SOUTHERN MICHIGAN
BANCORP, INC.

THIRD **QUARTER**

CORPORATE HIGHLIGHTS

To Our Shareholders:

Southern Michigan Bancorp, Inc. reported net income of $2,767,000, or $0.61 per share, for the third quarter ended September 30, 2023, compared with $3,613,000 or $0.79 per share, for the third quarter of 2022. For the first nine months of 2023, Southern earned $8,468,000, or $1.86 per share, compared with $9,907,000, or $2.18 per share, for the same nine-month period one year ago. Earnings results were primarily impacted by rising interest rates including higher funding costs as well as weakened secondary market gains from the sale of mortgages. The Fed increased rates an unprecedented 525 basis points in the past 16 months.

Southern's annualized return on average assets for the nine-month periods ended September 30, 2023 and 2022 was 0.84 percent and 1.09 percent, respectively. The annualized return on average equity was 12.42 percent for the first nine months of 2023 compared to 15.14 percent for the same period in 2022. Southern's return on average tangible equity, which is total shareholders' equity less goodwill and other intangibles, was 14.64 percent. Our tax equivalent net interest margin for the nine-month periods ended September 30, 2023 and 2022 was 3.18 percent and 3.25 percent, respectively.

Total assets as of September 30, 2023 increased to $1.429 billion from $1.277 billion at December 31, 2022. Loan totals as of September 30, 2023 increased to $1.039 billion from $886.6 million at December 31, 2022. Deposit totals also increased as compared to year-end 2022 by $101 million, or 9.3 percent, to $1.192 billion at quarter end. We continue to enjoy a great deal of success as we execute our ongoing expansion in the Jackson region.

Southern's asset quality metrics remained strong at September 30, 2023 as loan delinquencies totaled just 0.10 percent of total loans, or $1.018 million. Only $20,000 in accruing loans were past due 30-89 days and $69,000 were more than 90 days past due at quarter end. The bank realized net loan losses for the nine-month period ended September 30, 2023 totaling $7,000 compared to net loan loss recoveries of $11,000 for the same period in 2022. Provision for credit loss expense of $25,000 was recognized during the third quarter of 2023 and $950,000 for the nine months ended September 30, 2023. The allowance for credit losses at September 30, 2023 totaled $11.634 million, or 1.12 percent of total loans, as compared to $9.588 million, or 1.08 percent of total loans at December 31, 2022.

On October 3, 2023 John Waldron became the 11th President and CEO of Southern since we were founded 151 years ago. John brings more than three decades of banking experience to the position. I look forward to working with John and transition responsibilities as he fully moves into his new position.

Please contact John or 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 of the Board

SOUTHERN MICHIGAN BANCORP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2023 (Unaudited)	December 31, 2022 (A)
	(In thousands, except share data)	
ASSETS		
Cash and cash equivalents	$ 89,925	$ 77,255
Federal funds sold	252	253
Investment securities	225,865	247,815
Loans held for sale	-	-
Gross loans	1,038,544	886,626
Less: Allowance for credit losses	(11,634)	(9,588)
Net loans	1,026,910	877,038
Premises and equipment, net	23,293	16,545
Net cash surrender value of life insurance	22,310	18,124
Goodwill	13,422	13,422
Other assets	27,489	26,071
Total assets	$ 1,429,466	$ 1,276,523
LIABILITIES		
Deposits	$ 1,191,871	$ 1,091,051
Securities sold under agreements to repurchase and overnight borrowings	1,984	11,179
Accrued expenses and other liabilities	14,136	13,545
Other borrowings	96,900	40,000
Subordinated debentures	34,636	34,584
Total liabilities	1,339,527	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 – 4,497,490 shares in 2023 (4,519,179 shares in 2022)	11,240	11,294
Additional paid-in capital	13,182	14,066
Retained earnings	88,000	82,705
Accumulated other comprehensive loss, net	(22,483)	(21,901)
Total shareholders' equity	89,939	86,164
Total liabilities and shareholders' equity	$ 1,429,466	$ 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		Nine Months Ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	(In thousands, except per share data)			
INTEREST INCOME	$ 17,231	$ 11,537	$ 47,555	$ 30,914
INTEREST EXPENSE	7,296	1,439	17,905	3,432
Net interest income	9,935	10,098	29,650	27,482
Provision for credit losses	25	-	950	-
Net interest income after provision for credit losses	9,910	10,098	28,700	27,482
NON-INTEREST INCOME				
Service charges on deposit accounts	422	403	1,248	1,115
Trust fees	629	542	1,787	1,675
Net gains on loan sales	71	70	186	565
ATM and debit card fee income	452	454	1,339	1,319
Other	354	323	1,100	901
Total non-interest income	1,928	1,792	5,660	5,575
NON-INTEREST EXPENSE				
Salaries and employee benefits	5,356	4,681	14,571	12,972
Occupancy, net	429	410	1,397	1,244
Equipment	404	338	1,063	954
Professional and outside services	443	519	1,473	1,292
Software maintenance	568	470	1,639	1,420
Other	1,249	1,078	3,713	3,208
Total non-interest expense	8,449	7,496	24,036	21,090
Income before income taxes	3,389	4,394	10,324	11,967
Federal income tax provision	622	781	1,856	2,060
NET INCOME	$ 2,767	$ 3,613	$ 8,468	$ 9,907
Basic Earnings Per Common Share	$ 0.61	$ 0.80	$ 1.86	$ 2.19
Diluted Earnings Per Common Share	0.61	0.79	1.86	2.18
Dividends Declared Per Common Share	0.14	0.13	0.42	0.39

MARKET INFORMATION

Inquiries regarding stock certificate administration, address changes, transfers, and other related services should be directed to:

Equiniti Trust Company
EQ Shareholder Services Call Center
Toll Free: (800) 937-5449
Local & International: 718-921-8124
Hours: 8 a.m. – 8 p.m. ET Monday-Friday
Email: helpast@equiniti.com
Website: equiniti.com

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

Kurt G. Miller
Vice Chairman

John R. Waldron
President &
Chief Executive Officer

Nicholas M. Grabowski
Executive Vice President /
Head of Lending

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

Kevin A. Twardy
Senior Vice President /
Chief Financial Officer

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

Justin Horn
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

Stacey Donner
Vice President /
Mortgage Loan Officer

Jodie Johnson
Vice President /
Mortgage Loan Officer

Shari Kline
Vice President /
Mortgage Loan Officer

Diane Krimmel
Assistant Vice President /
Consumer Loan Specialist

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 Ridgeway
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

JACKSON BRANCH
Sara Walz
Branch Manager

MARSHALL BRANCH
Kara Mead
Vice President /
Commercial Loan Officer /
Branch Manager

MENDON BRANCH
Doreen Tobin
Assistant Vice President /
Branch Manager

PORTAGE BRANCH
Shannon Valdez
Assistant Vice President /
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

Melissa Easter
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

Danice Chartrand
Senior Vice President /
Accounting Director

Kim Hudelson
Vice President /
Controller

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

Stacy Pelikan
Audit and Insurance Officer /
Bank 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