2022 QUARTERLY REPORT

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 $2,933,000 for the quarter ended March 31, 2022, a decrease of 5.0 percent as compared to net income of $3,088,000 for the first quarter of 2021. First quarter 2022 earnings per share decreased 4.4 percent to $0.65 per share, compared to $0.68 per share for the first quarter of 2021.

Southern's annualized return on average assets for the three-month periods ending March 31, 2022 and March 31, 2021 were 0.98 percent and 1.19 percent, respectively. Our annualized return on average equity was 12.23 percent for the first quarter of 2022, compared to 13.29 percent for the first quarter of 2021. The tax equivalent net interest margin was 3.02 percent compared to 3.35 percent for the same period last year.

Total consolidated assets as of March 31, 2022 were a record high $1.225 billion compared to $1.161 billion on December 31, 2021. Loan totals as of March 31, 2022 increased to a record $765.1 million from December 31, 2021 levels of $741.4 million. Year over year we experienced loan growth of $186.1 million. Of that total, $65.4 million in Paycheck Protection Program Loans were forgiven during the period resulting in net loan growth of $120.7 million. The core loan growth we experienced over the last twelve months is providing a steady stream of revenue that has helped to offset significant reductions from nonrecurring PPP loan fees and gain on mortgage loan sales that have dropped off due to market conditions. Deposits also grew during the quarter to a record $1.060 billion compared to $974.4 million as of December 31, 2021.

Delinquent loan totals decreased year over year to 0.20 percent of gross loans as of March 31, 2022, or $1,511,000, down from 0.26 percent, or $1,705,000, as of March 31, 2021. Loans past due 30-89 days were modest, totaling just $230,000, or 0.03 percent of total loans at quarter end, and no loans were more than 90 days past due. No provision for loan loss expense was required during the first quarter of 2022 or 2021.

The allowance for loan losses totaled $9.31 million, or 1.22 percent of total loans at March 31, 2022, remaining nearly flat from December 31, 2021. Net loan charge-offs for the first quarter of 2022 totaled $13,000 compared to net loan loss recoveries of $29,000 during the first quarter of 2021.

Shareholders' equity totaled $86.9 million as of March 31, 2022, down from $97.7 million at year-end 2021. Like many of our peers, Southern experienced a change in equity caused by higher market interest rates, which resulted in net unrealized losses on securities in the investment portfolio and was recorded as other comprehensive loss. The change in shareholders' equity has no impact on regulatory capital requirements. Southern's capital ratios remain well above regulatory capital thresholds.

Southern's board of directors approved an increase in the quarterly cash dividend from $0.12 per share to $0.13 per share beginning with the April 2022 dividend payment. The new annualized rate of $0.52 per share represents a dividend yield of 2.48 percent based on the market price at the time of the announcement of $21.00 per share.

This year marks Southern's 150th anniversary. On January 16, 1872, The Office of Comptroller of the Currency in Washington authorized Southern to begin offering banking services. We are especially proud and humbled by the fact that we are celebrating 150 years of continuous banking as the bank did not close during the depression.

On a personal note, it is with sadness that I share with you that Director Emeritus Jane Randall passed away on February 17, 2022 at the age of 100. Jane joined the board of Southern in December 1976 and served until April 2002. She was well known and admired throughout the community and highly regarded by fellow directors, officers and employees of Southern.

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, 2022 (Unaudited)	December 31, 2021 (A)
	(In thousands, except share data)	
ASSETS		
Cash and cash equivalents	$ 135,682	$ 119,389
Federal funds sold	266	271
Securities available for sale	267,693	245,846
Loans held for sale	356	1,146
Gross loans	765,128	741,408
Less: Allowance for loan loss	(9,307)	(9,320)
Net loans	755,821	732,088
Premises and equipment, net	13,485	13,155
Net cash surrender value of life insurance	18,788	18,671
Goodwill	13,422	13,422
Other assets	19,534	17,206
Total assets	$ 1,225,047	$ 1,161,154
LIABILITIES		
Deposits	$ 1,059,859	$ 974,352
Securities sold under agreements to repurchase and overnight borrowings	11,937	20,609
Accrued expenses and other liabilities	11,778	13,930
Other borrowings	20,000	20,000
Subordinated debentures	34,532	34,514
Total liabilities	1,138,106	1,063,405
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 – 4,538,061 shares in 2022 (4,516,377 shares in 2021)	11,342	11,287
Additional paid-in capital	14,050	14,235
Retained earnings	73,919	71,581
Accumulated other comprehensive income/(loss), net	(12,160)	856
Unearned employee stock ownership plan shares	(210)	(210)
Total shareholders' equity	86,941	97,749
Total liabilities and shareholders' equity	$ 1,225,047	$ 1,161,154

(A) The balance sheet at December 31, 2021 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, 2022	Three Months Ended March 31, 2021
	(In thousands, except per share data)	
INTEREST INCOME	$ 9,213	$ 8,801
INTEREST EXPENSE	949	908
Net interest income	8,264	7,893
Provision for loan losses	-	-
Net interest income after provision for loan losses	8,264	7,893
NON-INTEREST INCOME		
Service charges on deposit accounts	362	293
Trust fees	577	549
Net gain or loan sales	264	744
ATM and debit card fee income	416	410
Other	277	246
Total non-interest income	1,896	2,242
NON-INTEREST EXPENSE		
Salaries and employee benefits	3,991	3,999
Occupancy, net	439	409
Equipment	283	304
Professional and outside services	389	337
Software maintenance	466	400
Other	1,057	930
Total non-interest expense	6,625	6,379
Income before income taxes	3,535	3,756
Federal income tax provision	602	668
NET INCOME	$ 2,933	$ 3,088
Basic Earnings Per Common Share	$ 0.65	$ 0.68
Diluted Earnings Per Common Share	0.65	0.67
Dividends Declared Per Common Share	0.13	0.12

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**

Executive Officers

John H. Castle
Chairman /
Chief Executive Officer

Kurt G. Miller
President

Nicholas M. Grabowski
Executive Vice President /
Head of Lending

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

Danice L. Chartrand
Senior Vice President /
Chief Financial Officer

Commercial Loans

Aaron Lewis
First Vice President /
Chief Credit Officer

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

Gabriel Alvez
Vice President /
Commercial Loan Officer

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

Portage Trade Centre

M. Travis Grimwood
Kalamazoo Regional
President

Justin Horn
Vice President /
Commercial Loan Officer

Trent Pierre
Vice President /
Commercial Loan Officer

Tom Schlueter
Vice President /
Market Development

Joseph Spoerl
Vice President /
Wealth Management Officer

Retail

Derek Naylor
First Vice President /
Head of Retail /
Chief Deposit Officer

Retail Loans

DeAnne Hawley
Vice President /
Retail Loan Sales Manager

Connie Caudill
Vice President /
Collections Manager

Jodie Johnson
Vice President /
Mortgage Loan Officer

Shari Kline
Vice President /
Mortgage Loan Officer

Diane Krimmel
Assistant Vice President /
Consumer Loan Specialist

Stephanie Minniear
Assistant Vice President /
Mortgage Loan Officer

Kristen Niedzwiecki
Assistant Vice President /
Mortgage Loan Officer

LeAndra Otis
Mortgage Loan Officer

Retail Loan Operations

Tina Mack
Vice President / Retail Loan
Operations Manager

Phyllis Wingate
Vice President /
Retail Lending Functions
and Systems

Retail Banking

Lori Neill
Vice President / Retail Banking
Operations Manager

Tina Cronkhite
Vice President /
Regional Business Development
Manager

BATTLE CREEK BRANCH
Lisa Walker
Vice President /
Branch Manager

CENTREVILLE BRANCH
Jenny Haydon
Branch Manager

COLDWATER MAIN & EAST
CHICAGO BRANCHES
Felicia Landis
Branch Manager

CONSTANTINE BRANCH
Veronica Wolcott
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
Elizabeth DiDonato
Branch Manager

Business Solutions

Laurel Walkup
Vice President /
Business Solutions Manager

Deanna Manville
Assistant Vice President /
Business Solutions Officer

Karen Fleisher
Business Solutions Officer

Municipal Banking

Aimee Kornowicz
Municipal Banking Officer

Finance

Kim Hudelson
Vice President /
Controller

Human Resources

Angela NaDell
First Vice President /
Chief People Officer

Information Technology

Greg Sopcak
First Vice President /
Head of Information
Technology

Joseph Duke
Assistant Vice President /
Network Administrator

Cody Smoker
Systems Administrator Officer

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
First 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