

# COMPARATIVE FINANCIAL STATEMENT

March 31, 2020

## To Our Shareholders

### FINANCIAL HIGHLIGHTS

Eastern Michigan Financial Corporation's (EMFC) earnings through the first quarter of 2020 were \$761,000 or \$0.63 per share, versus \$936,000 or \$0.78 per share for the same period last year. Return on Average Equity (ROE) during this time decreased to 7.77% as compared to 10.64% in 2019. Return on Average Assets (ROA) decreased to 0.81% contrasted with 1.04% through the first quarter of 2019.

Our Capital to Assets ratio as of March 31, 2020, was 10.48%, compared to 9.90% as of March 31, 2019.

Book value per share grew to \$32.08 over first quarter 2019 at \$29.72, and market value per share was \$22.10 as of the last known trade at quarter's end.

Total assets were \$373,245,000 compared to \$360,851,000 for the same quarter in 2019, an increase of 3.43%. Loans increased by 4.86% over the first quarter of 2019, ending at \$186,735,000. Deposits were \$333,277,000 at quarter's end, a 2.75% increase over the same period last year.

### SHAREHOLDER DIVIDEND

The Board of Directors declared a first-quarter 2020 dividend of \$0.25 per share.

### MANAGEMENT COMMENTS

A reduction in federal short-term interest rates during the preceding twelve months was the primary driver in a year over year decline of net income for EMFC. We did work to extend the maturities within our investment portfolio over the last year, but were still affected by the lower market interest rates as investments matured, existing loans renewed and new loans were originated. With our cost of funds at 17 basis points as of the end of March 2020, we are limited in our options to react to declining interest rates.

While deposit growth was relatively flat for the first quarter, our loans increased from \$181,340,000 to \$186,735,000. This loan growth came as a direct result of strong calling efforts from our loan officers and an expanded marketing campaign focused on loan origination.

Credit quality remained strong through the end of the first quarter of 2020, with total net loan recoveries of \$5,700. Our liquidity and capital ratios remained exceptionally strong as compared to regulatory guidelines, as well as peer banks.

Since the end of the first quarter, the impact of COVID-19 has been felt throughout our country along with the markets we serve. We are fortunate that we have not had any employees directly impacted by the virus, and we have been proactive in our efforts to keep our employees safe while still providing quality service to our customers.

Like many banks, we have some borrowers experiencing COVID-19 related financial stress. To help alleviate the near-term effects on their business or personal situation, we are working with those individuals by providing deferred payment options when prudent. As the long term effect of the current economic conditions on our loan portfolio and our customers' ability to repay their loans is not clear, we have increased our allowance for loan loss provision to account for the potential risk.

Since the Small Business Administration (SBA) Paycheck Protection Program (PPP) first became available, we have been very active assisting both customers and non-customers in our market area in applying for these relief loans. As of April 28, 2020, we had received approval on almost \$65,000,000 in SBA PPP loans, with an average loan size of less than \$200,000. We believe it is vital to bring these funds to the communities we serve and hope our participation in this program will have a material impact on the ability of our markets to recover economically.

We appreciate your continued support of Eastern Michigan Financial Corporation and Eastern Michigan Bank. Please know that every employee is working hard to deliver exceptional service to our customers and the communities we serve, and thus provide a strong return for our shareholders. May we all remain safe and healthy while we navigate the challenges at hand.

President and Chief Executive Officer

**Eastern  
Michigan**

**Financial  
Corporation**



## CONSOLIDATED BALANCE SHEETS (unaudited)

ASSETS	March 31,	
	2020	2019
Cash and due from banks.....	\$ 23,179	\$ 20,012
Securities.....	114,288	110,042
Federal funds sold & other deposits.....	31,309	35,003
Loans.....	186,735	178,087
Allowance for loan loss.....	(1,662)	(1,483)
Other assets.....	19,396	19,190
<b>TOTAL ASSETS.....</b>	<b>\$ 373,245</b>	<b>\$ 360,851</b>
<b>LIABILITIES</b>		
Deposits		
Non-interest bearing.....	\$ 77,014	\$ 73,019
Interest bearing.....	256,263	251,339
Total deposits.....	333,277	324,358
Other liabilities.....	838	763
<b>TOTAL LIABILITIES.....</b>	<b>\$ 334,115</b>	<b>\$ 325,121</b>
<b>SHAREHOLDERS' EQUITY</b>		
Common stock (issued 1,219,602 shares in 2020 and 1,202,178 shares in 2019).....	\$ 6,064	\$ 6,009
Surplus.....	2,421	2,227
Retained earnings.....	30,901	28,182
Accumulated other comprehensive income (loss)....	(256)	(688)
<b>TOTAL SHAREHOLDERS' EQUITY.....</b>	<b>\$ 39,130</b>	<b>\$ 35,730</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY.....</b>	<b>\$ 373,245</b>	<b>\$ 360,851</b>

## FINANCIAL RATIOS

Return on Average Equity (annualized).....	7.77%	10.64%
Return on Average Assets (annualized).....	0.81%	1.04%
Capital to Assets.....	10.48%	9.90%
Allowance for Loan Loss / Loans.....	0.89%	0.83%

(Dollars in thousands except per share data)

## CONSOLIDATED STATEMENTS OF INCOME (unaudited)

INTEREST INCOME	Three Months Ended	
	2020	2019
Interest & fees on loans.....	\$ 2,153	\$ 2,120
Interest on federal funds sold & other deposits.....	252	427
Interest on investment securities.....	614	528
<b>TOTAL INTEREST INCOME.....</b>	<b>3,019</b>	<b>3,075</b>
<b>INTEREST EXPENSE.....</b>	<b>191</b>	<b>192</b>
<b>NET INTEREST INCOME.....</b>	<b>2,828</b>	<b>2,883</b>
<b>PROVISION FOR LOAN LOSSES.....</b>	<b>83</b>	<b>77</b>
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES.....</b>	<b>2,745</b>	<b>2,806</b>
<b>OTHER INCOME.....</b>	<b>464</b>	<b>386</b>
<b>OTHER OPERATING EXPENSES.....</b>	<b>2,273</b>	<b>2,102</b>
<b>INCOME BEFORE INCOME TAXES.....</b>	<b>936</b>	<b>1,090</b>
<b>INCOME TAX EXPENSE.....</b>	<b>175</b>	<b>154</b>
<b>NET INCOME.....</b>	<b>\$ 761</b>	<b>\$ 936</b>
<b>EARNINGS PER COMMON SHARE</b>	<b>\$ 0.63</b>	<b>\$ 0.78</b>

(Dollars in thousands except per share data)

## STOCK INFORMATION

**Transfer Agent and Registrar:**  
Computershare Shareholder Services  
P.O. Box 30170  
College Station, Texas 77842-3170  
800.368.5948

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

**Investor Relations Contact:**  
Errin M. Levitt, Chief Financial Officer  
Eastern Michigan Financial Corporation  
810.398.5135

**Corporate Headquarters:**  
Eastern Michigan Financial Corporation  
65 N. Howard Avenue  
Croswell, Michigan 48422-0139  
800.397.2504

	2020	2019
<b>Number of shares, issued and outstanding</b>	1,219,602	1,202,178
<b>Number of shareholders of record</b>	287	296
<b>Cash dividends declared, year-to-date</b>	\$ 0.25	\$ 0.17
<b>Book value, end-of-period</b>	32.08	29.72
<b>Market value, last trade known</b>	22.10	25.00

## BOARD OF DIRECTORS

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

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

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

**Karen S. Flanagan**, Director  
Farmer  
Sandusky

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

**William G. Oldford, Jr.**, Director  
President and Chief Executive Officer  
Eastern Michigan Bank, Croswell

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

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

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

## CORPORATE OFFICERS

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