

TO OUR SHAREHOLDERS

JUNE 30
2021

FINANCIAL HIGHLIGHTS

Eastern Michigan Financial Corporation's (the Company) earnings through the first half of 2021 were \$2,388,000 or \$1.94 per share, versus \$1,942,000 for the same period last year or \$1.60 per share. Return on Average Equity (ROE) during this time improved to 10.88% versus 9.75% for the first half of 2020. Return on Average Assets (ROA) remained flat at 0.96% compared to the same half in 2020.

Our Capital to Assets ratio as of June 30, 2021 was 8.84% versus 9.75%, with the decrease driven by significant asset growth discussed in more detail below. Book value per share ended the half at \$35.86, an improvement of \$2.20 over the same period last year. Market value per share was \$30.75 as of the last known trade on June 30, 2021.

Total assets were \$502,206,000 compared to \$440,152,000 for the first half of 2020. Loans decreased by 9.17% for the first half of 2021, ending at \$221,301,000. Deposits were \$456,161,000 at half's end, a 17.84% increase over the same period last year. The primary driver of these increases continues to be the Small Business Administration (SBA) Paycheck Protection Program (PPP), and consumer deposits from stimulus checks and other government benefits.

SHAREHOLDER DIVIDEND

The Board of Directors declared a dividend of \$0.25 per share for the second quarter of 2021, for a year-to-date total of \$0.50 per share.

MANAGEMENT COMMENTS

With the first half of 2021 now concluded, we see improvement in both the national and local economies, as well as the financial health of our customers. While these economic improvements are expected to bolster our financial results, a number of additional factors have helped as well:

- As of June 30, 2021, we had originated a combined total of \$116,170,000 in SBA PPP loans from rounds one, two and three. At quarter's end, \$61,125,000 in SBA PPP loans remained in our loan portfolio. These loans are all fully guaranteed by the SBA, subject to forgiveness, and carry an interest rate of 1.00%.
- For each PPP loan originated, we received a fee from the SBA of up to 5.00% of the loan amount. These fees are earned over the life of the loan. As of June 30, 2021, we had recognized \$1,398,000 in PPP fees this calendar year, leaving an outstanding unrecognized fee balance of \$2,845,000. Since we expect the majority of the outstanding loans to receive forgiveness sometime in 2021, a large percentage of the unrecognized fees will be earned into income by year end.

- Mortgage origination activity has also remained strong. As of the end of second quarter, fees generated from mortgage originations totaled \$487,000, versus \$280,000 for the first half of 2020. Requests for refinances have begun to wane, so we have turned our focus more to attracting purchase mortgage customers.

Overall, the financial results and health of the Company remain strong. Going forward, our team is focused on both short and long-term opportunities, as well as the challenges and risks we will face.

Thank you for your continued support of Eastern Michigan Financial Corporation and Eastern Michigan Bank. We value the trust you have placed in us as a shareholder.



President and Chief Executive Officer

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



CONSOLIDATED BALANCE SHEETS (unaudited)

	June 30,	
	2021	2020
ASSETS		
Cash and due from banks.....	\$ 114,589	\$ 35,645
Securities.....	145,072	99,297
Federal funds sold & other deposits.....	294	43,961
Loans.....	221,301	243,640
Allowance for loan loss.....	(1,644)	(1,871)
Other assets.....	22,594	19,480
TOTAL ASSETS.....	\$ 502,206	\$ 440,152
LIABILITIES		
Deposits		
Non-interest bearing.....	\$ 129,693	\$ 115,103
Interest bearing.....	326,468	272,012
Total deposits.....	456,161	387,115
Other liabilities.....	1,650	11,897
TOTAL LIABILITIES.....	\$ 457,811	\$ 399,012
SHAREHOLDERS' EQUITY		
Common stock (issued 1,237,861 shares in 2021 and 1,222,080 shares in 2020).....	\$ 6,133	\$ 6,087
Surplus.....	2,646	2,306
Retained earnings.....	35,172	31,909
Accumulated other comprehensive income (loss).....	444	838
TOTAL SHAREHOLDERS' EQUITY.....	\$ 44,395	\$ 41,140
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY.....	\$ 502,206	\$ 440,152

FINANCIAL RATIOS

Return on Average Equity (annualized).....	10.88%	9.75%
Return on Average Assets (annualized).....	0.96%	0.96%
Capital to Assets.....	8.84%	9.35%
Allowance for Loan Loss / Loans.....	0.74%	0.77%

(Dollars in thousands except per share data)

CONSOLIDATED STATEMENTS OF INCOME (unaudited)

	Six Months Ended June 30,	
	2021	2020
INTEREST INCOME		
Interest & fees on loans.....	\$ 5,318	\$ 4,567
Interest on federal funds sold & other deposits....	260	409
Interest on investment securities.....	782	1,148
TOTAL INTEREST INCOME.....	6,360	6,124
INTEREST EXPENSE.....	196	276
NET INTEREST INCOME.....	6,164	5,848
PROVISION FOR LOAN LOSSES.....	(200)	288
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES.....	6,364	5,560
OTHER INCOME.....	1,314	1,221
OTHER OPERATING EXPENSES.....	4,724	4,397
INCOME BEFORE INCOME TAXES.....	2,954	2,384
INCOME TAX EXPENSE.....	566	442
NET INCOME.....	\$ 2,388	\$ 1,942
EARNINGS PER COMMON SHARE	\$ 1.94	\$ 1.60

(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 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

	2021	2020
Number of shares, issued and outstanding	1,237,861	1,222,080
Number of shareholders of record	292	286
Cash dividends declared, year-to-date	\$ 0.50	\$ 0.50
Book value, end-of-period	35.86	33.66
Market value, last trade known	30.75	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

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

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

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

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