SOUTHERN MICHIGAN
BANCORP, INC.

FIRST **QUARTER**

CORPORATE HIGHLIGHTS

To Our Shareholders:

Southern Michigan Bancorp, Inc. reported net income of $2,678,000 for the quarter ended March 31, 2024, as compared to net income of $3,005,000 for the first quarter of 2023. First quarter 2024 earnings per share were $0.59 per share, compared to $0.66 per share for the first quarter of 2023. Earnings were impacted because of net interest margin compression due to the current higher rate environment. Our ongoing expansion into newer markets also caused overhead expenses to rise as well.

Southern's annualized return on average assets for the three-month periods ending March 31, 2024 and March 31, 2023 were 0.73 percent and 0.93 percent, respectively. Our annualized return on average equity was 10.80 percent for the first quarter of 2024, compared to 13.68 percent for the first quarter of 2023. The tax equivalent net interest margin was 2.95 percent compared to 3.31 percent for the same period last year.

Total consolidated assets as of March 31, 2024 increased to $1.479 billion from $1.415 billion on December 31, 2023. Loan totals as of March 31, 2024 increased to $1.058 billion from December 31, 2023 levels of $1.036 billion. Year over year we experienced loan growth of $125 million. Deposits also grew during the quarter to $1.211 billion compared to $1.158 billion as of December 31, 2023. Total assets, loans and deposits all reached record highs at quarter end.

Delinquent and non-accrual loan totals decreased year over year to 0.11 percent of gross loans as of March 31, 2024, or $1,172,000, down from 0.13 percent, or $1,227,000 as of March 31, 2023. Non-accrual loans decreased year over year to $842,000 from $1,003,000.

During the first quarter of 2024, no provision for credit losses was required, in contrast to $275,000 expensed during the first quarter of 2023. The allowance for credit losses totaled $11.687 million, or 1.10 percent of total loans at March 31, 2024, a decrease of $10,000 from December 31, 2023 levels of $11.697 million or 1.13 percent of total loans. The bank realized net loan charge-offs totaling $10,000 for the first quarter of 2024.

Southern's board of directors approved an increase in the quarterly cash dividend from $0.14 per share to $0.15 per share beginning with the April 2024 dividend payment. The new annualized rate of $0.60 per share represents a dividend yield of 3.42 percent based on the market price at the time of the announcement of $17.55 per share.

We look forward to opening our second full-service branch in Sturgis located at 711 South Centreville Road scheduled to open in late fall 2024. Later this year, we anticipate opening a second full-service branch in Jackson on the corner of Horton and Weatherwax roads. This will be the third office in Jackson including the Loan Production Office downtown. These newer offices are part of a strategic initiative that began some time ago to expand our geographic footprint. We are pleased with the growth in new relationships as a result of this expansion.

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 R. Waldron

John R. Waldron
President and Chief Executive Officer

SOUTHERN MICHIGAN BANCORP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2024 (Unaudited)	December 31, 2023 (A)
	(In thousands, except share data)	
ASSETS		
Cash and cash equivalents	$ 122,869	$ 71,620
Federal funds sold	252	1,468
Investment securities	224,074	231,340
Loans held for sale	683	169
Gross loans	1,058,474	1,036,417
Less: Allowance for credit losses	(11,687)	(11,697)
Net loans	1,046,787	1,024,720
Premises and equipment, net	22,087	23,114
Net cash surrender value of life insurance	22,636	22,472
Goodwill	13,422	13,422
Other assets	26,046	26,470
Total assets	$ 1,478,856	$ 1,414,795
LIABILITIES		
Deposits	$ 1,210,516	$ 1,157,971
Securities sold under agreements to repurchase and overnight borrowings	1,824	1,738
Accrued expenses and other liabilities	15,044	15,703
Other borrowings	116,900	106,900
Subordinated debentures	34,670	34,653
Total liabilities	1,378,954	1,316,965
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 – 4,521,106 shares in 2024 (4,533,637 shares in 2023)	11,298	11,330
Additional paid-in capital	13,131	13,126
Retained earnings	91,794	89,808
Accumulated other comprehensive loss, net	(16,321)	(16,434)
Total shareholders' equity	99,902	97,830
Total liabilities and shareholders' equity	$ 1,478,856	$ 1,414,795

(A) The balance sheet at December 31, 2023 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, 2024	Three Months Ended March 31, 2023
	(In thousands, except per share data)	
INTEREST INCOME	$ 18,507	$ 14,333
INTEREST EXPENSE	8,446	4,427
Net interest income	10,061	9,906
Provision for credit losses	-	275
Net interest income after provision for credit losses	10,061	9,631
NON-INTEREST INCOME		
Service charges on deposit accounts	424	393
Trust fees	641	567
Net gain or loan sales	73	60
ATM and debit card fee income	424	414
Other	419	367
Total non-interest income	1,981	1,801
NON-INTEREST EXPENSE		
Salaries and employee benefits	5,296	4,762
Occupancy, net	499	487
Equipment	424	322
Professional and outside services	586	473
Software maintenance	592	519
Other	1,389	1,166
Total non-interest expense	8,786	7,729
Income before income taxes	3,256	3,703
Federal income tax provision	578	698
NET INCOME	$ 2,678	$ 3,005
Basic Earnings Per Common Share	$ 0.59	$ 0.66
Diluted Earnings Per Common Share	0.59	0.66
Dividends Declared Per Common Share	0.15	0.14

MARKET INFORMATION

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

Equiniti Trust Company
Website: www.equiniti.com
Phone: (718) 921-8124
Toll Free: (800) 937-5449
Email: help@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 R. Waldron
President and CEO

Nicholas M. Grabowski
EVP, Chief Lending Officer

Eric M. Anglin
EVP, Chief Operating Officer, Chief Strategy Officer

Aaron L. Lewis
EVP, Chief Credit Officer

Kevin A. Twardy
SVP, Chief Financial Officer

Commercial Loans

Douglas W. Kiessling
Regional VP, Commercial Loan Manager

Tom Swoish
Regional VP, Commercial Loan Manager

Sarah Headley
1st VP, Commercial Loan Officer

Gabriel Alvez
VP, Commercial Loan Officer

Deb Davis
VP, Commercial Loan Officer

Corey Donner
VP, Commercial Loan Officer

Rachel Doty
VP, Commercial Loan Officer

Adam Losinski
VP, Commercial Loan Officer

Greg Miller
VP, Commercial Loan Officer

Jim Sobeske
VP, Commercial Loan Officer

Samantha Gripman
VP, Credit Manager

JACKSON MARKET AREA
Bill Jors
SVP, Commercial Loan Officer

Mike Jors
VP, Commercial Loan Officer

Matthew Miller
VP, Commercial Loan Officer

David Kreger
VP, Commercial Loan Officer

PORTAGE TRADE CENTRE
Justin Horn
VP, Commercial Loan Officer

Retail Loans

Brandy Titus
1st VP, Head of Mortgage Sales

DeAnne Hawley
VP, Retail Loan Sales Manager

Connie Caudill
VP, Collections Manager

Stacey Donner
VP, Mortgage Loan Officer

Jodie Johnson
VP, Mortgage Loan Officer

Shari Kline
VP, Mortgage Loan Officer

Diane Krimmel
AVP, Consumer Loan Specialist

LeAndra Otis
AVP, Mortgage Loan Officer

Retail Loan Operations

Tina Mack
VP, Retail Loan Operations Manager

Phyllis Wingate
VP, Retail Lending Functions and Systems

Retail

Derek Naylor
1st VP, Head of Retail Banking Services, Chief Deposit Officer

Retail Banking

Lori Neill
VP, Retail Branch Administrator

BATTLE CREEK BRANCH
Lisa Ridgeway
VP, Branch Manager

CENTREVILLE BRANCH
Jenny Haydon
Branch Manager

COLDWATER MAIN & EAST CHICAGO BRANCHES
Felicia Landis
Branch Manager

CONSTANTINE BRANCH
Veronica Featherstone
Branch Manager

HILLSDALE BRANCH
Jennifer Crist
AVP, Branch Manager

JACKSON BRANCH
Sara Walz
Branch Manager

MARSHALL BRANCH
Kara Mead
VP, Commercial Loan Officer, Branch Manager

MENDON BRANCH
Doreen Tobin
AVP, Branch Manager

PORTAGE BRANCH
Shannon Valdez
AVP, Branch Manager

STURGIS BRANCH
Scott Reed
AVP, Branch Manager

THREE RIVERS BRANCH
Kelsey McClish
Branch Manager

UNION CITY/TEKONSHA BRANCHES
Elizabeth DiDonato
Branch Manager

Treasury Management

Deanna Manville
AVP, Treasury Sales Officer

Melissa Easter
Treasury Sales Officer

Karen Fleisher
Treasury Sales Officer

Municipal Banking

Aimee Kornowicz
VP of Municipal Banking

Finance

Danice Chartrand
SVP, Accounting Director

Kim Hudelson
VP, Controller

Information Technology

Greg Sopcak
1st VP, Head of Information Technology

Joseph Duke
VP, Information Technology

Cody Smoker
Systems Administrator

Marketing

Quinn White
VP, Head of Marketing

Operations

Angie Smith
1st VP, Head of Operations

Maggie Usher
VP, Treasury and eService Operations Manager

Becky Omo
AVP, Deposit Operations Manager

Lani Smith
AVP, Operations Support Manager

Vikki Kline
Core System Administrator

Risk Management

Scott McQueen
1st VP, Risk Management Officer

Jennifer Pope
VP, Information Security Officer

Stacy Pelikan
Audit and Insurance Officer, Bank Security Officer

Wealth Management

Matt Moses
SVP, Head of Wealth Management

Melissa Natzke-Barlow
VP, Wealth Management Operations Officer

Sherrie Cochran
VP, Wealth Management Officer

Buzz Leach
VP, Wealth Management Officer

Shaun Fedder
VP, Wealth Management Officer