



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: Continued interest rate increases by the Federal Reserve into 1Q 2023 has placed continued pressure on the Bank's investment portfolio. Your management remains focused on re-alignment of the portfolio by reinvesting the monthly cash flow and calls to fund investments offering higher returns. Additionally, loans remained strong in the first quarter allowing for an additional increase in asset yields. Management also leveraged deposit accounts through industry borrowings provided by Federal Home Loan Bank and correspondent bank programs providing a positive net interest cost to the Bank. This total portfolio approach by your management mitigated anticipated lower first quarter earnings.

Publicly traded financial stocks was met with industry turbulence a result of two significant bank failures in 1Q 2023 that greatly impacted national and large regional financial institutions' market values. First quarter stock prices in the public market noted varying loss of value followed by continuous fluctuations in price per share with analyst looking to establish valuation recovery models to meet 'investor driven concerns' at both national and regional banking levels.

Conversely, privately held financial institutions, as with UFC in the first quarter of 2023 have shown the positive impact of higher capital levels, stable core deposits, strong risk management, and ability to readily adapt to market movements in a challenging economic environment. Your Board is appreciative of investor confidence in UFC and is pleased to report on the financial soundness of Union Bank (see back page). Price per share remained unchanged from year-end 2022.

Shareholder Return: The fair market value of our stock, as of 1Q 2023 is \$9.15 per share (FMV), unchanged from YE 2022. Shareholders return for 2022 was 27.86% when including dividends. YTD 2023 shareholders have received total cash dividends of approximately \$395,188/\$0.12 per share. Calculation of Price to Book value and Equity Capital is based on Tier 1 Regulatory Capital.

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Union Financial Corporation

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Investor Relations

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March 31, 2023

Stock Price (FMV)	\$9.15
Shareholder Return	27.86%
<i>(Per Share w/Dividend YE 2022)</i>	
Book Value Per Share	\$8.32
<i>(Based on Tier 1 Capital)</i>	
YE 2022 Stock Price	\$9.15
Income Per Share	\$0.05
<i>(YTD 2023)</i>	
Shares Outstanding	3,293,231
Board of Director Ownership	6%

Financial Data (000)

Assets	\$316,614
Deposits	\$277,528
Equity <i>(Tier 1)</i>	\$23,944
Loans	\$218,830
Net Income <i>(YTD 2022)</i>	\$159

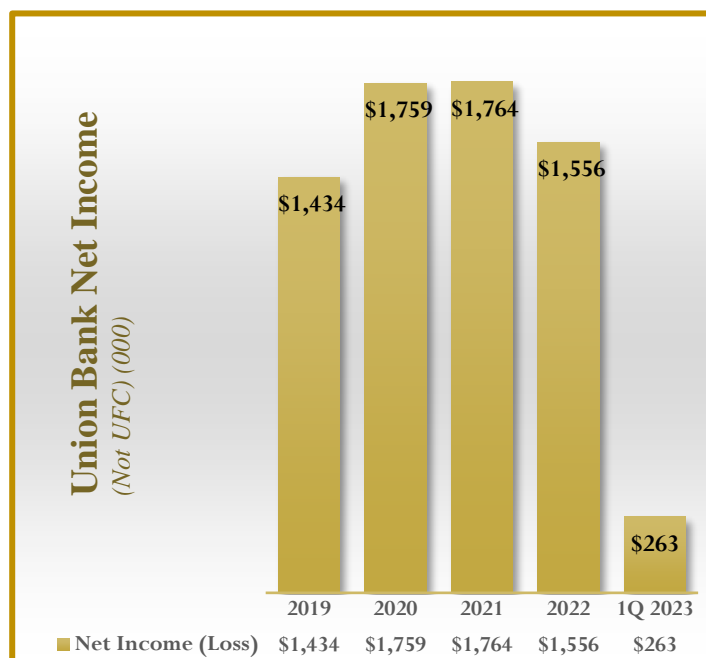
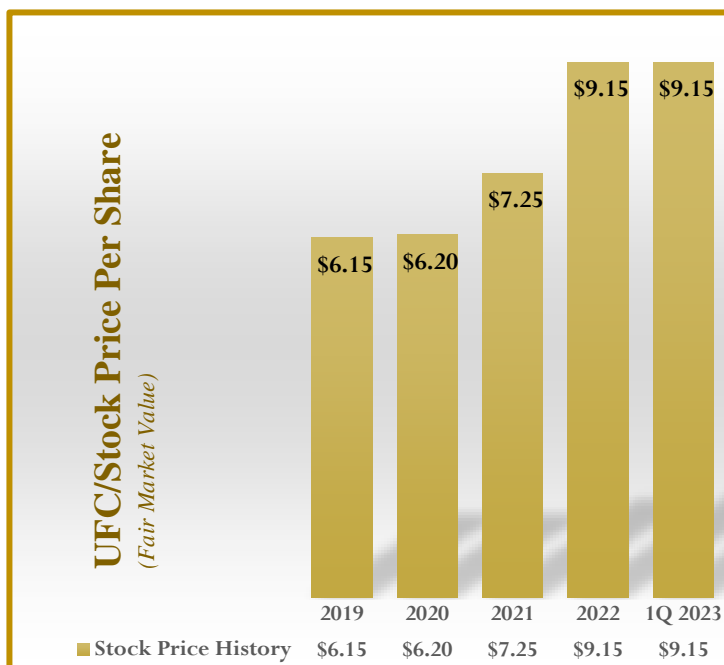
Key Highlights (UB)

- **Assets:** Bank assets of \$317,932,000, as of 1Q 2023 Down from \$319,046,000 for the same period 2022.
- **Deposit:** Bank deposits of \$285,794,000, as of 1Q 2023 compared to \$291,203,000 for the same period 2022.
- **Loans:** Bank loans of \$218,831,000, as of 1Q 2023 compared to \$183,221,000 for the same period 2022.
- **Earnings:** Bank earned \$263,000, as of 1Q 2023 compared to \$83,000 for the same period 2022.
- **Net Interest Margin:** Bank earned 4.16%, as of 1Q 2023 compared to 2.76% for the same period 2022.
- **Efficiency Ratio:** 84.01%, as of 1Q 2023 compared to 93.26% for the same period 2022.

Performance Ratios (UB)

Return on Average Assets	0.32%
Return on Average Common Equity	4.40%
Yield on Loans	5.36%
Total Loans to Deposits	76.47%
Demand Deposits to Total Deposits	27.97%
Tier I Common Capital/Risk Weighted Assets	10.74%
Non-Performing Loans to Total Loans	0.39%
Allowance for Loan Losses to Total Loans	1.73%
Cost of Funds	0.49%

See Stock Chart: UFC noted strong stock liquidity in 1Q 2023 with approximately 7,000 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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