



TO OUR SHAREHOLDERS

SEPTEMBER 30
20
21

FINANCIAL HIGHLIGHTS

Eastern Michigan Financial Corporation's (EMFC) earnings through the first nine months of 2021 were \$3,923,000 or \$3.17 per share, versus \$3,054,000 or \$2.51 per share for the same period last year. Return on Average Equity (ROE) during this time improved to 11.76% versus 10.10% for the first nine months of 2020. Return on Average Assets (ROA) improved to 1.04%, compared to 0.97% for the same period in 2020.

Our Capital to Assets ratio as of September 30, 2021, was 8.84% versus 8.77% at end of third quarter 2020. Book value per share ended the period at \$36.74, an improvement of \$2.26 over the same period last year. Market value per share was \$31.80 as of the last known trade on September 30, 2021.

Total assets were \$518,648,000 at quarter's end, compared to \$481,542,000 for the first nine months of 2020. Loans decreased by 9.13% for the first nine months of 2021, ending at \$202,917,000, primarily due to Small Business Administration (SBA) Paycheck Protection Program (PPP) forgiveness and pay downs. Deposits were \$471,125,000 at the end of the third quarter, a \$33,525,000 increase over the same period last year. The primary driver of this increase in deposits continues to be consumer and public fund deposits from stimulus checks and other government benefits.

SHAREHOLDER DIVIDEND

The Board of Directors declared a third-quarter dividend of \$0.30 per share, a 6.67% increase. Year-to-date, dividends total \$0.80 per share.

MANAGEMENT COMMENTS

EMFC's results for the first three quarters of 2021 remain very strong, despite the challenges created by the current interest rate environment.

- While showing some improvement, the treasury yield curve remains well below historical averages. This impacts loan pricing and the yield we are able to obtain on our investment portfolio. Until such a time as the yield curve returns to at least historical averages, earnings will be affected.
- Strong participation in the SBA PPP program continues to be reflected in our earnings as both fee and interest income. As the fees are either amortized over the life of the loan or until the loan is forgiven, a significant portion of those fees have hit income this year. Our third quarter income statement reflects \$1,357,000 in SBA PPP fees for the quarter and \$2,754,000 for the year. All SBA PPP loans are anticipated to be fully processed for forgiveness by the end of first quarter 2022 at which time the fee income will be fully earned.

- Credit quality remains strong as many of our borrowers have emerged from the Covid-19 crisis well-positioned for the future. Given the liquidity in the market, primarily from SBA PPP loans and Economic Injury Disaster Loans (EIDL), we are seeing reduced reliance on lines of credit, which has decreased our outstanding loan amounts. We anticipate that loan demand may improve as the government programs end, but will still be moderate.

While proud of these results, we recognize the clear challenges that lie ahead and are working hard to address them. We respect your investment in Eastern Michigan Financial Corporation and Eastern Michigan Bank and thank you for your continued support.

President and Chief Executive Officer

**Eastern
Michigan**
**Financial
Corporation**



CONSOLIDATED BALANCE SHEETS (unaudited)

	September 30,	
	2021	2020
ASSETS		
Cash and due from banks.....	\$ 108,624	\$ 85,349
Securities.....	185,988	85,285
Federal funds sold & other deposits.....	252	51,805
Loans.....	202,917	239,244
Allowance for loan loss.....	(1,776)	(1,759)
Other assets.....	22,643	21,618
TOTAL ASSETS.....	\$ 518,648	\$ 481,542
LIABILITIES		
Deposits		
Non-interest bearing.....	\$ 138,386	\$ 114,044
Interest bearing.....	332,739	323,556
Total deposits.....	471,125	437,600
Other liabilities.....	1,687	1,732
TOTAL LIABILITIES.....	\$ 472,812	\$ 439,332
SHAREHOLDERS' EQUITY		
Common stock (issued 1,247,608 shares in 2021 and 1,224,035 shares in 2020).....	\$ 6,156	\$ 6,091
Surplus.....	2,748	2,472
Retained earnings.....	36,333	32,583
Accumulated other comprehensive income (loss).....	599	1,064
TOTAL SHAREHOLDERS' EQUITY.....	\$ 45,836	\$ 42,210
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY.....	\$ 518,648	\$ 481,542

FINANCIAL RATIOS

Return on Average Equity (annualized).....	11.76%	10.10%
Return on Average Assets (annualized).....	1.04%	0.97%
Capital to Assets.....	8.84%	8.77%
Allowance for Loan Loss / Loans.....	0.88%	0.74%

(Dollars in thousands except per share data)

CONSOLIDATED STATEMENTS OF INCOME (unaudited)

	Nine Months Ended September 30,	
	2021	2020
INTEREST INCOME		
Interest & fees on loans.....	\$ 8,472	\$ 7,034
Interest on federal funds sold & other deposits....	370	560
Interest on investment securities.....	1,403	1,557
TOTAL INTEREST INCOME.....	10,245	9,151
INTEREST EXPENSE.....	311	362
NET INTEREST INCOME.....	9,934	8,789
PROVISION FOR LOAN LOSSES.....	(70)	183
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES.....	10,004	8,606
OTHER INCOME.....	2,058	1,947
OTHER OPERATING EXPENSES.....	7,239	6,805
INCOME BEFORE INCOME TAXES.....	4,823	3,748
INCOME TAX EXPENSE.....	900	694
NET INCOME.....	\$ 3,923	\$ 3,054
EARNINGS PER COMMON SHARE	\$ 3.17	\$ 2.51

(Dollars in thousands except per share data)

STOCK INFORMATION

Transfer Agent and Registrar:
Computershare Shareholder Services
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College Station, Texas 77842-3170
800.368.5948

Investor Relations Contact:
Errin M. 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

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

	2021	2020
Number of shares, issued and outstanding	1,247,608	1,224,035
Number of shareholders of record	287	291
Cash dividends declared, year-to-date	\$ 0.80	\$ 0.75
Book value, end-of-period	36.74	34.48
Market value, last trade known	31.80	26.50

BOARD OF DIRECTORS

Timothy M. Ward, Chairman
Retired Chief Executive Officer
Eastern Michigan Bank, Croswell

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

Bradley D. Apsey, Director
President
Apsey Funeral Home, Inc., Deckerville

Karen S. Flanagan, Director
Farmer
Sandusky

Donna M. Niester, Director
President and Chief Executive Officer
Acheson Ventures, LLC, Port Huron

Kathlene M. Partaka, Director
Retired Executive Vice President, Operations
Eastern Michigan Bank, Croswell

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

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

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

Michael D. Wendling, Director
Prosecuting Attorney
St. Clair County

John C. Williams, Director
Retired Superintendent
Croswell Electrical and Water Departments, Croswell

The Board of Directors of Eastern Michigan Financial Corporation is pleased to welcome Anthony Roggenbuck and Steven Schwehofer as Directors of Eastern Michigan Financial Corporation and Eastern Michigan Bank. Read more about them at emb.bank/about/bank-news



Anthony L. Roggenbuck



Steven J. Schwehofer

CORPORATE OFFICERS

William G. Oldford, Jr., President and Chief Executive Officer
Stacie L. Bales, Senior Vice President, Chief Operating Officer
Chad W. Deaner, Senior Vice President, Chief Lending Officer
Errin M. Levitt, Senior Vice President, Chief Financial Officer