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## to our shareholders

June 30, 2023

## financial highlights

Eastern Michigan Financial Corporation (the Company) had strong earnings for the first half of 2023, reporting net income of \$2.9 million and earnings per share of \$2.35. Both figures represent substantial increases from the same period in 2022.

## First Half 2023 Highlights Versus First Half 2022

- Net income increased by 127.8% to \$2.9 million.
- Net interest income improved by 44.6%.
- Cost of funds rose by 166.7% to 32 basis points.
- Deposits declined by 7.9%, to \$475.6 million.
- Loans increased by 4.8%, to \$188.1 million.
- Shareholders earned a cash dividend of \$0.35 per share for the quarter, with an annualized dividend yield of 6.0%, as of June 30, 2023.

Higher interest rates, measurable growth in our loan portfolio, and a modest cost of funds were the primary drivers of significant year-over-year growth in net interest income. Furthermore, a duration of less than 2.9 years enabled us to reinvest the cash flows from our investment portfolio into higher-yielding investments and loans.

## operating results

**Net income:** Net income for the first half of 2023 increased by 127.8%, or \$2.9 million, versus \$1.3 million one year ago. Earnings per share increased by 128.2%, to \$2.35, for the first half of 2023, compared to \$1.03 for the same period in 2022.

**Net Interest Income:** Interest income for the first half of 2023 increased by \$3.4 million, or 53.7%, over the same period in 2022. Interest expense increased as well, totaling \$971 thousand in the first half of 2023 versus \$280 thousand for the same period last year. Overall, net interest income for the first half of 2023 increased by \$2.7 million, a 44.6% increase from the same period in 2022.

## balance sheet

**Return on Average Assets (ROA):** Our ROA improved to 1.07% for the first half of 2023 versus an ROA of 0.47% in the same period of 2022.

**Return on Average Equity (ROE):** Our ROE improved to 17.07% for the first half of 2023 compared to 7.05% for the same period in 2022.

**Deposits:** Deposits for the first half of 2023 declined to \$475.6 million compared to \$516.3 million for the same period in 2022. A portion of this decline includes deposits moving off balance sheet through a sweep program offering up to \$50.1 million in FDIC insurance. During the recent bank failures, we had a small number of customers take advantage of this program, representing a total of \$23.5 million in deposits. While we do not receive interest income from this program, our participation enables us to reduce our interest expense.

**Capital:** The Company continues to be well-capitalized. As of the end of the first half of 2023, our Tier 1 Leverage Ratio was 9.1%, Tier 1 Capital Ratio was 12.9%, and our Total Capital Ratio was 13.5%.

**Stock Price and Book Value:** As of June 30, 2023, our last known trade was \$23.25 per share. Book Value as of this date was \$28.18 per share, an increase of \$2.61 per share over the end of the first half of 2022.

On the whole, we are pleased with the results of the first six months. Our growth and overall performance are a direct reflection of hard work on the part of our staff and the loyalty we proudly receive from our customers. We fully expect these strong trends to continue through the second half of the year, and we thank you, our shareholders, for your continued support.



President and Chief Executive Officer

**Eastern  
Michigan  
Financial  
Corporation**



## comparative financial statement

June 30, 2023

## CONSOLIDATED BALANCE SHEETS (unaudited)

	June 30,	
	2023	2022
<b>ASSETS</b>		
Cash and due from banks .....	\$ 29,782	\$ 85,956
Securities .....	268,714	248,905
Federal funds sold & other deposits .....	913	9,248
Loans.....	188,118	179,447
Current expected credit loss on loans.....	(2,390)	(1,742)
Other assets.....	26,981	27,016
<b>TOTAL ASSETS.....</b>	<b>\$ 512,118</b>	<b>\$ 548,830</b>

## LIABILITIES

<b>LIABILITIES</b>		
Deposits		
Non-interest bearing.....	\$ 128,434	\$ 150,716
Interest bearing.....	347,194	365,616
Total deposits.....	475,628	516,332
Other liabilities.....	1,255	434
<b>TOTAL LIABILITIES.....</b>	<b>\$ 476,883</b>	<b>\$ 516,766</b>

## SHAREHOLDERS' EQUITY

Common stock (issued 1,250,189 shares in 2023 and 1,253,895 shares in 2022).....	\$ 6,129	\$ 6,186
Surplus.....	3,058	2,558
Retained earnings.....	39,164	36,851
Accumulated other comprehensive income (loss)...	(13,116)	(13,531)
<b>TOTAL SHAREHOLDERS' EQUITY.....</b>	<b>\$ 35,235</b>	<b>\$ 32,064</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY.....</b>	<b>\$ 512,118</b>	<b>\$ 548,830</b>

## FINANCIAL RATIOS

Return on Average Equity (annualized).....	17.07%	7.05%
Return on Average Assets (annualized).....	1.07%	0.47%
Capital to Assets.....	6.88%	5.84%
Current Expected Credit Loss on Loans / Loans.....	1.27%	0.97%

(Dollars in thousands except per share data)

## CONSOLIDATED STATEMENTS OF INCOME (unaudited)

	Six Months Ended June 30,	
	2023	2022
<b>INTEREST INCOME</b>		
Interest & fees on loans.....	\$ 4,897	\$ 4,223
Interest on federal funds sold & other deposits.....	1,113	312
Interest on investment securities.....	3,601	1,720
<b>TOTAL INTEREST INCOME.....</b>	<b>9,611</b>	<b>6,255</b>
<b>INTEREST EXPENSE.....</b>	<b>971</b>	<b>280</b>
<b>NET INTEREST INCOME.....</b>	<b>8,640</b>	<b>5,975</b>
<b>PROVISION FOR CURRENT EXPECTED CREDIT LOSSES.....</b>	<b>83</b>	<b>8</b>
<b>NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES.....</b>	<b>8,557</b>	<b>5,967</b>
<b>OTHER INCOME.....</b>	<b>992</b>	<b>952</b>
<b>OTHER OPERATING EXPENSES.....</b>	<b>5,829</b>	<b>5,305</b>
<b>INCOME BEFORE INCOME TAXES.....</b>	<b>3,720</b>	<b>1,614</b>
<b>INCOME TAX EXPENSE.....</b>	<b>777</b>	<b>322</b>
<b>NET INCOME.....</b>	<b>\$ 2,943</b>	<b>\$ 1,292</b>
<b>EARNINGS PER COMMON SHARE</b>	<b>\$ 2.35</b>	<b>\$ 1.03</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 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

	2023	2022
<b>Number of shares, issued and outstanding</b>	1,250,189	1,253,895
<b>Number of shareholders of record</b>	272	282
<b>Cash dividends declared, year-to-date</b>	\$ 0.70	\$ 1.10
<b>Book value, end-of-period</b>	28.18	25.57
<b>Market value, last trade known</b>	23.25	28.01

## 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

**Karen Flanagan**, Director  
Farmer  
Sandusky

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

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

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

**Steven Schwehofer**, Director  
Former Chief Financial Officer  
Foster Blue Water Oil, Richmond

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

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

## CORPORATE 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