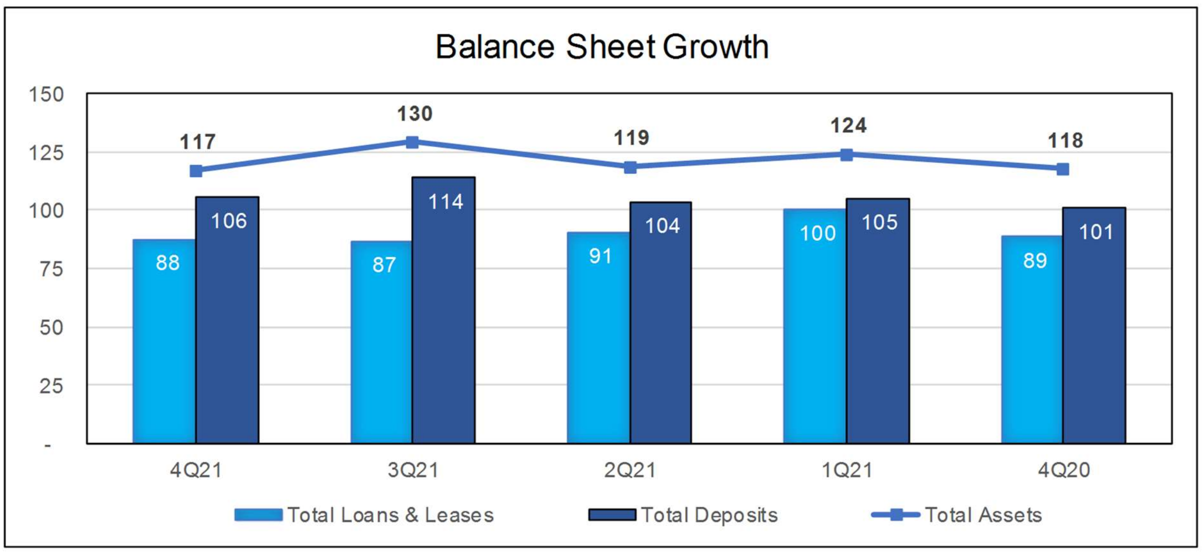
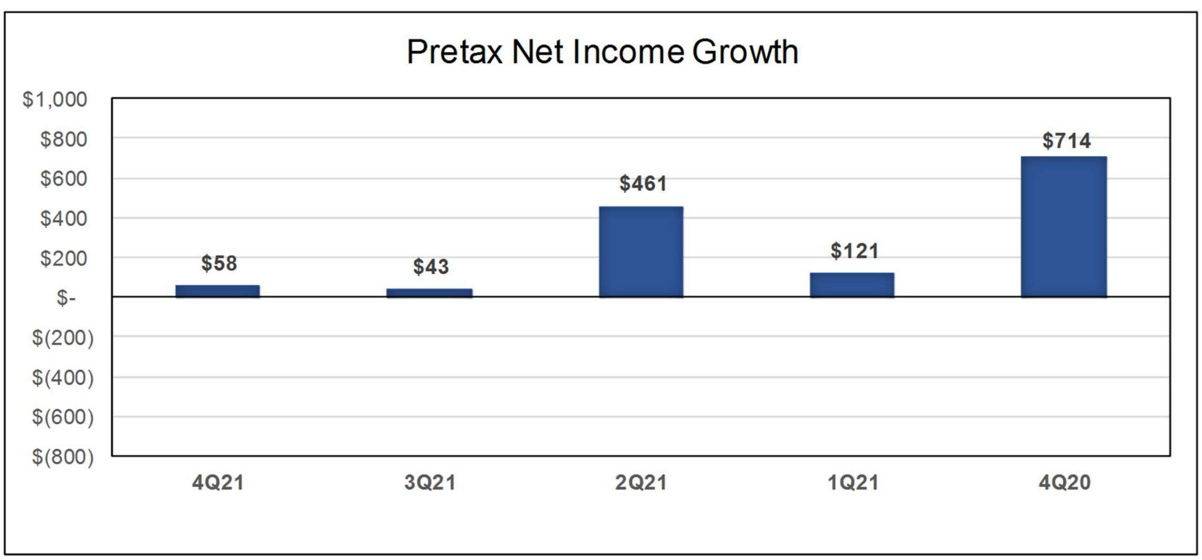
4Q21 Financial Highlights[1]

- Total Assets $117 million down $1 million by actively managing PPP borrowers through the government forgiveness process
- Successfully facilitated 25% of our PPP loan borrowers through SBA forgiveness process, resulting in the $2 million decline in loan balances
- Core deposits up 13%, increase due to accounts & balance growth; with dependency on non-core deposits declining 25%
- CET1 captial ratio was 12.3%, compared with 11.7%, improvement driven by positive earnings
- Six consecutive quarters of positive pretax net income, up $0.7 million or 404% compared to same twelve month period last year
- Net interest margin increased to 4.06%, up 58 basis points from prior full year, driven by lower borrowing costs
- Provision for loan loss is a net benefit YTD of $254 thousand, driven by payoffs & improvements in the credit quality of the loan portfolio
- Total revenue for year up 6% driven by lower funding costs & growth in loan servicing fee income

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

Performance Trends





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January 28, 2022

Dear Fellow Shareholders,

Bank Michigan is pleased to report fourth quarter 2021 net income of $46 thousand compared to net income of $33 thousand in the prior quarter and $462 thousand in the year-ago quarter. Earnings per share was $0.04 on revenue of $1.3 million, compared to $0.03 per share on revenue of $1.4 million in the prior quarter and $0.43 per share on revenue of $2.0 million in the year-ago quarter. Our fourth quarter results reflect continued improved revenue momentum and excellent credit quality. This is the sixth quarter of positive financial results. I'm incredibly proud of what our team has accomplished despite headwinds related to the Omicron variant, inflation, and low loan demand.

For the full year 2021, we delivered net income for shareholders of $540 thousand compared to a net loss of $177 thousand for 2020. Earnings per share were $0.50 for 2021, up 404%, compared to $(0.17) for 2020. Results for 2021 produced an ROA of 0.44%, an ROCE of 5.2%, and a CET1 of 12.3%. Higher pre-tax pre-provision earnings, lower provision expense and reduced funding costs were key drivers for full year results. Our Paycheck Protection Program lending helped small businesses, non-profits, and commercial clients receive critical funding and ranked high amongst community banks our size as a PPP lender. During the year, we invested in key businesses and products to help drive future financial success for our shareholders and clients.

Bank Michigan has much to look forward to in 2022. We have strong momentum heading into the year with an improving loan growth trajectory and growing fee income businesses. We will be focused on executional excellence and growth, accelerate investments in our businesses, all underpinned by our strategic focus to profitably grow the bank. Our successes in 2021 reflect the efforts of hardworking, spirited teammates and I applaud them for their accomplishments as we continue building Bank Michigan.

We enter 2022 increasingly confident in our outlook for growth in revenue and earnings. We remain committed to executing on our 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

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

Summary Income Statement	**4Q21**	**3Q21**	**4Q20**	**4Q21 Change 3Q21**	**4Q21 Change 4Q20**	**Twelve Months Ended Dec 31, 2021**	**2020**	**YOY Change**
Interest Income	$ 1,202	$ 1,323	$ 1,513	$ (122)	$ (311)	$ 5,340	$ 5,134	$ 207
Interest Expense	79	87	201	(9)	(122)	396	972	(576)
Net Interest Income	1,123	1,236	1,312	(113)	(189)	4,944	4,162	782
Provision for Loan Losses	-	(38)	-	38	-	(254)	476	(730)
Noninterest Income	200	158	702	41	(503)	883	1,321	(438)
Noninterest Expense	1,264	1,390	1,300	(126)	(36)	5,399	5,104	295
Net Income/(Loss) before taxes	58	43	714	16	(656)	683	(97)	779
Tax Provision (Benefit)	13	10	252	3	(239)	143	81	62
Net Income/(Loss)	**$ 46**	**$ 33**	**$ 462**	**$ 13**	**$ (417)**	**$ 540**	**$ (177)**	**$ 717**
Earnings & per Common Share data								
Earnings per share	$ 0.04	$ 0.03	$ 0.43	$ 0.01	$ (0.39)	$ 0.50	$ (0.17)	$ 0.67
Book Value	$ 10.00	$ 9.97	$ 9.54	$ 0.02	$ 0.46	$ 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)]	1.71%	1.22%	18.56%	0.48%	-16.85%	5.17%	-1.80%	6.97%
Return on Assets [(a)]	0.15%	0.10%	1.49%	0.04%	-1.34%	0.44%	-0.15%	0.59%
Net interest margin	3.84%	3.91%	4.23%	-0.07%	-0.39%	4.06%	3.49%	0.58%
Efficiency Ratio	96%	100%	65%	-4%	31%	93%	93%	0%
Full-time equivalent employees	34	38	37	(4)	(3)	37	37	0
Balance Sheet Highlights (period-end)								
Total Assets	117,164	129,534	117,851	(12,370)	(687)	117,164	117,851	(687)
Total Loans & Leases	87,643	86,709	88,694	934	(1,051)	87,643	88,694	(1,051)
Allowance for Loan Loss Reserve (ALLL)	(943)	(945)	(1,227)	2	285	(943)	(1,227)	285
Core Deposits	89,182	96,563	78,928	(7,381)	10,254	89,182	78,928	10,254
Non-core Deposits	16,590	17,433	22,192	(843)	(5,603)	16,590	22,192	(5,603)
Total Deposits	105,772	113,995	101,120	(8,224)	4,651	105,772	101,120	4,651
Other Borrowings	-	-	6,005	-	(6,005)	-	6,005	(6,005)
Total Equity	10,711	10,687	10,216	25	495	10,711	10,216	495
Loan-to-deposits ratio [(b)]	78%	69%	80%	9%	-2%	78%	80%	-2%
ALLL to total loans ratio [(b)]	1.13%	1.19%	1.49%	-0.06%	-0.36%	1.13%	1.49%	-0.36%
Headcount	37	41	43	(4)	(6)	37	43	(6)
Capital Ratios								
Tier 1 leverage ratio	8.27%	8.16%	8.67%	0.11%	-0.40%	8.27%	8.67%	-0.40%
Tier 1 risk-based capital ratio / (CET1)	12.33%	12.86%	11.74%	-0.53%	0.59%	12.33%	11.74%	0.59%
Total risk-based capital ratio	13.47%	14.06%	12.99%	-0.59%	0.48%	13.47%	12.99%	0.48%

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

Net income was $46 thousand, up $13 thousand or 39%, driven by noninterest income of $200 thousand compared to $158 thousand the prior quarter coupled with lower noninterest expense of $1.3 million compared to $1.4 million.

Net interest income was $1.1 million, down $0.1 million or 9%, predominantly driven by lower PPP-related income, compression in loan yields and prior quarter interest recovery on charged off loan, partially offset by higher loan origination fees and the migration of maturing time deposits into lower yield non-maturing products. Compared to the prior quarter, Net Interest Margin (NIM) was 3.84% down 7 basis points, primarily reflecting the impact of lower amortization of origination fees coupled with loan interest recoveries in prior quarter.

There was no provision for loan loss recorded in the quarter compared to a net benefit of $38 thousand in prior quarter. Continued improvements in expected loss estimates from the impact of loan modification and net charge-offs for the quarter were nil compared to net charge-off of $28 thousand prior quarter. The allowance to total loans ratio was 1.08%, down 0.01% from prior quarter, excluding PPP loans the ratio was 1.13%, down 0.06%.

Noninterest income was $200 thousand, up $41 thousand or 26%, predominantly driven by a increase in the gain on sale of loans and an increase in loan servicing fees, partially offset by decrease in deposit service charges.

Noninterest expense was $1.3 million, down 9%, largely driven by lower salary expense primarily due to recognition of a payroll tax credit, lower loan expense and lower occupancy & depreciation expense, partially offset by higher outside service expense and professional service expense.

Compared to prior quarter, total period-end loans and leases increased $1 million primarily due to growth in commercial loans partially offset by forgiveness payments received from SBA on PPP loans. Core deposits decreased $7 million mainly due to anticipated large deposit withdrawal from one client in the quarter. Excluding that transaction deposits were flat compared to prior quarter.

Capital ratios remain strong this quarter. The CET1 capital ratio was 12.3%, Total risk-based capital was 13.5% and the Tier 1 leverage ratio was 8.3%. Capital ratios 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.

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

Net income was $46 thousand, down $417 thousand or 90%, driven by a $503 thousand decrease in noninterest income coupled with a decrease in net interest income of $189 thousand compared to the prior year.

Net interest income was $1.1 million, down $189 thousand or 14%, predominantly driven by lower PPP related income partially offset by lower interest expense from the migration of maturing time deposits into lower yield non-maturing products and reductions in long-term debt. Compared to the year-ago quarter, Net Interest Margin (NIM) decreased 39 basis points to 3.84%, primarily reflecting the lower amortization of PPP fees coupled with compression in loan yields, partially offset by impact of lower deposit and other borrowing costs.

There was no provision for loan losses adjustments in the fourth quarter or the comparable prior year quarter. The allowance to total loans ratio was 1.08%, down 0.31% from prior year quarter, 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. Excluding PPP loans the ratio was 1.13%, down 0.36%, compared to prior year quarter of 1.49%.

Noninterest income was $200 thousand, down $503 thousand or 72%, predominantly driven by fewer sales of loans and investment securities, partially offset by higher loan servicing fee income compared to prior year quarter.

Noninterest expense was $1.3 million, down slightly from prior year quarter. Lower salary and benefits expense due to recognition of a payroll tax credit, lower occupancy and depreciation expense, offset by increases in outside service expense from vendor concessions received in prior year.

Compared to the year-ago quarter, total period-end loans and leases decreased $1 million primarily due to lower real estate loan balances partially offset by net growth in the commercial loan portfolio. Core deposits increased $10 million primarily 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 $6 million. Other borrowings declined $6 million, from the repayment of PPPLF debt as result of the PPP loan forgiveness.

Comparisons noted in the sections below are for the twelve months ended December 31st of 2021 versus the same period prior-year, unless otherwise specified.

For the twelve months ended December 31st, net income was $540 thousand, up $717 thousand or 404% from same period prior year, driven by an increase of $782 thousand in net interest income coupled with a $730 thousand decrease in provision for loan losses, partially offset by a decrease in noninterest income of $438 thousand, an increase in noninterest expense of $295 thousand and a $62 thousand increase in the tax provision compared to the prior year.

Net interest income was $4.9 million, up $782 thousand or 19%, predominantly driven by higher interest income of $207 thousand primarily from amortization of loan origination fees (including PPP), lower interest expense of $576 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 58 basis points to 4.06%, 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 $58 thousand. The allowance to total loans ratio was 1.08%, down from 1.38%, 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. Excluding PPP loans the ratio was 1.13%, down 0.36%, compared to prior year quarter of 1.49%.

Noninterest income was $883 thousand, down $438 thousand or 33%, driven by fewer loan sales, fewer investment security sales and lower other fee income, partially offset by higher loan servicing fees and higher deposit account service fees.

Noninterest expense was $5.4 million, up $295 thousand or 6%, largely driven by increases in outside service expense from vendor concessions received in prior year and continued investments in the business.

Both period-end loans and deposits changes year over year were primarily for the reasons noted in the fourth quarter comparison above.

Capital ratios remain strong, supported by positive earnings over the last 6 successive quarters, coupled with increases in interest-bearing cash balances since the onset of the pandemic.