SOUTHERN MICHIGAN
BANCORP, INC.

THIRD **QUARTER**

CORPORATE HIGHLIGHTS

To Our Shareholders:

Southern Michigan Bancorp, Inc. reported net income of $3,613,000, or $0.79 per share, for the third quarter ended September 30, 2022, compared with $3,138,000, or $0.69 per share, for the third quarter of 2021. For the first nine months of 2022, Southern earned $9,907,000, or $2.18 per share, compared with $9,235,000, or $2.02 per share, for the same nine-month period one year ago. Net income for the third quarter increased 15.1 percent over third quarter 2021 results and represented a historic high quarterly income benchmark for the company. Year-to-date earnings were up $672,000, or 7.3 percent, as compared to the same nine-month period in 2021. Earnings results are especially noteworthy considering through September 30, 2022 Paycheck Protection Program fees declined by $2,396,000 and secondary market gains from the sale of mortgages are down $1,347,000 as a result of rising interest rates.

Southern's annualized return on average assets for the nine-month periods ended September 30, 2022 and 2021 was 1.09 percent and 1.13 percent, respectively. The annualized return on average equity was 15.14 percent for the first nine months of 2022 compared to 13.02 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 17.98 percent. Our tax equivalent net interest margin for the nine-month periods ended September 30, 2022 and 2021 was 3.25 percent and 3.27 percent, respectively.

Total assets as of September 30, 2022 increased to $1.243 billion from $1.161 billion at December 31, 2021. Loan totals as of September 30, 2022 increased to $823.4 million from $741.4 million at December 31, 2021. Deposit totals also increased as compared to year-end 2021 by $117.6 million, or 12.1 percent, to $1.092 billion at quarter end. Additional loan growth is expected during the fourth quarter of 2022 as approved loans in the commercial pipeline fund and we continue to expand in the Jackson region.

Southern's asset quality metrics remained strong at September 30, 2022 as loan delinquencies totaled just 0.16 percent of total loans, or $1.332 million. Only $128,000 in accruing loans were past due 30-89 days and no loans were more than 90 days past due at quarter end. The bank realized net loan loss recoveries for the nine-month period ended September 30, 2022 totaling $11,000 compared to net loan loss recoveries of $40,000 for the same period in 2021. No provision for loan loss expense was recognized during the third quarter of 2022. The allowance for loan losses at September 30, 2022 totaled $9.331 million, or 1.13 percent of total loans, as compared to $9.320 million, or 1.26 percent of total loans at December 31, 2021.

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, 2022 (Unaudited)	December 31, 2021 (A)
	(In thousands, except share data)	
ASSETS		
Cash and cash equivalents	$ 89,299	$ 119,389
Federal funds sold	260	271
Investment Securities	269,896	245,846
Loans held for sale	200	1,146
Gross loans	823,360	741,408
Less: Allowance for loan loss	(9,331)	(9,320)
Net loans	814,029	732,088
Premises and equipment, net	14,791	13,115
Net cash surrender value of life insurance	18,849	18,671
Goodwill	13,422	13,422
Other assets	22,666	17,206
Total assets	$1,243,412	$ 1,161,154
LIABILITIES		
Deposits	$ 1,091,959	$ 974,352
Securities sold under agreements to repurchase and overnight borrowings	12,467	20,609
Accrued expenses and other liabilities	12,924	13,930
Other borrowings	10,000	20,000
Subordinated debentures	34,566	34,514
Total liabilities	1,161,916	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 – 4,544,944 shares in 2022 (4,516,377 shares in 2021)	11,358	11,287
Additional paid-in capital	14,386	14,235
Retained earnings	79,711	71,581
Accumulated other comprehensive income/(loss), net	(23,778)	856
Unearned employee stock ownership plan shares	(181)	(210)
Total shareholders' equity	81,496	97,749
Total liabilities and shareholders' equity	$1,243,412	$ 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 September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
	(In thousands, except per share data)			
INTEREST INCOME	$ 11,537	$ 9,802	$ 30,914	$ 27,452
INTEREST EXPENSE	1,439	967	3,432	2,876
Net interest income	10,098	8,835	27,482	24,576
Provision for loan losses	-	650	-	1,050
Net interest income after provision for loan losses	10,098	8,185	27,482	23,526
NON-INTEREST INCOME				
Service charges on deposit accounts	403	345	1,115	913
Trust fees	542	587	1,675	1,681
Net gains on loan sales	70	470	565	1,912
ATM and debit card fee income	454	470	1,319	1,360
Other	323	298	901	983
Total non-interest income	1,792	2,170	5,575	6,849
NON-INTEREST EXPENSE				
Salaries and employee benefits	4,681	4,047	12,972	11,880
Occupancy, net	410	388	1,244	1,197
Equipment	338	274	954	861
Professional and outside services	519	441	1,292	1,218
Software maintenance	470	434	1,420	1,228
Other	1,078	975	3,208	2,848
Total non-interest expense	7,496	6,559	21,090	19,232
Income before income taxes	4,394	3,796	11,967	11,143
Federal income tax provision	781	658	2,060	1,908
NET INCOME	$ 3,613	$ 3,138	$ 9,907	$ 9,235
Basic Earnings Per Common Share	$ 0.80	$ 0.69	$ 2.19	$ 2.02
Diluted Earnings Per Common Share	0.79	0.69	2.18	2.02
Dividends Declared Per Common Share	0.13	0.12	0.39	0.36

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

Douglas W. Kiessling
Regional Vice President /
Commercial Loan Manager

Tom Swoish
Regional Vice President /
Commercial Loan Manager

Sarah Headley
First Vice President /
Commercial Loan Officer

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

Retail

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

Retail Loans

DeAnne Hawley
Vice President /
Retail Loan Sales Manager

Brandy Titus
Vice President /
Regional Mortgage 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
Vice President /
Information Technology

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