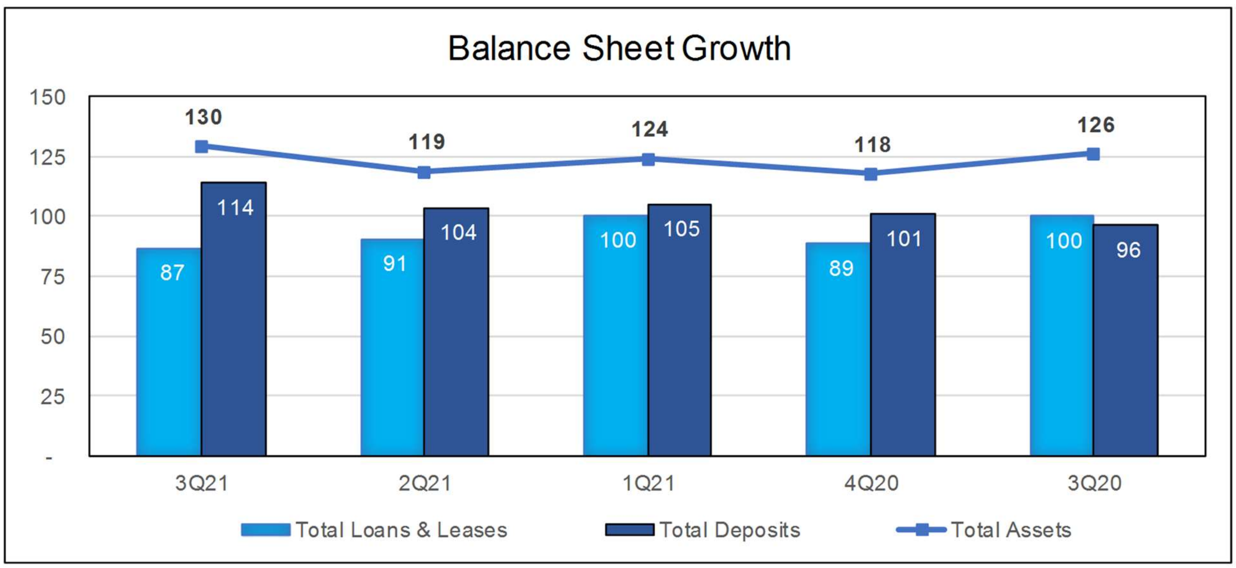
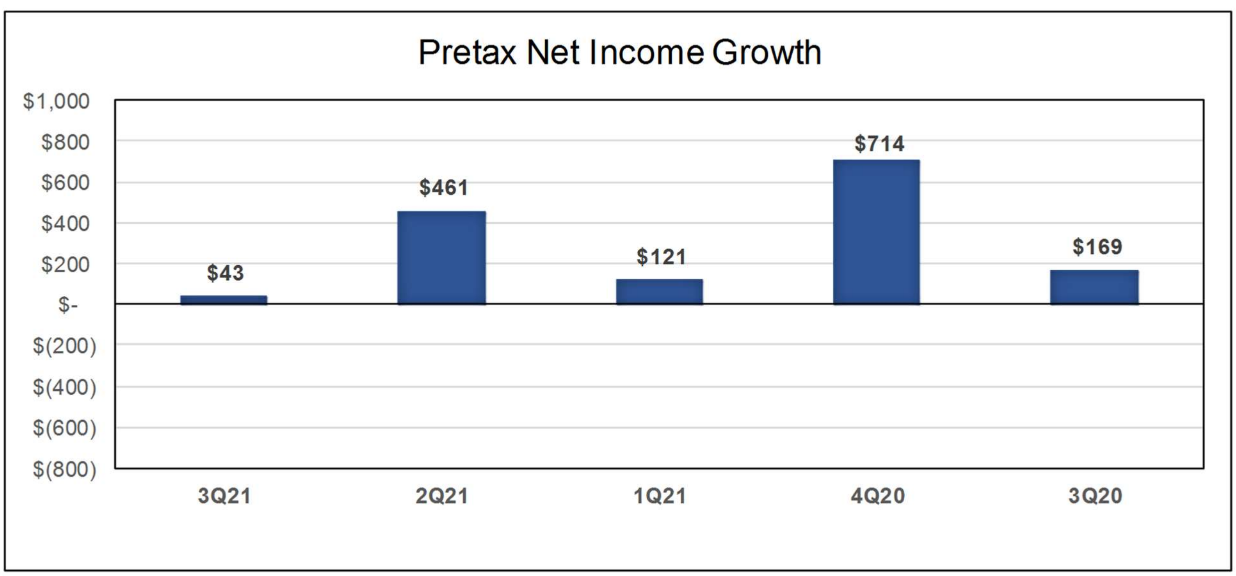
3Q21 Financial Highlights[1]

- Total Assets $130 million up $4 million, impacted by PPP loan forgiveness offset by excess liquidity from short-term assets
- Successfully facilitated 83% of our PPP loan borrowers through SBA forgiveness process, resulting in the $13 million decline in loan balances
- Core deposits up 33%, growth has been impacted by government stimulus programs; with intended 20% decline in non-core deposits
- CET1 captial ratio was 13.3%, compared with 11.3%, improvement driven by positive earnings
- Five consecutive quarters of positive pretax net income, up $1.4 million or 177% compared to same nine month period last year
- Net interest margin increased to 3.91%, compared with 3.40%, was significantly impacted by loan origination fees & lower borrowing costs
- Provision for loan loss is a net benefit YTD of $254 thousand, driven by improvements in the credit quality of the loan portfolio
- Noninterest income up 10% driven by $112 thousand growth in loan servicing fee income

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

Performance Trends





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October 29, 2021

Dear Fellow Shareholders,

Bank Michigan is pleased to report third quarter 2021 net income of $33 thousand compared to net income of $365 thousand in the prior quarter and $135 thousand in the year-ago quarter. Earnings per share was $0.03 on revenue of $1.4 million, compared to $0.34 per share on revenue of $1.9 million in the prior quarter and $0.13 per share on revenue of $1.4 million in the year-ago quarter.

The Bank has produced another quarter of positive financial results in the third quarter of 2021. It should be noted the operating environment has grown more difficult for banks over the course of the year. Loan demand is muted due to the large amounts of federal stimulus supplanting normal borrowing needs. Further, margins remain under pressure as a result of the low interest rate environment and low loan demand. Our current operating plan anticipates these economic trends to continue into the first half of 2022. So far, the Bank has been able to offset margin declines through loan closing fees and active management of the cost of deposit liabilities. Margin has actually expanded some due to this, but the Bank has limited ability to continue that in future quarters.

The Board and management remains focused on building income and shareholder value through its solid core banking services, SBA loan capabilities, and its new Specialty Banking unit for cannabis companies. And consistent with last quarter, credit quality is quite healthy with net charge-offs at 3 basis points.

We continue to carefully guide our small business clients through the PPP forgiveness process, with all loans submitted to date being forgiven. Our teammates and I are very proud of the way we have been able to improve the lives of our customers and the well-being of our communities.

For the fourth quarter of 2021 Bank Michigan is focused on executing 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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FINANCIAL HIGHLIGHTS (Unaudited)

(in thousands, except ratio and headcount data)

	Quarterly Trends					Nine Months Ended Sept 30,		
				3Q21 Change				YOY
Summary Income Statement	**3Q21**	**2Q21**	**3Q20**	**2Q21**	**3Q20**	**2021**	**2020**	**Change**
Interest Income	$ 1,323	$ 1,616	$ 1,333	$ (293)	$ (10)	$ 4,138	$ 3,621	$ 518
Interest Expense	87	103	231	(16)	(144)	317	771	(453)
Net Interest Income	1,236	1,513	1,102	(277)	134	3,821	2,850	971
Provision for Loan Losses	(38)	(23)	22	(15)	(61)	(254)	476	(730)
Noninterest Income	158	337	307	(179)	(149)	683	619	65
Noninterest Expense	1,390	1,413	1,218	(23)	172	4,135	3,804	331
Net Income/(Loss) before taxes	43	461	169	(418)	(127)	624	(811)	1,435
Tax Provision (Benefit)	10	96	34	(86)	(25)	130	(171)	301
Net Income/(Loss)	**$ 33**	**$ 365**	**$ 135**	**$ (332)**	**$ (102)**	**$ 494**	**$ (640)**	**$ 1,134**
Earnings & per Common Share data								
Earnings per share	$ 0.03	$ 0.34	$ 0.13	$ (0.31)	$ (0.10)	$ 0.46	$ (0.60)	$ 1.06
Book Value	$ 9.97	$ 9.95	$ 9.11	$ 0.03	$ 0.86	$ 9.97	$ 9.11	$ 0.86
Common shares period-end	1,071	1,071	1,071	-	-	1,071	1,071	-
Financial Ratios								
Return on Equity [(a)]	1.22%	14.19%	5.55%	-12.96%	-4.33%	18.77%	-26.62%	45.39%
Return on Assets [(a)]	0.10%	1.18%	0.42%	-1.07%	-0.31%	1.55%	-2.02%	3.57%
Net interest margin	3.91%	4.88%	3.40%	-0.98%	0.51%	3.91%	3.24%	0.67%
Efficiency Ratio	100%	76%	86%	23%	13%	92%	110%	-18%
Full-time equivalent employees	38	38	37	(1)	1	38	36	2
Balance Sheet Highlights (period-end)								
Total Assets	129,534	118,996	126,075	10,537	3,459	129,534	126,075	3,459
Total Loans & Leases	86,709	90,544	100,068	(3,836)	(13,359)	86,709	100,068	(13,359)
Allowance for Loan Loss Reserve (ALLL)	(945)	(1,024)	(1,228)	79	283	(945)	(1,228)	283
Core Deposits	92,101	82,037	69,058	10,064	23,044	92,101	69,058	23,044
Non-core Deposits	21,894	21,546	27,370	348	(5,476)	21,894	27,370	(5,476)
Total Deposits	113,995	103,583	96,427	10,412	17,568	113,995	96,427	17,568
Other Borrowings	-	4,311	19,327	(4,311)	(19,327)	-	19,327	(19,327)
Total Equity	10,687	10,657	9,764	30	923	10,687	9,764	923
Loan-to-deposits ratio [(b)]	69%	76%	85%	-7%	-16%	69%	85%	-16%
ALLL to total loans ratio [(b)]	1.19%	1.29%	1.50%	-0.10%	-0.31%	1.19%	1.50%	-0.31%
Headcount	41	44	44	(3)	(3)	41	44	(3)
Capital Ratios								
Tier 1 leverage ratio	8.19%	8.68%	8.15%	-0.49%	0.04%	8.19%	8.15%	0.04%
Tier 1 risk-based capital ratio / (CET1)	13.25%	12.87%	11.28%	0.37%	1.97%	13.25%	11.28%	1.97%
Total risk-based capital ratio	14.49%	14.13%	12.53%	0.36%	1.96%	14.49%	12.53%	1.96%

(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 third quarter of 2021 versus the second quarter of 2021, unless otherwise specified.

Net income was $33 thousand, down $332 thousand or 343%, driven by net interest income of $1.2 million compared to $1.5 million the prior quarter coupled with credit reserve release of $38 thousand compared to credit reserve release of $23 thousand.

Net interest income was $1.2 million, down $0.3 million or 26%, predominantly driven by lower PPP-related income, lower origination fee income and lower yields on commercial loan balances (excluding PPP), partially offset by higher day count and the migration of maturing time deposits into lower yield non-maturing products . Compared to the prior quarter, Net Interest Margin (NIM) was 3.91% down 98 basis points, primarily reflecting the impact of lower amortization of origination fees from PPP loans.

The provision for loan losses was a net benefit of $38 thousand, up $15 thousand or 8%, driven by a larger net reserve release compared to 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 third quarter were $28 thousand compared to net recovery of $13 thousand prior quarter. The allowance to total loans ratio was 1.10%, down 0.03% from prior quarter.

Noninterest income was $158 thousand, down $179 thousand or 95%, predominantly driven by a decrease in the gain on sale of loans partially offset by an increase in loan servicing fees.

Noninterest expense was $1.4 million, down 2%, largely driven by lower salary expense primarily due to prior quarter benefit adjustment for 401k plan, lower FDIC premiums and lower outside service expense, partially offset by higher loan expense.

Compared to prior quarter, total period-end loans and leases decreased $4 million primarily due to forgiveness payments received from SBA on PPP loans. Core deposits increased $10 million mainly due to a large interim deposit from one client in the quarter. Excluding that transaction deposits declined $5 million, primarily from the decline in PPP borrower deposits. Other borrowings declined $4 million from the repayment of debt as a result of the PPP loan forgiveness.

Capital ratios remain strong this quarter. The CET1 capital ratio was 13.3%, Total risk-based capital was 14.5% and the Tier 1 leverage ratio was 8.2%. 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 third quarter of 2021 versus the prior-year third quarter, unless otherwise specified.

Net income was $33 thousand, down $102 thousand or 24%, driven by a $149 thousand decrease in noninterest income and an increase in noninterest expense of $172 thousand, partially offset by an increase of $134 thousand in net interest income coupled with a $61 thousand net benefit in credit reserve releases of $61 thousand compared to the prior year.

Net interest income was $1.2 million, up $134 thousand or 15%, predominantly driven by lower interest expense of $144 thousand from the migration of maturing time deposits into lower yield non-maturing products and reductions in long-term debt. Interest income was $1.3 million flat compared to same quarter prior year, with yield compression in the loan portfolio coupled with lower investment balances being offset with an increase in loan fee income. Compared to the year-ago quarter, Net Interest Margin (NIM) increased 51 basis points to 3.91%, primarily reflecting the impact of lower deposit and other borrowing costs, partially offset by excess liquidity, lower market rates, and lower investment balances.

The provision for loan losses was a net benefit of $38 thousand, down $61 thousand or 14%, driven by net reserve release compared to an expense of $22 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 were down $60 thousand. The allowance to total loans ratio was 1.2%, 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 $158 thousand, down $149 thousand or 75%, predominantly driven by fewer sales 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 $172 thousand or 14%, 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 $13 million primarily due to forgiveness payments received from SBA on PPP loans offset and lower real estate loan balances. Core deposits increased $23 million benefited from fiscal and monetary stimulus from government programs and a large interim deposit from one client. 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.

Comparisons noted in the sections below are for the nine months ended September 30th of 2021 versus the same period prior-year, unless otherwise specified.

For the nine months ended September 30th, net income was $494 thousand, up $1.1 million or 177% from same period prior year, driven by an increase of $971 thousand in net interest income coupled with a $730 thousand decrease in provision for loan losses and a $65 thousand increase in noninterest income, partially offset by an increase in noninterest expense of $331 thousand and a $301 thousand increase in the tax provision compared to the prior year.

Net interest income was $3.8 million, up $971 thousand or 34%, predominantly driven by higher interest income of $518 thousand primarily from amortization of loan origination fees (including PPP), lower interest expense of $453 thousand from the migration of maturing time deposits into lower yield non-maturing products and reductions in long-term debt. Net Interest Margin (NIM) increased 67 basis points to 3.91%, primarily reflecting the impact of lower deposit and other borrowing costs, partially offset by excess liquidity, lower market rates, and lower investment balances.

The provision for loan losses was a net benefit of $254 thousand, down $730 thousand or 153%, driven by net reserve release compared to an expense of $476 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 were down $91 thousand. The allowance to total loans ratio was 1.2%, 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 new delta virus.

Noninterest income was $683 thousand, up $65 thousand or 10%, driven by higher loan servicing fees, higher deposit account service fees, partially offset by lower other noninterest income.

Noninterest expense was $4.1 million, up $331 thousand or 9%, largely driven by continued investments in the business including the launch of the Specialty Banking line of business.

Total period-end loans and leases decreased $13 million primarily for the reasons noted in the third quarter comparison over prior year.

Capital ratios remain strong, with improvements in all ratios compared to same period in prior year. The increase in all ratios were primarily driven by the positive earning realized over the last 5 successive quarters, coupled with 0% risk-weighted assets resulting from interest-bearing cash.