SOUTHERN MICHIGAN
BANCORP, INC.

SECOND **QUARTER**

CORPORATE HIGHLIGHTS

To Our Shareholders:

Southern Michigan Bancorp, Inc. reported net income of $3,238,000, or $0.70 per share, for the second quarter ended June 30, 2025, compared with $2,488,000 or $0.55 per share, for the second quarter of 2024. For the first six months of 2025, Southern earned $6,284,000 or $1.36 per share, compared with $5,166,000 or $1.14 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, 2025 and June 30, 2024 were 0.81 percent and 0.71 percent, respectively. The annualized return on average equity was 11.31 percent for the first six months of 2025 compared to 10.34 percent for the same period in 2024. Our tax equivalent net interest margin for the six-month periods ended June 30, 2025 and 2024 was 3.20 percent and 2.94 percent, respectively.

Total assets as of June 30, 2025 increased to $1.571 billion from $1.497 billion at December 31, 2024. Loan totals as of June 30, 2025 increased to $1.193 billion from $1.116 billion at December 31, 2024. Deposits totaled $1.304 billion at quarter end, an increase of $52.3 million as compared to $1.252 billion at year-end 2024.

Southern's asset quality metrics remained strong at June 30, 2025 as non-performing loans as a percentage of total loans were only 0.01 percent, or $74,000. The bank realized net loan charge-offs totaling $15,000 for the first six months of 2025, compared to $11,000 for the six-month period ending June 30, 2024. $500,000 of provision for credit loss expense was recorded during the second quarter of 2025, compared to $236,000 in the second quarter of 2024. The allowance for credit loss at June 30, 2025 totaled $13.224 million, or 1.11 percent of total loans, as compared to December 31, 2024 levels of $12.782 million or 1.14 percent of total loans.

We are pleased to report another solid quarter. Our earnings trend remained positive, and credit quality remained strong. Our continued investment in market expansion and staff translated into record loans and total assets at quarter end.

As we acknowledge these accomplishments, we also want to take a moment to honor the contributions made by Patrick Flannery. We appreciate the many years of service offered by Patrick, who has served as a Director since July 2017. Patrick resigned from his role effective June 30th, following his acceptance of a position at Franciscan University of Steubenville, Ohio.

When Patrick joined our Board, Southern Michigan Bank and Trust had assets totaling $664 million. Today, we have more than doubled in size, with assets totaling $1.571 billion. Patrick joined the Audit Committee in 2017, serving as Chair from June 2021 until leaving the bank. He also served on the Trust Committee and Compensation Committee. As a Board, we thank Patrick for his service and wish him all the best.

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, 30 2025 (Unaudited)	December 31, 2024 (A)
	(In thousands, except share data)	
ASSETS		
Cash and cash equivalents	$ 59,176	$ 73,737
Federal funds sold	257	259
Investment securities	229,359	219,774
Loans held for sale	180	995
Gross loans	1,193,386	1,116,434
Less: Allowance for credit losses	(13,224)	(12,782)
Net loans	1,180,162	1,103,652
Premises and equipment, net	25,502	25,600
Net cash surrender value of life insurance	28,050	23,139
Goodwill	13,422	13,422
Other assets	35,155	35,977
Total assets	$ 1,571,263	$ 1,496,555
LIABILITIES		
Deposits	$ 1,304,115	$ 1,251,795
Securities sold under agreements to repurchase and overnight borrowings	818	1,560
Accrued expenses and other liabilities	19,962	18,355
Other borrowings	97,900	82,900
Subordinated debentures	34,756	34,722
Total liabilities	1,457,551	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 – 4,627,809 shares in 2025 (4,577,107 shares in 2024)	11,565	11,438
Additional paid-in capital	13,769	13,438
Retained earnings	102,264	97,462
Accumulated other comprehensive loss, net	(13,886)	(15,115)
Total shareholders' equity	113,712	107,223
Total liabilities and shareholders' equity	$ 1,571,263	$ 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		Six Months Ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
	(In thousands, except per share data)			
INTEREST INCOME	$ 20,941	$ 18,757	$ 40,441	$ 37,264
INTEREST EXPENSE	8,854	8,772	17,441	17,218
Net interest income	12,087	9,985	23,000	20,046
Provision for credit losses	500	236	664	236
Net interest income after provision for credit losses	11,587	9,749	22,336	19,810
NON-INTEREST INCOME				
Service charges on deposit accounts	397	407	803	831
Trust fees	786	659	1,525	1,300
Net gains on loan sales	274	141	494	237
ATM and debit card fee income	484	467	928	891
Other	420	365	980	761
Total non-interest income	2,361	2,039	4,730	4,020
NON-INTEREST EXPENSE				
Salaries and employee benefits	6,220	5,330	11,993	10,626
Occupancy, net	571	497	1,186	996
Equipment	501	409	988	833
Professional and outside services	596	459	1,048	1,045
Software maintenance	691	598	1,349	1,190
Other	1,517	1,452	2,983	2,841
Total non-interest expense	10,096	8,745	19,547	17,531
Income before income taxes	3,852	3,043	7,519	6,299
Federal income tax provision	614	555	1,235	1,133
NET INCOME	$ 3,238	$ 2,488	$ 6,284	$ 5,166
Basic Earnings Per Common Share	$ 0.70	$ 0.55	$ 1.36	$ 1.14
Diluted Earnings Per Common Share	0.70	0.55	1.36	1.14
Dividends Declared Per Common Share	0.16	0.15	0.32	0.30

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

Britney Dickinson
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

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

Chad Perrine
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

Victoria Duda
Wealth Management Officer