SOUTHERN MICHIGAN
BANCORP, INC.

SECOND **QUARTER**

CORPORATE HIGHLIGHTS

To Our Shareholders:

Southern Michigan Bancorp, Inc. reported net income of $3,361,000, or $0.74 per share, for the second quarter ended June 30, 2022, compared with $3,009,000, or $0.66 per share, for the second quarter of 2021. For the first six months of 2022, Southern earned $6,294,000, or $1.39 per share, compared with $6,097,000, or $1.33 per share, for the same six-month period one year ago. In considering results for the second quarter, earnings increased 11.70 percent over the same three-month period in 2021. Our results are even more significant considering Paycheck Protection Program and gain on sale of mortgage revenue is down $1,123,000 from second quarter 2021 levels and $2,261,000 less than the same six-month period ending June 30, 2021.

Southern's annualized return on average assets for the six-month periods ended June 30, 2022 and 2021 was 1.04 percent and 1.13 percent, respectively. The annualized return on average equity was 14.03 percent for the first six months of 2022 compared to 13.12 percent for the same period in 2021. Southern's return on average tangible equity, which is total shareholders' equity less goodwill and other intangibles, was 16.58 percent. Our tax equivalent net interest margin for the six-month periods ended June 30, 2022 and 2021 was 3.13 percent and 3.16 percent, respectively.

Total assets as of June 30, 2022 increased to $1.183 billion from $1.161 billion at December 31, 2021. Loan totals as of June 30, 2022 increased to $789.6 million from $741.4 million at December 31, 2021. Deposits totaled $1.031 billion at quarter end, an increase of $56.5 million as compared to $974.4 million at year- end 2021. Our Portage branch office reached a significant milestone with loan totals exceeding $347 million at quarter end.

Southern's asset quality metrics remained strong at June 30, 2022 as delinquent loan totals decreased slightly year over year to 0.17 percent of total loans, or $1.341 million, down from 0.21 percent, or $1.469 million, at June 30, 2021. Only one accruing loan in the amount of $104,000 was past due 30-89 days and no loans were more than 90 days past due at quarter end. The bank realized $3,000 in net loan losses for the six-month period ended June 30, 2022. The allowance for loan losses at June 30, 2022 totaled $9.317 million, or 1.18 percent of total loans, as compared to December 31, 2021 levels of $9.320 million or 1.26 percent of total loans.

We are pleased to welcome John R. Waldron to the bank as our Jackson Market President. John earned a Bachelor of Business Administration degree in accounting and finance from Western Michigan University and brings nearly thirty years of commercial banking and leadership experience. John is a native of Jackson where he resides with his wife, Wendy. Since 2002, John has worked at County National Bank (CNB) in Hillsdale, where he most recently served as President and CEO. Prior to CNB, he served as a National Bank Examiner for the Office of the Comptroller of the Currency for ten years. John has extensive industry experience and contacts to lead our business development efforts in the Jackson market. We have identified locations for a loan production office and a branch office downtown. He has since hired four additional well-regarded and accomplished banking professionals from the Jackson area with whom he worked with in the past.

In addition to the expansion in Jackson, on May 23 we opened a new branch office in downtown Sturgis. Located at 200 John Street, Southern's newest full-service branch provides residential and commercial loans, and retail and business banking services, including wealth management products. Along with an experienced staff, the branch is equipped with an outside Personal Teller Machine, allowing customers to speak with a representative and conduct same day business transactions until 7:00 p.m. Monday through Friday, as well as providing traditional ATM services. With the addition of this office, Southern now has five branches in St. Joseph County.

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

	June 30, 2022 (Unaudited)	December 31, 2021 (A)
	(In thousands, except share data)	
ASSETS		
Cash and cash equivalents	$ 54,822	$ 119,389
Federal funds sold	255	271
Securities available for sale	279,937	245,846
Loans held for sale	-	1,146
Gross loans	789,587	741,408
Less: Allowance for loan loss	(9,317)	(9,320)
Net loans	780,270	732,088
Premises and equipment, net	14,202	13,115
Net cash surrender value of life insurance	18,730	18,671
Goodwill	13,422	13,422
Other assets	21,539	17,206
Total assets	$1,183,177	$ 1,161,154
LIABILITIES		
Deposits	$ 1,030,894	$ 974,352
Securities sold under agreements to repurchase and overnight borrowings	10,961	20,609
Accrued expenses and other liabilities	12,781	13,930
Other borrowings	10,000	20,000
Subordinated debentures	34,549	34,514
Total liabilities	1,099,185	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 – 4,545,461 shares in 2022 (4,516,377 shares in 2021)	11,359	11,287
Additional paid-in capital	14,211	14,235
Retained earnings	76,690	71,581
Accumulated other comprehensive income/(loss), net	(18,087)	856
Unearned employee stock ownership plan shares	(181)	(210)
Total shareholders' equity	83,992	97,749
Total liabilities and shareholders' equity	$1,183,177	$ 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 June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
	(In thousands, except per share data)			
INTEREST INCOME	$ 10,164	$ 8,849	$ 19,377	$ 17,650
INTEREST EXPENSE	1,044	1,001	1,993	1,909
Net interest income	9,120	7,848	17,384	15,741
Provision for loan losses	-	400	-	400
Net interest income after provision for loan losses	9,120	7,448	17,384	15,341
NON-INTEREST INCOME				
Service charges on deposit accounts	350	276	712	569
Trust fees	556	545	1,133	1,094
Net gains on loan sales	231	698	495	1,442
ATM and debit card fee income	449	479	865	889
Other	301	439	578	685
Total non-interest income	1,887	2,437	3,783	4,679
NON-INTEREST EXPENSE				
Salaries and employee benefits	4,299	3,834	8,291	7,833
Occupancy, net	395	400	834	809
Equipment	333	283	616	587
Professional and outside services	383	440	773	777
Software maintenance	485	394	950	794
Other	1,074	943	2,130	1,873
Total non-interest expense	6,969	6,294	13,594	12,673
Income before income taxes	4,038	3,591	7,573	7,347
Federal income tax provision	677	582	1,279	1,250
NET INCOME	$ 3,361	$ 3,009	$ 6,294	$ 6,097
Basic Earnings Per Common Share	$ 0.74	$ 0.66	$ 1.39	$ 1.33
Diluted Earnings Per Common Share	0.74	0.66	1.39	1.33
Dividends Declared Per Common Share	0.13	0.12	0.26	0.24

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

Jackson Market Area

John R. Waldron
Jackson Market President

Bill Jors
Senior Vice President /
Commercial Loan Officer

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
Assistant Vice President /
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

STURGIS BRANCH
Tina Cronkhite
Vice President /
Regional Business Development
Manager /
Branch 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

THREE RIVERS BRANCH
Kelsey McClish
Branch Manager

UNION CITY/TEKONSHA BRANCH
Elizabeth DiDonato
Branch Manager

Business Solutions

Laurel Walkup
Vice President /
Business Solutions Officer

Deanna Manville
Assistant Vice President /
Business Solutions Officer

Karen Fleisher
Business Solutions Officer

Municipal Banking

Aimee Kornowicz
Vice President of Municipal Banking

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