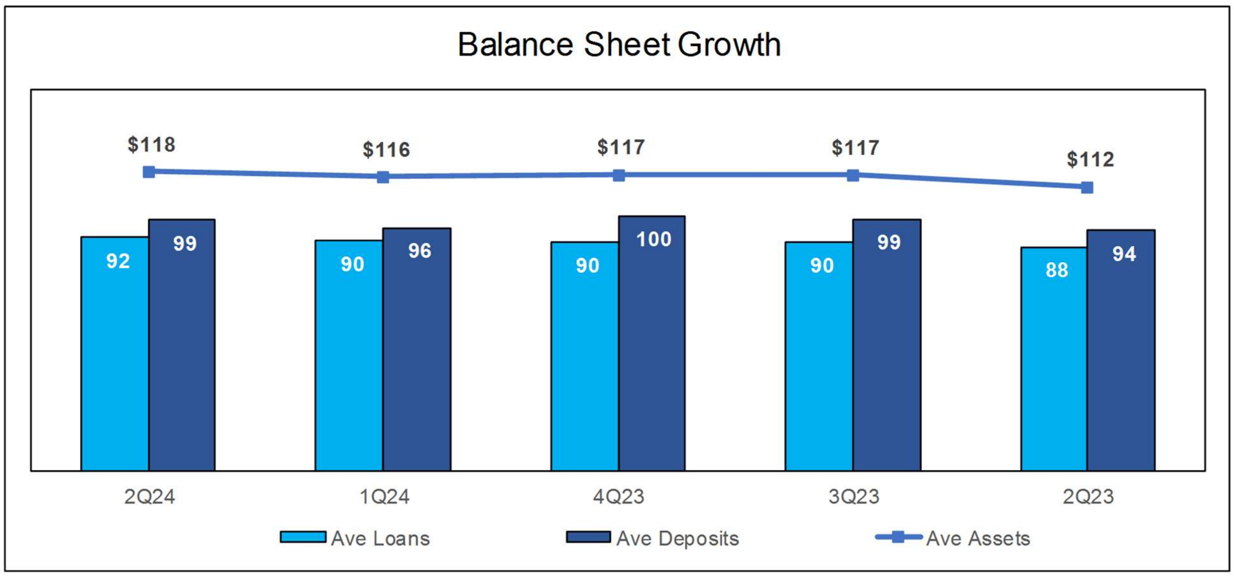
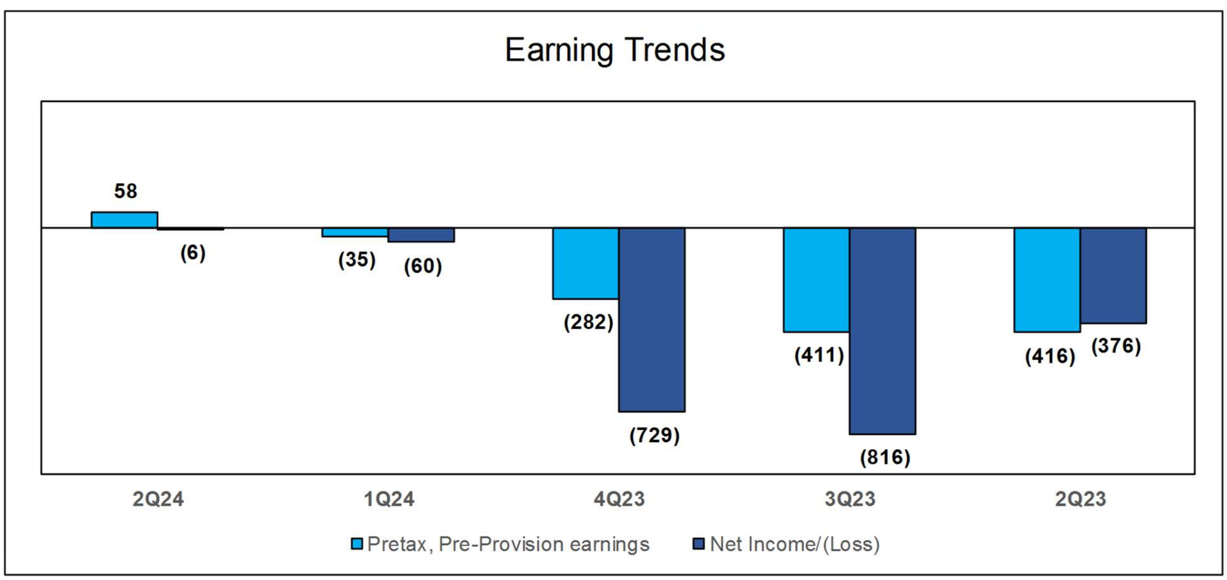
2Q24 Financial Highlights[1]

- Core deposit growth of $6.4 miilion, up 7%, driven by conusmer $3.5 million & business $2.9 million
- Closed $12.7 million in business loans in 2Q24
- Average loan balance increased $4 million, up 5%
- Pretax, Pre-provision earnings $58 thousand, 114% improvement over same period prior year
- Noninterest income increased $277 thousand, up 129%
- Growth in loan portfolio resulted in loan loss reserve build of $64 thousand

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

Performance Trends





bank MICHIGAN
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July 31, 2024

Dear Fellow Shareholders,

Bank Michigan reported second quarter 2024 net loss of $6 thousand, or $(0.00) per common share, an increase of $54 thousand, or $0.04, from the prior quarter, and an increase of $371 thousand, or $0.35, from the year-ago quarter. Results for the second quarter 2024 produced an annualized return on average assets (ROAA) of (0.02)% and average common equity (ROCE) of (0.18)%, compared to ROAA of (0.21)% and ROCE of (1.96)% in prior quarter.

The second quarter results were highlighted by an expansion in total revenue, we delivered accelerated loan growth in the quarter and continue to make progress in our fee-based businesses where we have a differentiated value proposition. We saw growth in deposit balances from new relationships, and customers reallocating cash into higher yielding alternatives slowed. We continue to execute on loan sales where pricing in the secondary market meet our profit thresholds. Fee income and expenses both improved year-over-year as we strive to balance strategic investments with efficiency, working towards positive operating leverage.

Credit performance was consistent with our expectations. Net charge-offs were stable and returned to historical low levels. 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. Our balance sheet strength is evident in a CET1 ratio above 12% and appropriate provisioning for the credit environment, which continues to be impacted by prolonged high interest rates and a slowing economy.

We continue to position the bank for long-term growth. We delivered pre-provision, pre-tax earnings growth this quarter ahead of our expectations. I am excited for our path forward and energized by our momentum which positions us to deliver sound, profitable growth.

Best Regards,

Richard Northrup, President & CEO

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

				2Q24 Chg		Six Months Ended June 30,		
Pretax, Pre-Provision Earnings (non-GAAP)	**2Q24**	**1Q24**	**2Q23**	**1Q24**	**2Q23**	**2024**	**2023**	**YOY Chg**
Net Interest Income	$ 1,378	$ 1,312	$ 1,279	$ 66	$ 99	$ 2,690	$ 2,544	$ 146
Noninterest Income	492	511	215	(19)	277	1,003	599	404
Total Revenue	**1,870**	**1,823**	**1,494**	**47**	**376**	**3,694**	**3,143**	**550**
Noninterest Expense	1,812	1,858	1,910	(46)	(98)	3,670	3,692	(22)
Pretax, Pre-Provision Earnings	**58**	**(35)**	**(416)**	**93**	**474**	**24**	**(549)**	**573**
Provision for Loan Losses	64	38	59	26	5	102	59	43
Tax Provision (Benefit)	(0)	(13)	(99)	13	99	(13)	(126)	113
Net Income/(Loss)	**$ (6)**	**$ (60)**	**$ (376)**	**$ 54**	**$ 371**	**$ (65)**	**$ (482)**	**$ 417**

Earnings & per Common Share data								
Earnings per share	$ (0.00)	$ (0.04)	$ (0.35)	$ 0.03	$ 0.35	$ (0.04)	$ (0.45)	$ 0.41
Book Value (excl. AOCI)	$ 7.98	$ 7.98	$ 9.52	$ (0.00)	$ (1.54)	$ 7.98	$ 9.87	$ (1.89)
Book Value	$ 7.78	$ 7.78	$ 9.14	$ 0.00	$ (1.36)	$ 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)]	-0.18%	-1.96%	-14.91%	1.78%	14.73%	-1.07%	-9.48%	8.41%
Return on Assets [(a)]	-0.02%	-0.21%	-1.35%	0.19%	1.33%	-0.12%	-0.88%	0.76%
Net interest margin	4.69%	4.54%	4.58%	0.15%	0.11%	4.74%	4.65%	0.09%
Efficiency Ratio	97%	102%	128%	-5%	-31%	99%	117%	-18%
Full-time equivalent employees	44.4	45.9	44.9	(1.5)	(0.5)	45.2	43.9	1.3

Balance Sheet Highlights						(Average Balance)		
Avg Assets	117,744	115,828	111,918	1,916	5,826	115,828	110,293	5,535
Avg Loans & Leases	91,804	90,445	88,159	1,359	3,645	90,445	90,218	227
Allowance for Credit Loss Reserve (ACL)	(1,539)	(1,499)	(1,215)	(40)	(324)	(1,501)	(1,172)	(329)
Avg Core Deposits	93,780	92,677	90,384	1,103	3,396	93,240	89,178	4,062
Avg Non-core Deposits	4,958	3,087	4,102	1,872	857	4,023	5,620	(1,598)
Avg Deposits	98,738	95,788	94,486	2,951	4,253	95,788	95,115	673
Avg Other Borrowings	5,473	6,405	6,127	(932)	(654)	6,405	3,410	2,995
Avg Equity	12,180	12,210	10,119	(30)	2,061	12,210	10,263	1,947

Credit Quality								
Loans & Leases *at period-end*	95,381	90,679	89,905	4,702	5,476	90,679	86,414	4,265
Net Charge-Offs / Average Loans - YTD	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.01%	0.00%
ACL to total loans ratio	1.68%	1.66%	1.38%	0.02%	0.30%	1.66%	1.31%	0.35%
NPAs / Total Loans (xPPP)	2.20%	2.42%	1.99%	-0.22%	0.21%	2.42%	0.64%	1.78%
Net Loan-to-deposits ratio [(b)]	88%	92%	93%	-4%	-5%	92%	94%	-2%

Capital Ratios								
Tier 1 leverage ratio	9.74%	9.90%	8.46%	-0.16%	1.27%	9.74%	8.46%	1.27%
Tier 1 risk-based capital ratio / (CET1)	12.06%	12.74%	10.37%	-0.68%	1.68%	12.06%	10.37%	1.68%
Total risk-based capital ratio	13.31%	14.00%	11.62%	-0.69%	1.69%	13.31%	11.62%	1.69%

(a) Quarterly ratios are based upon annualized amounts.

Discussion of Results:

Comparisons noted in the sections below are for the Second Quarter of 2024 versus the First Quarter of 2024, unless otherwise specified.

Net loss was $6 thousand, up $54 thousand, driven by higher net interest income $66 thousand, lower noninterest income $19 thousand, lower noninterest expense $46 thousand, higher provision for loan losses $26 thousand, and higher income tax expense $13 thousand.

Net interest income was $1.4 million, up $66 thousand or 5%, driven by higher interest income on earning assets, partially offset by higher costs of funds. The net interest margin was 4.69%, up 15 basis points.

- Average earning assets increased $2.1 million, primarily from higher average loan balances due to new loan fundings and higher average interest-bearing balances due from Federal Reserve account.
- The yield on total loan portfolio was 7.18%, up 26 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 second quarter was 3.80%, down 41 basis points primarily due higher average balances due from Federal Reserve demand account.
- Average deposits increased $3.0 million, or 3%, while average other borrowings decreased $0.9 million from the payoff of the Bank Term Funding debt.
- The average cost of total deposits was 1.53%, up 19 basis points. The average cost of other borrowings was 3.90%, down 37 basis points. The increase in deposit rates on was largely attributable to the higher rate environment and the lower borrowing rate due to the payoff of the Bank Term Funding loan.

The provision for credit losses increased $26 thousand to $64 thousand. The increase was attributable to a reserve build due to increase growth in loan balances. Net charge-offs (NCOs) were minimal in the current quarter compared to prior quarter and annualized NCO rate at .002%. As a percentage of average loans, the allowance for credit losses was 1.68%, up 2 basis points. Non-performing assets were $2.1 million, down $0.1 million.

Noninterest income was $492 thousand, down $19 thousand, predominantly driven by lower volume of loan sales and fewer referral fees, partially offset by increases in service charges and interchange fees from continued growth of treasury management services and increases in servicing fees on loans. Loan sales to the secondary market continued in the second quarter as premiums were at acceptable levels.

Noninterest expense was $1.8 million, down $46 thousand, primarily driven by lower expenses on loans, occupancy, FDIC insurance, advertising, outside services, depreciation, and training, partially offset by higher expense on salary, legal, other professional services & travel.

Capital ratios are strong compared to the regulatory requirements for well capitalized banks. The CET1 capital ratio was 12.06%. Total risk-based capital was 13.31% and the Tier 1 leverage ratio was 9.74%.

Comparisons noted in the sections below are for the Second Quarter of 2024 versus the Second Quarter of 2023, unless otherwise specified.

Net loss was $6 thousand, up $371 thousand, driven by higher net interest income $99 thousand, higher noninterest income $277 thousand, lower noninterest expense $98 thousand, partially offset by higher provision for loan losses $5 thousand and income taxes $99 thousand.

Net interest income was $1.4 million, up $99 thousand or 8%, driven by higher interest income on earning assets, partially offset by higher costs of funds. The net interest margin was 4.69%, up 11 basis points.

- Average earning assets increased $3.1 million, primarily from higher average loan balances partially offset by lower average interest-bearing balances due from Federal Reserve account.
- The yield on total loan portfolio was 7.18%, up 81 basis points, primarily reflecting higher market interest rates. The yield on other earning assets for the current quarter was 3.80%, up 42 basis points.
- Average deposits increased $4.3 million, or 5%, while average other borrowings decreased $0.7 million, or 11%.
- The average cost of total deposits was 1.53%, up 65 basis points. The average cost of other borrowings was 3.90%, down 33 basis points. The increase in rates on deposits was largely attributable to the higher rate environment and the decline in other borrowings rate was due to payoff of the Bank Term Funding debt.

The provision for credit losses increased $5 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 1.68%, up 30 basis points from prior year, reflecting increases in reserve build associated with higher non-performing assets. Non-performing assets were $2.1 million compared to $1.8 million, a year-ago.

Noninterest income was $492 thousand, up $277 thousand, predominantly driven by increases in loan sales, service charges and interchange income on deposits from continued growth of treasury management services, increase in loan servicing fees, partially offset by lower other fees.

Noninterest expense was $1.8 million, down $98 thousand, primarily due to lower personnel expense, lower loan expense, lower legal & other professional expense, partially offset by higher advertising expenses, FDIC assessment and recruiting fee.

Capital ratios improved from same quarter prior year primarily due to successful completion of capital raise in 4Q23. The CET1 capital ratio was 12.06%, up 168 basis points. Total risk-based capital increased 169 basis points to 13.31% and the Tier 1 leverage ratio increased 127 basis points to 9.74%.

Comparisons noted in the sections below are for the Full-Year 2024 versus the Full-Year 2023, unless otherwise specified.

Net loss was $65 thousand, up $417 thousand, driven by higher net interest income $146 thousand, higher noninterest income $404 thousand, lower noninterest expense $22 thousand, partially offset by higher provision for loan losses $43 thousand and income taxes $113 thousand.

Net interest income was $2.7 million, up $146 thousand or 6%, driven by higher interest income on earning assets, partially offset by higher costs of funds. The net interest margin was 4.74%, up 9 basis points.

- Average earning assets increased $2.6 million, primarily from higher average loan balances partially offset by lower average interest-bearing balances due from Federal Reserve account.
- The yield on total loan portfolio was 7.05%, up 79 basis points, primarily reflecting higher market interest rates. The yield on other earning assets for the current quarter was 3.60%, up 81 basis points.
- Average deposits increased $2.5 million, or 3%, while average other borrowings increased $1.2 million, or 24%.
- The average cost of total deposits was 1.44%, up 64 basis points. The average cost of other borrowings was 4.10%, up 3 basis points. The increase in rates on deposits was largely attributable to the higher rate environment and the decline in other borrowings rate was due to payoff of the Bank Term Funding debt in second quarter 2023.

The provision for credit losses increased $43 thousand. The increase was primarily due to a reserve build in the current year due to an increase in net loan growth and unfunded loan commitments. NCOs full year were minimal in both years. 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 $2.1 million compared to $1.8 million, a year-ago.

Noninterest income was $1.0 million, up $404 thousand, predominantly driven by increases in loan sales, service charges and interchange income on deposits from continued growth of treasury management services, increase in loan servicing fees, partially offset by lower other fees.

Noninterest expense was $3.7 million, down $22 thousand, primarily due to lower personnel expense and lower legal, partially offset by higher advertising expenses, loan expense, data processing, FDIC assessment and recruiting fee.

Capital ratios improved from same quarter prior year primarily due to successful completion of capital raise in 4Q23. The CET1 capital ratio was 12.06%, up 168 basis points. Total risk-based capital increased 169 basis points to 13.31% and the Tier 1 leverage ratio increased 127 basis points to 9.74%.