



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 Bank remains a customer-focused community bank that targets business owners, professionals, agricultural enterprises, and individuals that offer growth and profitability.

Business Insights

Your Board and Management focus is centered on navigating the Bank through the current economic climate. The continued increase of interest rates by the Federal Reserve to curb inflationary pressures is setting the stage for a recessionary outcome expected in mid-2023. The level of rate hikes by the Federal Reserve is positioned to cause 'Final Demand' to weaken causing a rise in unemployment and lowering of GDP growth. The Federal Reserve offered guidance is to get inflation down to a target of 2%.

Accomplishing this through interest rate movement causes significant stress on both consumers and businesses through higher cost of credit, potential reduction in demand and employment instability. We are continually reviewing the Bank's investment portfolio and maintaining the credit quality of our loan portfolio.

Earnings for the third quarter exceeded that of the prior quarter. Loan activity continues to be strong for the Bank. Based on continued interest rate increases, growth in the Bank's loan portfolio, and continued control of overhead expenses, management feels quite positive for the outcome for 2022. (See *Key Highlights and Performance Ratios back page*).

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

670 Cascade W. Parkway SE
Grand Rapids, Michigan 49546

Investor Relations Contact

Courtney Collison/President-CEO
Investor Relations
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September 30, 2022

Stock Price (FMV)	\$8.95
Price to Book Value	120%
Book Value Per Share	\$5.52
YE 2021 Stock Price	\$7.25
Income Per Share	\$0.19
Shares Outstanding	3,313,761
Board of Director Ownership	6%

Financial Data (000)

Assets	\$331,042
Deposits	\$295,105
Equity	\$18,275
Loans	\$201,789
Net Income (YTD 2022)	\$642

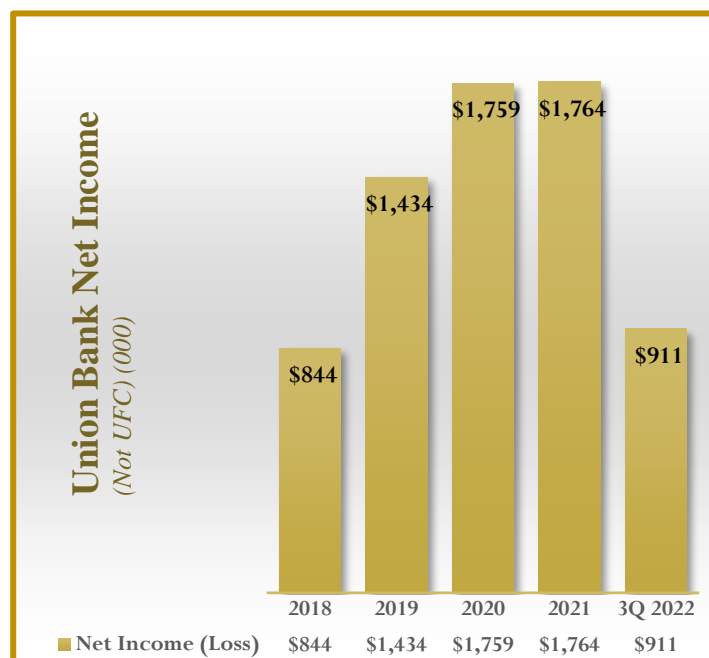
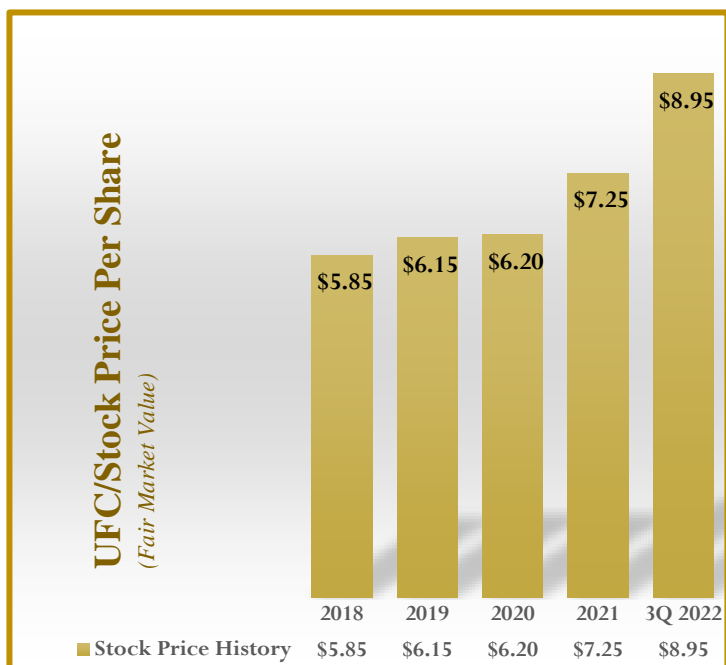
Key Highlights (UB)

- **Assets:** Bank assets of \$332,353,000, as of 3Q 2022 up from \$304,344,000 for the same period 2021.
- **Deposit:** Bank deposits of \$305,032,000, as of 3Q 2022 compared to \$277,132,000 for the same period 2021.
- **Loans:** Bank loans of \$207,463,000, as of 3Q 2022 compared to \$181,052,000 for the same period 2021.
- **Earnings:** Bank earned \$911,000, as of 3Q 2022 compared to \$1,257,000 for the same period 2021.
- **Net Interest Margin:** Bank earned 3.28%, as of 3Q 2022 compared to 3.18% for the same period 2021.
- **Efficiency Ratio:** 86.29%, as of 3Q 2022 compared to 80.16% for the same period 2021.

Performance Ratios (UB)

Return on Average Assets	0.38%
Return on Average Common Equity	5.36%
Yield on Loans	4.76%
Total Loans to Deposits	68.01%
Demand Deposits to Total Deposits	29.89%
Tier I Common Capital/Risk Weighted Assets	10.21%
Non-Performing Loans to Total Loans	0.88%
Allowance for Loan Losses to Total Loans	1.24%
Cost of Funds	0.30%

See Stock Chart: UFC noted strong stock liquidity in 3Q 2022 with over 10,000 shares traded driving FMV and continued investor interest.



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"Increasing Shareholder Value"

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