

# COMPARATIVE FINANCIAL STATEMENT

JUNE 30, 2019

## To Our Shareholders

### FINANCIAL HIGHLIGHTS

Eastern Michigan Financial Corporation's (EMFC) earnings through the second quarter of 2019 were \$1,960,000 or \$1.63 per share.

Return on Average Equity (ROE) during this time period increased to 11.14% compared to 8.04% one year ago. Return on Average Assets (ROA) increased as well to 1.08% versus 0.79%, and our Capital to Assets ratio at quarter's end was 10.09%, compared to 10.01% as of June 30, 2018.

Book value per share rose \$3.07 from the second quarter of 2018, ending at \$30.86.

Total assets increased \$37.76 million over last year at this time to \$367.98 million compared to \$330.22 million. Loans grew by \$7.77 million, increasing from \$175.03 million to \$182.80 million, and deposits grew by \$33.68 million, \$330.02 million versus \$296.34 million one year ago.

### SHAREHOLDER DIVIDEND

The Board of Directors declared a second quarter dividend of \$0.17 per share. Year to date, we have paid \$0.34 per share.

### MANAGEMENT COMMENTS

The first six months of 2019 have produced outstanding results, and to the best of our knowledge, the second quarter represents the best net income performance in EMFC's history.

Net interest income was up more than \$800,000 from the same period in 2018, attributable to the overall growth in earning assets. Even though loans continue to provide the highest yields, the most significant change in our interest income for this period versus 2018 was the higher yield achieved on our investment portfolio. The increase in short term yields, and the short duration of our portfolio has resulted in a significant increase in our investment income over the last twelve months.

Deposits increased more than 10% over the same period last year, largely due to targeted efforts to bring in more local government deposit relationships. As a true community bank, we interact frequently with the communities we serve via participation in local events and service on local boards and committees. Simply put, local government officials like doing business with people they know, and have found that we provide both exceptional customer service and products equal to or better than those of our competitors. They also appreciate that we have remained independent while many of our competitors have experienced mergers in the last several years.

Another solid contributor to 2019 results thus far has been a reduced need to add to our loan allowance. Fortunately, we have had no significant write downs to date and our Provision for Loan Loss expense was down \$251,000 at quarter's end as compared to the same period last year.

We do have some concerns with regards to our agricultural borrowers. Like many crop farmers across the Midwest, local farmers struggled to get their crops in the ground this year due to a very wet spring. Most were able to get their crops planted eventually, but the growing season is about three weeks behind the normal schedule and lower yields are likely at harvest time. For those farmers who were not able to complete their planting, many have insurance that will provide some relief, but will not cover the entire loss of income from a crop. The State of Michigan is implementing some relief programs, but how much they will benefit our individual borrowers is not yet known.

In conclusion, management will make every effort to keep the momentum going as we head into the second half of the year, seeking out opportunities to book additional quality loans and continuing to look for ways to further maximize efficiencies. As always, we appreciate the support of our shareholders and will do our best to continue to earn your trust.



Chief Executive Officer

**Eastern  
Michigan**  

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**Financial  
Corporation**



## CONSOLIDATED BALANCE SHEETS (unaudited)

ASSETS	June 30,	
	2019	2018
Cash and due from banks.....	\$ 20,589	\$ 21,770
Securities.....	107,100	103,002
Federal funds sold & other deposits.....	39,771	13,661
Loans.....	182,802	175,031
Allowance for loan loss.....	(1,492)	(1,463)
Other assets.....	19,208	18,214
<b>TOTAL ASSETS.....</b>	<b>\$ 367,978</b>	<b>\$ 330,215</b>

## LIABILITIES

Deposits		
Non-interest bearing.....	\$ 80,147	\$ 70,230
Interest bearing.....	249,873	226,113
Total deposits.....	330,020	296,343
Other liabilities.....	813	832
<b>TOTAL LIABILITIES.....</b>	<b>\$ 330,833</b>	<b>\$ 297,175</b>

## SHAREHOLDERS' EQUITY

Common stock (issued 1,203,543 in 2019 and 1,188,988 in 2018).....	\$ 6,010	\$ 5,945
Surplus.....	2,237	2,348
Retained earnings.....	29,044	26,071
Accumulated other comprehensive income (loss).....	(146)	(1,324)
<b>TOTAL SHAREHOLDERS' EQUITY.....</b>	<b>\$ 37,145</b>	<b>\$ 33,040</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY.....</b>	<b>\$ 367,978</b>	<b>\$ 330,215</b>

## FINANCIAL RATIOS

Return on Average Equity (annualized).....	11.14%	8.04%
Return on Average Assets (annualized).....	1.08%	0.79%
Capital to Assets.....	10.09%	10.01%
Allowance for Loan Loss / Loans.....	0.82%	0.84%

(Dollars in thousands except per share data)

## CONSOLIDATED STATEMENTS OF INCOME (unaudited)

INTEREST INCOME	Six Months Ended June 30,	
	2019	2018
Interest & fees on loans.....	\$ 4,384	\$ 4,103
Interest on federal funds sold & other deposits.....	785	223
Interest on investment securities.....	1,174	979
<b>TOTAL INTEREST INCOME.....</b>	<b>6,343</b>	<b>5,305</b>
<b>INTEREST EXPENSE.....</b>	<b>413</b>	<b>211</b>
<b>NET INTEREST INCOME.....</b>	<b>5,930</b>	<b>5,094</b>
<b>PROVISION FOR LOAN LOSSES.....</b>	<b>92</b>	<b>343</b>
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES.....</b>	<b>5,838</b>	<b>4,751</b>
<b>OTHER INCOME.....</b>	<b>824</b>	<b>982</b>
<b>OTHER OPERATING EXPENSES.....</b>	<b>4,304</b>	<b>4,039</b>
<b>INCOME BEFORE INCOME TAXES.....</b>	<b>2,358</b>	<b>1,694</b>
<b>INCOME TAX EXPENSE.....</b>	<b>398</b>	<b>400</b>
<b>NET INCOME.....</b>	<b>\$ 1,960</b>	<b>\$ 1,294</b>
<b>EARNINGS PER COMMON SHARE</b>	<b>\$ 1.63</b>	<b>\$ 1.09</b>

(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 McMillan, 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

	2019	2018
<b>Number of shares, issued and outstanding</b>	1,203,543	1,188,988
<b>Number of shareholders of record</b>	294	301
<b>Cash dividends declared, year-to-date</b>	\$ 0.34	\$ 0.26
<b>Book value, end-of-period</b>	30.86	27.79
<b>Market value, last trade known</b>	25.30	25.00

## BOARD OF DIRECTORS

**Earl E. DesJardins**, Chairman  
Retired Civil Engineer  
BMJ Engineers & Surveyors, Inc., Port Huron

**Timothy M. Ward**, Vice Chairman  
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

**William G. Oldford, Jr.**, Director  
President  
Eastern Michigan Bank, Croswell

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

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

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

## CORPORATE OFFICERS

**Timothy M. Ward**, Chief Executive Officer

**William G. Oldford, Jr.**, President

**Errin McMillan**, Vice President, Chief Financial Officer