SOUTHERN MICHIGAN
BANCORP, INC.

SECOND **QUARTER**

CORPORATE HIGHLIGHTS

To Our Shareholders:

Southern Michigan Bancorp, Inc. reported net income of $2,488,000 or $0.55 per share, for the second quarter ended June 30, 2024, compared with $2,696,000 or $0.59 per share, for the second quarter of 2023. For the first six months of 2024, Southern earned $5,166,000 or $1.14 per share, compared with $5,701,000 or $1.25 per share, for the same six-month period one year ago.

Southern's annualized return on average assets for the six-month periods ended June 30, 2024 and 2023 was 0.71 percent and 0.86 percent, respectively. The annualized return on average equity was 10.34 percent for the first six months of 2024 compared to 12.63 percent for the same period in 2023. Our tax equivalent net interest margin for the six-month periods ended June 30, 2024 and 2023 was 2.94 percent and 3.25 percent, respectively.

Total assets as of June 30, 2024 increased to $1.459 billion from $1.415 billion at December 31, 2023. Loan totals as of June 30, 2024 increased to $1.072 billion from $1.036 million at December 31, 2023. Deposits totaled $1.205 billion at quarter end, an increase of $47 million as compared to $1.158 billion at year-end 2023.

Southern's asset quality metrics remained strong at June 30, 2024 as non-performing loans as a percentage of total loans was only 0.08 percent, or $864,000. The bank realized net loan charge-offs totaling $11,000 for the first six months of 2024, compared to net loan loss recoveries of $3,000 for the six-month period ending June 30, 2023. $236,000 of provision for credit loss expense was recorded during the second quarter of 2024, compared to $650,000 in the second quarter of 2023. The allowance for credit loss at June 30, 2024 totaled $11.922 million, or 1.11 percent of total loans, as compared to December 31, 2023 levels of $11.697 million or 1.13 percent of total loans.

We remain pleased with our business development efforts and continue to experience growth in all of our markets. I am confident that the bank is well-positioned to take advantage of future opportunities as they arise.

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

	June, 2024 (Unaudited)	December 31, 2023 (A)
	(In thousands, except share data)	
ASSETS		
Cash and cash equivalents	$ 83,057	$ 71,620
Federal funds sold	253	1,468
Investment securities	225,340	231,340
Loans held for sale	1,550	169
Gross loans	1,071,974	1,036,417
Less: Allowance for credit losses	(11,922)	(11,697)
Net loans	1,060,052	1,024,720
Premises and equipment, net	21,919	23,114
Net cash surrender value of life insurance	22,801	22,472
Goodwill	13,422	13,422
Other assets	30,274	26,470
Total assets	$ 1,458,668	$ 1,414,795
LIABILITIES		
Deposits	$ 1,205,305	$ 1,157,971
Securities sold under agreements to repurchase and overnight borrowings	883	1,738
Accrued expenses and other liabilities	18,804	15,703
Other borrowings	96,900	106,900
Subordinated debentures	34,687	34,653
Total liabilities	1,356,579	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 – 4,564,904 shares in 2024 (4,533,637 shares in 2023)	11,408	11,330
Additional paid-in capital	12,973	13,126
Retained earnings	93,595	89,808
Accumulated other comprehensive loss, net	(15,887)	(16,434)
Total shareholders' equity	102,089	97,830
Total liabilities and shareholders' equity	$ 1,458,668	$ 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		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
	(In thousands, except per share data)			
INTEREST INCOME	$ 18,757	$ 15,991	$ 37,264	$ 30,324
INTEREST EXPENSE	8,772	6,130	17,218	10,609
Net interest income	9,985	9,861	20,046	19,715
Provision for credit losses	236	650	236	925
Net interest income after provision for credit losses	9,749	9,211	19,810	18,790
NON-INTEREST INCOME				
Service charges on deposit accounts	407	433	831	826
Trust fees	659	591	1,300	1,158
Net gains on loan sales	141	55	237	115
ATM and debit card fee income	467	473	891	887
Other	365	379	761	746
Total non-interest income	2,039	1,931	4,020	3,732
NON-INTEREST EXPENSE				
Salaries and employee benefits	5,330	4,685	10,626	9,395
Occupancy, net	497	481	996	968
Equipment	409	337	833	659
Professional and outside services	459	557	1,045	1,030
Software maintenance	598	552	1,190	1,071
Other	1,452	1,298	2,841	2,464
Total non-interest expense	8,745	7,910	17,531	15,587
Income before income taxes	3,043	3,232	6,299	6,935
Federal income tax provision	555	536	1,133	1,234
NET INCOME	$ 2,488	$ 2,696	$ 5,166	$ 5,701
Basic Earnings Per Common Share	$ 0.55	$ 0.59	$ 1.14	$ 1.25
Diluted Earnings Per Common Share	0.55	0.59	1.14	1.25
Dividends Declared Per Common Share	0.15	0.14	0.30	0.28

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 H. Castle
Chairman

Kurt G. Miller
Vice Chairman

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

Sarah Headley
1st VP, Commercial Loan Officer

Tom Swoish
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

Bobby Wrozek
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 Banking

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

Lori Neill
VP, Retail Banking Operations Manager

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

Beth Rowley
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

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

Shaun Fedder
VP, Wealth Management Officer

Buzz Leach
VP, Wealth Management Officer

Chad Perrine
VP, Wealth Management Officer