



CAMELS FINANCIAL OPTICS REPORT

COMPANY OVERVIEW

Union Financial Corporation/Union Bank

Company Description

Union Financial Corporation ("UFC") ("the Company") is a Michigan financial institution headquartered in Lake Odessa, Michigan. The Company incorporated in 1988 and is a registered bank holding company under the Bank Holding Company Act of 1956, as amended. The Company is the parent bank holding company for its wholly owned subsidiary, Union Bank ("the Bank"), which was formed in 1934.

The Company is a customer-focused community bank that targets business owners, professionals, agricultural enterprises, as well as other segments of the financial market that offer opportunities for growth and profitability.

Business Insights/COVID-19

Union Bank's core purpose as a community driven bank is to help our customers, that make, build and grow, meet their financial needs. The Bank reported that in Phase I of the Paycheck Protection Program (PPP), a total of 126 loans from local businesses were submitted totaling \$27.5 million of commercial funds. The approved PPP loans will generate unbudgeted fee income for the Bank. The Bank reported its lenders and lending staff worked hard, and at times through the night, to process customer requests in an efficient and timely manner. Bank management noted that while the PPP program offered immediate relief to business customers, the re-opening of the State's economy is of extreme importance.

COVID-19 will have an extended impact on the Bank's operating results for the remainder of 2020 and into 2021. Decline in interest rates and prime rate will cause tightening of the Bank's net interest margin. The Bank is not anticipating loan losses but has increased loan loss reserves in 1Q 2020 and for the remainder of 2020. The PPP program will, however, generate significant fee income in the 2nd/3rd quarters that will help to increase the Bank's financial results for year-end 2020.

Investor Information

The Company is privately held and does not actively trade on any electronic exchange. The Company's common stock is traded through the Bank's internal trading desk and is the Company's transfer agent. Company historically pays an annual dividend. The Company provides for the purchase of Company stock through an individual's Self-Directed IRA, offered by the Bank. Individuals seeking to purchase shares are directed to contact Investor Relations.



Union Financial Corporation

Headquarters

933 4th Avenue
 Lake Odessa, Michigan 48849

Investor Relations Contact

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 Investor Relations/Marketing Officer
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March 31, 2020

Stock Price (FMV)	\$6.25
Price to Book Value	100%
Book Value Per Share	\$6.27
YE 2019 Stock Price	\$6.50
Income Per Share	\$0.05
Shares Outstanding	2,353,761
Board of Director Ownership	5%

Financial Data (000)

Assets	\$198,951
Deposits	\$ 173,677
Equity	\$14,754
Loans	\$154,427
Net Income	\$116

Key Highlights (UB)

- **Assets:** Bank assets of \$199,576,000, as of 1Q 2020 up from \$192,008,000 for the same period 2019.
- **Deposit:** Bank deposits of \$175,263,000, as of 1Q 2020 compared to \$169,127,000 for the same period 2019.
- **Loans:** Bank loans of \$154,427,000, as of 1Q 2020 compared to \$152,830,000 for the same period 2019.
- **Earnings:** Bank earned \$180,000, as of 1Q 2020 compared to \$285,000 for the same period 2019.
- **Net Interest Margin:** Bank earned 4.14%, as of 1Q 2020 compared to 4.44% for the same period 2019.
- **Efficiency Ratio:** 89.08%, as of 1Q 2020 compared to 84.78% for the same period 2019.

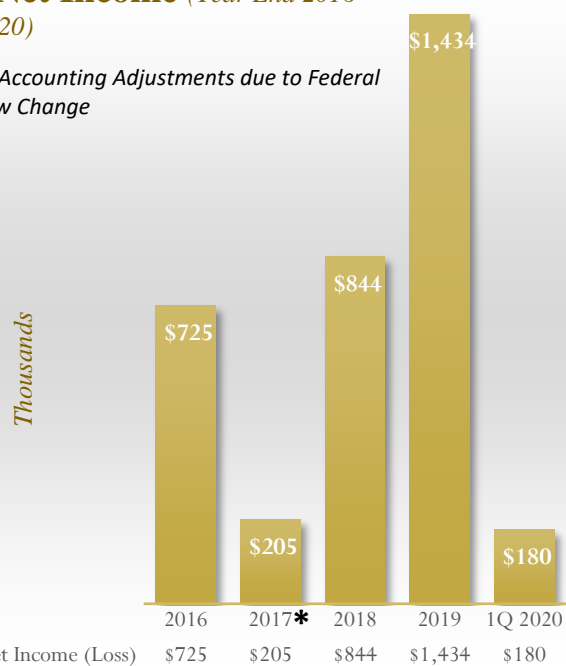
Performance Ratios (UB)

Return on Average Assets	0.37%
Return on Average Common Equity	3.65%
Yield on Loans	5.05%
Total Loans to Deposits	87.11%
Demand Deposits to Total Deposits	25.30%
Risk Based Capital/Risk Weighted Assets*	11.26%
Non-Performing Loans to Total Loans	1.35%
Allowance for Loan Losses to Total Loans	1.14%
Cost of Funds	0.69%

*Well capitalized 10% Regulatory Benchmark

UB/Net Income (Year End 2016-1Q 2020)

*2017 Accounting Adjustments due to Federal Tax Law Change



UFC/Stock Price Per Share (Fair Market Value)



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"Increasing Shareholder Value"

CAMELS Consulting Group offers a comprehensive suite of proprietary products and services exclusively designed to increase the shareholder value of community banks. Backed by more than three decades of experience in stock and bank valuation analysis, CAMELS Financial Optics Report provides the investment community with an objective overview of financial institutions.

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