July 20, 2018

To Our Shareholders:

I am pleased to announce that the Board of Directors of Southern Michigan Bancorp, Inc. approved an increase to the quarterly dividend to $0.22 per share, which is payable July 20, 2018 to shareholders of record July 10, 2018. The $0.22 per share dividend is an increase of $0.01 per share over the April 2018 cash dividend of $0.21 per share. The new annualized dividend rate of $0.88 per share represents a 4.76% increase over the prior annual rate of $0.84 per share, and a dividend yield of 2.42% based on the current market price of $36.40 per share.

The increase in the quarterly dividend is a result of continued improvement and consistency in the bank's profitability and credit quality. Southern's directors remain committed to improving long-term shareholder returns. Thank you for your continued support.

Sincerely,

John H. Castle
Chairman and Chief Executive Officer