



March 31, 2019

Dear Shareholders and Friends,

Union Financial Corporation concluded the first quarter of 2019 with improved results over the same quarter the prior year. The achievement of increased earnings that the bank experienced during the second half of 2018 has carried into the current year, generating results that surpassed the first quarter budget. Union Bank's earnings are surpassing expectations for the first quarter by more than double. As compared to the prior year, we are realizing higher net-interest income as well as non-interest income. Growth in loans and the continued successes of UB Consulting LLC and Union Investment Solutions are the main reasons for the rise in earnings when comparing to the first quarter of 2018. Considering the additional personnel that has been gained due to market expansion in West Michigan, other operating expenses are only slightly above the prior year results. Net income as of March 31, 2019 equates to \$213,477 as compared to \$4,781 for 2018.

The strong growth in loans since year-end is definitely the main contributor to our success. The bank experienced net growth in loans of \$8.1 million during the first quarter, and \$28.1 million during the past twelve months. This growth is mainly in our commercial small farm and business loans, with consumer lending in real estate and home equity loans also showing a slight increase. Asset quality remains strong, with a very low past-due ratio and minimal charge-offs for the first quarter. Additionally, growth in deposits has also been occurring, with deposits totaling \$167.9 million as of

quarter-end. The increase in deposits for the first quarter went to fund our loan growth and had a very significant impact to the bottom-line as the deposit growth was mainly in low costing funds.

I am pleased with our corporation's 2019 first quarter results and excited for the opportunities that await us for the remainder of the year. The successes of Union Financial Corporation are not possible without dedicated employees, directors, and shareholders. With our continued growth it is a great time to consider investing or expanding investments in Union Financial Corporation stock. I would like to ask you to please encourage friends and family to become members of our UFC family.

I hope to see many of you at our Annual Meeting that will be taking place on May 7th at 9:00 a.m. at Kilpatrick Church: 10005 E. Barnum Road, Woodland, MI 48897. I am looking forward to having the opportunity to review with you our corporation's 2018 results as well as share some of our growth plans and strategies for 2019. If you have not already submitted your Proxy and RSVP, please contact our Shareholder Relations Manager, Lindsay Farrell, to do so: 616.374.3278 x 1058.

Thank you for your continued support.

Sincerely,

A handwritten signature in black ink that reads 'Cortney H. Collison'.

Cortney H. Collison
President & CEO

Union Financial Corporation Officers

Cortney Collison
President

Suzanne Dahms
Secretary

Christine Fortier
Vice President

Board of Directors

Tim Brodbeck
Cortney Collison
Lloyd Cunningham
Suzanne Dahms

Christopher Fluke
Steve Millman
Paul Trierweiler

Directors Emeriti

William Bulling
Jerry Collison
LaVon Deatsman

Lynn Fetterman
Marvin Head
Dean Hyde

Union Bank Senior Staff

Cortney Collison
President & CEO

Christine Fortier
Senior Vice President & CFO

Suzanne Dahms
Executive Vice President &
COO

Union Bank Officers

Zachary Dennis
Derek Dickinson
Edith Farrell
Lindsay Farrell
Doug Flessner
Matthew Kind

John Mull
Stacey Nurenberg
Bret Simonton
Kevan Van Fleet
Damian Walters
Melody Warzecha

Union Investment Solutions

David White

Meg Wheeler

UFC Consolidated Balance Sheets: March 31, 2019 and 2018

Assets	2019	2018
Cash and Due from Banks	\$9,137,415	\$12,943,950
Federal Funds Sold	0	3,000,000
Total Cash and Cash Equivalents	9,137,415	15,943,950
Securities	16,879,010	20,686,779
Total Loans	152,830,464	124,750,850
Less: Allowance for Loan Losses	(1,287,901)	(1,269,943)
Net Loans	151,542,563	123,480,907
Premises and Equipment	4,972,957	4,894,983
Accrued Interest Receivable	1,193,519	865,809
Other Assets	7,822,013	7,854,015
Total Assets	\$191,547,477	\$173,726,443
Liabilities and Shareholders' Equity		
Liabilities		
Deposits		
Demand	\$37,169,532	\$31,379,139
Interest-Bearing Transaction Accounts	72,209,107	69,806,713
Savings	34,983,005	35,242,733
Time	23,520,778	16,918,350
Total Deposits	167,882,422	153,346,935
Federal Funds Purchased	—	—
Federal Home Loan Bank Borrowings	2,500,000	—
Accrued Interest Payable	82,373	12,804
Other Liabilities	1,771,468	1,701,368
Subordinated Debentures	1,022,000	1,022,000
Guaranteed preferred beneficial interests in the Corporation's subordinated debentures	4,500,000	4,500,000
Total Liabilities	177,758,263	160,583,107
Total Shareholders' Equity	13,789,214	13,143,336
Total Liabilities and Shareholders' Equity	\$ 191,547,477	\$ 173,726,443

UFC Consolidated Income Statements: March 31, 2019 and 2018

	2019	2018
Interest Income		
Loans, Including Fees	\$1,951,159	\$1,552,759
Federal Funds Sold and Other	39,404	28,080
Securities	97,593	119,783
Total Interest and Dividend Income	2,088,156	1,700,622
Interest Expense		
Deposits	195,786	76,688
Federal Home Loan Bank Borrowings	20,750	—
Other Borrowings	81,011	69,025
Total Interest Expense	297,547	145,713
Net Interest Income	1,790,609	1,554,909
Provision for Loan Losses	—	—
Net Interest Income After Provision for Loan Losses	1,790,609	1,554,909
Other Income		
Service Charges on Deposit Accounts	57,265	60,276
Other Income	390,397	329,549
	447,662	389,825
Other Expenses		
Salaries and Employee Benefits	1,084,961	1,006,249
Occupancy and Equipment	279,485	278,926
Other Expenses	616,347	669,270
	1,980,793	1,954,445
Income Before Income Tax	257,478	(9,711)
Income Tax Expense	44,001	(14,492)
Net Income	\$213,477	\$4,781
Basic Earnings Per Share	\$0.09	\$0.00