

SOUTHERN MICHIGAN BANCORP, INC.

2021 Annual Presentation for Shareholders

Forward Looking Statements

This presentation contains forward-looking statements that are based on management's beliefs, assumptions, current expectations, estimates and projections about the financial services industry, the economy, and Southern Michigan Bancorp, Inc. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions ("risk factors") that are difficult to predict with regard to timing, extent, likelihood and degree of occurrence. Therefore, actual results and outcomes may materially differ from what may be expressed or forecasted in such forward-looking statements. Management's determination of the provision and allowance for loan losses and other accounting estimates involve judgments that are inherently forward-looking. We undertake no obligation to update or revise any forward-looking statements to reflect developments that occur or information obtained after May 13, 2021.

Covid-19 Response

Supporting Employees, Customers & Communities

Employees

✓Work from home. Providing the technology, culture, and operational infrastructure for the workforce to work remotely as needed.

✓Granting additional sick and vacation time.

✓Complying with applicable Michigan requirements (MI SafeStart Plan, etc.).

✓Performing additional routine and on-demand sanitization of facilities using enhanced methods.

Customers & Communities

✓Pro-actively reaching out to our business customers to understand needs.

✓Supporting local businesses.

✓Closed over $119MM in SBA Payroll Protection Program (PPP) loans.

✓Working with business and consumer customers on temporary payment relief.

✓Continued to donate to local community organizations and non-profits.

Covid-19 Programs

Loan Forbearances & Paycheck Protection Program (PPP)

Loan Forbearances

LOAN MODIFICATIONS	NUMBER OF LOANS	AMOUNT OF LOANS
COMMERCIAL	154	$92.1MM
MORTGAGE	35	$3.5MM
INSTALLMENT	7	$50K
LOANS SERVICED FOR OTHERS	60	$7.0MM

Paycheck Protection Program (PPP)

	SUM OF ORIGINAL BALANCE	SUM OF CURRENT BALANCE	NUMBER OF LOANS
PPP LOANS 2020	$78,828,018.75	$28,468,156.32	700
PPP LOANS 2021	$41,012,265.81	$40,998,838.81	727
Total	**$119,840,284.56**	**$69,466,995.13**	**1427**

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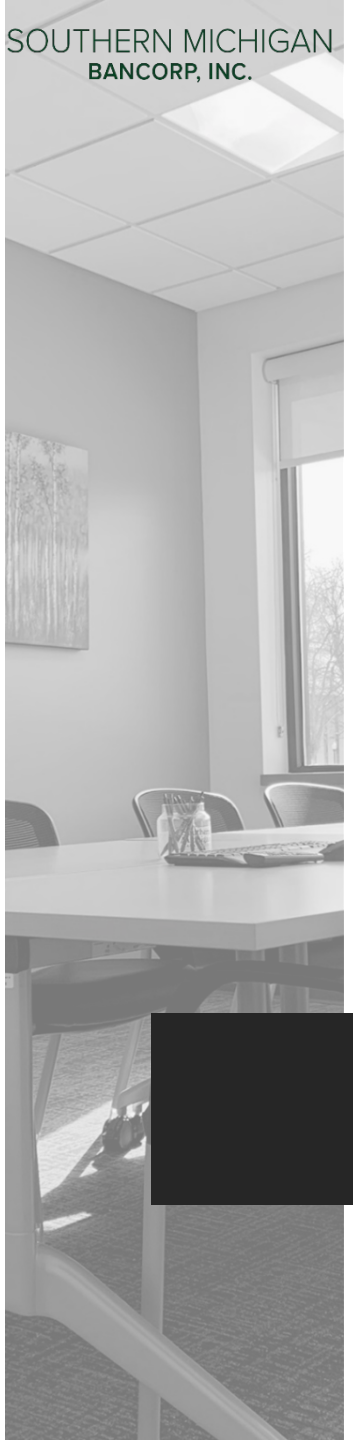


I. *Balance Sheet Metrics*

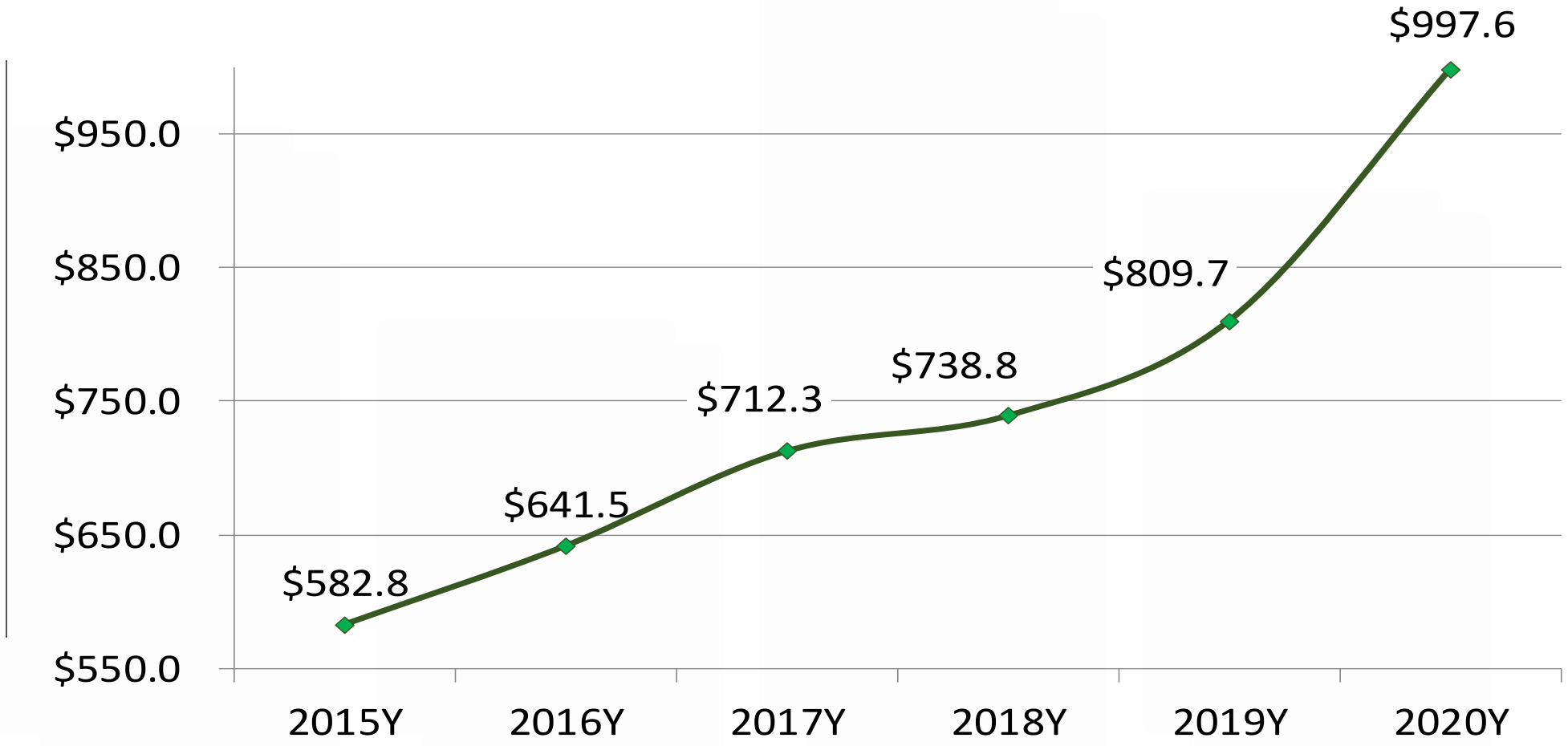
Commercial Banks Headquartered in Michigan

2020 Rank	Institution	City	Total Assets 12/31/20 ($000)
1	Mercantile Bank of Michigan	Grand Rapids	$ 4,418,422
2	Independent Bank	Grand Rapids	4,202,741
3	Northpointe Bank	Grand Rapids	3,305,150
4	First National Bank of America	East Lansing	2,955,679
5	Macatawa Bank	Holland	2,641,173
6	Level One Bank	Farmington Hills	2,440,929
7	Bank of Ann Arbor	Ann Arbor	2,212,232
8	ChoiceOne Bank	Sparta	1,921,293
9	Isabella Bank	Mount Pleasant	1,909,439
10	mBank	Manistique	1,499,686
11	The State Bank	Fenton	1,250,802
12	**Southern Michigan Bank & Trust**	**Coldwater**	993,967
13	County National Bank	Hillsdale	937,954
14	First State Bank	Eastpointe	926,882
15	Northstar Bank	Bad Axe	802,017

Ranked by Total Assets

Year-End Record High

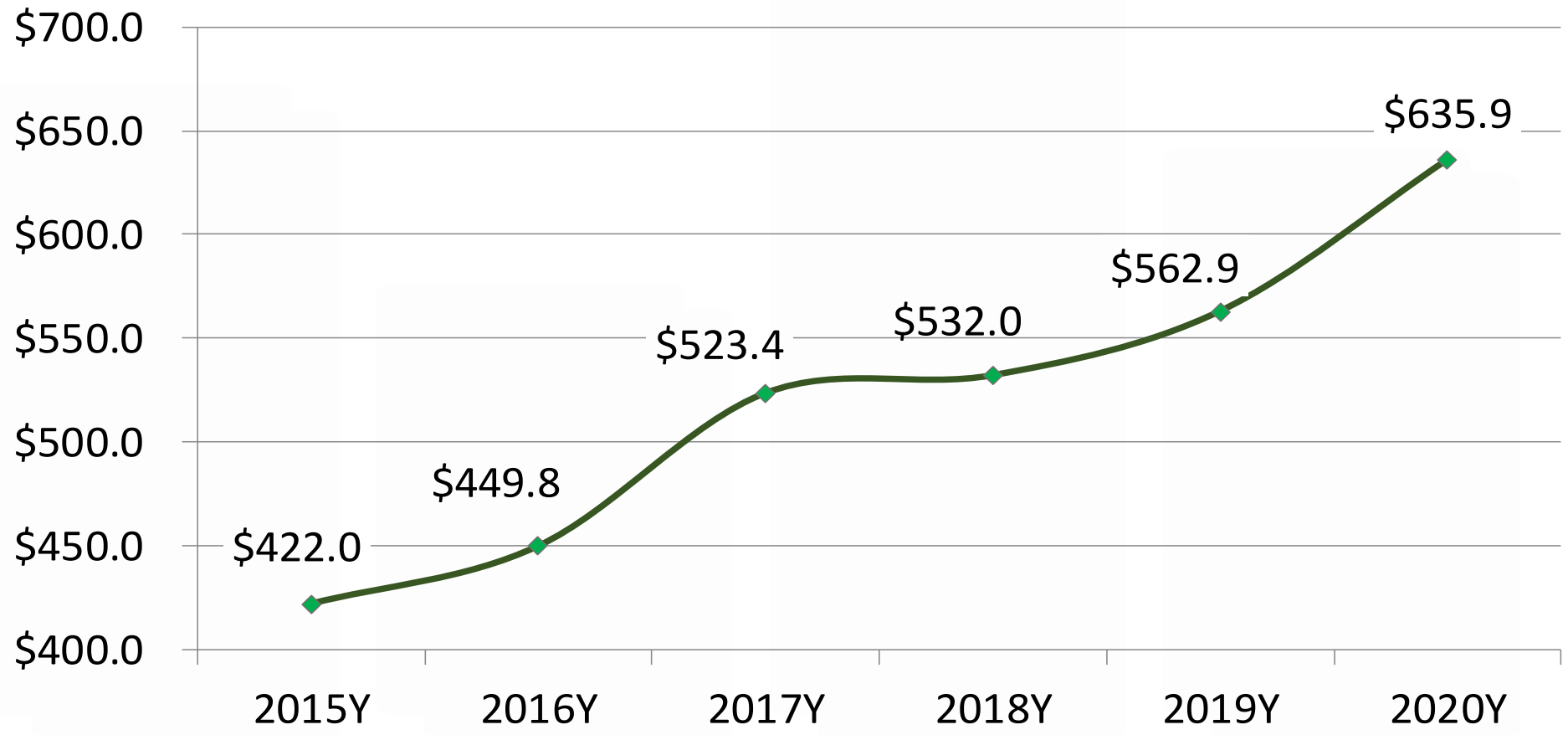
Total Assets



Note: Data in $ millions.

Year-End Record High

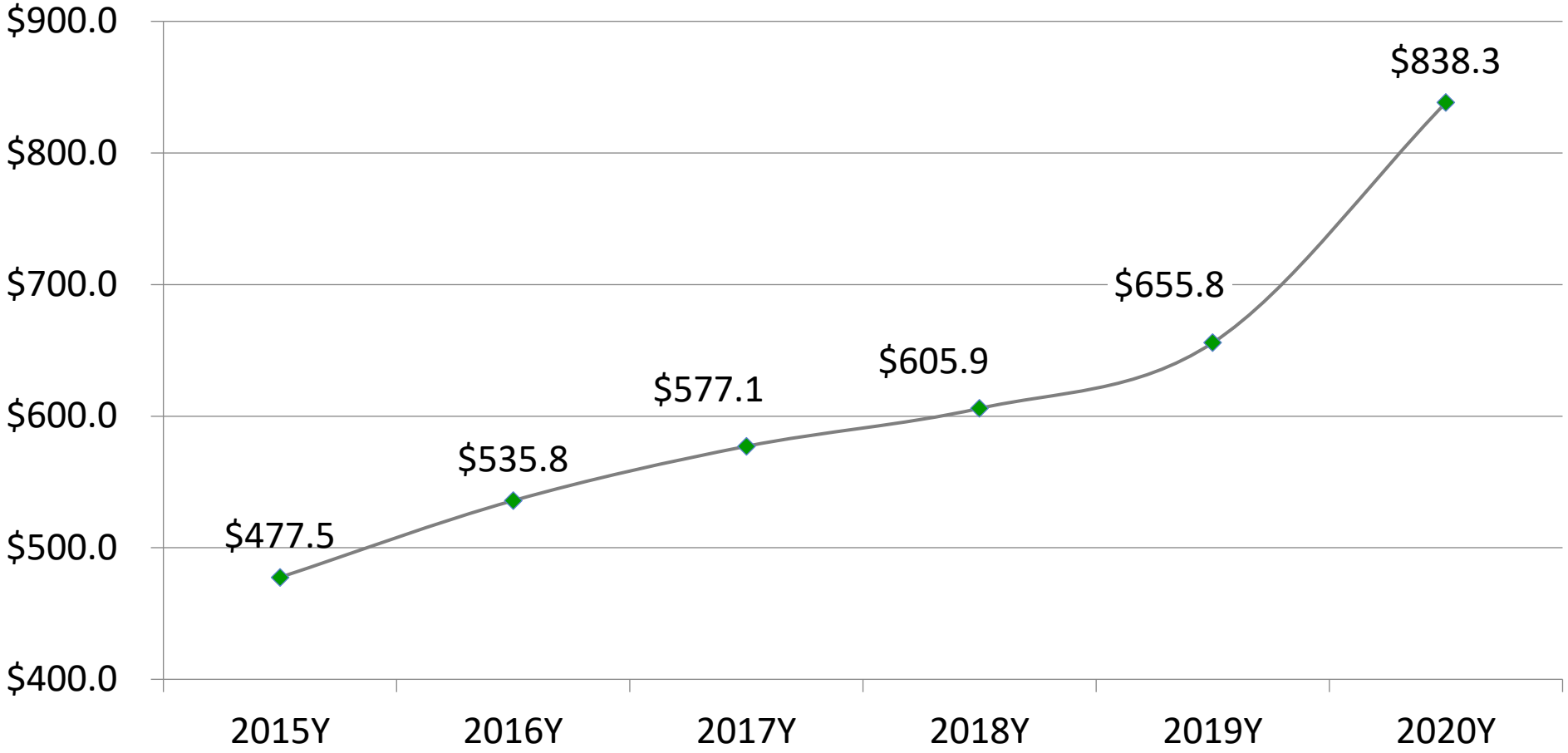
Total Loans



Note: Data in $ millions. (Excludes loans held for sale)

Year-End Record High

Total Deposits



Note: Data in $ millions.

Deposit Market Share

5-County Market Service Area

2020 Rank	Institution	Branches	Deposits in Market ($000)	Market Share (%)
1	PNC Bank NA	12	$ 1,306,244	18.41
2	Fifth Third Bank NA	11	1,112,916	15.69
3	Huntington National Bank	23	909,350	12.82
4	Southern Michigan Bank & Trust	16	768,184	10.83
5	First National Bank of Michigan	3	503,495	7.10
6	Comerica Bank	10	462,296	6.52
7	County National Bank	6	407,721	5.75
8	Flagstar Bank FSB	7	288,552	4.07
9	Sturgis Bank & Trust Co.	9	355,781	5.01
10	Old National Bank	4	334,982	4.72
11	Century Bank and Trust	10	333,503	4.70
12	JPMorgan Chase Bank NA	2	282,037	3.98
13	Mercantile Bank of Michigan	3	234,450	3.30
14	Horizon Bank	2	149,731	2.11
15	Kalamazoo County State Bank	2	75,464	1.06
16	1st Source Bank	2	66,398	0.94
17	Homestead Savings Bank	2	51,899	0.73
18	KeyBank NA	1	29,668	0.42
19	Farmers State Bank	1	19,527	0.28
20	Highpoint Community Bank	1	7,681	0.11
	Total	**127**	**$ 7,699,879**	**100%**

Note: Data as of 6/30/20.

Deposit Market Share

Branch County

Market Service Area

2020 Rank	Institution	Branches	Deposits in Market ($000)	Market Share (%)
1	**Southern Michigan Bank & Trust**	**6**	**$ 337,149**	**43.63**
2	Century Bank and Trust	5	212,268	27.47
3	PNC Bank NA	1	79,390	10.27
4	Huntington National Bank	3	66,812	8.65
5	Flagstar Bank FSB	1	57,361	7.42
6	Sturgis Bank & Trust Co.	1	19,833	2.57
	Market Total	***17***	***$ 772,813***	**100%**

Note: Data as of 6/30/20.

Deposit Market Share

St. Joseph County

Market Service Area

2020 Rank	Institution	Branches	Deposits in Market ($000)	Market Share (%)
1	Sturgis Bank & Trust Co.	6	$ 321,819	36.92
2	**Southern Michigan Bank & Trust**	**4**	**158,913**	**18.23**
3	Century Bank and Trust	4	98,224	11.27
4	Huntington National Bank	3	71,956	8.26
5	Horizon Bank	1	68,183	7.82
6	Flagstar Bank FSB	2	53,494	6.14
7	Fifth Third Bank NA	1	49,854	5.72
8	KeyBank NA	1	29,668	3.40
9	Farmers State Bank	1	19,527	2.24
	Market Total	***23***	***$ 871,638***	**100%**

Note: Data as of 6/30/20.

Deposit Market Share

Calhoun County

Market Service Area

2020 Rank	Institution	Branches	Deposits in Market ($000)	Market Share (%)
1	Huntington National Bank	8	$ 396,089	31.01
2	Fifth Third Bank NA	1	207,442	16.24
3	Comerica Bank	4	198,067	15.51
4	**Southern Michigan Bank & Trust**	**3**	**115,369**	**9.03**
5	PNC Bank NA	2	108,014	8.46
6	Old National Bank	1	79,997	6.26
7	Homestead Savings Bank	2	51,899	4.06
8	County National Bank	1	39,456	3.09
9	JPMorgan Chase Bank NA	0	39,342	3.08
10	Flagstar Bank FSB	1	33,852	2.65
11	Highpoint Community Bank	1	7,681	0.60
	Market Total	***24***	***$ 1,277,208***	**100%**

Note: Data as of 6/30/20.

Deposit Market Share

Hillsdale County

Market Service Area

2020 Rank	Institution	Branches	Deposits in Market ($000)	Market Share (%)
1	County National Bank	5	$ 368,265	56.94
2	**Southern Michigan Bank & Trust**	**1**	**99,428**	**15.37**
3	Fifth Third Bank NA	1	72,334	11.18
4	Flagstar Bank FSB	1	63,083	9.75
5	Century Bank and Trust	1	23,011	3.56
6	Huntington National Bank	1	20,669	3.20
	Market Total	***10***	***$ 646,790***	**100%**

Note: Data as of 6/30/20.

Deposit Market Share

Kalamazoo County

Market Service Area

2020 Rank	Institution	Branches	Deposits in Market ($000)	Market Share (%)
1	PNC Bank NA	9	$ 1,118,840	27.08
2	Fifth Third Bank NA	8	783,286	18.96
3	First National Bank of Michigan	3	503,495	12.19
4	Huntington National Bank	8	353,824	8.56
5	Comerica Bank	6	264,229	6.40
6	Old National Bank	3	254,985	6.17
7	JPMorgan Chase Bank NA	2	242,695	5.87
8	Mercantile Bank of Michigan	3	234,450	5.67
9	Horizon Bank	1	81,548	1.97
10	Flagstar Bank FSB	2	80,762	1.95
11	Kalamazoo County State Bank	2	75,464	1.83
12	1st Source Bank	2	66,398	1.61
13	**Southern Michigan Bank & Trust**	**2**	**57,325**	**1.39**
14	Sturgis Bank & Trust Co.	2	14,129	0.34
	Market Total	***53***	***$ 4,131,430***	**100%**

Note: Data as of 6/30/20.

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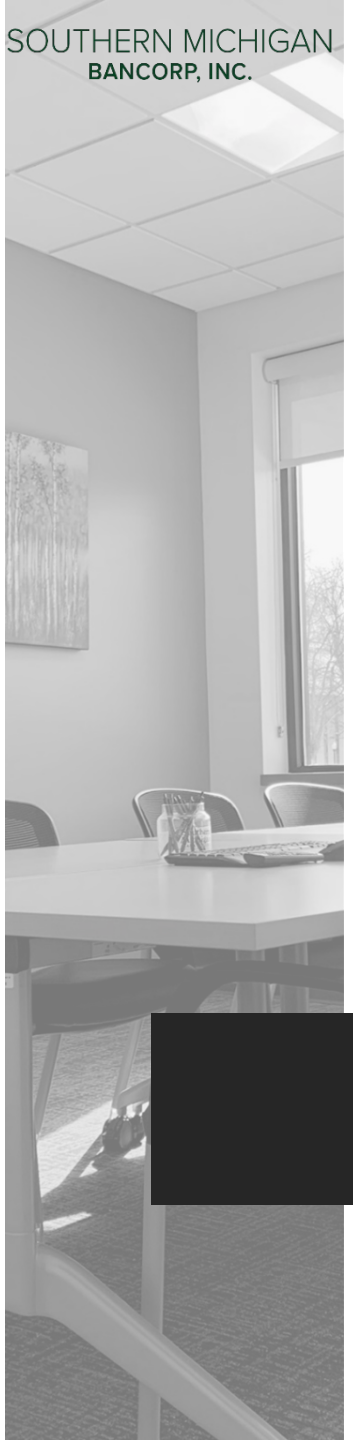


II. *Profitability Trend*

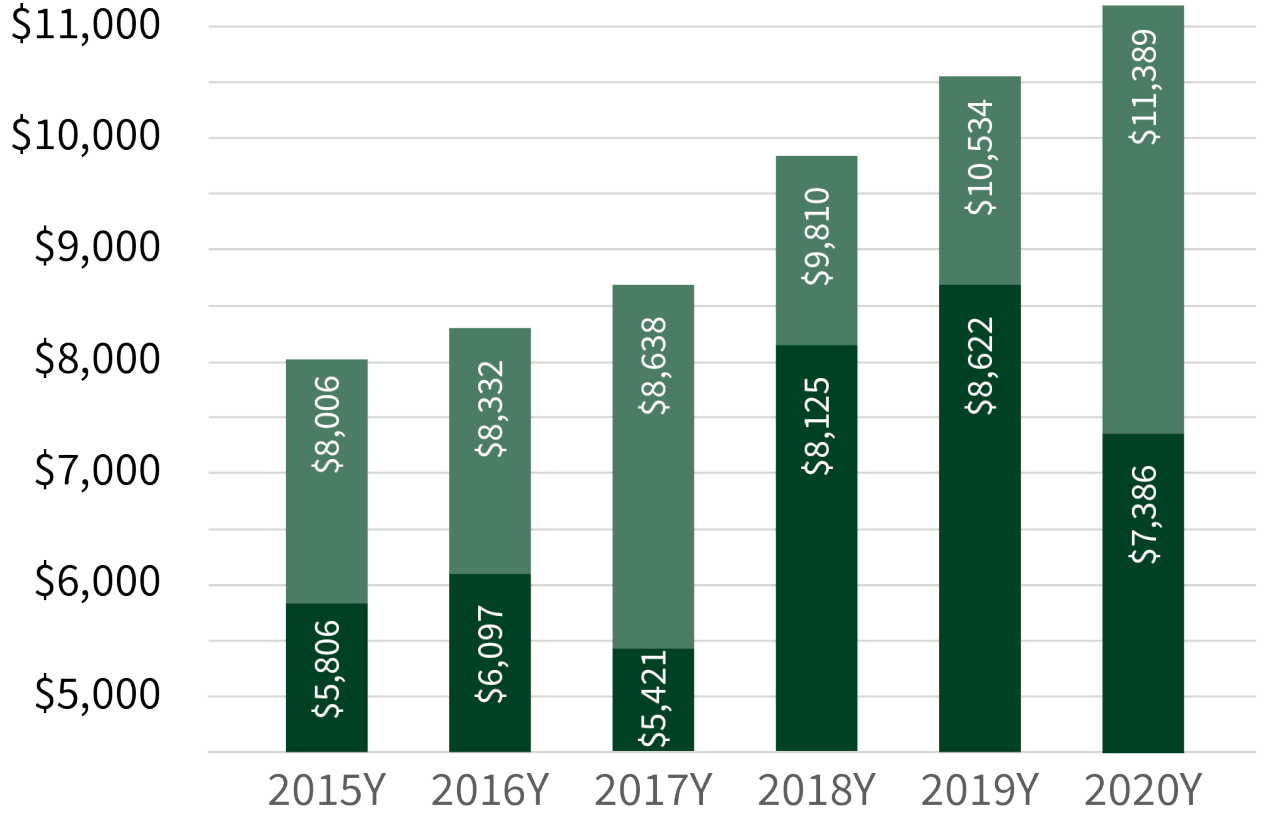
$7,386

NET INCOME

Note: Data in $ thousands

NET INCOME

PRE-TAX, PRE-PROVISION INCOME



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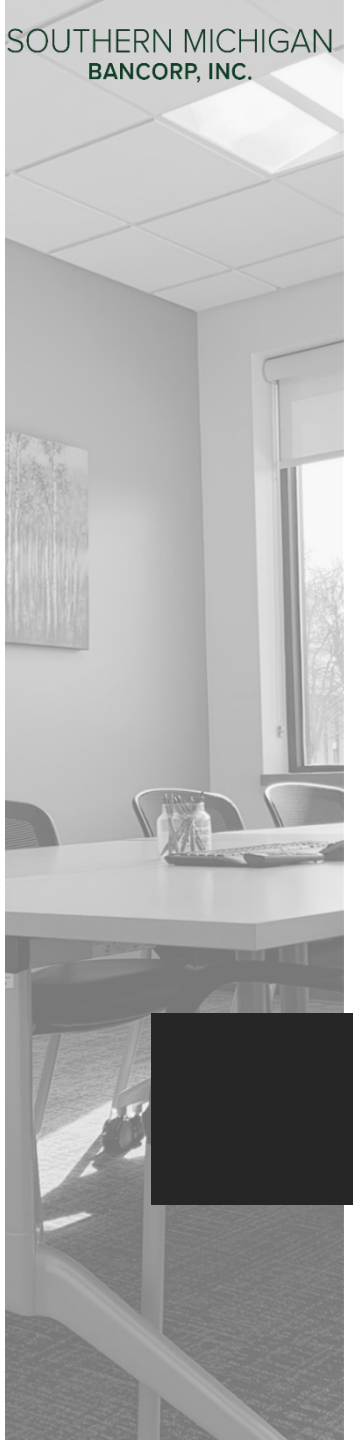
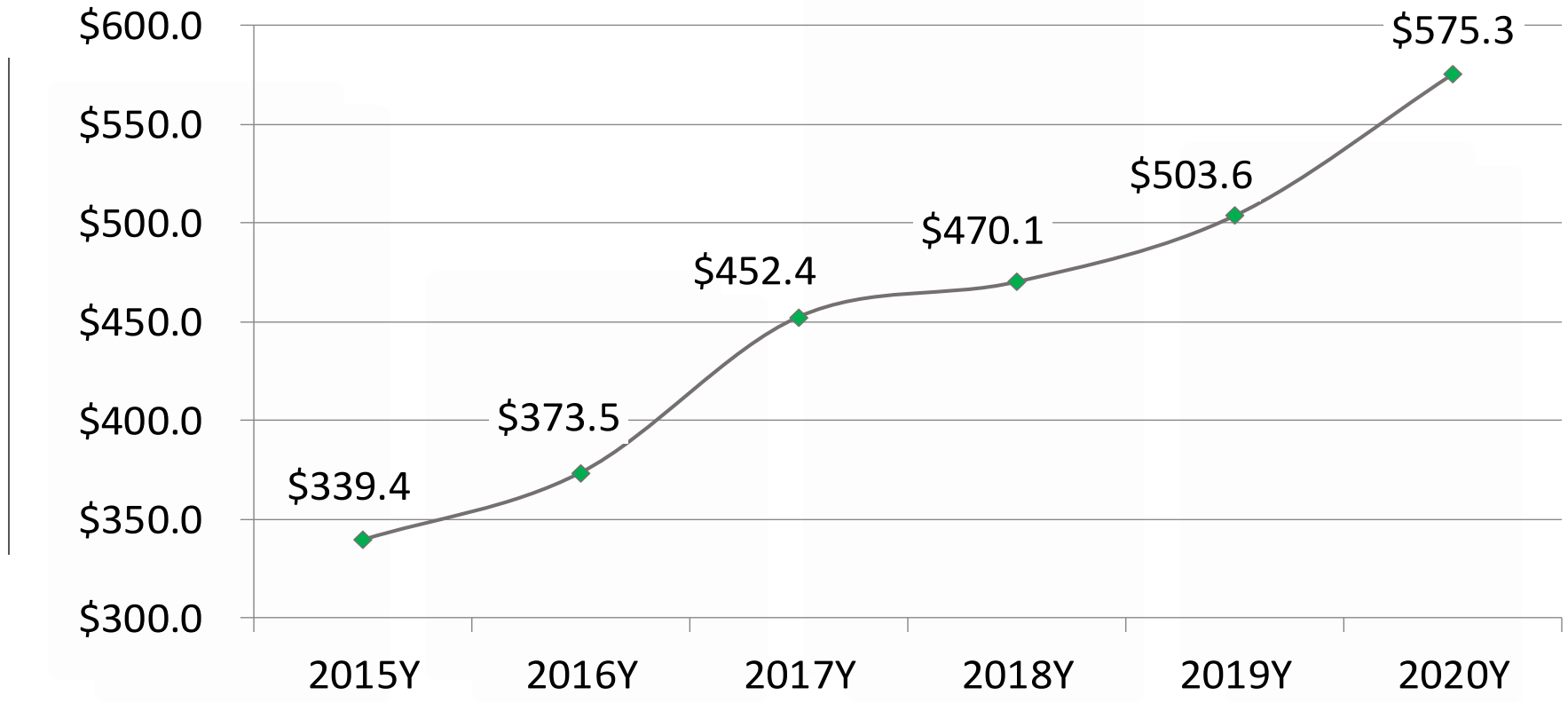


III. Asset Quality Metrics

Indicators of Financial Strength

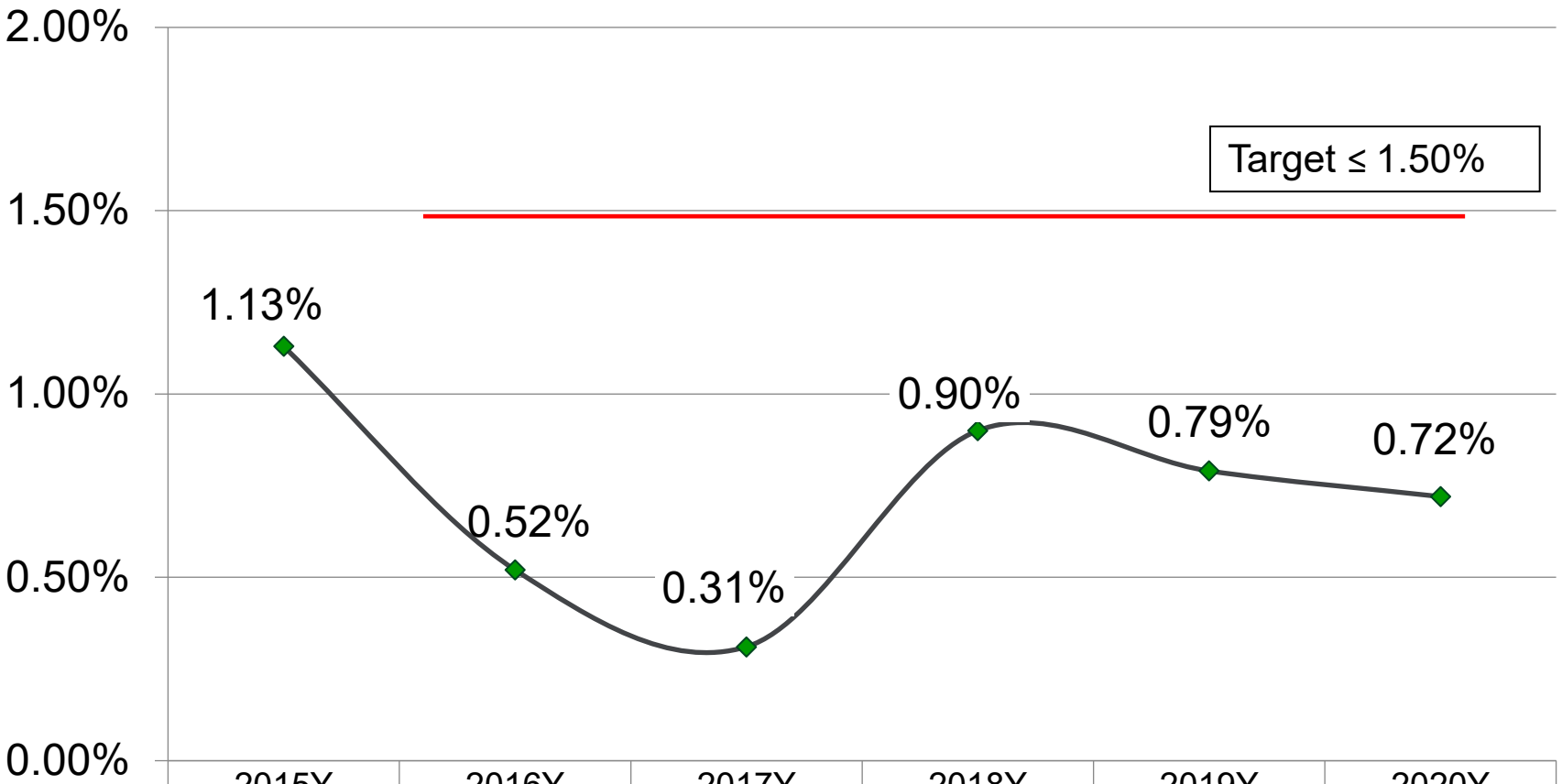
Year-End Record High

Commercial Loan Growth



Note: Data in $ millions.

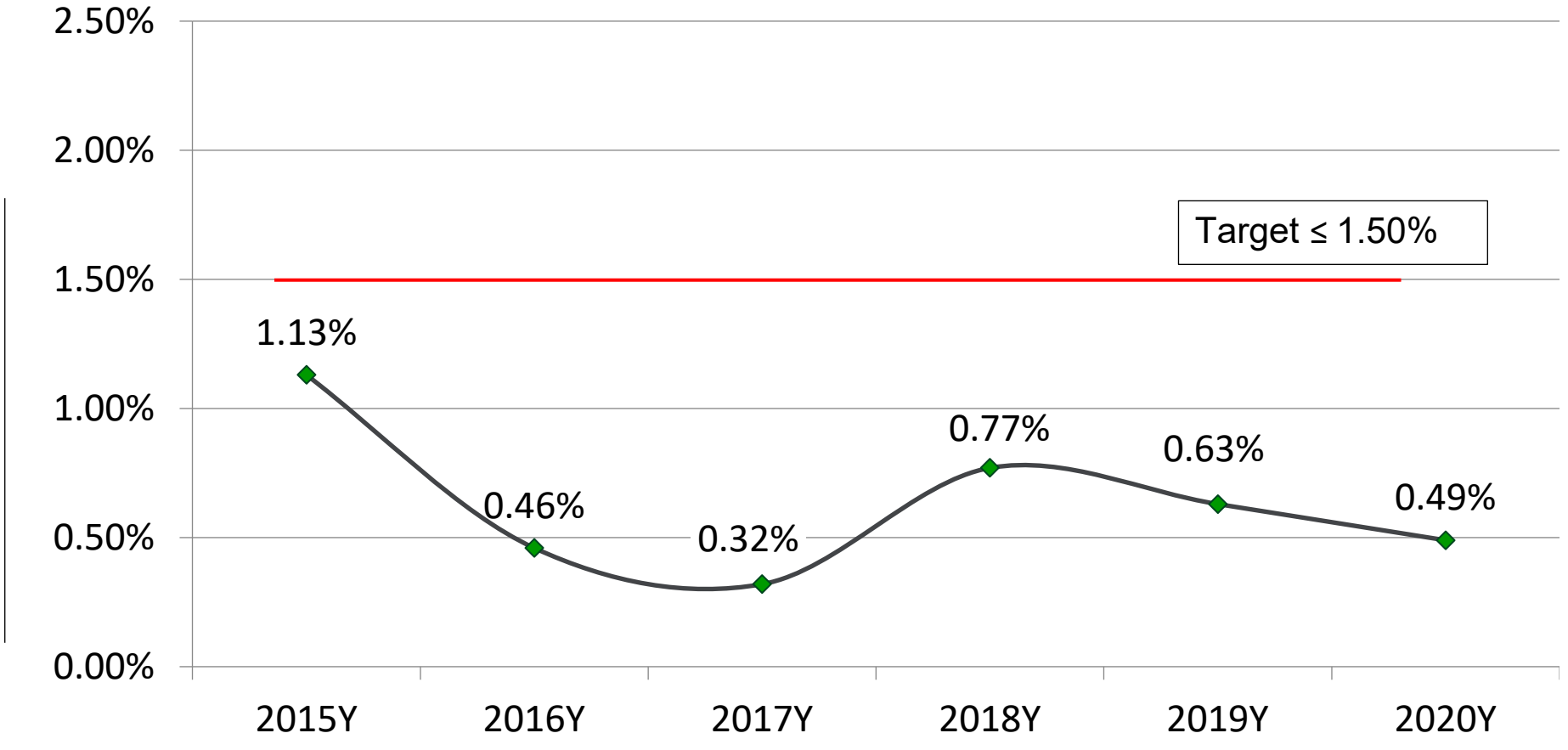
Delinquent Loans



	2015Y	2016Y	2017Y	2018Y	2019Y	2020Y
% of Total Loans	1.13%	0.52%	0.31%	0.90%	0.79%	0.72%
$000s	$4,751	$2,358	$1,614	$4,787	$4,445	$4,588

Delinquent Loans = Loans 30 Days Past Due + Nonaccrual Loans.

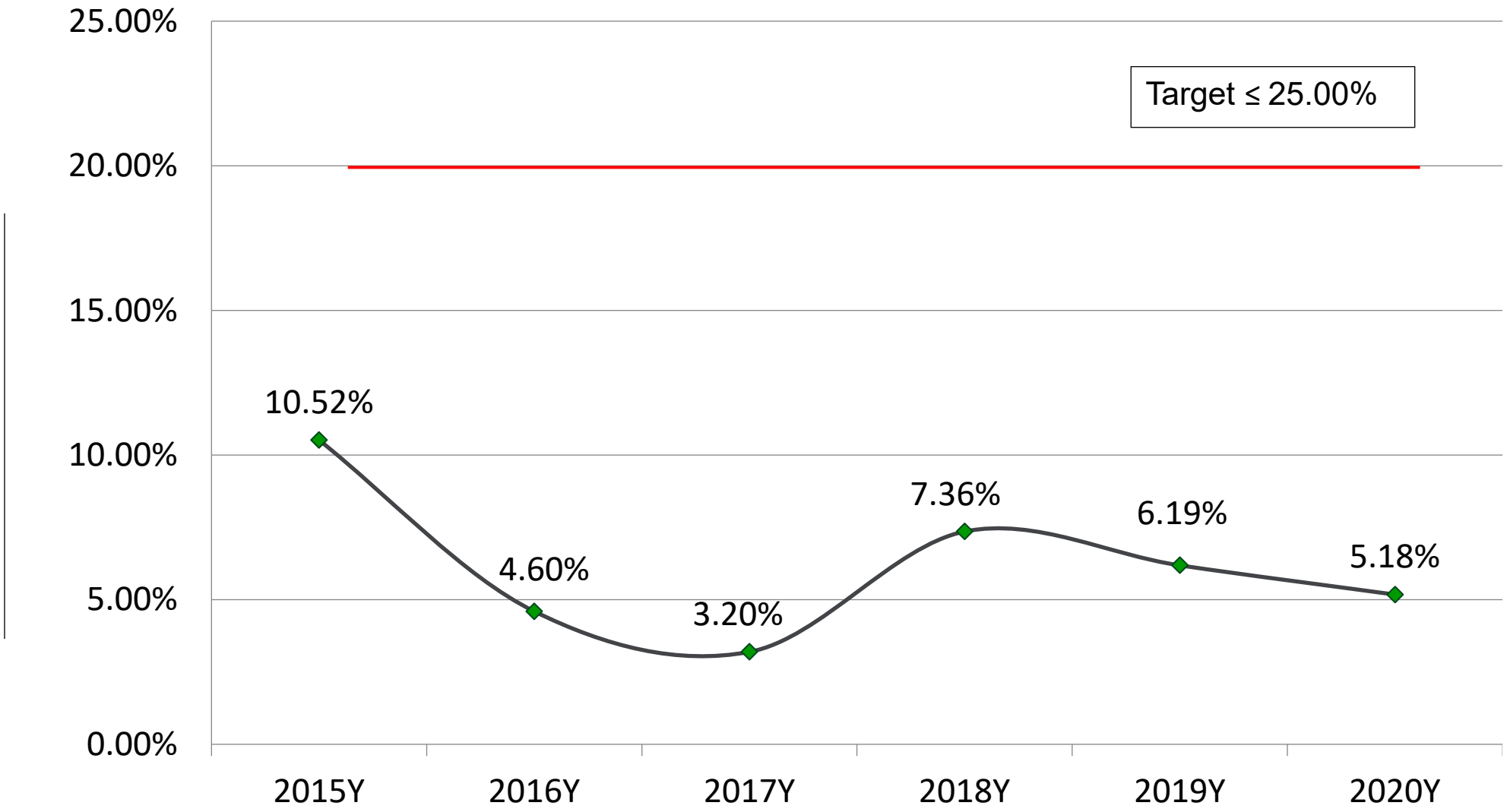
Total Non-Performing Assets



$000s	$8,601	$6,548	$2,928	$2,305	$5,642	$5,095

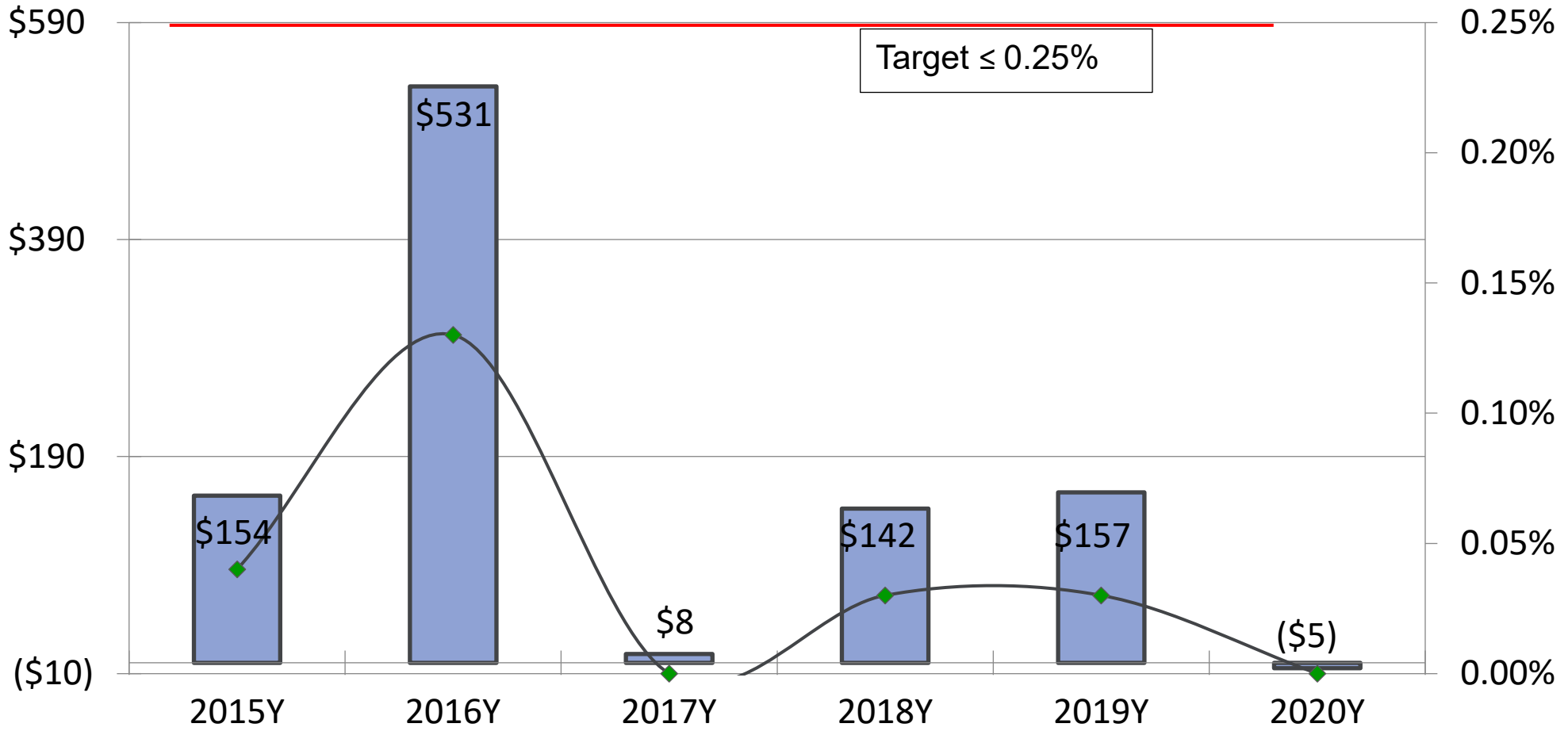
Non-Performing Assets = Nonaccrual Loans + Loans ≥ 90 Days Past Due + Restructured Loans + Other Real Estate Owned.

Texas Ratio



Texas Ratio = Non-Performing Assets /Tangible Equity + Loan Loss Reserves

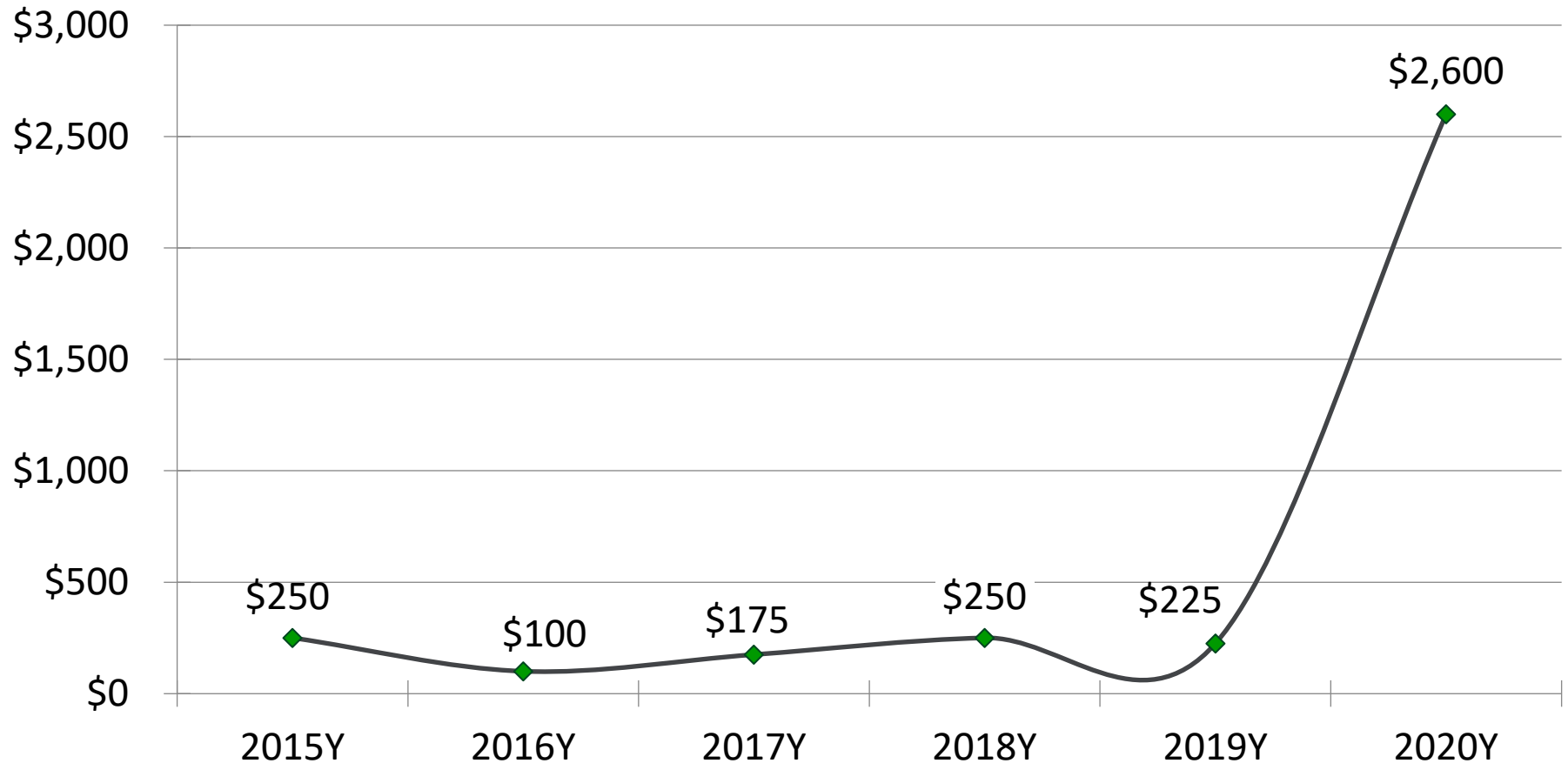
Annual Net Charge-Offs



	2015Y	2016Y	2017Y	2018Y	2019Y	2020Y
% of Average Loans	0.04%	0.13%	0.00%	0.03%	0.03%	0.00%

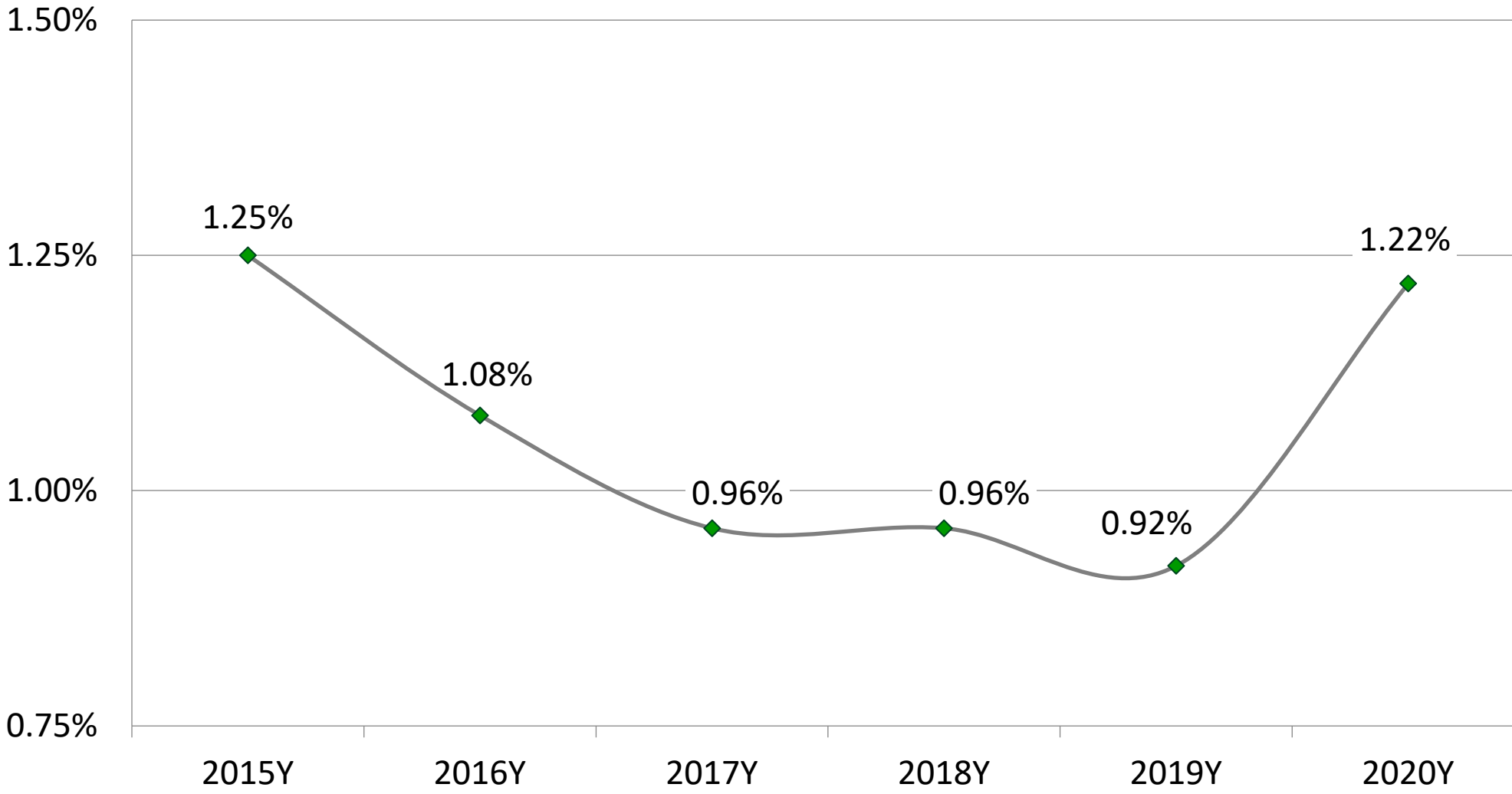
Note: Data in $000s.

Annual Provision Expense



Note: Data in $000s.

Loan Loss Reserve



As a Percentage of Gross Loans.

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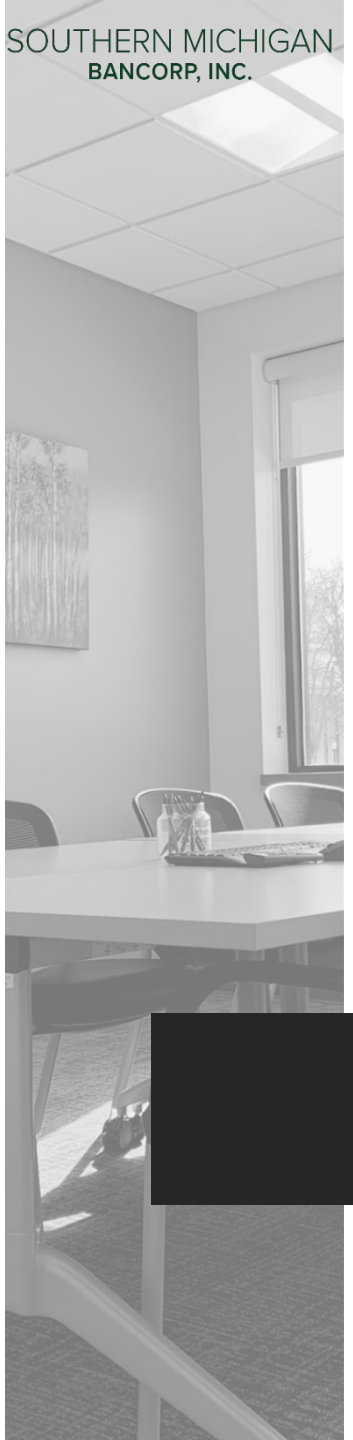
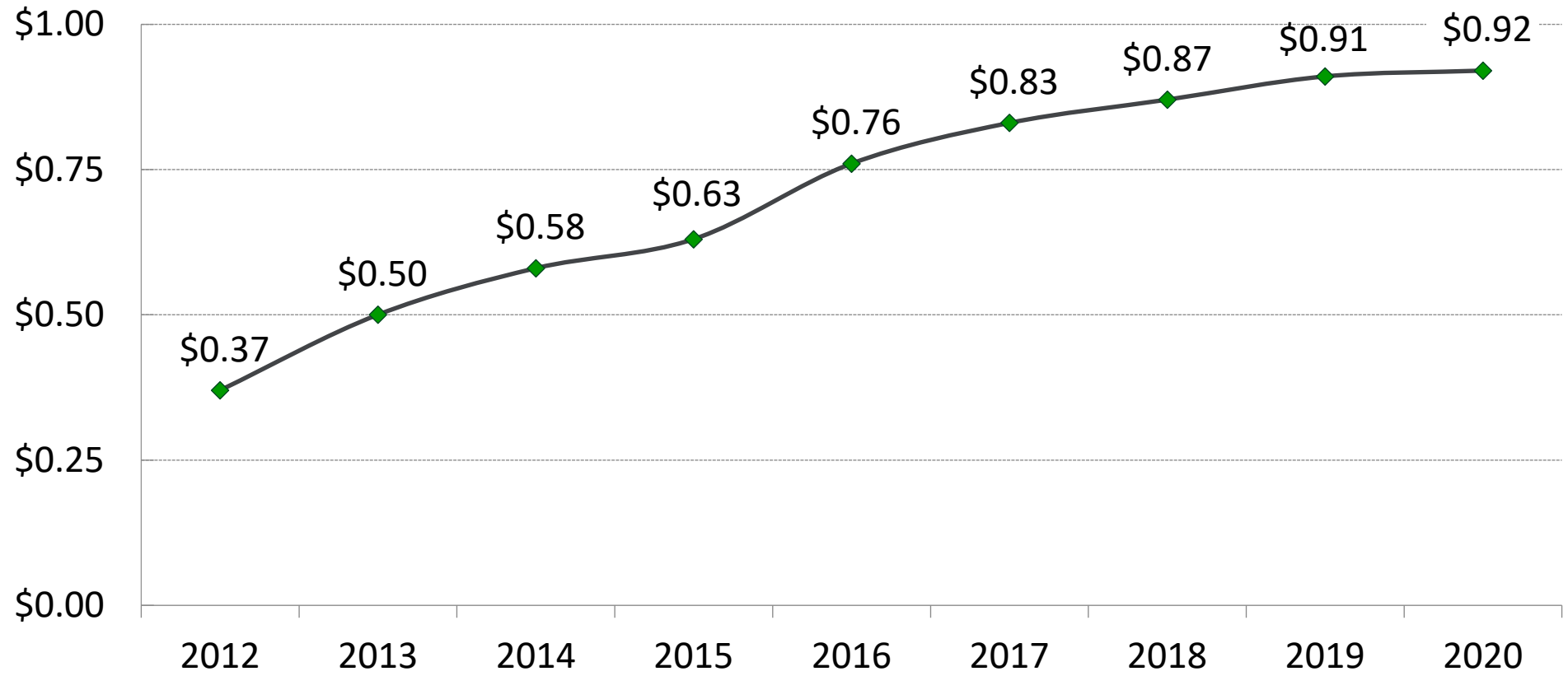


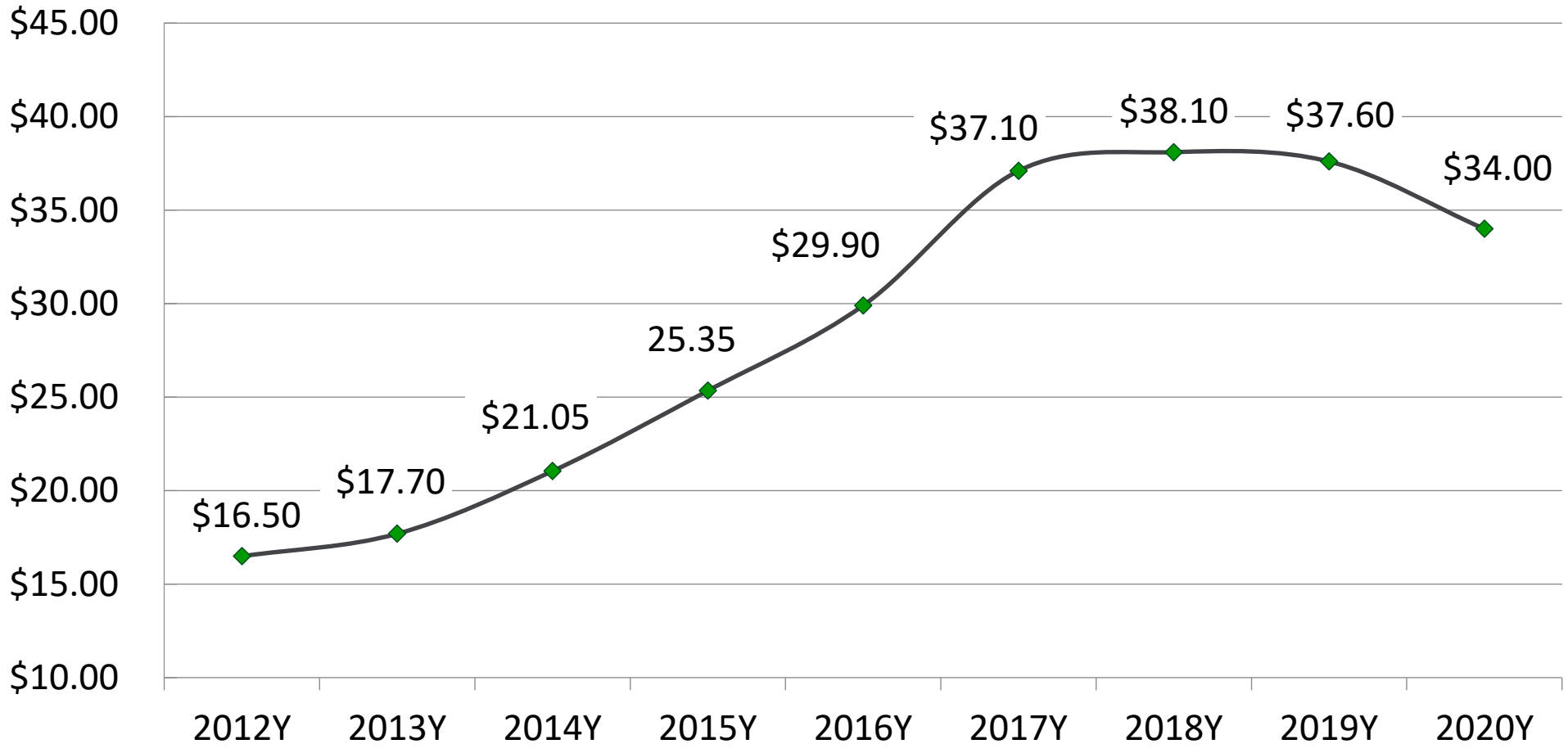
IV. SOMC Dividend

Stock Performance

SOMC Cash Dividends Declared

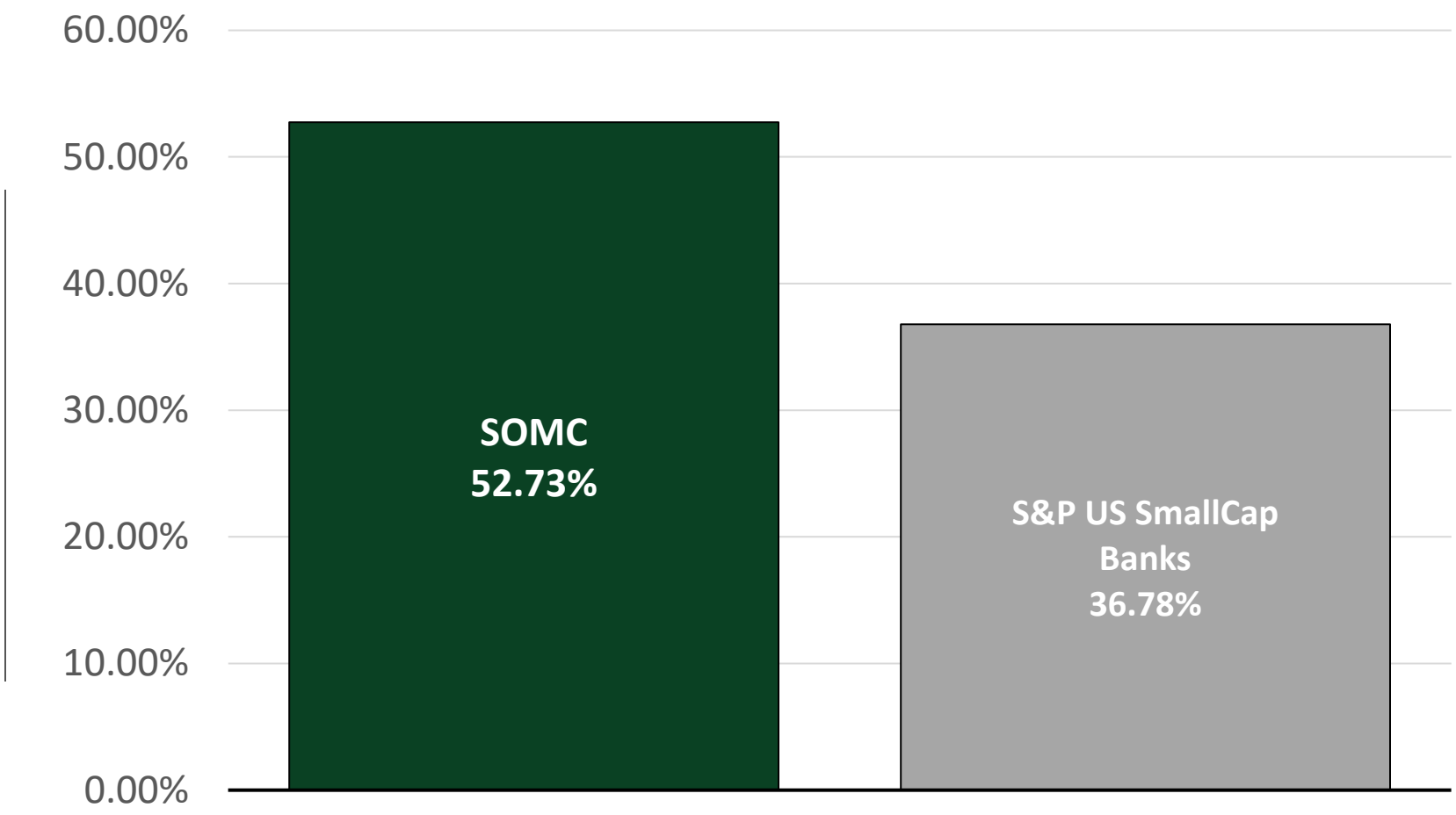


SOMC Stock Price



5-Year Total Return Comparison

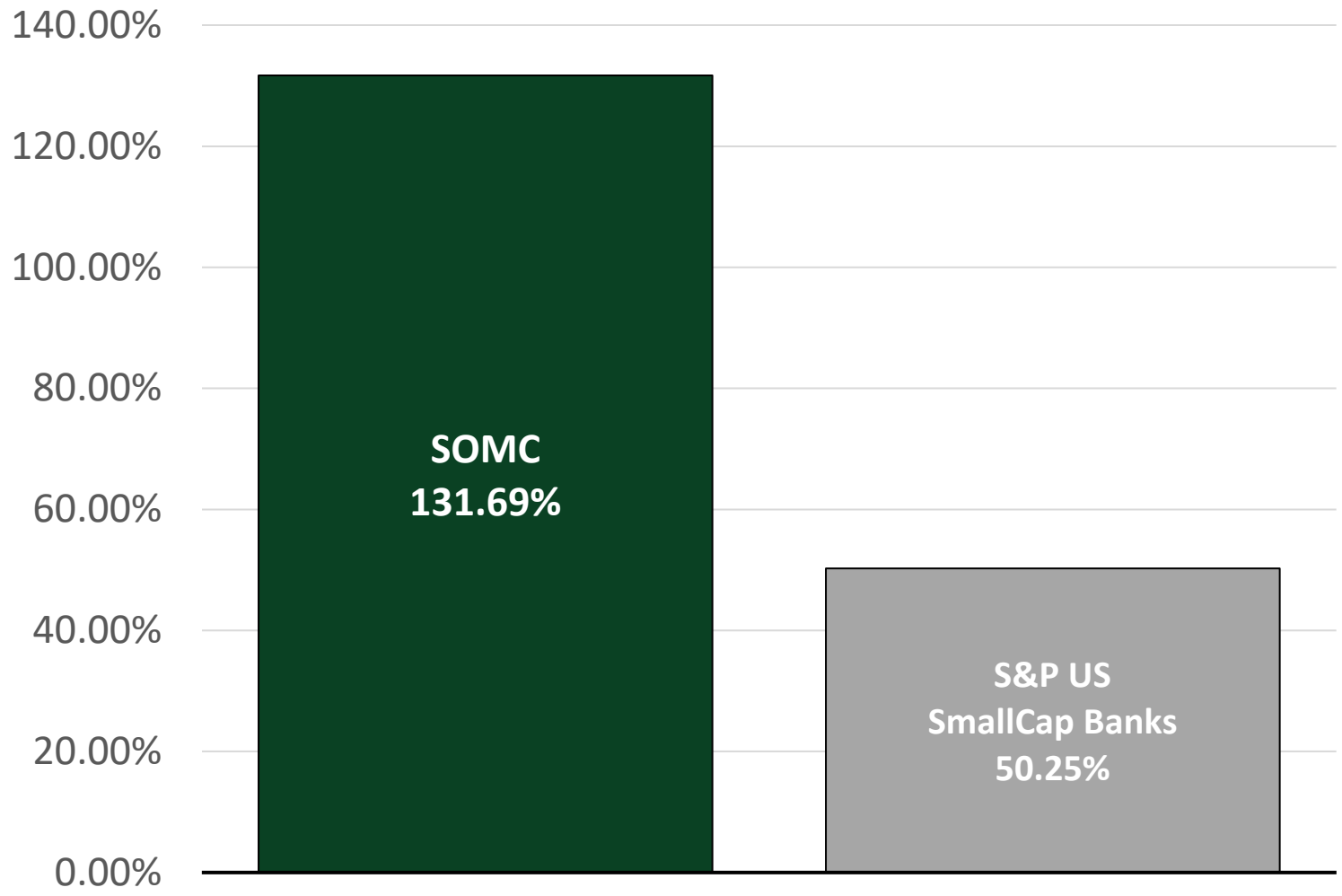
as of December 31, 2020



Total Return = Change in Price + Cash Dividend.

7-Year Total Return Comparison

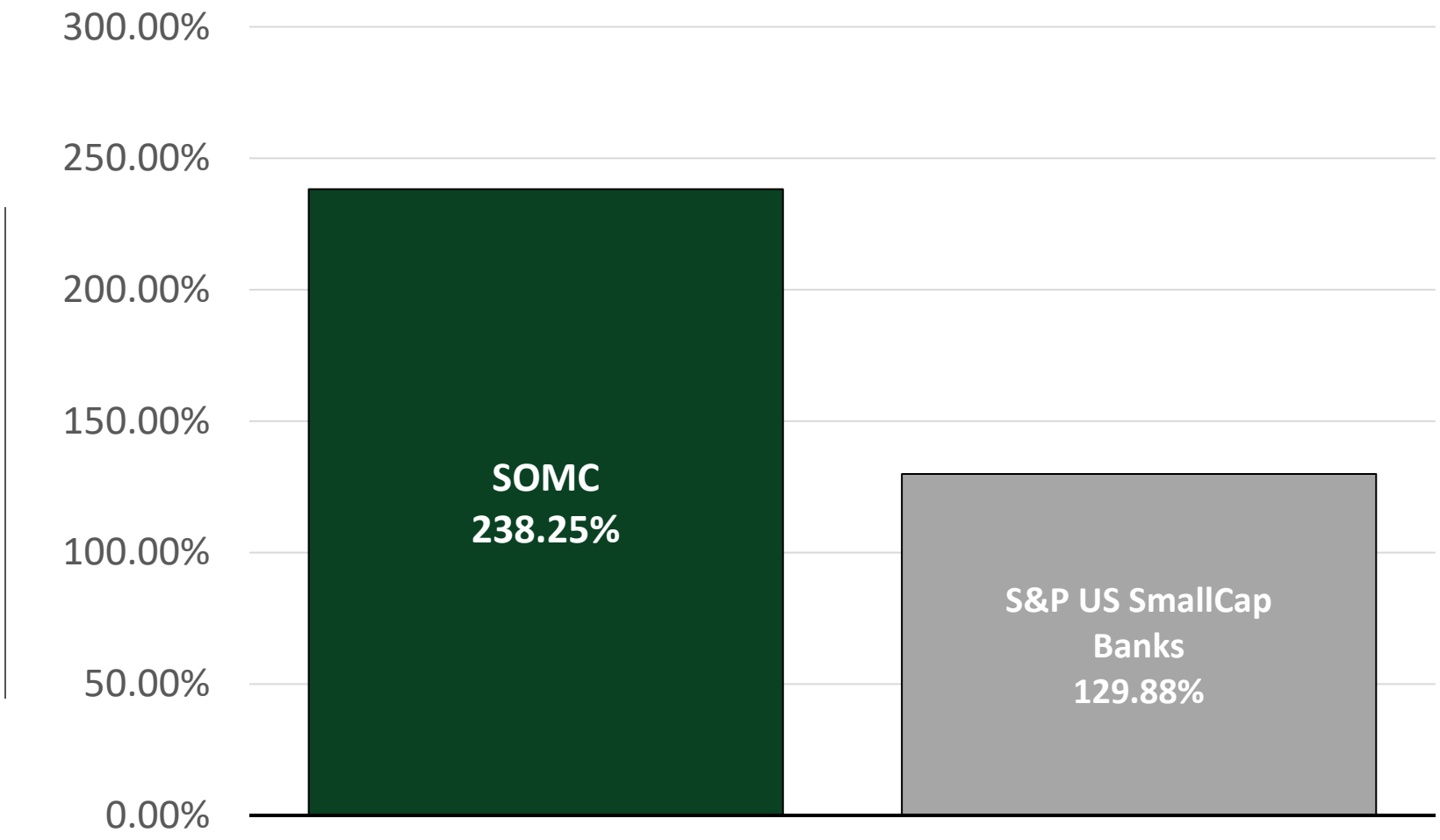
as of December 31, 2020



Total Return = Change in Price + Cash Dividend.

10-Year Total Return Comparison

as of December 31, 2020



Total Return = Change in Price + Cash Dividend.

SOMC Insider and Employee Holdings

as of December 31, 2020

	Shares	% of Total
Directors & Executive Officers	437,717	18.73%
Employee Stock Ownership Plan*	113,777	4.94%
Total Shares	551,494	23.67%

*Excludes shares held by executive officers.

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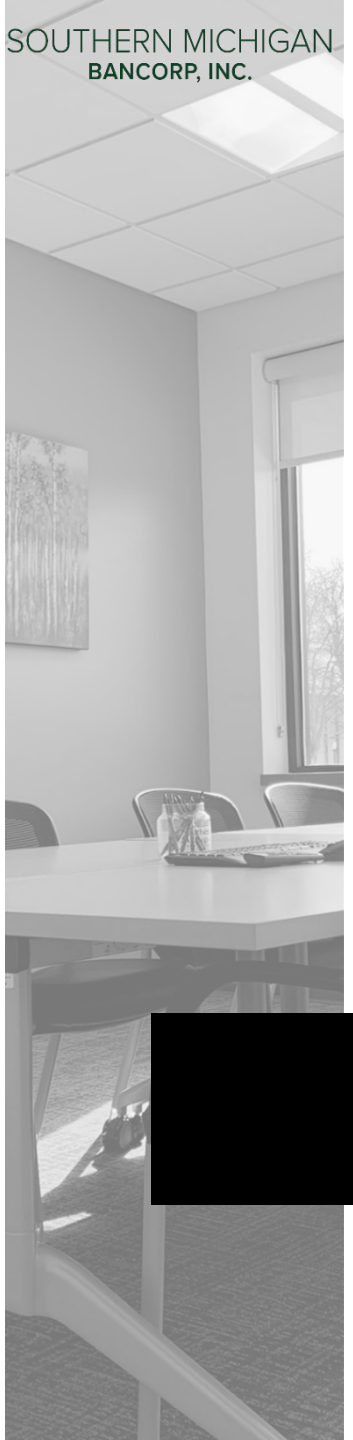

V.

Southern's Quarterly Results

March 31, 2021

1st Quarter 2021 Results

	1Q 2021	1Q 2020	Change
Total Assets	$1,075,677	$828,306	29.86%
Total Loans (Includes Held-for-Sale)	$646,627	$561,426	15.18%
Total Deposits	$924,542	$677,413	36.48%
Total Equity	$89,848	$83,671	7.38%
Net Income	$3,088	$1,513	104.10%
Earnings Per Share	$1.35	$0.66	

Note: Data in $000s except per share data.

1st Quarter 2021 Asset Quality Results

	1Q 2021	4Q 2020	Change
Total Delinquency	0.26%	0.72%	-62.84%
Texas Ratio	1.94%	5.18%	-62.55%
Non-Performing Assets	0.17%	0.49%	-63.65%
Net Charge-Offs (Recoveries)	($28)	($15)	

Note: Data in $000s.

Cash Dividend Increase

2nd Quarter 2021

The Board voted at the March 2021 Board Meeting to increase the quarterly dividend to $0.24 per share from the previous rate of $0.23 per share.

This new annualized rate of $0.96 per share results in a dividend yield of 2.67%.(1)

(1) Based on the March 24, 2021 market price of $36.00 per share.

SOMC 2-for-1 Stock Dividend

2nd Quarter 2021

The Board approved a 2-for-1 stock dividend for each share of common stock of the corporation.

Shareholders will receive one additional share of common stock for each share of common stock held as of April 26, 2021.

The dividend shares are payable May 14, 2021.

Southern's 2020 Highlights

Record Year-End Total Assets	$997,574,000
Record Year-End Loan Totals	$635,870,000
Record Year-End Deposits	$838,298,000
Dividends Per Share/Yield*	$0.92/2.71%
SOMC 5-Year Total Return	52.73%

*Yield based on stock price of $34.00 as of December 31, 2020.

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