American LLC

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, non-accelerated filer, and emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth Company	<input checked="" type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

The registrant had issued and outstanding 12,099,665 shares of common stock, par value \$0.0001 per share, as of August 13, 2024.

Table of Contents

	Page
<u>Part I - Financial Information</u>	<u>2</u>
<u>Item 1. Unaudited Consolidated Financial Statements</u>	<u>2</u>
<u>Consolidated Balance Sheets at June 30, 2024 and December 31, 2023</u>	<u>2</u>
<u>Consolidated Statements of Income (Loss) for the Three and Six Months Ended June 30, 2024 and 2023</u>	<u>3</u>
<u>Consolidated Statements of Changes in Shareholders' Equity for the Six Months Ended June 30, 2024 and 2023</u>	<u>4</u>
<u>Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2024 and 2023</u>	<u>5</u>
<u>Notes to Unaudited Consolidated Financial Statements</u>	<u>6</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>22</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>28</u>
<u>Item 4. Controls and Procedures</u>	<u>29</u>
<u>Part II - Other Information</u>	<u>29</u>
<u>Item 1. Legal Proceedings</u>	<u>29</u>
<u>Item 1A. Risk Factors</u>	<u>29</u>
<u>Item 2. Unregistered Sales of Equity and Use of Proceeds</u>	<u>30</u>
<u>Item 3. Defaults Upon Senior Securities</u>	<u>30</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>30</u>
<u>Item 5. Other Information</u>	<u>30</u>
<u>Item 6. Exhibits</u>	<u>31</u>
<u>Signatures</u>	<u>32</u>

Part I - Financial Information

ITEM 1. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

BM TECHNOLOGIES, INC.
CONSOLIDATED BALANCE SHEETS — UNAUDITED
(amounts in thousands, except share and per share data)

	June 30, 2024	December 31, 2023
ASSETS		
Cash and cash equivalents	\$ 12,457	\$ 14,288
Accounts receivable, net allowance for doubtful accounts of \$1,500 and \$1,100	6,252	9,128
Prepaid expenses and other assets	3,382	5,148
Total current assets	22,091	28,564
Premises and equipment, net	448	535
Developed software, net	16,247	16,173
Goodwill	5,259	5,259
Other intangibles, net	3,949	4,109
Total assets	\$ 47,994	\$ 54,640
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Accounts payable and accrued liabilities	\$ 10,382	\$ 10,577
Deferred revenue, current	11,271	12,322
Total current liabilities	21,653	22,899
Non-current liabilities:		
Deferred revenue, non-current	3	127
Liability for private warrants	216	162
Other non-current liabilities	—	480
Total liabilities	\$ 21,872	\$ 23,668
Commitments and contingencies (Note 7)		
Shareholders' equity:		
Preferred stock: Par value \$0.0001 per share; 10,000,000 shares authorized, zero shares issued or outstanding at both June 30, 2024 and December 31, 2023	\$ —	\$ —
Common stock: Par value \$0.0001 per share; 1 billion shares authorized; 12,090,988 shares issued and outstanding at June 30, 2024; 11,984,133 shares issued and outstanding at December 31, 2023	1	1
Additional paid-in capital	71,020	71,787
Accumulated deficit	(44,899)	(40,816)
Total shareholders' equity	\$ 26,122	\$ 30,972
Total liabilities and shareholders' equity	\$ 47,994	\$ 54,640

See accompanying notes to the unaudited consolidated financial statements.

BM TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF (LOSS) INCOME — UNAUDITED
(amounts in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Operating revenues:				
Interchange and card revenue	\$ 2,284	\$ 1,458	\$ 5,699	\$ 4,424
Servicing fees	6,874	7,700	15,840	14,332
Account fees	1,805	1,910	3,900	4,050
University fees	1,469	1,373	3,081	2,879
Other revenue	109	200	202	327
Total operating revenues	<u>12,541</u>	<u>12,641</u>	<u>28,722</u>	<u>26,012</u>
Operating expenses:				
Technology, communication, and processing	4,297	6,018	9,008	13,123
Salaries and employee benefits	5,660	6,139	10,107	12,564
Professional services	2,634	2,338	5,842	4,978
Provision for operating losses	2,096	1,813	4,177	3,490
Occupancy	10	10	26	24
Customer related supplies	231	222	472	450
Advertising and promotion	75	125	175	243
Restructuring, merger, and acquisition related expenses	71	274	150	993
NextGen implementation costs	1,560	—	1,560	—
Other expense	576	743	1,219	1,563
Total operating expenses	<u>17,210</u>	<u>17,682</u>	<u>32,736</u>	<u>37,428</u>
Loss from operations	(4,669)	(5,041)	(4,014)	(11,416)
Non-operating income and expense:				
(Loss) gain on fair value of private warrant liability	(162)	595	(54)	2,016
Loss before income tax expense	(4,831)	(4,446)	(4,068)	(9,400)
Income tax expense	—	10	15	16
Net loss	<u>\$ (4,831)</u>	<u>\$ (4,456)</u>	<u>\$ (4,083)</u>	<u>\$ (9,416)</u>
Weighted average number of shares outstanding - basic	11,785	11,563	11,756	11,566
Weighted average number of shares outstanding - diluted	11,785	11,563	11,756	11,566
Basic loss per common share	\$ (0.41)	\$ (0.39)	\$ (0.35)	\$ (0.81)
Diluted loss per common share	\$ (0.41)	\$ (0.39)	\$ (0.35)	\$ (0.81)

See accompanying notes to the unaudited consolidated financial statements.

BM TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY — UNAUDITED
For the Three and Six Months Ended June 30, 2024 and 2023
(amounts in thousands, except share data)

	<u>Common Stock</u>				
	<u>Shares of Common Stock Outstanding</u>	<u>Common Stock</u>	<u>Additional Paid in Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
Balance at December 31, 2023	11,984,133	\$ 1	\$ 71,787	\$ (40,816)	\$ 30,972
Net income	—	—	—	748	748
Tax paid on behalf of employees related to net settlement of share-based awards	(51,133)	—	(176)	—	(176)
Share-based compensation expense	130,773	—	(660)	—	(660)
Balance at March 31, 2024	12,063,773	\$ 1	\$ 70,951	\$ (40,068)	\$ 30,884
Net loss	—	—	—	(4,831)	(4,831)
Conversion of private warrants to public warrants	—	—	—	—	—
Tax paid on behalf of employees related to net settlement of share-based awards	(13,725)	—	(57)	—	(57)
Share-based compensation expense	40,940	—	126	—	126
Balance at June 30, 2024	12,090,988	\$ 1	\$ 71,020	\$ (44,899)	\$ 26,122

	<u>Common Stock</u>				
	<u>Shares of Common Stock Outstanding</u>	<u>Common Stock</u>	<u>Additional Paid- in Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
(amounts in thousands, except share data)					
Balance at December 31, 2022	12,240,237	\$ 1	\$ 72,342	\$ (23,485)	\$ 48,858
Net loss	—	—	—	(4,960)	(4,960)
Conversion of private warrants to public warrants	—	—	20	—	20
Tax paid on behalf of employees related to net settlement of share-based awards	(473,874)	—	(2,429)	—	(2,429)
Share-based compensation expense	95,147	—	447	—	447
Balance at March 31, 2023	11,861,510	\$ 1	\$ 70,380	\$ (28,445)	\$ 41,936
Net income	—	—	—	(4,456)	(4,456)
Tax paid on behalf of employees related to net settlement of share-based awards	(1,765)	—	(5)	—	(5)
Share-based compensation expense	6,600	—	568	—	568
Balance at June 30, 2023	11,866,345	\$ 1	\$ 70,943	\$ (32,901)	\$ 38,043

See accompanying notes to the unaudited consolidated financial statements.

BM TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS — UNAUDITED
(amounts in thousands)

	Six Months Ended June 30,	
	2024	2023
Cash Flows from Operating Activities:		
Net loss	\$ (4,083)	\$ (9,416)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation of premises and equipment	157	128
Amortization of developed software	2,580	5,980
Amortization of other intangible assets	160	160
Impairment of software assets	50	—
Provision for bad debt	400	257
Share-based compensation expense	(174)	1,358
Loss/(gain) on fair value of private warrant liability	54	(2,016)
Changes in operating assets and liabilities:		
Accounts receivable	2,476	920
Prepaid expenses and other current assets	1,766	(1,666)
Other assets	—	72
Accounts payable and accrued liabilities	(555)	(1,403)
Deferred revenue	(1,175)	1,562
Net Cash provided by (used in) Operating Activities	1,656	(4,064)
Cash Flows from Investing Activities:		
Development of internal use software	(3,184)	(2,935)
Purchases of premises and equipment	(70)	(151)
Net Cash used in Investing Activities	(3,254)	(3,086)
Cash Flows from Financing Activities:		
Payments related to net settlement of share-based compensation awards	(233)	(2,434)
Net Cash used in Financing Activities	(233)	(2,434)
Net Decrease in Cash and Cash Equivalents	(1,831)	(9,584)
Cash and Cash Equivalents – Beginning	14,288	21,108
Cash and Cash Equivalents – Ending	\$ 12,457	\$ 11,524
Supplementary Cash Flow Information:		
Income taxes (refunded) paid, net	\$ (2,282)	\$ 27
Noncash Operating, Investing, and Financing Activities:		
Conversion of private warrants to public warrants	\$ —	\$ 20
Impairment of software assets	480	0
Contingent liability for acquired software	\$ —	\$ 480

See accompanying notes to the unaudited consolidated financial statements.

BM TECHNOLOGIES, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — DESCRIPTION OF THE BUSINESS

BM Technologies, Inc. (“BMTX” or the “Company”) (formerly known as “BankMobile”) provides state-of-the-art high-tech digital banking and disbursement services to consumers and students nationwide through a full service fintech banking platform, accessible to customers anywhere and anytime through digital channels.

BankMobile was incorporated in May 2016 as a wholly-owned subsidiary of Customers Bank. On August 6, 2020, the Company entered into an Agreement and Plan of Merger, by and among Megalith Financial Acquisition Corporation, a special purpose acquisition company (“Megalith”), incorporated in Delaware in November 2017, MFAC Merger Sub Inc., a wholly-owned subsidiary of Megalith, BankMobile, and Customers Bank, the sole stockholder of BankMobile. On January 4, 2021, BankMobile became an independent company after the completion of a divestiture transaction and was rebranded BM Technologies, Inc.

BMTX’s fintech business model leverages Banking-as-a-Service (“BaaS”) partners’ and University partners’ existing customer bases to achieve high volume, low-cost customer acquisition in its Higher Education and BaaS businesses. BMTX has four primary revenue sources: interchange and card revenue, servicing fees, account fees, and university fees. The majority of revenues are driven by customer activity (deposits, spend, transactions, etc.) and may be paid or passed through by our Partner Banks, universities, or paid directly by customers.

BMTX facilitates deposits and banking services between a customer and our partner banks, Customers Bank and First Carolina Bank, (the “Partner Banks”), which are related parties and are Federal Deposit Insurance Corporation (“FDIC”) insured banks. The Partner Banks hold the FDIC insured deposits that BMTX sources and services and are the issuing banks on BMTX’s debit cards. The Partner Banks pay the Company a servicing fee for the deposits generated and pass through interchange income earned from transactions on debit cards and transaction-based account fees.

BMTX is not a bank, does not hold a bank charter, and does not provide banking services, and as a result, it is not subject to direct banking regulation, except as a service provider to our partner banks. BMTX is also subject to the regulations of the Department of Education (“ED”), due to its student disbursements business, and is periodically examined by it. BMTX’s contracts with most of its Higher Education institution clients require it to comply with numerous laws and regulations, including, where applicable, regulations promulgated by the ED regarding the handling of student financial aid funds received by institutions on behalf of their students under Title IV of the Higher Education Act of 1965; the Family Educational Rights and Privacy Act of 1995; the Electronic Fund Transfer Act and Regulation E; the USA PATRIOT Act and related anti-money laundering requirements; and certain federal rules regarding safeguarding personal information, including rules implementing the privacy provisions of the Gramm-Leach-Bliley Act. Other products and services offered by BMTX may also be subject to other federal and state laws and regulations.

NOTE 2 — BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These interim unaudited consolidated financial statements have been prepared in conformity with U.S. Generally Accepted Accounting Principles (“U.S. GAAP”). Any reference to applicable guidance is meant to refer to the authoritative U.S. GAAP as found in the Accounting Standards Codification (“ASC”) and Accounting Standards Update (“ASU”) of the Financial Accounting Standards Board (“FASB”). Certain information and footnote disclosures normally included in the annual consolidated financial statements have been omitted from these interim unaudited consolidated financial statements as permitted by U.S. GAAP and pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (the “SEC”). These interim unaudited consolidated financial statements reflect all normal and recurring adjustments that are, in the opinion of Management, necessary to present a fair statement of the financial position and the results of operations and cash flows of BMTX for the interim periods presented.

The preparation of interim unaudited consolidated financial statements in conformity with U.S. GAAP requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the interim unaudited consolidated financial statements, and the reported amounts of revenues and expenses during the reporting periods. Significant estimates include going concern assessment, valuation of deferred tax assets, valuation of private warrants, and goodwill and intangible asset impairment analyses. Actual results could differ from those estimates.

FASB ASC 205-40, *Presentation of Financial Statements - Going Concern*, requires Management to assess an entity's ability to continue as a going concern within one year of the date the financial statements are issued. In each reporting period, including interim periods, an entity is required to assess conditions known and reasonably knowable as of the financial statement issuance date to determine whether it is probable an entity will not meet its financial obligations within one year from the financial statement issuance date.

Management has performed this required assessment as of August 14, 2024, and believes there are sufficient funds available to support its ongoing business operations and continue as a going concern for at least the next 12 months with projected liquidity of \$16.7 million at August 14, 2025.

Management's assessment is subject to known and unknown risks, uncertainties, assumptions, and changes in circumstances, many of which are beyond our control including the impact of the macroeconomic environment, and that are difficult to predict as to timing, extent, likelihood, and degree of occurrence, and that could cause actual results to differ from estimates and forecasts, potentially materially.

Based upon the results of Management's assessment, these interim unaudited consolidated financial statements have been prepared on a going concern basis. The interim unaudited consolidated financial statements do not include any adjustments that could result from the outcome of the aforementioned risks and uncertainties.

Significant Accounting Policies

These interim unaudited consolidated financial statements should be read in conjunction with the 2023 audited consolidated financial statements and related notes of BMTX, which describe BMTX's significant accounting policies. There have been no material changes to BMTX's significant accounting policies during the six months ended June 30, 2024, except for what is noted below.

Insurance Premium Finance Obligations

The Company includes the obligation for its insurance premium financing in *Accounts payable and accrued liabilities* on the interim unaudited *Consolidated Balance Sheets*. At June 30, 2024, the Company had two premium finance arrangements outstanding with balances totaling \$0.5 million, average remaining installment payment terms of 5.5 months, and a weighted average annualized finance charge of 6.95%. At December 31, 2023, there were no insurance premium financing obligations.

Immaterial Correction of Prior Period Error

In preparation of the Company's consolidated financial statement as of and for the twelve months ended December 31, 2023, the Company identified an immaterial error in its accounting for certain of its interchange expenses for the three and six months ended June 30, 2023, reflecting the impacted revenues gross instead of net as required.

The effect of these immaterial error adjustments for the three and six months ended June 30, 2023:

- Decreased revenue from Interchange and Card revenue and decreased Technology, communication, and processing expense by an equal and offsetting \$0.3 million and \$0.4 million for the three and six months ended June 30, 2023, respectively.

The Company assessed the materiality of these errors on the interim period consolidated financial statements in accordance with SEC Staff Accounting Bulletin No. 99, "Materiality," (ASC Topic 250, *Accounting Changes and Error Corrections*). Based on this assessment, the Company concluded that these error corrections in its *Consolidated Statements of Loss* are not material to any previously presented consolidated financial statements. The correction had no impact on the *Consolidated Balance Sheets*, *Consolidated Statements of Changes in Shareholders' Equity*, *Consolidated Statements of Cash Flows*, or *Notes to the Consolidated Financial Statements*, other than *Note 9 - Revenues* and *Note 12 - Related Party Transactions*, for the previously presented interim period.

Accounting Standards Update

As an emerging growth company ("EGC"), the Jumpstart Our Business Startups Act ("JOBS Act") allows the Company to delay adoption of new or revised ASUs applicable to public companies until such pronouncements are applicable to private companies. The Company has elected to use the extended transition period under the JOBS Act.

Recently Adopted Accounting Pronouncements

In August 2020, the FASB issued ASU 2020-06, “Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity.” The Company adopted ASU 2020-06 on January 1, 2024. The adoption of this new accounting standard did not have a material impact on the Company’s condensed consolidated financial statements.

Recently Issued Accounting Pronouncements Not Yet Adopted as of June 30, 2024

In December 2023, the FASB issued ASU 2023-09, Income taxes (Topic 740): Improvements to Income Tax Disclosures, which is a final standard on improvement to income tax disclosures. This update applies to all entities subject to income taxes. As a public business entity, the new requirements will be effective for annual periods beginning after December 15, 2024. The Company is still evaluating the impact of this update to its financial statements for annual periods after December 15, 2024.

In March 2024, the FASB issued ASU 2024-01, Compensation - Stock Compensation (Topic 718), Scope Application of Profits Interest and Similar Awards. This standard provides clarity regarding whether profits interest and similar awards are within the scope of Topic 718 of the Accounting Standards Codification. This standard is effective for fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company is still evaluating the impact of this update to its financial statements for annual periods after December 15, 2024.

In March 2024, the FASB issued ASU 2024-02, “Codification Improvements - Amendments to Remove References to the Concepts Statements” (“ASU 2024-02”), which removed references to various FASB Concepts Statements and updates technical corrections such as conforming amendments, clarification to guidance, simplifications to wording or the structure of guidance, and other minor improvements. The new guidance is effective for fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company is still evaluating the impact of this update to its financial statements for annual periods after December 15, 2024.

NOTE 3 — ACCOUNTS RECEIVABLE

Accounts receivable, net primarily relate to billings for deposit processing services to our Partner Banks, MasterCard incentive income, uncollected university subscription and disbursement services fees, and receivables from our BaaS partner, and are recorded at face amounts less an allowance for doubtful accounts.

Management evaluates accounts receivable and establishes the allowance for doubtful accounts based on historical experience, analysis of past due accounts, and other current available information. Accounts receivable deemed to be uncollectible are individually identified and are charged-off against the allowance for doubtful accounts. The allowance for doubtful accounts was \$1.5 million at June 30, 2024 and \$1.1 million at December 31, 2023.

(amounts in thousands)	Beginning Balance	Additions	Reductions	Ending Balance
Allowance for doubtful accounts				
Six months ended June 30, 2024	\$ 1,100	\$ 1,119	\$ (719)	\$ 1,500
Twelve months ended December 31, 2023	\$ 305	\$ 1,001	\$ (206)	\$ 1,100

NOTE 4 — PREMISES AND EQUIPMENT AND DEVELOPED SOFTWARE

Premises and Equipment

The components of premises and equipment were as follows:

(amounts in thousands)	Expected Useful Life	June 30, 2024	December 31, 2023
IT equipment	3 to 5 years	\$ 1,000	\$ 930
Accumulated depreciation		(552)	(395)
Total		\$ 448	\$ 535

BMTX recorded depreciation expense of less than \$0.1 million and less than \$0.2 million for the three and six months ended June 30, 2024, respectively, and less than \$0.1 million and \$0.1 million for the three and six months ended June 30, 2023,

respectively, as a component of *Technology, communication, and processing* expense on the unaudited *Consolidated Statements of Income (Loss)*.

Impairment is recorded in *Technology, communication, and processing* expense on the unaudited *Consolidated Statements of Income (Loss)*. BMTX recorded no impairment expense on Premises and Equipment during the three and six months ended June 30, 2024 and 2023.

Developed Software

The components of developed software were as follows:

(amounts in thousands)	Expected Useful Life	June 30, 2024	December 31, 2023
Higher One Disbursement business developed software	10 years	\$ 27,400	\$ 27,400
Internally developed software	3 to 7 years	51,556	43,225
Work-in-process		985	6,662
		79,941	77,287
Accumulated amortization		(63,694)	(61,114)
Total		\$ 16,247	\$ 16,173

BMTX recorded amortization expense of \$1.5 million and \$2.6 million for the three and six months ended June 30, 2024, respectively, and \$3.0 million and \$6.0 million for the three and six months ended June 30, 2023, respectively, as a component of *Technology, communication, and processing* expense on the unaudited *Consolidated Statements of Income (Loss)*.

BMTX recorded impairment expenses of zero and less than \$0.1 million during the three and six months ended June 30, 2024, respectively, and zero during the three and six months ended June 30, 2023, as a component of *Technology, communication and processing* expense on the unaudited *Consolidated Statements of Income (Loss)*.

NOTE 5 — GOODWILL AND OTHER INTANGIBLES

Goodwill represents the excess of the purchase price over the identifiable net assets of businesses acquired through business combinations accounted for under the acquisition method. *Goodwill* is reviewed for impairment annually as of October 31 and between annual tests when events and circumstances indicate that impairment may have occurred. There was no goodwill impairment for the three and six months ended June 30, 2024 and 2023.

Other intangibles, net represent purchased assets that lack physical substance but can be distinguished from goodwill because of contractual or other legal rights. We have one intangible asset which is being amortized on a straight-line basis over twenty years.

The components of *Other intangibles, net* as of June 30, 2024 and December 31, 2023 were as follows:

(amounts in thousands)	Expected Useful Life	June 30, 2024	December 31, 2023
Customer relationships – universities	20 years	\$ 6,402	\$ 6,402
Accumulated amortization		(2,453)	(2,293)
Total		\$ 3,949	\$ 4,109

Other intangibles, net, includes assets subject to amortization that are reviewed for impairment under FASB ASC 360, *Property, Plant and Equipment*. Amortization is recorded in *Other expense* on the unaudited *Consolidated Statements of Income (Loss)*. BMTX recorded amortization expense of \$0.1 million and \$0.2 million for the three and six months ended June 30, 2024, respectively, and \$0.1 million and \$0.2 million for the three and six months ended June 30, 2023, respectively.

The customer relationships - universities will be amortized in future periods as follows:

Remainder of 2024	\$	160
2025		320
2026		320
2027		320
2028		320
After 2028		2,509
Total	\$	<u>3,949</u>

Impairment is recorded in *Technology, communication, and processing* expense on the unaudited *Consolidated Statements of Income (Loss)*. There was no impairment for *Other intangibles, net* during the three and six months ended June 30, 2024 and 2023.

NOTE 6 — LEASES

The Company's corporate headquarters is currently operating under a month-to-month short-term lease.

Operating lease expenses are recorded in *Occupancy* on the unaudited *Consolidated Statements of Income (Loss)*. BMTX recorded lease expense of less than \$0.1 million and \$0.1 million for the three and six months ended June 30, 2024, respectively, and less than \$0.1 million and \$0.1 million for the three and six months ended June 30, 2023, respectively.

NOTE 7 — COMMITMENTS AND CONTINGENCIES

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable, and an amount or range of loss can be reasonably estimated. Management does not believe there are any such matters that will have a material effect on the interim unaudited consolidated financial statements that are not currently accrued for. However, in light of the uncertainties inherent in these matters, it is possible that the ultimate resolution may have a material adverse effect on BMTX's results of operations for a particular period, and future changes in circumstances or additional information could result in accruals or resolution in excess of established accruals, which could adversely affect BMTX's results of operations, potentially materially.

On June 5, 2023, the Company entered into an agreement to purchase certain software technology assets from a third-party. Purchase consideration was comprised of a cash payment of less than \$0.1 million at closing and potential future contingent consideration of \$0.5 million over the next three years if the technology is successfully and continuously deployed by the Company. As of June 30, 2024, the Company determined that the successful and continuous deployment of the software technology is no longer probable, as a result, the software technology was impaired and the corresponding contingent consideration was extinguished. As of June 30, 2024 and December 31, 2023, the Company had zero and \$0.5 million of contingent consideration, respectively reported in *Other non-current liabilities* on the unaudited *Consolidated Balance Sheets*.

NOTE 8 — SHAREHOLDERS' EQUITY AND PRIVATE WARRANT LIABILITY

Common Stock

The Company is authorized to issue 1,000,000,000 shares of common stock, par value 0.0001 per share. At June 30, 2024, there were 12,090,988 shares of common stock issued and outstanding, which includes the 300,000 performance shares discussed below. At December 31, 2023 there were 11,984,133 shares of common stock issued and outstanding which includes the 300,000 performance shares discussed below.

Each holder of common stock is entitled to one vote for each share of common stock held of record by such holder on all matters on which stockholders generally are entitled to vote. The holders of common stock do not have cumulative voting rights in the election of directors. Generally, all matters to be voted on by stockholders must be approved by a majority (or, in the case of election of directors, by a plurality) of the votes entitled to be cast by all stockholders present in person or represented by proxy, voting together as a single class.

Preferred Stock

The Company is authorized to issue 10,000,000 shares of preferred stock, par value \$0.0001 per share, with such designations, voting and other rights and preferences as may be determined from time to time by the Company's Board of Directors. At June 30, 2024 and December 31, 2023, there were no shares of preferred stock issued or outstanding.

Performance Shares

The Company has 300,000 common shares, par value \$0.0001 per share, issued and outstanding that contain a restrictive legend, subject to release only if the vesting criteria are met before the seventh anniversary of the closing date of the merger with Megalith. If the vesting criteria are not met prior to the seventh anniversary of the closing date of the merger, the shares will be forfeited and cancelled. The vesting criteria are met when either (1) the volume weighted average price of the Company's common stock on the principal exchange on which such securities are then listed or quoted shall have been at or above \$15.00 for twenty (20) trading days (which need not be consecutive) over a thirty (30) trading day period; or (ii) the Company sells shares of its capital stock in a secondary offering for at least \$15.00 per share, in each case subject to equitable adjustment for share splits, share dividends, reorganizations, combinations, recapitalizations and similar transactions affecting the shares of the Company's common stock after the merger, and possible reduction for certain dividends granted to the Company's common stock, or (2) the Company undergoes certain change in control or sales transactions. None of the vesting criteria for the performance shares have been met and no expense has been recognized.

Dividend Policy

We have not paid any cash dividends on our common stock to date and have no present intention to pay cash dividends in the future. The payment of cash dividends by the Company in the future will be dependent upon the Company's revenues and earnings, capital requirements, and general financial condition. The payment of any dividends will be within the discretion of the Board of Directors of the Company.

January 4, 2021 Share-Based Compensation Award

In connection with its January 4, 2021 divestiture of the Company, Customers Bank, the Company's former parent, granted 1,317,035 of the merger consideration shares of the Company it received to certain employees and executives of the Company. The share-based compensation award was subject to vesting conditions, including a required service condition from award recipients through January 3, 2023. The grant date fair value of the award, totaling \$19.6 million, was recorded as share-based compensation expense on the unaudited *Consolidated Statements of Income (Loss)* on a straight-line basis over the two-year post-grant vesting period, net of any actual forfeitures. The shares awarded were restricted until fully vested. The holders of restricted shares were provided an option to surrender a portion of their shares on the vesting date to cover their income tax obligations. On January 3, 2023, all restricted shares, net of prior forfeitures, vested.

BMTX recorded share-based compensation expense related to these awards of zero for the three and six months ended June 30, 2024, respectively, and zero and less than \$0.1 million for the three and six months ended June 30, 2023, respectively.

Equity Incentive Plan

The Company's 2020 Equity Incentive Plan (the "2020 Equity Incentive Plan") provides for the grant of incentive stock options, or ISOs, nonstatutory stock options, or NSOs, stock appreciation rights, restricted stock awards, restricted stock unit awards, performance-based stock awards, and other forms of equity compensation, or collectively, stock awards, all of which may be granted to employees, including officers, non-employee directors, and consultants of both the Company and its affiliates. Additionally, the Equity Incentive Plan provides for the grant of performance cash awards. ISOs may be granted only to employees. All other awards may be granted to employees, including officers, and to non-employee directors and consultants.

On June 20, 2023, an amendment to the Equity Incentive Plan was approved by the Company's stockholders. The amendment increased the total number of shares of common stock authorized under the Equity Incentive Plan by 1,279,963, from 1,220,037 (the number of shares authorized under the original 2020 Equity Incentive Plan) to 2,500,000.

Grants were made under the 2020 Equity Incentive Plan during the three and six months ended June 30, 2024 as described within *Restricted Stock Units and Performance - Based Restricted Stock Units* below.

Restricted Stock Units

Restricted Stock Units (“RSUs”) granted under the 2020 Equity Incentive Plan generally vest in three or four equal installments on each anniversary of the grant date. The RSUs that have been granted are all paid in stock upon vesting, and are thus classified as equity awards, which are measured using the grant date fair value of BMTX common stock and are not remeasured at the end of each reporting period. We recognize compensation cost starting from the grant date on a straight-line basis over the required vesting period in accordance with FASB ASC 718, *Compensation - Stock Compensation*. We account for forfeitures as they occur and reverse any previously recognized compensation expense related to forfeited awards.

Performance - Based Restricted Stock Units

Performance - Based Restricted Stock Units (“PBRsUs”) granted under the 2020 Equity Incentive Plan, as amended, currently vest upon the later of: a) the third year of employment following the grant date or b) the achievement of the specified performance goals within the fifth year of the grant date. As defined by the 2020 Equity Incentive Plan, the Compensation Committee of the Board of Directors determines the number of PBRsUs a participant earns based on the extent to which the corresponding performance goals have been achieved over the five-year performance cycle. The PBRsUs that have been granted are paid in stock upon vesting, and are thus classified as equity awards, which are measured using the grant date fair value of BMTX common stock and are not remeasured at the end of each reporting period. We account for forfeitures as they occur and reverse any previously recognized compensation expense related to forfeited awards.

For PBRsUs with milestones, upon the grant date, and at each subsequent reporting period, we reassess whether it is probable that we will achieve each operational milestone, and if so, the period when we expect to achieve that operational milestone. If upon the grant date, we determine that achievement of an operational milestone is probable, we allocate the full share-based compensation expense over the period between the grant date and the expected vesting condition achievement date. If upon the grant date, achievement of the operational milestone is not probable, we do not recognize compensation expense. If after the grant date, we determine achievement of an operational milestone becomes probable, we will allocate the full share-based compensation expense over the period between the grant date and the expected vesting condition achievement date, and we will recognize a catch-up expense equal to the value of previously unrecognized expense from the grant date to the vesting condition achievement date.

For PBRsUs with a market condition, we used a Monte Carlo simulation to determine the fair value on the grant date and recognize the share-based compensation expense over the derived service period.

Inducement Awards

On February 5, 2024, the Company granted RSUs and PBRsUs outside of its 2020 Equity Incentive Plan, as amended to a certain employee to induce them to accept employment the Company (the “Inducement Awards”). The terms and conditions of the Inducement Awards are substantially similar to those awards granted under the Company’s 2020 Equity Incentive Plans, as amended.

The change in unvested RSUs and PBRsUs awarded is shown below:

	Restricted Stock Units		Performance-Based Restricted Stock Units	
	Number of RSUs	Weighted-Average Grant-Date Fair Value Per RSU	Number of RSUs	Weighted-Average Grant-Date Fair Value Per RSU
Balance as of 12/31/2023	445,106	\$ 6.47	495,000	\$ 2.99
Granted *	330,250	\$ 2.02	615,000	\$ 2.25
Vested	(171,713)	\$ 5.84	—	\$ —
Forfeited *	(49,909)	\$ 4.09	(320,000)	\$ 6.70
Balance as of 6/30/2024	553,734	\$ 4.23	790,000	\$ 0.91

*- Includes 193,333 PBRsUs that were granted in 2021, that were cancelled and simultaneously reissued, which qualifies as a modification, specifically, an improbable-to-probable modification (Type III), which includes a \$1.3 million reversal of the recognized expense. The modified awards fair value of \$2.02 is used to determine stock based compensation expense over the term of the awards. Also includes, 96,667 PBRsUs that were granted in 2021, that have market capitalization goals that were cancelled and subsequently reissued, which qualifies as a modification. The modification increased the fair value of the awards from \$3.46 per share to \$4.87 per share, and the incremental stock based compensation expenses is recorded over the new term of the awards.

For the three and six months ended June 30, 2024, the share-based compensation expense related to the RSU awards, net of forfeitures, totaled less than \$0.2 million and \$0.8 million, respectively. For the three and six months ended June 30, 2023, the share-based compensation expense related to the RSU awards, net of forfeitures, totaled \$0.3 million and \$0.6 million, respectively.

For the three and six months ended June 30, 2024, the share-based compensation expense related to the PBRSU awards, net of forfeitures, totaled \$0.1 million and \$(1.1) million, respectively. For the three and six months ended June 30, 2023, the share-based compensation expense related to the PBRSU awards, net of forfeitures, totaled \$0.6 million and \$0.9 million, respectively.

Employee Stock Purchase Plan (“ESPP”)

The Company has an ESPP (the “BM Technologies Inc. 2021 Employee Stock Purchase Plan”) which has an effective date of May 1, 2021. The purpose of the ESPP is to provide eligible employees with an incentive to advance the interests of the Company and its Subsidiaries, by affording them an opportunity to purchase stock of the Company at a favorable price. As of June 30, 2024, there have been no shares purchased on behalf of employees under the ESPP.

Warrants

At June 30, 2024 and 2023, respectively, there were 22,703,004 warrants to purchase our common stock outstanding. The warrant totals for each period-end consist of 17,294,044 public warrants and 5,408,960 private warrants as of June 30, 2024 and 2023, respectively.

Each whole warrant entitles the registered holder to purchase one whole share of common stock at a price of \$11.50 per share. The warrants will expire five years after the completion of the merger with Megalith (January 4, 2026) or earlier upon redemption or liquidation; the Company has redemption rights if our common stock trades above \$24.00 for 20 out of 30 days. The private warrants are identical to the public warrants except that the private warrants are non-redeemable and exercisable on a cashless basis so long as they are held by the sponsor and certain other original holders.

As of June 30, 2024, 1,600 of the Company’s outstanding public warrants have been exercised and 1,169,903 of the private warrants have been repurchased by the Company from related parties at \$1.69 per warrant.

During the three and six months ended June 30, 2024 and 2023, zero of the private warrants have been reclassified to public warrants based upon a sale of the private warrants by the original holders which resulted in a modification of terms that effect classification as public warrants. There were no warrants exercised in the three and six months ended June 30, 2024 and 2023, respectively.

The private warrants and the public warrants are treated differently for accounting purposes, as follows:

Private Warrants

In accordance with FASB ASC Topic 480, *Distinguishing Liabilities from Equity*, the private warrants are accounted for as liabilities and are marked-to-market each reporting period with the change in fair value recognized in earnings. In general, under the mark-to-market accounting model, as our stock price increases, the private warrant liability increases, and we recognize additional expense on the unaudited *Consolidated Statements of Income (Loss)* – with the opposite when our stock price declines. Accordingly, the periodic revaluation of the private warrants could result in significant volatility in our reported earnings.

Income Statement Impact: Subsequent to the close of the merger, any change in fair value of the private warrants is recognized on the unaudited *Consolidated Statements of Income (Loss)* below operating profit as *Gain on fair value of private warrant liability* with a corresponding amount recognized in the *Liability for private warrants* on the unaudited *Consolidated Balance Sheets*. For the three and six months ended June 30, 2024, the Company recorded a loss of \$0.2 million and \$0.1 million, respectively, resulting from the revaluation of the private warrants. For the three and six months ended June 30, 2023, the Company recorded a gain of \$0.6 million and \$2.0 million, respectively, resulting from the revaluation of the private warrants.

Balance Sheet Impact: The private warrant liability is presented in the account *Liability for private warrants* in the long-term liabilities section of our unaudited *Consolidated Balance Sheets*. As noted above, the change in fair value of the underlying private warrants results in a corresponding change in the balance of the warrant liability on the unaudited *Consolidated Balance Sheets*. When warrants are exercised, the fair value of the liability is reclassified to *Additional paid-in capital* within equity.

Cash received for the exercise of warrants is reflected in *Cash and cash equivalents* with a corresponding offset recorded in *Common stock* and *Additional paid-in capital* within equity.

Cash Flow Impact: The impact of the change in the fair value of the private warrants has no impact on our cash flows as it is a noncash adjustment. Cash received for the exercise of warrants is recorded in cash flows from financing activities. Cash paid for the repurchase of warrants is recorded in cash flows from financing activities. No such transactions occurred during the three and six months ended June 30, 2024 and 2023.

Shareholders' Equity Impact: The impact to *Additional paid in-capital* as of the opening balance sheet is described above. Exercises of private warrants result in a reduction of the *Liability for private warrants* on the unaudited *Consolidated Balance Sheets* with a corresponding increase to *Common Stock* and *Additional paid in-capital*.

Public Warrants

In accordance with FASB ASC Topic 480, *Distinguishing Liabilities from Equity*, the public warrants are treated as equity instruments under U.S. GAAP. The public warrants are not marked-to-market each reporting period, thus there is no impact to earnings. Exercises of the public warrants are recorded as cash is received and are recorded in *Cash and cash equivalents* with a corresponding offset recorded in *Common stock* and *Additional paid in-capital* within equity. During the three and six months ended June 30, 2024 and 2023, there were no exercises of public warrants.

NOTE 9 — REVENUES

Revenues

BMTX recognizes operating revenue in accordance with FASB ASC 606, *Revenue from Contracts with Customers*.

The following table presents BMTX's revenues disaggregated by nature of the revenue stream and the pattern or timing of revenue recognition for the three and six months ended June 30, 2024 and 2023, respectively. The Company has one reportable segment, and all revenues are earned in the U.S.

(amounts in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Revenues:				
Revenue recognized at point in time:				
Interchange and card revenue	\$ 2,284	\$ 1,458	\$ 5,699	\$ 4,424
Servicing fees	6,874	7,700	15,840	14,332
Account fees	1,805	1,910	3,900	4,050
University fees - disbursement activity	234	172	597	432
Other revenue	21	57	56	96
Total revenue recognized at point in time	11,218	11,297	26,092	23,334
Revenue recognized over time:				
University fees - subscriptions	1,235	1,201	2,484	2,447
Other revenue - maintenance and support	88	143	146	231
Total revenue recognized over time	1,323	1,344	2,630	2,678
Total revenues	\$ 12,541	\$ 12,641	\$ 28,722	\$ 26,012

Deferred Revenue

Deferred revenue consists of payments received from customers prior to the performance of services. Deferred revenue is recognized over the service period on a straight-line basis or when the contractual performance obligation has been satisfied.

The deferred revenue balance as of June 30, 2024 and December 31, 2023 was \$11.3 million and \$12.4 million, respectively.

During the six months ended June 30, 2024, the Company recognized revenue of approximately \$9.8 million included in deferred revenue at the beginning of the period. During the six months ended June 30, 2023, the Company recognized revenue of approximately \$5.9 million included in deferred revenue at the beginning of the period.

Unbilled receivables

The Company had \$0.5 million of unbilled receivables, or amounts recognized as revenue for which invoices have not yet been issued, as of June 30, 2024, and \$1.5 million as of December 31, 2023. Unbilled receivables are reported in *Accounts receivable, net* on the unaudited *Consolidated Balance Sheets*.

NOTE 10 — LOSS PER COMMON SHARE

The following are the components and results of operations and loss per common share calculations for the periods presented:

(amounts in thousands, except per common share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net loss available to common shareholders	\$ (4,831)	\$ (4,456)	\$ (4,083)	\$ (9,416)
Net loss used for EPS	\$ (4,831)	\$ (4,456)	\$ (4,083)	\$ (9,416)
Weighted-average number of common shares outstanding – basic	11,785	11,563	11,756	11,566
Weighted-average number of common shares outstanding – diluted	11,785	11,563	11,756	11,566
Basic loss per common share	\$ (0.41)	\$ (0.39)	\$ (0.35)	\$ (0.81)
Diluted loss per common share	\$ (0.41)	\$ (0.39)	\$ (0.35)	\$ (0.81)

The following table presents the reconciliation from basic to diluted weighted average shares outstanding used in the calculation of basic and diluted loss per common share:

(amounts in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Weighted-average number of common shares outstanding – basic	11,785	11,563	11,756	11,566
Add:				
Service-based RSUs	—	—	—	—
Weighted-average number of common shares outstanding – diluted	11,785	11,563	11,756	11,566

For basic loss per common share, the performance shares are subject to forfeiture, and they are considered share-indexed instruments and not outstanding shares until they are vested. During the three and six months ended June 30, 2024 and 2023, the vesting criteria has not been met and they are not included.

For the three and six months ended June 30, 2024, the Company's performance shares, public warrants, and private warrants were excluded from the computation of diluted weighted average shares outstanding as the necessary conditions had not been achieved for the performance shares and the average stock price for the period was below the strike price for the warrants. The performance shares are only considered in the calculation for diluted loss per common share if they are dilutive in nature. The performance shares are only dilutive when the average share price is greater than the strike price and when positive net income is reported. During the three and six months ended June 30, 2024, the average share price was below the strike price and these shares were not included in the diluted loss per common share calculations. For the three and six months ended June 30, 2024, the Company's performance-based RSUs were excluded because the vesting is contingent upon the satisfaction of certain conditions which had not been achieved as of June 30, 2024.

For the three and six months ended June 30, 2023, the Company's performance shares, public warrants, and private warrants were excluded from the computation of diluted weighted average shares outstanding as the necessary conditions had not been

achieved for the performance shares and the average stock price for the period was below the strike price for the warrants. The performance shares are only considered in the calculation for diluted loss earnings per common share if they are dilutive in nature. The performance shares are only dilutive when the average share price is greater than the strike price and when positive net income is reported. During the three and six months ended June 30, 2023, the average share price was below the strike price and these shares were not included in the diluted loss per common share calculations. For the three and six months ended June 30, 2023, the Company's performance-based RSUs were excluded because the vesting is contingent upon the satisfaction of certain conditions which had not been achieved as of June 30, 2023.

The following table presents the potentially dilutive shares that were excluded from the computation of diluted loss per common share:

(amounts in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Performance shares	300	300	300	300
Public warrants	17,294	17,294	17,294	17,294
Private warrants	5,409	5,409	5,409	5,409
Performance-based RSUs	790	745	790	745
Service-based RSUs	554	743	554	743
Total	24,347	24,491	24,347	24,491

NOTE 11 — DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

BMTX uses fair value measurements to determine and disclose the fair value of its financial instruments. FASB's ASC 825, *Financial Instruments*, requires disclosure of the estimated fair value of an entity's assets and liabilities considered to be financial instruments. For fair value disclosure purposes, BMTX utilized the fair value measurement criteria under FASB ASC 820, *Fair Value Measurements* ("ASC 820").

In accordance with FASB ASC 820, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for BMTX's financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

The fair value guidance provides a consistent definition of fair value, focusing on an exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

The fair value guidance also establishes a fair value hierarchy and describes the following three levels used to classify fair value measurements:

- Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2: Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported with little or no market activity).

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The following methods and assumptions were used to estimate the fair value of BMTX's financial instruments as of June 30, 2024 and December 31, 2023:

Cash and cash equivalents

Cash and cash equivalents reported on the unaudited *Consolidated Balance Sheets* consists of non-interest bearing demand deposits, for which carrying value approximates fair value.

Accounts receivable, net

The carrying amount of accounts receivable approximates fair value because of the short-term nature of these items.

Liability for Private Warrants

The fair value of the private warrants was estimated using a modified version of the binomial lattice model incorporating the Cox-Ross-Rubenstein methodology at June 30, 2024 and at December 31, 2023. The Company assumed a term for the private warrants equal to the contractual term from the date of the merger with Megalith and then discounted the resulting value to the valuation date.

Among the key inputs and assumptions used in the pricing formula at June 30, 2024 were the following: a term of 1.52 years; volatility of 66%; a dividend yield of zero; an underlying stock price of \$2.25; a risk free interest rate of 4.84%; and a closing price of the public warrants of \$0.04 per share.

Among the key inputs and assumptions used in the pricing formula at December 31, 2023 were the following: a term of 2.02 years; volatility of 58%; a dividend yield of zero; an underlying stock price of \$2.05; a risk free interest rate of 4.18%; and a closing price of the public warrants of \$0.03 per share.

At June 30, 2024 and December 31, 2023, the warrant liability is classified as a Level 3 fair value based upon the lowest level of input that is significant to the fair value measurement.

The estimated fair value of BMTX's financial instruments at June 30, 2024 and December 31, 2023 were as follows:

(amounts in thousands)	Carrying Amount	Estimated Fair Value	Fair Value Measurements at June 30, 2024		
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:					
Cash and cash equivalents	\$ 12,457	\$ 12,457	\$ 12,457	\$ —	\$ —
Accounts receivable, net	6,252	6,252	6,252	—	—
Liabilities:					
Liability for private warrants	\$ 216	\$ 216	\$ —	\$ —	\$ 216

(amounts in thousands)	Carrying Amount	Estimated Fair Value	Fair Value Measurements at December 31, 2023		
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:					
Cash and cash equivalents	\$ 14,288	\$ 14,288	\$ 14,288	\$ —	\$ —
Accounts receivable, net	9,128	9,128	9,128	—	—
Liabilities:					
Liability for private warrants	\$ 162	\$ 162	\$ —	\$ —	\$ 162

NOTE 12 — RELATED PARTY TRANSACTIONS

The Company has several relationships with our Partner Banks, which are related parties of the Company. These relationships are described below.

Customers Bank

Cash management

All the Company's cash and cash equivalents are on deposit with Customers Bank.

Servicing fees and interchange income

On November 7, 2022, the Company and Customers Bank entered into the DPSA amendment, to the Deposit Processing Services Agreement ("the Deposit Processing Services Agreement") dated January 4, 2021, to extend the Deposit Processing Services Agreement termination date to the earlier of the Company's successful completion of the transfer of the Company's serviced deposits to a new partner bank or June 30, 2023. The DPSA Amendment also removes Customers Bank's obligation to pay the Company the difference between the Durbin-exempt and Durbin-regulated interchange revenues. The other terms of the Deposit Processing Services Agreement remain in effect through the new termination date.

On March 22, 2023, we signed the DPSA Second Amendment. The DPSA Second Amendment, among other things, extends the termination date of the Deposit Processing Services Agreement until the earlier of (i) the transfer of the Company's serviced deposits to a Durbin-exempt partner bank; or (ii) June 30, 2024; and revises the fee structure of the Deposit Processing Services Agreement. The other terms of the Deposit Processing Services Agreement, as amended by the DPSA Amendment, remain in effect through the new termination date.

On August 18, 2023, the Company and Customers Bank entered into a third amendment to the Deposit Processing Services Agreement (the “DPSA Third Amendment”) for the Higher Education serviced deposit accounts. The DPSA Third Amendment extends the termination date of the Deposit Processing Services Agreement until the earlier of (i) the transfer of the Company’s Higher Education serviced deposits to a Durbin-exempt partner bank; or (ii) April 15, 2025.

On March 22, 2023, the Company and Customers Bank entered into the 2023 Deposit Servicing Agreement, under which, effective March 31, 2023, the Company will perform, on behalf of Customers Bank, Customer Bank’s services, duties, and obligations under the Private Label Banking Program Agreement (the “PLBPA”) by and between Customers Bank and T-Mobile USA, Inc. that are not required by Applicable Law (as defined in the 2023 Deposit Servicing Agreement) to be provided by an FDIC insured financial institution. The obligations of the Company and Customers Bank under the 2023 Deposit Servicing Agreement are similar to those under the Deposit Processing Services Agreement; provided, however, that (i) as of March 31, 2023, the 2023 Deposit Servicing Agreement and not the Deposit Processing Services Agreement shall govern the terms, conditions, roles, responsibilities, duties, and obligations of the Company and Customers Bank with respect to the PLBPA and the Depositor Accounts (as defined in the 2023 Deposit Servicing Agreement); (ii) the Deposit Processing Services Agreement is amended to the extent necessary or advisable to effect the same, including, without limitation, such that “Depositor” under the Deposit Processing Services Agreement shall not include any T-Mobile Customer (as defined in the PLBPA); and (iii) there is a different fee structure under the 2023 Deposit Servicing Agreement from that set forth in the Deposit Processing Services Agreement. The initial term of the 2023 Deposit Servicing Agreement continues until February 24, 2025, and will automatically renew for additional one-year terms unless either party gives written notice of non-renewal at least 180 days prior to the expiration of the then-current term. The 2023 Deposit Servicing Agreement may be terminated early by either party upon material breach, upon notice of an uncured objection from a regulatory authority, or by the Company upon 120 days’ written notice upon the satisfaction of certain conditions.

As compensation under the 2023 Deposit Servicing Agreement, Customers Bank will retain any and all revenue generated from the funds held in the deposit accounts, and Customers Bank will pay the Company monthly servicing fees as set forth in the 2023 Deposit Servicing Agreement. In addition, the Company will have the right to retain all revenue generated by or from the Depositor Accounts (as defined in the 2023 Deposit Servicing Agreement), including, but not limited to, fees and all other miscellaneous revenues. The Company also shall retain all fees (including without limitation interchange fees), and charges generated by its ATMs and from its payment processing services. The Company will be solely liable for any and all fees, expenses, costs, reimbursements, and other amounts that are or may become due and payable under the PLBPA, including, without limitation, any Durbin-exempt Interchange (as defined in the 2023 Deposit Servicing Agreement) fees payable to T-Mobile under the PLBPA. Customers Bank may set off any and all PLBPA Amounts against any compensation payable to the Company under the 2023 Deposit Servicing Agreement.

Other

On January 4, 2021, the Company entered into a Software License Agreement with Customers Bank which provides it with a non-exclusive, non-transferable, royalty-free license to utilize our mobile banking technology for a period up to 10 years. The Software License Agreement is cancellable by Customers Bank at any time, without notice, and without penalty, and for any reason or no reason at all. To date, Customers Bank has not utilized the Company’s mobile banking technology and zero consideration has been paid or recognized under the Software License Agreement.

On January 4, 2021, the Company entered into a Non-Competition and Non-Solicitation Agreement with Customers Bank providing that Customers Bank will not, for a period of 4 years after the closing of the divestiture, directly or indirectly engage in the Company’s business in the territory (both as defined in the Non-Competition Agreement), except for white label digital banking services with previously identified parties and passive investments of no more than 2% of a class of equity interests of a competitor that is publicly traded. Customers Bank also agreed not to directly or indirectly hire or solicit any employees of the Company.

Both the President and Executive Chairman of the Board of Customers Bank are immediate family members of the Company’s CEO, and together with their spouses, own less than 5.0% of the Company’s outstanding common stock at June 30, 2024.

On April 20, 2022, the Company entered into a Special Limited Agency Agreement (“SLA”) with Customers Bank that provides for marketing assistance from the Company for the referral of consumer installment loans funded by Customers Bank. In consideration for this marketing assistance, the Company receives certain fees specified within the SLA which are recorded as a component of *Other revenue* on the unaudited *Consolidated Statements of Income (Loss)*. No revenue was realized under the SLA. The SLA was terminated on May 16, 2023.

Positions with Customers Bank are presented on the unaudited *Consolidated Balance Sheets* in *Accounts receivable, net*, *Deferred revenue*, and *Accounts payable and accrued liabilities*. The *Accounts receivable* balances related to Customers Bank

as of June 30, 2024 and December 31, 2023 were zero and \$1.4 million, respectively. The *Deferred revenue* balances related to Customers Bank as of June 30, 2024 and December 31, 2023 were \$1.1 million and \$1.3 million, respectively. The *Accounts payable and accrued liabilities* balances related to Customers Bank as of June 30, 2024 and December 31, 2023 were \$0.3 million and zero, respectively.

The Company recognized \$1.9 million and \$4.6 million in revenues from Customers Bank for the three and six months ended June 30, 2024, respectively. Of these amounts, \$0.3 million and \$0.9 million are paid directly by MasterCard or individual account holders to the Company for the three and six months ended June 30, 2024, respectively. These amounts are presented on the unaudited *Consolidated Statements of Income (Loss)* in *Total operating revenue*.

The Company recognized \$11.1 million and \$22.6 million in revenues from Customers Bank for the three and six months ended June 30, 2023, respectively. Of these amounts, \$4.4 million and \$9.9 million are paid directly by MasterCard or individual account holders to the Company for the three and six months ended June 30, 2023, respectively. These amounts are presented on the unaudited *Consolidated Statements of Income (Loss)* in *Total operating revenue*.

The Company incurred zero expenses from Customers Bank for the three and six months ended June 30, 2024 and 2023, respectively.

First Carolina Bank

Deposit Servicing Agreement for Higher Education

On March 16, 2023, the Company entered into a Deposit Servicing Agreement (the “FCB Deposit Servicing Agreement”) with a new partner bank, First Carolina Bank, a North Carolina chartered, non-member community bank (“FCB”), which provides that FCB will establish and maintain deposit accounts and other banking services in connection with customized products and services offered by the Company to its Higher Education institution clients, and the Company will provide certain other related services in connection with the accounts. FCB retains any and all revenue generated from the funds held in the deposit accounts, and in exchange, pays the Company a deposit servicing fee that is based on a calculation provided by the terms in the FCB Deposit Servicing Agreement, based on average monthly deposit balances and subject to certain contractual adjustments, and a monthly interchange fee equal to all debit card interchange revenues on the demand deposit accounts, minus an interchange share percentage.

On August 20, 2023, the Company and FCB entered into an amendment to the FCB Deposit Servicing Agreement (the “FCB DPSA First Amendment”). The FCB DPSA First Amendment, among other things, (i) extends the initial term from four years to five years after the effective date, (ii) provides that FCB will work with the Company and Customers Bank on the timely transfer of existing student depositor accounts on or before the effective date, and as agreed to by the parties, and (iii) amends the effective date to be the date on which FCB takes on deposits from the existing student depositor accounts.

The FCB Deposit Servicing Agreement and Amendment thereof may be terminated early by either party upon material breach, by either party upon notice that the continuation of the Depositor Program violates Applicable Law or Network Rules (as defined in the FCB Deposit Servicing Agreement); by FCB if a regulatory authority determined that the performance of its obligations under the FCB Deposit Servicing Agreement was not consistent with safe and sound banking practices; by either party upon the other party commencing or being subject to certain bankruptcy proceedings; and by the Company should it experience a change in control on or after March 16, 2026.

On December 1, 2023, the Company and FCB completed the transfer of existing student depositor accounts from Customers Bank to FCB.

Positions with FCB are presented on our unaudited *Consolidated Balance Sheets* in *Accounts receivable, net*, *Deferred revenue, current*, and *Accounts payable and accrued liabilities*. The Accounts receivable balance related to FCB as of June 30, 2024 and December 31, 2023 was \$2.8 million and \$0.2 million, respectively. The Deferred revenue balance related to FCB as of June 30, 2024 and December 31, 2023 was \$7.1 million and \$7.4 million, respectively. The Accounts payable and accrued liabilities balance related to FCB as of June 30, 2024 and December 31, 2023 was zero, respectively.

The Company recognized \$9.6 million and \$22.1 million in net revenues from FCB for the three and six months ended June 30, 2024, respectively. Of these amounts, \$3.6 million and \$8.3 million are paid directly by MasterCard or individual account holders to the Company for the three and six months ended June 30, 2024, respectively. These amounts are presented on the unaudited *Consolidated Statements of Income (Loss)* in *Total operating revenue*.

NOTE 13 — RESTRUCTURING ACTIVITIES

On January 26, 2023, and in connection with our previously announced near-term strategy to focus on being an innovative, efficient, risk oriented fintech with a partner bank model, the Company committed to a targeted Profit Enhancement Plan (the “PEP”) that is intended to reduce operating costs, improve operating margins, improve operating cash flow, and continue advancing the Company’s ongoing commitment to profitable growth and continued innovation, and direct the Company’s resources toward its best opportunities.

The Company completed a workforce reduction of approximately 8 and 61 employees during the six months ended June 30, 2024 and 2023, respectively. The Company’s workforce reduction expenses, consisting of severance and other termination benefits for the three and six months ended June 30, 2024 and 2023, totaled \$0.1 million and \$0.2 million, respectively, and totaled \$0.3 million and \$1.0 million for the three and six months ended June 30, 2023, and are recorded in *Restructuring, merger, and acquisition related expenses* on the unaudited *Consolidated Statements of Income (Loss)*. Less than \$0.1 million of these expenses were incurred but not paid at June 30, 2024 and are included in *Accounts payable and accrued liabilities* on the unaudited *Consolidated Balance Sheets*.

NOTE 14 — SUBSEQUENT EVENTS

The Company has evaluated events subsequent to the balance sheet date and prior to the filing of this Quarterly Report on Form 10-Q for the three months ended June 30, 2024, and has determined that no events have occurred that would require adjustment to our interim unaudited consolidated financial statements and related notes.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to provide a reader of our financial statements with a narrative from the perspective of our Management on our financial condition, results of operations, liquidity, and certain other factors that may affect our future results. The following discussion and analysis should be read in conjunction with our interim unaudited consolidated financial statements and the related notes included in Item 1 "Unaudited Consolidated Financial Statements" of this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2023. Historical results and percentage relationships are not necessarily indicative of operating results for future periods. Unless the context otherwise requires, for purposes of this Management's Discussion and Analysis, references to the "Company," "we," and "our" refer to the business and operations of BM Technologies, Inc. ("BMTX") and its subsidiaries.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, including, without limitation, statements under the heading Management's Discussion and Analysis of Financial Condition and Results of Operations, includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). Forward-looking statements generally, but not always, can be identified by the use of forward-looking terminology, including the words "believes", "estimates", "anticipates", "expects", "intends", "plans", "may", "will", "potential", "projects", "predicts", "continue", or "should", or, in each case, their negative or other variations or comparable terminology. These forward-looking statements reflect our current views with respect to, among other things, statements relating to the Company's assets, business, cash flows, condition (financial or otherwise), credit quality, financial performance, liquidity, short and long-term performance goals, prospects, results of operations, strategic initiatives, the benefits, cost, and synergies of completed acquisitions or dispositions, and the timing, benefits, costs, and synergies of future acquisitions, dispositions, and other growth opportunities. There can be no assurance that actual results will not materially differ from expectations. These statements are based on Management's current expectations, but actual results may differ materially due to various factors. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control), and other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements.

Factors that could cause actual results to differ from those discussed in such forward-looking statements include, but are not limited to (1) difficulty attracting and retaining highly-effective employees; (2) our ability to successfully execute our business plan; (3) changes in consumer preferences, spending, and borrowing habits, and demand for our products and services; (4) general economic conditions, especially in the communities and markets in which we conduct our business; (5) market risk, including interest rate and liquidity risk; (6) operational risk, including cybersecurity risk and risk of fraud, data processing system failures, network breaches, and maintenance of internal controls, including remediating any material weaknesses in our internal control over financial reporting; (7) increased competition, including competition from other bank and non-bank financial institutions; (8) changes in regulations, laws, taxes, government policies, monetary policies, and accounting policies; (9) regulatory enforcement actions and adverse legal actions; and (10) other economic, competitive, technological, operational, governmental, regulatory, and market factors affecting our operations, including those factors summarized in the section titled "Summary of Principal Risk Factors", which we encourage you to read. These risks and others described under "Risk Factors" may not be exhaustive. Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as may be required under applicable securities laws.

We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition, and liquidity, and development in the industry in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in this report.

Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. We caution readers that the foregoing list of factors is not exclusive, is not necessarily in order of importance, and readers should not place undue reliance on forward-looking statements. Additional factors that may cause actual results to differ materially from those contemplated by any forward-looking statements may also be found in our 2023 Annual Report on Form 10-K (including the "Risk Factor" section of that report), Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K filed with the SEC and available at

the SEC’s website at <http://www.sec.gov>. We do not intend to and, except as required by law, hereby disclaim any obligation to update or revise any forward-looking statement contained in this Quarterly Report on Form 10-Q, which speaks only as of the date of its filing with the SEC, whether as a result of new information, future events, or otherwise.

BUSINESS OVERVIEW

BM Technologies, Inc. (“BMTX” or the “Company”) (formerly known as BankMobile) provides state-of-the-art high-tech digital banking and disbursement services to consumers and students nationwide through a full service fintech banking platform, accessible to customers anywhere and anytime through digital channels.

BankMobile Technologies, Inc. (“BankMobile”) was incorporated in May 2016 as a wholly-owned subsidiary of Customers Bank. On August 6, 2020, the Company entered into an Agreement and Plan of Merger, by and among Megalith Financial Acquisition Corporation, a special purpose acquisition company (“Megalith”), incorporated in Delaware in November 2017, MFAC Merger Sub Inc., a wholly-owned subsidiary of Megalith, BankMobile Technologies, Inc., and Customers Bank, the sole stockholder of BankMobile. On January 4, 2021, BankMobile became an independent company after the completion of a divestiture transaction and was rebranded BM Technologies, Inc.

BMTX’s fintech business model leverages Banking-as-a-Service (“BaaS”) partners’ and University partners’ existing customer bases to achieve high volume, low-cost customer acquisition in its Higher Education and BaaS businesses. BMTX has four primary revenue sources: interchange and card revenue, servicing fees, account fees, and university fees. The majority of revenues are driven by customer activity (deposits, spend transactions, etc.) and may be paid or passed through by our Partner Banks, universities or paid directly by customers.

BMTX facilitates deposits and banking services between a customer and our partner banks, Customers Bank and First Carolina Bank, (the “Partner Banks”), which are related parties and are Federal Deposit Insurance Corporation (“FDIC”) insured bank. The Partner Banks hold the FDIC insured deposits that BMTX sources and services and are the issuing bank on BMTX’s debit cards. The Partner Banks pay the Company a servicing fee for the deposits generated and passes through interchange income earned from transactions on debit cards and transaction-based account fees.

BMTX is not a bank, does not hold a bank charter, and does not provide banking services, and as a result, it is not subject to direct banking regulation, except as a service provider to our partner banks. BMTX is also subject to the regulations of the ED, due to our student disbursements business, and is periodically examined by it. BMTX’s contracts with most of its Higher Education institution clients require it to comply with numerous laws and regulations, including, where applicable, regulations promulgated by the ED regarding the handling of student financial aid funds received by institutions on behalf of their students under Title IV of the Higher Education Act of 1965; the Family Educational Rights and Privacy Act of 1995; the Electronic Fund Transfer Act and Regulation E; the USA PATRIOT Act and related anti-money laundering requirements; and certain federal rules regarding safeguarding personal information, including rules implementing the privacy provisions of the Gramm-Leach-Bliley Act. Other products and services offered by BMTX may also be subject to other federal and state laws and regulations.

During the second quarter of 2024, the Company made significant investment in the launch of its NextGen technology platform which for the first time allows the Company to market targeted products and services to its Vibe customer base. The implementation of NextGen resulted in significantly higher expenses in Q2 related to technology costs from having to run two separate platforms for a period of time and significantly higher contractor and customer service-related costs from higher volumes and are not expected to continue.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

For information regarding our critical accounting policies and estimates, please refer to our Annual Report on Form 10-K for the fiscal year ended December 31, 2023. There have been no material changes to the critical accounting policies and estimates previously disclosed in that report.

NEW ACCOUNTING PRONOUNCEMENTS

As an emerging growth company (“EGC”), the Jumpstart Our Business Startups Act (“JOBS Act”) allows the Company to delay adoption of new or revised ASUs applicable to public companies until such pronouncements are applicable to private companies. The Company has elected to use the extended transition period under the JOBS Act.

Recently Adopted Accounting Pronouncements

In August 2020, the FASB issued ASU 2020-06, “Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity.” The Company adopted ASU 2020-06 on January 1, 2024. The adoption of this new accounting standard did not have a material impact on the Company’s condensed consolidated financial statements.

Recently Issued Accounting Pronouncements Not Yet Adopted as June 30, 2024

In December 2023, the FASB issued ASU 2023-09, Income taxes (Topic 740): Improvements to Income Tax Disclosures, which is a final standard on improvement to income tax disclosures. This update applies to all entities subject to income taxes. As a public business entity, the new requirements will be effective for annual periods beginning after December 15, 2024. The Company is still evaluating the impact of this update to its financial statements for annual periods after December 15, 2024.

In March 2024, the FASB issued ASU 2024-01, Compensation - Stock Compensation (Topic 718), Scope Application of Profits Interest and Similar Awards. This standard provides clarity regarding whether profits interest and similar awards are within the scope of Topic 718 of the Accounting Standards Codification. This standard is effective for fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company is still evaluating the impact of this update to its financial statements for annual periods after December 15, 2024.

In March 2024, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2024-02, “Codification Improvements - Amendments to Remove References to the Concepts Statements” (“ASU 2024-02”), which removed references to various FASB Concepts Statements and updates technical corrections such as conforming amendments, clarification to guidance, simplifications to wording or the structure of guidance, and other minor improvements. The new guidance is effective for fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company is still evaluating the impact of this update to its financial statements for annual periods after December 15, 2024.

RESULTS OF OPERATIONS

The following discussion of our results of operations should be read in conjunction with our interim unaudited consolidated financial statements, including the accompanying notes.

The following summarized tables set forth our operating results for the three and six months ended June 30, 2024 and 2023:

(dollars in thousands, except per common share data)	Three Months Ended June 30,		Change	% Change
	2024	2023		
Operating revenues	\$ 12,541	\$ 12,641	\$ (100)	(1)%
Operating expenses	17,210	17,682	(472)	(3)%
Loss from operations	(4,669)	(5,041)	372	(7)%
(Loss)/gain on fair value of private warrant liability	(162)	595	(757)	(127)%
Loss before income tax expense	(4,831)	(4,446)	(385)	9 %
Income tax expense	—	10	(10)	(100)%
Net loss	\$ (4,831)	\$ (4,456)	\$ (375)	8 %
Basic loss per common share	\$ (0.41)	\$ (0.39)	\$ (0.02)	5 %
Diluted loss per common share	\$ (0.41)	\$ (0.39)	\$ (0.02)	5 %

NM - not meaningful

For the three months ended June 30, 2024, *Net loss* increased \$0.4 million as compared to the three months ended June 30, 2023, resulting in a *Net loss* of \$4.8 million, which included a \$0.8 million increased loss from the change in the fair value of the private warrants. *Loss from operations* for the three months ended June 30, 2024 increased by \$0.4 million as compared to the three months ended June 30, 2023. *Operating revenues* decreased by \$0.1 million, or 1%, and *Operating expenses, which include one-time costs of \$1.6 million related to the implementation of NextGen,* decreased by \$0.5 million,

or 3%. Changes in operating revenues and expenses are discussed in greater detail below. Basic and diluted loss per common share, which decreased to \$(0.41), are both driven by the impact of total net income in the current year.

(dollars in thousands, except per common share data)	Six Months Ended June 30,		Change	% Change
	2024	2023		
Operating revenues	\$ 28,722	\$ 26,012	\$ 2,710	10 %
Operating expenses	32,736	37,428	(4,692)	(13)%
Loss from operations	(4,014)	(11,416)	7,402	(65)%
(Loss)/gain on fair value of private warrant liability	(54)	2,016	(2,070)	(103)%
Loss before income tax expense	(4,068)	(9,400)	5,332	(57)%
Income tax expense	15	16	(1)	(6)%
Net loss	\$ (4,083)	\$ (9,416)	\$ 5,333	(57)%
Basic earnings (loss) per common share	\$ (0.35)	\$ (0.81)	\$ 0.46	(57)%
Diluted earnings (loss) per common share	\$ (0.35)	\$ (0.81)	\$ 0.46	(57)%

NM refers to changes greater than 150%.

For the six months ended June 30, 2024, *Net loss* decreased \$5.3 million as compared to the six months ended June 30, 2023, resulting in a *Net loss* of \$4.1 million, which included a \$2.1 million decrease in the *Gain on fair value of private warrant liability* as compared to the six months ended June 30, 2023. *Loss from operations* for the six months ended June 30, 2024 decreased \$7.4 million, as compared to the six months ended June 30, 2023, resulting in a *Loss from operations* of \$4.0 million. *Operating revenues* increased by \$2.7 million, or 10%, and *Operating expenses, which include one-time costs of \$1.6 million related to the implementation of NextGen,* decreased by \$4.7 million, or 13%. Changes in operating revenues and expenses are discussed in greater detail below. Basic and diluted earnings (loss) per common share, which increased to \$(0.35), are both driven by the impact of the total net income in the current year.

Operating Revenues

(dollars in thousands)	Three Months Ended June 30,		Change	% Change
	2024	2023		
Interchange and card revenue	\$ 2,284	\$ 1,458	\$ 826	57 %
Servicing fees	6,874	7,700	(826)	(11)%
Account fees	1,805	1,910	(105)	(5)%
University fees	1,469	1,373	96	7 %
Other revenue	109	200	(91)	(46)%
Total operating revenues	\$ 12,541	\$ 12,641	\$ (100)	(1)%

Total *Operating revenues* decreased \$0.1 million, or 1%, in the three months ended June 30, 2024 as compared to the three months ended June 30, 2023. This decrease is primarily attributable to a \$0.8 million, or 11%, decrease in *Servicing fees*, driven almost exclusively by lower deposit balances in the BaaS business, offset by a \$0.8 million, or 57%, increase in *Interchange and card revenue* driven primarily by the change to a partner bank with Durbin exempt interchange rates for the Higher Education business.

(dollars in thousands)	Six Months Ended June 30,		Change	% Change
	2024	2023		
Interchange and card revenue	\$ 5,699	\$ 4,424	\$ 1,275	29 %
Servicing fees	15,840	14,332	1,508	11 %
Account fees	3,900	4,050	(150)	(4)%
University fees	3,081	2,879	202	7 %
Other revenue	202	327	(125)	(38)%
Total operating revenues	\$ 28,722	\$ 26,012	\$ 2,710	10 %

Total *Operating revenues* increased \$2.7 million, or 10%, in the six months ended June 30, 2024 as compared to the six months ended June 30, 2023. This increase is primarily attributable to a \$1.5 million, or 11%, increase in *Servicing fees*, driven by a higher Fed Funds rate and higher deposit yields beginning in the second quarter of 2023 under the new deposit processing services agreement, offset by lower average deposit balances in the BaaS business; and a \$1.3 million, or 29%, increase in *Interchange and card revenue* driven primarily by the change to a partner bank with Durbin exempt interchange rates for the Higher Education business.

Operating Expenses

(dollars in thousands)	Three Months Ended June 30,		Change	% Change
	2024	2023		
Technology, communication, and processing	\$ 4,297	\$ 6,018	\$ (1,721)	(29)%
Salaries and employee benefits	5,660	6,139	(479)	(8)%
Professional services	2,634	2,338	296	13 %
Provision for operating losses	2,096	1,813	283	16 %
Occupancy	10	10	—	— %
Customer related supplies	231	222	9	4 %
Advertising and promotion	75	125	(50)	(40)%
Restructuring, merger, and acquisition related expenses	71	274	(203)	(74)%
NextGen implementation costs	1,560	—	1,560	NM
Other expense	576	743	(167)	(22)%
Total operating expenses	\$ 17,210	\$ 17,682	\$ (472)	(3)%

NM refers to changes greater than 150%.

Total *Operating expenses*, including one-time costs of \$1.6 million related to the implementation of NextGen, decreased \$0.5 million, or 3%, for the three months ended June 30, 2024 as compared to the three months ended June 30, 2023. This decrease is primarily attributable to a \$1.7 million, or 29%, decrease in *Technology, communication, and processing* due to lower amortization costs as a result of internally developed software that was fully amortized prior to the three months ended June 30, 2024 as well as lower overall technology costs, a \$0.5 million, or 8%, decrease in *Salaries and employee benefits* driven by decrease in salaries and health insurance costs, \$0.2 million or 74% decrease in Restructuring, merger, and acquisition related expenses due to lower severance expense. This decrease was offset in part by the \$1.6 million increase in costs associated with the implementation of NextGen that were primarily a result of higher technology and professional services costs required to run two platforms during the implementation phase, a \$0.3 million or 13% increase in *Professional services* which included higher third-party technical and professional contractor charges, and a \$0.3 million or 16% increase in provision for operating losses due to increase in third party Reg E fraud related to unauthorized card transactions.

(dollars in thousands)	Six Months Ended June 30,		Change	% Change
	2024	2023		
Technology, communication, and processing	\$ 9,008	\$ 13,123	\$ (4,115)	(31)%
Salaries and employee benefits	10,107	12,564	(2,457)	(20)%
Professional services	5,842	4,978	864	17 %
Provision for operating losses	4,177	3,490	687	20 %
Occupancy	26	24	2	8 %
Customer related supplies	472	450	22	5 %
Advertising and promotion	175	243	(68)	(28)%
Restructuring, merger, and acquisition related expenses	150	993	(843)	(85)%
NextGen implementation costs	1,560	—	1,560	NM
Other expense	1,219	1,563	(344)	(22)%
Total operating expenses	\$ 32,736	\$ 37,428	\$ (4,692)	(13)%

NM refers to changes greater than 150%.

Total *Operating expenses*, including one-time costs of \$1.6 million related to the implementation of NextGen, decreased \$4.7 million, or 13%, in the six months ended June 30, 2024 as compared to the six months ended June 30, 2023. This decrease is primarily attributable to a \$4.1 million, or 31%, decrease in *Technology, communication, and processing* due to lower amortization costs as a result of internally developed software that was fully amortized prior to the six months ended June 30, 2024 as well as lower overall technology cost, a \$2.5 million, or 20%, decrease in *Salaries and employee benefits* which included a \$1.3 million reduction in 2024 attributable to the gain from cancellation of the 2021 PBRsUs to certain executives and subsequent issuance of new PBRsUs, and lower salary and benefit costs from lower headcount and the effect of the PEP initiatives. These decreases were offset in part by the \$1.6 million increase in costs associated with the implementation of NextGen that were primarily a result of higher technology and professional services costs required to run two platforms during the implementation phase, a \$0.9 million, or 17%, increase in *Professional services* which included higher third-party technical and professional contractor charges; a \$0.8 million of decreased *Restructuring, merger, and acquisition related expenses* incurred in order to execute the PEP cost savings initiatives in 2023, and a \$0.7 million, or 20%, increase in *Provision for operating losses* due to increase in third party Reg E fraud related to unauthorized card transactions.

Income Tax Expense

The Company's effective tax rate was 0.0% and (0.4)% for the three and six months ended June 30, 2024, respectively. The Company's effective tax rate was (0.2)% for the three and six months ended June 30, 2023. Rates for the periods are driven by required state minimum tax payments. The Company was in a taxable loss position for the three and six months ended June 30, 2024 and the three and six months ended June 30, 2023, respectively. The Company has determined it is more likely than not that the future benefit of deferred tax assets will not be realized and has established a full valuation allowance.

LIQUIDITY AND CAPITAL RESOURCES

Our *Cash and cash equivalents* consist of non-interest bearing, highly-liquid demand deposits. We had \$12.5 million of *Cash and cash equivalents* at June 30, 2024 as compared to \$14.3 million of *Cash and cash equivalents* at December 31, 2023.

We finance our operations through cash flows provided primarily by operating activities. We intend to fund our ongoing operating activities with our existing cash and expected cash flows from future operations. However, should additional liquidity be necessary, the Company could consider equity or debt financing, but there are no assurances that additional capital would be available or on terms that are acceptable to us.

FASB ASC 205-40, *Presentation of Financial Statements - Going Concern*, requires Management to assess an entity's ability to continue as a going concern within one year of the date the financial statements are issued. In each reporting period, including interim periods, an entity is required to assess conditions known and reasonably knowable as of the financial

statement issuance date to determine whether it is probable an entity will not meet its financial obligations within one year from the financial statement issuance date.

Management has performed this required assessment as of August 14, 2024, and believes there are sufficient funds available to support its ongoing business operations and continue as a going concern for at least the next 12 months with projected liquidity of \$16.7 million at August 14, 2025.

Management's assessment is subject to known and unknown risks, uncertainties, assumptions, and changes in circumstances, many of which are beyond our control including the impact of the macroeconomic environment, and that are difficult to predict as to timing, extent, likelihood, and degree of occurrence, and that could cause actual results to differ from estimates and forecasts, potentially materially.

The table below summarizes our cash flows for the periods indicated:

(dollars in thousands)	Six Months Ended June 30,		Change
	2024	2023	
Net cash provided by (used in) operating activities	\$ 1,656	\$ (4,064)	\$ 5,720
Net cash used in investing activities	(3,254)	(3,086)	(168)
Net cash used in financing activities	(233)	(2,434)	2,201
Net decrease in cash and cash equivalents	\$ (1,831)	\$ (9,584)	\$ 7,753

Cash flows provided by (used in) operating activities

The increase in net cash provided by operating activities is driven primarily by a \$5.3 million increase in cash *Net income*, a \$3.4 million increased source of cash from *Prepaid and other assets*, a \$1.6 million increased source of cash from *Accounts receivable*, offset by a \$2.7 million increased use of cash from *Deferred revenue*, and a \$1.5 million increased use of cash for *Share-based compensation expense*.

Cash flows used in investing activities

Cash used in investing activities increased \$0.2 million in the six months ended June 30, 2024 as compared to the six months ended June 30, 2023, primarily due to increased development of internal use software offset by a decrease in purchases of premises and equipment.

Cash flows used in financing activities

Cash used in financing activities decreased \$2.2 million in the six months ended June 30, 2024 as compared to the six months ended June 30, 2023, primarily due to larger tax payments related to the net settlement of the January 4, 2021 share-based compensation awards in 2023.

ITEM 3. QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

Credit Risk

We are exposed to various economic risks in the normal course of business including concentration of credit risk. Potential concentration of credit risk consists primarily of accounts receivable from Customers Bank, BaaS partner, MasterCard, and Higher Education institution clients. Historically, we have not experienced any material losses related to these balances and believe that there is minimal risk of expected future losses. However, there can be no assurance that there will not be losses on these balances.

At June 30, 2024 and December 31, 2023, Customers Bank accounted for 0% and 16% of our total *Accounts receivable, net*, respectively. At June 30, 2024 and December 31, 2023, FCB accounted for 46% and 2% of our total *Accounts receivable, net*, respectively. At June 30, 2024 and December 31, 2023, a BaaS partner accounted for 20% and 48% of our total

Accounts receivable, net, respectively. At June 30, 2024 and December 31, 2023, MasterCard accounted for 19% and 21% of our total *Accounts receivable, net*, respectively.

Financial instruments that potentially subject the Company to credit risk consist principally of cash held in the Company's operating account. Cash is maintained in accounts with Customers Bank, which, at times may exceed the FDIC coverage limit of \$250,000. At June 30, 2024, the Company has not experienced losses on these cash accounts and Management believes, based upon the quality of Customers Bank, that the credit risk with regard to these deposits is not significant.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of Management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures (as such term is defined in Exchange Act Rule 13a-15(e)), as of June 30, 2024.

We identified a material weakness in our internal control over financial reporting, as described in Part II, Item 9A of our Annual Report on Form 10-K for the year ended December 31, 2023, which were not fully remedied as of June 30, 2024. A material weakness is a deficiency or combination of deficiencies, in internal control over financial reporting, such that there is reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected and corrected on a timely basis. Accordingly, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were not effective as of the end of the period covered by this report.

(b) Changes in Internal Control over Financial Reporting

Except as set forth in the following sentences, no change in our internal control over financial reporting (as that term is defined in Exchange Act Rule 13a-15(f)) occurred during the fiscal quarter ended June 30, 2024 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. As of December 31, 2023, we had concluded that our internal control over financial reporting was not effective. During the first half of 2024, we have been implementing and will continue to implement changes that are both organizational and process-focused to improve the control environment of the Company. We anticipate the actions to be taken and resulting process improvements to generally strengthen our internal control over financial reporting, and over time, will address the material weaknesses noted as of December 31, 2023. These remedial measures were considered changes to our internal control environment which had a material effect on internal control over financial reporting. We expect that the remediation of these material weaknesses will be fully implemented and validated by the end of the fourth quarter of 2024.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company may be involved from time to time in various legal and administrative proceedings and litigation arising in the ordinary course of business. We are not currently engaged in any legal proceedings that are expected to have a material effect on our financial position, cash flows or results of operations.

ITEM 1A. RISK FACTORS

There have been no material changes to the Risk Factors disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2023.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

(a) *Share repurchases:* None

(b) *Rule 10b5-1 and Non-Rule 10b5-1 Trading Arrangements:* During the three months ended June 30, 2024, none of our officers or directors (as defined in Rule 16a-1(f) of the Securities and Exchange act of 1934) adopted or terminated a Rule 10b5-1 trading arrangement or non-Rule10b5-1 trading arrangement (as such terms are defined in Item 408 or Regulation S-K of the Securities Act of 1933).

ITEM 6. EXHIBITS

See exhibit index below for a list of the documents filed or furnished as part of this Quarterly Report on Form 10-Q:

Exhibit No.	Description
3.1	Second Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to the Company's Form 8-K, filed with the SEC on January 8, 2021).
3.2	Amended and Restated Bylaws of the Company (incorporated by reference to the Company's Form 8-K, filed with the SEC on January 8, 2021).
31.1	Certification of the Principal Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a).*
31.2	Certification of the Principal Financial and Accounting Officer required by Rule 13a-14(a) or Rule 15d-14(a).*
32	Certification under 18 U.S.C. 1350.*
101	Interactive data files for BM Technologies, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2024, formatted in Inline XBRL: (i) the Consolidated Balance Sheets (unaudited) ; (ii) the Consolidated Statements of Income (Loss) (unaudited) ; (iii) the Consolidated Statements of Changes in Shareholders' Equity (unaudited) ; (iv) the Consolidated Statements of Cash Flows (unaudited) ; and (v) the Notes to Unaudited Consolidated Financial Statements .*
104	The cover page from BM Technologies, Inc.'s Quarterly Report on Form 10-Q for the Quarter ended June 30, 2024 (formatted in Inline XBRL and included in Exhibit 101).*

* Filed or furnished herewith.

† Certain confidential information contained in this agreement has been omitted because it is private or confidential and is not material.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

August 14, 2024

BM Technologies, Inc.
(Registrant)

By: /s/ Luvleen Sidhu
Name: Luvleen Sidhu
Title: Chief Executive Officer
(Principal Executive Officer)

August 14, 2024

BM Technologies, Inc.
(Registrant)

By: /s/ Ajay Asija
Name: Ajay Asija
Title: Chief Financial Officer
(Principal Financial and Accounting Officer)

CERTIFICATION

I, Luvleen Sidhu, certify that:

- (1) I have reviewed this Quarterly Report on Form 10-Q of BM Technologies, Inc.,
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Luvleen Sidhu

Luvleen Sidhu
Chief Executive Officer
(Principal Executive Officer)
Date: August 14, 2024

CERTIFICATION

I, Ajay Asija, certify that:

- (1) I have reviewed this Quarterly Report on Form 10-Q of BM Technologies, Inc.,
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Ajay Asija

Ajay Asija
Chief Financial Officer
(Principal Financial and Accounting Officer)
Date: August 14, 2024

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of BM Technologies, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Luvleen Sidhu, Chief Executive Officer of the Company and Ajay Asija, Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Luvleen Sidhu

Name: Luvleen Sidhu

Title: Chief Executive Officer

(Principal Executive Officer)

Date: August 14, 2024

/s/: Ajay Asija

Name: Ajay Asija

Title: Chief Financial Officer

(Principal Financial and Accounting Officer)

Date: August 14, 2024

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request. This certification "accompanies" the Form 10-Q to which it relates, is not deemed filed with the SEC and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.