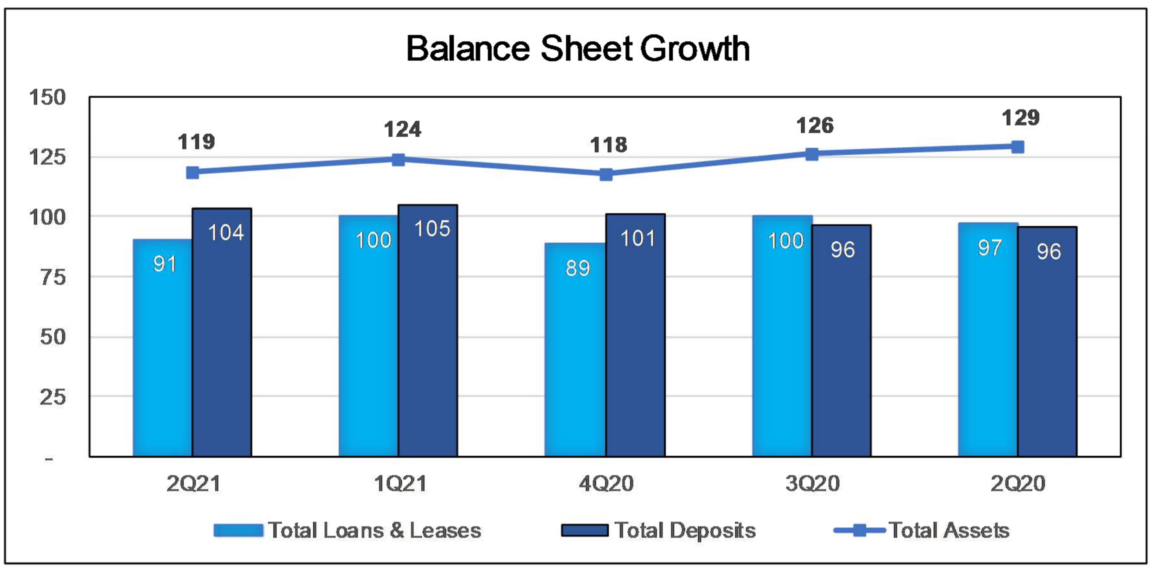
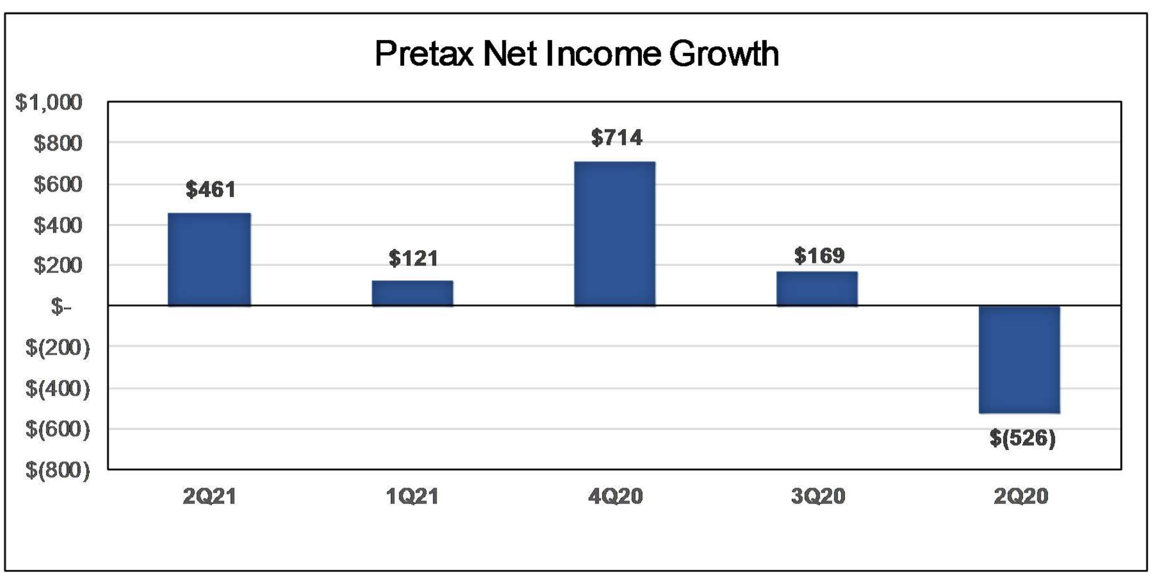
2Q21 Financial Highlights[1]

- Total Assets $119 million down $10 million, impacted by PPP loan forgiveness coupled with deleveraging the balance sheet
- Total Loans & Leases down $6 million or 7%; excluding PPP loans, Loans & Leases increased $481 thousand or 1%
- Core deposits up 20%, growth has been impacted by government stimulus programs; reliance on non-core deposits down 20%
- CET1 captial ratio was 12.9%, compared with 11.6%, improvement driven by positive earnings
- Pretax net income increased $987 thousand, sustaining the positive quarterly trends since 3Q20
- Net interest margin was 4.88%, compared with 3.02%, was significantly impacted by loan origination fees & lower borrowing costs
- Noninterest income up 69%; sale of SBA loans up $188 thousand & servicing fee income up $72 thousand
- Provision for loan loss reserve release of $23 thousand, compared to a $443 thousand charge

[1]Percentage and dollar comparisons noted above are for the second quarter of 2021 versus the prior-year second quarter

Performance Trends





July 29, 2021

Dear Fellow Shareholders,

Bank Michigan is pleased to report second quarter 2021 net income of $365 thousand or $0.34 per share, on net interest income of $1.5 million. Net income increased $781 thousand or 188% compared to the same year-ago quarter. Earnings per share were $0.34 in the second quarter of 2021, compared with $(0.39) in the second quarter of 2020.

We delivered outstanding financial results in the second quarter of 2021 supported by strong performance in our small business lending initiatives. Our team's agility in navigating our customers through the different lending programs under the CARES Act contributed to the strong performance. This was combined with historically low net charge-offs reflecting our disciplined client selection, conservative underwriting, and improvement in the broader economy supported by government stimulus programs. The headwinds of low interest rates and tepid loan demand will continue to challenge us in the near term.

To improve the underlying earnings power of the Bank we are proud to announce the launch of our Specialty Banking line of business. This line of business will service state licensed cannabis-related businesses in our communities. We believe this will be a significant part of our future noninterest income growth. The Board and management team are excited to be able to safely provide deposit services to these businesses.

For the second quarter of 2021 Bank Michigan continues to execute against its strategic growth initiatives, improving shareholder value and reducing risk. On behalf of the Board and staff, I thank you for your support.

Best Regards,

Richard Northrup
President & CEO

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

				2Q21 Change		Six Months Ended June 30,		
Summary Income Statement	**2Q21**	**1Q21**	**2Q20**	**1Q21**	**2Q20**	**2021**	**2020**	**YOY Change**
Total Interest Income	$ 1,616	$ 1,199	$ 1,171	$ 418	$ 445	$ 2,815	$ 2,287	$ 528
Total Interest Expense	103	127	261	(23)	(157)	230	540	(310)
Net Interest Income	1,513	1,072	910	441	603	2,585	1,748	837
Total Provision for Loan Losses	(23)	(194)	443	171	(466)	(216)	453	(669)
Total Noninterest Income	337	188	200	149	138	525	312	214
Total Noninterest Expense	1,413	1,332	1,193	80	220	2,745	2,586	159
Net Income/(Loss) before taxes	461	121	(526)	339	987	582	(980)	1,562
Tax Provision (Benefit)	96	25	(110)	71	205	121	(205)	326
Net Income/(Loss)	**$ 365**	**$ 97**	**$ (417)**	**$ 268**	**$ 781**	**$ 461**	**$ (775)**	**$ 1,236**
Earnings & per Common Share data								
Earnings per share	$ 0.34	$ 0.09	$ (0.39)	$ 0.25	$ 0.73	$ 0.43	$ (0.72)	$ 1.15
Book Value	$ 9.95	$ 9.61	$ 8.98	$ 0.34	$ 0.97	$ 9.95	$ 8.98	$ 0.97
Common shares period-end	1,071	1,071	1,071	-	-	1,071	1,071	-
Financial Ratios								
Return on Equity [a]	14.2%	3.86%	-17.10%	10.33%	31.29%	18.40%	-30.51%	48.91%
Return on Assets [a]	1.2%	0.32%	-1.29%	0.91%	2.52%	1.57%	-2.40%	3.97%
Net interest margin	4.88%	3.60%	3.02%	1.28%	1.86%	4.88%	3.24%	1.65%
Efficiency Ratio	76%	106%	107%	-29%	-31%	88%	126%	-37%
Full-time equivalent employees	39	38	37	1	2	39	37	2
Balance Sheet Highlights								
Total Assets	118,996	124,328	129,329	(5,331)	(10,333)	118,996	129,329	(10,333)
Total Loans & Leases	90,544	100,457	97,030	(9,913)	(6,485)	90,544	97,030	(6,485)
Allowance for Loan Loss Reserve (ALLL)	(1,024)	(1,034)	(1,202)	10	178	(1,024)	(1,202)	178
Core Deposits	82,037	83,476	68,584	(1,438)	13,453	82,037	68,584	13,453
Non-core Deposits	21,546	21,734	26,982	(188)	(5,435)	21,546	26,982	(5,435)
Total Deposits	103,583	105,209	95,566	(1,626)	8,017	103,583	95,566	8,017
Other Borrowings	4,311	8,408	23,726	(4,098)	(19,415)	4,311	23,726	(19,415)
Total Equity	10,657	10,295	9,618	362	1,039	10,657	9,618	1,039
Loan-to-deposits ratio [b]	76%	75%	83%	1%	-7%	76%	83%	-7%
ALLL to total loans ratio [b]	1.29%	1.30%	1.52%	-0.01%	-0.23%	1.29%	1.52%	-0.23%
Headcount	44	45	42	(1)	2	44	42	2
Capital Ratios								
Tier 1 leverage ratio	8.68%	8.44%	7.75%	0.24%	0.93%	8.68%	7.75%	0.93%
Tier 1 risk-based capital ratio / (CET1)	12.87%	12.16%	11.61%	0.71%	1.26%	12.87%	11.61%	1.26%
Total risk-based capital ratio	14.13%	13.41%	12.87%	0.71%	1.26%	14.13%	12.87%	1.26%

(a) Quarterly ratios are based upon annualized amounts.

(b) Ratio excludes government guaranteed Paycheck Protection Program loans

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Discussion of Results:

Comparisons noted in the sections below are for the second quarter of 2021 versus the first quarter of 2021, unless otherwise specified.

Net income was $365 thousand, up $268 thousand or 277%, driven by net interest income of $1.5 million compared to $1.1 million the prior quarter coupled with credit reserve release of $23 thousand compared to credit reserve release of $194 thousand.

Net interest income was $1.5 million, up $0.4 million or 41%, predominantly driven by higher interest income of $0.4 million from loan fees related to the Small Business Administration ("SBA") Paycheck Protection Program. Compared to the prior quarter, Net Interest Margin (NIM) was 4.88% up 128 basis points, primarily reflecting the impact of higher amortization of origination fees from PPP loans partially offset by excess liquidity and lower investment balances.

The provision for loan losses was a net benefit of $23 thousand, down $171 thousand or 88%, driven by a larger net reserve release of $194 thousand in the prior quarter. The net reserve release was driven by continued improvements in expected loss estimates from the impact of loan modification, net charge-offs for second quarter were flat compared to prior quarter. The allowance to total loans ratio was 1.3% mainly unchanged from prior quarter.

Noninterest income was $337 thousand, up $149 thousand or 80%, predominantly driven by an increase in the gain on sale of loans.

Noninterest expense was $1.4 million, up 6%, largely driven by higher salary expense from increase in employees, lower salary expense deferral from PPP loan volume, partially offset by lower commission expense due to lower volume in second quarter compared to prior quarter.

Compared to prior quarter, total period-end loans and leases decreased $10 million primarily due to forgiveness payments received from SBA on PPP loans. Core deposits decreased $1.4 million mainly due to the lower balance on deposit from PPP loans compared to prior quarter. Other borrowings declined $4 million from the repayment of PPPLF debt as a result of the PPP loan forgiveness.

Capital ratios remain strong this quarter. The CET1 capital ratio was 12.9%, Total risk-based capital was 14.1% and the Tier 1 leverage ratio was 8.7%. Certain capital ratios, including the Tier 1 leverage ratio, continue to be impacted by the increase in assets since the onset of the pandemic, predominantly from 0% risk-weighted assets resulting from interest-bearing cash as well as PPP loans.

Comparisons noted in the sections below are for the second quarter of 2021 versus the prior-year second quarter, unless otherwise specified.

Net income was $365 thousand, up $781 thousand or 188%, driven by net interest income of $1.5 million compared to $0.9 million the prior year coupled with credit reserve releases of $23 thousand compared to credit reserve builds of $443 thousand the prior year. For the six months ended June 30th, net income was $461 thousand, up 160%, primarily for the reasons noted in second quarter comparison over prior year.

Net interest income was $1.5 million, up $0.6 million or 66%, predominantly driven by higher interest income of $0.4 million from loan fees related to the Small Business Administration ("SBA") Paycheck Protection Program and lower interest expense of $0.2 million due to decrease in high cost borrowings coupled with lower interest rates. Compared to the year-ago quarter, Net Interest Margin (NIM) increased 186 basis points to 4.88%, primarily reflecting the impact of higher amortization of origination fees from PPP loans, higher commercial loan balances, lower deposit costs, partially offset by excess liquidity, lower market rates, and lower investment balances.

The provision for loan losses was a net benefit of $23 thousand, down $466 thousand or 105%, driven by net reserve release compared to an expense of $443 thousand in the prior year predominantly driven by net reserve builds. The net reserve release was driven by improvements in expected loss estimates from the impact of loan modification, net charge-offs for second quarter were nil. The allowance to total loans ratio was 1.3%, down from 1.5%, mainly due to the improvement in credit trends compared the same prior year period. Credit trends continue to perform better than expected, although select business loans continue to be monitored for negative changes associated with the pandemic.

Noninterest income was $337 thousand, up $138 thousand or 69%, predominantly driven by the gain on sale of loans, higher loan servicing fees, higher deposit account service fees, partially offset by lower other noninterest income.

Noninterest expense was $1.4 million, up 6%, largely driven by continued investments in the business including the launch of the Specialty Banking line of business.

Compared to the year-ago quarter, total period-end loans and leases decreased $6 million primarily due to forgiveness payments received from SBA on PPP loans offset by an increase in commercial loan balances. Core deposits increased $13.5 million benefited from fiscal and monetary stimulus from government programs. Non-core deposits, which are managed based on funding needs, relative pricing and liquidity characteristics declined $5 million. Other borrowings declined $19 million, from the repayment of PPPLF debt as result of the PPP loan forgiveness.