



2024

COMPARATIVE FINANCIAL STATEMENT

TO OUR SHAREHOLDERS

June 30, 2024

FINANCIAL HIGHLIGHTS

Eastern Michigan Financial Corporation's financial results for the first half of 2024 demonstrate both resilience and strong financial health. I am pleased to share the following summary of key performance results and notable achievements.

CONSOLIDATED BALANCE SHEETS

Assets grew to \$558.7 million, an increase of \$46.5 million over the end of the second quarter of 2023.

- Asset growth is primarily a result of Eastern Michigan Bank's (EMB) participation in the Bank Term Funding Program (BTFP). In January 2024, EMB borrowed \$50.0 million through the BTFP at a blended rate of 4.88%. The majority of the proceeds were used to fund higher-yielding loan growth, and the remainder was invested in federal funds, earning 5.40%. The BTFP borrowings will mature in January 2025, and we expect to repay them with cash on hand.
- Our loan portfolio has increased by 18.1% year over year to \$222.2 million. Our strong liquidity position provided us new loan opportunities at a time when many other banks had liquidity constraints.
- The Current Expected Credit Loss (CECL) on Loans is \$2.8 million compared to \$2.4 million in 2023, primarily due to loan growth.

Liabilities reached \$515.2 million, an increase of \$38.3 million over the same period last year.

- Deposits declined to \$462.3 million, down from \$475.6 million in 2023. Much of the decline is in interest-bearing public fund balances now that municipalities are starting to spend grant funds received through Covid era programs like the American Rescue Plan.
- Other liabilities increased from \$1.3 million to \$52.9 million, primarily related to the BTFP borrowing.

Shareholders' Equity increased by 23.33%, increasing from \$35.2 million to \$43.5 million.

- Accumulated other comprehensive loss (AOCL) as of quarter end was \$8.9 million, a decrease of 32.37% over the previous year. This decline was driven by the reduction in unrealized losses in our investment portfolio and is expected to continue as investments get closer to maturity and/or if medium-term interest rates were to decline.

FINANCIAL RATIOS

Return on Average Equity (ROE) declined from 17.07% to 13.96%, largely due to the decline in the AOCL.

Return on Average Assets (ROA) decreased to 1.03% from 1.07%, primarily a result of our higher asset base from the BTFP.

Capital to Assets ratio improved from 6.88% to 7.78%.

Current Expected Credit Loss (CECL) on Loans remained steady at 1.27%, the same as in 2023.

INCOME STATEMENT HIGHLIGHTS

Interest Income increased by 19.5% to \$11.5 million due to higher loan rates and the impact of the loan growth discussed earlier. Further, we are earning higher interest income on our investment securities as the yield on reinvested maturities is significantly higher than the rates received when the investments were first purchased.

Interest Expense increased from \$971.0 thousand to \$2.4 million, driven by the costs of the BTFP borrowing.

Net Interest Income improved from \$8.6 million to \$9.0 million, bringing our net interest margin to 3.40% for 2024 year to date versus 3.38% for 2023.

Provision for Current Expected Credit Losses was \$170.0 thousand as of June 30, 2024, an increase of \$87.0 thousand over the previous year. The increase can be attributed to higher loan volume and a specific reserve on an individually assessed loan relationship.

Net Income was virtually flat at \$2.9 million.

Earnings Per Common Share were \$2.32 at the end of the second quarter of 2024 versus \$2.35 in 2023, the result of an increase in common shares outstanding.

Looking forward, we remain dedicated to our mission of providing exceptional banking services while enhancing shareholder value. We will continue to focus on innovation, operational efficiency, and customer service excellence to drive sustainable growth.

Thank you for your continued trust and support.

President and Chief Executive Officer

**Eastern
Michigan
Financial
Corporation**





COMPARATIVE FINANCIAL STATEMENT

CONSOLIDATED BALANCE SHEETS (unaudited)

ASSETS	June 30,	
	2024	2023
Cash and due from banks	\$ 26,757	\$ 29,782
Securities	283,011	268,714
Federal funds sold & other deposits	2,404	913
Loans.....	222,177	188,118
Current expected credit loss on loans.....	(2,825)	(2,390)
Other assets.....	27,128	26,981
TOTAL ASSETS.....	\$ 558,652	\$ 512,118

LIABILITIES

Deposits		
Non-interest bearing.....	\$ 125,513	\$ 128,434
Interest bearing.....	336,813	347,194
Total deposits.....	462,326	475,628
Other liabilities.....	52,871	1,255
TOTAL LIABILITIES.....	\$ 515,197	\$ 476,883

SHAREHOLDERS' EQUITY

Common stock (issued 1,267,961 shares in 2024 and 1,250,189 shares in 2023).....	\$ 6,159	\$ 6,129
Surplus.....	2,745	3,058
Retained earnings.....	43,422	39,164
Accumulated other comprehensive loss.....	(8,871)	(13,116)
TOTAL SHAREHOLDERS' EQUITY.....	\$ 43,455	\$ 35,235
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY.....	\$ 558,652	\$ 512,118

FINANCIAL RATIOS

Return on Average Equity (annualized).....	13.96%	17.07%
Return on Average Assets (annualized).....	1.03%	1.07%
Capital to Assets.....	7.78%	6.88%
Current Expected Credit Loss on Loans / Loans....	1.27%	1.27%

(Dollars in thousands except per share data)

CONSOLIDATED STATEMENTS OF INCOME (unaudited)

INTEREST INCOME	Six Months Ended June 30,	
	2024	2023
Interest & fees on loans.....	\$ 6,414	\$ 4,897
Interest on federal funds sold & other deposits.....	1,228	1,113
Interest on investment securities.....	3,840	3,601
TOTAL INTEREST INCOME.....	11,482	9,611
INTEREST EXPENSE.....	2,358	971
NET INTEREST INCOME.....	9,124	8,640
PROVISION FOR CURRENT EXPECTED CREDIT LOSSES.....	170	83
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES.....	8,954	8,557
OTHER INCOME.....	1,018	992
OTHER OPERATING EXPENSES.....	6,271	5,829
INCOME BEFORE INCOME TAXES.....	3,701	3,720
INCOME TAX EXPENSE.....	776	777
NET INCOME.....	\$ 2,925	\$ 2,943
EARNINGS PER COMMON SHARE	\$ 2.32	\$ 2.35

(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

	2024	2023
Number of shares, issued and outstanding	1,267,961	1,250,189
Number of shareholders of record	270	272
Cash dividends declared, year-to-date	\$ 1.30	\$ 0.70
Book value, end-of-period	34.27	28.18
Market value, last trade known	27.54	23.25

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

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

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

Patricia Ryan, Director
Retired Partner
Frohman, 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