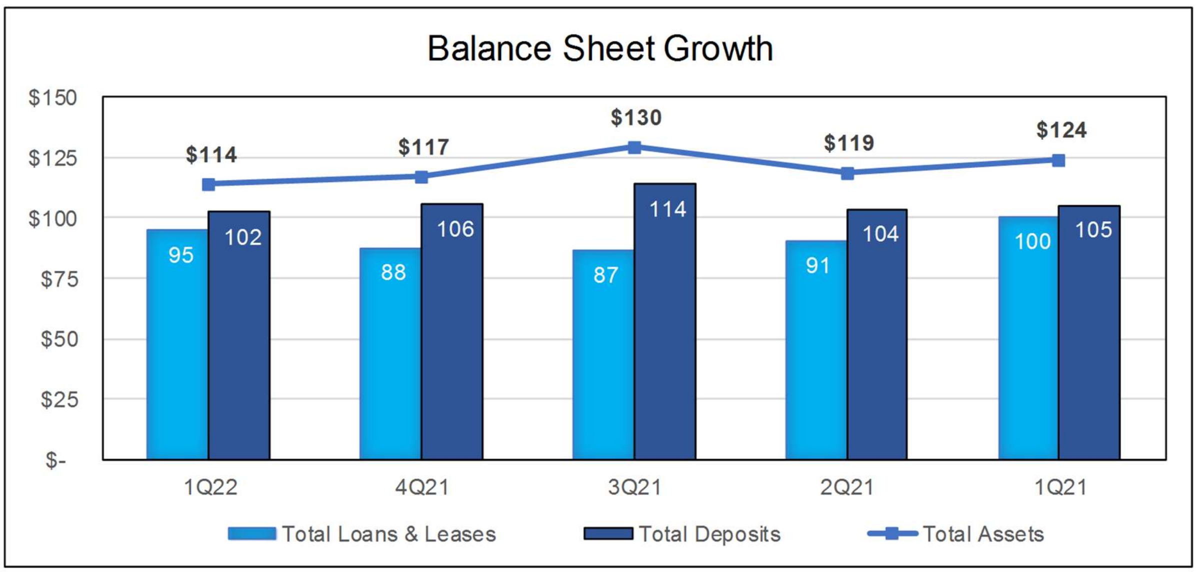
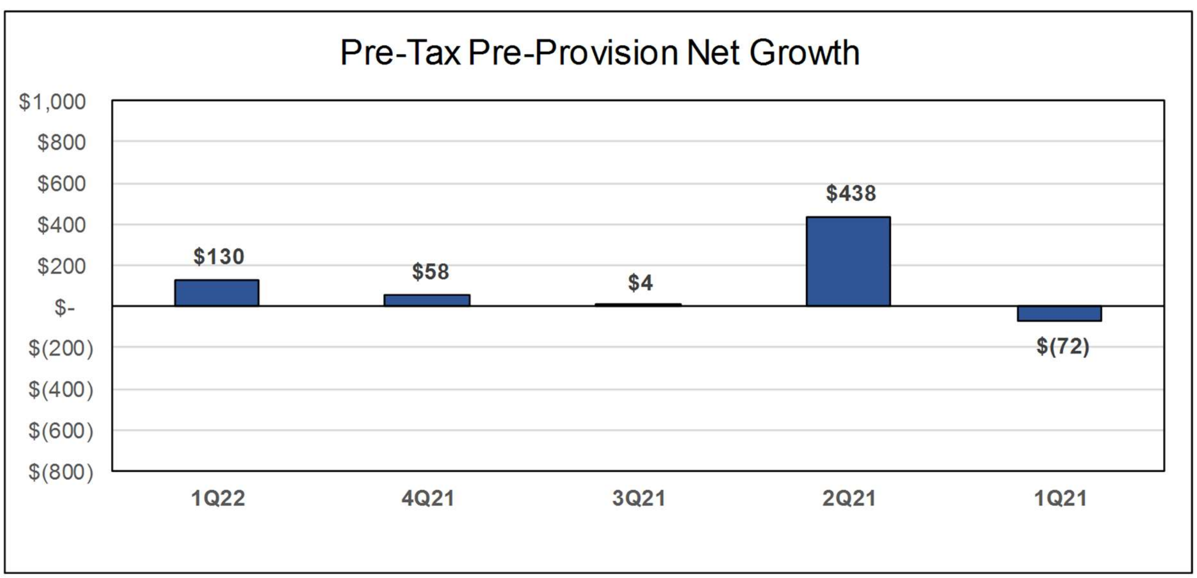
1Q22 Financial Highlights[1]

- Total Assets down $10 million YoY, ex PPP loans up $9 million or 9%
- Core deposits up 6% YoY, increase due to accounts & balance growth; with dependency on non-core deposits declining 38%
- Total loans up 8% QoQ and down 6% YoY, ex PPP loan up 17% YoY
- Capital ratios remain strong with leverage ratio at 8.79%
- Pretax Pre-Provision (PTPP) net revenue growth increased 280%
- Net interest margin increased to 4.01%, up 41 basis points from prior year, driven by lower borrowing costs
- Momentum continues into 1Q22, with seventh quarter of positive net income
- Earnings per share of $0.05, an increase of $0.01 from prior quarter.

[1]Percentage and dollar comparisons noted above are for the first quarter of 2022 versus the prior-year first quarter, unless noted

Performance Trends





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April 29, 2022

Dear Fellow Shareholders,

Bank Michigan is pleased to report first quarter 2022 net income of $55 thousand compared to $46 thousand in the prior quarter and $97 thousand in the year-ago quarter. The provision for loan losses in the first quarter reflected a build in reserve, compared to no provision in the prior quarter and a release in provision in prior year quarter. Pretax Pre-Provision (PTPP) was $130 thousand in first quarter 2022 compared to $58 thousand in the prior quarter and $(72) thousand in the year-ago quarter. Earnings per share was $0.05 on revenue of $1.5 million, compared to $0.04 per share on revenue of $1.3 million in the prior quarter and $0.09 per share on revenue of $1.3 million in the year-ago quarter. Our first quarter results reflect continued improved revenue momentum and excellent credit quality. This is the seventh quarter of positive financial results. We saw net interest income expansion, loan growth and sequential quarter increases in noninterest income.

We generated strong loan growth during the quarter, with business loan growth of 13% excluding PPP. Credit quality remained strong and our disciplined approach to client selection and underwriting, resulted in another quarter of low charge-offs of just 3 basis points. Our fee income businesses are progressively growing and I am proud of all the hard work that our teammates are putting forth to making these lines of business successful. We will continue to be focused on executional excellence and growth, accelerating investments in our businesses, all underpinned by our strategic focus to profitably grow the bank.

We are optimistic about the local economy in the communities we serve, but the Federal Reserve has made clear that it will take actions necessary to combat inflation. Those actions will certainly reduce economic growth, how much remains to be seen. This, coupled with supply chain issues and the war in Ukraine, will add additional risks to the downside.

As we look forward to the reminder of the year, we remain confident in our outlook for revenue and continued profit growth. We continue to navigate the economic environment with a disciplined approach focused on long-term outperformance, and our balance sheet is well positioned to benefit from higher short-term interest rates. On behalf of the Board and staff, I thank you for your support.

Best Regards,

Richard Northrup
President & CEO

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

				1Q22 Change		Three Months Ended Mar 31,		
Pretax, Pre-Provision Earnings (non-GAAP)	**1Q22**	**4Q21**	**1Q21**	**4Q21**	**1Q21**	**2022**	**2021**	**YOY Change**
Net Interest Income	$ 1,152	$ 1,123	$ 1,072	$ 29	$ 80	$ 1,152	$ 1,072	$ 80
Noninterest Income	363	200	188	163	175	363	188	175
Total Revenue	**1,515**	**1,323**	**1,260**	**192**	**255**	**1,515**	**1,260**	**255**
Noninterest Expense	1,385	1,264	1,332	121	52	1,385	1,332	52
Pretax, Pre-Provision Earnings	**130**	**58**	**(72)**	**72**	**202**	**130**	**(72)**	**202**
Provision for Loan Losses	59	-	(194)	59	252	59	(194)	252
Tax Provision (Benefit)	16	13	25	3	(9)	16	25	(9)
Net Income/(Loss)	**$ 55**	**$ 46**	**$ 97**	**$ 10**	**$ (42)**	**$ 55**	**$ 97**	**$ (42)**
Earnings & per Common Share data								
Earnings per share	$ 0.05	$ 0.04	$ 0.09	$ 0.01	$ (0.04)	$ 0.05	$ 0.09	$ (0.04)
Book Value	$ 9.84	$ 10.00	$ 9.61	$ (0.16)	$ 0.23	$ 9.84	$ 9.61	$ 0.23
Common shares period-end	1,071	1,071	1,071	-	-	1,071	1,071	-
Financial Ratios								
Return on Equity [(a)]	2.20%	1.71%	3.86%	0.49%	-1.66%	2.20%	3.86%	-1.66%
Return on Assets [(a)]	0.19%	0.15%	0.32%	0.04%	-0.13%	0.19%	0.32%	-0.13%
Net interest margin	4.01%	3.84%	3.60%	0.17%	0.41%	4.01%	3.60%	0.41%
Efficiency Ratio	91%	96%	106%	-4%	-14%	91%	106%	-14%
Full-time equivalent employees	37	34	38	3	(1)	37	38	(1)
Balance Sheet Highlights (period-end)								
Total Assets	114,169	117,164	124,328	(2,995)	(10,159)	114,169	124,328	(10,159)
Total Loans & Leases	94,884	87,643	100,457	7,241	(5,573)	94,884	100,457	(5,573)
Allowance for Loan Loss Reserve (ALLL)	(977)	(943)	(1,034)	(35)	57	(977)	(1,034)	57
Core Deposits	88,791	89,182	83,476	(391)	5,315	88,791	83,476	5,315
Non-core Deposits	13,515	16,590	21,734	(3,075)	(8,219)	13,515	21,734	(8,219)
Total Deposits	102,306	105,772	105,209	(3,466)	(2,903)	102,306	105,209	(2,903)
Other Borrowings	-	-	8,408	-	(8,408)	-	8,408	(8,408)
Total Equity	10,540	10,711	10,295	(171)	246	10,540	10,295	246
Loan-to-deposits ratio [(b)]	90%	78%	75%	12%	15%	90%	75%	15%
ALLL to total loans ratio [(b)]	1.04%	1.13%	1.30%	-0.09%	-0.26%	1.04%	1.30%	-0.26%
Headcount	41	37	45	4	(4)	41	45	(4)
Capital Ratios								
Tier 1 leverage ratio	8.79%	8.27%	8.44%	0.52%	0.35%	8.79%	8.44%	0.35%
Tier 1 risk-based capital ratio / (CET1)	11.10%	12.33%	12.16%	-1.23%	-1.06%	11.10%	12.16%	-1.06%
Total risk-based capital ratio	12.16%	13.47%	13.41%	-1.31%	-1.25%	12.16%	13.41%	-1.25%

(a) Quarterly ratios are based upon annualized amounts.

(b) Ratio excludes government guaranteed Paycheck Protection Program loans

Discussion of Results:

Comparisons noted in the sections below are for the first quarter of 2022 versus the fourth quarter of 2021, unless otherwise specified.

Net income was $55 thousand, up $10 thousand or 21%, driven by noninterest income of $363 thousand compared to $200 thousand the prior quarter partially offset by higher noninterest expense of $1.4 million compared to $1.3 million. Book value per share was $9.84, down $0.16 from last quarter due primarily to a decrease in tangible common equity related to higher interest rates causing a decrease in accumulated other comprehensive income (AOCI). Book value per share excluding AOCI was $10.04, compared to prior quarter $9.99.

Net interest income was $1.2 million, up $29 thousand or 3%, driven by lower interest expense and higher loan interest income. Interest expense was lower from the migration of maturing time deposits into lower yield non-maturing products. Loan interest income was higher due to the increase in average outstanding loan balances coupled with 28 basis point increase in loan rate.

The provision for loan loss recorded in the quarter increased $59 thousand over prior quarter. Net charge-off of $24 thousand plus a $35 thousand build in reserve due to increased loan balances compared to no provision in prior quarter. The allowance to total loans ratio was 1.03%, down 0.05% from prior quarter, excluding PPP loans the ratio was 1.05%, down 0.09%.

Noninterest income was $363 thousand, up $163 thousand or 82%, predominantly driven by increases in the gain on sale of loans and other noninterest income, partially offset by decreases in loan service fees and deposit service charges.

Noninterest expense was $1.4 million, up 10%, primarily due to higher salary expense from increase in full-time equivalent employees and prior quarter recognition of a payroll tax credit, higher data processing expense, higher premises expense, partially offset by lower professional service expense, loan servicing costs and state business taxes.

Compared to prior quarter, total period-end loans and leases increased $7 million mainly due to growth in commercial loans partially offset by forgiveness payments received from SBA on PPP loans. Core deposits were flat and non-core deposits decreased $3 million compared to prior quarter.

Capital ratios remain strong this quarter. The CET1 capital ratio was 11.10%, Total risk-based capital was 12.16% and the Tier 1 leverage ratio was 8.8%. Risk based ratios declined from prior quarter predominantly due to increase loan balances.

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Comparisons noted in the sections below are for the first quarter of 2022 versus the prior-year first quarter, unless otherwise specified.

Net income was $55 thousand, down $42 thousand or 43%, driven by a $252 thousand increase in provision expense partially offset by an increase in pretax pre-provision earnings of $202 thousand compared to the prior year.

Net interest income was $1.2 million, up $80 thousand or 7%, predominantly driven by lower interest expense from the migration of maturing time deposits into lower yield non-maturing products and reductions in long-term debt, coupled with by higher loan interest income.

Compared to the year-ago quarter, Net Interest Margin (NIM) increased 41 basis points to 4.01%, primarily reflecting higher loan yields and origination fees, combined with the impact of lower deposit and other borrowing costs.

The provision for loan losses in the first quarter reflected a build in reserve, compared to the release in provision in prior year quarter. The allowance to total loans ratio was 1.03%, flat from prior year quarter. Credit trends continue to perform better than expected, although select business loans continue to be monitored for negative changes associated with the pandemic. Excluding PPP loans the ratio was 1.04%, down 0.26%, compared to prior year quarter of 1.30%.

Noninterest income was $363 thousand, up $175 thousand or 93%, mainly driven by more sales of loans, increase in loan service fee income and other noninterest income compared to prior year quarter.

Noninterest expense was $1.4 million, up slightly from prior year quarter. Higher salary and benefits expense due to increase in FTE, higher data processing expense, and lower professional service expense.

Compared to the year-ago quarter, total period-end loans and leases decreased $6 million principally due to lower PPP loan balances partially offset by net growth in the commercial loan portfolio. Core deposits increased $5 million mostly driven by growth in balances from new account relationships. Non-core deposits, which are managed based on funding needs, relative pricing and liquidity characteristics declined $8 million. Other borrowings declined $8 million, from the repayment of PPPLF debt as result of the PPP loan forgiveness.

Capital ratios remain strong, supported by positive earnings over the last 7 successive quarters, coupled with increases in interest-bearing cash balances since the onset of the pandemic.