

Form 5500 Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Annual Return/Report of Employee Benefit Plan This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6057(b) and 6058(a) of the Internal Revenue Code (the Code). ▶ Complete all entries in accordance with the instructions to the Form 5500.	OMB Nos. 1210-0110 1210-0089 2022 This Form is Open to Public Inspection
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Part I	Annual Report Identification Information
For calendar plan year 2022 or fiscal plan year beginning <u>01/01/2022</u> and ending <u>12/31/2022</u>	
A This return/report is for:	☐ a multiemployer plan ☐ a multiple-employer plan (Filers checking this box must attach a list of participating employer information in accordance with the form instructions.) ☒ a single-employer plan ☐ a DFE (specify) ____
B This return/report is:	☐ the first return/report ☐ the final return/report ☐ an amended return/report ☐ a short plan year return/report (less than 12 months)
C If the plan is a collectively-bargained plan, check here.	☐
D Check box if filing under:	☒ Form 5558 ☐ automatic extension ☐ the DFVC program ☐ special extension (enter description)
E If this is a retroactively adopted plan permitted by SECURE Act section 201, check here.	☐

Part II Basic Plan Information —enter all requested information		
1a Name of plan <u>SOUTHERN MICHIGAN BANCORP, INC. EMPLOYEE STOCK OWNERSHIP PLAN</u>	1b Three-digit plan number (PN) ▶	<u>002</u>
2a Plan sponsor's name (employer, if for a single-employer plan) Mailing address (include room, apt., suite no. and street, or P.O. Box) City or town, state or province, country, and ZIP or foreign postal code (if foreign, see instructions) <u>SOUTHERN MICHIGAN BANCORP, INC.</u> <u>BOX 309</u> <u>51 PEARL STREET</u> <u>COLDWATER, MI 49036</u>	1c Effective date of plan <u>08/01/1986</u>	2b Employer Identification Number (EIN) <u>38-2407501</u>
	2c Plan Sponsor's telephone number <u>517-279-5503</u>	2d Business code (see instructions) <u>522110</u>

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	Filed with authorized/valid electronic signature.	10/16/2023	MATT MOSES
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE			
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE

For Paperwork Reduction Act Notice, see the Instructions for Form 5500.

Form 5500 (2022)
v. 220413

3a Plan administrator's name and address ☒ Same as Plan Sponsor		3b Administrator's EIN	
		3c Administrator's telephone number	
4 If the name and/or EIN of the plan sponsor or the plan name has changed since the last return/report filed for this plan, enter the plan sponsor's name, EIN, the plan name and the plan number from the last return/report:		4b EIN	
a Sponsor's name		4d PN	
c Plan Name			
5 Total number of participants at the beginning of the plan year		5	255
6 Number of participants as of the end of the plan year unless otherwise stated (welfare plans complete only lines 6a(1) , 6a(2) , 6b , 6c , and 6d).			
a(1) Total number of active participants at the beginning of the plan year		6a(1)	168
a(2) Total number of active participants at the end of the plan year		6a(2)	214
b Retired or separated participants receiving benefits		6b	5
c Other retired or separated participants entitled to future benefits.....		6c	74
d Subtotal. Add lines 6a(2) , 6b , and 6c		6d	293
e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.		6e	0
f Total. Add lines 6d and 6e		6f	293
g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item).....		6g	293
h Number of participants who terminated employment during the plan year with accrued benefits that were less than 100% vested.....		6h	0
7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item)		7	
8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristics Codes in the instructions: 2E 2I 2J 2K 2P 2S 3H 3I			
b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristics Codes in the instructions:			
9a Plan funding arrangement (check all that apply)		9b Plan benefit arrangement (check all that apply)	
(1) ☒ Insurance		(1) ☐ Insurance	
(2) ☐ Code section 412(e)(3) insurance contracts		(2) ☐ Code section 412(e)(3) insurance contracts	
(3) ☒ Trust		(3) ☒ Trust	
(4) ☐ General assets of the sponsor		(4) ☐ General assets of the sponsor	
10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)			
a Pension Schedules		b General Schedules	
(1) ☒ R (Retirement Plan Information)		(1) ☒ H (Financial Information)	
(2) ☐ MB (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary		(2) ☐ I (Financial Information – Small Plan)	
(3) ☐ SB (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary		(3) ☒ 1 A (Insurance Information)	
		(4) ☒ C (Service Provider Information)	
		(5) ☐ D (DFE/Participating Plan Information)	
		(6) ☐ G (Financial Transaction Schedules)	

Part III Form M-1 Compliance Information (to be completed by welfare benefit plans)

11a If the plan provides welfare benefits, was the plan subject to the Form M-1 filing requirements during the plan year? (See instructions and 29 CFR 2520.101-2.) ☐ Yes ☐ No

If "Yes" is checked, complete lines 11b and 11c.

11b Is the plan currently in compliance with the Form M-1 filing requirements? (See instructions and 29 CFR 2520.101-2.) ☐ Yes ☐ No

11c Enter the Receipt Confirmation Code for the 2022 Form M-1 annual report. If the plan was not required to file the 2022 Form M-1 annual report, enter the Receipt Confirmation Code for the most recent Form M-1 that was required to be filed under the Form M-1 filing requirements. (Failure to enter a valid Receipt Confirmation Code will subject the Form 5500 filing to rejection as incomplete.)

Receipt Confirmation Code _____

SCHEDULE A (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Insurance Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ► File as an attachment to Form 5500. ► Insurance companies are required to provide the information pursuant to ERISA section 103(a)(2).	OMB No. 1210-0110 2022 This Form is Open to Public Inspection
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For calendar plan year 2022 or fiscal plan year beginning 01/01/2022 and ending 12/31/2022		
A Name of plan	B Three-digit plan number (PN)	002
SOUTHERN MICHIGAN BANCORP, INC. EMPLOYEE STOCK OWNERSHIP PLAN		
C Plan sponsor's name as shown on line 2a of Form 5500	D Employer Identification Number (EIN)	
SOUTHERN MICHIGAN BANCORP, INC. 38-2407501		

Part I	Information Concerning Insurance Contract Coverage, Fees, and Commissions	Provide information for each contract on a separate Schedule A. Individual contracts grouped as a unit in Parts II and III can be reported on a single Schedule A.
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1 Coverage Information:

(a) Name of insurance carrier
STANDARD INSURANCE COMPANY

(b) EIN	(c) NAIC code	(d) Contract or identification number	(e) Approximate number of persons covered at end of policy or contract year	Policy or contract year	
				(f) From	(g) To
93-0242990	69019	812878	242	01/01/2022	12/31/2022

2 Insurance fee and commission information. Enter the total fees and total commissions paid. List in line 3 the agents, brokers, and other persons in descending order of the amount paid.
--

(a) Total amount of commissions paid	(b) Total amount of fees paid

3 Persons receiving commissions and fees. (Complete as many entries as needed to report all persons).

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid
--

(b) Amount of sales and base commissions paid	Fees and other commissions paid		(e) Organization code
	(c) Amount	(d) Purpose	

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid
--

(b) Amount of sales and base commissions paid	Fees and other commissions paid		(e) Organization code
	(c) Amount	(d) Purpose	

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		(e) Organization code
	(c) Amount	(d) Purpose	

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		(e) Organization code
	(c) Amount	(d) Purpose	

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		(e) Organization code
	(c) Amount	(d) Purpose	

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		(e) Organization code
	(c) Amount	(d) Purpose	

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		(e) Organization code
	(c) Amount	(d) Purpose	

Part II Investment and Annuity Contract Information

Where individual contracts are provided, the entire group of such individual contracts with each carrier may be treated as a unit for purposes of this report.

4 Current value of plan's interest under this contract in the general account at year end..... **4** 1911448**5** Current value of plan's interest under this contract in separate accounts at year end..... **5****6** Contracts With Allocated Funds:**a** State the basis of premium rates ▶**b** Premiums paid to carrier **6b****c** Premiums due but unpaid at the end of the year **6c****d** If the carrier, service, or other organization incurred any specific costs in connection with the acquisition or retention of the contract or policy, enter amount..... **6d**
Specify nature of costs ▶**e** Type of contract: (1) ☐ individual policies (2) ☐ group deferred annuity
(3) ☐ other (specify) ▶**f** If contract purchased, in whole or in part, to distribute benefits from a terminating plan, check here ▶ ☐**7** Contracts With Unallocated Funds (Do not include portions of these contracts maintained in separate accounts)**a** Type of contract: (1) ☒ deposit administration (2) ☐ immediate participation guarantee
(3) ☐ guaranteed investment (4) ☐ other ▶**b** Balance at the end of the previous year **7b** 1853392**c** Additions: (1) Contributions deposited during the year **7c(1)** 146100
(2) Dividends and credits **7c(2)**
(3) Interest credited during the year **7c(3)** 59930
(4) Transferred from separate account **7c(4)**
(5) Other (specify below) **7c(5)** 337424

▶ TRANSFERS FROM TRUST 332,227, LOAN PAYMENTS 5,197

(6) Total additions **7c(6)** 543454**d** Total of balance and additions (add lines **7b** and **7c(6)**) **7d** 2396846**e** Deductions:(1) Disbursed from fund to pay benefits or purchase annuities during year **7e(1)** 145858
(2) Administration charge made by carrier **7e(2)** 866
(3) Transferred to separate account **7e(3)**
(4) Other (specify below) **7e(4)** 338673

▶ TRANSFERRED TO TRUST 334,295, LOAN ISSUES 4,378

(5) Total deductions **7e(5)** 485397**f** Balance at the end of the current year (subtract line **7e(5)** from line **7d**) **7f** 1911449

Part III Welfare Benefit Contract Information

If more than one contract covers the same group of employees of the same employer(s) or members of the same employee organizations(s), the information may be combined for reporting purposes if such contracts are experience-rated as a unit. Where contracts cover individual employees, the entire group of such individual contracts with each carrier may be treated as a unit for purposes of this report.

8 Benefit and contract type (check all applicable boxes)

- a** ☐ Health (other than dental or vision)
 b ☐ Dental
 c ☐ Vision
 d ☐ Life insurance
e ☐ Temporary disability (accident and sickness)
 f ☐ Long-term disability
 g ☐ Supplemental unemployment
 h ☐ Prescription drug
i ☐ Stop loss (large deductible)
 j ☐ HMO contract
 k ☐ PPO contract
 l ☐ Indemnity contract
m ☐ Other (specify) ▶

9 Experience-rated contracts:

a Premiums: (1) Amount received	9a(1)		
(2) Increase (decrease) in amount due but unpaid	9a(2)		
(3) Increase (decrease) in unearned premium reserve.....	9a(3)		
(4) Earned ((1) + (2) - (3)).....		9a(4)	0
b Benefit charges (1) Claims paid.....	9b(1)		
(2) Increase (decrease) in claim reserves	9b(2)		
(3) Incurred claims (add (1) and (2)).....		9b(3)	0
(4) Claims charged		9b(4)	
c Remainder of premium: (1) Retention charges (on an accrual basis) --			
(A) Commissions	9c(1)(A)		
(B) Administrative service or other fees	9c(1)(B)		
(C) Other specific acquisition costs.....	9c(1)(C)		
(D) Other expenses	9c(1)(D)		
(E) Taxes	9c(1)(E)		
(F) Charges for risks or other contingencies	9c(1)(F)		
(G) Other retention charges.....	9c(1)(G)		
(H) Total retention.....		9c(1)(H)	0
(2) Dividends or retroactive rate refunds. (These amounts were ☐ paid in cash, or ☐ credited.)		9c(2)	
d Status of policyholder reserves at end of year: (1) Amount held to provide benefits after retirement.....		9d(1)	
(2) Claim reserves		9d(2)	
(3) Other reserves		9d(3)	
e Dividends or retroactive rate refunds due. (Do not include amount entered in line 9c(2).).....		9e	

10 Nonexperience-rated contracts:

a Total premiums or subscription charges paid to carrier	10a	
b If the carrier, service, or other organization incurred any specific costs in connection with the acquisition or retention of the contract or policy, other than reported in Part I, line 2 above, report amount. Specify nature of costs.	10b	

Part IV Provision of Information

11 Did the insurance company fail to provide any information necessary to complete Schedule A? ☐ Yes ☒ No

12 If the answer to line 11 is "Yes," specify the information not provided. ▶

SCHEDULE C (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Service Provider Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110
		2022
		This Form is Open to Public Inspection.

For calendar plan year 2022 or fiscal plan year beginning 01/01/2022 and ending 12/31/2022		
A Name of plan SOUTHERN MICHIGAN BANCORP, INC. EMPLOYEE STOCK OWNERSHIP PLAN	B Three-digit plan number (PN) ▶	002
C Plan sponsor's name as shown on line 2a of Form 5500 SOUTHERN MICHIGAN BANCORP, INC.	D Employer Identification Number (EIN) 38-2407501	

Part I	Service Provider Information (see instructions)
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You must complete this Part, in accordance with the instructions, to report the information required for **each person** who received, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of monetary value) in connection with services rendered to the plan or the person's position with the plan during the plan year. If a person received **only** eligible indirect compensation for which the plan received the required disclosures, you are required to answer line 1 but are not required to include that person when completing the remainder of this Part.

1 Information on Persons Receiving Only Eligible Indirect Compensation

- a Check "Yes" or "No" to indicate whether you are excluding a person from the remainder of this Part because they received only eligible indirect compensation for which the plan received the required disclosures (see instructions for definitions and conditions).. ☐ Yes ☒ No
- b If you answered line 1a "Yes," enter the name and EIN or address of each person providing the required disclosures for the service providers who received only eligible indirect compensation. Complete as many entries as needed (see instructions).

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation
--

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--

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2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

KJ RETIREMENT CONSULTANTS, LLC

PO BOX 211201
ST PAUL, MN 55121

45-3547265

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
14	TPA	0	Yes ☒ No ☐	Yes ☐ No ☒	7751	Yes ☐ No ☒

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

Part I Service Provider Information (continued)

3. If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	

Part II Service Providers Who Fail or Refuse to Provide Information

4 Provide, to the extent possible, the following information for each service provider who failed or refused to provide the information necessary to complete this Schedule.

(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide

Part III Termination Information on Accountants and Enrolled Actuaries (see instructions)
(complete as many entries as needed)

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

SCHEDULE H (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Financial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code). ► File as an attachment to Form 5500.	OMB No. 1210-0110 2022 This Form is Open to Public Inspection
For calendar plan year 2022 or fiscal plan year beginning <u>01/01/2022</u> and ending <u>12/31/2022</u>		
A Name of plan <u>SOUTHERN MICHIGAN BANCORP, INC. EMPLOYEE STOCK OWNERSHIP PLAN</u>		B Three-digit plan number (PN) <u>002</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>SOUTHERN MICHIGAN BANCORP, INC.</u>		D Employer Identification Number (EIN) <u>38-2407501</u>

Part I	Asset and Liability Statement		
1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.			
Assets		(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash.....	1a	71268	76304
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions.....	1b(1)	205924	82702
(2) Participant contributions.....	1b(2)		
(3) Other.....	1b(3)		
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit).....	1c(1)		
(2) U.S. Government securities	1c(2)		
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)		
(B) All other	1c(3)(B)		
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)		
(B) Common.....	1c(4)(B)		
(5) Partnership/joint venture interests	1c(5)		
(6) Real estate (other than employer real property)	1c(6)		
(7) Loans (other than to participants).....	1c(7)		
(8) Participant loans.....	1c(8)	109372	94730
(9) Value of interest in common/collective trusts.....	1c(9)		
(10) Value of interest in pooled separate accounts	1c(10)		
(11) Value of interest in master trust investment accounts.....	1c(11)		
(12) Value of interest in 103-12 investment entities	1c(12)		
(13) Value of interest in registered investment companies (e.g., mutual funds).....	1c(13)	11577209	10948042
(14) Value of funds held in insurance company general account (unallocated contracts).....	1c(14)	1853392	1911448
(15) Other	1c(15)		

1d Employer-related investments:		(a) Beginning of Year	(b) End of Year
(1) Employer securities	1d(1)	6603210	4404770
(2) Employer real property	1d(2)		
e Buildings and other property used in plan operation	1e		
f Total assets (add all amounts in lines 1a through 1e)	1f	20420375	17517996

Liabilities

g Benefit claims payable	1g		
h Operating payables	1h		
i Acquisition indebtedness	1i	210244	0
j Other liabilities	1j	522	0
k Total liabilities (add all amounts in lines 1g through 1j)	1k	210766	0

Net Assets

l Net assets (subtract line 1k from line 1f)	1l	20209609	17517996
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Part II Income and Expense Statement

2 Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

Income

		(a) Amount	(b) Total
a Contributions:			
(1) Received or receivable in cash from: (A) Employers	2a(1)(A)	477029	
(B) Participants	2a(1)(B)	959123	
(C) Others (including rollovers)	2a(1)(C)	97875	
(2) Noncash contributions	2a(2)		
(3) Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)		1534027
b Earnings on investments:			
(1) Interest:			
(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)		
(B) U.S. Government securities	2b(1)(B)		
(C) Corporate debt instruments	2b(1)(C)		
(D) Loans (other than to participants)	2b(1)(D)		
(E) Participant loans	2b(1)(E)	4180	
(F) Other	2b(1)(F)		
(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)		4180
(2) Dividends: (A) Preferred stock	2b(2)(A)		
(B) Common stock	2b(2)(B)	149673	
(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)		
(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)		149673
(3) Rents	2b(3)		
(4) Net gain (loss) on sale of assets: (A) Aggregate proceeds	2b(4)(A)		
(B) Aggregate carrying amount (see instructions)	2b(4)(B)		
(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result	2b(4)(C)		0
(5) Unrealized appreciation (depreciation) of assets: (A) Real estate	2b(5)(A)		
(B) Other	2b(5)(B)	-1936203	
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		-1936203

		(a) Amount	(b) Total
(6) Net investment gain (loss) from common/collective trusts	2b(6)		
(7) Net investment gain (loss) from pooled separate accounts	2b(7)		
(8) Net investment gain (loss) from master trust investment accounts	2b(8)		
(9) Net investment gain (loss) from 103-12 investment entities.....	2b(9)		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds)	2b(10)		
c Other income	2c		
d Total income. Add all income amounts in column (b) and enter total	2d		-248323
Expenses			
e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	2433996	
(2) To insurance carriers for the provision of benefits	2e(2)		
(3) Other	2e(3)		
(4) Total benefit payments. Add lines 2e(1) through (3)	2e(4)		2433996
f Corrective distributions (see instructions)	2f		
g Certain deemed distributions of participant loans (see instructions)	2g		
h Interest expense	2h		5127
i Administrative expenses: (1) Professional fees	2i(1)	360	
(2) Contract administrator fees	2i(2)		
(3) Investment advisory and management fees	2i(3)	3807	
(4) Other	2i(4)		
(5) Total administrative expenses. Add lines 2i(1) through (4)	2i(5)		4167
j Total expenses. Add all expense amounts in column (b) and enter total	2j		2443290
Net Income and Reconciliation			
k Net income (loss). Subtract line 2j from line 2d	2k		-2691613
l Transfers of assets:			
(1) To this plan	2l(1)		
(2) From this plan	2l(2)		

Part III Accountant's Opinion

3 Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

a The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) ☒ Unmodified (2) ☐ Qualified (3) ☐ Disclaimer (4) ☐ Adverse

b Check the appropriate box(es) to indicate whether the IQPA performed an ERISA section 103(a)(3)(C) audit. Check both boxes (1) and (2) if the audit was performed pursuant to both 29 CFR 2520.103-8 and 29 CFR 2520.103-12(d). Check box (3) if pursuant to neither.

(1) ☒ DOL Regulation 2520.103-8 (2) ☐ DOL Regulation 2520.103-12(d) (3) ☐ neither DOL Regulation 2520.103-8 nor DOL Regulation 2520.103-12(d).

c Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: **BRINK, KEY & CHLUDZINSKI, P.C.**

(2) EIN: **38-3061223**

d The opinion of an independent qualified public accountant is **not attached** because:

(1) ☐ This form is filed for a CCT, PSA, or MTIA. (2) ☐ It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

Part IV Compliance Questions

4 CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete lines 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete lines 4j and 4l. MTIAs also do not complete line 4l.

During the plan year:

a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.)

	Yes	No	Amount
4a		X	

	Yes	No	Amount
b Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.)		X	
4b		X	
c Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)		X	
4c		X	
d Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.)		X	
4d		X	
e Was this plan covered by a fidelity bond?	X		1000000
4e	X		1000000
f Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?		X	
4f		X	
g Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?		X	
4g		X	
h Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?		X	
4h		X	
i Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.)	X		
4i	X		
j Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked and see instructions for format requirements.)		X	
4j		X	
k Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?		X	
4k		X	
l Has the plan failed to provide any benefit when due under the plan?		X	
4l		X	
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)		X	
4m		X	
n If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.			
4n			

5a Has a resolution to terminate the plan been adopted during the plan year or any prior plan year? ☐ Yes ☒ No
If "Yes," enter the amount of any plan assets that reverted to the employer this year _____.

5b If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)	5b(2) EIN(s)	5b(3) PN(s)

5c Was the plan a defined benefit plan covered under the PBGC insurance program at any time during this plan year? (See ERISA section 4021 and instructions.) ☐ Yes ☐ No ☐ Not determined
If "Yes" is checked, enter the My PAA confirmation number from the PBGC premium filing for this plan year _____.

SCHEDULE R (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Retirement Plan Information This schedule is required to be filed under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code). ► File as an attachment to Form 5500.	OMB No. 1210-0110 2022 This Form is Open to Public Inspection.
For calendar plan year 2022 or fiscal plan year beginning 01/01/2022 and ending 12/31/2022		
A Name of plan SOUTHERN MICHIGAN BANCORP, INC. EMPLOYEE STOCK OWNERSHIP PLAN		B Three-digit plan number (PN) ► 002
C Plan sponsor's name as shown on line 2a of Form 5500 SOUTHERN MICHIGAN BANCORP, INC.		D Employer Identification Number (EIN) 38-2407501
Part I	Distributions	
All references to distributions relate only to payments of benefits during the plan year.		
1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions.....		1 1821983
2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits): EIN(s): 82-3967259 38-1053740		
Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.		
3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year.....		3
Part II	Funding Information (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part.)	
4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)? ☐ Yes ☐ No ☐ N/A If the plan is a defined benefit plan, go to line 8.		
5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. Date: Month _____ Day _____ Year _____ If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.		
6 a Enter the minimum required contribution for this plan year (include any prior year accumulated funding deficiency not waived).....		6a
b Enter the amount contributed by the employer to the plan for this plan year.....		6b
c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount).....		6c
If you completed line 6c, skip lines 8 and 9.		
7 Will the minimum funding amount reported on line 6c be met by the funding deadline? ☐ Yes ☐ No ☐ N/A		
8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure or other authority providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change? ☐ Yes ☐ No ☐ N/A		
Part III	Amendments	
9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box. If no, check the "No" box..... ☐ Increase ☐ Decrease ☐ Both ☐ No		
Part IV	ESOPs (see instructions). If this is not a plan described under section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.	
10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan?.....		☐ Yes ☒ No
11 a Does the ESOP hold any preferred stock?.....		☐ Yes ☒ No
b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.).....		☐ Yes ☒ No
12 Does the ESOP hold any stock that is not readily tradable on an established securities market?.....		☒ Yes ☐ No
For Paperwork Reduction Act Notice, see the Instructions for Form 5500.		
Schedule R (Form 5500) 2022 v. 220413		

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

13 Enter the following information for each employer that (1) contributed more than 5% of total contributions to the plan during the plan year or (2) was one of the top-ten highest contributors (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

14	Enter the number of deferred vested and retired participants (inactive participants), as of the beginning of the plan year, whose contributing employer is no longer making contributions to the plan for:	
a	The current plan year. Check the box to indicate the counting method used to determine the number of inactive participants: ☐ last contributing employer ☐ alternative ☐ reasonable approximation (see instructions for required attachment).....	14a
b	The plan year immediately preceding the current plan year. ☐ Check the box if the number reported is a change from what was previously reported (see instructions for required attachment)	14b
c	The second preceding plan year. ☐ Check the box if the number reported is a change from what was previously reported (see instructions for required attachment)	14c
15	Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:	
a	The corresponding number for the plan year immediately preceding the current plan year.....	15a
b	The corresponding number for the second preceding plan year.....	15b
16	Information with respect to any employers who withdrew from the plan during the preceding plan year:	
a	Enter the number of employers who withdrew during the preceding plan year	16a
b	If line 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers.....	16b
17	If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment ☐	

Part VI Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans

18 If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment ☐

19 If the total number of participants is 1,000 or more, complete lines (a) through (c)

a Enter the percentage of plan assets held as:
 Stock: _____% Investment-Grade Debt: _____% High-Yield Debt: _____% Real Estate: _____% Other: _____%

b Provide the average duration of the combined investment-grade and high-yield debt:
☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more

c What duration measure was used to calculate line 19(b)?
☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify): _____

20 PBGC missed contribution reporting requirements. If this is a multiemployer plan or a single-employer plan that is not covered by PBGC, skip line 20.

a Is the amount of unpaid minimum required contributions for all years from Schedule SB (Form 5500) line 40 greater than zero? ☐ Yes ☐ No

b If line 20a is "Yes," has PBGC been notified as required by ERISA sections 4043(c)(5) and/or 303(k)(4)? Check the applicable box:

☐ Yes.

☐ No. Reporting was waived under 29 CFR 4043.25(c)(2) because contributions equal to or exceeding the unpaid minimum required contribution were made by the 30th day after the due date.

☐ No. The 30-day period referenced in 29 CFR 4043.25(c)(2) has not yet ended, and the sponsor intends to make a contribution equal to or exceeding the unpaid minimum required contribution by the 30th day after the due date.

☐ No. Other. Provide explanation _____

**Southern Michigan Bancorp, Inc.
Employee Stock Ownership Plan**

***Financial Statements
and
Supplemental Schedules***

**For the Years Ended
December 31, 2022 and 2021**

Southern Michigan Bancorp, Inc.

Employee Stock Ownership Plan

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INDEPENDENT AUDITOR'S REPORT

October 16, 2023

To the Plan Administration
Southern Michigan Bancorp, Inc.
Employee Stock Ownership Plan
51 West Pearl Street
Coldwater, MI 49036

Scope and Nature of the ERISA Section 103(a)(3)(C) Audit

We have performed audits of the accompanying financial statements of **Southern Michigan Bancorp, Inc. Employee Stock Ownership Plan** (the "Plan"), an employee benefit plan subject to the Employee Retirement Income Security Act of 1974 (ERISA), as permitted by ERISA Section 103(a)(3)(C). The financial statements comprise the statements of net assets available for benefits as of December 31, 2022 and 2021, and the related statements of changes in net assets available for benefits for the years ended December 31, 2022 and 2021, and the related notes to the financial statements.

Management, having determined it is permissible in the circumstances, has elected to have the audits of the Plan's financial statements performed in accordance with ERISA Section 103(a)(3)(C) pursuant to 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. As permitted by ERISA Section 103(a)(3)(C), our audits need not extend to any statements or information related to assets held for investment of the plan (investment information) by a bank or similar institution or insurance carrier that is regulated, supervised, and subject to periodic examination by a state or federal agency (qualified institution), provided that the statements or information regarding assets so held are prepared and certified to by the bank or similar institution or insurance carrier in accordance with 29 CFR 2520.103-5 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA.

Management has obtained certifications from qualified institutions as of December 31, 2022 and 2021 and for the years ended December 31, 2022 and 2021, stating that the certified investment information, as described in Note 4 to the financial statements, is complete and accurate.

Opinion

In our opinion, based on our audits and on the procedures performed as described in the Auditor's Responsibilities for the Audit of the Financial Statements section—

- the amounts and disclosures in the financial statements referred to above, other than those agreed to or derived from the certified investment information, are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America.
- the information in the financial statements referred to above related to assets held by and certified to by a qualified institution agrees to, or is derived from, in all material respects, the information prepared and certified by an institution that management determined meets the requirements of ERISA Section 103(a)(3)(C).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Plan and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our ERISA Section 103(a)(3)(C) audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. Management's election of the ERISA Section 103(a)(3)(C) audit does not affect management's responsibility for the financial statements.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Management is also responsible for maintaining a current plan instrument, including all plan amendments; administering the plan; and determining that the plan's transactions that are presented and disclosed in the financial statements are in conformity with the plan's provisions, including maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants.

Auditor's Responsibilities for the Audit of the Financial Statements

Except as described in the Scope and Nature of the ERISA Section 103(a)(3)(C) Audit section of our report, our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for a reasonable period of time.

Our audits did not extend to the certified investment information, except for obtaining and reading the certifications, comparing the certified investment information with the related information presented and disclosed in the financial statements, and reading the disclosures relating to the certified investment information to assess whether they are in accordance with the presentation and disclosure requirements of accounting principles generally accepted in the United States of America.

Accordingly, the objective of an ERISA Section 103(a)(3)(C) audit is not to express an opinion about whether the financial statements as a whole are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplemental Schedules Required by ERISA

The supplemental Schedule of Assets (Held at End of Year) and Schedule of Reportable Transactions as of and for the year ended December 31, 2022, are presented for purposes of additional analysis and are not a required part of the financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information included in the supplemental schedules, other than that agreed to or derived from the certified investment information, has been subjected to auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with generally accepted auditing standards. For information included in the supplemental schedules that agreed to or is derived from the certified investment information, we compared such information to the related certified investment information.

In forming our opinion on the supplemental schedules, we evaluated whether the supplemental schedules, other than the information agreed to or derived from the certified investment information, including their form and content, are presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA.

In our opinion—

- the form and content of the supplemental schedules, other than the information in the supplemental schedules that agreed to or is derived from the certified investment information, are presented, in all material respects, in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA.
- the information in the supplemental schedules related to assets held by and certified to by a qualified institution agrees to or is derived from, in all material respects, the information prepared and certified by an institution that management determined meets the requirements of ERISA Section 103(a)(3)(C).



Brink, Key & Chludzinski, P.C.

Southern Michigan Bancorp, Inc. Employee Stock Ownership Plan

Statements of Net Assets Available for Benefits December 31, 2022 and 2021

	2022		Total	2021		Total
	Allocated	Unallocated		Allocated	Unallocated	
Assets:						
Investments:						
At Fair Value:						
Mutual Funds						
Company Stock	\$ 10,948,042	\$ -	\$ 10,948,042	\$ 11,577,209	\$ -	\$ 11,577,209
Money Market Account	4,404,770	-	4,404,770	6,363,810	239,400	6,603,210
At Contract Value -	76,304	-	76,304	71,268	-	71,268
Group Annuity Contract	1,911,448	-	1,911,448	1,853,392	-	1,853,392
Total Investments	17,340,564	-	17,340,564	19,865,679	239,400	20,105,079
Receivables:						
Notes Receivable from Participants	94,730	-	94,730	109,372	-	109,372
Company Contributions	82,702	-	82,702	205,924	-	205,924
Total Receivables	177,432	-	177,432	315,296	-	315,296
Total Assets Available for Benefits	17,517,996	-	17,517,996	20,180,975	239,400	20,420,375
Liabilities:						
Loans Payable	-	-	-	-	210,244	210,244
Other Liabilities	-	-	-	522	-	522
Total Liabilities	-	-	-	522	210,244	210,766
Net Assets Available for Benefits	\$ 17,517,996	\$ -	\$ 17,517,996	\$ 20,180,453	\$ 29,156	\$ 20,209,609

See accompanying independent auditor's report
and notes to financial statements

Southern Michigan Bancorp, Inc.

Employee Stock Ownership Plan

Statements of Changes in Net Assets Available for Benefits For the Years Ended December 31, 2022 and 2021

	2022		2021	
	Allocated	Unallocated	Total	
Additions to Plan Assets Attributed to:				
Investment Income:				
Dividend and Interest Income	\$ 149,673	\$ -	\$ 149,673	\$ 720,366
Net Appreciation in Fair Value of Investments	-	-	-	1,688,219
Total Investment Income	149,673	-	149,673	2,408,585
Contributions:				
Participants	959,123	-	959,123	889,473
Company	261,658	215,371	477,029	433,592
Rollovers	97,875	-	97,875	423,364
Total Contributions	1,318,656	215,371	1,534,027	1,746,429
Interest on Notes Receivable from Participants	4,180	-	4,180	5,431
Allocations of 10,640 & 4,720 shares of Company Stock, Respectively, at Fair Value	250,040	-	250,040	106,200
Total Additions	1,722,549	215,371	1,937,920	4,266,645
Deductions from Plan Assets Attributed to:				
Benefits Paid to Participants	2,433,996	-	2,433,996	589,262
Net Depreciation (Appreciation) in Fair Value of Investments	1,946,843	(10,640)	1,936,203	-
Interest Expense	-	5,127	5,127	6,799
Administrative Expenses	4,167	-	4,167	4,237
Allocations of 10,640 & 4,720 shares of Company Stock, Respectively, at Fair Value	-	250,040	250,040	106,200
Total Deductions	4,385,006	244,527	4,629,533	706,498
Net Increase (Decrease)	(2,662,457)	(29,156)	(2,691,613)	3,560,147
Net Assets Available for Benefits - Beginning of Year	20,180,453	29,156	20,209,609	16,649,462
Net Assets Available for Benefits - End of Year	\$ 17,517,996	\$ -	\$ 17,517,996	\$ 20,209,609

See accompanying independent auditor's report
and notes to financial statements

Southern Michigan Bancorp, Inc.

Employee Stock Ownership Plan

Notes to Financial Statements
December 31, 2022 and 2021

Note 1 – Description of the Plan

The following description of the Southern Michigan Bancorp, Inc. Employee Stock Ownership Plan (the “Plan”) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan’s provisions.

General

The Plan is a defined contribution plan established August 1, 1986 and restated effective January 1, 2022. Adopting employers of the Plan include Southern Michigan Bancorp, Inc. (the “Company”) and Southern Michigan Bank & Trust (the “Trustee”) (collectively, the “Employer”). The Plan operates, in relevant part, as an employee stock ownership plan (“ESOP”) and is designed to comply with Section 4975(e)(7) and the regulations thereunder of the Internal Revenue Code of 1986, as amended (IRC), and is subject to the applicable provisions of the Employee Retirement Income Security Act of 1974 (ERISA). The Plan covers substantially all employees of the adopting employers who are at least 21 years of age and are employed in covered employment.

During August 2016, the Plan purchased 8,000 shares of the Company’s common stock using the proceeds of a loan payable to the Company of \$209,600. During February 2019, the Plan purchased 7,700 shares of the Company’s common stock using the proceeds of a loan payable to the Company of \$294,525. During March 2019, the Plan purchased 2,300 shares of the Company’s common stock using the proceeds of a loan payable to the Company of \$87,400. The Plan held the stock in a trust established under the Plan. The borrowings were to be repaid over a period of five years by the Employer's contributions to the trust fund. As the Plan made each payment of principal and interest, an appropriate percentage of stock was allocated to eligible employees’ accounts in accordance with applicable regulations under the IRC.

The borrowings were collateralized by the unallocated shares of stock. The Company had no interest or rights in such shares of stock once they were allocated to participants in accordance with the terms of the Plan. Accordingly, the financial statements of the Plan present separately the assets and liabilities and changes therein pertaining to:

- a) The accounts of employees with rights in allocated stock (Allocated).
- b) Shares not yet allocated to employees (Unallocated).

During 2022, the Plan paid the loans payable in full and allocated all of the remaining shares of Company stock that had been held as collateral for the borrowings. See further discussion of a change to the employer matching contribution under Subsequent Events in Note 2.

See accompanying independent auditor’s report

Southern Michigan Bancorp, Inc.

Employee Stock Ownership Plan

Notes to Financial Statements (Continued)
December 31, 2022 and 2021

Note 1 – Description of the Plan (Continued)

Contributions

The Employer was obligated to make contributions in cash to the Plan which, when aggregated with the Plan's dividends and interest earnings, equaled the amount necessary to enable the Plan to make its regularly scheduled payments of principal and interest due on its term loans.

Employee contributions are permitted. Each year, participants may elect to contribute up to 100% of annual compensation, as defined by the Plan. Participants may designate these deferrals to be pre-tax or Roth contributions. Participants who have attained age 50 before the end of the Plan year are eligible to make catch-up contributions. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans (rollover). Contributions are subject to certain IRS limitations.

The Employer makes a safe harbor employer matching contribution equal to 100% of the first 3% of eligible compensation and 50% up to an additional 2% of eligible compensation that a participant contributes to the Plan. Employer contributions are to be invested primarily in Company stock and employee contributions are participant directed into various investment options offered by the Plan.

Participant Accounts

The Plan is a defined contribution plan under which a separate individual account is established for each participant. Each participant's account is credited with the participant's contributions, Employer matching contributions, and Plan earnings. Participant accounts are also credited semi-annually with an allocation of available shares of the Company's stock from several sources. Sources of shares include repurchases made to satisfy diversification elections or distribution requests from terminated participants and releases by the Trustee from the unallocated reserve due to principal payments on the exempt loan. Participants who are employed in covered employment are eligible to receive an allocation. Allocations are based on a participant's eligible compensation, relative to total compensation. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Vesting

Participants are 100% vested in all accounts under the Plan at all times.

See accompanying independent auditor's report

Southern Michigan Bancorp, Inc.

Employee Stock Ownership Plan

Notes to Financial Statements (Continued)
December 31, 2022 and 2021

Note 1 – Description of the Plan (Continued)

Notes Receivable from Participants

Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50% of their vested account balance. Participants may have only one note outstanding at a time. The notes are secured by the balance in the participant's account. The note interest rate is set at the prime rate, as defined. Principal and interest are repaid ratably through payroll deductions over a period of five years or less, unless for the purchase of a principal residence, in which case the note term may exceed five years.

Payment of Benefits

On termination of service due to death, disability, separation, or retirement, a participant (or a participant's beneficiary in the event of death) may request a distribution equal to the value of the participant's vested interest in his or her account. All account balances not invested in Company stock will be paid in a lump sum of cash. For participant balances invested in Company stock, distributions are made on a semi-annual basis and are made as soon as administratively feasible following the allocation process that occurs each year as of June 30th and December 31st. The amount to be distributed is based on the immediately preceding valuation date. Distributions of Company stock is made in annual installments over a period not to exceed five years. The installment period may be extended by one year for every incremental amount that the vested balance in Company stock exceeds an annual statutory amount. Under the provisions of the Plan, the Company is obligated to repurchase participant shares, which have been distributed under the terms of the Plan if the shares are not publicly traded or if the shares are subject to trading limitations. If a participant elects, distributions can be made in the form of Company stock plus cash for any fractional share of stock. Vested account balances less than \$1,000 will automatically be distributed in cash. Hardship withdrawals, as defined by the Plan, are allowed from participant pre-tax contributions.

Put Option

Under federal income tax regulations, the Company stock that is held by the Plan and its participants and is not readily tradable on an established market, or is subject to trading limitations, includes a put option. The put option is a right to demand that the Company buy any shares of its stock distributed to participants for which there is no market. The put price is representative of the current appraised value of the stock. Under the provisions of the Plan, if a distribution is made in the form of Company stock, the put option must be exercised within 60 days of the date of distribution.

See accompanying independent auditor's report

Southern Michigan Bancorp, Inc.

Employee Stock Ownership Plan

Notes to Financial Statements (Continued)
December 31, 2022 and 2021

Note 1 – Description of the Plan (Continued)

Put Option (Continued)

If the option is not exercised during that period, the recipient will be notified by the Company after the valuation is complete for the following plan year end and will have 60 days to exercise the option from the date of notification. The option will not be renewed after this additional 60 day period. The purpose of the put option is to ensure that the participant has the ability to ultimately obtain cash.

Voting Rights

Each participant is entitled to exercise voting rights attributable to the shares allocated to his or her account and is notified by the Trustee prior to the time that such rights are to be exercised. The Trustee is not permitted to vote any allocated share for which instructions have not been given by a participant. The Trustee was required, however, to vote any unallocated shares on behalf of the collective best interests of Plan participants and beneficiaries.

Diversification

Diversification is offered to participants close to retirement so that they may have the opportunity to move part of the value of their investment in Company stock into investments that are more diversified. Participants who are at least age 55 with at least 10 years of participation in the Plan may elect to diversify a portion of their account. Diversification is offered to each eligible participant over a six-year period. In each of the first five years, a participant may diversify up to 25% of the number of post-1986 shares allocated to his or her account, less any shares previously diversified. In the sixth year, the percentage changes to 50%. Participants who are age 60 and over, regardless of years of participation, must choose to take the Company stock portion of their vested account in the form of a distribution or liquidate the Company stock. The proceeds from the liquidation are deposited into a participant directed account. The election to diversify is made subsequent to year-end based upon the shares of Company stock in the participant's account at year-end.

Plan Termination

While it has not expressed any intent to do so, the Employer reserves the right to terminate the Plan at any time, subject to the provisions set forth in the Plan document and ERISA.

Note 2 – Summary of Accounting Policies

Basis of Accounting

The financial statements of the Plan are prepared on the accrual basis of accounting.

See accompanying independent auditor's report

Southern Michigan Bancorp, Inc.

Employee Stock Ownership Plan

Notes to Financial Statements (Continued)
December 31, 2022 and 2021

Note 2 – Summary of Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Allocations

The financial statements of the Plan present separately the assets and liabilities and changes therein pertaining to (a) the accounts of employees with rights in allocated stock (“allocated”) and (b) stock not yet allocated to employees (“unallocated”), including shares that are committed to be released. Shares are released from collateral and become allocated generally in the period in which debt service is actually paid.

Investment Valuation

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for a discussion of fair value measurements. Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation or depreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Administrative Expenses

As provided in the Plan agreement, administrative expenses may be paid either by the Plan or by the Employer. Expenses that are paid by the Employer are excluded from these financial statements. Fees related to the administration of notes receivable from participants and benefit payments are charged directly to the participant's account and are included in administrative expenses. Investment related expenses are included in net appreciation or depreciation of fair value of investments.

Notes Receivable from Participants

Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. Interest income is recorded on the accrual basis. Related fees are recorded as administrative expenses and are expensed as incurred. No allowance for credit losses has been recorded as of December 31, 2022. If a participant ceases to make loan repayments and the Plan Administrator deems the participant loan to be in default, the participant loan balance is reduced, and a deemed distribution is recorded.

See accompanying independent auditor's report

Southern Michigan Bancorp, Inc.

Employee Stock Ownership Plan

Notes to Financial Statements (Continued)
December 31, 2022 and 2021

Note 2 – Summary of Accounting Policies (Continued)

Payments of Benefits

Benefits are recorded when paid.

Subsequent Events

Effective January 1, 2023, Employer contributions will be made in cash and invested into various options offered by the plan as directed by the participant. The Employer will no longer make contributions of employer stock. No other subsequent events were identified through October 16, 2023, the date these financial statements were available to be issued, that require disclosure.

Note 3 – Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the Plan has the ability to access.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, other inputs that are observable, or can be corroborated by observable market data.

Level 3 – Inputs to the valuation methodology are both significant to the fair value measurement and unobservable.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2022 and 2021.

Money Market Account: The carrying amount reported in the Statement of Net Assets Available for Benefits approximates fair value.

See accompanying independent auditor's report

Southern Michigan Bancorp, Inc.

Employee Stock Ownership Plan

Notes to Financial Statements (Continued)
December 31, 2022 and 2021

Note 3 – Fair Value Measurements (Continued)

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the Securities and Exchange Commission. The mutual funds held by the Plan are deemed to be actively traded.

Company Stock: Value based on the fair value determined through a third-party appraisal, which utilized a combination of the income approach including discounted cash flow method, the asset approach whereas the assets and liabilities were netted against each other at their fair value, and the market approach using various valuation multiples. The appraiser took into account historical and project cash flow, adjusted EBITDA, and appropriate discount rates.

The valuation process involves the ESOP Trustees' selection of an independent appraiser. Inputs from several people/areas of the Employer are used by accounting personnel to compile five year projections of sales, operating results and capital expenditures. These projections are reviewed by management, and feedback (if any) is given to arrive at a final set of projections that reflect management's expectations for the period. These projections, along with audited financial statements of the Company, are then provided to the appraiser. The appraiser prepares a preliminary report which the ESOP Trustees' review in detail, discuss and approve.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2022 and 2021:

	Assets at Fair Value as of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ 10,948,042	\$ -	\$ -	\$ 10,948,042
Company Stock	-	-	4,404,770	4,404,770
Money Market Account	76,304	-	-	76,304
Total Investments at Fair Value	\$ 11,024,346	\$ -	\$ 4,404,770	\$ 15,429,116

See accompanying independent auditor's report

Southern Michigan Bancorp, Inc.

Employee Stock Ownership Plan

Notes to Financial Statements (Continued)
December 31, 2022 and 2021

Note 3 – Fair Value Measurements (Continued)

	Assets at Fair Value as of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ 11,577,209	\$ -	\$ -	\$ 11,577,209
Company Stock	-	-	6,603,210	6,603,210
Money Market Account	71,268	-	-	71,268
Total Investments at Fair Value	<u>\$ 11,648,477</u>	<u>\$ -</u>	<u>\$ 6,603,210</u>	<u>\$ 18,251,687</u>

The Plan's investments in Company stock as of December 31, 2022 and 2021 are as follows:

December 31,	2022			2021		
	Allocated	Unallocated	Total	Allocated	Unallocated	Total
Number of Shares	187,437	-	187,437	282,836	10,640	293,476
Cost	\$ 2,292,829	\$ -	\$ 2,292,829	\$ 3,050,723	\$ 210,244	\$ 3,260,967
Estimated Fair Value	\$ 4,404,770	\$ -	\$ 4,404,770	\$ 6,363,810	\$ 239,400	\$ 6,603,210

The following table below sets forth a summary of changes in the fair value of the Plan's level 3 assets for the years ended December 31, 2022 and 2021:

Year Ended December 31,	2022	2021
Balance, Beginning of Year	\$ 6,603,210	\$ 5,801,601
Distributions of Stock	(2,385,878)	(78,819)
Net Appreciation	187,438	880,428
Balance, End of Year	<u>\$ 4,404,770</u>	<u>\$ 6,603,210</u>

See accompanying independent auditor's report

Southern Michigan Bancorp, Inc.

Employee Stock Ownership Plan

Notes to Financial Statements (Continued)
December 31, 2022 and 2021

Note 4 – Information Certified by Southern Michigan Bank & Trust and Charles Schwab Bank

The Plan Administrator has elected the method of annual reporting compliance permitted by Section 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting Disclosure under ERISA. Accordingly, as of and for the years ended December 31, 2022 and 2021, Southern Michigan Bank & Trust, the trustee, and Charles Schwab Bank, the custodian, have certified that the following data included in the accompanying financial statements and supplemental schedules are complete and accurate:

December 31,	2022	2021
Mutual Funds	\$ 10,948,042	\$ 11,577,209
Money Market Account	\$ 76,304	\$ 71,268
Group Annuity Contract	\$ 1,911,448	\$ 1,853,392
Notes Receivable from Participants	\$ 94,730	\$ 109,372
Year Ended December 31,	2022	2021
Net Appreciation (Depreciation) in Fair Value of Investments	\$ (1,936,203)	\$ 1,688,219
Dividend and Interest Income	\$ 149,673	\$ 720,366
Interest on Notes Receivable from Participants	\$ 4,180	\$ 5,431

Note 5 – Group Annuity Contract

In 2019, the Plan entered into a fully benefit-responsive group annuity contract with Standard Insurance Company (Standard). The accounts are credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. The investment contract issuer is contractually obligated to repay the principal and a specified interest rate that is guaranteed to the Plan.

Because the investment contract is fully benefit-responsive, contract value is the relevant measure attributable for that portion of the net assets available for benefits attributable to the contract. Contract value, as reported to the Plan by Standard, represents contributions made under the contract, plus earnings, less participant withdrawals, and administrative expenses. Participants may ordinarily direct the withdrawal or transfer all or a portion of their investment at contract value. There are no reserves against contract value for credit risk of the contract issuer or otherwise. The crediting interest rate is based on a formula agreed upon with the issuer. Such interest rates are reviewed on a quarterly basis for resetting.

See accompanying independent auditor's report

Southern Michigan Bancorp, Inc.

Employee Stock Ownership Plan

Notes to Financial Statements (Continued)
December 31, 2022 and 2021

Note 5 – Group Annuity Contract (Continued)

Certain events limit the ability of the Plan to transact at contract value with the issuer. Such events include the following: (1) amendments to the Plan documents (including complete or partial plan termination or merger with another plan), (2) changes to the Plan's prohibition on competing investment options or deletion of equity wash provisions, (3) bankruptcy of the Plan Sponsor or other plan sponsor events (for example, divestitures or spin-offs of a subsidiary) that cause a significant withdrawal from the Plan, or (4) the failure of the trust to qualify for exemption from federal income taxes or any required prohibited transaction exemption under ERISA.

The Plan Administrator does not believe that the occurrence of any such value event, which would limit the Plan's ability to transact at contract value with participants, is probable.

Note 6 – Loans Payable

On February 28, 2019, the Plan entered into a \$294,525 term loan agreement with the Company. The proceeds of the loan were used to purchase 7,700 shares of the Company's common stock. As of December 31, 2021, the outstanding balance was \$174,111. On March 11, 2019, the Plan entered into a \$87,400 term loan agreement with the Company. The proceeds of the loan were used to purchase 2,300 shares of the Company's common stock. As of December 31, 2021, the outstanding balance was \$36,133. Unallocated shares served as collateral for repayment of the loans. Shares were released from collateral and allocated to participants as payments of principal and interest were made. The balances on these loans were paid in full during 2022.

Note 7 – Concentration of Market Risk

The Plan is invested in Company stock at a rate of 26% and 33% to total investments held by the Plan as of December 31, 2022 and 2021, respectively. Such concentration poses a risk that Plan assets and participant accounts are exposed to risk in the event of a significant decline in the fair value of such stock. A significant decline in the fair value of the Company stock would significantly affect the net assets available for benefits.

See accompanying independent auditor's report

Southern Michigan Bancorp, Inc.

Employee Stock Ownership Plan

Notes to Financial Statements (Continued)
December 31, 2022 and 2021

Note 8 – Related Party and Party-In-Interest Transactions

The Plan invests in Company stock and had indebtedness guaranteed by the Company. These are related party and party-in-interest transactions. For the years ended December 31, 2022 and 2021, the Plan made payments to KJ Retirement Consultants, LLC and to Standard Insurance Company. KJ Retirement Consultants, LLC and Standard Insurance Company are recordkeepers of the Plan; therefore, these transactions qualify as party-in-interest transactions. Fees incurred by the Plan for additional investment management services are included in net appreciation or depreciation in fair value of the investment. The Employer pays directly any other fees related to the Plan's operations. Notes receivable from participants also qualify as party-in-interest transactions.

Note 9 – Income Tax Status

The IRS has determined and informed Southern Michigan Bank & Trust, the trustee of the Plan, by a letter dated March 19, 2018, that the Plan is designed in accordance with applicable sections of the Internal Revenue Code (IRC). Although the Plan has been restated since receiving the opinion letter, the Plan Administrator believes the Plan is designed, and is currently being operated, in compliance with the applicable requirement of the IRS and, therefore, believes the Plan is qualified and tax-exempt.

Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by the Plan and recognize a tax liability if the Plan has taken an uncertain tax position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Note 10 – Risks and Uncertainties

The Plan invests in various investment securities including Company stock. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Additionally, the Company stock is exposed to valuation assumptions based on earnings, cash flows, and other such techniques. Due to the level of risk associated with the investment in the Company stock and to uncertainties inherent in estimates and assumptions, as well as the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of these investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statement of net assets available for benefits.

See accompanying independent auditor's report

Supplemental Schedules

Southern Michigan Bancorp, Inc.

Employee Stock Ownership Plan

Schedule H, Line 4i – Schedule of Assets (Held at End of Year)
December 31, 2022

EIN: 38-2407501

Plan Number: 002

(a)	(b) Identity of Issue, Borrower, Lessor or Similar Party	(c) Description of Investment including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	(d) Cost	(e) Current Value
Mutual Funds:				
	Voya Intermediate Bond Fund	Mutual Fund, 332,764 shares	**	\$ 2,841,809
	Fidelity 500 Index Fund	Mutual Fund, 16,303 shares	**	2,170,229
	American Funds Europacific Fund	Mutual Fund, 34,738 shares	**	1,703,197
	Vanguard Equity-Income Fund	Mutual Fund, 13,442 shares	**	1,137,617
	T. Rowe Price Growth Stock Fund	Mutual Fund, 17,891 shares	**	1,104,253
*	Schwab Small Cap Index Fund	Mutual Fund, 22,442 shares	**	633,316
	American Funds American Balanced Fund	Mutual Fund, 12,672 shares	**	364,571
	Nuveen Mid Cap Value Fund	Mutual Fund, 7,666 shares	**	359,819
	Carillon Eagle Mid Cap Growth Fund	Mutual Fund, 4,775 shares	**	345,540
	Vanguard Mid Cap Index Admiral Fund	Mutual Fund, 471 shares	**	118,959
	Cohen and Steers Instl Realty Shares Fund	Mutual Fund, 1,954 shares	**	83,175
	Pimco Income Institutional Fund	Mutual Fund, 4,975 shares	**	51,496
	American Century Small Cap Value Fund	Mutual Fund, 1,184 shares	**	10,818
	Vanguard Internaitonal Value Fund	Mutual Fund, 268 shares	**	9,585
	DFA Emerging Markets Core Equity Fund	Mutual Fund, 421 shares	**	8,474
	Fidelity International Index Fund	Mutual Fund, 126 shares	**	5,184
Total Mutual Funds				10,948,042
Company Stock -				
*	Southern Michigan Bancorp, Inc.	Common Stock, 187,437 shares	2,292,829	4,404,770
Money Market Account -				
*	Southern Michigan Bank	Money Market Account	76,304	76,304
Group Annuity Contract -				
*	Standard Stable Asset	Stable Value Option with annual interest rate of 2.23%	**	1,911,448
Total Investments				17,340,564
Other -				
*	Participant Loans	16 participant loans with maturities of 5 years or less and interest ranging from 3.25% to 6.25%	***	94,730
Total			<u>\$ 2,369,133</u>	<u>\$ 17,435,294</u>

* A party-in-interest as defined by ERISA.

** The cost of participant-directed investments are not required to be disclosed

*** Basis of participant loans approximate current value

See accompanying independent auditor's report

Southern Michigan Bancorp, Inc. Employee Stock Ownership Plan

Schedule H, Line 4j – Schedule of Reportable Transactions
For the Year Ended December 31, 2022

EIN: 38-2407501
Plan Number: 002

(a) Identity of Party Involved	(b) Description of Asset	(c) Purchase Price	(d) Selling Price	(e) Lease Rental	(f) Expense Incurred with Transaction	(g) Cost of Asset	(h) Current Value of Asset on Transaction Date	(i) Net Gain
Category III -								
* Southern Michigan Bank	Money Market Account	\$ 925,860	\$ -	\$ -	\$ -	\$ 925,860	\$ 925,860	\$ -
* Southern Michigan Bank	Money Market Account	\$ -	\$ 920,824	\$ -	\$ -	\$ 920,824	\$ 920,824	\$ -

There were no Category (I), (II), or (IV) reportable transactions

* A party-in-interest as defined by ERISA

** The definition of a reportable transaction is a transaction that exceeds 5% of the current value of the Plan assets as of the beginning of the Plan year: (I) a single transaction within the Plan year; (II) any series of transactions with, or in conjunction with, the same person, involving property other than securities; (III) any series of transactions involving securities of the same issue within the Plan year; (IV) any transaction within the Plan year with respect to securities with, or in conjunction with, a person if any prior or subsequent single securities transaction with that person

See accompanying independent auditor's report

Southern Michigan Bancorp, Inc. Employee Stock Ownership Plan

Schedule H, Line 4j – Schedule of Reportable Transactions
For the Year Ended December 31, 2022

EIN: 38-2407501
Plan Number: 002

(a) Identity of Party Involved	(b) Description of Asset	(c) Purchase Price	(d) Selling Price	(e) Lease Rental	(f) Expense Incurred with Transaction	(g) Cost of Asset	(h) Current Value of Asset on Transaction Date	(i) Net Gain
Category III -								
* Southern Michigan Bank	Money Market Account	\$ 925,860	\$ -	\$ -	\$ -	\$ 925,860	\$ 925,860	\$ -
* Southern Michigan Bank	Money Market Account	\$ -	\$ 920,824	\$ -	\$ -	\$ 920,824	\$ 920,824	\$ -

There were no Category (I), (II), or (IV) reportable transactions

* A party-in-interest as defined by ERISA

** The definition of a reportable transaction is a transaction that exceeds 5% of the current value of the Plan assets as of the beginning of the Plan year: (I) a single transaction within the Plan year; (II) any series of transactions with, or in conjunction with, the same person, involving property other than securities; (III) any series of transactions involving securities of the same issue within the Plan year; (IV) any transaction within the Plan year with respect to securities with, or in conjunction with, a person if any prior or subsequent single securities transaction with that person

See accompanying independent auditor's report

**Southern Michigan Bancorp, Inc.
Employee Stock Ownership Plan**

***Financial Statements
and
Supplemental Schedules***

**For the Years Ended
December 31, 2022 and 2021**

Southern Michigan Bancorp, Inc.

Employee Stock Ownership Plan

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INDEPENDENT AUDITOR'S REPORT

October 16, 2023

To the Plan Administration
Southern Michigan Bancorp, Inc.
Employee Stock Ownership Plan
51 West Pearl Street
Coldwater, MI 49036

Scope and Nature of the ERISA Section 103(a)(3)(C) Audit

We have performed audits of the accompanying financial statements of **Southern Michigan Bancorp, Inc. Employee Stock Ownership Plan** (the "Plan"), an employee benefit plan subject to the Employee Retirement Income Security Act of 1974 (ERISA), as permitted by ERISA Section 103(a)(3)(C). The financial statements comprise the statements of net assets available for benefits as of December 31, 2022 and 2021, and the related statements of changes in net assets available for benefits for the years ended December 31, 2022 and 2021, and the related notes to the financial statements.

Management, having determined it is permissible in the circumstances, has elected to have the audits of the Plan's financial statements performed in accordance with ERISA Section 103(a)(3)(C) pursuant to 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. As permitted by ERISA Section 103(a)(3)(C), our audits need not extend to any statements or information related to assets held for investment of the plan (investment information) by a bank or similar institution or insurance carrier that is regulated, supervised, and subject to periodic examination by a state or federal agency (qualified institution), provided that the statements or information regarding assets so held are prepared and certified to by the bank or similar institution or insurance carrier in accordance with 29 CFR 2520.103-5 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA.

Management has obtained certifications from qualified institutions as of December 31, 2022 and 2021 and for the years ended December 31, 2022 and 2021, stating that the certified investment information, as described in Note 4 to the financial statements, is complete and accurate.

Opinion

In our opinion, based on our audits and on the procedures performed as described in the Auditor's Responsibilities for the Audit of the Financial Statements section—

- the amounts and disclosures in the financial statements referred to above, other than those agreed to or derived from the certified investment information, are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America.
- the information in the financial statements referred to above related to assets held by and certified to by a qualified institution agrees to, or is derived from, in all material respects, the information prepared and certified by an institution that management determined meets the requirements of ERISA Section 103(a)(3)(C).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Plan and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our ERISA Section 103(a)(3)(C) audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. Management's election of the ERISA Section 103(a)(3)(C) audit does not affect management's responsibility for the financial statements.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Management is also responsible for maintaining a current plan instrument, including all plan amendments; administering the plan; and determining that the plan's transactions that are presented and disclosed in the financial statements are in conformity with the plan's provisions, including maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants.

Auditor's Responsibilities for the Audit of the Financial Statements

Except as described in the Scope and Nature of the ERISA Section 103(a)(3)(C) Audit section of our report, our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for a reasonable period of time.

Our audits did not extend to the certified investment information, except for obtaining and reading the certifications, comparing the certified investment information with the related information presented and disclosed in the financial statements, and reading the disclosures relating to the certified investment information to assess whether they are in accordance with the presentation and disclosure requirements of accounting principles generally accepted in the United States of America.

Accordingly, the objective of an ERISA Section 103(a)(3)(C) audit is not to express an opinion about whether the financial statements as a whole are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplemental Schedules Required by ERISA

The supplemental Schedule of Assets (Held at End of Year) and Schedule of Reportable Transactions as of and for the year ended December 31, 2022, are presented for purposes of additional analysis and are not a required part of the financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information included in the supplemental schedules, other than that agreed to or derived from the certified investment information, has been subjected to auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with generally accepted auditing standards. For information included in the supplemental schedules that agreed to or is derived from the certified investment information, we compared such information to the related certified investment information.

In forming our opinion on the supplemental schedules, we evaluated whether the supplemental schedules, other than the information agreed to or derived from the certified investment information, including their form and content, are presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA.

In our opinion—

- the form and content of the supplemental schedules, other than the information in the supplemental schedules that agreed to or is derived from the certified investment information, are presented, in all material respects, in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA.
- the information in the supplemental schedules related to assets held by and certified to by a qualified institution agrees to or is derived from, in all material respects, the information prepared and certified by an institution that management determined meets the requirements of ERISA Section 103(a)(3)(C).

Brink, Key & Chludzinski, P.C.

Brink, Key & Chludzinski, P.C.

Southern Michigan Bancorp, Inc. Employee Stock Ownership Plan

Statements of Net Assets Available for Benefits December 31, 2022 and 2021

	2022		Total	2021		Total
	Allocated	Unallocated		Allocated	Unallocated	
Assets:						
Investments:						
At Fair Value:						
Mutual Funds	\$ 10,948,042	\$ -	\$ 10,948,042	\$ 11,577,209	\$ -	\$ 11,577,209
Company Stock	4,404,770	-	4,404,770	6,363,810	239,400	6,603,210
Money Market Account	76,304	-	76,304	71,268	-	71,268
At Contract Value -						
Group Annuity Contract	1,911,448	-	1,911,448	1,853,392	-	1,853,392
Total Investments	17,340,564	-	17,340,564	19,865,679	239,400	20,105,079
Receivables:						
Notes Receivable from Participants	94,730	-	94,730	109,372	-	109,372
Company Contributions	82,702	-	82,702	205,924	-	205,924
Total Receivables	177,432	-	177,432	315,296	-	315,296
Total Assets Available for Benefits	17,517,996	-	17,517,996	20,180,975	239,400	20,420,375
Liabilities:						
Loans Payable	-	-	-	-	210,244	210,244
Other Liabilities	-	-	-	522	-	522
Total Liabilities	-	-	-	522	210,244	210,766
Net Assets Available for Benefits	\$ 17,517,996	\$ -	\$ 17,517,996	\$ 20,180,453	\$ 29,156	\$ 20,209,609

See accompanying independent auditor's report
and notes to financial statements

Southern Michigan Bancorp, Inc.

Employee Stock Ownership Plan

Statements of Changes in Net Assets Available for Benefits For the Years Ended December 31, 2022 and 2021

	2022		2021	
	Allocated	Unallocated	Total	Total
Additions to Plan Assets Attributed to:				
Investment Income:				
Dividend and Interest Income	\$ 149,673	\$ -	\$ 149,673	\$ 720,366
Net Appreciation in				
Fair Value of Investments	-	-	-	1,688,219
Total Investment Income	149,673	-	149,673	2,408,585
Contributions:				
Participants	959,123	-	959,123	889,473
Company	261,658	215,371	477,029	433,592
Rollovers	97,875	-	97,875	423,364
Total Contributions	1,318,656	215,371	1,534,027	1,746,429
Interest on Notes Receivable from Participants	4,180	-	4,180	5,431
Allocations of 10,640 & 4,720 shares of				
Company Stock, Respectively, at Fair Value	250,040	-	250,040	106,200
Total Additions	1,722,549	215,371	1,937,920	4,266,645
Deductions from Plan Assets Attributed to:				
Benefits Paid to Participants	2,433,996	-	2,433,996	589,262
Net Depreciation (Appreciation) in				
Fair Value of Investments	1,946,843	(10,640)	1,936,203	-
Interest Expense	-	5,127	5,127	6,799
Administrative Expenses	4,167	-	4,167	4,237
Allocations of 10,640 & 4,720 shares of				
Company Stock, Respectively, at Fair Value	-	250,040	250,040	106,200
Total Deductions	4,385,006	244,527	4,629,533	706,498
Net Increase (Decrease)	(2,662,457)	(29,156)	(2,691,613)	3,560,147
Net Assets Available for Benefits -				
Beginning of Year	20,180,453	29,156	20,209,609	16,649,462
Net Assets Available for Benefits -	\$ 17,517,996	\$ -	\$ 17,517,996	\$ 20,209,609
End of Year				

See accompanying independent auditor's report
and notes to financial statements

Southern Michigan Bancorp, Inc.

Employee Stock Ownership Plan

Notes to Financial Statements
December 31, 2022 and 2021

Note 1 – Description of the Plan

The following description of the Southern Michigan Bancorp, Inc. Employee Stock Ownership Plan (the “Plan”) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan’s provisions.

General

The Plan is a defined contribution plan established August 1, 1986 and restated effective January 1, 2022. Adopting employers of the Plan include Southern Michigan Bancorp, Inc. (the “Company”) and Southern Michigan Bank & Trust (the “Trustee”) (collectively, the “Employer”). The Plan operates, in relevant part, as an employee stock ownership plan (“ESOP”) and is designed to comply with Section 4975(e)(7) and the regulations thereunder of the Internal Revenue Code of 1986, as amended (IRC), and is subject to the applicable provisions of the Employee Retirement Income Security Act of 1974 (ERISA). The Plan covers substantially all employees of the adopting employers who are at least 21 years of age and are employed in covered employment.

During August 2016, the Plan purchased 8,000 shares of the Company’s common stock using the proceeds of a loan payable to the Company of \$209,600. During February 2019, the Plan purchased 7,700 shares of the Company’s common stock using the proceeds of a loan payable to the Company of \$294,525. During March 2019, the Plan purchased 2,300 shares of the Company’s common stock using the proceeds of a loan payable to the Company of \$87,400. The Plan held the stock in a trust established under the Plan. The borrowings were to be repaid over a period of five years by the Employer's contributions to the trust fund. As the Plan made each payment of principal and interest, an appropriate percentage of stock was allocated to eligible employees’ accounts in accordance with applicable regulations under the IRC.

The borrowings were collateralized by the unallocated shares of stock. The Company had no interest or rights in such shares of stock once they were allocated to participants in accordance with the terms of the Plan. Accordingly, the financial statements of the Plan present separately the assets and liabilities and changes therein pertaining to:

- a) The accounts of employees with rights in allocated stock (Allocated).
- b) Shares not yet allocated to employees (Unallocated).

During 2022, the Plan paid the loans payable in full and allocated all of the remaining shares of Company stock that had been held as collateral for the borrowings. See further discussion of a change to the employer matching contribution under Subsequent Events in Note 2.

See accompanying independent auditor’s report

Southern Michigan Bancorp, Inc.

Employee Stock Ownership Plan

Notes to Financial Statements (Continued)
December 31, 2022 and 2021

Note 1 – Description of the Plan (Continued)

Contributions

The Employer was obligated to make contributions in cash to the Plan which, when aggregated with the Plan's dividends and interest earnings, equaled the amount necessary to enable the Plan to make its regularly scheduled payments of principal and interest due on its term loans.

Employee contributions are permitted. Each year, participants may elect to contribute up to 100% of annual compensation, as defined by the Plan. Participants may designate these deferrals to be pre-tax or Roth contributions. Participants who have attained age 50 before the end of the Plan year are eligible to make catch-up contributions. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans (rollover). Contributions are subject to certain IRS limitations.

The Employer makes a safe harbor employer matching contribution equal to 100% of the first 3% of eligible compensation and 50% up to an additional 2% of eligible compensation that a participant contributes to the Plan. Employer contributions are to be invested primarily in Company stock and employee contributions are participant directed into various investment options offered by the Plan.

Participant Accounts

The Plan is a defined contribution plan under which a separate individual account is established for each participant. Each participant's account is credited with the participant's contributions, Employer matching contributions, and Plan earnings. Participant accounts are also credited semi-annually with an allocation of available shares of the Company's stock from several sources. Sources of shares include repurchases made to satisfy diversification elections or distribution requests from terminated participants and releases by the Trustee from the unallocated reserve due to principal payments on the exempt loan. Participants who are employed in covered employment are eligible to receive an allocation. Allocations are based on a participant's eligible compensation, relative to total compensation. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Vesting

Participants are 100% vested in all accounts under the Plan at all times.

See accompanying independent auditor's report

Southern Michigan Bancorp, Inc.

Employee Stock Ownership Plan

Notes to Financial Statements (Continued)
December 31, 2022 and 2021

Note 1 – Description of the Plan (Continued)

Notes Receivable from Participants

Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50% of their vested account balance. Participants may have only one note outstanding at a time. The notes are secured by the balance in the participant's account. The note interest rate is set at the prime rate, as defined. Principal and interest are repaid ratably through payroll deductions over a period of five years or less, unless for the purchase of a principal residence, in which case the note term may exceed five years.

Payment of Benefits

On termination of service due to death, disability, separation, or retirement, a participant (or a participant's beneficiary in the event of death) may request a distribution equal to the value of the participant's vested interest in his or her account. All account balances not invested in Company stock will be paid in a lump sum of cash. For participant balances invested in Company stock, distributions are made on a semi-annual basis and are made as soon as administratively feasible following the allocation process that occurs each year as of June 30th and December 31st. The amount to be distributed is based on the immediately preceding valuation date. Distributions of Company stock is made in annual installments over a period not to exceed five years. The installment period may be extended by one year for every incremental amount that the vested balance in Company stock exceeds an annual statutory amount. Under the provisions of the Plan, the Company is obligated to repurchase participant shares, which have been distributed under the terms of the Plan if the shares are not publicly traded or if the shares are subject to trading limitations. If a participant elects, distributions can be made in the form of Company stock plus cash for any fractional share of stock. Vested account balances less than \$1,000 will automatically be distributed in cash. Hardship withdrawals, as defined by the Plan, are allowed from participant pre-tax contributions.

Put Option

Under federal income tax regulations, the Company stock that is held by the Plan and its participants and is not readily tradable on an established market, or is subject to trading limitations, includes a put option. The put option is a right to demand that the Company buy any shares of its stock distributed to participants for which there is no market. The put price is representative of the current appraised value of the stock. Under the provisions of the Plan, if a distribution is made in the form of Company stock, the put option must be exercised within 60 days of the date of distribution.

See accompanying independent auditor's report

Southern Michigan Bancorp, Inc.

Employee Stock Ownership Plan

Notes to Financial Statements (Continued)
December 31, 2022 and 2021

Note 1 – Description of the Plan (Continued)

Put Option (Continued)

If the option is not exercised during that period, the recipient will be notified by the Company after the valuation is complete for the following plan year end and will have 60 days to exercise the option from the date of notification. The option will not be renewed after this additional 60 day period. The purpose of the put option is to ensure that the participant has the ability to ultimately obtain cash.

Voting Rights

Each participant is entitled to exercise voting rights attributable to the shares allocated to his or her account and is notified by the Trustee prior to the time that such rights are to be exercised. The Trustee is not permitted to vote any allocated share for which instructions have not been given by a participant. The Trustee was required, however, to vote any unallocated shares on behalf of the collective best interests of Plan participants and beneficiaries.

Diversification

Diversification is offered to participants close to retirement so that they may have the opportunity to move part of the value of their investment in Company stock into investments that are more diversified. Participants who are at least age 55 with at least 10 years of participation in the Plan may elect to diversify a portion of their account. Diversification is offered to each eligible participant over a six-year period. In each of the first five years, a participant may diversify up to 25% of the number of post-1986 shares allocated to his or her account, less any shares previously diversified. In the sixth year, the percentage changes to 50%. Participants who are age 60 and over, regardless of years of participation, must choose to take the Company stock portion of their vested account in the form of a distribution or liquidate the Company stock. The proceeds from the liquidation are deposited into a participant directed account. The election to diversify is made subsequent to year-end based upon the shares of Company stock in the participant's account at year-end.

Plan Termination

While it has not expressed any intent to do so, the Employer reserves the right to terminate the Plan at any time, subject to the provisions set forth in the Plan document and ERISA.

Note 2 – Summary of Accounting Policies

Basis of Accounting

The financial statements of the Plan are prepared on the accrual basis of accounting.

See accompanying independent auditor's report

Southern Michigan Bancorp, Inc.

Employee Stock Ownership Plan

Notes to Financial Statements (Continued)
December 31, 2022 and 2021

Note 2 – Summary of Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Allocations

The financial statements of the Plan present separately the assets and liabilities and changes therein pertaining to (a) the accounts of employees with rights in allocated stock (“allocated”) and (b) stock not yet allocated to employees (“unallocated”), including shares that are committed to be released. Shares are released from collateral and become allocated generally in the period in which debt service is actually paid.

Investment Valuation

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for a discussion of fair value measurements. Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation or depreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Administrative Expenses

As provided in the Plan agreement, administrative expenses may be paid either by the Plan or by the Employer. Expenses that are paid by the Employer are excluded from these financial statements. Fees related to the administration of notes receivable from participants and benefit payments are charged directly to the participant's account and are included in administrative expenses. Investment related expenses are included in net appreciation or depreciation of fair value of investments.

Notes Receivable from Participants

Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. Interest income is recorded on the accrual basis. Related fees are recorded as administrative expenses and are expensed as incurred. No allowance for credit losses has been recorded as of December 31, 2022. If a participant ceases to make loan repayments and the Plan Administrator deems the participant loan to be in default, the participant loan balance is reduced, and a deemed distribution is recorded.

See accompanying independent auditor's report

Southern Michigan Bancorp, Inc.

Employee Stock Ownership Plan

Notes to Financial Statements (Continued)
December 31, 2022 and 2021

Note 2 – Summary of Accounting Policies (Continued)

Payments of Benefits

Benefits are recorded when paid.

Subsequent Events

Effective January 1, 2023, Employer contributions will be made in cash and invested into various options offered by the plan as directed by the participant. The Employer will no longer make contributions of employer stock. No other subsequent events were identified through October 16, 2023, the date these financial statements were available to be issued, that require disclosure.

Note 3 – Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the Plan has the ability to access.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, other inputs that are observable, or can be corroborated by observable market data.

Level 3 – Inputs to the valuation methodology are both significant to the fair value measurement and unobservable.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2022 and 2021.

Money Market Account: The carrying amount reported in the Statement of Net Assets Available for Benefits approximates fair value.

See accompanying independent auditor's report

Southern Michigan Bancorp, Inc.

Employee Stock Ownership Plan

Notes to Financial Statements (Continued)
December 31, 2022 and 2021

Note 3 – Fair Value Measurements (Continued)

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the Securities and Exchange Commission. The mutual funds held by the Plan are deemed to be actively traded.

Company Stock: Value based on the fair value determined through a third-party appraisal, which utilized a combination of the income approach including discounted cash flow method, the asset approach whereas the assets and liabilities were netted against each other at their fair value, and the market approach using various valuation multiples. The appraiser took into account historical and project cash flow, adjusted EBITDA, and appropriate discount rates.

The valuation process involves the ESOP Trustees' selection of an independent appraiser. Inputs from several people/areas of the Employer are used by accounting personnel to compile five year projections of sales, operating results and capital expenditures. These projections are reviewed by management, and feedback (if any) is given to arrive at a final set of projections that reflect management's expectations for the period. These projections, along with audited financial statements of the Company, are then provided to the appraiser. The appraiser prepares a preliminary report which the ESOP Trustees' review in detail, discuss and approve.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2022 and 2021:

	Assets at Fair Value as of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ 10,948,042	\$ -	\$ -	\$ 10,948,042
Company Stock	-	-	4,404,770	4,404,770
Money Market Account	76,304	-	-	76,304
Total Investments at Fair Value	\$ 11,024,346	\$ -	\$ 4,404,770	\$ 15,429,116

See accompanying independent auditor's report

Southern Michigan Bancorp, Inc.

Employee Stock Ownership Plan

Notes to Financial Statements (Continued)
December 31, 2022 and 2021

Note 3 – Fair Value Measurements (Continued)

	Assets at Fair Value as of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ 11,577,209	\$ -	\$ -	\$ 11,577,209
Company Stock	-	-	6,603,210	6,603,210
Money Market Account	71,268	-	-	71,268
Total Investments at Fair Value	<u>\$ 11,648,477</u>	<u>\$ -</u>	<u>\$ 6,603,210</u>	<u>\$ 18,251,687</u>

The Plan's investments in Company stock as of December 31, 2022 and 2021 are as follows:

December 31,	2022			2021		
	Allocated	Unallocated	Total	Allocated	Unallocated	Total
Number of Shares	187,437	-	187,437	282,836	10,640	293,476
Cost	\$ 2,292,829	\$ -	\$ 2,292,829	\$ 3,050,723	\$ 210,244	\$ 3,260,967
Estimated Fair Value	\$ 4,404,770	\$ -	\$ 4,404,770	\$ 6,363,810	\$ 239,400	\$ 6,603,210

The following table below sets forth a summary of changes in the fair value of the Plan's level 3 assets for the years ended December 31, 2022 and 2021:

Year Ended December 31,	2022	2021
Balance, Beginning of Year	\$ 6,603,210	\$ 5,801,601
Distributions of Stock	(2,385,878)	(78,819)
Net Appreciation	187,438	880,428
Balance, End of Year	<u>\$ 4,404,770</u>	<u>\$ 6,603,210</u>

See accompanying independent auditor's report

Southern Michigan Bancorp, Inc.

Employee Stock Ownership Plan

Notes to Financial Statements (Continued)
December 31, 2022 and 2021

Note 4 – Information Certified by Southern Michigan Bank & Trust and Charles Schwab Bank

The Plan Administrator has elected the method of annual reporting compliance permitted by Section 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting Disclosure under ERISA. Accordingly, as of and for the years ended December 31, 2022 and 2021, Southern Michigan Bank & Trust, the trustee, and Charles Schwab Bank, the custodian, have certified that the following data included in the accompanying financial statements and supplemental schedules are complete and accurate:

December 31,	2022	2021
Mutual Funds	\$ 10,948,042	\$ 11,577,209
Money Market Account	\$ 76,304	\$ 71,268
Group Annuity Contract	\$ 1,911,448	\$ 1,853,392
Notes Receivable from Participants	\$ 94,730	\$ 109,372
Year Ended December 31,	2022	2021
Net Appreciation (Depreciation) in Fair Value of Investments	\$ (1,936,203)	\$ 1,688,219
Dividend and Interest Income	\$ 149,673	\$ 720,366
Interest on Notes Receivable from Participants	\$ 4,180	\$ 5,431

Note 5 – Group Annuity Contract

In 2019, the Plan entered into a fully benefit-responsive group annuity contract with Standard Insurance Company (Standard). The accounts are credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. The investment contract issuer is contractually obligated to repay the principal and a specified interest rate that is guaranteed to the Plan.

Because the investment contract is fully benefit-responsive, contract value is the relevant measure attributable for that portion of the net assets available for benefits attributable to the contract. Contract value, as reported to the Plan by Standard, represents contributions made under the contract, plus earnings, less participant withdrawals, and administrative expenses. Participants may ordinarily direct the withdrawal or transfer all or a portion of their investment at contract value. There are no reserves against contract value for credit risk of the contract issuer or otherwise. The crediting interest rate is based on a formula agreed upon with the issuer. Such interest rates are reviewed on a quarterly basis for resetting.

See accompanying independent auditor's report

Southern Michigan Bancorp, Inc.

Employee Stock Ownership Plan

Notes to Financial Statements (Continued)
December 31, 2022 and 2021

Note 5 – Group Annuity Contract (Continued)

Certain events limit the ability of the Plan to transact at contract value with the issuer. Such events include the following: (1) amendments to the Plan documents (including complete or partial plan termination or merger with another plan), (2) changes to the Plan's prohibition on competing investment options or deletion of equity wash provisions, (3) bankruptcy of the Plan Sponsor or other plan sponsor events (for example, divestitures or spin-offs of a subsidiary) that cause a significant withdrawal from the Plan, or (4) the failure of the trust to qualify for exemption from federal income taxes or any required prohibited transaction exemption under ERISA.

The Plan Administrator does not believe that the occurrence of any such value event, which would limit the Plan's ability to transact at contract value with participants, is probable.

Note 6 – Loans Payable

On February 28, 2019, the Plan entered into a \$294,525 term loan agreement with the Company. The proceeds of the loan were used to purchase 7,700 shares of the Company's common stock. As of December 31, 2021, the outstanding balance was \$174,111. On March 11, 2019, the Plan entered into a \$87,400 term loan agreement with the Company. The proceeds of the loan were used to purchase 2,300 shares of the Company's common stock. As of December 31, 2021, the outstanding balance was \$36,133. Unallocated shares served as collateral for repayment of the loans. Shares were released from collateral and allocated to participants as payments of principal and interest were made. The balances on these loans were paid in full during 2022.

Note 7 – Concentration of Market Risk

The Plan is invested in Company stock at a rate of 26% and 33% to total investments held by the Plan as of December 31, 2022 and 2021, respectively. Such concentration poses a risk that Plan assets and participant accounts are exposed to risk in the event of a significant decline in the fair value of such stock. A significant decline in the fair value of the Company stock would significantly affect the net assets available for benefits.

See accompanying independent auditor's report

Southern Michigan Bancorp, Inc.

Employee Stock Ownership Plan

Notes to Financial Statements (Continued)
December 31, 2022 and 2021

Note 8 – Related Party and Party-In-Interest Transactions

The Plan invests in Company stock and had indebtedness guaranteed by the Company. These are related party and party-in-interest transactions. For the years ended December 31, 2022 and 2021, the Plan made payments to KJ Retirement Consultants, LLC and to Standard Insurance Company. KJ Retirement Consultants, LLC and Standard Insurance Company are recordkeepers of the Plan; therefore, these transactions qualify as party-in-interest transactions. Fees incurred by the Plan for additional investment management services are included in net appreciation or depreciation in fair value of the investment. The Employer pays directly any other fees related to the Plan's operations. Notes receivable from participants also qualify as party-in-interest transactions.

Note 9 – Income Tax Status

The IRS has determined and informed Southern Michigan Bank & Trust, the trustee of the Plan, by a letter dated March 19, 2018, that the Plan is designed in accordance with applicable sections of the Internal Revenue Code (IRC). Although the Plan has been restated since receiving the opinion letter, the Plan Administrator believes the Plan is designed, and is currently being operated, in compliance with the applicable requirement of the IRS and, therefore, believes the Plan is qualified and tax-exempt.

Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by the Plan and recognize a tax liability if the Plan has taken an uncertain tax position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Note 10 – Risks and Uncertainties

The Plan invests in various investment securities including Company stock. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Additionally, the Company stock is exposed to valuation assumptions based on earnings, cash flows, and other such techniques. Due to the level of risk associated with the investment in the Company stock and to uncertainties inherent in estimates and assumptions, as well as the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of these investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statement of net assets available for benefits.

See accompanying independent auditor's report

Supplemental Schedules

Southern Michigan Bancorp, Inc.

Employee Stock Ownership Plan

Schedule H, Line 4i – Schedule of Assets (Held at End of Year)
December 31, 2022

EIN: 38-2407501

Plan Number: 002

(a)	(b) Identity of Issue, Borrower, Lessor or Similar Party	(c) Description of Investment including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	(d) Cost	(e) Current Value
Mutual Funds:				
	Voya Intermediate Bond Fund	Mutual Fund, 332,764 shares	**	\$ 2,841,809
	Fidelity 500 Index Fund	Mutual Fund, 16,303 shares	**	2,170,229
	American Funds Europacific Fund	Mutual Fund, 34,738 shares	**	1,703,197
	Vanguard Equity-Income Fund	Mutual Fund, 13,442 shares	**	1,137,617
	T. Rowe Price Growth Stock Fund	Mutual Fund, 17,891 shares	**	1,104,253
*	Schwab Small Cap Index Fund	Mutual Fund, 22,442 shares	**	633,316
	American Funds American Balanced Fund	Mutual Fund, 12,672 shares	**	364,571
	Nuveen Mid Cap Value Fund	Mutual Fund, 7,666 shares	**	359,819
	Carillon Eagle Mid Cap Growth Fund	Mutual Fund, 4,775 shares	**	345,540
	Vanguard Mid Cap Index Admiral Fund	Mutual Fund, 471 shares	**	118,959
	Cohen and Steers Instl Realty Shares Fund	Mutual Fund, 1,954 shares	**	83,175
	Pimco Income Institutional Fund	Mutual Fund, 4,975 shares	**	51,496
	American Century Small Cap Value Fund	Mutual Fund, 1,184 shares	**	10,818
	Vanguard Internaitonal Value Fund	Mutual Fund, 268 shares	**	9,585
	DFA Emerging Markets Core Equity Fund	Mutual Fund, 421 shares	**	8,474
	Fidelity International Index Fund	Mutual Fund, 126 shares	**	5,184
	Total Mutual Funds			10,948,042
Company Stock -				
*	Southern Michigan Bancorp, Inc.	Common Stock, 187,437 shares	2,292,829	4,404,770
Money Market Account -				
*	Southern Michigan Bank	Money Market Account	76,304	76,304
Group Annuity Contract -				
*	Standard Stable Asset	Stable Value Option with annual interest rate of 2.23%	**	1,911,448
	Total Investments			17,340,564
Other -				
*	Participant Loans	16 participant loans with maturities of 5 years or less and interest ranging from 3.25% to 6.25%	***	94,730
	Total		\$ 2,369,133	\$ 17,435,294

* A party-in-interest as defined by ERISA.

** The cost of participant-directed investments are not required to be disclosed

*** Basis of participant loans approximate current value

See accompanying independent auditor's report

Southern Michigan Bancorp, Inc. Employee Stock Ownership Plan

Schedule H, Line 4j – Schedule of Reportable Transactions
For the Year Ended December 31, 2022

EIN: 38-2407501
Plan Number: 002

(a) Identity of Party Involved	(b) Description of Asset	(c) Purchase Price	(d) Selling Price	(e) Lease Rental	(f) Expense Incurred with Transaction	(g) Cost of Asset	(h) Current Value of Asset on Transaction Date	(i) Net Gain
Category III -								
* Southern Michigan Bank	Money Market Account	\$ 925,860	\$ -	\$ -	\$ -	\$ 925,860	\$ 925,860	\$ -
* Southern Michigan Bank	Money Market Account	\$ -	\$ 920,824	\$ -	\$ -	\$ 920,824	\$ 920,824	\$ -

There were no Category (I), (II), or (IV) reportable transactions

* A party-in-interest as defined by ERISA

** The definition of a reportable transaction is a transaction that exceeds 5% of the current value of the Plan assets as of the beginning of the Plan year: (I) a single transaction within the Plan year; (II) any series of transactions with, or in conjunction with, the same person, involving property other than securities; (III) any series of transactions involving securities of the same issue within the Plan year; (IV) any transaction within the Plan year with respect to securities with, or in conjunction with, a person if any prior or subsequent single securities transaction with that person

See accompanying independent auditor's report