SOUTHERN MICHIGAN
BANCORP, INC.

SECOND **QUARTER**

CORPORATE HIGHLIGHTS

To Our Shareholders:

Southern Michigan Bancorp, Inc. reported net income of $3,087,000, or $0.66 per share, for the quarter ended June 30, 2026, a decrease of 4.7 percent, as compared to net income of $3,238,000, or $0.70 per share, for the second quarter of 2025. For the first six months of 2026, Southern earned $6,393,000, or $1.37 per share, an increase of $109,000, or 1.7 percent, compared to net income of $6,284,000, or $1.36 per share, for the same six-month period one year ago.

Southern's annualized return on average assets was 0.75 percent and 0.81 percent for the six-month periods ended June 30, 2026 and June 30, 2025, respectively. The annualized return on average equity was 10.24 percent for the first six months of 2026, compared to 11.31 percent for the first six months of 2025. The tax equivalent net interest margin for the six-month period ending June 30, 2026 was 3.35 percent compared to 3.20 percent for the same period last year.

Total consolidated assets as of June 30, 2026 decreased slightly to $1.683 billion from $1.690 billion on December 31, 2025. Loans totaled $1.276 billion as of June 30, 2026 compared to December 31, 2025 levels of $1.273 billion. Deposits totaled $1.400 billion compared to $1.417 billion as of December 31, 2025.

Credit quality reflected both modest improvement in non-performing loans and higher delinquency levels at the end of the second quarter. As of June 30, 2026, non-performing loans represented 0.92 percent of total loans, compared to 0.98 percent at December 31, 2025. Delinquent loans totaled $10.985 million, or 0.86 percent of total loans, at June 30, 2026, compared to $784,000, or 0.06 percent, at December 31, 2025.

The bank realized net loan charge-offs totaling $837,000 for the first six months of 2026, compared to $15,000 for the six-month period ending June 30, 2025. There was no provision for credit losses expense recorded during the second quarter of 2026, compared to $500,000 in the second quarter of 2025. The allowance for credit losses at June 30, 2026 totaled $15.248 million, or 1.20 percent of total loans, a decrease of $305,000 from December 31, 2025 levels of $15.553 million or 1.22 percent of total loans.

While second quarter results were impacted by a $1.689 million write-down of other real estate owned, overall performance remained solid. Year-to-date earnings exceeded the prior-year period, and the improved net interest margin reflects continued positive momentum in our core banking operations.

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

	June, 30 2026 (Unaudited)	December 31, 2025 (A)
	(In thousands, except share data)	
ASSETS		
Cash and cash equivalents	$ 81,175	$ 110,126
Certificates of deposit in other banks	2,250	250
Investment securities	225,708	218,691
Loans held for sale	2,153	214
Total loans	1,275,649	1,273,408
Less: Allowance for credit losses	(15,248)	(15,553)
Net loans	1,260,401	1,257,855
Premises and equipment, net	25,714	25,188
Net cash surrender value of life insurance	32,716	28,506
Goodwill	13,422	13,422
Other assets	38,995	36,225
Total assets	$ 1,682,534	$ 1,690,477
LIABILITIES		
Deposits	$ 1,399,881	$ 1,416,798
Securities sold under agreements to repurchase and overnight borrowings	787	1,390
Accrued expenses and other liabilities	22,892	18,118
Other borrowings	97,900	97,900
Subordinated debentures	34,826	34,791
Total liabilities	1,556,286	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 – 4,650,974 shares in 2026, (4,623,734 shares in 2025)	11,623	11,555
Additional paid-in capital	13,375	13,621
Retained earnings	111,526	106,716
Accumulated other comprehensive loss, net	(10,276)	(10,412)
Total shareholders' equity	126,248	121,480
Total liabilities and shareholders' equity	$ 1,682,534	$ 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.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Three Months Ended		Six Months Ended	
	June 30, 2026	June 30, 2025	June 30, 2026	June 30, 2025
	(In thousands, except per share data)			
INTEREST INCOME	$ 22,530	$ 20,941	$ 44,428	$ 40,441
INTEREST EXPENSE	9,026	8,854	18,101	17,441
Net interest income	13,504	12,087	26,327	23,000
Provision for credit losses	-	500	758	664
Net interest income after provision for credit losses	13,504	11,587	25,569	22,336
NON-INTEREST INCOME				
Service charges on deposit accounts	436	397	872	803
Trust fees	965	786	1,896	1,525
Net gains on loan sales	251	274	449	494
ATM and debit card fee income	497	484	948	928
Other	538	420	1,026	980
Total non-interest income	2,687	2,361	5,191	4,730
NON-INTEREST EXPENSE				
Salaries and employee benefits	6,392	6,220	12,777	11,993
Occupancy, net	643	571	1,322	1,186
Equipment	537	501	1,036	988
Professional and outside services	645	596	1,183	1,048
Software maintenance	768	691	1,508	1,349
Loss on other real estate owned	1,689	-	1,689	-
Other	1,833	1,517	3,599	2,983
Total non-interest expense	12,507	10,096	23,114	19,547
Income before income taxes	3,684	3,852	7,646	7,519
Federal income tax provision	597	614	1.253	1,235
NET INCOME	$ 3,087	$ 3,238	$ 6,393	$ 6,284
Basic Earnings Per Common Share	$ 0.66	$ 0.70	$ 1.38	$ 1.36
Diluted Earnings Per Common Share	0.66	0.70	1.37	1.36
Dividends Declared Per Common Share	0.17	0.16	0.34	0.32

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

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

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

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
Debbie Mahabir-Poon
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 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 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

Julie Schaeffer
Wealth Management Officer