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 $3,005,000 for the quarter ended March 31, 2023, as compared to net income of $2,933,000 for the first quarter of 2022. First quarter 2023 earnings per share were $0.66 per share, compared to $0.65 per share for the first quarter of 2022.

Southern's annualized return on average assets for the three-month periods ending March 31, 2023 and March 31, 2022 were 0.93 percent and 0.98 percent, respectively. Our annualized return on average equity was 13.68 percent for the first quarter of 2023, compared to 12.23 percent for the first quarter of 2022. The tax equivalent net interest margin was 3.31 percent compared to 3.02 percent for the same period last year.

Total consolidated assets as of March 31, 2023 were a record high $1.327 billion compared to $1.277 billion on December 31, 2022. Loan totals as of March 31, 2023 increased to a record $933.5 million from December 31, 2022 levels of $886.6 million. Year over year we experienced loan growth of $168.4 million. Deposits also grew during the quarter to a record $1.127 billion compared to $1.091 billion as of December 31, 2022.

Delinquent loan totals decreased year over year to 0.13 percent of gross loans as of March 31, 2023, or $1,227,000, down from 0.20 percent, or $1,511,000 as of March 31, 2022. Loans past due 30-89 days were modest, totaling just $224,000, or 0.02 percent of total loans at quarter end, and no loans were more than 90 days past due.

Like many of our peers, on January 1, 2023 Southern adopted the new Current Expected Credit Losses Methodology (CECL) to determine the allowance for credit losses. This change resulted in a one-time adjustment to capital of $1,264,000, net of tax, for credit losses and unfunded loan commitments. In addition, Southern provided $275,000 for loan losses during the first quarter of 2023 as a result of loan growth, while no provision expense was required during the first quarter of 2022. It is anticipated that the CECL Methodology will result in higher allowance levels across the industry.

The allowance for loan losses totaled $10.963 million, or 1.17 percent of total loans at March 31, 2023, an increase of $1,375,000 from December 31, 2022 levels of $9,588,000, or 1.08 percent of total loans. Net loan charge-offs for the first quarter of 2023 totaled $0 compared to net loan losses of $13,000 during the first quarter of 2022.

Southern's board of directors approved an increase in the quarterly cash dividend from $0.13 per share to $0.14 per share beginning with the April 2023 dividend payment. The new annualized rate of $0.56 per share represents a dividend yield of 3.01 percent based on the market price at the time of the announcement of $18.61 per share.

We look forward to opening our first branch location in downtown Jackson in the "The 200 Building" two blocks from the loan production office located in the Post Office Building on West Michigan Avenue. The new branch is scheduled to open in July. The Jackson area community has been welcoming and growth in loan and deposit footings both have exceeded expectations.

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, 2023 (Unaudited)	December 31, 2022 (A)
	(In thousands, except share data)	
ASSETS		
Cash and cash equivalents	$ 79,184	$ 77,255
Federal funds sold	265	253
Investment securities	248,527	247,815
Gross loans	933,499	886,626
Less: Allowance for loan loss	(10,963)	(9,588)
Net loans	922,536	877,038
Premises and equipment, net	17,554	16,545
Net cash surrender value of life insurance	22,001	18,124
Goodwill	13,422	13,422
Other assets	23,476	26,071
Total assets	$ 1,326,965	$ 1,276,523
LIABILITIES		
Deposits	$ 1,127,117	$ 1,091,051
Securities sold under agreements to repurchase and overnight borrowings	10,659	11,179
Accrued expenses and other liabilities	12,905	13,545
Other borrowings	50,900	40,000
Subordinated debentures	34,601	34,584
Total liabilities	1,236,182	1,190,359
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 – 4,577,171 shares in 2023 (4,519,179 shares in 2022)	11,439	11,294
Additional paid-in capital	14,098	14,066
Retained earnings	83,800	82,705
Accumulated other comprehensive loss, net	(18,554)	(21,901)
Total shareholders' equity	90,783	86,164
Total liabilities and shareholders' equity	$ 1,326,965	$ 1,276,523

(A) The balance sheet at December 31, 2022 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, 2023	Three Months Ended March 31, 2022
	(In thousands, except per share data)	
INTEREST INCOME	$ 14,333	$ 9,213
INTEREST EXPENSE	4,479	949
Net interest income	9,854	8,264
Provision for loan losses	275	-
Net interest income after provision for loan losses	9,579	8,264
NON-INTEREST INCOME		
Service charges on deposit accounts	393	362
Trust fees	567	577
Net gain or loan sales	60	264
ATM and debit card fee income	414	416
Other	367	277
Total non-interest income	1,801	1,896
NON-INTEREST EXPENSE		
Salaries and employee benefits	4,710	3,991
Occupancy, net	487	439
Equipment	322	283
Professional and outside services	473	389
Software maintenance	519	466
Other	1,166	1,057
Total non-interest expense	7,677	6,625
Income before income taxes	3,703	3,535
Federal income tax provision	698	602
NET INCOME	$ 3,005	$ 2,933
Basic Earnings Per Common Share	$ 0.66	$ 0.65
Diluted Earnings Per Common Share	0.66	0.65
Dividends Declared Per Common Share	0.14	0.13

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 firm makes a market for Southern Michigan Bancorp, Inc. stock:

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

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

John R. Waldron
Jackson Market President

Commercial Loans

Aaron Lewis
Senior 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
Vice President /
Credit Manager

Jackson Market Area

Bill Jors
Senior Vice President /
Commercial Loan Officer

Mike Jors
Vice President /
Commercial Loan Officer

Matthew Miller
Vice President /
Commercial Loan Officer

David Kreger
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 Branch
Administrator

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

Treasury Management

Deanna Manville
Assistant Vice President /
Treasury Sales Officer

Karen Fleisher
Treasury Sales Officer

Municipal Banking

Aimee Kornowicz
Vice President of Municipal Banking

Human Resources

Angela NaDell
First Vice President /
Chief People Officer

Finance

Kim Hudelson
Vice President /
Controller

Shariq Farooquee
Assistant Vice President /
Accounting Manager

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
Vice President /
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

Shaun Fedder
Vice President /
Wealth Management Officer