



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 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

Special Focus Union Bank's Efficiency Ratio: A key measurement in tracking operating performance. The efficiency ratio measures the amount of operating income absorbed by non-interest expense, therefore, the lower the percent, the more efficient an organization is operating. As of the end of the first quarter 2020 the Bank's ratio stood at 89.85%, improved to 84.13% for second quarter, and has been enhanced even further to 78.98% to end third quarter 2020. The bank has experienced an increase in earnings during the last two quarters of the year which has aided to bring about the enhanced ratio. Continued earnings growth along with the management of overhead expenses are key to continuing this improvement. (Next quarter the Special Focus will be on Non-Interest Income.)

The Bank is evaluating COVID-19 extended impact on the Bank's business community for the remainder of 2020 and into 2021. Loan officers are working with borrowers in the PPP program (\$35 million) addressing loan forgiveness aspect of the program. The Bank is not anticipating loan losses but has continued its monthly allocation to the loan loss reserves in 3Q 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 4th Avenue
 Lake Odessa, Michigan 48849

Investor Relations Contact

Lindsay Farrell/AVP
 Investor Relations
 (616) 374-3278
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September 30, 2020

Stock Price (FMV)	\$6.55
Price to Book Value	97%
Book Value Per Share	\$6.77
YE 2019 Stock Price	\$6.50
Income Per Share	\$0.49
Shares Outstanding	2,353,761
Board of Director Ownership	4.9%

Financial Data (000)

Assets	\$244,453
Deposits	\$ 208,763
Equity	\$15,932
Loans	\$190,770
Net Income	\$1,146

Key Highlights (UB)

- **Assets:** Bank assets of \$245,185,000, as of 3Q 2020 up from \$191,864,000 for the same period 2019.
- **Deposit:** Bank deposits of \$210,436,000, as of 3Q 2020 compared to \$167,854,000 for the same period 2019.
- **Loans:** Bank loans of \$188,310,000, as of 3Q 2020 compared to \$154,531,000 for the same period 2019.
- **Earnings:** Bank earned \$1,317,000, as of 3Q 2020 compared to \$1,115,000 for the same period 2019.
- **Net Interest Margin:** Bank earned 3.72%, as of 3Q 2020 compared to 4.52% for the same period 2019.
- **Efficiency Ratio:** 78.62%, as of 3Q 2020 compared to 80.31% for the same period 2019.

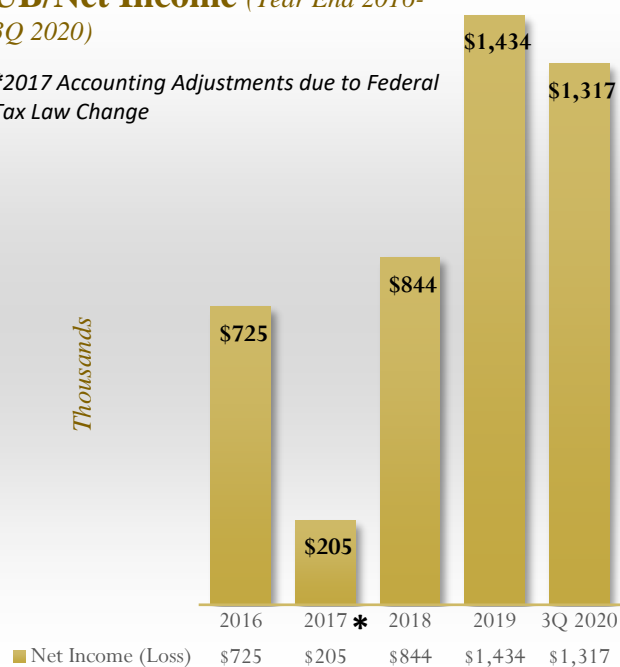
Performance Ratios (UB)

Return on Average Assets	0.79%
Return on Average Common Equity	8.74%
Yield on Loans	4.94%
Total Loans to Deposits	90.65%
Demand Deposits to Total Deposits	31.14%
Risk Based Capital/Risk Weighted Assets*	10.78%
Non-Performing Loans to Total Loans	1.24%
Allowance for Loan Losses to Total Loans	1.15%
Cost of Funds	0.58%

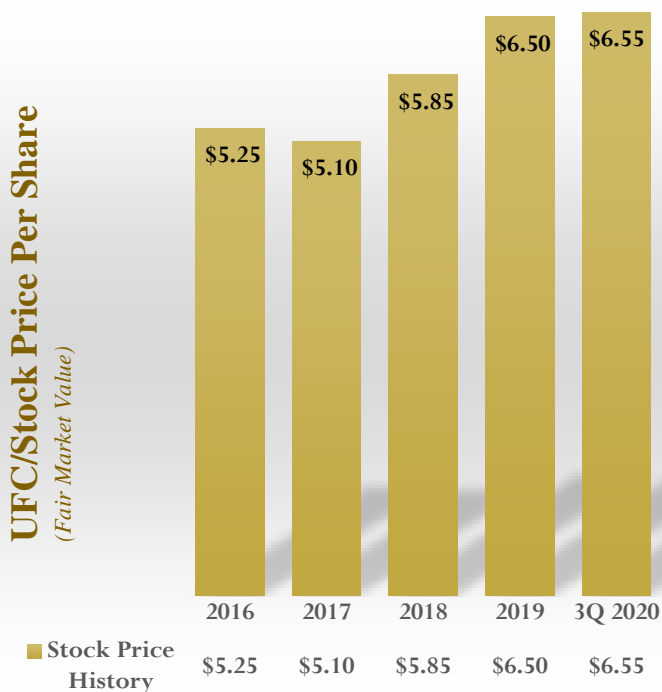
*Well capitalized 10% Regulatory Benchmark

UB/Net Income (Year End 2016-3Q 2020)

*2017 Accounting Adjustments due to Federal Tax Law Change



UFC/Stock Price Per Share (Fair Market Value)



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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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