

COMPARATIVE FINANCIAL STATEMENT

June 30, 2025

TO OUR SHAREHOLDERS

FINANCIAL HIGHLIGHTS

We are pleased to present the financial results for Eastern Michigan Financial Corporation for the six months ended June 30, 2025. Despite a challenging economic environment marked by declining loan volumes and interest income, we delivered solid earnings growth, improved asset quality, and enhanced shareholder value.

QUARTER TWO 2025 HIGHLIGHTS VERSUS QUARTER TWO 2024

- Net income ended the quarter at \$3.3 million, a 13.3% increase over 2024.
- Net interest income improved by 7.4% over 2024 to \$9.8 million.
- Total assets declined to \$504.5 million, a 9.7% decrease.
- Total deposits ended the quarter at \$449.3 million, a decrease of 2.8% over last year at this time.
- Return on Average Equity (ROE) was 12.93% at quarter's end, a decrease of 103 basis points.
- Return on Average Assets (ROA) increased by 14 basis points to 1.17%, up from 1.03% in 2024.
- Earnings per Share (EPS) for second quarter 2025 were \$2.57 compared to \$2.32, a 10.8% increase over end of second quarter 2024.

PERFORMANCE OVERVIEW

- **Earnings Strength:** A 13.3% year-over-year increase in net income was supported by a 7.4% increase in net interest income and a favorable reversal in loan loss reserves. The increase in EPS to \$2.57 reflects improved profitability and prudent cost control.
- **Asset Base and Loans:** The \$54.1 million decline in total assets was primarily driven by a reduction in securities and loans. In particular, we took advantage of an arbitrage opportunity in 2024, borrowing \$50.0 million from the Federal Reserve's Bank Term Funding Program (BTFP) at 3.87% and investing those same funds at 4.4%. The payoff of that borrowing in September 2024 represents a significant portion of the reduction in assets.
- **Deposits and Liquidity:** A modest 2.8% decline in deposits resulted from customers reallocating funds in response to market conditions. Liquidity remains strong with \$42.3 million in cash and balances due from banks.

- **Credit Quality:** The allowance for credit losses improved, with a reversal of \$294 thousand in provision expense, compared to a provision of \$170 thousand in 2024. The current expected credit loss ratio to loans decreased to 1.17%, down from 1.27%.
- **Capital Position:** The capital-to-assets ratio improved significantly to 10.50%, compared to 7.78% in the prior year, reflecting stronger balance sheet management and retained earnings growth.

SHAREHOLDER VALUE

- **Dividends:** A year-to-date dividend of \$1.30 per share was declared, consistent with the prior year.
- **Stock Performance:** The market value per share increased to \$42.50, up 54.3% year-over-year, demonstrating investor confidence and strong market performance.
- **Book Value Growth:** Book value per share increased by 18.9%, a direct reflection of increased retained earnings and improved capital levels.

CONCLUSION

Moving into the second half of 2025, we remain focused on disciplined growth, prudent risk management, and delivering long-term value to our shareholders. We are navigating economic headwinds with resilience and are confident in our ability to continue delivering strong financial results.

We thank you for your continued support and investment in Eastern Michigan Financial Corporation.



President and Chief Executive Officer

**Eastern
Michigan
Financial
Corporation**



COMPARATIVE FINANCIAL STATEMENT

June 30, 2025

2025
June 30, 2025

CONSOLIDATED BALANCE SHEETS (unaudited)

	June 30,	
	2025	2024
ASSETS		
Cash and due from banks	\$ 42,344	\$ 26,757
Securities	230,012	283,011
Federal funds sold & other deposits	1,824	2,404
Loans	208,286	222,177
Current expected credit loss on loans	(2,436)	(2,825)
Other assets	24,509	27,128
TOTAL ASSETS	\$ 504,539	\$ 558,652
LIABILITIES		
Deposits		
Non-interest bearing	\$ 125,590	\$ 125,513
Interest bearing	323,744	336,813
Total deposits	449,334	462,326
Other liabilities	2,302	52,871
TOTAL LIABILITIES	\$ 451,636	\$ 515,197
SHAREHOLDERS' EQUITY		
Common stock (issued 1,298,401 shares in 2025 and 1,267,961 shares in 2024)	\$ 6,296	\$ 6,159
Surplus	4,151	2,745
Retained earnings	47,200	43,422
Accumulated other comprehensive loss	(4,744)	(8,871)
TOTAL SHAREHOLDERS' EQUITY	\$ 52,903	\$ 43,455
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	\$ 504,539	\$ 558,652

FINANCIAL RATIOS

Return on Average Equity (annualized)	12.93%	13.96%
Return on Average Assets (annualized)	1.17%	1.03%
Capital to Assets	10.49%	7.78%
Current Expected Credit Loss on Loans / Loans	1.17%	1.27%

(Dollars in thousands except per share data)

CONSOLIDATED STATEMENTS OF INCOME (unaudited)

	Six Months Ended June 30,	
	2025	2024
INTEREST INCOME		
Interest & fees on loans	\$ 6,396	\$ 6,414
Interest on federal funds sold & other deposits	890	1,228
Interest on investment securities	3,523	3,840
TOTAL INTEREST INCOME	10,809	11,482
INTEREST EXPENSE	1,008	2,358
NET INTEREST INCOME	9,801	9,124
PROVISION (REVERSAL) FOR CURRENT EXPECTED CREDIT LOSS	(294)	170
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	10,095	8,954
OTHER INCOME	985	1,018
OTHER OPERATING EXPENSES	6,912	6,271
INCOME BEFORE INCOME TAXES	4,168	3,701
INCOME TAX EXPENSE	854	776
NET INCOME	\$ 3,314	\$ 2,925
EARNINGS PER COMMON SHARE	\$ 2.57	\$ 2.32

(Dollars in thousands except per share data)

STOCK INFORMATION

Transfer Agent and Registrar:
Computershare Shareholder Services
P.O. Box 30170
College Station, Texas 77842-3170
800.368.5948

Stock Listing:
Symbol: EFIN
Over-The-Counter
Bulletin Board

Investor Relations Contact:

Errin Levitt, Chief Financial Officer
Eastern Michigan Financial Corporation
810.398.5135

Corporate Headquarters:

Eastern Michigan Financial Corporation
65 N. Howard Avenue
Croswell, Michigan 48422-0139
800.397.2504

	2025	2024
Number of shares, issued and outstanding	1,298,401	1,267,961
Number of shareholders of record	265	270
Cash dividends declared, year-to-date	\$ 1.30	\$ 1.30
Book value, end-of-period	40.74	34.27
Market value, last trade known	42.50	27.54

BOARD OF DIRECTORS

Timothy Ward, Chairperson
Retired Chief Executive Officer
Eastern Michigan Bank, Croswell

William Oldford, Jr., Vice Chairperson
President and Chief Executive Officer
Eastern Michigan Bank, Croswell

Lisa Disser, Director
Controller
Gielow Pickles, Inc., Lexington
Gielow Logistics, LLC, Lexington

Karen Flanagan, Director
Farmer
Sandusky

Patricia Manley, Director
McBridge-Manley & Company, P.C.
Marine City

Anthony Roggenbuck, Director
President, D&D Farms, Inc., Ruth
Owner Operator, Trucker T's Transport, LLC, Ubly

Patricia Ryan, Director
Retired Partner
Frohm, Kelley, Butler & Ryan, P.C., Port Huron

Steven Schwehofer, Director
Former Chief Financial Officer
Foster Blue Water Oil, Richmond

Michael Wendling, Director
Prosecuting Attorney
St. Clair County

CORPORATE OFFICERS

William Oldford, Jr., President and Chief Executive Officer
Stacie Bales, Senior Vice President, Chief Operating Officer
Kimberly Bowman, Senior Vice President, Chief Retail Officer
Chad Deaner, Senior Vice President, Chief Lending Officer
Errin Levitt, Senior Vice President, Chief Financial Officer