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Earnings Highlights for Third Quarter 2023

Bank Michigan Financial Corporation (BMFC) reported third quarter 2023 net loss of $816 thousand, or $(0.76) per common share, on revenues of $1.5 million. This compares to net income of $168 thousand, or $0.16 per common share, on revenues of $1.7 million from the year-ago quarter. Results for the third quarter 2023 included a provision for credit losses of $628 thousand, reflecting credit normalization, and reserve build on a substandard loan. For the nine months ended September 30, 2023, there is a net loss of $1.3 million compared to net income of $129 thousand from the year-ago same period. Annualized return on assets (ROAA) is (1.54)%, annualized return on average common equity (ROCE) is (17.35)% for the first nine months of 2023. The ROAA and ROCE ratios declined meaningfully in the third quarter of 2023, primarily driven by the annualization of the large provision for loan loss in the quarter.

The environment we operate in remains fluid, and we are navigating several headwinds, including high short-term interest rates, frequently changing projections to where interest rates are going, regulatory tightening, and inflationary pressures impacting customers and BMFC. With short-term interest rates remaining above 5%, our net interest margin (NIM) continues to be compressed in the near-term. Higher interest rates mean higher funding costs, which is causing a short-term compression of NIM. NIM for third quarter of 2023 decreased 0.26% from prior quarter and 0.12% from the year-ago same period. When rates stabilize/begin to go down, BMFC will benefit from the higher-yield loans being originated. Currently, older assets are rolling off with newer, higher-yield loans replacing them.

We are proactively addressing credit with this quarter’s increase in the allowance for loan losses to $1.9 million or 2.08% of total loans and leases, driven by increasing coverage levels on nonperforming assets. Nonperforming assets (NPAs) were $3.3 million, or 3.66%, of total loans and leases, compared to $664 thousand, or 0.70%, a year ago. Nonaccrual loans and leases (NALs) were $3.2 million, or 3.56% of total loans and leases, compared to $574 million, or 0.60% of total loans and leases, a year ago. Our team continues to focus on originating loans with attractive risk-adjusted returns to credit worthy borrowers.

Noninterest expense has increased $1.2 million compared to the first nine months a year ago. Most of this spend is being directed to essential investments to grow revenue, support customers and create operational efficiencies. In addition, inflation continues to pressure our business through elevated controllable expenses. Our focus for 2023 remains to build the operational foundation to support the stronger performance for the long run.

Our capital ratios have declined as result of the large provision for loan losses recorded in the third quarter. Common Equity Tier 1 (CET1) decreased 0.86% from prior quarter to 9.51%, with Total Risk-based Capital decreasing 1.19% to 10.43%. Compared to the nine months ended September 30, 2023, CET1 is down 1.57% and Total Risk-based Capital is down 1.73% from prior year. These remain above the regulatory well-capitalized bank level ratios.

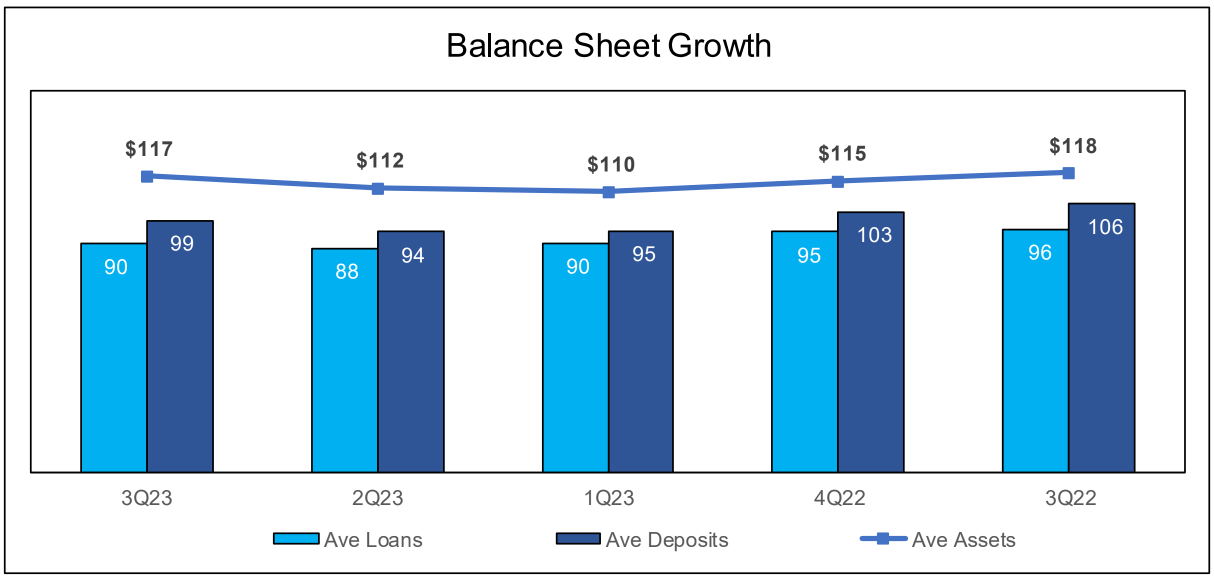
Enclosed you will find summary financial information for Bank Michigan for the third quarter ended September 30, 2023.

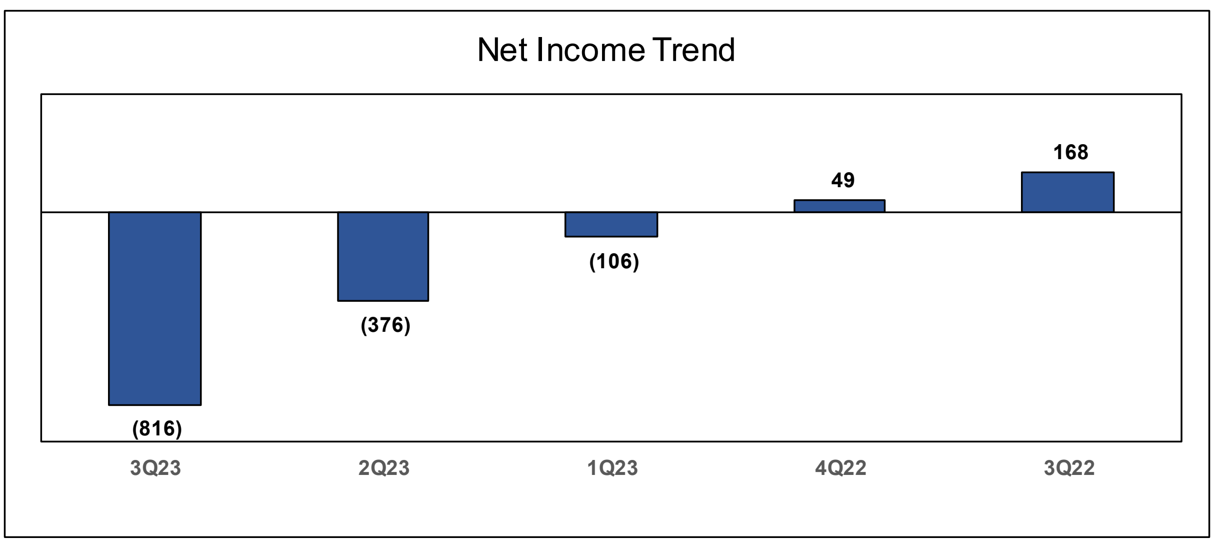
3Q23 Financial Highlights[1]

- Business deposits up $11 million or 34%
- Loans serviced for others of $74 million
- Reduced reliance on wholesale deposits by 81%, down $12 million from prior year
- Net interest income increased 4% YoY; NIM up 0.36%
- Reserve for credit losses increased $621 thousand
- Commercial Banking Services driving growth in deposit services fee income, up 20% from prior year

1Percentage and dollar comparisons noted above are for the third quarter of 2023 versus the same period prior-year 2022, unless noted

Performance Trends





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

				3Q23 Chg		Nine Months Ended September 30,		
Pretax, Pre-Provision Earnings (non-GAAP)	**3Q23**	**2Q23**	**3Q22**	**2Q23**	**3Q22**	**2023**	**2022**	**YOY Chg**
Net Interest Income	$ 1,270	$ 1,279	$ 1,318	$ (9)	$ (48)	$ 3,815	$ 3,660	$ 155
Noninterest Income	205	215	389	(10)	(184)	805	950	(145)
Total Revenue	**1,476**	**1,494**	**1,708**	**(18)**	**(232)**	**4,619**	**4,609**	**10**
Noninterest Expense	1,887	1,910	1,495	(23)	392	5,579	4,377	1,202
Pretax, Pre-Provision Earnings	**(411)**	**(416)**	**213**	**5**	**(624)**	**(960)**	**232**	**(1,192)**
Provision for Loan Losses	628	59	-	569	628	688	66	621
Tax Provision (Benefit)	(224)	(99)	46	(125)	(270)	(350)	37	(387)
Net Income/(Loss)	**$ (816)**	**$ (376)**	**$ 168**	**$ (440)**	**$ (983)**	**$ (1,298)**	**$ 129**	**$ (1,427)**
Earnings & per Common Share data								
Earnings per share	$ (0.76)	$ (0.35)	$ 0.16	$ (0.41)	$ (0.92)	$ (1.21)	$ 0.12	$ (1.33)
Book Value (excl. AOCI)	$ 8.75	$ 9.52	$ 10.11	$ (0.76)	$ (1.35)	$ 8.75	$ 10.11	$ (1.35)
Book Value	$ 8.33	$ 9.14	$ 9.75	$ (0.82)	$ (1.42)	$ 8.33	$ 9.75	$ (1.42)
Common shares period-end	1,070	1,070	1,070	-	-	1,070	1,071	(1)
Financial Ratios								
Return on Equity (a)	-33.60%	-14.91%	6.31%	-18.69%	-39.92%	-17.35%	1.63%	-18.98%
Return on Assets (a)	-2.78%	-1.35%	0.56%	-1.43%	-3.34%	-1.54%	0.15%	-1.69%
Net interest margin	4.32%	4.58%	4.44%	-0.26%	-0.12%	4.52%	4.20%	0.32%
Efficiency Ratio	128%	128%	88%	0%	40%	121%	95%	26%
Full-time equivalent employees	44.4	44.9	35.9	(0.5)	8.5	44.1	36.9	7.2
Balance Sheet Highlights						(Average Balance)		
Avg Assets	116,557	111,918	117,684	4,639	(1,127)	112,945	116,434	(3,489)
Avg Loans & Leases	89,991	88,159	95,747	1,832	(5,756)	89,455	92,929	(3,473)
Allowance for Credit Loss Reserve (ACL)	(1,872)	(1,215)	(986)	(658)	(886)	(1,192)	(969)	(224)
Avg Core Deposits	95,256	90,384	92,676	4,872	2,580	91,227	93,636	(2,409)
Avg Non-core Deposits	3,983	4,102	12,952	(119)	(8,968)	5,069	10,776	(5,708)
Avg Deposits	99,239	94,486	105,627	4,754	(6,388)	96,295	104,412	(8,117)
Avg Other Borrowings	6,204	6,127	-	78	6,204	5,257	-	5,257
Avg Equity	9,631	10,119	10,525	(488)	(893)	10,002	10,588	(586)
Credit Quality								
Net Charge-Offs / Average Loans - YTD	0.01%	0.00%	0.03%	0.00%	-0.03%	0.01%	0.03%	-0.03%
ACL to total loans ratio (b)	2.08%	1.38%	1.03%	0.70%	1.05%	2.08%	1.03%	1.05%
NPAs / Total Loans (xPPP)	3.66%	1.99%	0.70%	1.67%	2.96%	3.66%	0.70%	2.96%
Loan-to-deposits ratio (b)	86%	93%	90%	-7%	-4%	93%	89%	4%
Capital Ratios								
Tier 1 leverage ratio	7.23%	8.46%	8.64%	-1.24%	-1.41%	7.23%	8.64%	-1.41%
Tier 1 risk-based capital ratio / (CET1)	9.51%	10.37%	11.08%	-0.86%	-1.57%	9.51%	11.08%	-1.57%
Total risk-based capital ratio	10.43%	11.62%	12.16%	-1.19%	-1.73%	10.43%	12.16%	-1.73%

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