SOUTHERN MICHIGAN
BANCORP, INC.

FIRST **QUARTER**

CORPORATE HIGHLIGHTS

To Our Shareholders:

Southern Michigan Bancorp, Inc. reported net income of $3,046,000 for the quarter ended March 31, 2025, an increase of 13.74 percent, as compared to net income of $2,678,000 for the first quarter of 2024. First quarter 2025 earnings per share were $0.66 per share, compared to $0.59 per share for the first quarter of 2024. Earnings were solid and credit quality remained strong.

Southern's annualized return on average assets for the three-month periods ending March 31, 2025 and March 31, 2024 were 0.79 percent and 0.73 percent, respectively. The annualized return on average equity was 11.11 percent for the first quarter of 2025, compared to 10.80 percent for the first quarter of 2024. The tax equivalent net interest margin for the three-month period ending March 31, 2025 was 3.08 percent compared to 2.95 percent for the same period last year.

Total consolidated assets as of March 31, 2025 increased to $1.563 billion from $1.497 billion on December 31, 2024. Loan totals as of March 31, 2025 increased $21.3 million to $1.138 billion from December 31, 2024 levels of $1.116 billion. Deposits also grew during the quarter to $1.315 billion compared to $1.252 billion as of December 31, 2024. Our continued investment in market expansion and staff translated into record levels of loans, deposits, and total assets at quarter end.

Southern's asset quality metrics remained strong at March 31, 2025 as non-performing loans as a percentage of total loans decreased year over year to 0.06 percent, or $696,000, from $841,000. Delinquent loan totals at March 31, 2025 also decreased year over year to 0.02 percent of total loans, or $182,000, down from $330,000.

The bank realized net loan charge-offs totaling $2,000 for the first three months of 2025, compared to $10,000 for the three-month period ending March 31, 2024. $164,000 of provision for credit losses expense was recorded during the first quarter of 2025, compared to none in the first quarter of 2024. The allowance for credit losses at March 31, 2025 totaled $12.780 million, or 1.12 percent of total loans, a decrease of $2,000 from December 31, 2024 levels of $12.782 million or 1.14 percent of total loans.

Southern's board of directors approved an increase in the quarterly cash dividend from $0.15 per share to $0.16 per share beginning with the April 2025 dividend payment. The new annualized rate of $0.64 per share represents a dividend yield of 3.37 percent based on the market price at the time of the announcement of $19.00 per share.

Our first quarter results show a promising start to 2025. The bank is performing well across all major areas, reflecting our solid strategy and teamwork. Thank you for your continued support, it remains the key to our success.

Please contact me, members of our management team, or any of our directors should you have any questions or comments.

Sincerely,

John R. Waldron

John R. Waldron
President and Chief Executive Officer

SOUTHERN MICHIGAN BANCORP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2025 (Unaudited)	December 31, 2024 (A)
	(In thousands, except share data)	
ASSETS		
Cash and cash equivalents	$ 115,681	$ 73,737
Federal funds sold	247	259
Investment securities	223,254	219,774
Loans held for sale	688	995
Gross loans	1,137,739	1,116,434
Less: Allowance for credit losses	(12,780)	(12,782)
Net loans	1,124,959	1,103,652
Premises and equipment, net	25,533	25,600
Net cash surrender value of life insurance	22,842	23,139
Goodwill	13,422	13,422
Other assets	36,278	35,977
Total assets	$ 1,562,904	$ 1,496,555
LIABILITIES		
Deposits	$ 1,315,342	$ 1,251,795
Securities sold under agreements to repurchase and overnight borrowings	1,162	1,560
Accrued expenses and other liabilities	18,338	18,355
Other borrowings	82,900	82,900
Subordinated debentures	34,739	34,722
Total liabilities	1,452,481	1,389,332
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 – 4,631,503 shares in 2025 (4,577,107shares in 2024)	11,574	11,438
Additional paid-in capital	13,492	13,438
Retained earnings	99,767	97,462
Accumulated other comprehensive loss, net	(14,410)	(15,115)
Total shareholders' equity	110,423	107,223
Total liabilities and shareholders' equity	$ 1,562,904	$ 1,496,555

(A) The balance sheet at December 31, 2024 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, 2025	Three Months Ended March 31, 2024
	(In thousands, except per share data)	
INTEREST INCOME	$ 19,500	$ 18,507
INTEREST EXPENSE	8,587	8,446
Net interest income	10,913	10,061
Provision for credit losses	164	-
Net interest income after provision for credit losses	10,749	10,061
NON-INTEREST INCOME		
Service charges on deposit accounts	406	424
Trust fees	738	641
Net gain or loan sales	220	73
ATM and debit card fee income	443	424
Other	561	419
Total non-interest income	2,368	1,981
NON-INTEREST EXPENSE		
Salaries and employee benefits	5,773	5,296
Occupancy, net	615	499
Equipment	486	424
Professional and outside services	452	586
Software maintenance	658	592
Other	1,467	1,389
Total non-interest expense	9,451	8,786
Income before income taxes	3,666	3,256
Federal income tax provision	620	578
NET INCOME	$ 3,046	$ 2,678
Basic Earnings Per Common Share	$ 0.66	$ 0.59
Diluted Earnings Per Common Share	0.66	0.59
Dividends Declared Per Common Share	0.16	0.15

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**

SMB & SMBT Executive Officers

John R. Waldron
President and
Chief Executive Officer

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

Nicholas M. Grabowski
EVP, Chief Lending 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

Justin Horn
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

Bobby Wrozek
Jackson Market President

Bill Jors
SVP, Commercial Loan Officer

Mike Jors
VP, Commercial Loan Officer

Matthew Miller
VP, Commercial Loan Officer

Retail Loans

Brandy Titus
1st VP, Head of Mortgage Lending

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

Craig Talbert
VP, Mortgage Loan Officer

Diane Krimmel
AVP, Consumer Loan Specialist

LeAndra Otis
AVP, Mortgage Loan Officer

Retail Loan Operations

Tina Mack
VP, 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 Branch Administrator

BATTLE CREEK BRANCH
Lisa Ridgeway
VP, Branch Manager

CENTREVILLE BRANCH
Jenny Haydon
Branch Manager

COLDWATER BRANCHES
Felicia Landis
AVP, Branch Manager

CONSTANTINE BRANCH
Veronica Featherstone
Branch Manager

HILLSDALE BRANCH
Jennifer Crist
VP, Branch Manager

JACKSON BRANCHES
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 BRANCHES
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

Human Resources

Angie Tesman
1st VP, Head of Human Resources

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

Buzz Leach
VP, Wealth Management Officer

Shaun Fedder
VP, Wealth Management Officer

Chad Perrine
VP, Wealth Management Officer

Victoria Duda
Wealth Management Officer