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**Sturgis Bancorp Reports Increase in  
Earnings For 2007**

**Key Indices Rise: EPS, ROE**

For Immediate Release

STURGIS, Mich., January 24, 2008 -- **Sturgis Bancorp, Inc.** (OTCBB: **STBI**) posted an earnings increase of 6.1% for the year ended December 31, 2007, compared to 2006, Eric L. Eishen, President and CEO, announced today, primarily due to commission income and growth in average earning assets. Net income decreased 17.8% for the fourth quarter of 2007, compared to 2006, primarily due to lower net interest margin.

Sturgis Bancorp is the holding company for **Sturgis Bank & Trust Company**, and its subsidiaries **Oakleaf Financial Services, Inc.** and **Oak Mortgage, LLC**. Sturgis Bancorp provides a full array of trust, commercial and consumer banking services from 11 banking centers in Sturgis, Bronson, Centreville, Climax, Coldwater, Colon, South Haven, Three Rivers and White Pigeon, Mich. Oakleaf Financial Services offers a complete range of investment and financial-advisory services. Oak Mortgage offers residential mortgages in all markets of the Bank.

**Year Ended December 31, 2007 vs. 2006** - Net income for the year ended December 31, 2007 rose 6.1% to \$3.3 million, or \$1.43 per share, basic and diluted, from \$3.2 million, or \$1.29 per share, basic and diluted, for 2006. Net interest income rose 2.2% to \$11.4 million, from \$11.2 million for 2006. The improvement chiefly reflects the increase in average interest-bearing assets to \$294.9 million during 2007 from \$272.7 million during 2006. The net interest margin decreased to 3.91% for 2007 from 4.14% for 2006.

Noninterest income was \$4.9 million for 2007, compared to \$4.4 million in 2006. The primary components of the increase in noninterest income were commission and trust fee income, which were up \$297,000 and \$93,000, respectively. Noninterest expense increased \$384,000, or 3.6%, primarily due to salaries and employee benefits. Salaries and employee benefits increased \$425,000, primarily due to cost of living adjustments and commission-based pay. Net charge-offs for 2007 were \$337,000, compared to \$258,000 a year ago. The Company provided \$513,000 for loan losses in 2007, compared to \$493,000 in 2006, primarily due to changes in the composition of the loan portfolio.

**Fourth Quarter of 2007 vs. 2006** - Net income for the quarter ended December 31, 2007 decreased 17.8% to \$692,000, or \$0.30 per share, basic and diluted, from \$842,000, or \$0.35 per share, basic and diluted, for the year-earlier quarter. Recent interest rate reductions by the Federal Reserve have contributed to the decrease in net income. Net interest income decreased 4.8% to \$2.8 million, from \$2.9 million for the fourth quarter of 2006, with the net interest margin decreasing to 3.69% for the fourth quarter of 2007 from 4.18% for the fourth quarter of 2006.

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Noninterest income was \$1.2 million for the fourth quarter of 2007, compared to \$1.1 million for the fourth quarter of 2006. The primary component of the increase was commission income, which increase \$76,000. Noninterest expense increased \$173,000, primarily in salaries and employee benefits. Net charge-offs for the fourth quarter of 2007 were \$154,000, compared to \$70,000 a year ago. Contrary to the State-wide trend in Michigan, the Bank has not experienced significant increases in its troubled assets ratio. Management is diligently working to maintain, or even decrease, delinquencies, despite softness in the State and local economy.

Mr. Eishen said, "National attention has been focused on large write downs by financial institutions, related to 'sub-prime' mortgages. As a community bank, we have maintained our traditional underwriting standards. We did not participate in securitizing 'sub-prime' mortgages and we have not invested in securities backed by them. The Bank remains 'well-capitalized', as defined by its Federal Regulators."

Total assets increased to \$347.2 million at December 31, 2007 from \$320.9 million at December 31, 2006, primarily in loans. Loans increased \$28.6 million, or 11.9%, to \$270.0 million at December 31, 2007 from \$241.6 million at December 31, 2006. This increase is partially due to \$10.9 million of commercial loans purchased in 2007 with credit guarantees backed by the full faith and credit of the U.S. Government.

In 2007, Sturgis Bancorp redeemed 152,838 shares of common stock for \$2.2 million and paid cash dividends of \$0.53 per common share, totaling \$1.2 million. Total equity was \$27.7 million at December 31, 2007, compared to \$27.5 million at December 31, 2006. Book value per share increased to \$12.20 at December 31, 2007 from \$11.40 at December 31, 2006. Sturgis Bank & Trust Company, the Bancorp's primary subsidiary, is committed to maintaining "well-capitalized" status, as defined by regulatory capital requirements.

This release contains statements that constitute forward-looking statements. These statements appear in several places in this release and include statements regarding intent, belief, outlook, objectives, efforts, estimates or expectations of Bancorp, primarily with respect to future events and the future financial performance of the Bancorp. Any such forward-looking statements are not guarantees of future events or performance and involve risks and uncertainties, and actual results may differ materially from those in the forward-looking statement. Factors that could cause a difference between an ultimate actual outcome and a preceding forward-looking statement include, but are not limited to, changes in interest rates and interest rate relationships; demand for products and services; the degree of competition by traditional and non-traditional competitors; changes in banking laws and regulations; changes in tax

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laws; changes in prices, levies, and assessments; the impact of technological advances; government and regulatory policy changes; the outcome of any pending and future litigation and contingencies; trends in consumer behavior and ability to repay loans; and changes of the world, national and local economies. Bancorp undertakes no obligation to update, amend or clarify forward-looking statements as a result of new information, future events, or otherwise. The numbers presented herein are unaudited.

For additional information, visit our website at [www.sturgisbank.com](http://www.sturgisbank.com).

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(Financial statements follow)

## Consolidated Balance Sheets

	<u>December 31,</u>	
	<u>2007</u>	<u>2006</u>
	(In Thousands)	
Assets		
Cash and due from banks	\$ 11,781	\$ 17,404
Other short-term investments	<u>2,349</u>	<u>253</u>
Total cash and cash equivalents	14,130	17,657
Interest-bearing deposits in banks	11,160	8,888
Securities - Available for sale	14,380	16,703
Securities - Held-to-maturity	4,401	5,805
Federal Home Loan Bank stock, at cost	4,611	4,135
Loans held for sale	645	182
Loans, net	270,200	241,569
Real estate owned	1,702	958
Bank owned life insurance	7,748	7,430
Accrued interest receivable	2,313	2,057
Investment in limited partnerships	759	889
Premises and equipment, net	7,404	6,660
Goodwill, net of accumulated amortization	5,109	5,109
Originated mortgage servicing rights	1,367	1,476
Other assets	<u>1,273</u>	<u>1,340</u>
Total assets	<u>\$ 347,202</u>	<u>\$ 320,858</u>
Liabilities and Stockholders' Equity		
Liabilities		
Deposits		
Noninterest-bearing	\$ 18,598	\$ 21,074
Interest bearing	<u>201,524</u>	<u>195,060</u>
Total Deposits	220,122	216,134
Federal Home Loan Bank advances	83,000	61,000
Repurchase agreements	13,000	13,000
Accrued interest payable	1,150	871
Other liabilities	<u>2,249</u>	<u>2,304</u>
Total liabilities	319,521	293,309
Stockholders' Equity		
Preferred stock - \$1 par value:		
Authorized - 1,000,000 shares		
Issued and outstanding – 0 shares		
Common stock – \$1 par value:		
Authorized – 9,000,000 shares		
Issued and outstanding – 2,268,607 shares and 2,416,511		
shares at December 31, 2007 and 2006, respectively	2,269	2,417
Additional paid-in capital	10,377	12,341
Accumulated other comprehensive income	(100)	(267)
Retained earnings	<u>15,135</u>	<u>13,058</u>
Total stockholders' equity	<u>27,681</u>	<u>27,549</u>
Total liabilities and stockholders' equity	<u>\$ 347,202</u>	<u>\$ 320,858</u>

## Consolidated Statements of Income

Three Months Ended December 31,  
2007                      2006

	(In Thousands)	
<b>Interest income</b>		
Loans	\$ 5,010	\$ 4,764
Investment securities:		
Taxable	415	454
Tax-exempt	29	30
Dividends	48	52
Total interest income	5,502	5,300
<b>Interest expense</b>		
Deposits	1,586	1,450
Borrowed funds	1,113	906
Total interest expense	2,699	2,356
<b>Net interest income</b>	2,803	2,944
<b>Provision for loan losses</b>	124	154
<b>Net interest income</b> - After provision for loan losses	2,679	2,790
<b>Noninterest income:</b>		
Service charges and other fees	440	449
Investment brokerage commission income	396	320
Mortgage banking activities	135	148
Trust fee income	90	82
Increase in value of bank owned life insurance	82	76
Other income	12	24
Total noninterest income	1,155	1,099
<b>Noninterest expenses:</b>		
Salaries and employee benefits	1,700	1,613
Occupancy and equipment	335	333
Data processing	178	163
Professional services	89	56
Real estate owned expense	58	42
Advertising	55	73
Other	429	391
Total noninterest expenses	2,844	2,671
<b>Income</b> - Before income tax expense	990	1,218
<b>Provision for federal income tax</b>	298	376
<b>Net income</b>	\$ 692	\$ 842
<b>Basic earnings per share</b>	\$ 0.30	\$ 0.35
<b>Diluted earnings per share</b>	\$ 0.30	\$ 0.35
<b>Dividends declared per share</b>	\$ 0.17	\$ 0.15
<b>Return on average equity</b>	9.90%	12.10%
<b>Return on average assets</b>	0.81%	1.05%
<b>Net interest margin on average interest-bearing assets</b>	3.69%	4.18%
<b>Efficiency ratio</b>	73.55%	66.05%

## Consolidated Statements of Income

	Year Ended December 31,	
	2007	2006
<b>Interest income</b>	(In Thousands)	
Loans	\$ 19,493	\$ 17,982
Investment securities:		
Taxable	1,909	1,298
Tax-exempt	111	115
Dividends	190	215
Total interest income	21,703	19,610
<b>Interest expense</b>		
Deposits	6,374	5,372
Borrowed funds	3,893	3,053
Total interest expense	10,267	8,425
<b>Net interest income</b>	11,436	11,185
<b>Provision for loan losses</b>	513	493
<b>Net interest income</b> - After provision for loan losses	10,923	10,692
<b>Noninterest income:</b>		
Service charges and other fees	1,728	1,703
Investment brokerage commission income	1,606	1,309
Mortgage banking activities	635	641
Trust fee income	430	337
Increase in value of bank owned life insurance	319	277
Other income	167	171
Total noninterest income	4,885	4,438
<b>Noninterest expenses:</b>		
Salaries and employee benefits	6,836	6,411
Occupancy and equipment	1,329	1,234
Data processing	684	636
Professional services	289	270
Real estate owned expense	250	139
Advertising	191	212
Loss on sale of available-for-sale securities	-	327
Other	1,404	1,370
Total noninterest expenses	10,983	10,599
<b>Income</b> - Before income tax expense	4,825	4,531
<b>Provision for federal income tax</b>	1,481	1,380
<b>Net income</b>	\$ 3,344	\$ 3,151
<b>Basic earnings per share</b>	\$ 1.43	\$ 1.29
<b>Diluted earnings per share</b>	\$ 1.43	\$ 1.29
<b>Dividends declared per share</b>	\$ 0.53	\$ 0.45
<b>Return on average equity</b>	12.04%	11.66%
<b>Return on average assets</b>	1.00%	1.02%
<b>Net interest margin on average interest-bearing assets</b>	3.91%	4.15%
<b>Efficiency ratio</b>	67.30%	67.84%

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