SOUTHERN MICHIGAN
BANCORP, INC.

THIRD **QUARTER**

CORPORATE HIGHLIGHTS

To Our Shareholders:

Southern Michigan Bancorp, Inc. reported net income of $2,586,000 or $0.57 per share, for the third quarter ended September 30, 2024, compared with $2,767,000 or $0.61 per share, for the third quarter of 2023. For the first nine months of 2024, Southern earned $7,751,000 or $1.70 per share, compared with $8,468,000 or $1.86 per share, for the same nine-month period one year ago.

Southern's annualized return on average assets for the nine-month periods ended September 30, 2024 and 2023 was 0.70 percent and 0.84 percent, respectively. The annualized return on average equity was 10.18 percent for the first nine months of 2024 compared to 12.42 percent for the same period in 2023. Our tax equivalent net interest margin for the nine-month periods ended September 30, 2024 and 2023 was 2.94 percent and 3.18 percent, respectively.

Total assets as of September 30, 2024 increased to $1.511 billion from $1.415 billion at December 31, 2023. Loan totals as of September 30, 2024 increased to $1.084 billion from $1.036 billion at December 31, 2023. Deposits totaled $1.266 billion at quarter end, an increase of $108 million as compared to $1.158 billion at year-end 2023.

Southern's asset quality metrics remained strong at September 30, 2024 as non-performing loans as a percentage of total loans was only 0.08 percent, or $824,000. The bank realized net loan charge-offs totaling $20,000 for the first nine months of 2024, compared to net loan loss charge-offs of $7,000 for the nine-month period ending September 30, 2023. $425,000 of provision for credit loss expense was recorded during the third quarter of 2024, compared to $25,000 in the third quarter of 2023. The allowance for credit loss at September 30, 2024 totaled $12.363 million, or 1.14 percent of total loans, as compared to December 31, 2023 levels of $11.697 million or 1.13 percent of total loans.

Our second full-service branch in Sturgis located at 711 South Centerville Road opened October 16, 2024, with a ribbon cutting ceremony planned for November 13, 2024. In addition, we are pleased to offer the expertise of seasoned Wealth Management officers in both our Sturgis and Jackson locations, providing personalized financial guidance and strategies to help clients achieve their long-term goals.

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

	September 30, 2024 (Unaudited)	December 31, 2023 (A)
	(In thousands, except share data)	
ASSETS		
Cash and cash equivalents	$ 121,022	$ 71,620
Federal funds sold	264	1,468
Investment securities	220,900	231,340
Loans held for sale	871	169
Gross loans	1,083,597	1,036,417
Less: Allowance for credit losses	(12,363)	(11,697)
Net loans	1,071,234	1,024,720
Premises and equipment, net	23,406	23,114
Net cash surrender value of life insurance	22,970	22,472
Goodwill	13,422	13,422
Other assets	36,434	26,470
Total assets	$ 1,510,523	$ 1,414,795
LIABILITIES		
Deposits	$ 1,266,096	$ 1,157,971
Securities sold under agreements to repurchase and overnight borrowings	1,688	1,738
Accrued expenses and other liabilities	17,996	15,703
Other borrowings	82,900	106,900
Subordinated debentures	34,705	34,653
Total liabilities	1,403,385	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 – 4,563,995 shares in 2024 (4,533,637 shares in 2023)	11,406	11,330
Additional paid-in capital	13,225	13,126
Retained earnings	95,498	89,808
Accumulated other comprehensive loss, net	(12,991)	(16,434)
Total shareholders' equity	107,138	97,830
Total liabilities and shareholders' equity	$ 1,510,523	$ 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. BOARD OF DIRECTORS

Melissa J. Bauer
B&M Crop Consulting

John H. Castle
Chairman

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Clark Logic

Patrick H. Flannery
Hillsdale College

Stacey Hamlin
Jeffrey N. Hamlin DMD, PC

Travis Hampton
Value Max Products

Nolan E. (Rick) Hooker
Best American Car Washes

Brian P. McConnell
Burr Oak Tool, Inc.

Andrew R. Mercer
R.W. Mercer Co.

Kurt G. Miller
Vice Chairman

John R. Waldron
President and CEO

DIRECTORS EMERITUS

Dean Calhoun

John S. Carton

H. Kenneth Cole

James T. Grohalski

Gregory J. Hull

Thomas E. Kolassa

Thomas D. Meyer

SOUTHERN MICHIGAN BANCORP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
	(In thousands, except per share data)			
INTEREST INCOME	$ 19,531	$ 17,231	$ 56,794	$ 47,555
INTEREST EXPENSE	9,138	7,296	26,356	17,905
Net interest income	10,393	9,935	30,438	29,650
Provision for credit losses	425	25	661	950
Net interest income after provision for credit losses	9,968	9,910	29,777	28,700
NON-INTEREST INCOME				
Service charges on deposit accounts	439	422	1,270	1,248
Trust fees	741	629	2,041	1,787
Net gains on loan sales	181	71	419	186
ATM and debit card fee income	465	452	1,356	1,339
Other	346	354	1,106	1,100
Total non-interest income	2,172	1,928	6,192	5,660
NON-INTEREST EXPENSE				
Salaries and employee benefits	5,528	5,356	16,154	14,751
Occupancy, net	519	429	1,515	1,397
Equipment	400	404	1,233	1,063
Professional and outside services	530	443	1,575	1,473
Software maintenance	626	568	1,817	1,639
Other	1,400	1,249	4,240	3,713
Total non-interest expense	9,003	8,449	26,534	24,036
Income before income taxes	3,137	3,389	9,435	10,324
Federal income tax provision	551	622	1,684	1,856
NET INCOME	$ 2,586	$ 2,767	$ 7,751	$ 8,468
Basic Earnings Per Common Share	$ 0.57	$ 0.61	$ 1.70	$ 1.86
Diluted Earnings Per Common Share	0.57	0.61	1.70	1.86
Dividends Declared Per Common Share	0.15	0.14	0.45	0.42

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

Karla Mullaly
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 Warsop
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

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