SOUTHERN MICHIGAN
BANCORP, INC.

FIRST **QUARTER**

CORPORATE HIGHLIGHTS

To Our Shareholders:

I am pleased to announce that Southern Michigan Bancorp, Inc. reported net income of $3,088,000 for the quarter ended March 31, 2021, an increase of 104.1 percent as compared to net income of $1,513,000 for the first quarter of 2020, and the highest quarterly earnings in the history of the company. First quarter 2021 earnings per share increased to $1.35 per share, compared to $0.66 per share for the first quarter of 2020. Strong core earnings were fueled by year-over-year balance sheet and loan growth, SBA Paycheck Protection Program fee revenue, secondary market gains from mortgage loan sales, and continued strong asset quality.

Southern's annualized return on average assets for the three-month periods ending March 31, 2021 and March 31, 2020 were 1.19 percent and 0.73 percent, respectively. Our annualized return on average equity was 13.29 percent for the first quarter of 2021, compared to 7.06 percent for the first quarter of 2020. The tax equivalent net interest margin was 3.35 percent compared to 3.49 percent for the same period last year.

Throughout the year we anticipate higher cost funding sources will either reprice downward or pay off and not renew at maturity. In addition, the commercial loan pipeline is robust with funding expected to start in the second quarter offering higher yields than investment alternatives. Southern also continues to participate in the Paycheck Protection Program generating $42.2 million in loans in the first quarter of 2021 to 671 customers throughout our region.

As of March 31, 2021 total consolidated assets were at a record high of $1.076 billion compared to $997.6 million on December 31, 2020. Total loans and deposits were also at record levels totaling $644.4 million and $924.5 million, respectively.

Delinquent loan totals decreased year over year to 0.26 percent of total loans as of March 31, 2021, or $1,705,000, down from 0.79 percent, or $4,451,000 as of March 31, 2020. Loans past due 30-89 days were modest, totaling just $151,000, or 0.02 percent of total loans at quarter end, and no loans were more than 90 days past due. Net loan loss recoveries for the quarter totaled $29,000. The allowance for loan losses on March 31, 2021 was $7.82 million, or 1.21 percent of total loans as compared to $7.79 million, or 1.22 percent of total loans as of December 31, 2020.

Southern's board of directors approved an increase in the quarterly cash dividend from $0.23 per share to $0.24 per share beginning with the April 2021 dividend payment. The new annualized rate of $0.96 per share represents a dividend yield of 2.67 percent based on the market price at the time of the announcement of $36.00 per share.

Please contact me, members of our management team or any of our directors should you have any questions or comments. Your continued support is appreciated.

Sincerely,

John H. Castle
Chairman and Chief Executive Officer

SOUTHERN MICHIGAN BANCORP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2021 (Unaudited)	December 31, 2020 (A)
	(In thousands, except share data)	
ASSETS		
Cash and cash equivalents	$ 140,410	$ 99,610
Federal funds sold	249	231
Securities available for sale	238,712	208,380
Loans held for sale	2,198	1,691
Gross loans	644,429	635,870
Less: Allowance for loan loss	(7,818)	(7,789)
Net loans	636,611	628,081
Premises and equipment, net	13,415	13,698
Net cash surrender value of life insurance	16,118	16,016
Goodwill	13,422	13,422
Other assets	14,542	16,445
Total assets	$ 1,075,677	$ 997,574
LIABILITIES		
Deposits	$ 924,542	$ 838,298
Securities sold under agreements to repurchase and overnight borrowings	17,059	20,083
Accrued expenses and other liabilities	12,823	14,561
Other borrowings	26,250	26,500
Subordinated debentures	5,155	5,155
Total liabilities	985,829	904,597
SHAREHOLDERS' EQUITY		
Preferred stock, 100,000 shares authorized; none issued or outstanding	-	-
Common stock, $2.50 par value		
Authorized - 10,000,000 shares		
Issued and outstanding – 2,292,376 shares in 2021 (2,301,269 shares in 2020)	5,725	5,748
Additional paid-in capital	14,585	15,416
Retained earnings	70,275	67,741
Accumulated other comprehensive income/(loss), net	(447)	4,362
Unearned employee stock ownership plan shares	(290)	(290)
Total shareholders' equity	89,848	92,977
Total liabilities and shareholders' equity	$ 1,075,677	$ 997,574

(A) The balance sheet at December 31, 2020 has been derived from the audited consolidated financial statements at that date.

SOUTHERN MICHIGAN BANCORP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
	(In thousands, except per share data)	
INTEREST INCOME	$ 8,801	$ 7,977
INTEREST EXPENSE	908	1,576
Net interest income	7,893	6,401
Provision for loan losses	-	1,000
Net interest income after provision for loan losses	7,893	5,401
NON-INTEREST INCOME		
Service charges on deposit accounts	293	463
Trust fees	549	517
Net gain or loan sales	744	249
ATM and debit card fee income	410	348
Other	246	244
Total non-interest income	2,242	1,821
NON-INTEREST EXPENSE		
Salaries and employee benefits	3,999	3,258
Occupancy, net	409	397
Equipment	304	313
Professional and outside services	337	337
Software maintenance	400	380
Other	930	762
Total non-interest expense	6,379	5,447
Income before income taxes	3,756	1,775
Federal income tax provision	668	262
NET INCOME	$ 3,088	$ 1,513
Basic Earnings Per Common Share	$ 1.35	$ 0.66
Diluted Earnings Per Common Share	1.35	0.66
Dividends Declared Per Common Share	0.24	0.23

MARKET INFORMATION

Inquiries regarding stock certificate administration, address changes, transfers, and other related services should be directed to:

American Stock Transfer and Trust Company, LLC
Website: www.astfinancial.com
Phone: (718) 921-8124
Toll Free: (800) 937-5449
Email: info@amstock.com
Address: 6201 15th Avenue
Brooklyn, NY 11219

The following brokerage firms make a market for Southern Michigan Bancorp, Inc. stock:

D.A. Davidson & Co.
Dublin, Ohio
(800) 394-9230

Stifel, Nicolaus & Company, Inc.
Grand Rapids, Michigan
(800) 676-0477

Boenning & Scattergood
Powell, Ohio
(866) 326-8113

For further information on Southern Michigan Bancorp, Inc. please see the 'Investor Relations' tab on our website: www.smb-t.com

OFFICER **LISTING**

SMB AND SMB&T EXECUTIVE OFFICERS

John H. Castle
Chairman /
Chief Executive Officer

Kurt G. Miller
President /
Chief Credit Officer

Nicholas M. Grabowski
Executive Vice President /
Head of Lending

Danice L. Chartrand
Senior Vice President /
Chief Financial Officer

COMMERCIAL LOANS

Sarah Headley
First Vice President /
Commercial Loan Manager

Douglas W. Kiessling
Regional Vice President /
Commercial Loan Manager

Tom Swoish
Regional Vice President /
Commercial Loan Manager

Deb Davis
Vice President /
Commercial Loan Officer

Corey Donner
Vice President /
Commercial Loan Officer

Rachel Doty
Vice President /
Commercial Loan Officer

Adam Losinski
Vice President /
Commercial Loan Officer

Greg Miller
Vice President /
Commercial Loan Officer

Jim Sobeske
Vice President /
Commercial Loan Officer

Samantha Gripman
Credit Manager

RETAIL LOANS

Derek Naylor
First Vice President /
Head of Retail Lending

Phyllis Wingate
Vice President /
Head of Retail Loan Operations

DeAnne Hawley
Vice President /
Mortgage Loan Officer

Jodie Johnson
Vice President /
Mortgage Loan Officer

Shari Kline
Vice President /
Mortgage Loan Officer

Tina Mack
Vice President / Retail Loan Operations Manager

Connie Caudill
Assistant Vice President /
Senior Collections Manager

Diane Krimmel
Assistant Vice President /
Consumer Loan Specialist

Stephanie Minniear
Assistant Vice President /
Mortgage Loan Officer

Stephanie Best
Mortgage Loan Officer

LeAndra Otis
Mortgage Loan Officer

Kascee Wyatt
Mortgage Loan Officer

RETAIL BANKING

Eric Anglin
Senior Vice President /
Retail Banking Services /
Chief Deposit Officer

Lori Neill
Vice President / Retail Banking Operations Manager

Gabriel Alvez
Vice President /
Business Development Officer

BATTLE CREEK BRANCH
Lisa Walker
Vice President /
Branch Manager

CENTREVILLE & CONSTANTINE BRANCHES
Tina Cronkhite
Vice President /
Regional Branch Manager

COLDWATER MAIN & EAST CHICAGO BRANCHES
Felicia Landis
Branch Manager

HILLSDALE BRANCH
Jennifer Crist
Assistant Vice President /
Branch Manager

MARSHALL BRANCH
Kara Mead
Vice President /
Commercial Loan Officer /
Branch Manager

MENDON BRANCH
Doreen Tobin
Assistant Vice President /
Branch Manager

PORTAGE BRANCH
Cammy Fleckenstein
Branch Manager

TEKONSHA BRANCH
Dawn Copas
Branch Manager

THREE RIVERS BRANCH
Kelsey McClish
Branch Manager

UNION CITY BRANCH
Kandice McRae
Branch Manager

PORTAGE TRADE CENTRE

M. Travis Grimwood
Kalamazoo Regional President

Tim Kilmartin
First Vice President /
Commercial Loan Officer

Tom Schlueter
Vice President /
Market Development

Joseph Spoerl
Vice President /
Wealth Management Officer

eSERVICES

Laurel Walkup
Vice President /
Business eServices Manager

Deanna Manville
Assistant Vice President /
Business eServices Officer

FINANCE

Kevin Vaughn
First Vice President / Finance

INFORMATION TECHNOLOGY

Greg Sopcak
First Vice President /
Head of Information Technology

Joseph Duke
Assistant Vice President /
Network Administrator

MARKETING

Quinn White
Vice President /
Head of Marketing

OPERATIONS

Angie Smith
First Vice President /
Head of Operations

Maggie Usher
Vice President / Treasury and eService Operations Manager

Becky Omo
Assistant Vice President /
Deposit Operations Manager

Lani Smith
Assistant Vice President /
Operations Support Manager

Vikki Kline
Core System Administrator

RISK MANAGEMENT

Scott McQueen
Vice President /
Risk Management Officer

WEALTH MANAGEMENT

Matt Moses
Senior Vice President /
Head of Wealth Management

Melissa Natzke-Barlow
Vice President /
Senior Investment Officer

Josh Will
Vice President /
Wealth Management Officer

Buzz Leach
Wealth Management Officer

Michael Depew
Wealth Management Operations Manager