SOUTHERN MICHIGAN
BANCORP, INC.

FIRST **QUARTER**

CORPORATE HIGHLIGHTS

To Our Shareholders:

Southern Michigan Bancorp, Inc. reported net income of $3,306,000 for the quarter ended March 31, 2026, an increase of 8.54 percent, as compared to net income of $3,046,000 for the first quarter of 2025. First quarter 2026 earnings were $0.71 per share, compared to $0.66 per share for the first quarter of 2025. Earnings were solid and we achieved record levels of loans, deposits, and total assets at quarter end.

Southern's annualized return on average assets for the three-month periods ending March 31, 2026 and March 31, 2025 were 0.77 percent and 0.79 percent, respectively. The annualized return on average equity was 10.65 percent for the first quarter of 2026, compared to 11.11 percent for the first quarter of 2025. The tax equivalent net interest margin for the three-month period ending March 31, 2026 was 3.26 percent compared to 3.08 percent for the same period last year.

Total consolidated assets as of March 31, 2026 increased to $1.706 billion from $1.690 billion on December 31, 2025. Total loans as of March 31, 2026 increased $33.3 million to $1.307 billion from December 31, 2025 levels of $1.273 billion. Deposits also grew during the quarter to $1.431 billion compared to $1.417 billion as of December 31, 2025.

Southern remains committed to our disciplined credit culture. As of March 31, 2026, non-performing loans as a percentage of total loans were 0.90 percent compared to 0.98 percent at December 31, 2025. Delinquent loan totals at March 31, 2026 decreased to 0.03 percent of total loans, or $341,000, down from $784,000 at December 31, 2025.

The bank realized net loan charge-offs totaling $817,000 for the first three months of 2026, compared to $2,000 for the three-month period ending March 31, 2025. $758,000 of provision for credit losses expense was recorded during the first quarter of 2026, compared to $164,000 in the first quarter of 2025. The allowance for credit losses at March 31, 2026 totaled $15.268 million, or 1.17 percent of total loans, a decrease of $285,000 from December 31, 2025 levels of $15.553 million or 1.22 percent of total loans.

Southern's board of directors approved an increase in the quarterly cash dividend from $0.16 per share to $0.17 per share beginning with the April 2026 dividend payment. The new annualized rate of $0.68 per share represents a dividend yield of 2.67 percent based on the market price at the time of the announcement of $25.50 per share.

As we continue to move forward, our focus remains on strengthening our core operations and maintaining a prudent approach to risk management. These efforts are designed to support sustainable growth and ensure the long-term stability of the bank.

Thank you for your continued support. 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, 2026 (Unaudited)	December 31, 2025 (A)
	(In thousands, except share data)	
ASSETS		
Cash and cash equivalents	$ 87,820	$ 110,376
Investment securities	217,939	218,691
Loans held for sale	914	214
Total loans	1,306,671	1,273,408
Less: Allowance for credit losses	(15,268)	(15,553)
Net loans	1,291,403	1,257,855
Premises and equipment, net	25,270	25,188
Net cash surrender value of life insurance	32,439	28,506
Goodwill	13,422	13,422
Other assets	36,464	36,225
Total assets	$ 1,705,671	$ 1,690,477
LIABILITIES		
Deposits	$ 1,431,081	$ 1,416,798
Securities sold under agreements to repurchase and overnight borrowings	1,118	1,390
Accrued expenses and other liabilities	17,762	18,118
Other borrowings	97,900	97,900
Subordinated debentures	34,809	34,791
Total liabilities	1,582,670	1,568,997
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 – 4,658,113 shares in 2026 (4,623,734 shares in 2025)	11,641	11,555
Additional paid-in capital	13,615	13,621
Retained earnings	109,229	106,716
Accumulated other comprehensive loss, net	(11,484)	(10,412)
Total shareholders' equity	123,001	121,480
Total liabilities and shareholders' equity	$ 1,705,671	$ 1,690,477

(A) The balance sheet at December 31, 2025 has been derived from the audited consolidated financial statements at that date.

SOUTHERN MICHIGAN BANCORP, INC. BOARD OF DIRECTORS

John H. Castle
Chairman

Kurt G. Miller
Vice Chairman

John R. Waldron
President and CEO

Melissa J. Bauer
B&M Crop Consulting

Charles James Scott Clark
Clark Logic

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.

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 March 31, 2026	Three Months Ended March 31, 2025
	(In thousands, except per share data)	
INTEREST INCOME	$ 21,899	$ 19,500
INTEREST EXPENSE	9,076	8,587
Net interest income	12,823	10,913
Provision for credit losses	758	164
Net interest income after provision for credit losses	12,065	10,749
NON-INTEREST INCOME		
Service charges on deposit accounts	436	406
Trust fees	931	738
Net gain or loan sales	197	220
ATM and debit card fee income	451	443
Other	489	561
Total non-interest income	2,504	2,368
NON-INTEREST EXPENSE		
Salaries and employee benefits	6,385	5,773
Occupancy, net	679	615
Equipment	500	486
Professional and outside services	538	452
Software maintenance	739	658
Other	1,766	1,467
Total non-interest expense	10,607	9,451
Income before income taxes	3,962	3,666
Federal income tax provision	656	620
NET INCOME	$ 3,306	$ 3,046
Basic Earnings Per Common Share	$ 0.71	$ 0.66
Diluted Earnings Per Common Share	0.71	0.66
Dividends Declared Per Common Share	0.17	0.16

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

Britney Dickinson
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

Jodie Johnson
VP, Mortgage Loan Officer

Karla Mullaly
VP, Mortgage Loan Officer

LeAndra Otis
VP, Mortgage Loan Officer

Craig Talbert
VP, Mortgage Loan Officer

Diane Krimmel
AVP, Consumer Loan Specialist

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
Angie Jeffrey
VP, Branch Manager

CONSTANTINE BRANCH
Veronica Featherstone
Branch Manager

HILLSDALE BRANCH
Jennifer Crist
VP, Branch Manager

JACKSON BRANCHES
Andrew DeHaven
Jackson Downtown Branch Manager

Sara Walz
Jackson Summit 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
Josh Bohm
Branch Manager

THREE RIVERS BRANCH
Kelsey McClish
Branch Manager

UNION CITY/TEKONSHA
BRANCHES
Elizabeth DiDonato
Branch Manager

Treasury Management

Maggie Usher
VP, Treasury and eService
Operations Manager

Deanna Manville
AVP, Treasury Sales Officer

Beth Rowley
AVP, Treasury Sales Officer

Melissa Easter
Treasury Sales Officer

Cara Willbee
Treasury Sales Officer

Municipal Banking

Aimee Kornowicz
VP, Public Sector Relationship Manager

Felicia Landis
AVP of Municipal Banking

Finance

Danice Chartrand
SVP, Accounting Director

Kim Hudelson
VP, Controller

Human Resources

Angie Tesman
1st VP, Head of Human Resource

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 Van Buskirk
1st VP, Head of Operations

Lani Gregory
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