



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

Analysis notes strong portfolio management:

UFC continued with balance sheet expansion a result of increased capital through the successful UFC's private placement offering completed in 1Q 2021. New loan volume was recorded in 2Q 2021 coupled with the continued volume of PPP loans remaining. The Bank made a total of 445 PPP loans for a total of \$52 million with 235 loans totaling \$22 million remaining on the books.

The Bank is replacing those PPP loans (1% interest rate) with higher yielding loans with the long-term benefits of increased interest income. The Bank has experienced increases in service charge income year over year with net increases in account relationships through new banking facilities. Liquidity of the Bank continues to increase, as deposits YTD show continued growth.

Appraiser based on valuation analysis identifies price, as of June 30, 2021 at \$6.85 per share for 104% of book value/book value is \$6.62 per share. Appraiser calculates a return to shareholders (per share) YTD of 5.65% when including cash dividends paid. Forward stock performance for UFC remains strong.

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
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June 30, 2021

Stock Price (FMV)	\$6.85
Price to Book Value	104%
Book Value Per Share	\$6.62
YE 2020 Stock Price	\$6.55
Income Per Share	\$0.20
Shares Outstanding	3,313,761
Board of Director Ownership	6%

Financial Data (000)

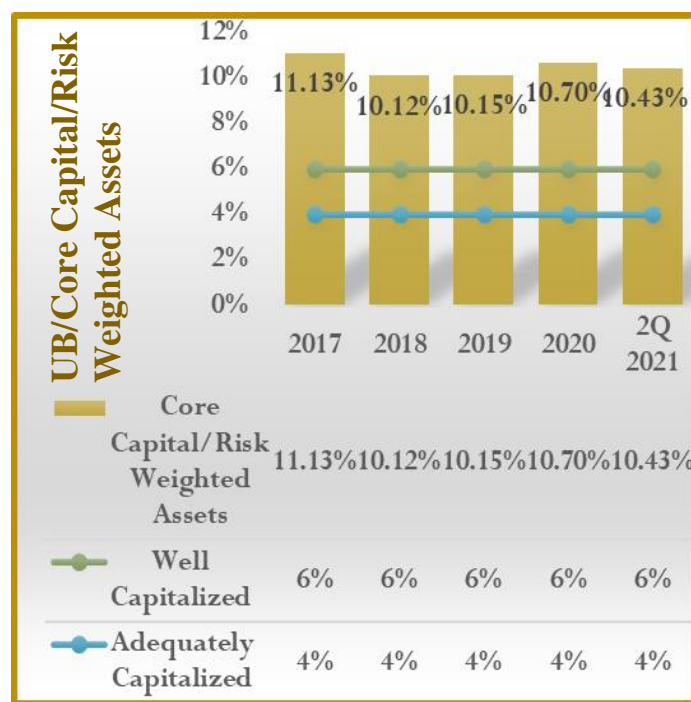
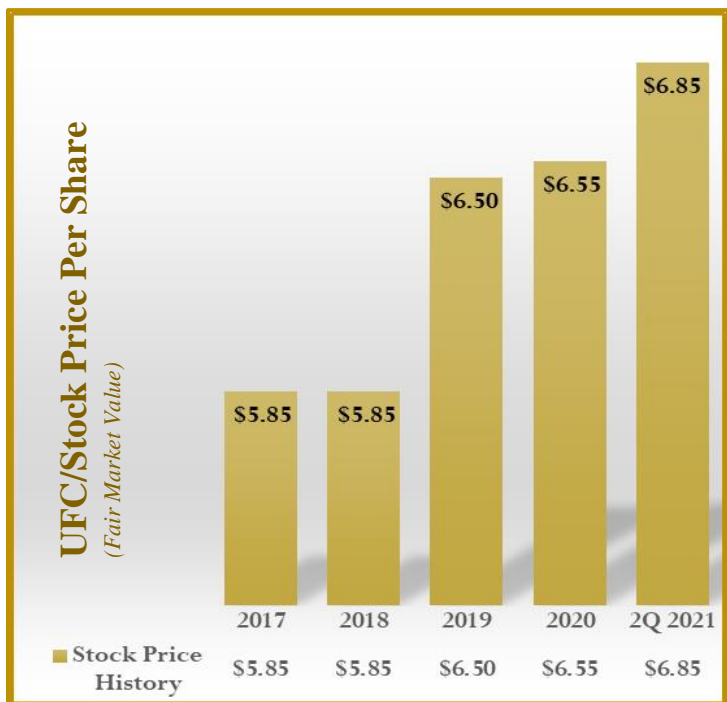
Assets	\$307,852
Deposits	\$ 274,821
Equity	\$21,936
Loans	\$188,687
Net Income (YTD 2021)	\$652

Key Highlights (UB)

- **Assets:** Bank assets of \$308,939,000, as of 2Q 2021 up from \$241,029,000 for the same period 2020.
- **Deposit:** Bank deposits of \$282,284,000, as of 2Q 2021 compared to \$207,129,000 for the same period 2020.
- **Loans:** Bank loans of \$188,687,000, as of 2Q 2021 compared to \$189,368,000 for the same period 2020.
- **Earnings:** Bank earned \$752,000, as of 2Q 2021 compared to \$610,000 for the same period 2020.
- **Net Interest Margin:** Bank earned 3.07%, as of 2Q 2021 compared to 3.64% for the same period 2020.
- **Efficiency Ratio:** 81.36%, as of 2Q 2021 compared to 84.13% for the same period 2020.

Performance Ratios (UB)

Return on Average Assets	0.50%
Return on Average Common Equity	7.04%
Yield on Loans	4.82%
Total Loans to Deposits	66.84%
Demand Deposits to Total Deposits	37.31%
Risk Based Capital/Risk Weighted Assets*	10.43%
Non-Performing Loans to Total Loans	1.72%
Allowance for Loan Losses to Total Loans	1.36%
Cost of Funds	0.42%



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"Increasing Shareholder Value"

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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