



CAMELS CONSULTING GROUP LLC
"Increasing Shareholder Value"

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 Grand Rapids, 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.

Message from the President: Interest rate increases by the Federal Reserve continue to place pressure on the Bank's investment portfolio. As noted in last quarter's message your management team remains focused on investment portfolio strategies that offer higher returns. Loan pricing adjustments and strong loan demand provides additional increase in asset yields. Efforts in leveraging deposits and borrowings implemented in early 2023 is providing a positive net interest cost to the Bank. Total interest income percentage of change increased 35.86% YTD. This total portfolio approach by management is being continually adjusted result of interest rate increases.

UFC's key performance indicators have our Bank moving in the right direction with Return on Equity and Assets of 4.62% and 0.34%, respectively. The Bank's portfolio re-alignment strategy of replacing securities nearing maturity for higher yielding investments is a key to securing future earnings. UFC at close of second quarter 2023 has shown the impact of our strategy in income and interest rate margin coupled with the ability to readily respond to market conditions in this challenging economic period. The Bank in the second quarter of 2023 have shown the results of higher capital levels, increased assets, loans, and income in driving bottom-line performance. YTD the Bank earned \$550,00. Your Board is appreciative of investor confidence in UFC and is pleased to report on the financial soundness of Union Financial Corporation. (See *Performance Ratios Back Page*)

Shareholder Return: The fair market value of our stock, as of 2Q 2023 is \$9.15 per share (FMV), unchanged from YE 2022. Shareholders return for 2023 was 1.31% when including dividends. YTD 2023 shareholders have received total cash dividends of approximately \$395,188/\$0.12 per share.

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. Individuals seeking to purchase shares are directed to contact Investor Relations.



Union Financial Corporation

Headquarters

670 Cascade W. Parkway SE
Grand Rapids, Michigan 49546

Investor Relations Contact

Courtney Collison/President-CEO

Investor Relations

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June 30, 2023

Stock Price (FMV) \$9.15

Shareholder Return 1.31%
(FMV/YTD)

Book Value Per Share \$7.17
(Based on Tier 1 Capital)

YE 2022 Stock Price \$9.15

Income Per Share \$0.08
(YTD 2023)

Shares Outstanding 3,293,231

Board of Director Ownership 4.5%

Financial Data (000)

Assets \$324,446

Deposits \$271,206

Equity (Tier 1) \$23,623

Loans \$225,755

Net Income (YTD 2023) \$257

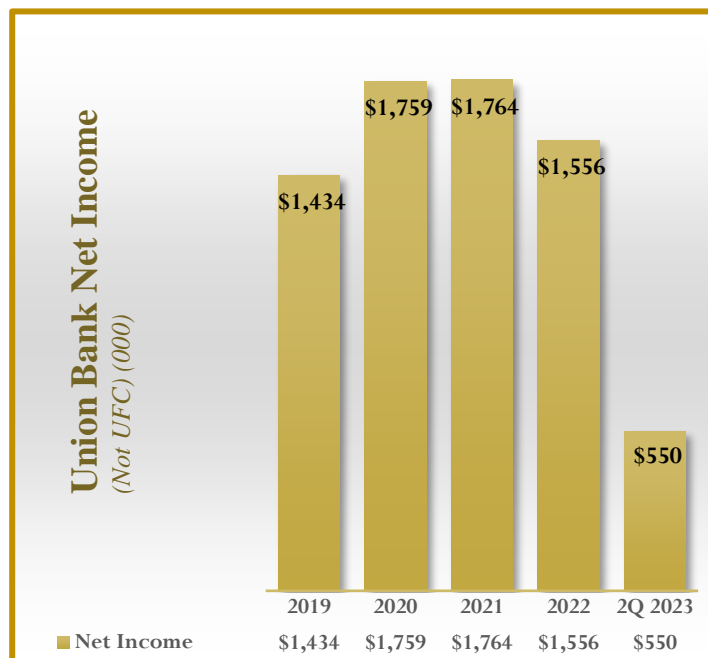
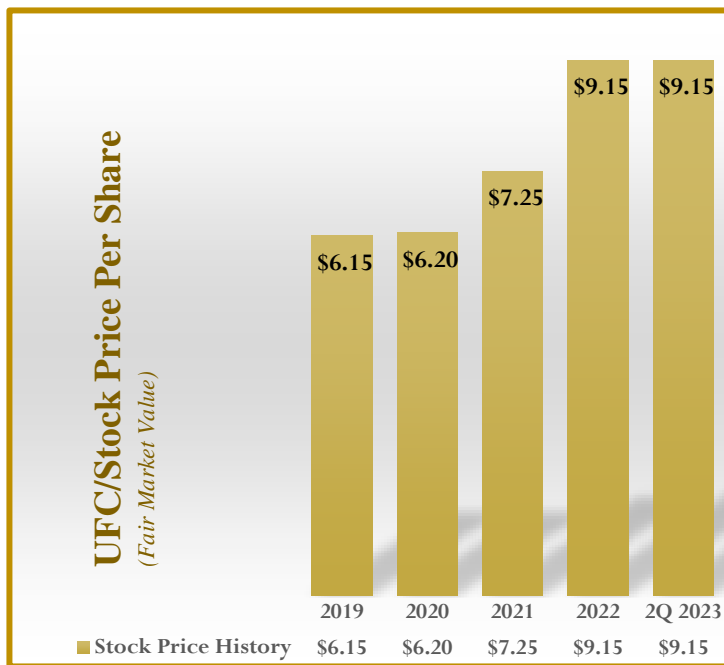
Key Highlights (UB)

- **Assets:** Bank assets of \$325,729,000, as of 2Q 2023 compared to \$315,357,000 for the same period 2022.
- **Deposit:** Bank deposits of \$279,607,000, as of 2Q 2023 compared to \$288,425,000 for the same period 2022.
- **Loans:** Bank loans of \$225,755,000, as of 2Q 2023 compared to \$201,788,000 for the same period 2022.
- **Earnings:** Bank earned \$550,000, as of 2Q 2023 compared to \$426,000 for the same period 2022.
- **Net Interest Margin:** Bank earned 4.05%, as of 2Q 2023 compared to 3.07% for the same period 2022.
- **Efficiency Ratio:** 85.26%, as of 2Q 2023 compared to 88.83% for the same period 2022.

Performance Ratios (UB)

Return on Average Assets	0.34%
Return on Average Common Equity	4.62%
Yield on Loans	5.38%
Total Loans to Deposits	80.74%
Demand Deposits to Total Deposits	28.97%
Tier I Common Capital/Risk Weighted Assets	10.69%
Non-Performing Loans to Total Loans	0.36%
Allowance for Loan Losses to Total Loans	1.76%
Cost of Funds	0.68%

See Stock Chart: UFC noted strong stock liquidity in 2Q 2023 with approximately 9,000 shares traded driving FMV and continued investor interest.



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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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