



# 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

Union Bank's core purpose as a community driven bank is to help our customers, build and grow by meeting their financial needs. As a result of the Paycheck Protection Program (PPP), a total of \$35 million in loans funded, as of 2Q 2020. These loans while on the books at a favorable rate for the customer generated fee income for the Bank that will be spread over the life of the loans. The amount of fee income recognized during 2Q 2020 amounted to \$121,000.

The Bank reported mortgages sold on the secondary market are up compared to same period in 2019. Specifically, 55 loans sold totaling \$8.2 million generating \$132,000 in gains on sales (2020 budget was \$72,000) compared to \$40,000 same period 2019. Service fee income on deposit accounts grew to \$308,000 YTD 2020 compared to \$117,000 for same period 2019.

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 continued its monthly allocation to the loan loss reserves in 2Q 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 4<sup>th</sup> Avenue  
 Lake Odessa, Michigan 48849

#### Investor Relations Contact

Lindsay Farrell  
 Investor Relations/Marketing Officer  
 (616) 374-3278  
 LFarrell@ubmich.com

#### June 30, 2020

|                             |           |
|-----------------------------|-----------|
| Stock Price (FMV)           | \$6.45    |
| Price to Book Value         | 100%      |
| Book Value Per Share        | \$6.46    |
| YE 2019 Stock Price         | \$6.50    |
| Income Per Share            | \$0.21    |
| Shares Outstanding          | 2,353,761 |
| Board of Director Ownership | 4.9%      |

#### Financial Data (000)

|            |            |
|------------|------------|
| Assets     | \$240,338  |
| Deposits   | \$ 205,551 |
| Equity     | \$15,216   |
| Loans      | \$189,368  |
| Net Income | \$492      |

## Key Highlights (UB)

- **Assets:** Bank assets of \$241,029,000, as of 2Q 2020 up from \$191,907,000 for the same period 2019.
- **Deposit:** Bank deposits of \$207,129,000, as of 2Q 2020 compared to \$168,393,000 for the same period 2019.
- **Loans:** Bank loans of \$186,940,000, as of 2Q 2020 compared to \$154,165,000 for the same period 2019.
- **Earnings:** Bank earned \$610,000, as of 2Q 2020 compared to \$710,000 for the same period 2019.
- **Net Interest Margin:** Bank earned 3.92%, as of 2Q 2020 compared to 4.48% for the same period 2019.
- **Efficiency Ratio:** 83.63%, as of 2Q 2020 compared to 81.40% for the same period 2019.

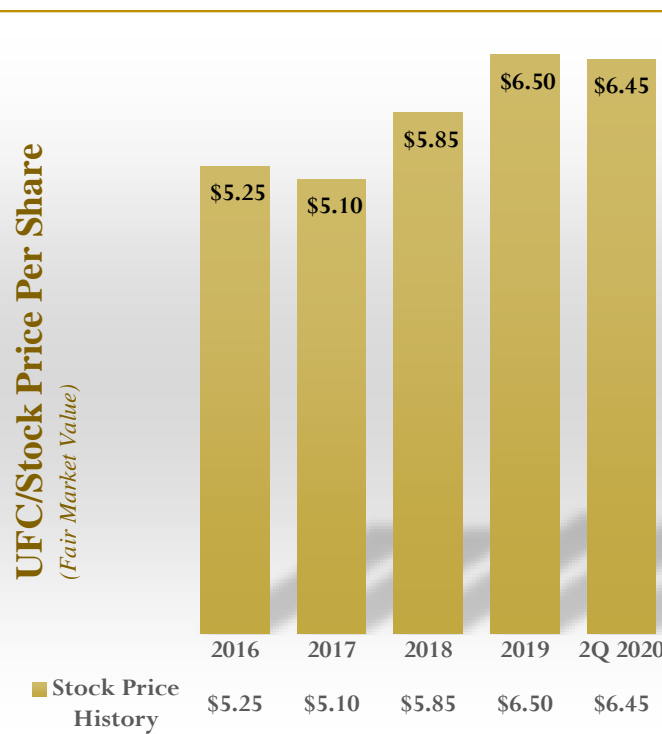
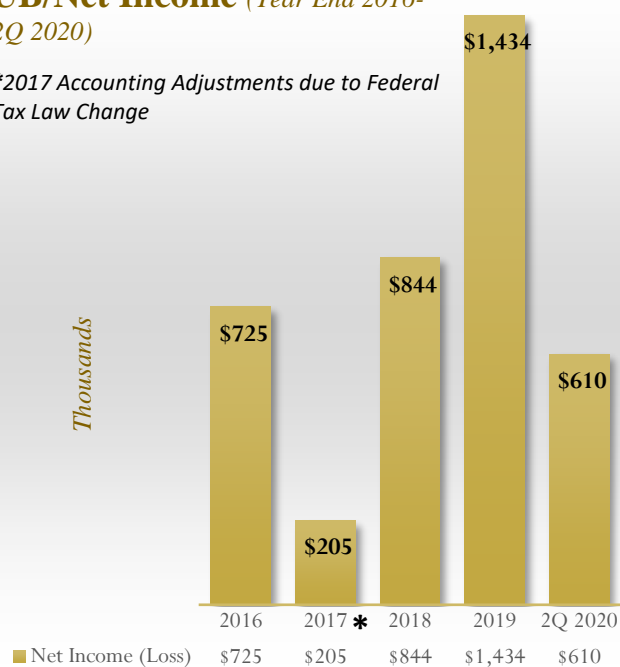
## Performance Ratios (UB)

|  |        |
|--|--------|
| Return on Average Assets                 | 0.57%  |
| Return on Average Common Equity          | 6.15%  |
| Yield on Loans                           | 4.81%  |
| Total Loans to Deposits                  | 90.55% |
| Demand Deposits to Total Deposits        | 33.18% |
| Risk Based Capital/Risk Weighted Assets* | 11.41% |
| Non-Performing Loans to Total Loans      | 1.18%  |
| Allowance for Loan Losses to Total Loans | 0.95%  |
| Cost of Funds                            | 0.65%  |

\*Well capitalized 10% Regulatory Benchmark

### UB/Net Income (Year End 2016-2Q 2020)

\*2017 Accounting Adjustments due to Federal Tax Law Change



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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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