



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.

Business Insights

The earnings results for the first quarter 2022 look a little different without the additional loan fee income from the Paycheck Protection Program that the Bank recognized in the prior year. First quarter 2022 experienced a slower beginning to the year than anticipated. Loan growth occurring during the month of March, resulted in a net increase for the quarter of \$4.8 million. The commercial and mortgage loan pipelines are quite strong for the coming months and given the rising rate environment, the Bank's net interest income should be showing positive results as the year progresses.

Overall operating expenses for the quarter concluded below the Bank's budget. This is an even bigger accomplishment due to the one-time expense recognized of \$59,000. This expense was related to the Deferred Stock Compensation Plan. Due to the increase in the selling price per share of UFC stock, shares held within the plan had to be brought up to market value.

The Company's Fair Market Value (FMV) of common stock increased to \$8.25 per share as of March 31, 2022. This represents a price increase of \$1.00 per share from YE 2021. Over 50,000 shares have been traded during the first quarter of 2022 driving FMV and continued investor interest.

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
 ccollison@ubmich.com

March 31, 2022

Stock Price (FMV)	\$8.25
Price to Book Value	137%
Book Value Per Share	\$6.04
YE 2021 Stock Price	\$7.25
Income Per Share	\$0.01
Shares Outstanding	3,313,761
Board of Director Ownership	6%

Financial Data (000)

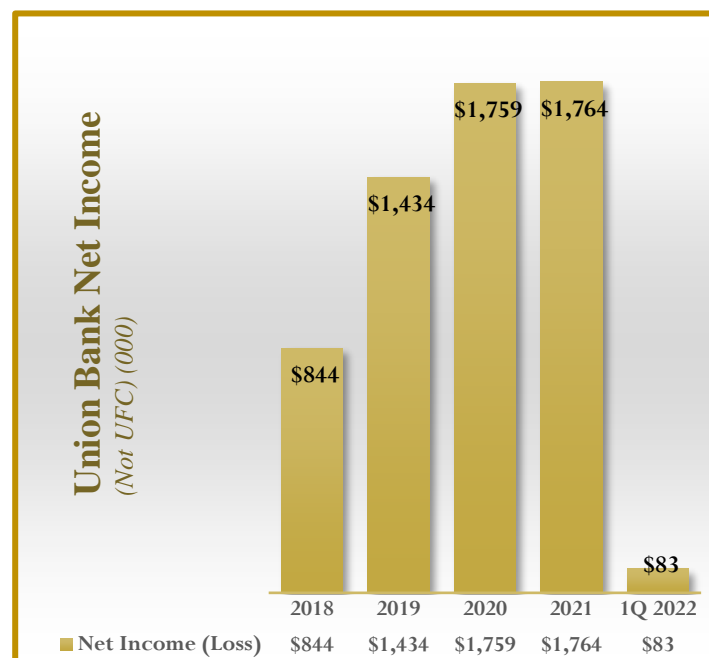
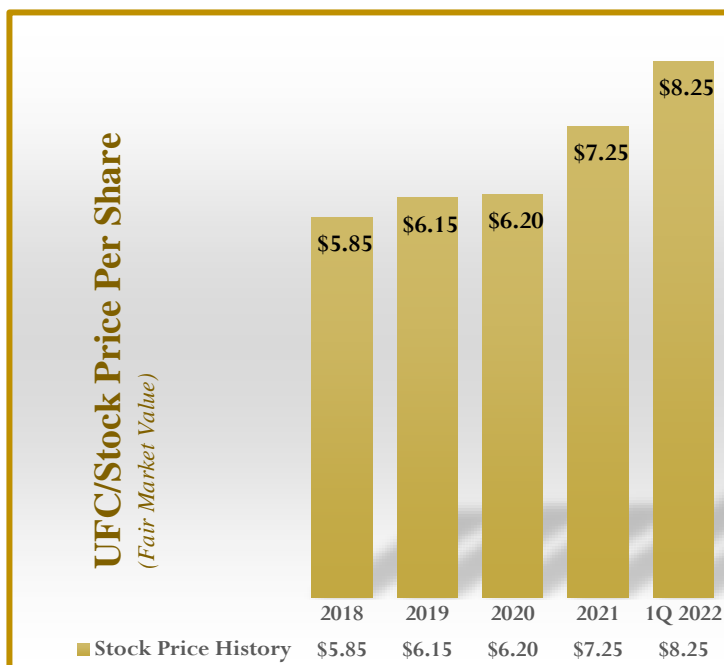
Assets	\$317,836
Deposits	\$281,123
Equity	\$20,029
Loans	\$183,222
Net Income (YTD 2022)	\$29

Key Highlights (UB)

- **Assets:** Bank assets of \$319,046,000, as of 1Q 2022 compared to \$312,240,000 for the same period 2021.
- **Deposit:** Bank deposits of \$291,203,000, as of 1Q 2022 compared to \$286,135,000 for the same period 2021.
- **Loans:** Bank loans of \$183,221,000, as of 1Q 2022 compared to \$186,320,000 for the same period 2021.
- **Earnings:** Bank earned \$83,000, as of 1Q 2022 compared to \$425,000 for the same period 2021.
- **Net Interest Margin:** Bank earned 2.76%, as of 1Q 2022 compared to 3.20% for the same period 2021.
- **Efficiency Ratio:** 93.26%, as of 1Q 2022 compared to 79.90% for the same period 2021.

Performance Ratios (UB)

Return on Average Assets	0.10%
Return on Average Common Equity	1.40%
Yield on Loans	4.57%
Total Loans to Deposits	62.92%
Demand Deposits to Total Deposits	34.19%
Tier I Common Capital/Risk Weighted Assets	11.23%
Non-Performing Loans to Total Loans	1.91%
Allowance for Loan Losses to Total Loans	1.38%
Cost of Funds	0.31%



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"Increasing Shareholder Value"

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