2023

Eastern Michigan Financial Corporation

annual report

2023

mission statement

To continue as a progressive and growing community bank, serving our communities by offering a wide range of competitive services for our customers, resulting in a profitable organization, enabling us to build capital, pay appropriate dividends to our stockholders and competitive salaries to our employees.

core values

At Eastern Michigan Bank, we take great pride in being a community bank. At the center of our value system is our core commitment to provide value driven products and courteous service delivered by a caring and professional staff. After all, we're not just in the "banking business," we're in the business of financing people's lives and dreams — a responsibility we don't take lightly.

our promise

We promise our customers they can rely on us to listen to their needs and try to provide solutions. We also promise to always practice discretion and tact when it comes to personal or professional financial issues and to treat our customers with respect, dignity and integrity, all while doing our best to help them reach their financial goals.

Eastern Michigan Financial Corporation®

2023 annual report

general information

Eastern Michigan Financial Corporation is the holding company for Eastern Michigan Bank, a full service community bank with offices in Croswell, Deckerville, Fort Gratiot, Lakeport, Lexington, Marysville, Port Huron, Ruth and Sandusky.

corporate headquarters

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

investor relations contact

Errin Levitt, Senior Vice President,
Chief Financial Officer
Eastern Michigan Financial Corporation
65 N. Howard Avenue
Croswell, Michigan 48422
810.398.5135

independent auditors

Rehmann Robson
5800 Gratiot, Suite 201
Saginaw, Michigan 48638
989.799.9580

transfer agent and registrar

Computershare Shareholder Services
P.O. Box 30170
College Station, Texas 77842-3170
800.368.5948

stock symbol

Over-the-Counter Bulletin Board: EFIN

annual meeting

The Eastern Michigan Financial Corporation annual meeting of company shareholders is scheduled for Tuesday, April 16, 2024 at 5:30 p.m. and will be held at Lakeview Hills Golf Resort, 6560 E. Peck Road, Lexington, Michigan 48450.

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
Controller
Gielow Pickles, Inc., Lexington
Gielow Logistics, LLC, Lexington

Karen Flanagan
Farmer
Sandusky

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

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

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

Steven Schweihofer
Former Chief Financial Officer
Foster Blue Water Oil, Richmond

Michael Wendling
Prosecuting Attorney
St. Clair County

appointments

Lisa Disser
Director

The Board of Directors of Eastern Michigan Financial Corporation is pleased to welcome Lisa Disser as a director of Eastern Michigan Financial Corporation and Eastern Michigan Bank. Lisa is the Controller for Lexington-based Gielow Pickles, Inc., and Gielow Logistics, LLC, and a lifelong resident of the Croswell-Lexington area.

in memoriam

John Williams
Director

Director John "Jack" Williams passed away on October 11, 2023. Jack was appointed to the boards of Eastern Michigan Financial Corporation and Eastern Michigan Bank in 2003 and faithfully served our organization for over twenty years. He worked for the City of Croswell for more than 40 years, retiring as Superintendant of the Electrical and Water Departments. Jack was also a former member of the Croswell Fair Board and attended the Croswell Wesleyan Church.

We extend our deepest sympathies to Jack's wife Christine, their sons, and their extended family.

officers

eastern michigan financial corporation officers

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

eastern michigan bank senior management officers

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

eastern michigan bank vice presidents

Scott Badley | Commercial Loan Officer
Kimberly Bowman | Retail Banking Manager
Joseph Brown | Appraiser
Christopher Flann | Commercial Loan Manager
Audra Levitte | Director of Human Resources
Alexander Messing | Commercial Loan Officer
L. Michael O'Vell | Consumer Loan Manager and Security Officer
Joseph Pink | Information Technology Manager and Chief Information Security Officer
Tammy Williford | Marketing and Compliance Officer

officer retirements, promotions and new hires

officer retirements

Christi Agostino-Erd | Assisant Vice President, Mortgage Loan Officer
Kathleen Wurmlinger | Vice President, Mortgage Loan Manager

Two long-time members of Eastern Michigan Bank's mortgage department retired in early 2023. Vice President, Mortgage Manager Kathleen Wurmlinger retired in February after eleven years of service and Assistant Vice President, Mortgage Loan Officer Christi Agostino-Erd retired in March after eighteen years.

Kathy joined the Eastern Michigan Bank team in June 2012 as Mortgage Manager and was promoted to Vice President in 2013. Chris became a member of our staff in October 2005.

Both Kathy and Chris had long careers in mortgage lending before they came to us, and we were fortunate to benefit from their experience and contributions.

We thank them for their service and wish them well in retirement.

officer promotions

Christopher Flann | Vice President, Commercial Loan Manager

In May 2023, Vice President, Commercial Loan Officer Christopher Flann was promoted to Vice President, Commercial Loan Manager.

Chris became a member of the Eastern Michigan Bank team in 2012, bringing with him an extensive background in commercial lending. Among his many contributions, Chris has been instrumental in developing the Bank's Small Business Administration (SBA) loan program. In his new role, he will manage the Bank's commercial loan officers and work with them to continue building business in our market area.

Chris holds a Bachelor of Business Administration degree with a major in Finance from Western Michigan University and a Master of Business Administration from Wayne State University. He is also actively involved in the local community, and currently serves as Treasurer, Director, and member of the Finance and Governance Committee for the Blue Water Chamber of Commerce; member of the Board of Trustees for McLaren Hospital Port Huron; and member of the Emerge Fund Review Panel for the Economic Development Alliance (EDA) of St. Clair County.

officer new hires

Donna Sears | Assistant Vice President, Branch Manager

Donna Sears joined Eastern Michigan Bank in August 2023 as Assistant Vice President, Branch Manager. Donna comes to us with more than thirty years of experience in the local banking industry, most recently serving as the Branch Manager of Huntington Bank's Marine City location. In addition to her banking background, she is active in the local community, serving as a board member of the Marine City Scholarship Foundation and a board member and past President of the Marine City Rotary.

Donna will be managing Eastern Michigan Bank's new Marine City location, scheduled to open in mid-2024. Her extensive knowledge of the local market will undoubtedly be invaluable in establishing our presence there.

letter to shareholders

Shareholders,

We are pleased to report that 2023 was an exceptional year for Eastern Michigan Financial Corporation (Company). When the March failure of three large regional banks due to loss of liquidity caused significant disruption in the banking industry, our customers remained faithful. Your Company has thrived over the past year, posting record earnings and improving the strength of our balance sheet.

Financial Summary

- Year over year, net income improved by 70%, ending 2023 at $6.19 million versus $3.64 million in 2022. Improvement in our net interest margin was the primary catalyst for this growth, as our balance sheet was well-positioned for an increase in interest rates. Looking ahead to more potential changes to the Federal Funds rate and the entire yield curve, we have worked to extend the duration of our investment portfolio. While this will moderate earnings in a rising rate environment, it will also protect earnings in a declining rate environment.

- As a result of new business relationships, increases in the Federal Funds rate, and changes to the yield curve, our net interest margin continued to improve, ending 2023 at 3.43% versus 3.23% at the end of 2022. Another contributing factor is that our cost of funds remains one of the lowest in the state at an average of 43 basis points.

- With our low cost of funds and the strength of our balance sheet, we did not need to chase deposits with higher rates like some of our competitors. As a result, we did see modest deposit outflows of $30 million, or 5.69%.

- Net income per share improved to $4.95 from $2.90, an increase of 70.69%.

- Book value per share ended 2023 at $32.23, up from $26.14. This represents an increase of $6.09 per share, or 23.29%. The increase in book value per share was driven by the reduction in our unrealized losses in our available-for-sale portfolio and the positive impact of our earnings on our capital.

- Our lending team had a very successful year with loan growth of 16% and balances increasing from $183.3 million to $212.4 million. This growth was driven by our marketing and calling efforts and aided by strong liquidity on our balance sheet. Just as importantly, we achieved this growth without compromising our lending standards.

- Credit quality remains solid, with few non-performing loans. We did see one relationship experience stress due to the auto workers' strike, which impacted non-performing loans at year-end. As the automotive industry returns to its ordinary course of business, we fully expect this relationship to improve.

Capital

Many banks have experienced a decline in capital due to the impact of unrealized losses in their available-for-sale (AFS) investment portfolios. Your Company was no exception; however, the impact continues to improve. At the end of 2022, we reported unrealized losses of $14.88 million, or 45.54% of capital. By the end of 2023, this loss was reduced to $10.73 million, or 26.54% of capital. As it appears that interest rates are more likely to decline and as our investments move closer to maturity, the negative impact on capital from unrealized losses in our AFS investment portfolio will continue to lessen.

letter to shareholders (con't)

Expansion
As previously reported, we have received regulatory approval to open a new branch in Marine City, Michigan. This will be our southernmost branch, located in a community currently served solely by large regional banks. Based on our Senior Management Team's experience with that market, Marine City offers strong deposit potential and access to many opportunities for small business lending. We are working on renovations to the building we purchased and plan to open sometime in mid-2024.

Share Repurchase Program and Dividend
Given our strong earnings in 2023, we recently announced a regular dividend of $0.40 per share, a special dividend of $0.50 per share, and a share repurchase program of up to $500,000 of common stock. While it is essential to maintain strong capital levels, we recognize the need to return a portion of that capital to our shareholders.

Board Member Changes
In 2023, we lost one of our longest-serving Board members. John "Jack" Williams served on our board since 2003. Jack was an exceptional board member and an even better human being. He loved the Company and his community and was one of our strongest advocates. Jack passed away suddenly on October 11, 2023. We will miss his humor and thoughtful personality.

As Jack was scheduled to retire at the 2024 shareholder meeting, the Board had already appointed Lisa Disser as his successor. Lisa is a native of Lexington and Controller for Gielow Pickles, Inc., and Gielow Logistics, LLC. Gielow has been a fixture in the local community for five generations and is currently one of the largest employers in the Croswell-Lexington market. Given Lisa's finance knowledge and experience, she will serve our shareholders well.

Conclusion
While pleased with the 2023 results, we are working hard to see that success continue in 2024. The year ahead holds many uncertainties, especially surrounding the economy, inflation, interest rates, and the outcome of this fall's national elections. Despite having no control over these factors, we still believe we are well-positioned to succeed.

Good planning prevented us from experiencing some of the challenges that 2023 posed to many of our competitors. With the help and input of all our employees, we continue to develop a culture focused on excellent customer service, teamwork, mutual respect, efficiency, and opportunities for training and advancement. We have an exceptional team working for our customers and you, our shareholders, and hope you recognize that we acknowledge shareholder value as a critical part of our responsibility.

Thank you for your continued support of the Company.

Sincerely,

Timothy M. Ward

Timothy Ward
Chairperson
Eastern Michigan Financial Corporation

Will Oldford

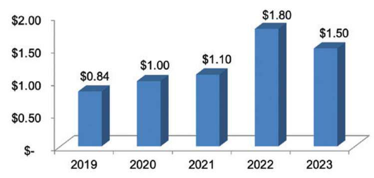
William Oldford, Jr.
President and Chief Executive Officer
Eastern Michigan Financial Corporation

highlights and ten year financial profile

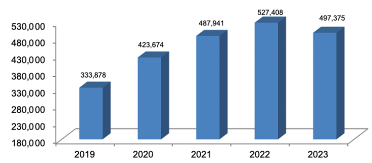
2023 highlights

FOR THE YEAR (in thousands)	2023	2022	% Change
Net interest income	$ 17,692	$ 13,604	30.0%
Non-interest income	1,989	2,116	-6.0%
Non-interest expense	11,712	11,157	5.0%
Net income	6,187	3,637	70.1%
YEAR END (in thousands)			
Total assets	$ 539,863	$ 563,570	-4.2%
Loans, net of deferred costs and fees	212,377	183,258	15.9%
Allowance for credit losses	2,608	1,710	52.5%
Deposits	497,375	527,408	-5.7%
Shareholders' equity	40,417	32,662	23.7%
PER SHARE			
Net income	$ 4.95	$ 2.90	70.7%
Book value	32.23	26.14	23.3%
Cash dividends	1.50	1.80	-16.7%
Number of shares outstanding	1,253,851	1,249,303	0.4%

CASH DIVIDENDS PER SHARE



TOTAL DEPOSITS (in thousands)



ten year financial profile

FOR THE YEAR (in thousands)	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Net interest income	$ 17,692	$ 13,604	$ 13,209	$ 11,874	$ 11,919	$ 10,582	$ 9,244	$ 9,086	$ 8,306	$ 8,275
Provision for credit losses	189	(7)	(119)	228	155	363	173	79	(144)	69
Non-interest income	1,989	2,116	2,877	2,855	1,765	1,942	2,095	1,725	1,694	1,530
Non-interest expense	11,712	11,157	10,204	9,351	8,664	8,377	7,637	7,856	7,448	7,291
Income before income taxes	7,780	4,570	6,001	5,150	4,865	3,784	3,529	2,876	2,696	2,445
Less: income taxes	1,593	933	1,097	953	864	682	1,092	776	724	618
Net income	6,187	3,637	4,904	4,197	4,001	3,102	2,437	2,100	1,972	1,827
AT YEAR END (in thousands)							2,608			
Total investment securities	$ 273,385	$ 279,533	$ 229,276	$ 72,123	$ 103,139	$ 89,065	$ 94,370	$ 106,504	$ 110,344	$ 118,054
Restricted investments	1,331	1,211	1,116	1,116	1,116	1,056	1,056	1,056	980	1,022
Federal funds sold	698	608	418	386	21,128	20,448	176	582	-	-
Total loans	212,377	183,258	192,351	223,307	181,340	176,614	171,438	154,265	137,535	137,025
Allowance for credit losses	2,608	1,710	1,719	1,835	1,574	1,551	1,330	1,222	1,204	1,688
Total assets	539,863	563,570	534,043	467,965	373,906	355,073	329,426	324,956	293,028	283,251
Total deposits	497,375	527,408	487,941	423,674	333,878	319,584	295,923	293,079	262,124	253,998
Shareholders' equity	40,417	32,662	44,578	42,897	38,752	34,477	32,649	30,643	29,572	28,394
PER SHARE										
Net income	$ 4.95	$ 2.90	$ 3.98	$ 3.44	$ 3.33	$ 2.61	$ 2.36	$ 1.82	$ 1.73	$ 1.61
Book value	32.23	26.14	35.64	35.02	32.16	28.94	27.76	26.55	25.81	24.97
Cash dividends per share	1.50	1.80	1.10	1.00	0.84	0.73	0.63	0.60	0.55	0.55
Number of shares outstanding	1,253,851	1,249,303	1,250,647	1,224,895	1,204,799	1,191,159	1,176,011	1,154,370	1,145,731	1,137,294
Return on average assets	1.15%	0.65%	0.96%	0.98%	1.08%	0.91%	0.74%	0.67%	0.69%	0.65%
Return on average equity	17.33%	10.47%	11.18%	10.37%	10.97%	9.49%	7.70%	6.90%	6.64%	6.65%
Capital ratio	9.42%	8.21%	8.69%	9.14%	10.43%	9.77%	10.10%	9.70%	10.33%	9.95%

consolidated balance sheets

(Dollars in thousands except per share data)

	December 31	
	2023	2022
Assets		
Cash and demand deposits due from banks	$ 3,207	$ 3,036
Interest bearing balances due from banks	23,817	63,883
Federal funds sold	698	608
Cash and cash equivalents	**27,722**	**67,527**
Certificates of deposit held in other banks	1,982	5,443
Investment securities		
Available-for-sale	160,442	178,833
Held-to-maturity, net of allowance for credit losses of $24 at December 31, 2023	112,943	100,700
Restricted investments, at cost	1,331	1,211
Loans, net of allowance for credit losses of $2,608 and $1,710 at December 31, 2023 and 2022, respectively	209,769	181,548
Accrued interest receivable	2,783	2,411
Premises and equipment, net	7,698	7,381
Bank-owned life insurance	10,433	10,169
Other assets	4,760	8,347
Total assets	**$ 539,863**	**$ 563,570**
Liabilities and Shareholders' Equity		
Deposits		
Noninterest-bearing	$ 137,701	$ 147,636
Interest-bearing	359,674	379,772
Total deposits	**497,375**	**527,408**
Accrued interest payable and other liabilities	2,071	3,500
Total liabilities	**499,446**	**530,908**
Commitments and contingencies (Notes 10, 11, 13, and 14)		
Shareholders' equity		
Common stock, $5 par value; 3,000,000 shares authorized, 1,253,851 (1,249,303 in 2022) shares issued and outstanding	6,119	6,145
Additional paid-in-capital	2,697	2,596
Retained earnings	41,195	37,730
Deferred compensation	789	550
Accumulated other comprehensive loss	(10,383)	(14,359)
Total shareholders' equity	**40,417**	**32,662**
Total liabilities and shareholders' equity	**$ 539,863**	**$ 563,570**

The accompanying notes are an integral part of these consolidated financial statements.

consolidated statements of income

(Dollars in thousands except per share data)	Year Ended December 31	
	2023	2022
Interest and dividend income		
Loans (including fees)	$ 10,669	$ 8,583
Securities		
Taxable	7,175	4,248
Nontaxable	119	95
Other	69	54
Federal funds sold and deposits with banks	1,710	1,599
Total interest and dividend income	**19,742**	**14,579**
Interest expense	2,050	975
Net interest income	**17,692**	**13,604**
Credit loss expense (reversal) on loans	294	(7)
Credit loss expense (reversal) on held-to-maturity investments	(38)	-
Credit loss expense (reversal) on off-balance sheet credit exposures	(67)	-
Total credit loss expense (reversal)	**189**	**(7)**
Net interest income, after credit loss expense (reversal)	**17,503**	**13,611**
Noninterest income		
Service charges on deposit accounts	1,285	1,213
Other service charges and fees	250	264
Other	454	639
Total noninterest income	**1,989**	**2,116**
Noninterest expenses		
Compensation and benefits	6,652	6,256
Occupancy and equipment	733	1,239
Other	4,327	3,662
Total noninterest expenses	**11,712**	**11,157**
Income before income taxes	**7,780**	**4,570**
Income taxes	1,593	933
Net income	**$ 6,187**	**$ 3,637**
Net income per common share		
Basic	$ 4.95	$ 2.90
Diluted	$ 4.93	$ 2.87

The accompanying notes are an integral part of these consolidated financial statements.

consolidated statements of comprehensive income (loss)

(Dollars in thousands except per share data)

	Year Ended December 31	
	2023	2022
Other comprehensive income		
Unrealized gain (loss) on debt securities available-for-sale:		
Unrealized gain (loss) arising during the year	$ 4,827	$ (17,541)
Reclassification adjustment for accretion of unrealized loss included in accumulated other comprehensive income from the transfer of securities from available-for-sale to held-to-maturity	422	299
Comprehensive gain (loss) on available-for-sale and transferred securities before income tax (expense) benefit	5,249	(17,242)
Tax effect	(1,102)	3,621
Unrealized gain (loss) on available-for-sale and transferred securities, net of tax	4,147	(13,621)
Unrealized (loss) gain on interest rate derivatives:		
Unrealized (loss) gain arising during the year amortized as interest is recorded	(213)	785
Reclassification adjustment for interest included in income	(3)	14
Comprehensive (loss) gain on interest rate derivatives before income tax benefit (expense)	(216)	799
Tax effect	45	(168)
Unrealized (loss) gain on interest rate derivatives, net of tax	(171)	631
Other comprehensive income (loss)	**3,976**	**(12,990)**
Net income	6,187	3,637
Comprehensive income (loss)	**$ 10,163**	**$ (9,353)**

The accompanying notes are an integral part of these consolidated financial statements.

consolidated statements of shareholders equity

(Dollars in thousands except per share data)

	Common Stock		Additional Paid-In-Capital	Retained Earnings	Deferred Compensation	Accumulated Other Comprehensive (Loss)	Total
	Shares	Amount					
Balances, January 1, 2022	**1,250,647**	**$ 6,188**	**$ 2,465**	**$ 36,969**	**$ 325**	**$ (1,369)**	**$ 44,578**
Comprehensive loss	-	-	-	3,637	-	(12,990)	(9,353)
Common stock options recognized	-	-	3	-	-	-	3
Deferred compensation	7,629	-	-	-	225	-	225
Issuance of restricted stock awards	5,677	30	102	-	-	-	132
Issuance of shares upon exercise of common stock options	9,306	47	26	-	-	-	73
Repurchase of common stock	(23,956)	(120)	-	(612)	-	-	(732)
Cash dividends paid ($1.80 per share)	-	-	-	(2,264)	-	-	(2,264)
Balances, December 31, 2022	**1,249,303**	**6,145**	**2,596**	**37,730**	**550**	**(14,359)**	**32,662**
Cumulative change in accounting principle (Note 1)	-	-	-	(616)	-	-	(616)
Comprehensive income	-	-	-	6,187	-	3,976	10,163
Common stock options recognized	-	-	1	-	-	-	1
Deferred compensation	9,650	-	-	-	245	-	245
Common stock transferred from the Rabbi Trust to satisfy deferred compensation obligations	-	1	5	-	(6)	-	-
Issuance of restricted stock awards	4,415	21	102	-	-	-	123
Issuance of shares upon exercise of common stock options	1,308	7	(7)	-	-	-	-
Repurchase of common stock	(10,825)	(55)	-	(230)	-	-	(285)
Cash dividends paid ($1.50 per share)	-	-	-	(1,876)	-	-	(1,876)
Balances, December 31, 2023	**1,253,851**	**$ 6,119**	**$ 2,697**	**$ 41,195**	**$ 789**	**$ (10,383)**	**$ 40,417**

The accompanying notes are an integral part of these consolidated financial statements.

consolidated statements of cash flows

(Dollars in thousands except per share data)

	Year Ended December 31	
	2023	2022
Cash flows from operating activities		
Net income	$ 6,187	$ 3,637
Adjustments to reconcile net income to net cash provided by operating activities		
Credit loss expense (reversal)	189	(7)
Depreciation	394	430
Net amortization of investment securities premiums	868	2,013
Interest rate derivative (income) expense	(3)	14
Share-based compensation	369	360
Net gain on sale of loans	(91)	(116)
Net increase in cash value of bank-owned life insurance	(264)	(244)
Deferred income tax (benefit) expense	(387)	51
Origination of loans held for sale	(2,422)	(4,992)
Proceeds from loan sales	2,513	5,108
Changes in operating assets and liabilities which (used) provided cash		
Accrued interest receivable	(372)	(505)
Other assets	2,868	(1,676)
Accrued interest payable and other liabilities	(1,474)	1,962
Net cash provided by operating activities	**8,375**	**6,035**
Cash flows from investing activities		
Net change in certificates of deposit held in other banks	3,461	9,366
Activity in held-to-maturity securities		
Purchases	(14,521)	(29,594)
Maturities, prepayments, and calls	3,207	2,251
Activity in available-for-sale securities		
Purchases	(36,584)	(59,395)
Maturities, prepayments, calls and sales	58,402	17,226
Purchase of restricted investments	(120)	(120)
Proceeds from redemption of restricted investments	-	25
Loan principal (originations) collections, net	(29,120)	9,091
Purchases of premises and equipment	(711)	(224)
Net cash used in investing activities	**(15,986)**	**(51,374)**
Cash flows from financing activities		
Acceptances and withdrawals of deposits, net	(30,033)	39,467
Net proceeds from exercise of common stock options	-	73
Repurchase of common stock	(285)	(732)
Cash dividends paid	(1,876)	(2,264)
Net cash (used in) provided by financing activities	**(32,194)**	**36,544**
Net decrease in cash and cash equivalents	**(39,805)**	**(8,795)**
Cash and cash equivalents, beginning of year	67,527	76,322
Cash and cash equivalents, end of year	**$ 27,722**	**$ 67,527**

The accompanying notes are an integral part of these consolidated financial statements.

(Dollars in thousands except per share data)

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation and Nature of Business

The accompanying consolidated financial statements include the accounts of Eastern Michigan Financial Corporation, a registered bank holding corporation (the "Corporation"), and its wholly owned subsidiary, Eastern Michigan Bank (the "Bank"), and the Bank's wholly owned subsidiaries Eastern Michigan Properties, LLC; Eastern Michigan Financial Services, Inc.; and Eastern Michigan Real Estate, Inc. All significant intercompany accounts and transactions have been eliminated in consolidation.

The Corporation is independently owned and operates a community bank engaged in the business of retail and commercial banking services through its nine branches located in Sanilac, Huron, and St. Clair counties in Michigan. Active competition, principally from other commercial banks, savings banks and credit unions, exists in all of the Bank's primary markets. The Bank's results of operations can be significantly affected by changes in interest rates or changes in the automotive and agricultural industries which comprise a significant portion of the local economic environment.

Concentration Risks

The Bank's primary deposit products are interest and noninterest-bearing checking accounts, savings accounts and time deposits and its primary lending products are real estate mortgages, commercial, agricultural and consumer loans. The Bank does not have significant concentrations with respect to any one industry, customer, or depositor.

The Bank is a state chartered bank and a member of the Federal Deposit Insurance Corporation ("FDIC") Bank Insurance Fund. The Bank is subject to the regulations and supervision of the Federal Reserve Board and state regulators and undergoes periodic examinations by these regulatory authorities. The Corporation is also subject to regulations of the Federal Reserve Board governing bank holding companies.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated balance sheet and the reported amounts of income and expenses during the year. Actual results could differ from those estimates. Significant estimates include but are not limited to the determination of the allowance for credit losses.

Adoption of New Accounting Standards

On January 1, 2023, the Corporation adopted Accounting Standards Update (ASU) 2016-13 Financial Instruments-Credit Losses (Topic 326): *Measurement of Credit Losses on Financial Instruments*, as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities, and some off-balance sheet credit exposures such as unfunded commitments to extend credit. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses.

In addition, CECL made changes to the accounting for available-for-sale debt securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available-for-sale debt securities if management does not intend to sell and does not believe that it is more likely than not, they will be required to sell.

The Corporation adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost and off-balance-sheet credit exposures. Results for reporting periods beginning after January 1, 2023, are presented under ASC 326, while prior period amounts continue to be reported in accordance with previously applicable GAAP. The transition adjustment of the adoption of CECL included an increase in the allowance for credit losses on loans of $605, which is presented as a reduction to net loans outstanding, and an increase in the allowance for credit losses on unfunded loan commitments of $112, which is recorded within other liabilities. The Corporation recorded an allowance for credit losses for held-to-maturity securities of $63, which is presented as a reduction to held-to-maturity securities outstanding. The Corporation recorded a net decrease to retained earnings of $616 as of January 1, 2023 for the cumulative effect of adopting CECL, which reflects the transition adjustments noted above, net of the applicable deferred tax assets recorded.

Continued...

(Dollars in thousands except per share data)

The following table illustrates the impact of ASC 326:

	January 1, 2023		
	Pre-ASC 326 Adoption	As Reported Under ASC 326	Impact of ASC 326 Adoption
Assets:			
Allowance for credit losses on debt securities held-to-maturity	$ -	$ 63	$ 63
Loans			
Commercial and Industrial	166	200	34
Agricultural	510	474	(36)
Real Estate Related to Industries	450	577	127
Other Commercial	191	162	(29)
Residential Real Estate	189	528	339
Consumer and Other	145	193	48
Home Equity	59	181	122
Total	1,710	2,315	605
Liabilities:			
Allowance for credit losses on OBS credit exposures	-	112	112

The Corporation elected not to measure an allowance for credit losses for accrued interest receivable and instead elected to reverse interest income on loans or securities that are placed on nonaccrual status, which is generally when the instrument is 90 days past due, or earlier if the Corporation believes the collection of interest is doubtful. The Corporation has concluded that this policy results in the timely reversal of uncollectible interest.

Summary of Significant Accounting Policies

Accounting policies used in preparation of the accompanying consolidated financial statements are in conformity with accounting principles generally accepted in the United States of America. The principles which materially affect the determination of the consolidated financial position and results of operations of the Corporation and its subsidiaries are summarized below.

Cash and Cash Equivalents

For the purposes of the consolidated statements of cash flows, cash and cash equivalents include cash and balances due from banks, and federal funds sold, all of which mature within ninety days. Generally, federal funds are sold for a one-day period. The Corporation maintains deposit accounts in various financial institutions which generally exceed the FDIC insured limits or are not insured. Management does not believe the Corporation is exposed to any significant interest, credit or other financial risk as a result of these deposits.

Certificates of Deposit Held in Other Banks

Certificates of deposit held in other banks mature within 2 years and are carried at cost.

Fair Value Measurements

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants in the market in which the reporting entity transacts such sales or transfers based on the assumptions market participants would use when pricing an asset or liability. Assumptions are developed based upon prioritizing information within a fair value hierarchy that gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data, such as the reporting entity's own data (Level 3).

A description of each category in the fair value hierarchy is as follows:

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the estimates of assumptions that market participants would use in pricing the asset or liability.

For a further discussion of Fair Value Measurements, refer to Note 2.

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(Dollars in thousands except per share data)

Investment Securities

Debt securities that management has the ability and positive intent to hold to maturity are classified as held-to-maturity and are recorded at amortized cost. Debt securities not classified as held-to-maturity are classified as available-for-sale and are recorded at fair value, with unrealized gains and losses, net of the effect of deferred income taxes, recorded in other comprehensive income (loss). Equity securities are carried at fair value, with changes in fair value reported in net income. Equity securities without readily determinable fair values are carried at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment. Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains or losses on the sale of debt securities are recorded in investment income on the trade date and are determined using the specific identification method. A debt security is placed on nonaccrual status at the time any principal or interest payments become 90 days delinquent. Interest accrued but not received for a security placed on nonaccrual is reversed against interest income.

Allowance for Credit Losses - Held-to-Maturity Securities

Management measures expected credit losses on held-to-maturity debt securities on a collective basis by major security type. Accrued interest receivable on held-to-maturity debt securities totaled $806 on December 31, 2023, and was excluded from the estimate of credit losses.

The estimate of expected credit losses is primarily based on the ratings assigned to the securities by debt rating agencies and the average of the annual historical loss rates associated with those ratings. The Corporation then multiplies those loss rates, as adjusted for any modifications to reflect current conditions and reasonable and supportable forecasts as considered necessary, by the remaining lives of each individual security to arrive at the lifetime expected loss amount. Management classifies the held-to-maturity portfolio into the following major security types: U.S. treasury, corporate bonds, states, and municipals, the agency issued mortgage-backed securities and other asset-backed securities.

Securities guaranteed by the United States Treasure and its agencies, securities guaranteed by government-sponsored entities, and AAA-rated collateralized loan obligations with no historical defaults are deemed to have zero expected lifetime losses. As a result, no allowance for credit losses was recorded for these securities at December 31, 2023.

Allowance for Credit Losses - Available-for-Sale Securities

Management evaluates all investments available-for-sale in an unrealized loss position on a quarterly basis, and more frequently when economic or market conditions warrant such evaluation. If the Corporation has the intent to sell a security or it is more likely than not that the Corporation will be required to sell a security, the security is written down to fair value and the entire loss is recorded in earnings.

If either of the above criteria is not met, the Corporation evaluates whether the decline in fair value is the result of credit losses or other factors. In making the assessment, the Corporation may consider various factors, including the extent to which fair value is less than amortized cost, performance on any underlying collateral, downgrades in the ratings of security by a rating agency, the failure of the issuer to make scheduled interest or principal payments, and adverse conditions specifically related to the security. If the assessment indicates that a credit loss exists, the present value of cash flows expected to be collected are compared to the amortized cost basis of the security and any excess is recorded as an allowance for credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any amount of unrealized loss that has not been recorded through an allowance for credit loss is recognized in other comprehensive income.

Changes in the allowance for credit loss are recorded as provision for, or reversal of, credit loss expense. Losses are charged against the allowance for credit loss when management believes an available-for-sale security is confirmed to be uncollectible or when either of the criteria regarding intent or requirement to sell is met. At December 31, 2023, there was no allowance for credit loss related to the available-for-sale portfolio.

Accrued interest receivable on available-for-sale debt securities totaled $810 at December 31, 2023 and was excluded from the estimate of credit losses.

Restricted Investments

The Bank is a member of the Federal Home Loan Bank System and is required to invest in capital stock of the Federal Home Loan Bank of Indianapolis ("FHLB"). The amount of the required investment is based upon the available balance of the Bank's outstanding home mortgage loans or advances from the FHLB and is carried at cost plus the value assigned to stock dividends.

The Bank is also a member of the Federal Reserve System and is required to invest in capital stock of the Federal Reserve Bank ("FRB"). The amount of the required investment is based upon the contributed capital of Eastern Michigan Bank and is carried at cost.

In addition, the Bank is a Farmer Mac I seller and is required to invest in capital stock of Farmer Mac. The amount of required investment is determined based upon the consolidated assets at the time of the initial stock purchase and is carried at cost.

Continued...

(Dollars in thousands except per share data)

Loans

Loans that management has the positive intent and ability to hold for the foreseeable future or until maturity or pay-off are generally reported at their outstanding unpaid principal balances adjusted for charge-offs, the allowance for credit losses, and any deferred fees or costs on originated loans. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct loan origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest method. Accrued interest receivable related to loans totaled $1,147 at December 31, 2023.

The accrual of interest on mortgage and commercial loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Consumer and other loans are typically charged off no later than 180 days past due. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal and interest is considered doubtful.

All interest accrued in the current year but not collected for loans that are placed on nonaccrual or are charged off, is reversed against interest income while interest accrued but not collected in prior years is reversed against the allowance for loan losses. The interest on these loans is accounted for on the cash-basis until qualifying for return to accrual. Loans are returned to accrual status when all principal and interest amounts contractually due are brought current and future payments are reasonably assured. For individually assessed loans not classified as nonaccrual, interest income is recognized daily as it is earned according to the terms of the loan agreement.

Nonperforming loans of the loan portfolio are comprised of those loans accounted for on a nonaccrual basis, accruing loans contractually past due 90 days or more as to interest or principal payments (120 days or more past due on real estate residential loans) and loans modified under troubled debt restructurings (nonperforming originated loans).

Allowance for Credit Losses - Loans

The allowance for credit losses (ACL) is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loan. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off. Accrued interest receivable is excluded from the estimate of credit losses.

The allowance for credit losses represents management's estimate of lifetime credit losses of loans as of the balance sheet date. The allowance for credit losses is estimated by management using relevant available information, from both internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts.

The Corporation measures expected credit losses for loans on a pooled basis when similar risk characteristics exist. The Corporation has identified the following portfolio segments and calculates the ACL for each segment using the Federal Reserve's Scaled CECL Allowance for Losses Estimator (SCALE) methodology for calculating the CECL for loans. The model utilizes a proxy expected lifetime loss rate compiled from the Federal Reserve system's publicly available Call Reports. The Corporation then adjusts the expected lifetime loss rate to include only peer group data in Michigan.

Commercial and Industrial: Commercial and industrial loans generally possess a lower inherent risk of loss than real estate portfolio segments because these loans are generally underwritten to existing cash flows of operating businesses. Debt coverage is provided by business cash flows and economic trends influenced by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans.

Agricultural: The risk associated with agricultural loans depends on current market prices, weather conditions and other outside factors that are distinct to this segment. These loans, as with commercial and industrial loans, are generally underwritten to existing cash flows of operating businesses. Debt coverage, however, is influenced by different economic indicators than other commercial loans.

Real Estate Related Industries: These loans generally possess a higher inherent risk of loss than other loan portfolio segments. Adverse economic developments or an overbuilt market impact real estate projects and may result in troubled loans. Trends in vacancy rates of commercial properties impact the credit quality of these loans. High vacancy rates reduce operating revenues and the ability for the properties to produce sufficient cash flow to service debt obligations.

Other Commercial: Other commercial loans are collateralized by real estate and are underwritten based upon existing cash flows of operating businesses. Because debt coverage is provided by business cash flows, trends in real estate values have less impact on this segment than other real estate segments and would be influenced more by unemployment rates and other key economic indicators.

Residential Real Estate: The degree of risk in residential mortgage lending depends primarily on the loan amount in relation to collateral value, the interest rate and the borrower's ability to repay in an orderly fashion. These loans generally possess a lower inherent risk of loss than other real estate portfolio segments. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans. Weak economic trends indicate that the borrowers' capacity to repay their obligations may be deteriorating.

Continued...

(Dollars in thousands except per share data)

Consumer and Other: The consumer and other loan portfolio is usually comprised of a large number of small loans, including automobile, personal loans, etc. Most loans are made directly for consumer purchases. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans. Weak economic trends indicate the borrowers' capacity to repay their obligations may be deteriorating.

Home Equity: As with residential real estate, the degree of risk in home equity lending depends on the loan amount in relation to collateral value, the interest rate and the borrower's ability to repay in an orderly fashion but in addition depends on the value of any loan with a first lien interest. These loans generally possess a higher inherent risk of loss than residential real estate portfolio segments. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans. Weak economic trends indicate that the borrowers' capacity to repay their obligations may be deteriorating.

Additionally, the allowance for credit losses calculation includes subjective adjustments for qualitative risk factors that are likely to cause estimated credit losses to differ from historical experience. These qualitative adjustments may increase or reduce reserve levels and include adjustments for lending management experience and risk tolerance, loan review and audit results, asset quality and portfolio trends, loan portfolio growth, industry concentrations, trends in underlying collateral, external factors and economic conditions not already captured.

Loans that do not share risk characteristics are evaluated on an individual basis. When management determines that foreclosure is probable and the borrower is experiencing financial difficulty, the expected credit losses are based on the fair value of the collateral at the reporting date adjusted for selling costs, as appropriate.

Because the effect of most modifications made to borrowers experiencing financial difficulty is already included in the allowance for credit losses because of the measurement methodologies used to estimate the allowance, a change to the allowance for credit losses is generally not recorded upon modification. Occasionally, the Corporation modifies loans by providing principal forgiveness on certain of its real estate loans. When principal forgiveness is provided, the amortized cost basis of the asset is written off against the allowance for credit losses. The amount of the principal forgiveness is deemed to be uncollectible; therefore, that portion of the loan is written off, resulting in a reduction of the amortized cost basis and a corresponding adjustment to the allowance for credit losses.

In some cases, the Corporation will modify a certain loan by providing multiple types of concessions. Typically, one type of concession, such as a term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted.

The Bank assigns a risk rating to all loans except pools of homogeneous loans and periodically performs detailed internal reviews of all such loans over a certain threshold to identify credit risks and to assess the overall collectability of the portfolio. These risk ratings are also subject to examination by the Bank's regulators. During the internal reviews, management monitors and analyzes the financial condition of borrowers and guarantors, trends in the industries in which the borrowers operate and the fair values of collateral securing the loans. These credit quality indicators are used to assign a risk rating to each individual loan. The risk ratings can be grouped into six major categories, defined as follows:

Pass: A pass loan is a credit with no existing or known potential weaknesses deserving of management's close attention.

Watch: Loans classified as watch have most of the characteristics of a pass loan; however, emerging weaknesses have been detected and warrant additional attention.

Special Mention: Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, this potential weakness may result in deterioration of the repayment prospects for the loan or of the Bank's credit position at some future date. Special mention loans are not adversely classified and do not expose the Bank to sufficient risk to warrant adverse classification.

Substandard: Loans classified as substandard are not adequately protected by the current net worth and paying capacity of the borrower or of the collateral pledged, if any. Loans classified as substandard have a well-defined weakness or weaknesses that jeopardize the repayment of the debt. Well defined weaknesses include a borrower's lack of marketability, inadequate cash flow or collateral support, failure to complete construction on time, or the failure to fulfill economic expectations. They are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

Doubtful: Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or repayment in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loss: Loans classified as loss are considered uncollectible and are charged off immediately.

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(Dollars in thousands except per share data)

The majority of the Bank's consumer and residential loan portfolios are comprised of secured loans that are evaluated at origination on a centralized basis against standardized underwriting criteria. The ongoing measurement of credit quality of the consumer, home equity, and residential real estate loan portfolios is largely done on an exception basis. If payments are made on schedule, as agreed, then no further monitoring is performed. However, if delinquency occurs, the delinquent loans are turned over to the Bank's collection department for resolution, which generally occurs fairly rapidly and often through repossession and foreclosure. Credit quality for the entire consumer, home equity, and residential real estate loan portfolio is measured by the periodic delinquency rate, nonaccrual amounts and actual losses incurred.

Although management believes the allowance to be appropriate, ultimate losses may vary from its periodic estimates. The Board of Directors reviews the appropriateness of the allowance monthly, including consideration of the relevant risks in the portfolio, current economic conditions and other factors. If the Board of Directors and management determine that changes are warranted based on those reviews, the allowance is adjusted. In addition, the Bank's primary regulators review the appropriateness of the allowance. The regulatory agencies may require changes to the allowance based on their judgment about information available at the time of their examination.

Loans Held for Sale

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or fair value in the aggregate and are included in loans on the accompanying consolidated balance sheets, if any. Net unrealized losses, if any, are recognized through a valuation allowance of which the provision is accounted for in the consolidated statements of income. Mortgage loans held for sale are generally sold with servicing rights retained. The carrying value of the mortgage loans sold is reduced by the amount allocated to the servicing right. Gains and losses on sales of mortgage loans are based on the difference between the selling price and the carrying value of the related loan sold.

Transfers of Financial Assets

Transfers of financial assets, including mortgage loans held-for-sale, are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when 1) the assets have been legally isolated from the Corporation, 2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets and 3) the Corporation does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Other than servicing, as disclosed in Note 5, the Corporation has no substantive continuing involvement related to these loans. The Corporation sold to an unrelated third party residential mortgage loans with proceeds of $2,513 and $5,108 during 2023 and 2022, respectively, which resulted in a net gain of $91 and $116 for 2023 and 2022, respectively. Servicing fee income earned on such loans was $121 and $127 and for 2023 and 2022, respectively, and is included in other noninterest income on the consolidated statements of income.

Servicing

Servicing assets are recognized as separate assets when rights are acquired through the purchase or sale of financial assets. For sales of mortgage loans, a portion of the cost of originating the loan is allocated to the servicing right based on relative fair value. Fair value is based on market prices for comparable mortgage servicing contracts, when available, or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, the custodial earnings rate, an inflation rate, ancillary income, prepayment speeds and default rates and losses.

Servicing assets or liabilities are amortized in proportion to and over the period of net servicing income or net servicing loss and are assessed for impairment or increased obligation based on the fair value of rights compared to amortized cost at each reporting date. Impairment is determined by stratifying rights into tranches based on predominant risk characteristics, such as interest rate, loan type, and investor type. Impairment is recognized through a valuation allowance for an individual tranche, to the extent that fair value is less than the capitalized amount for the tranche. If the Bank later determines that all or a portion of the impairment no longer exists for a particular tranche, a reduction of the allowance may be recorded as an increase to income.

Servicing fee income is recorded for fees earned for servicing loans for others. The fees are based on a contractual percentage of the outstanding principal, or a fixed amount per loan and are recognized as income when earned. The amortization of mortgage servicing rights is netted against loan servicing fee income, a component of other noninterest income.

Derivatives

At the inception of a derivative contract, the Corporation designates the derivative as one of the three types based on the Corporation's intentions and belief as to likely effectiveness as a hedge. These three types are (1) a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment (fair value hedge), (2) a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge), or (3) an instrument with no hedging designation (non-designated derivative). For a fair value hedge, the gain or loss on the derivative, as well as the offsetting loss or gain on the hedge item attributable to the hedge risk, are recognized in current earnings as fair value change. For a cash flow hedge, the gain or loss on the derivative is reported in other comprehensive income (loss) and is reclassified into earnings in the same periods during which the hedge transaction affects earnings. Changes in the fair value of derivatives not designated are reported currently in earnings, as noninterest income on the consolidated statement of net income.

Continued...

(Dollars in thousands except per share data)

Accrued settlements on derivatives that qualify for hedge accounting are recorded in interest income or interest expense, based on the item being hedged. Accrued settlements on derivatives not designated are reported in noninterest income. Cash flows on hedges are classified in the cash flow statement same as the cash flows of the items being hedged.

The Corporation formally documents the relationship between derivatives and hedge items, as well as the risk-management objective and the strategy for undertaking hedge transactions at the inception of the hedging relationship. This documentation includes linking fair value or cash flow hedges to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. The Corporation also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivative instruments that are designated are highly effective in offsetting changes in fair values or cash flows of the hedged items. The Corporation discontinues hedge accounting when it determines that the derivative is no longer effective in offsetting changes in the fair value or cash flows of the hedged item, the derivative is settled or terminates, a hedge forecasted transaction is no longer probable, a hedged firm commitment is no longer firm, or treatment of the derivative as a hedge is no longer appropriate or intended.

When hedge accounting is discontinued, subsequent changes in the fair value of the derivative are recorded as noninterest income. When a fair value hedge is discontinued, the hedged asset or liability is no longer adjusted for changes in fair value and the existing basis adjustment is amortized or accreted over the remaining life of the asset or liability. When a cash flow hedge is discontinued but the hedged cash flows or forecasted transactions are still expected to occur, gains or losses that were accumulated in other comprehensive income are amortized into earnings over the same periods which the hedged transactions will affect earnings.

The Corporation is exposed to losses if a counterparty fails to make its payments under a contract in which the Corporation is in the net receiving position. The Corporation anticipates that the counterparties will be able to fully satisfy their obligations under the agreements. All of the contracts to which the Corporation is a party settle monthly or quarterly. In addition, the Corporation obtains collateral above certain thresholds of the fair value of its derivatives for each dealer counterparty based upon their credit standing and the Corporation has netting agreements with which it does business.

Foreclosed Assets

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value, less costs to sell, on the date of transfer, establishing a new cost basis. Physical possession of residential real estate property collateralizing a consumer mortgage loan occurs when legal title is obtained upon completion of foreclosure or when the borrower conveys all interest in the property to satisfy the loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of the carrying amount or fair value less costs to sell. Revenue and expenses from operations and changes in the valuation allowance are included in expenses from foreclosed assets, net, a component of other noninterest expenses on the consolidated statements of income.

Premises and Equipment

Land is carried at cost. Buildings and equipment are carried at cost, less accumulated depreciation which is computed principally by the straight-line method based upon the estimated useful lives of the related assets, which range from 3 to 40 years. Major improvements are capitalized and appropriately amortized based upon the useful lives of the related assets or the expected terms of the leases, if shorter, using the straight-line method. Maintenance, repairs and minor alterations are charged to current operations as expenditures occur. Management annually reviews these assets for impairment whenever events or changes in circumstances indicate the related carrying amount may not be recoverable.

Share-Based Compensation Plans

Compensation cost relating to share-based payment transactions, including common stock option grants, restricted stock awards, and deferred compensation, are measured based on the estimated fair value of the equity or liability instruments issued on the grant dates and is recognized over the service period, which is generally the vesting period.

Bank-Owned Life Insurance

The Bank holds life insurance policies purchased on the lives of key officers. In the event of death of one of these individuals, the Bank, as beneficiary of the policies, would receive a specified cash payment equal to the face value of the policy. Such policies are recorded at their cash surrender value, or the amount that can be currently realized as of the balance sheet date. The change in cash surrender value is an adjustment of premiums paid in determining the net expense or income recognized under the contracts for the year and is included in other noninterest income on the consolidated statements of income.

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(Dollars in thousands except per share data)

Off-Balance Sheet Credit Related Financial Instruments

In the ordinary course of business, the Bank has entered into commitments to extend credit, including commercial letters of credit and standby letters of credit. Such financial instruments are considered to be guarantees; however, as the amount of the liability related to such guarantees on the commitment date is considered insignificant, the commitments are generally recorded only when they are funded.

Allowance for Credit Losses - Unfunded Commitments

Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit issued to meet customer financing needs. The Corporation's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for off-balance sheet loan commitments is represented by the contractual amount of those instruments. Such financial instruments are recorded when they are funded.

The Corporation records an allowance for credit losses on off-balance sheet credit exposures through a charge to provision for unfunded commitments in the Corporation's income statements. The allowance for credit losses on off-balance sheet credit exposures is estimated by loan segment at each balance sheet date under the current expected credit loss model using the same methodologies as portfolio loans, taking into consideration the likelihood that funding will occur. The allowance for unfunded commitments is included in other liabilities on the Corporation's consolidated balance sheets.

Business Acquisition Intangibles and Goodwill

A past business combination included identified amounts related to the valuation of customer deposit relationships (core deposit intangibles), which are being amortized on the straight line method over ten years, and residual goodwill, which is included in other assets. Such goodwill represents the purchase price in excess of identifiable assets and is not amortized but is evaluated by management for impairment at least annually, or at an interim basis if an event occurs or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying value.

Income Taxes

Deferred income tax assets and liabilities are determined using the liability (or balance sheet) method. Under this method, the net deferred income tax asset or liability is determined based on the federal income tax effects of the temporary differences between the book and tax bases of the various balance sheet assets and liabilities and gives current recognition to changes in federal income tax rates and laws. Valuation allowances are established, where necessary, to reduce deferred tax assets to the amount expected more likely than not to be realized. Income tax expense is the tax payable or refundable for the year plus or minus the change during the year in deferred tax assets and liabilities.

Net Income Per Share

Basic earnings per share represent income available to common shareholders divided by the weighted-average number of common shares outstanding less unvested restricted stock during the year. Diluted earnings per share reflects additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustments to income that would results from the assumed issuance. Potential common shares that may be issued by the Corporation relate to outstanding common stock options and restricted stock awards, and are determined using the treasury stock method.

Subsequent Events

In preparing these consolidated financial statements, the Corporation has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to December 31, 2023, the most recent balance sheet presented herein, through March 5, 2024, the date these consolidated financial statements were available to be issued. Subsequent to year-end, the Corporation increased its borrowings with the Federal Reserve Bank through the Bank Term Funding Program to $50 million. The term of the borrowings are one year from the date of the advance, and there are no prepayment penalties.

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(Dollars in thousands except per share data)

2. FAIR VALUE MEASUREMENTS

The Corporation utilizes fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Available-for-sale debt securities and derivatives are recorded at fair value on a recurring basis. Additionally, from time to time, the Corporation may be required to record at fair value other assets on a nonrecurring basis, such as debt securities held-to-maturity, loans, loans held for sale, foreclosed assets, mortgage servicing rights, goodwill and certain other assets and liabilities. These nonrecurring fair value adjustments typically involve the application of lower of cost or market accounting or write downs of individual assets.

Following is a description of the valuation methodologies and key inputs used to measure financial assets and liabilities recorded at fair value, which includes an indication of the level of the fair value hierarchy in which the assets or liabilities are classified.

Investment Securities

The fair values for investment securities are determined by quoted market prices, if available (Level 1). For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities (Level 2), using matrix pricing. Matrix pricing is a mathematical technique commonly used to price debt securities that are not actively traded, that values debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs). For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3).

Derivatives

The fair values of derivatives are based on valuation models using observable market data as of the measurement date (Level 2). The Corporation's derivatives are traded in an over-the-counter market where quoted market prices are not always available. Therefore, the fair values of derivatives are determined using quantitative models that utilize multiple market inputs. The inputs will vary based on the type of derivative, but could include interest rates, prices, and indices to generate continuous yield or pricing cures, prepayment rates, and volatility factors to value the position. The majority of market inputs are actively quoted and can be validated through external sources, including brokers, market transactions, and third-part pricing services.

Impaired Loans

The fair value of impaired loans with specific allocations of the allowance for credit losses is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available for similar loans and collateral underlying such loans. Non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation, and management's expertise and knowledge of the client and the client's business, resulting in a Level 3 fair value classification. Impaired loans are evaluated on a quarterly basis for additional impairment and adjusted in accordance with the allowance policy.

Mortgage Servicing Rights

On an annual basis, loan servicing rights are evaluated for impairment based upon the fair value of the rights as compared to the carrying amount. If the carrying amount of an individual tranche exceeds fair value, impairment is recorded on that tranche so that the servicing asset is carried at fair value. Fair value is determined at a tranche level, based on market prices for comparable mortgage servicing contracts (Level 2), when available, or alternatively based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model utilizes interest rate, prepayment speed, and default rate assumptions that market participants would use in estimating future net servicing income and that can be validated against available market data.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Corporation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Continued...

(Dollars in thousands except per share data)

Assets Recorded at Fair Value on a Recurring Basis

The following tables set forth by level, within the fair value hierarchy, the recorded amount of assets and liabilities measured at fair value on a recurring basis as of December 31:

	Assets at Fair Value			
2023	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment securities available-for-sale:				
U.S. Treasury notes	$ 28,422	$ -	$ -	$ 28,422
Corporate bonds	-	55,632	-	55,632
Mortgage-backed securities	-	29,283	-	29,283
States and municipals	-	46,775	330	47,105
Total investment securities available-for-sale	**$ 28,422**	**$ 131,690**	**$ 330**	**$ 160,442**
Derivatives	**$ -**	**$ 96**	**$ -**	**$ 96**

	Assets at Fair Value			
2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment securities available-for-sale:				
U.S. Treasury notes	$ 44,940	$ -	$ -	$ 44,940
Corporate bonds	-	62,117	-	62,117
Mortgage-backed securities	-	22,909	-	22,909
States and municipals	-	48,477	390	48,867
Total investment securities available-for-sale	**$ 44,940**	**$ 133,503**	**$ 390**	**$ 178,833**

The following table sets forth a summary of changes in fair value of the Corporation's Level 3 assets measured at fair value on a recurring basis:

2023	**State and Municipal Securities**
Balance of recurring Level 3 assets at January 1, 2023	$ 390
Total gains or losses (realized/unrealized):	
Realized	-
Unrealized	(60)
Balance of recurring Level 3 assets at December 31, 2023	**$ 330**

2022	**State and Municipal Securities**
Balance of recurring Level 3 assets at January 1, 2022	$ 445
Total gains or losses (realized/unrealized):	
Realized	-
Unrealized	(55)
Balance of recurring Level 3 assets at December 31, 2022	**$ 390**

Unrealized losses on available-for-sale debt securities, net of deferred taxes, are included in accumulated other comprehensive loss on the consolidated balance sheets.

Continued...

(Dollars in thousands except per share data)

Assets Recorded at Fair Value on a Nonrecurring Basis

The following tables set forth by level, within the fair value hierarchy, the recorded amount of assets and liabilities measured at fair value on a nonrecurring basis as of December 31:

	Assets of Carrying Value			
2023	**Level 1**	**Level 2**	**Level 3**	**Total**
Impaired loans (1)	$ -	$ -	$ 318	$ 318

	Assets of Carrying Value			
2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Impaired loans (1)	$ -	$ -	$ 503	$ 503

(1) Certain impaired loans were remeasured and reported at fair value through a specific valuation allowance. Individually impaired loans of $318 and $503 as of December 31, 2023 and 2022, respectively, were reduced by a specific valuation allowance totaling $51 and $18 as of those dates.

Quantitative information about Level 3 fair value measurements is as follows as of December 31, 2023:

	Level 3 Instruments			
Instrument	**Fair Value**	**Valuation Technique**	**Unobservable Input**	**Range (Weighted Average)**
Individually assessed loans	$ 318	Discounted Appraisal Value	Discount Applied to Collateral	0.20-28% (14.1%)

Quantitative information about Level 3 fair value measurements is as follows as of December 31, 2022:

	Level 3 Instruments			
Instrument	**Fair Value**	**Valuation Technique**	**Unobservable Input**	**Range (Weighted Average)**
Individually assessed loans	$ 503	Discounted Appraisal Value	Discount Applied to Collateral	1-27% (13.7%)

Continued...

(Dollars in thousands except per share data)

Estimated Fair Values of Financial Instruments Not Recorded at Fair Value in their Entirety on a Recurring Basis

Disclosure of the estimated fair values of financial instruments, which differ from carrying values, often requires the use of estimates. In cases where quoted market values in an active market are not available, the Corporation uses present value techniques and other valuation methods to estimate the fair values of its financial instruments. These valuation methods require considerable judgment and the resulting estimates of fair value can be significantly affected by the assumptions made and methods used. The methodologies for estimating fair value of financial assets and liabilities on a recurring and nonrecurring basis are discussed above.

The carrying amount and estimated fair value of financial instruments not recorded at fair value in their entirety on a recurring basis on the Corporation's consolidated balance sheets are as follows at December 31:

		Fair Value Measurements at December 31, 2023			
	Carrying Amount	Level 1	Level 2	Level 3	Total
Assets					
Cash and cash equivalents	$ 27,722	$ 27,722	$ -	$ -	$ 27,722
Certificates of deposit held in other banks	1,982	-	1,939	-	1,939
Investment securities held-to-maturity	112,943	-	109,703	-	109,703
Restricted investments	1,331	-	1,331	-	1,331
Net loans	209,769	-	202,491	318	202,809
Mortgage servicing rights	362	-	523	-	523
Accrued interest receivable	2,783	2,783	-	-	2,783
Liabilities					
Noninterest-bearing deposits	$ 137,701	$ -	$ 137,701	$ -	$ 137,701
Interest-bearing deposits	359,674	-	358,440	-	358,440
Accrued interest payable	7	7	-	-	7

		Fair Value Measurements at December 31, 2022			
	Carrying Amount	Level 1	Level 2	Level 3	Total
Assets					
Cash and cash equivalents	$ 67,527	$ 67,527	$ -	$ -	$ 67,527
Certificates of deposit held in other banks	5,443	-	5,305	-	5,305
Investment securities held-to-maturity	100,700	-	96,900	-	96,900
Restricted investments	1,211	-	1,211	-	1,211
Net loans	181,548	-	176,840	-	176,840
Mortgage servicing rights	426	-	639	-	639
Accrued interest receivable	2,411	2,411	-	-	2,411
Liabilities					
Noninterest-bearing deposits	$ 147,636	$ -	$ 147,636	$ -	$ 147,636
Interest-bearing deposits	379,772	-	378,205	-	378,205
Accrued interest payable	7	7	-	-	7

Continued...

(Dollars in thousands except per share data)

3. INVESTMENT SECURITIES

The following table summarizes the amortized cost, fair value, and allowance for credit losses of securities available-for-sale and held-to-maturity at December 31, 2023, and the corresponding amounts of gross unrealized gains and losses recognized in accumulated other comprehensive loss and gross unrecognized gains and losses:

2023	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Allowance for Credit Losses
Held-to-maturity					
U.S. Treasury notes	$ 22,193	$ -	$ 2,065	$ 20,128	$ -
Corporate bonds	17,471	-	1,087	16,384	19
States and municipals	5,855	-	396	5,459	-
Mortgage-backed securities	43,785	710	632	43,863	-
Other asset-backed securities	23,663	221	15	23,869	5
Total held-to-maturity	**112,967**	**931**	**4,195**	**109,703**	**24**
Available-for-sale					
U.S. Treasury notes	30,787	-	2,365	28,422	-
Corporate bonds	59,602	2	3,972	55,632	-
Mortgage-backed securities	29,758	404	879	29,283	-
States and municipals	52,110	33	5,038	47,105	-
Total available-for-sale	**172,257**	**439**	**12,254**	**160,442**	**-**
Total securities	**$ 285,224**	**$ 1,370**	**$ 16,449**	**$ 270,145**	**$ 24**

The following table summarizes the amortized cost and fair value of securities available-for-sale and held-to-maturity at December 31, 2022, and the corresponding amounts of gross unrealized gains and losses recognized in accumulated other comprehensive income and gross unrecognized gains and losses:

2022	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Held-to-maturity				
U.S. Treasury notes	$ 22,238	$ -	$ 2,132	$ 20,106
Corporate bonds	17,557	-	1,383	16,174
States and municipals	5,886	-	575	5,311
Mortgage-backed securities	34,606	534	419	34,721
Other asset-backed securities	20,413	198	23	20,588
Total held-to-maturity	**100,700**	**732**	**4,532**	**96,900**
Available-for-sale				
U.S. Treasury notes	48,133	-	3,193	44,940
Corporate bonds	67,843	-	5,726	62,117
Mortgage-backed securities	23,973	2	1,066	22,909
States and municipals	55,526	28	6,687	48,867
Total available-for-sale	**195,475**	**30**	**16,672**	**178,833**
Total securities	**$ 296,175**	**$ 762**	**$ 21,204**	**$ 275,733**

During 2022, the Corporation reclassified certain securities from available-for-sale to held-to-maturity. The securities had an aggregated fair value of approximately $71.1 million with an aggregated net unrealized loss of approximately $2.5 million on the date of the transfer. The net unamortized, unrealized loss on the transferred securities included in accumulated other comprehensive loss in the accompanying consolidated balance sheets as of December 31, 2023 and 2022 totaled approximately $1.8 million and $2.2 million. This amount will be amortized out of accumulated other comprehensive loss over the remaining life of the underlying securities as an adjustment of the yield on those securities.

Continued...

(Dollars in thousands except per share data)

Investment securities with carrying values of $53,001 and $71,324 at December 31, 2023 and 2022, respectively, were pledged to secure public deposits or for other purposes as permitted or required by law.

During 2023, there were no proceeds from sales of available-for-sale securities and no gross realized gains or losses recognized. During 2022 proceeds from sales of available-for-sale securities amounted to approximately $246, and gross realized gains were not material.

The amortized cost and fair value of held-to-maturity and available-for-sale debt securities grouped by contractual maturity at December 31, 2023, are summarized as follows:

	Maturing					
	Due in One Year or Less	Due After One Year Through Five Years	Due After Five Years Through Ten Years	Over Ten Years	Securities With Variable Monthly Payments or No Contractual Maturity	Total
Held-to-maturity						
U.S. Treasury notes	$ -	$ 12,339	$ 9,854	$ -	$ -	$ 22,193
Corporate bonds	2,502	10,371	4,598	-	-	17,471
State and municipals	1,509	3,578	768	-	-	5,855
Mortgage-backed securities	-	-	-	-	43,785	43,785
Other asset-backed securities	-	-	9,075	14,588	-	23,663
Total held-to-maturity	**4,011**	**26,288**	**24,295**	**14,588**	**43,785**	**112,967**
Available-for-sale						
U.S. Treasury notes	8,763	19,793	2,231	-	-	30,787
Corporate bonds	13,526	46,076	-	-	-	59,602
Mortgage-backed securities	-	-	-	-	29,758	29,758
State and municipals	3,389	34,358	12,490	1,873	-	52,110
Total available-for-sale	**25,678**	**100,227**	**14,721**	**1,873**	**29,758**	**172,257**
Total amortized cost	**$ 29,689**	**$ 126,515**	**$ 39,016**	**$ 16,461**	**$ 73,543**	**$ 285,224**
Fair value	**$ 28,819**	**$ 114,283**	**$ 37,410**	**$ 16,487**	**$ 73,146**	**$ 270,145**

Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations.

Because of their variable monthly payments, mortgage-backed and other asset-backed securities are not reported by a specific maturity group.

At December 31, 2023, and 2022, there were no holdings of securities of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of shareholders' equity.

Continued...

(Dollars in thousands except per share data)

The following table summarizes debt securities available-for-sale in an unrealized loss position for which an allowance for credit losses has not been recorded at December 31, 2023, aggregated by major security type and length of time in a continuous unrealized loss position:

2023	Less Than 12 Months		Over 12 Months			Total
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Total Gross Unrealized Losses
Securities available-for-sale						
U.S. Treasury notes	$ -	$ -	$ 28,422	$ 2,365	$ 28,422	$ 2,365
Corporate bonds	-	-	55,137	3,972	55,137	3,972
States and municipals	288	1	45,450	5,037	45,738	5,038
Mortgage-backed securities	4,969	99	15,036	780	20,005	879
Total securities available-for-sale	**$ 5,257**	**$ 100**	**$ 144,045**	**$ 12,154**	**$ 149,302**	**$ 12,254**

The following table shows the gross unrealized losses and estimated fair values of available-for-sale and held-to-maturity sercurites aggregated by category and length of time that the securities have been in a continuous unrealized loss postion at December 31, 2022:

2022	Less Than 12 Months		Over 12 Months			Total
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Total Gross Unrealized Losses
Securities held-to-maturity						
U.S. Treasury notes	$ 20,105	$ 2,132	$ -	$ -	$ 20,106	$ 2,132
Corporate bonds	16,174	1,383	-	-	16,174	1,383
States and municipals	5,311	575	-	-	5,311	575
Mortgage-backed securities	15,079	381	421	38	15,500	419
Other asset-backed securities	1,925	23	-	-	1,925	23
Total securities held-to-maturity	**$ 58,594**	**$ 4,494**	**$ 421**	**$ 38**	**$ 59,016**	**$ 4,532**
Securities available-for-sale						
U.S. Treasury notes	$ 17,102	$ 273	$ 27,838	$ 2,920	$ 44,940	$ 3,193
Corporate bonds	4,363	110	57,754	5,616	62,117	5,726
States and municipals	5,847	333	41,968	6,354	47,815	6,687
Mortgage-backed securities	14,339	603	8,326	463	22,665	1,066
Total securities available-for-sale	**$ 41,651**	**$ 1,319**	**$ 135,886**	**$ 15,353**	**$ 177,537**	**$ 16,672**

Continued...

(Dollars in thousands except per share data)

As of December 31, 2023, the Corporation's investment security portfolio consisted of 361 securities, 309 of which were in an unrealized loss position.

As of December 31, 2023, no allowance for credit loss has been recognized on available-for-sale securities in an unrealized loss position as management does not believe any of the securities are impaired due to reasons of credit quality. This is based upon management's analysis of the underlying risk characteristics, including credit ratings, and other qualitative factors.

Allowance for Credit Losses - Held-to-Maturity Securities

The following table shows a roll forward of the allowance for credit losses on held-to-maturity securities for December 31, 2023 December 31, 2023:

	Corporate bonds	States and municipals	Commercial Mortgage Backed Securities	Residential Mortgage Backed Securities
Balance December 31, 2022	$ -	$ -	$ -	$ -
Adjustment for adoption of ASU 2016-13	50	1	12	-
Provision (reversal) for credit losses	(31)	(1)	(7)	
Balance December 31, 2023	**$ 19**	**$ -**	**$ 5**	**$ -**

The Company monitors the credit quality of the debt securities held to maturity through the use of credit ratings on a quarterly basis. The following table summarizes the amortized cost of debt securities held-to-maturity at December 31, 2023, aggregated by credit quality indicators.

AAA	$ 89,642
AA	11,453
A	11,872
Total	**$ 112,967**

At December 31, 2023, the Company had no securities held-to-maturity that were past due 30 days or more as to principal or interest payments. The Company had no securities held-to-maturity classified as nonaccrual as of December 31, 2023.

4. LOANS AND ALLOWANCE FOR CREDIT LOSSES

The Bank grants commercial, consumer and residential mortgage loans to customers situated primarily in Sanilac, Huron and St. Clair counties in Michigan. The ability of the Bank's debtors to honor their contracts is dependent upon the real estate, agriculture, and general economic conditions in this area. Substantially all of the consumer and residential loans are secured by various items of property, while commercial loans are secured primarily by business assets and personal guarantees; a portion of loans are unsecured.

Loans are summarized as follows at December 31:

	2023	2022
Commercial and industrial	$ 26,255	$ 19,920
Agricultural	46,253	45,986
Real estate related industries	70,107	51,040
Other commercial	12,348	12,296
Residential real estate	26,812	26,710
Consumer and other	22,787	18,265
Home equity	7,815	9,041
Total loans	212,377	183,258
Less allowance for credit losses	2,608	1,710
Loans, net	**$ 209,769**	**$ 181,548**

Continued...

(Dollars in thousands except per share data)

The following table summarizes the activity related to the allowance for credit losses for the year ended December 31, 2023 under the CECL methodology:

	Commercial and Industrial	Agricultural	Real Estate Related Industries	Other Commercial	Residential Real Estate	Consumer and Other	Home Equity	Total
Allowance for loan losses								
Balance at beginning of year, prior to adoption of ASC 326	$ 166	$ 510	$ 450	$ 191	$ 189	$ 145	$ 59	$ 1,710
Impact of adoption of ASC 326	34	(36)	127	(29)	339	48	122	605
Credit loss expense (reversal)	71	50	294	(41)	(173)	111	(18)	294
Loans charged off	-	-	-	-	-	(92)	-	(92)
Recoveries of loans previously charged off	-	26	13	-	13	39	-	91
Balance at end of year	**$ 271**	**$ 550**	**$ 884**	**$ 121**	**$ 368**	**$ 251**	**$ 163**	**$ 2,608**

Prior to the adoption of ASC 326 on January 1, 2023, the Corporation calculated the allowance for loan losses under the incurred loss methodology. The following tables are disclosures related to the allowance for loan losses in prior periods:

	Commercial and Industrial	Agricultural	Real Estate Related Industries	Other Commercial	Residential Real Estate	Consumer and Other	Home Equity	Total
Allowance for loan losses								
Balance at beginning of year	$ 114	$ 578	$ 340	$ 356	$ 183	$ 107	$ 41	$ 1,719
Provision for loan losses (reversal)	52	(77)	90	(148)	6	57	13	(7)
Loans charged off	-	-	-	(32)	-	(40)	-	(72)
Recoveries of loans previously charged off	-	9	20	15	-	21	5	70
Balance at end of year	**$ 166**	**$ 510**	**$ 450**	**$ 191**	**$ 189**	**$ 145**	**$ 59**	**$ 1,710**
Allowance for loan losses attributable to loans								
Individually evaluated for impairment	$ -	$ 2	$ -	$ 11	$ -	$ 3	$ 2	$ 18
Collectively evaluated for impairment	166	508	450	180	189	142	57	1,692
Total allowance for loan losses	**$ 166**	**$ 510**	**$ 450**	**$ 191**	**$ 189**	**$ 145**	**$ 59**	**$ 1,710**
Loans								
Individually evaluated for impairment	$ -	$ 789	$ -	$ 778	$ 131	$ 47	$ 26	$ 1,771
Collectively evaluated for impairment	19,920	45,197	51,040	11,518	26,579	18,218	9,015	181,487
Total loans	**$ 19,920**	**$ 45,986**	**$ 51,040**	**$ 12,296**	**$ 26,710**	**$ 18,265**	**$ 9,041**	**$ 183,258**

Continued...

(Dollars in thousands except per share data)

The following table presents the Company's recorded investment in the loans allocated by management's internal risk ratings by year of origination at December 31, 2023:

	Term Loans by Year of Origination							
	2023	2022	2021	2020	2019	Prior	Revolving	Total
Commercial and industrial								
Pass	$ 2,921	$ 2,265	$ 1,545	$ 792	$ 742	$ 2,703	$ 14,060	$ 25,028
Watch	-	-	8	-	-	327	608	943
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	284	284
Total commercial and industrial	**$ 2,921**	**$ 2,265**	**$ 1,553**	**$ 792**	**$ 742**	**$ 3,030**	**$ 14,952**	**$ 26,255**
Current period gross write-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Agricultural								
Pass	$ 2,719	$ 9,814	$ 4,272	$ 3,176	$ 874	$ 12,653	$ 10,487	$ 43,995
Watch	-	-	245	-	-	1,634	35	1,914
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	284	-	-	60	-	344
Total agricultural	**$ 2,719**	**$ 9,814**	**$ 4,801**	**$ 3,176**	**$ 874**	**$ 14,347**	**$ 10,522**	**$ 46,253**
Current period gross write-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Real estate related industries								
Pass	$ 16,624	$ 12,082	$ 5,352	$ 5,135	$ 1,588	$ 8,044	$ 17,465	$ 66,290
Watch	-	-	-	-	-	911	1,693	2,604
Special mention	-	-	-	-	271	-	-	271
Substandard	-	-	339	-	-	603	-	942
Total real estate related industries	**$ 16,624**	**$ 12,082**	**$ 5,691**	**$ 5,135**	**$ 1,859**	**$ 9,558**	**$ 19,158**	**$ 70,107**
Current period gross write-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other commercial								
Pass	$ 7,918	$ 1,624	$ 599	$ 209	$ 523	$ 832	$ 643	$ 12,348
Watch	-	-	-	-	-	-	-	-
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Total other commercial	**$ 7,918**	**$ 1,624**	**$ 599**	**$ 209**	**$ 523**	**$ 832**	**$ 643**	**$ 12,348**
Current period gross write-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Residential real estate								
Pass	$ 3,736	$ 4,193	$ 1,233	$ 2,664	$ 3,870	$ 9,547	$ 1,388	$ 26,631
Watch	-	-	-	-	-	57	-	57
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	124	-	124
Total residential real estate	**$ 3,736**	**$ 4,193**	**$ 1,233**	**$ 2,664**	**$ 3,870**	**$ 9,728**	**$ 1,388**	**$ 26,812**
Current period gross write-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Consumer								
Pass	$ 10,635	$ 6,656	$ 3,226	$ 1,063	$ 694	$ 479	$ 3	$ 22,756
Watch	-	-	-	-	-	-	-	-
Special mention	-	-	-	-	-	-	-	-
Substandard	-	16	5	6	-	4	-	31
Total consumer	**$ 10,635**	**$ 6,672**	**$ 3,231**	**$ 1,069**	**$ 694**	**$ 483**	**$ 3**	**$ 22,787**
Current period gross write-offs	$ 21	$ 36	$ 26	$ 9	$ -	$ -	$ -	$ 92
Home Equity								
Pass	$ 292	$ 160	$ 24	$ 65	$ 38	$ 77	$ 7,154	$ 7,810
Watch	-	-	-	-	-	-	-	-
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	5	-	5
Total home equity	**$ 292**	**$ 160**	**$ 24**	**$ 65**	**$ 38**	**$ 82**	**$ 7,154**	**$ 7,815**
Current period gross write-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total loans								
Pass	$ 44,845	$ 36,794	$ 16,251	$ 13,104	$ 8,329	$ 34,335	$ 51,200	$ 204,858
Watch	-	-	253	-	-	2,929	2,336	5,518
Special mention	-	-	-	-	271	-	-	271
Substandard	-	16	628	6	-	796	284	1,730
Total loans	**$ 44,845**	**$ 36,810**	**$ 17,132**	**$ 13,110**	**$ 8,600**	**$ 38,060**	**$ 53,820**	**$ 212,377**
Current period gross write-offs	$ 21	$ 36	$ 26	$ 9	$ -	$ -	$ -	$ 92

Continued...

(Dollars in thousands except per share data)

The following table shows the loans allocated by management's internal risk ratings at December 31, 2022:

	Commercial Credit Risk Profile by Risk Rating				
	Commercial and Industrial	**Agricultural**	**Real Estate Related Industries**	**Other Commercial**	**Total**
Risk Rating					
Pass	$ 19,920	$ 41,718	$ 50,174	$ 6,456	$ 118,268
Watch	-	4,200	-	5,073	9,273
Special mention	-	-	866	271	1,137
Substandard	-	68	-	496	564
Total	**$ 19,920**	**$ 45,986**	**$ 51,040**	**$ 12,296**	**$ 129,242**

The following table shows the homogeneous loans allocated by payment activity as of December 31, 2022:

	Consumer Credit Risk Profile by Risk Rating			
	Residential Real Estate	**Consumer and Other**	**Home Equity**	**Total**
Payment Activity				
Performing	$ 26,607	$ 18,218	$ 9,041	$ 53,866
Non-Performing	103	47	-	150
Total	**$ 26,710**	**$ 18,265**	**$ 9,041**	**$ 54,016**

The following table shows an aging analysis of the loan portfolio by time past due as of December 31, 2023:

	Accruing Interest					
	Current	**30 - 89 Days Past Due**	**More Than 90 Days Past Due**	**Nonaccrual Loans with No Allowance**	**Nonaccrual Loans with An Allowance**	**Total Loans**
Commercial and industrial	$ 25,955	$ 16	$ -	$ -	$ 284	$ 26,255
Agricultural	45,527	-	-	723	3	46,253
Real estate related						-
industries	69,166	-	-	941	-	70,107
Other commercial	12,348	-	-	-	-	12,348
Residential real						-
estate	26,674	30	-	92	16	26,812
Consumer and other	22,636	120	-	21	10	22,787
Home equity	7,790	25	-	-	-	7,815
Total	**$ 210,096**	**$ 191**	**$ -**	**$ 1,777**	**$ 313**	**$ 212,377**

The following table shows an aging analysis of the loan portfolio by time past due as of December 31, 2022:

	Accruing Interest				
	Current	**30 - 89 Days Past Due**	**More Than 90 Days Past Due**	**Total Nonaccrual**	**Total Loans**
Commercial and industrial	$ 19,920	$ -	$ -	$ -	$ 19,920
Agricultural	44,874	346	-	766	45,986
Real estate related industries	51,040	-	-	-	51,040
Other commercial	12,025	-	-	271	12,296
Residential real estate	26,348	259	-	103	26,710
Consumer and other	18,174	44	-	47	18,265
Home equity	9,041	-	-	-	9,041
Total	**$ 181,422**	**$ 649**	**$ -**	**$ 1,187**	**$ 183,258**

Continued...

(Dollars in thousands except per share data)

The Corporation designates individually evaluated loans on nonaccrual status as collateral dependent loans, as well as other loans that management of the Corporation designates as having higher risk. Collateral dependent loans are loans for which the repayment is expected to be provided substantially through the operation or sale of the collateral and the borrower is experiencing financial difficulty. These loans do not share common risk characteristics and are not included within the collectively evaluated loans for determining the allowance for credit losses. Under CECL, for collateral dependent loans, the Corporation has adopted the practical expedient to measure the allowance for credit losses based on the fair value of collateral. The allowance for credit losses is calculated on an individual loan basis based on the shortfall between the fair value of the loan's collateral, which is adjusted for liquidation costs and discounts, and amortized cost. If the fair value of the collateral exceeds the amortized cost, no allowance is required.

The Corporation has certain loans for which repayment is dependent upon the operation or sale of collateral, as the borrower is experiencing financial difficulty. The underlying collateral can vary based upon the type of loan. The following provides more detail about the types of collateral that secure collateral dependent loans:

* Commercial real estate loans can be secured by either owner occupied commercial real estate or non-owner occupied investment commercial real estate. Typically, owner occupied commercial real estate loans are secured by office buildings, warehouses, manufacturing facilities and other commercial and industrial properties occupied by operating companies. Non-owner occupied commercial real estate loans are generally secured by office buildings and complexes, retail facilities, and multifamily complexes, land under development, industrial properties, as well as other commercial or industrial real estate.

* Residential real estate loans are typically secured by first mortgages, and in some cases could be secured by a second mortgage.

* Home equity lines of credit are generally secured by second mortgages on residential real estate property.

* Consumer loans are generally secured by automobiles, motorcycles, recreational vehicles, and other personal property. Some consumer loans are unsecured and have no underlying collateral.

The following table presents an analysis of collateral-dependent loans:

	December 31, 2023
Commercial and Industrial	284
Agricultural	789
Real estate related industries	1,197
Other commercial	-
Residential real estate	147
Consumer and other	32
Home equity	5
Total	**$ 2,454**

Prior to the adoption of ASU 2016-13, loans were considered impaired when, based on current information and events, it was probable the Corporation would be unable to collect all amounts due in accordance with the original contractual terms of the loan agreements. Impaired loans include loans on nonaccrual status and accruing troubled debt restructurings. When determining if the Corporation would be unable to collect all principal and interest payments due in accordance with the contractual terms of the loan agreement, the Corporation considered the borrower's capacity to pay, which included such factors as the borrower's current financial statements, an analysis of global cash flow sufficient to pay all debt obligations and an evaluation of secondary sources of repayment, such as guarantor support and collateral value. The Corporation individually assessed for impairment all nonaccrual loans and all troubled debt restructurings. The tables below include all loans deemed impaired, whether or not individually assessed for impairment. If a loan was deemed impaired, a specific valuation allowance was allocated, if necessary, so that the loan was reported net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment was expected solely from the collateral. interest payments on impaired loans were typically applied to principal unless collectability of the principal amount was reasonably assured, in which case interest was recognized on a cash basis.

Continued...

(Dollars in thousands except per share data)

The following table presents loans individually evaluated for impairment by class of loans as of December 31, 2022:

	Recorded Balance	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Loans with no related allowance recorded					
Agricultural	$ 510	$ 1,206	$ -	$ 900	$ 4
Real estate related industries	-	137	-	-	-
Other commercial	596	798	-	1,101	-
Residential real estate	131	429	-	128	1
Consumer and other	32	40	-	60	1
Home equity	-	27	-	-	-
Loans with an allowance recorded					
Agricultural	279	280	2	1,085	15
Real estate related industries	-	-	-	96	-
Other commercial	182	182	11	195	10
Residential real estate	-	-	-	-	-
Consumer and other	15	17	3	11	1
Home equity	26	27	2	29	1
Total impaired loans					
Agricultural	789	1,486	2	1,985	19
Real estate related industries	-	137	-	96	-
Other commercial	778	980	11	1,296	10
Residential real estate	131	429	-	128	1
Consumer and other	47	57	3	71	2
Home equity	26	54	2	29	1
Total	**$ 1,771**	**$ 3,143**	**$ 18**	**$ 3,605**	**$ 33**

For borrowers that are in financial distress, the Corporation may provide relief to the borrower by modifying the loan through principal forgiveness, term extension, interest rate reduction, or an other-than-significant payment delay. In some cases, the Corporation provides multiple types of concessions for one specific loan. If after the initial concession the borrower continues to experience financial distress an additional modification may be granted. There were no significant modifications to loans in 2023 and 2022.

Continued...

(Dollars in thousands except per share data)

5. SERVICING

The Bank services loans for others which generally consists of collecting mortgage payments, maintaining escrow accounts, disbursing payments to investors and taxing authorities, and processing foreclosures. Loans serviced as of December 31, 2023 and 2022, were $45,790 and $49,202, respectively; such loans are not included on the consolidated balance sheets.

The following summarizes the carrying value and the changes therein of mortgage servicing rights for the years ended December 31:

	2023	2022
Mortgage servicing rights		
Balance at beginning of year	$ 426	$ 517
Mortgage servicing rights capitalized	10	36
Mortgage servicing rights amortized	(74)	(127)
Balance at end of year	**$ 362**	**$ 426**

6. PREMISES AND EQUIPMENT

Net premises and equipment consists of the following amounts at December 31:

	2023	2022
Bank premises and land	$ 11,114	$ 10,985
Furniture and equipment	4,393	4,106
Total	15,507	15,091
Less accumulated depreciation	7,809	7,710
Premises and equipment, net	**$ 7,698**	**$ 7,381**

Depreciation expense was $394 and $430 for 2023 and 2022, respectively.

7. DEPOSITS

The composition of deposits is summarized as follows as of December 31:

	2023	2022
Interest-bearing		
Demand accounts	$ 183,911	$ 167,701
Savings	96,233	105,018
Money market demand	53,756	75,453
Time, $250,000 and over	3,291	3,567
Other time	22,483	28,033
Total interest-bearing	359,674	379,772
Noninterest-bearing demand	137,701	147,636
Total deposits	**$ 497,375**	**$ 527,408**

Scheduled maturities of time deposits for each of the five years succeeding December 31, 2023 and thereafter, are summarized as follows:

Year	Amount
2024	$ 13,079
2025	5,328
2026	3,777
2027	1,191
2028	2,394
After	5
Total	**$ 25,774**

Continued...

(Dollars in thousands except per share data)

8. FEDERAL INCOME TAXES

The provision for federal income taxes consists of the following components for the years ended December 31:

	2023	2022
Currently payable	$ 1,980	$ 882
Deferred (benefit) expense	(387)	51
Income taxes	**$ 1,593**	**$ 933**

A reconciliation between federal income tax expense reported and the amount computed by applying the statutory federal income tax rate to income before federal income taxes is as follows for the years ended December 31:

	2023	2022
Income tax provision at statutory rate	$ 1,634	$ 960
Effect of tax-exempt interest income	(106)	(31)
Other, net	65	4
Income taxes	**$ 1,593**	**$ 933**

The components of the net deferred income tax asset included within other assets in the accompanying consolidated balance sheets (measured at a 21% tax rate) resulted from the following temporary differences between the carrying amounts of assets and liabilities for federal income tax and financial reporting purposes as of December 31:

	2023	2022
Deferred tax assets		
Allowance for credit loss	$ 548	$ 359
Unrealized loss on available-for-sale securities	2,852	3,954
Other	272	192
Total deferred tax assets	**3,672**	**4,505**
Deferred tax liabilities		
Depreciation	153	234
Mortgage servicing rights	76	89
Deferred loan fees/costs	-	8
Unrealized gain on interest rate derivatives	92	137
Other	152	167
Total deferred tax liabilities	**473**	**635**
Net deferred tax asset	**$ 3,199**	**$ 3,870**

The Corporation concluded that there are no significant uncertain tax positions requiring recognition in the Corporation's consolidated financial statements based on the evaluation performed for 2020 through 2023, the years which remain subject to examination by major tax jurisdictions as of December 31, 2023. The Corporation does not expect the total amount of unrecognized tax benefits ("UTB") (e.g. tax deductions, exclusions, or credits claimed or expected to be claimed) to significantly change in the next 12 months. The Corporation does not have any amounts accrued for interest and penalties related to UTBs at December 31, 2023 or 2022 and it is not aware of any claims for such amounts by federal or state income tax authorities.

Continued...

(Dollars in thousands except per share data)

9. RELATED PARTY TRANSACTIONS

Loans

In the ordinary course of business, the Bank grants loans to certain directors, executive officers and their affiliates. Such loans aggregated to $6,598 and $6,764 at December 31, 2023 and 2022, respectively.

Deposits

Deposits of Corporate directors, executive officers and their affiliates were $8,002 and $2,517 at December 31, 2023 and 2022, respectively.

10. OFF-BALANCE SHEET ACTIVITIES

The Bank is a party to credit related financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit and commercial letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets. The Bank's exposure to credit loss is represented by the contractual amount of these commitments. The Bank follows the same credit policy in making commitments, including requirements for collateral, as it does for on-balance-sheet instruments; no significant losses are anticipated as a result of these commitments.

At December 31, 2023 and 2022, the following financial instruments were outstanding whose contract amounts represent credit risk:

	Contract Amount	
	2023	2022
Unfunded commitments under lines of credit	$ 65,450	$ 61,628
Commitments to grant loans	9,372	7,355
Commercial and standby letters of credit	750	1,380

The following table presents the balance and activity for the allowance for credit losses for unfunded loan commitments for 2023:

	Total Allowance for Credit Losses - OBS
Balance, December 31, 2022	$ -
Adjustment to allowance for unfunded commitments for adoption of ASU 2016-13	112
Credit loss reversal	(67)
Balance, December 31, 2023	$ 45

Unfunded commitments under commercial lines of credit, revolving home equity lines of credit and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. The commitments for equity lines of credit may expire without being drawn upon. These lines of credit are uncollateralized and usually do not contain a specified maturity date and may not be drawn upon to the total extent to which the Bank is committed. A majority of such commitments are at fixed rates of interest; a portion is unsecured.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Bank, is based on management's credit evaluation of the customer.

Commercial and standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. These letters of credit are primarily issued to support public and private borrowing arrangements. Essentially all letters of credit issued have expiration dates within one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Bank generally holds collateral supporting those commitments, if deemed necessary. Guarantees that are not derivative contracts have been recorded on the Corporation's consolidated balance sheets at their fair value at inception. The Bank considers standby letters of credit to be guarantees; however, as the amount of the liability related to such guarantees on the commitment date is not significant, a liability related to such guarantees is not recorded at December 31, 2023 or 2022.

11. COMMON STOCK ACTIVITY, INCLUDING SHARE-BASED INCENTIVE PLANS

Common Stock Repurchases

During 2023 and 2022, the Corporation repurchased 10,825 and 23,956 shares of its common stock. The repurchase price in excess of the amounts identified with the original issuance of the common stock was charged entirely to retained earnings.

Share-Based Compensation

Common Stock Options

The fair value of each option award is estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted average assumptions for the year ended December 31, 2023:

Risk-free interest rate	4.08%
Expected term	10 years
Expected stock price volatility	21.31%
Dividend yield or expected	6.92%

Continued...

(Dollars in thousands except per share data)

Under the Corporation's 2021 Employee Stock Option Plan (the "Plan"), the Corporation may grant options to its directors, officers, and employees for the purchase of up to 128,000 shares of common stock, which can be increased annually up to 3% of the shares outstanding at January 1, 2013, (1,131,649) or 33,949 shares. The exercise of each option equals the market price of the Corporation's stock on the date of the grant, and an option's maximum term is ten years. The options vest ratably over five years from the date of the grant, and cliff vests five years from the date of the grant. The Corporation also has options outstanding under a Plan established in 2012 and terminated in 2021. The terms of the 2012 Plan are essentially the same as the 2021 Plan. For years ended December 31, 2023 and 2022, the Corporation recognized $1 and $3, respectively in compensation expenses for stock options. Unrecognized compensation costs related to nonvested awards as of December 31, 2023 were not material.

The expected volatility is based on historical volatility. The risk-free interest rates for periods within the contractual life of the awards are based on the U.S. Treasury yield curve in effect at the time of the grant. The expected life is based on historical exercise experience. The dividend yield assumption is based on the Corporation's history and expectation of dividend payouts.

In general, the Corporation's policy is to issue new shares upon the exercise of a stock option; however, the option holder has the option under the Plan to sell shares of stock owned by the holder to the Corporation to facilitate the exercise of options. A summary of the changes in the status of the Corporation's stock option plan is presented below:

	Common Shares Subject to Option	Weighted Average Exercise Price	Average Remaining Contractual Terms
Outstanding at January 1, 2022	150,325	$ 25.73	5.91
Granted	46,147	33.89	
Exercised	(22,488)	23.21	
Forfeited	(18,487)	29.60	
Outstanding at December 31, 2022	**155,497**	**$ 28.06**	**5.94**
Granted	88,857	26.03	
Exercised	(9,075)	25.48	
Forfeited	(32,005)	22.53	
Outstanding at December 31, 2023	**203,274**	**$ 27.83**	**6.72**

As of December 31, 2023, 101,204 options under the 2012 plan were outstanding at an average exercise price of$29.10 (range of $16.00-$34.75) of which 91,822 are exercisable, and 102,070 options under the 2021 plan were outstanding at an average exercise price of $28.60 (range $26.00-$33.80) of which 5,461 are exercisable.

Shares granted in 2023 and 2022 include 7,767 and 13,182 shares received in connection with the exercise of a "reload" option whereby the grantee tendered shares to pay the exercise price of an option and received a new option to purchase the number of shares of common stock equal to the number of shares tendered to pay the exercise price.

Reload options have an exercise price equal to the estimated fair value as of the date of exercise of the underlying option. The date of grant of the reload option is the date of exercise of the underlying option. The reload option may be exercised one year after it is granted and expires on the date of expiration of the underlying option to which the reload options related.

Restricted Stock Awards

The Plan also authorizes the use of restricted stock awards, which were granted in 2023 and 2022. The fair value of restricted stock awards is estimated by the market price of the Corporation's common stock at the date of grant. Under the provisions of the plan, the Corporation cannot be obligated to "cash-settle" any of the restricted stock awards through redemption. The shares become vested over a 5-year service period. During the period the shares are not vested, the grantee may not sell, assign, transfer, or pledge the shares but has all other rights of a shareholder, including the right to receive dividends and the right to vote such shares. Restricted stock is immediately forfeited when the employment of a grantee ceases. Restricted stock activity during 2023 and 2022, is summarized as follows:

	Number of Shares	Weighted-Average Grant - Date Fair Value per Share
Non-vested, January 1, 2022	**14,561**	**$ 26.61**
Granted	7,333	33.80
Vested	(5,983)	26.36
Cancelled and forfeited	(483)	29.54
Non-vested, December 31, 2022	**15,428**	**30.04**
Granted	7,422	26.00
Vested	(5,055)	24.94
Cancelled and forfeited	(2,087)	28.73
Non-vested, December 31, 2023	**15,708**	**$ 28.91**

Awards are being amortized to expense over the 5-year vesting period. Compensation cost related to restricted stock awards was $123 and $132 for 2023 and 2022, respectively. As of December 31, 2023, there was $454 of total remaining unrecognized compensation cost related to nonvested restricted stock awards granted under the Plan. The cost is expected to be recognized over the next 3 years.

There was an impact of $0.02 and $0.03 to diluted earnings per share resulting from such common stock equivalents in 2023 and 2022, respectively.

Weighted average common shares outstanding for 2023 and 2022 were 1,251,148 and 1,254,776. Average shares and dilutive potential common shares for 2023 and 2022 were 1,253,981 and 1,267,877 respectively.

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(Dollars in thousands except per share data)

12. REGULATORY REQUIREMENTS

Capital Requirements

The Corporation (on a consolidated basis) and the Bank are subject to various regulatory capital requirements, including restrictions on dividends, administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Corporation's and the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Corporation and the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities, capital and certain off-balance-sheet items as defined in the regulations and calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. Prompt corrective action provisions are not applicable to bank holding companies.

Failure to meet capital requirements can initiate regulatory action. The final rules related to the implementation of the Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel III Rules) became effective for the Corporation on January 1, 2016, with full compliance of all of the requirements being phased in over a multi-year schedule, and fully phased in by January 1, 2019. The capital conservation buffer as of December 31, 2023 and 2022 is 2.50%. The net unrealized gain or loss on available-for-sale securities is not included in computing regulatory capital.

Quantitative measurements established by regulation to ensure capital adequacy require the Corporation and the Bank to maintain minimum amounts and ratios (set forth in the following table). Management believes, as of December 31, 2023 and 2022, that the Corporation and the Bank met all capital adequacy requirements to which they are subject.

As of December 31, 2023 and 2022, the most recent notifications from the Federal Deposit Insurance Corporation categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since the notification that management believes have changed the Bank's category. The Corporation's and the Bank's actual capital amounts and ratios as of December 31, 2023 and 2022 are also presented in the table.

	Actual		Minimum Capital Requirements		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
December 31, 2023	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
Total Capital to Risk Weighted Assets						
Consolidated	$ 53,409	13.75 %	$ 40,774	10.50 %	N/A	N/A
Bank	52,188	13.44	40,774	10.50	$ 38,833	10.00 %
Tier 1 (Core) Capital To Risk Weighted Assets						
Consolidated	50,800	13.08	33,008	8.50	N/A	N/A
Bank	49,580	12.77	33,008	8.50	31,066	8.00
Common Tier 1 (CET1)						
Consolidated	50,800	13.08	27,183	7.00	N/A	N/A
Bank	49,580	12.77	27,183	7.00	25,241	6.50
Tier 1 (Core) Capital To Average Assets						
Consolidated	50,800	9.42	21,571	4.00	N/A	N/A
Bank	49,580	9.19	21,571	4.00	26,964	5.00

Continued...

(Dollars in thousands except per share data)

December 31, 2022	Actual			Minimum Capital Requirements			Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions		
		Amount	Ratio		Amount	Ratio		Amount	Ratio
Total Capital to Risk Weighted Assets									
Consolidated	$	48,731	13.24 %	$	38,638	10.50 %		N/A	N/A
Bank		47,821	13.00		38,638	10.50	$	36,798	10.00 %
Tier 1 (Core) Capital To Risk Weighted Assets									
Consolidated		47,022	12.78		31,278	8.50		N/A	N/A
Bank		46,112	12.53		31,278	8.50		29,438	8.00
Common Tier 1 (CET1)									
Consolidated		47,022	12.78		25,758	7.00		N/A	N/A
Bank		46,112	12.53		25,758	7.00		23,918	6.50
Tier 1 (Core) Capital To Average Assets									
Consolidated		47,022	8.21		22,412	4.00		N/A	N/A
Bank		46,112	8.05		22,412	4.00		28,654	5.00

Restrictions on Cash and Amounts Due from Banks

The Bank is required by regulatory agencies to maintain legal cash reserves based on the level of certain customer deposits. There was no required reserve balance at December 31, 2023 or 2022.

Restrictions on Dividends, Loans and Advances

Federal and state banking regulations place certain restrictions on the amount of loans or advances that can be extended to the Corporation by the Bank and dividends that can be paid to the Corporation by the Bank. The total amount of dividends which may be paid at any date is generally limited to the retained earnings of the Bank, and loans or advances are limited to 10% of the Bank's capital stock and surplus on a secured basis. In addition, dividends paid by the Bank to the Corporation would be prohibited if the effect thereof would cause the Bank's capital to be reduced below applicable minimum capital requirements.

13. CONTINGENCIES

Litigation

The Corporation is party to litigation arising during the normal course of business. In the opinion of management, based on consultation with legal counsel, the resolution of such litigation is not expected to have a material effect on the consolidated financial statements.

Environmental Issues

As a result of acquiring real estate from foreclosure proceedings, the Corporation is subject to potential claims and possible legal proceedings involving environmental matters. No such claims have been asserted as of December 31, 2023.

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(Dollars in thousands except per share data)

14. OTHER EMPLOYEE BENEFIT PLANS

401(k) Plan

The Bank maintains a deferred compensation plan qualified under Section 401(k) of the Internal Revenue Code. Under this plan, eligible employees are permitted to contribute up to 25% of gross compensation into the retirement plan up to a maximum determined by the Internal Revenue Code; the Bank matches each employee contribution at a rate of up to 50% of the first 6% contributed by the employee. Expenses associated with the plan amounted to $117 and $100 in 2023 and 2022, respectively.

The 401(k) retirement plan also has a defined contribution profit sharing feature that covers substantially all of the Bank's employees. Contributions to the plan are based on an employee’s earnings, as defined in the plan document. Expenses associated with the plan amounted to $436 and $271 in 2023 and 2022, respectively.

Deferred Compensation Plan

In 2018, the Corporation adopted a deferred compensation plan. Pursuant to the terms of the Deferred Compensation Plan, Bank Officers are permitted to defer all or a portion of any annual bonus and receive shares of the Corporation equal to the stock value based on the closing price on the day the bonus is issued. In addition, the participant's account will be credited with additional shares representing 25% bonus shares based on the number of shares credited from the deferral. Board members may also elect to defer any or all of their board fees and receive the same 25% bonus shares. The bonus shares for both deferred annual bonus amounts and deferred directors fees vest after three years of service, death, disability, or upon mandatory retirement from the board. The Deferred Compensation Plan does not allow for cash settlement.

The amounts deferred under the arrangements and invested in Corporation common stock are maintained in a grantor ("rabbi") trust. Assets of the Rabbi Trust are consolidated with the Corporation, and the value of the Corporation's common shares held in the Rabbi Trust is classified in shareholders' equity. The Corporation recognizes the original amount of deferred compensation as the basis for recognition in the Rabbi Trust. Changes in the fair value owed to employees are not recognized as the Deferred Compensation Plan does not permit diversification and must be settled only by the delivery of a fixed number of shares of the Corporation's common stock.

The Corporation recognized $245 and $225 of compensation expense related to this plan in 2023 and 2022, respectively, and has recorded a related obligation totaling $550 and $789 within shareholders' equity at December 31, 2023 and 2022. respectively. As of December 31, 2023, a total of 29,720 shares are held in the Rabbi Trust of which 1,538 remain unvested. The weighted average share price of shares held in the Rabbi Trust at December 31, 2023, is $27.89.

Bank-Owned Life Insurance

The Bank has invested in single premium, bank owned, whole life insurance policies on certain officers of the Bank. Bank owned life insurance is an alternative investment vehicle, generally non-liquid, which may produce additional earnings to offset, and later fund, various employee supplemental benefit expenses The earnings on the policies are not taxed unless withdrawn or surrendered prior to the death of the insured. The increase in cash surrender value of the policies, which was $264 and $244 in 2023 and 2022, respectively, is included in noninterest income on the consolidated statements of income.

The benefit promised by the Bank to the covered officers is established at one times the officer’s salary at date of death; such benefit expires if the officers’ employment is terminated for any reason other than death, including voluntary or involuntary termination or retirement. Based primarily on the ages of the covered officers, the Bank believes that the payment of such benefits is not probable; accordingly, the Bank has not recognized compensation expense for such benefits.

Continued...

(Dollars in thousands except per share data)

15. ACCUMULATED OTHER COMPREHENSIVE LOSS (AOCL)

The following table presents a reconciliation of the changes in the components of AOCL and details the components of OCL, including the amount of income taxs allocated to each component of OCL:

	Unrealized Holding Losses on Securities AFS	Unrealized Losses on Cash Flow Hedges	Total
Balance, January 1, 2023	**$ (14,875)**	**$ 516**	**$ (14,359)**
Unrealized gains (losses) arising during the period	4,827	(213)	4,614
Amortization of held-to-maturity securities	422	-	422
Reclassification adjustments for interest included in net income	-	(3)	(3)
Net unrealized gain (loss)	5,249	(216)	5,033
Tax effect*	(1,102)	45	(1,057)
OCI, net of tax	4,147	(171)	3,976
Balance, December 31, 2023	**$ (10,728)**	**$ 345**	**$ (10,383)**

	Unrealized Holding Losses on Securities AFS	Unrealized Gains (Losses) on Cash Flow Hedges	Total
Balance, January 1, 2022	**$ (1,254)**	**$ (115)**	**$ (1,369)**
Unrealized (losses) gains arising during the period	(17,541)	785	(16,756)
Amortization of held-to-maturity securities	299	-	299
Reclassification adjustments for interest included in net income	-	14	14
Net unrealized (loss) gain	(17,242)	799	(16,443)
Tax effect*	3,621	(168)	3,453
OCL, net of tax	(13,621)	631	(12,990)
Balance, December 31, 2022	**$ (14,875)**	**$ 516**	**$ (14,359)**

The following table details reclassification adjustments and the related affected line items in the Corporation's consolidated statements of comprehensive income (loss) for 2023 and 2022:

Details about Accumulated Other Comprehensive income (loss) components December 31, 2023	Amount Reclassified from Accumulated Other Comprehensive Loss	Affected Line Item in the Consolidated Statements of Income
Realized gains on cash flow hedges	$ 75	Interest expense
Realized losses on cash flow hedges	$ (78)	Interest income
Tax effect*	1	Income taxes
	$ (2)	Net income

Continued...

(Dollars in thousands except per share data)

Details about Accumulated Other Comprehensive income (loss) components December 31, 2022	Amount Reclassified from Accumulated Other Comprehensive Loss		Affected Line Item in the Consolidated Statements of Income
Realized gains on cash flow hedges	$	14	Interest expense
Tax effect*		(3)	Income taxes
	$	**11**	Net income

*Based on federal income tax rate of 21%.

During 2022, the interest rate cap derivative was terminated by the Corporation for approximately $1.1 million, resulting in a deferred gain of approximately $654. The gain will be reclassified into income over the remaining life of the underlying hedge.

16. DERIVATIVES

Risk Management Objective of Using Derivatives

The Corporation is exposed to certain risk arising from both its business operations and economic conditions. The Corporation principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Corporation manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of its assets and liabilities and the use of derivative financial instruments. Specifically, the Corporation enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Corporation's derivative financial instruments are used to manage differences in the amount, timing, and duration of the Corporation's known or expected cash receipts and its known or expected cash payments principally related to the Corporation's public funds and revolving lines of credit.

Cash Flow Hedges of Interest Rate Risk

The Corporation's objectives in using interest rate derivatives are to add stability to interest income and expense and to manage its exposure to interest rate movements. To accomplish this objective, the Corporation primarily uses interest rate swaps and caps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Corporation making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. Interest rate caps designated as cash flow hedges involve the receipt of variable amounts from a counterparty if interest rates rise above the strike rate on the contract in exchange for an up-front premium. During 2022, such derivatives were used to hedge the variable cash flows associated with existing variable-rate public funds. During 2023, such derivatives were used to hedge the variable cash flows associated with existing variable-rate revolving lines of credit.

For derivatives designated and that qualify as cash flow hedges of interest rate risk, the gain or loss on the derivative is recorded in AOCL and subsequently reclassified into interest expense and interest income in the same period(s) during which the hedged transaction affects earnings. Amounts reported in AOCL related to derivatives will be reclassified to interest expense and interest income as interest payments are made on the Corporation's public funds and revolving lines of credit.

Interest rate swaps with notional amounts totaling $30 million as of December 31, 2023, were designated as cash flow hedges of certain and were determined to be effective during all periods presented. The Corporation expects the hedges to remain effective during the remaining terms of the swaps.

Continued...

(Dollars in thousands except per share data)

The Corporation presents derivative position gross on the consolidated balance sheet. The following table reflects the derivatives recorded on the consolidated balance sheet as of December 31:

	2023	
	Notional Amount	Fair Value
Included in other assets:		
Derivatives designated as hedging instruments:		
Interest rate swaps related to cash flow hedges	$ 30,000,000	$ 96

The effect of cash flow hedge accounting on accumulated other comprehensive loss the the years ended December 31 are as follows:

	2023		
	Amount of gain (loss) recognized in OCL on derivative	Location of gain (loss) reclassified from OCL into income	Amount of gain (loss) reclassified from OCL into income
Interest rate contracts	$ 454	Interest income	(78)
	(109)	Interest expense	75

	2022		
	Amount of gain (loss) recognized in OCI on derivative	Location of gain (loss) reclassified from OCI into income	Amount of gain (loss) reclassified from OCI into income
Interest rate contracts	$ 516	Interest expense	14

At December 31, 2023, the Corporation expected $77 of the unrealized gain to be reclassifed as a reduction of interest expense during 2024.

17. SUPPLEMENTAL CASH FLOWS INFORMATION

Other Cash Flows Information

Cash paid for interest and income taxes amounted to the following during the years ended December 31:

	2023	2022
Interest	$ 1,960	$ 975
Income taxes	$ 1,181	$ 1,003

Non-Cash Financing Activities

During 2022, options for the purchase of 3,802, common shares were exercised.

Additionally, during 2023 and 2022, 9,075 and 18,686 common shares were exercised through a reload option whereby 7,767 and 13,182 common shares were tendered to pay the exercise price ("cashless exercise"). The issuance of shares upon exercise of common stock options has been recorded net of the tendered shares in the consolidated statements of shareholders' equity.

Continued...

(Dollars in thousands except per share data)

18. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Corporation’s primary revenue stream accounted for under ASC 606 relates to service charges on deposit accounts.

The Corporation earns fees from its deposit customers for transaction-based fees, account maintenance, and overdraft services. Transaction-based fees, including these for services such as ATM fees, stop payment charges, statement rendering, and ACH fees, are recognized at the time the transaction is executed as that is the point in time the Corporation fulfills the customer's request. Account maintenance fees, which primarily relate to monthly account maintenance, are earned over the course of the month, which represents the period over which the Corporation satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are deducted from the customer's account balance.

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End of Notes

independent auditors' report

Rehmann

INDEPENDENT AUDITORS' REPORT

March 5, 2024

Shareholders and Board of Directors
Eastern Michigan Financial Corporation
Croswell, Michigan

Opinion

We have audited the accompanying consolidated financial statements of ***Eastern Michigan Financial Corporation*** ("the Corporation"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of income, comprehensive income (loss), shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (the "consolidated financial statements").

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ***Eastern Michigan Financial Corporation*** as of December 31, 2023 and 2022, and the consolidated results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As described in Note 1 to the consolidated financial statements, in 2023 the Corporation adopted Accounting Standards Codification 326, Financial Instruments - Credit Losses. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement,

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5800 Gratiot, Suite 201, Saginaw, MI 48638 989.799.9580

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Information included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the Letter to Shareholders, 2023 Highlights and Ten Year Financial Profile and other nonfinancial information, but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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milestones

A number of our valued employees celebrated milestone anniversaries in 2023.
We appreciate their dedication and thank them for their service.

5 Year Award

(L to R)

Scott Badley
VP, Commercial Loan Officer

Megan Hartwick
Assistant Branch Manager, Sandusky

Jennifer Sampier
Assistant Branch Manager, Deckerville

Talysha VanEenoo
Head Teller, Croswell

Jillian Nichol
Head Teller, Ruth

Rebekah Houle
Credit Manager

10 Year Award

(L to R)

Anna-Marie Peresta
Head Teller, Deckerville

Jasmine Williams
Commercial Loan Officer

Nicki Parker
Consumer Loan Documentation Specialist

Audra Levitte
Director of Human Resources

Ashley Foster
Commercial Loan Processor

Chelsea DuPree
Human Resources Generalist

Stefanie Blake
Retail Training and Software Specialist

20 Year Award

Stefanie Abbott
AVP, Branch Manager, Deckerville

Julie Chapdelaine
AVP, BSA Officer

15 Year Award

Paula Mullen
Head Teller, Lexington

locations and website

administrative offices
65 N. Howard Avenue
Croswell, Michigan 48422
810.679.2500

croswell branch
37 N. Howard Avenue
Croswell, Michigan 48422
810.679.3620

deckerville branch
3636 Main Street
Deckerville, Michigan 48427
810.376.2015

fort gratiot branch
3061 Krafft Road
Fort Gratiot, Michigan 48059
810.966.2281

lakeport branch
7090 Lakeshore Road
Lakeport, Michigan 48059
810.385.3211

lexington branch
5446 Main Street
Lexington, Michigan 48450
810.359.5353

loan center
66 N. Howard Avenue
Croswell, Michigan 48422
810.679.2500

marysville branch
2970 Gratiot Boulevard
Marysville, Michigan 48040
810.364.4854

port huron, water st
600 Water Street
Port Huron, Michigan 48060
810.987.9777

port huron, military st
1430 Military St, Suite 1
Port Huron, Michigan 48060
800.397.2504

ruth branch
7004 E. Atwater Road
Ruth, Michigan 48470
989.864.3380

sandusky branch
324 S. Sandusky Road
Sandusky, Michigan 48471
810.648.3230

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