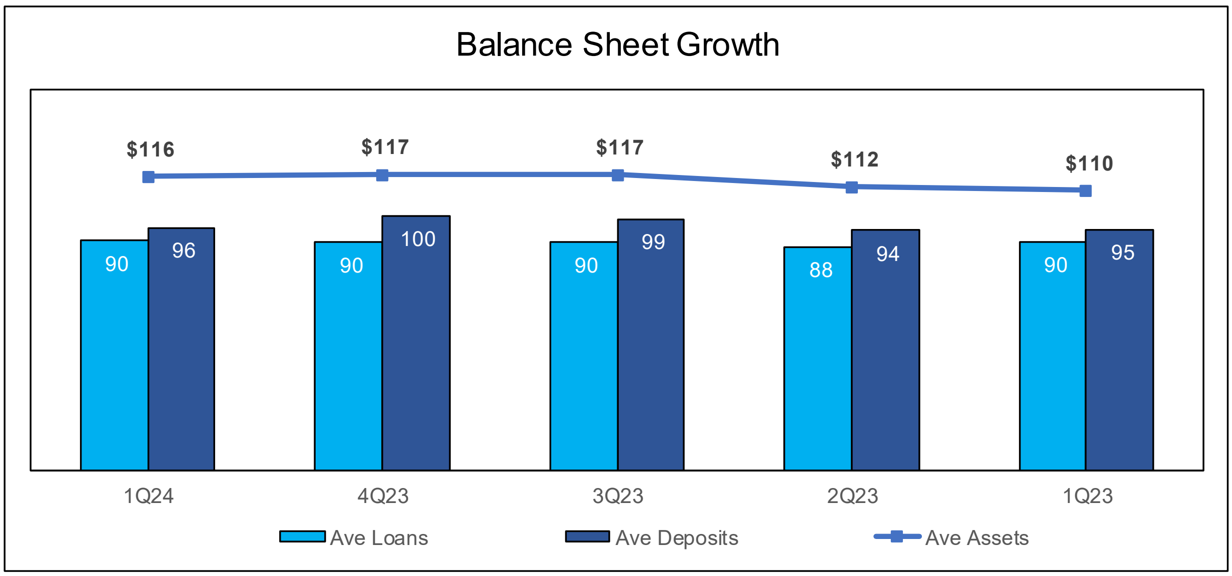
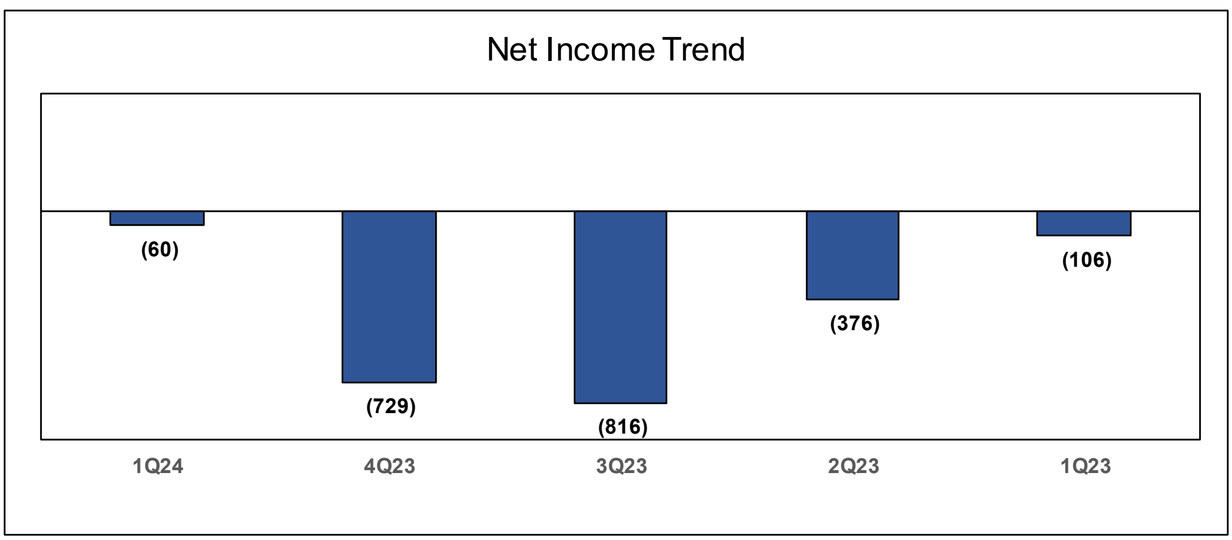
1Q24 Financial Highlights[1]

- Core deposit growth of $6.4 miilion, up 7%, driven by growth in business deposits
- Closed $9.9 million in business loans in 1Q24
- Loan servicing portfolio reached $74 million
- Net interest income increased 4% YoY; NIM 4.54% down 0.11%, driven by higher funding costs
- Noninterest income increased $127 thousand, up 33%
- Growth in loan portfolio resulted in loan loss reserve build of $38 thousand

1Percentage and dollar comparisons noted above are for the first quarter of 2024 versus the same period prior-year 2023, unless noted

Performance Trends





April 30, 2024

Dear Fellow Shareholders,

Bank Michigan reported first quarter 2024 net loss of $60 thousand, or $(0.04) per common share, an increase of $670 thousand, or $0.43, from the prior quarter, and an increase of $46 thousand, or $0.06, from the year-ago quarter. Results for the first quarter 2024 produced an annualized return on average assets (ROAA) of (0.21)% and average common equity (ROCE) of (1.96)%, compared to ROAA of (2.48)% and ROCE of (32.58)% in prior quarter.

The first quarter results were highlighted by growth in total revenue as we continue to execute on our strategic priorities to increase our noninterest income. We continue to invest and make progress in our fee-based businesses where we have a differentiated value proposition. We continue to have strong growth in our deposit service fees and have executed on loan sales as pricing conditions in the secondary market improved.

Our balance sheet positioning and organic growth in our core deposits from first quarter 2023 provided flexibility in managing the loan growth in the new year. Net interest income was negatively impacted by customer migrations to higher yielding deposit products compared to the year-ago quarter. Our outlook for the year remains positive as we look to accelerate organic growth.

Credit quality continues to be closely monitored and while we see modest deterioration, it is still concentrated in one type of loan product. That particular product is no longer offered by the bank. Net charge-offs were stable from the fourth quarter as credit trends returned to historical low levels and in line with our expectations. We are maintaining our disciplined approach to managing credit quality, and believe the bank and its balance sheet is well-positioned to operate through this dynamic environment.

We are on path towards a more sustainable net income over the medium term as the strategic investments from 2023 begin to pay off, revenue growth becomes evident and we continue to make progress transforming the company. Because rates fluctuate and economic conditions change, the path is not always a straight line upwards, but as time progresses, I continue to be excited by our opportunities ahead.

Best Regards,

Richard Northrup, President & CEO

BANK MICHIGAN
FINANCIAL HIGHLIGHTS (Unaudited)
(in thousands, except ratio and headcount data)

				1Q24 Chg		Three Months Ended March 31,		
Pretax, Pre-Provision Earnings (non-GAAP)	**1Q24**	**4Q23**	**1Q23**	**4Q23**	**1Q23**	**2024**	**2023**	**YOY Chg**
Net Interest Income	$ 1,312	$ 1,282	$ 1,265	$ 30	$ 47	$ 1,312	$ 1,265	$ 47
Noninterest Income	511	262	384	249	127	511	384	127
Total Revenue	**1,823**	**1,544**	**1,649**	**279**	**174**	**1,823**	**1,649**	**174**
Noninterest Expense	1,858	1,827	1,782	31	76	1,858	1,782	76
Pretax, Pre-Provision Earnings	**(35)**	**(282)**	**(133)**	**248**	**98**	**(35)**	**(133)**	**98**
Provision for Loan Losses	38	631	-	(593)	38	38	-	38
Tax Provision (Benefit)	(13)	(184)	(27)	172	14	(13)	(27)	14
Net Income/(Loss)	**$ (60)**	**$ (729)**	**$ (106)**	**$ 670**	**$ 46**	**$ (60)**	**$ (106)**	**$ 46**
Earnings & per Common Share data								
Earnings per share	$ (0.04)	$ (0.46)	$ (0.10)	$ 0.43	$ 0.06	$ (0.04)	$ (0.10)	$ 0.06
Book Value (excl. AOCI)	$ 7.98	$ 8.02	$ 9.87	$ (0.04)	$ (1.89)	$ 7.98	$ 9.87	$ (1.89)
Book Value	$ 7.78	$ 7.83	$ 9.54	$ (0.05)	$ (1.77)	$ 7.78	$ 9.54	$ (1.77)
Common shares period-end	1,570	1,570	1,070	-	500	1,570	1,070	500
Financial Ratios								
Return on Equity [a]	-1.96%	-32.58%	-4.19%	30.61%	2.23%	-1.96%	-4.19%	2.23%
Return on Assets [a]	-0.21%	-2.48%	-0.39%	2.27%	0.18%	-0.21%	-0.39%	0.18%
Net interest margin	4.54%	4.36%	4.65%	0.19%	-0.11%	4.62%	4.65%	-0.03%
Efficiency Ratio	102%	118%	108%	-16%	-6%	102%	108%	-6%
Full-time equivalent employees	45.9	45.9	42.9	-	3.0	45.9	42.9	3.0
Balance Sheet Highlights						(Average Balance)		
Avg Assets	115,828	116,806	110,293	(978)	5,535	115,828	110,293	5,535
Avg Loans & Leases	90,445	89,984	90,218	461	227	90,445	90,218	227
Allowance for Credit Loss Reserve (ACL)	(1,499)	(1,501)	(1,181)	2	(318)	(1,501)	(1,172)	(329)
Avg Core Deposits	92,677	98,689	87,960	(6,013)	4,717	92,701	87,960	4,741
Avg Non-core Deposits	3,087	1,657	7,156	1,430	(4,069)	3,087	7,156	(4,069)
Avg Deposits	95,788	100,371	95,115	(4,584)	673	95,788	95,115	673
Avg Other Borrowings	6,405	6,211	3,410	194	2,995	6,405	3,410	2,995
Avg Equity	12,210	8,883	10,263	3,327	1,947	12,210	10,263	1,947
Credit Quality								
Loans & Leases *at period-end*	90,679	90,381	86,414	299	4,265	90,679	86,414	4,265
Net Charge-Offs / Average Loans - YTD	0.00%	1.13%	0.01%	-1.13%	-0.01%	0.00%	0.01%	-0.01%
ACL to total loans ratio [b]	1.66%	1.67%	1.31%	-0.01%	0.35%	1.66%	1.31%	0.35%
NPAs / Total Loans (xPPP)	2.42%	2.48%	0.64%	-0.06%	1.78%	2.42%	0.64%	1.78%
Net Loan-to-deposits ratio [b]	92%	90%	94%	2%	-2%	92%	94%	-2%
Capital Ratios								
Tier 1 leverage ratio	9.90%	9.88%	9.03%	0.02%	0.87%	9.90%	9.03%	0.87%
Tier 1 risk-based capital ratio / (CET1)	12.74%	13.14%	11.64%	-0.40%	1.10%	12.74%	11.64%	1.10%
Total risk-based capital ratio	14.00%	14.39%	12.90%	-0.39%	1.10%	14.00%	12.90%	1.10%

(a) Quarterly ratios are based upon annualized amounts.
(b) Ratio excludes government guaranteed Paycheck Protection Program loans

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<u>Discussion of Results:</u>

Comparisons noted in the sections below are for <u>the First Quarter of 2024 versus the Fourth Quarter of 2023</u>, unless otherwise specified.

Net loss was $60 thousand, up $670 thousand, driven by higher net interest income $30 thousand, higher noninterest income $249 thousand, higher noninterest expense $31 thousand, lower provision for loan losses $593 thousand, and higher income tax expense $172 thousand.

Net interest income was $1.3 million, up $30 thousand or 2%, driven by higher interest income on earning assets, partially offset by higher costs of funds. The net interest margin was 4.54%, up 19 basis points.

- Average earning assets decreased $0.8 million, primarily from lower average federal reserve demand balances due to lower average deposit balances.
- The yield on total loan portfolio was 6.91%, up 41 basis points primarily due to lender successes in loan renewals and new loan origination at improved interest rates. The yield on other earning assets for the first quarter was 3.39%, down 47 basis points primarily due lower average federal reserve demand balances.
- Average deposits decreased $4.6 million, or 5%, while average other borrowings was primarily unchanged.
- The average cost of total deposits was 1.34%, up 12 basis points. The average cost of other borrowings was 4.27%, up 13 basis points. The increase in rates on deposits was largely attributable to the higher rate environment.

The provision for credit losses decreased $593 thousand to $38 thousand. The decrease was attributable to prior quarter higher provision expense from net charge-offs and an allowance build. Net charge-offs (NCOs) were minimal in the current quarter compared to 1.13% in prior quarter. As a percentage of average loans, the allowance for credit losses was 1.66% flat to prior quarter. Non-performing assets were $2.2 million, unchanged from prior quarter.

Noninterest income was $511 thousand, up $249 thousand, predominantly driven by gain on sale of loans, increases in service charges on deposits from continued growth of treasury management services, partially offset by lower servicing fees on loans. Loan sales to the secondary market were executed in the quarter as premiums improved to acceptable levels.

Noninterest expense was $1.9 million, up $31 thousand, primarily driven by higher personnel expense, higher legal expenses related to prior quarter reclass of expense related to capital raise, as well as higher occupancy expenses partially offset by lower depreciation from prior quarter write-off of obsolete assets, and lower FDIC assessment.

Capital ratios are strong compared to the regulatory requirements for well capitalized banks. The CET1 capital ratio was 12.74%. Total risk-based capital was 14.00% and the Tier 1 leverage ratio was 9.90%.

Comparisons noted in the sections below are for the <u>the First Quarter of 2024 versus the First Quarter of 2023</u>, unless otherwise specified.

Net loss was $60 thousand, up 46 thousand, driven by higher net interest income $47 thousand, higher noninterest income $127 thousand, partially offset by higher noninterest expense $76 thousand, provision for loan losses $38 thousand and income taxes $14 thousand.

Net interest income was $1.3 million, up $47 thousand or 4%, driven by higher interest income on earning assets, partially offset by higher costs of funds. The net interest margin was 4.54%, down 11 basis points.

- Average earning assets increased $2.2 million, primarily from higher average federal reserve demand balances due to higher average core deposit balances.
- The yield on total loan portfolio was 6.91%, up 77 basis points, primarily reflecting higher market interest rates. The yield on other earning assets for the first quarter was 3.39%, up 74 basis points primarily due higher average investment portfolio balances.
- Average deposits decreased $0.7 million, or 1%, while average other borrowings was increased $3.0 million, or 88%.
- The average cost of total deposits was 1.34%, up 64 basis points. The average cost of other borrowings was 4.27%, up 32 basis points. The increase in rates on deposits and other funding sources was largely attributable to the higher rate environment.

The provision for credit losses increased $38 thousand. The increase was primarily due to a reserve build in the current year due to an increase in net loan growth. NCOs full year were minimal in both quarters. The allowance to total loans ratio was 1.66%, up 35 basis points from prior year, reflecting increases in reserve build associated with higher non-performing assets. Non-performing assets were $2.2 million compared to $0.7 million, a year-ago.

Noninterest income was $511 thousand, up $127 thousand, predominantly driven by increases in service charges on deposits from continued growth of treasury management services, increase gain on sale of loans and increases in other fees.

Noninterest expense was $1.9 million, up $76 thousand, due to higher advertising expense, higher loan expense, higher data processing expense and higher FDIC assessments, partially offset by lower professional expenses and lower salary expense from lower incentives.

Capital ratios improved from same quarter prior year primarily due to successful completion of capital raise in 4Q23. The CET1 capital ratio was 12.74%, up 110 basis points. Total risk-based capital increased 110 basis points to 14.00% and the Tier 1 leverage ratio increased 87 basis points to 9.90%.