SOUTHERN MICHIGAN
**BANCORP, INC.**

# THIRD **QUARTER**

## CORPORATE HIGHLIGHTS

To Our Shareholders:

Southern Michigan Bancorp, Inc. reported net income of $3,138,000, or $0.69 per share, for the third quarter ended September 30, 2021, compared with $2,018,000, or $0.44 per share, for the third quarter of 2020. For the first nine months of 2021, Southern earned $9,235,000 or $2.02 per share, compared with $5,362,000, or $1.17 per share, for the same nine-month period one year ago. Earnings through the third quarter have eclipsed our 2019 annual record net income benchmark of $8,622,000. In considering results for the periods, our 2021 earnings increased 55.5 percent and 72.2 percent, respectively, for the same three and nine-month periods in 2020.

Southern's annualized return on average assets for the nine-month periods ended September 30, 2021 and 2020 were 1.13 percent and 0.81 percent, respectively. The annualized return on average equity was 13.02 percent for the first nine months of 2021 compared to 8.20 percent for the same period in 2020. Southern's return on average tangible equity, which is total shareholders' equity less goodwill and other intangibles, was 15.26 percent. Our tax equivalent net interest margin for the nine-month periods ended September 30, 2021 and 2020 was 3.27 percent and 3.26 percent, respectively.

Total assets as of September 30, 2021 increased to $1.142 billion from $997.6 million at December 31, 2020. Loan totals as of September 30, 2021 increased to $733.3 million from $635.9 million at December 31, 2020. We experienced loan growth of $51 million in the third quarter, $32 million net of $19 million in Paycheck Protection Program Loans (PPP) that were forgiven. Total deposits also increased from $838.3 million at December 31, 2020 to $962.6 million at quarter's end.

Southern's asset quality metrics remained strong at September 30, 2021 as delinquent loan totals decreased year over year to 0.19 percent of total loans, or $1.416 million, down from 0.63 percent, or $3.916 million, at September 30, 2020. Only $56,000 in accruing loans were past due 30-89 days and no loans were more than 90 days past due at quarter's end. The bank realized net loan loss recoveries for the nine-month period ended September 30, 2021 totaling $40,000 compared to net loan losses of $10,000 for the same period in 2020. Southern provided $650,000 for loan losses during the third quarter of 2021 as a result of growth in the lending portfolio. The allowance for loan losses at September 30, 2021 totaled $8.879 million, or 1.21 percent of total loans as compared to $7.789 million, or 1.22 percent of total loans as of December 31, 2020. Excluding SBA fully guaranteed PPP loans from the calculation, the allowance at September 30, 2021 was 1.27 percent of gross loans.

On a personal note, it is with great sadness that I share with you that Director Freeman Riddle passed away on September 30, 2021. Freeman served as a director for forty-five years joining the board of Southern in December 1976. He was well regarded by employees, officers and fellow directors, as well as the community at large. Freeman will be missed.

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 SHEET

| | September 30, 2021 (Unaudited) | December 31, 2020 (A) |
|---|---|---|
| | (In thousands, except share data) | |
| **ASSETS** | | |
| Cash and cash equivalents | $ 101,565 | $ 99,610 |
| Federal funds sold | 246 | 231 |
| Securities available for sale | 251,726 | 208,380 |
| Loans held for sale | 1,201 | 1,691 |
| Gross loans | 733,266 | 635,870 |
| Less: Allowance for loan loss | (8,879) | (7,789) |
| Net loans | 724,387 | 628,081 |
| Premises and equipment, net | 13,240 | 13,698 |
| Net cash surrender value of life insurance | 18,884 | 16,016 |
| Goodwill | 13,422 | 13,422 |
| Other assets | 17,192 | 16,445 |
| Total assets | $1,141,863 | $ 997,574 |
| **LIABILITIES** | | |
| Deposits | $ 962,624 | $ 838,298 |
| Securities sold under agreements to repurchase and overnight borrowings | 15,413 | 20,083 |
| Accrued expenses and other liabilities | 13,132 | 14,561 |
| Other borrowings | 20,000 | 26,500 |
| Subordinated debentures | 34,497 | 5,155 |
| Total liabilities | 1,045,666 | 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 – 4,515,777 shares in 2021 (2,301,269 shares in 2020) | 11,285 | 5,748 |
| Additional paid-in capital | 13,996 | 15,416 |
| Retained earnings | 69,600 | 67,741 |
| Accumulated other comprehensive income/(loss), net | 1,556 | 4,362 |
| Unearned employee stock ownership plan shares | (240) | (290) |
| Total shareholders' equity | 96,197 | 92,977 |
| Total liabilities and shareholders' equity | $1,141,863 | $ 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 | | Nine Months Ended | |
|---|---|---|---|---|
| | September 30, 2021 | September 30, 2020 | September 30, 2021 | September 30, 2020 |
| | (In thousands, except per share data) | | | |
| INTEREST INCOME | $ 9,802 | $ 7,753 | $ 27,452 | $ 23,755 |
| INTEREST EXPENSE | 967 | 1,185 | 2,876 | 4,095 |
| Net interest income | 8,835 | 6,568 | 24,576 | 19,660 |
| Provision for loan losses | 650 | 500 | 1,050 | 2,250 |
| Net interest income after provision for loan losses | 8,185 | 6,068 | 23,526 | 17,410 |
| NON-INTEREST INCOME | | | | |
| Service charges on deposit accounts | 345 | 322 | 913 | 1,039 |
| Trust fees | 587 | 514 | 1,681 | 1,535 |
| Net gains on loan sales | 470 | 966 | 1,912 | 1,753 |
| ATM and debit card fee income | 470 | 421 | 1,360 | 1,149 |
| Other | 298 | 238 | 983 | 691 |
| Total non-interest income | 2,170 | 2,461 | 6,849 | 6,167 |
| NON-INTEREST EXPENSE | | | | |
| Salaries and employee benefits | 4,047 | 3,856 | 11,880 | 10,423 |
| Occupancy, net | 388 | 395 | 1,197 | 1,167 |
| Equipment | 274 | 290 | 861 | 880 |
| Professional and outside services | 441 | 373 | 1,218 | 1,109 |
| Software maintenance | 434 | 384 | 1,228 | 1,152 |
| Other | 975 | 863 | 2,848 | 2,495 |
| Total non-interest expense | 6,559 | 6,161 | 19,232 | 17,226 |
| Income before income taxes | 3,796 | 2,368 | 11,143 | 6,351 |
| Federal income tax provision | 658 | 350 | 1,908 | 989 |
| NET INCOME | $ 3,138 | $ 2,018 | $ 9,235 | $ 5,362 |
| Basic Earnings Per Common Share | $ 0.69 | $ 0.44 | $ 2.02 | $ 1.17 |
| Diluted Earnings Per Common Share | 0.69 | 0.44 | 2.02 | 1.17 |
| Dividends Declared Per Common Share | 0.12 | 0.12 | 0.36 | 0.35 |

## 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

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

Eric Anglin
Executive Vice President /
Chief Strategy Officer /
Head of Business Development

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

Lori Neill
Vice President / Retail Banking
Operations Manager

Gabriel Alvez
Vice President /
Business Development Officer

### COLDWATER MAIN & EAST CHICAGO BRANCHES

Felicia Landis
Branch Manager

### BATTLE CREEK BRANCH

Lisa Walker
Vice President /
Branch Manager

### MARSHALL BRANCH

Kara Mead
Vice President /
Commercial Loan Officer /
Branch Manager

### HILLSDALE BRANCH

Jennifer Crist
Assistant Vice President /
Branch Manager

### TEKONSHA BRANCH

Dawn Copas
Branch Manager

### CENTREVILLE & CONSTANTINE BRANCHES

Tina Cronkhite
Vice President /
Regional Branch Manager

### MENDON BRANCH

Doreen Tobin
Assistant Vice President /
Branch Manager

### THREE RIVERS BRANCH

Kelsey McClish
Branch Manager

### PORTAGE BRANCH

Cammy Fleckenstein
Branch Manager

## PORTAGE TRADE CENTRE

M. Travis Grimwood
Kalamazoo Regional
President

Justin Horn
Vice President /
Commercial Loan Officer

Alan Lockwood
Vice President /
Wealth Management Officer

Trent Pierre
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

## 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

Jennifer Pope
Information Security Officer

## WEALTH MANAGEMENT

Matt Moses
Senior Vice President /
Head of Wealth Management

Melissa Natzke-Barlow
Vice President /
Senior Investment Officer

Sherrie Cochran
Vice President /
Wealth Management Officer

Buzz Leach
Vice President /
Wealth Management Officer

Michael Depew
Wealth Management
Operations Manager