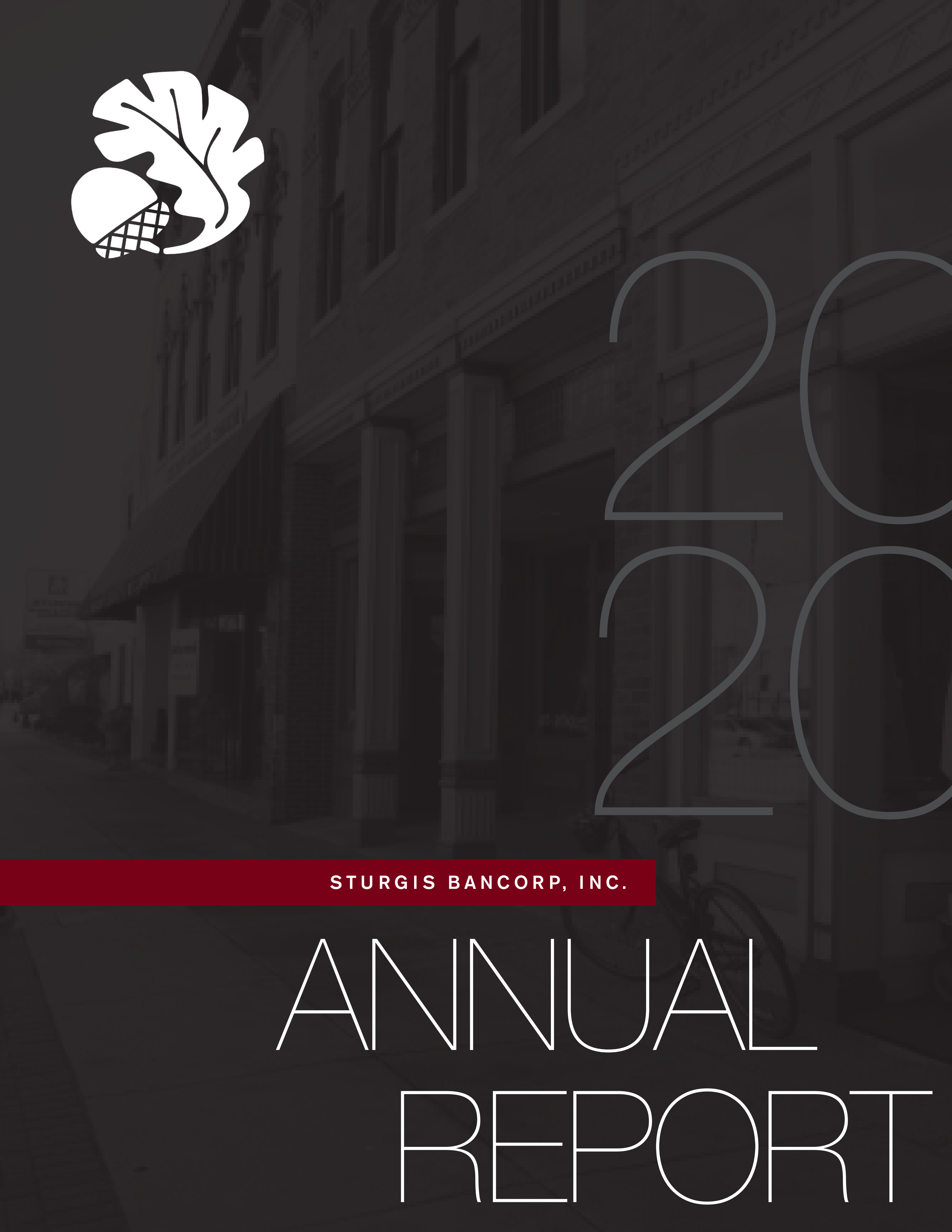


2020

STURGIS BANCORP, INC.

ANNUAL REPORT

HISTORY

Sturgis Bank & Trust Company was founded in 1905 by a group of local businessmen. Their mission was to provide affordable home financing. That mission remains true today!

TO MY FELLOW SHAREHOLDERS,

On behalf of the Directors and Employees of Sturgis Bancorp Inc. and Sturgis Bank & Trust Company, I am pleased to provide you with a copy of our 2020 Annual Report to Shareholders. In this Report you will find many key performance measures. I encourage you to study the information provided and attend our Annual Meeting of Shareholders. If you wish to have clarification on any of the information provided, please contact myself or the Bank's CFO Brian Hoggatt. We are always happy to take your call.

Complete audited financial statements are readily available for your review by visiting our Investor Relations link at sturgis.bank. You may also visit OTCQX.com and enter our ticker symbol-STBI. Sturgis Bancorp is not subject to the same reporting requirements as SEC registered banks. However, It is my long held belief that our shareholders are entitled to a similar level of information provided in a registered company statements.

This marks the third consecutive year of record earnings. The Bank is growing assets and income has been growing as well. The Bank is focused on providing increasing economic value to our shareholders in addition to an attractive dividend. We will continue this commitment and we believe we provide a very good long-term investment prospect for our existing and future shareholders.

If I were to attempt to share all the events of 2020 this letter would be several pages long. I will cover the events summarized in this letter at our Annual Meeting in greater detail and encourage you to attend. We cannot discuss 2020 without bringing up COVID-19. This posed several challenges. I am pleased at how our staff met these challenges and there were no significant negative impacts on the Bank's operations. Our IT department really shined. They provided secure connectivity for staff members so they were able to function remotely. We did not have any serious COVID related illnesses in our staff due to our employees' commitment to safety. We were also able to meet all our customers' needs during times our lobbies were open by appointment only. We followed the guidance of the CDC and State of Michigan Health Department, as well as the advice of our State and National Trade Associations.

Our Bank also provided assistance to our business and retail customers through the crisis by offering reasonable accommodations and payment arrangements. I am happy to report that most of these consumers and business customers have returned to financial health and the Bank did not experience any significant losses during the year due to COVID. Our Commercial Staff had a record year of loan originations when you consider the Paycheck Protection Program (PPP) loans. A majority of these loans will be forgiven and fee revenue paid to the Bank for these loan originations enhanced earnings during the year.

In addition to the PPP loans Oak Mortage, the Bank's Mortgage subsidiary, had a record year in loan originations. It was the highest level in the Bank's history. Mortgage banking income was significant for 2020 and has continued into the first quarter of 2021. We are expecting another great year for this segment of our loan portfolio. This volume has been driven by historically low mortgage rates and the fact our mortgage lending team never let our service level diminish despite the record high volume. Many of our local mortgage competitors had significant increases to their turnaround time from application to closing. Our staff did an amazing job of keeping our turnaround time very near historic speed. This was rewarded through an increase in new business in many of the communities we serve.

Concluded on page 2

TO MY FELLOW SHAREHOLDERS,

Most of the long term, fixed rate, loans are sold on the secondary market to manage interest rate risk. The Bank retains all servicing in order to assure continued great customer service.

The Bank contributed significantly to our Allowance for Loan and Lease Losses (ALLL) in 2020. This was done out of an abundance of caution and not due to historical credit losses. With the high degree of economic uncertainty related to COVID, we determined we should fortify our ALLL to prepare for the worst, while we hope for the best. The Bank has not experienced any significant losses directly related to COVID at this time. Our largest exposure has been in our Hotel and Hospitality loan segment. Management has monitored these loans closely and we are pleased to report this industry is rebounding. While they are not back to the occupancy rates experienced in 2019, they have improved from the lows of 2020. Most are reporting that they believe they will be healthy in 2021. We had very little exposure to restaurant loans, another industry impacted negatively by COVID restrictions in Michigan. We remain committed to credit quality and will continue to monitor our loan portfolio for any signs of weakness.

During the year the Bank converted our Portage and St. Joseph Loan Production Offices (LPO's) into branches. These offices can offer all of the same services as our other branch locations, but do not have the same traditional teller line format. We are looking forward to the addition of a second full-service branch location in St. Joseph Michigan that we hope to open in the second quarter of 2021. The Bank acquired a vacant branch office, formerly used as a branch office of another financial institution, and is remodeling it to fit our style of banking. We have been fortunate to recruit several high performing and experienced bankers in this market and look forward to continued success under their leadership.

While all banks will be challenged in the next few years with a compressed net interest margin, our Bank has mitigated some of this risk by operating several subsidiaries that contribute non-interest income. These include Oak Mortgage, Oakleaf Financial Services (a Raymond James affiliated investment management service company), Oak Title Services, Ayres/Oak Insurance and a Trust Department. Each of these subsidiaries contributes to the overall success of the Bank and helps our customers simplify their financial management through one trusted source.

Finally, the Bancorp issued subordinated notes for $15.0 million at the end of the year. The proceeds from this issue fortified capital at the Bank level and allow for continued growth of the Bank franchise. The Bancorp has invested $10.0 million of the proceeds in our subsidiary Bank and will retain the balance for general corporate expenses and as a source of additional capital at the Bank, if needed.

We look forward to a successful 2021 and the continued momentum in our Western Market.

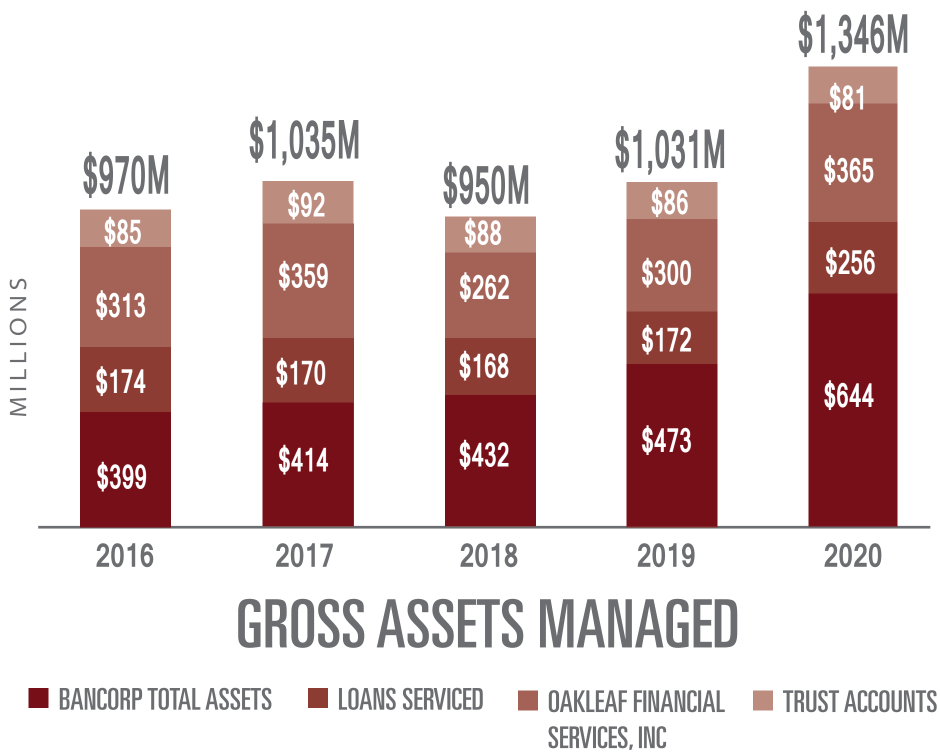
Sincerely,

Eric L. Eishen
President and CEO

SHAREHOLDER RELATIONS

STURGIS BANCORP, INC. CORPORATE AND COMMON STOCK INFORMATION

Sturgis Bancorp, Inc. gross managed assets for 2020 were $1.3 billion.
See chart below for a 5 year comparison of gross assets managed.



TRANSFER AGENT

American Stock Transfer & Trust Company, LLC
6201 15th Avenue
Brooklyn, NY 11219
www.amstock.com

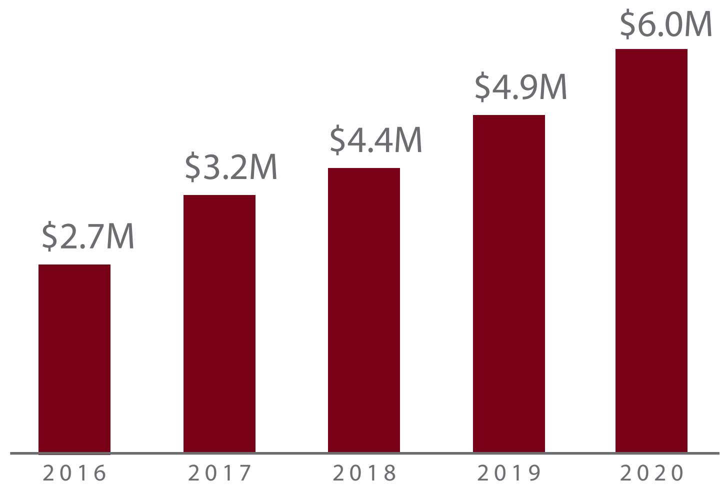
INVESTOR INFORMATION

For additional copies of this report or other investor inquires contact:
Eric Eishen or Brian Hoggatt
269-651-9345
Visit the Shareholder Relations information at www.sturgis.bank

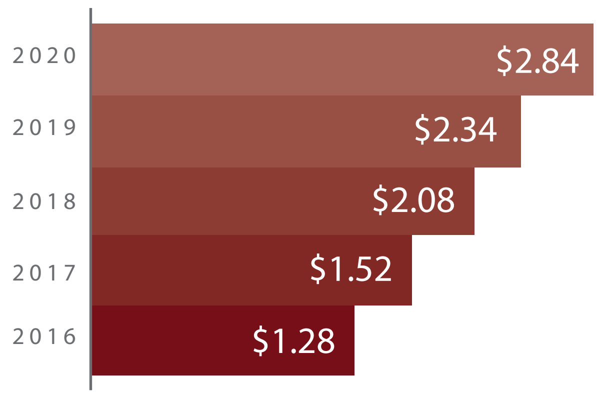
DID YOU KNOW?

Sturgis Bank converted Portage Loan Center and St Joseph Loan Office into full service branches.

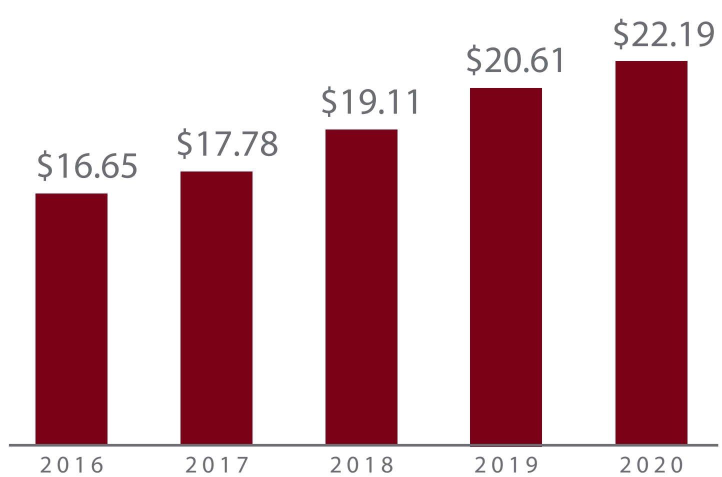
FINANCIAL HIGHLIGHTS



NET INCOME



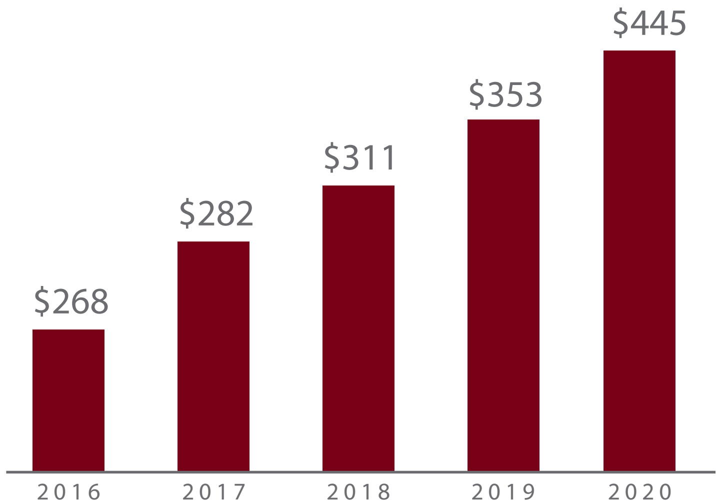
EARNINGS PER SHARE



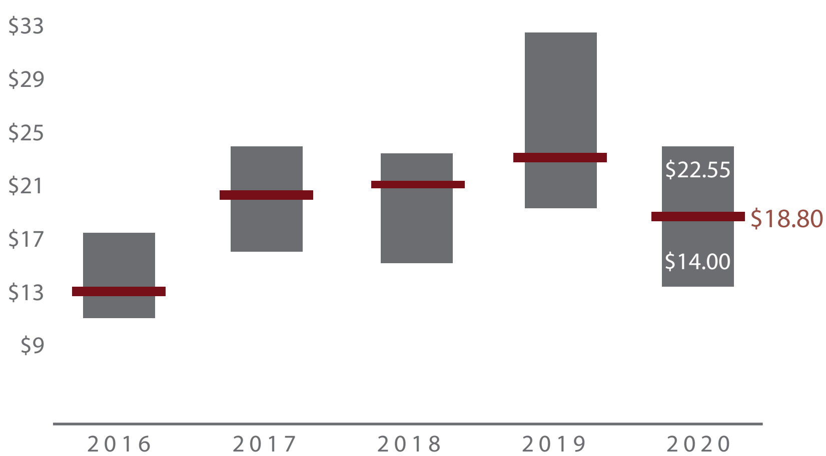
BOOK VALUE PER SHARE

DID YOU KNOW?

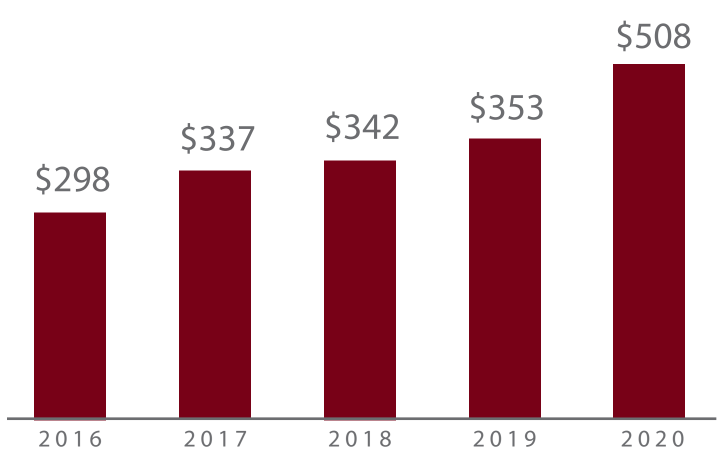
Sturgis Bank operates throughout Southwest Michigan with 14 Bank facilities in 11 communities and 4 full service stand alone ATM's.



TOTAL NET LOANS



STBI HIGH-LOW-CLOSE



TOTAL DEPOSITS

DID YOU KNOW?

Technology advances with Internet banking. Mobile app and mobile deposit bring banking to your fingertips. Stay connected with Sturgis Bank & Trust Company through the Bank's Facebook page.

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 2020 AND 2019

(Amounts in thousands, except share and per share data)

ASSETS	2020	2019
Cash and due from banks	$ 12,060	$ 13,301
Other short-term investments	55,782	9,896
TOTAL CASH AND CASH EQUIVALENTS	**67,842**	**23,197**
Interest-earning deposits in banks	1,241	2,720
Securities - available for sale	73,072	55,580
Securities - held to maturity	-	-
Federal Home Loan Bank stock, at cost	4,917	3,612
Loans held for sale, at fair value	6,832	2,977
Loans, net of allowance of $6,231 and $3,451	445,091	352,531
Premises and equipment, net	11,844	9,367
Goodwill	5,834	5,834
Core deposit intangibles	77	113
Originated mortgage servicing rights	2,245	1,112
Real estate owned	341	193
Bank-owned life insurance	11,091	10,797
Accrued interest receivable	2,458	1,610
Other assets	10,721	3,458
TOTAL ASSETS	**$ 643,606**	**$ 473,371**

LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities-Deposits:		
Noninterest-bearing	$ 124,434	$ 89,747
Interest-bearing	383,464	263,189
TOTAL DEPOSITS	**507,898**	**352,936**
Federal Home Loan Bank advances and other borrowings	61,500	70,000
Subordinated debentures- $15,000 face amount (less unamortized debt issuance costs of $400 and $0 at December 31, 2020 and 2019)	14,600	-
Accrued interest payable	477	438
Other liabilities	12,019	6,425
TOTAL LIABILITIES	**596,494**	**429,799**
Stockholders' equity		
Preferred stock - $1 par value: authorized - 1,000,000 shares issued and outstanding – 0 shares	-	-
Common stock – $1 par value: authorized – 9,000,000 shares issued and outstanding 2,123,291 shares at December 31, 2020 and 2,113,691 shares at December 31, 2019	2,123	2,114
Additional paid-in capital	8,050	7,893
Retained earnings	38,840	34,190
Accumulated other comprehensive income (loss)	(1,901)	(625)
TOTAL STOCKHOLDERS' EQUITY	**47,112**	**43,572**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 643,606**	**$ 473,371**

CONSOLIDATED STATEMENT OF INCOME

DECEMBER 31, 2020 AND 2019

(Amounts in thousands, except share and per share data)

INTEREST INCOME	2020	2019
Loans	$ 19,150	$ 17,203
Investment Securities:		
Taxable	954	1,075
Tax-exempt	673	850
Dividends	646	280
TOTAL INTEREST INCOME	**21,423**	**19,408**
INTEREST EXPENSE		
Deposits	2,262	2,056
Borrowed funds	1,318	1,311
TOTAL INTEREST EXPENSE	**3,580**	**3,367**
NET INTEREST INCOME	**17,843**	**16,041**
Provision for loan losses	2,897	284
NET INTEREST INCOME after provision for loan losses	**14,946**	**15,757**
NONINTEREST INCOME		
Service charges and other fees	1,195	1,274
Interchange income	970	862
Investment brokerage commission income	1,473	1,300
Mortgage banking activities	4,788	860
Trust fee income	371	485
Earnings on cash value of bank-owned life insurance	294	282
Loss on sale of securities	157	-
Gain on sale of real estate owned	-	104
Net gain on cash flow hedges	-	-
Other income	82	116
TOTAL NONINTEREST INCOME	**9,330**	**5,283**
NONINTEREST EXPENSES		
Salaries and employee benefits	10,353	9,280
Occupancy and equipment	2,146	1,971
Interchange expenses	427	394
Data processing	869	776
Professional services	373	340
Real estate owned expense	15	24
Advertising	313	314
FDIC premiums	323	78
Other expenses	2,198	2,004
TOTAL NONINTEREST EXPENSES	**17,017**	**15,181**
INCOME BEFORE INCOME TAX EXPENSE	**7,259**	**5,859**
Income Tax Expense	1,253	932
NET INCOME	**$ 6,006**	**$ 4,927**
Earnings per share	$ 2.84	$ 2.34
Dividends per share	$ 0.64	$ 0.60

BOARD OF DIRECTORS

JOHN T. WIEDLEA
Automation Plus, Inc.
President-Retired
Sturgis Bancorp, Chairman

DAVID L. FRANKS
Oak Press Solutions, Inc.
President & Chief Executive Officer
Sturgis Bank, Chairman

KIMBERLEE BONTRAGER
Locey CPA, LLC
Owner/President

ERIC L. EISHEN
Sturgis Bank & Trust Company
President & Chief Executive Officer

MICHAEL R. FROST
LTI Printing, Inc.
President

JASON HALLING
Burr Oak Tool
Vice President

JEFFREY M. MOHNEY
A. W. Ayres Agency, Inc.
Owner

OFFICERS

EXECUTIVE OFFICERS

Eric L. Eishen
President & Chief Executive Officer

Steven L. Gage
President Western Market, CLO

Brian P. Hoggatt
Senior Vice President, CFO, Treasurer

Jason J. Hyska
Senior Vice President

Tracey L. Parker
Senior Vice President

Matthew D. Scheske
Senior Vice President

Ronald W. Scheske
Executive Vice President, COO

OFFICERS

Jose Albarran
Vice President

Rob Beachy
Vice President

Robert Burch
Senior Vice President

William Butcher
Vice President

Renee Doroh
Assistant Vice President

Emily Frohriep
Vice President

Kristen Garland
Assistant Vice President

Mary Hooley
Vice President

Kurt Inman
Vice President

Nella Kline
Assistant Vice President

Michelle Kriser
Controller

Margaret Kunce
Vice President

Nathan Matkin
Assistant Vice President

Elizabeth Mayer
Vice President

Andrew McCall
Vice President

Steven Merchant
Assistant Vice President

Larry Morrow
Vice President

Heather Myers
Corporate Secretary

Pamela Norgan
Assistant Vice President

Rachael Rice
Assistant Vice President

Jose Santamaria
Vice President

Tammy Smith
Assistant Vice President

Stephanie Timmer
Vice President

Camille Wilson
Vice President

OAKLEAF FINANCIAL SERVICES, INC.

Oakleaf Financial Services offers a complete range of investment and financial advisory services through Raymond James Financial Services, Inc.

AYRES OAK INSURANCE, LLC

Ayres Oak Insurance, LLC offers consumer and commercial insurance products to Sturgis Bank & Trust Company customers.

OAK TITLE, LLC

Oak Title, LLC is a partnership that provides title services to Sturgis Bank and others. This partnership streamlines the lending process and provides additional revenue.

TRUST

The full service Trust Department offers estate settlement personal representative services, grantor/living trust and irrevocable trust administration, and comprehensive record keeping.

CHARITABLE BENEFICIARIES

PARTIAL LIST OF 2020 COMMUNITY CONTRIBUTIONS

Amigo Center
Animal Control
Bangor Apple Festival
Bangor Fireworks
Bangor Public Schools
Boys Baseball of Bronson
Branch County 4-H Livestock Auction
Bronson Athletics
Bronson Chamber of Commerce
Bronson Community Foundation
Bronson Kiwanis
Bronson Little League
Bronson Polish Festival
Bronson Rotary
Camp Fort Hill
Centreville Covered Bridge Days
City of Bangor
City of Sturgis
City of Three Rivers
Climax Scotts Community Schools
Colon Garden Club
Colon High School
Colon Kiwanis
Colon Summer Recreation
delta theta walk/run
Domestic Assault
Doyle Community Center
FFA
Glen Oaks Community College
Glen Oaks Community College Athletics
Glen Oaks Community College Foundation
Habitat for Humanity
Hospice
Junior Achievement
Junior Trojan Baseball
Kalamazoo County 4-H Livestock Auction
KeyStone Place
Klinger Lake Country Club Invitational
Lagrange County 4-H Livestock Auction
Mendon River Fest
Mendon Showboat
Nottawa Community Schools
Relay for Life
Salvation Army
South Haven Blueberry Festival
South Haven Chamber
South Haven Festival of Cars
South Haven Harbor Fest
South Haven Health Foundation
South Haven Light Up Lake
South Haven Rotary
South Haven Winter Wonderland
St Joe County Pheasants Forever
St Joseph County United Way
St Joseph County 4-H Livestock Auction
St Joseph County Commission on Aging
St Joseph County EDGE
St Joseph County Grange Fair
St Joseph County Historical Land Resource Building Restoration
Sturgis Area Business Education Alliance
Sturgis Chamber - Fireworks
Sturgis Chamber - Sturgis Fest
Sturgis Chamber Annual Dinner Sponsor
Sturgis Council of the Arts
Sturgis Exchange Club
Sturgis High School Athletics
Sturgis Hospital
Sturgis Hospital Foundation
Sturgis Kiwanis
Sturgis Little League
Sturgis Neighborhood Program
Sturgis Public Schools
Sturgis Rotary
Sturgis Shrine Club
Sturgis Stingrays Swim Club
Three Rivers Chamber Events
Three Rivers Chamber Water Festival
Thurston Woods Village
Van Buren County Youth Fair
White Pigeon Days
White Pigeon Library
White Pigeon Rotary
Wild Turkey Federation
Youth for Christ

CORPORATE HEADQUARTERS
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Sturgis, MI 49091
269-651-9345
www.sturgis.bank