



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 planned corporate move to Grand Rapids is on schedule with anticipated completion in mid-2022. The Bank remains a customer-focused community bank that targets business owners, professionals, agricultural enterprises, and individuals that offer growth and profitability.

Comments from the CEO

UFC continued with growth plans announced in 2021 in addition to the new corporate facility in Grand Rapids and key staff expansion. Augmenting growth of UFC/Bank is a key strategic initiative which was accomplished in mid-December 2021. UFC successfully closed on a private placement of a \$6 million subordinated note providing the Company with additional capital supporting loan growth and expansion in staffing, deposit operations, and facilities.

In 2021 the Bank produced just over \$60 million in loan production. This is a 76% increase over prior year, excluding PPP activity for that year coupled with aggressively exiting non-performing credits within the loan portfolio. This portfolio re-alignment positions the Bank for increased return on deployed assets into 2022.

Appraiser, based on valuation analysis, establishes the Company's common stock fair market as of December 31, 2021 at \$7.25 per share for 107% of book value. Book value is \$6.75 per share. UFC paid cash dividends of \$397,651.12/\$0.12 per share in 2021. Shareholders (FMV/per share) YTD of 10.69% and 12.52% when including cash dividends paid. Forward stock performance for UFC remains strong. *(See Stock Chart 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

933 4th Avenue
 Lake Odessa, Michigan 48849

Investor Relations Contact

Cortney Collison/President-CEO
 Investor Relations
 (616) 374-3278
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December 31, 2021

| | |
|-----------------------------|-----------|
| Stock Price (FMV) | \$7.25 |
| Price to Book Value | 107% |
| Book Value Per Share | \$6.75 |
| YE 2020 Stock Price | \$6.55 |
| Income Per Share | \$0.47 |
| Shares Outstanding | 3,313,761 |
| Board of Director Ownership | 6% |

Financial Data (000)

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| Assets | \$341,000 |
| Deposits | \$302,072 |
| Equity | \$22,381 |
| Loans | \$178,446 |
| Net Income (YTD 2021) | \$1,565 |

Key Highlights (UB)

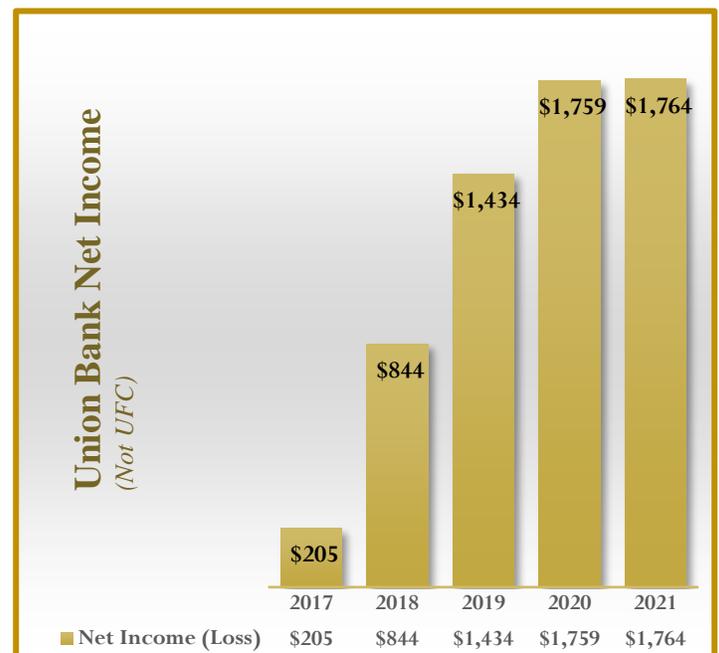
- **Assets:** Bank assets of \$342,221,000, as of YE 2021 up from \$296,463,000 for the same period 2020.
- **Deposit:** Bank deposits of \$312,530,000, as of YE 2021 compared to \$270,237,000 for the same period 2020.
- **Loans:** Bank loans of \$178,446,000, as of YE 2021 compared to \$179,610,000 for the same period 2020.
- **Earnings:** Bank earned \$1,764,000, as of YE 2021 compared to \$1,759,000 for the same period 2020.
- **Net Interest Margin:** Bank earned 3.20%, as of YE 2021 compared to 4.03% for the same period 2020.
- **Efficiency Ratio:** 79.23%, as of YE 2021 compared to 77.59% for the same period 2020.



Performance Ratios (UB)

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|--|--------|
| Return on Average Assets | 0.57% |
| Return on Average Common Equity | 7.95% |
| Yield on Loans | 5.13% |
| Total Loans to Deposits | 57.10% |
| Demand Deposits to Total Deposits | 38.48% |
| Risk Based Capital/Risk Weighted Assets | 11.73% |
| Non-Performing Loans to Total Loans | 2.33% |
| Allowance for Loan Losses to Total Loans | 1.29% |
| Cost of Funds | 0.38% |

See Stock Chart: UFC noted strong stock liquidity in 4Q 2021 with over 20,000 shares traded driving FMV and continued investor interest.



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"Increasing Shareholder Value"

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