



Growing Better, Together

2021 ANNUAL REPORT





Here to Help You Thrive

Union Bank has been proud to call itself a truly local and proudly independent bank since it opened in 1934. As our local, independent West and Central Michigan businesses continue to navigate a rocky landscape, we are here to help them find success and be the go-to resource for the makers, builders and growers in our community. Let's grow better, together.

Forever committed to growing with you.





Our Mission

To extend our nearly century-long service to West and Central Michiganders with roots that started in the agricultural industry into the 21st century as a local, independent bank serving small businesses, especially those who make, build and grow for a living. Specifically:

- 1. Remain independent and local, while extending operations into strategically-targeted West Michigan locations.**
- 2. Focus on small business owners, especially those in manufacturing, agriculture and skilled trades.**
- 3. Provide a high level of personal service and consultation.**
- 4. Develop infrastructure, internal operations and a diversified product and service mix that will increase profitability and shareholder value.**

Financial Highlights

Union Financial Corporation

	12/31/21	12/31/20	12/31/19
TOTAL ASSETS	\$340,855,832	\$295,633,872	\$206,415,082
TOTAL GROSS LOANS	178,445,750	179,609,651	155,610,966
TOTAL DEPOSITS	302,072,529	266,164,706	180,770,423
TOTAL SHAREHOLDERS' EQUITY	22,381,076	18,330,775	14,874,156
ALLOWANCE FOR LOAN LOSSES	2,294,907	2,471,639	1,688,701
ALLOWANCE FOR LOAN LOSSES AS A % OF GROSS LOANS	1.29%	1.38%	1.09%
COMMON SHARES OUTSTANDING	3,313,761	2,718,936	2,353,761
EQUITY AS A % OF ASSETS	6.57%	6.20%	7.21%

	2021	2020	2019
NET INCOME	\$1,565,046	\$1,538,723	\$1,151,678
CASH DIVIDENDS DECLARED	326,272	282,451	282,451

PER SHARE DATA

Basic Earnings	\$0.47	\$0.63	\$0.49
Diluted Earnings	\$0.47	\$0.63	\$0.49
Cash Dividends Declared	\$0.12	\$0.12	\$0.12
Dividend Yield	1.80%	1.93%	2.40%
Market Value	\$6.65	\$6.22	\$5.00
Price to Earnings Ratio	14.15	9.87	10.20
Book Value	\$6.75	\$6.74	\$6.32

PROFITABILITY

Return on Average Assets	0.50%	0.65%	0.60%
Return on Average Equity	7.34%	9.73%	8.07%

Growing Better, Together.

Uncertain and weakened economic conditions continued in 2021 due to the pandemic—adversely impacting our industry, businesses in the communities we serve, consumers and economy. We, too, faced many challenges including lobby closures, new safety protocols, unexpected employee absences due to exposures or illness, assisting customers in navigating their financial options due to federal- and state-mandated closures, staffing shortages and more.

Despite these challenges, we now can reflect with pride on the resilience and growth we achieved together during these difficult times. Our employees are the true champions of our success, as they overcame challenges in and outside of work and ensured every customer was equipped for success. Though we ended 2021 with increased COVID-19 cases and hospitalizations due to the Omicron variant, we hope that numbers will begin to decrease over the next year, a post-pandemic 'new' normal will begin and the economy will return to a healthy state.

SERVICE REIMAGINED

The way we conduct business has changed significantly since 2020. Due to the growth and remaining pandemic restrictions, many of the Banks' employees continue to work remotely. Customers continue to shift from traditional in-person banking to our Virtual Branch and new Digital Banking Suite—solutions that provide both consumers and business customers with safer, more convenient options to manage their finances. In fact, our digital banking solutions aided in a 12% increase in deposit growth in 2021.

GROWTH AND CHANGE IN LEADERSHIP

In March 2021, the Bank announced its first appointment of a Vice Chairman, Chris Fluke. Fluke was later appointed to the seat as Chairman in October with Paul Trierweiler taking his place as Vice Chairman. This change of leadership followed the announcement of long-time Chairman, Lloyd Cunningham, stepping down from his position to continue to serve as a director, as he has done since 1996. New to the Board of Directors in 2021 is Jeffrey Lumpp of Hylant Group.

After 47 years with Union Bank, Executive Vice President and Chief Operations Officer Suzanne (Sue) Dahms announced in the fall of 2021 her plans to retire in December 2022. Sue has been an instrumental part of the Bank's success over the last four decades, beginning her career in 1974 as a co-op student in Bookkeeping. Over the years, Sue has grown into her current role—a member of the Board of Directors and an integral leader not only within the Bank but also within the community. Sue's positive outlook, passion for mentorship and oversight of professional development/growth for many Union Bank employees, along with a strong dedication to the long-term success of our communities, customers and Bank, will be greatly missed.

As part of the succession plan for this important role, Janet Torres, Senior Vice President and Retail & Deposit Operations Director joined the Bank in September 2021. Janet, an experienced professional with a successful career in banking, recruiting and talent management, project management and change leadership in the Greater Grand Rapids Area, joins us with over 19 years of diverse experience in the financial industry. Janet directs all departmental activities related to Retail Banking, Contact Center, Deposit Operations, Human Resources as well as Risk and Internal Audits to ensure compliance and exemplary customer service.

Continued on next page.




Cortney H. Collison
PRESIDENT & CEO

CULTIVATING THE FULL RELATIONSHIP

For many years, the primary business model of Union Bank has been in lending, and 2021 was no different. While our loan portfolio consists primarily of commercial and agricultural loans—traditionally profitable markets for the Bank—we have started to experience growth in commercial real estate lending.

The West Michigan market offers many opportunities for growth and diversification of our portfolio. It continues to be a large focus for the Bank. As we continue to grow and expand, our Commercial Bankers will remain focused on serving both small commercial businesses and the agricultural sector, just as we've done for nearly a century. At Union Bank, we care about every facet of our customers' needs, and our growth allows us to continue to inspire possibilities and open doors to opportunity.

With the opening of the new Union Bank Corporate Office in Grand Rapids in Summer 2022, along with the addition of local, experienced bankers, our vision of expansion into West Michigan has become reality. We expect to accomplish further growth through retention and expansion of current customers, increased efforts in sales, continued effective marketing initiatives and communication, emphasis on referrals and true focus on cultivation of the full customer relationship.

The Bank most recently added a Business Development Director, Treasury Management Director, Risk Officer, Retail Systems Risk Management Officer, and Retail Operations and Training Officer, along with other crucial new support roles. These additions will ensure we are well-positioned to cultivate both new business and consumer customers to nurture the full relationship including deposits, loans, electronic services and other support products accompanied by the best in customer service. It is our goal to become the bank of choice in each community we serve.

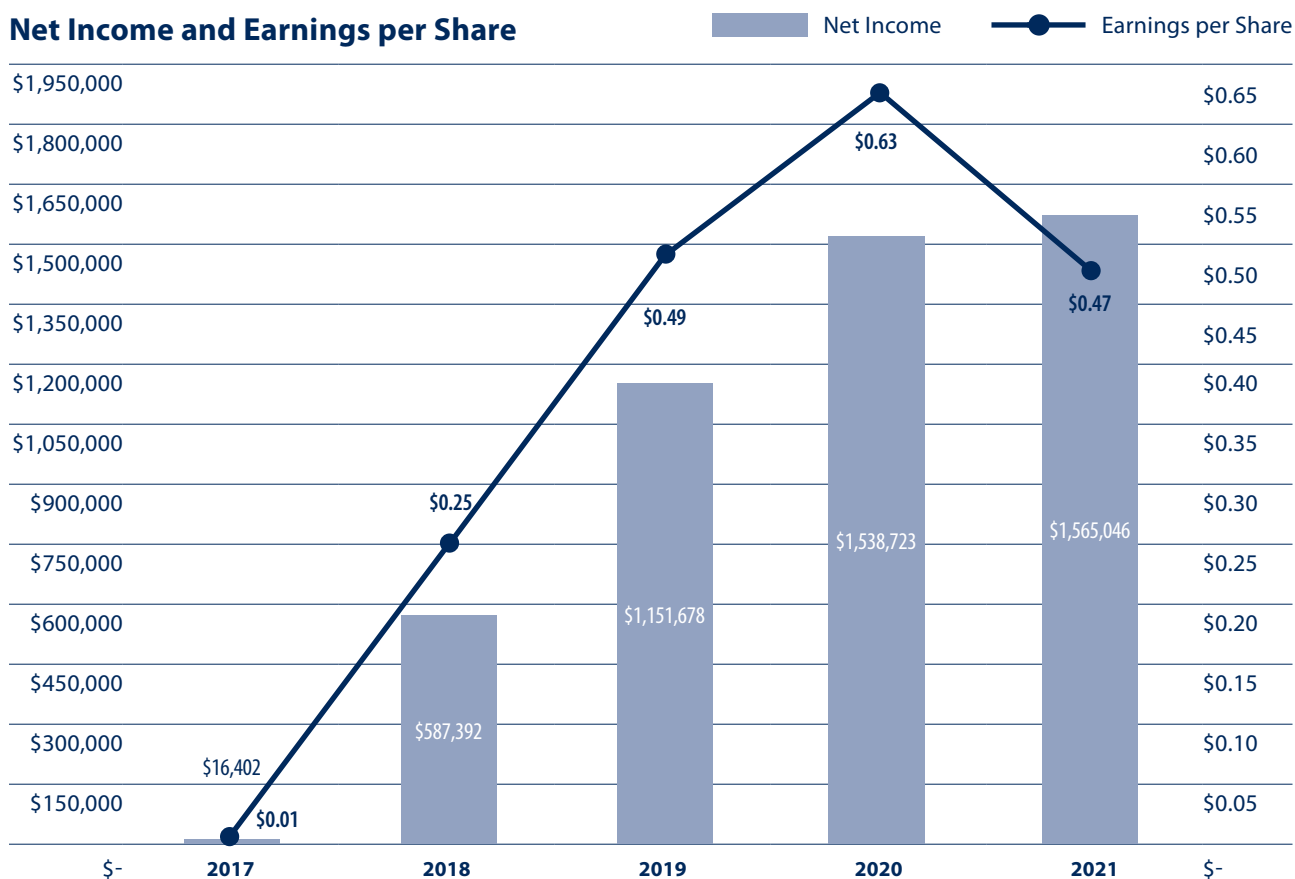
ACHIEVING OUR GOALS AND ENSURING A STRONG FUTURE

Union Bank employees are the true assets of our organization. They continually contribute toward the successful functioning of the organization and strive to deliver a high level of service to our customers. The Bank continues to expand its product line to ensure it is meeting the demands of our customers. As we face the challenges of 2022, we will continue to work diligently to be regarded as a high-quality financial institution in the markets we serve. With the support of our experienced staff, Board of Directors and Shareholders—along with a willingness to go above and beyond—we will achieve our goals.

This is my vision for the future and I eagerly look forward to leading our employees as we turn this vision into reality! Together we will grow to ensure that we are a profitable and enjoyable place to work and a premier place to bank.

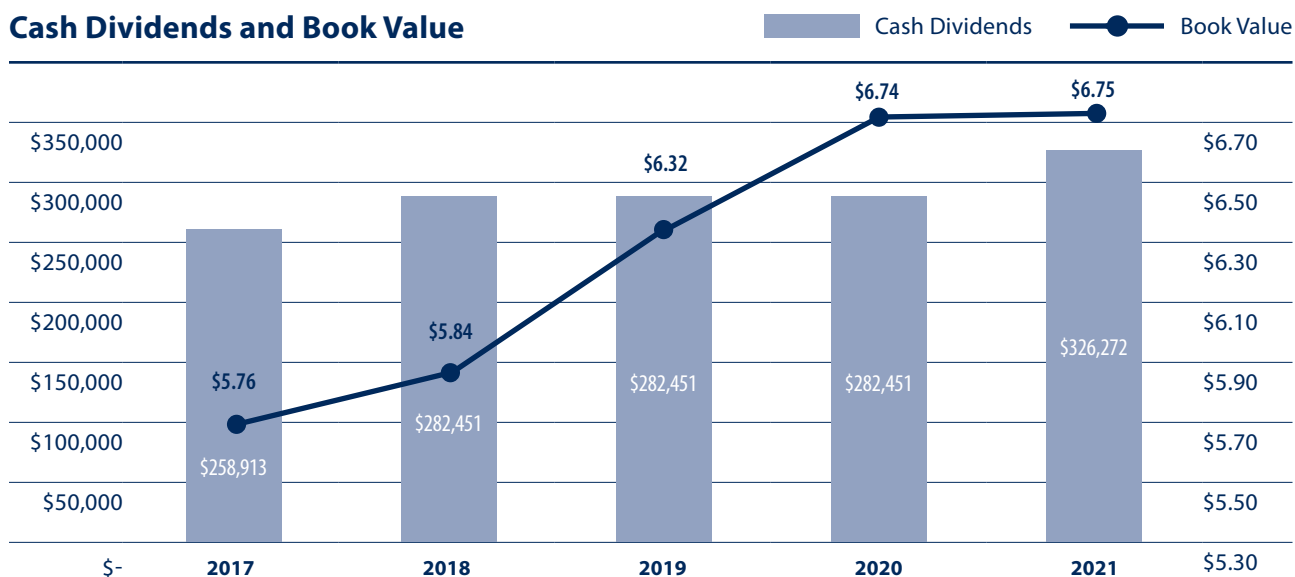


Net Income and Earnings per Share



*2021 earnings per share were affected by additional shares outstanding due to the \$6 Million Capital Campaign. More information on page 22.

Cash Dividends and Book Value



Financials

Union Financial Corporation | CONSOLIDATED BALANCE SHEETS - December 31, 2021 and 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 100,938,352	\$ 86,956,171
Securities available for sale	50,125,717	17,095,449
Federal Home Loan Bank stock	517,500	517,500
Loans, net	176,150,843	177,138,012
Premises and equipment, net	4,336,421	4,753,410
Other real estate	--	168,469
Goodwill	980,947	980,947
Bank-owned life insurance	4,925,205	4,811,490
Accrued interest receivable and other assets	<u>2,880,847</u>	<u>3,212,424</u>
 Total assets	 <u>\$ 340,855,832</u>	 <u>\$ 295,633,872</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits		
Noninterest-bearing demand	\$ 109,814,760	\$ 108,978,829
Interest-bearing demand	103,663,590	86,976,191
Savings	54,368,270	42,673,190
Time	<u>34,225,909</u>	<u>27,536,496</u>
Total deposits	302,072,529	266,164,706
 Federal Home Loan Bank borrowings	 2,500,000	 2,500,000
Subordinated debentures, net	11,377,813	5,522,000
Accrued interest payable and other liabilities	<u>2,524,414</u>	<u>3,116,391</u>
Total liabilities	318,474,756	277,303,097
Shareholders' equity		
Preferred stock: 200,000 shares authorized and no shares outstanding at December 31, 2021 and 2020	--	--
Common stock: \$1 par value, 10,000,000 shares authorized, 3,313,761 and 2,718,936 shares issued and outstanding at December 31, 2021 and 2020, respectively	3,313,761	2,718,936
Surplus	19,966,601	17,083,517
Accumulated deficit	(433,208)	(1,671,982)
Accumulated other comprehensive income/(loss)	<u>(466,078)</u>	<u>200,304</u>
Total shareholders' equity	<u>22,381,076</u>	<u>18,330,775</u>
 Total liabilities and shareholders' equity	 <u>\$ 340,855,832</u>	 <u>\$ 295,633,872</u>

Union Financial Corporation | CONSOLIDATED STATEMENTS OF INCOME - December 31, 2021 and 2020

	2021	2020
Interest and dividend income		
Loans, net	\$ 9,361,463	\$ 8,928,146
Securities available for sale		
Taxable	322,963	199,692
Nontaxable	133,813	135,943
Other	<u>94,546</u>	<u>55,887</u>
Total interest and dividend income	9,912,785	9,319,668
Interest expense		
Deposits	601,207	729,997
Federal Home Loan Bank borrowings	84,154	96,821
Other borrowings	<u>217,614</u>	<u>236,725</u>
Total interest expense	<u>902,975</u>	<u>1,063,543</u>
Net interest income	9,009,810	8,256,125
Provision for loan losses	<u>578,101</u>	<u>450,016</u>
Net interest income after provision for loan losses	8,431,709	7,806,109
Noninterest income		
Service charges on deposit accounts	1,635,096	903,341
Net investment advisory fee income	309,912	220,454
Net gain on sales of loans held for sale	341,964	665,204
Income from U.B. Consulting LLC	380,725	319,156
Other	<u>883,504</u>	<u>680,153</u>
Total noninterest income	3,551,201	2,788,308
Noninterest expense		
Salaries and employee benefits	5,972,468	5,149,695
Other real estate, net	35,091	11,598
Occupancy	566,619	558,587
Furniture and equipment	896,323	679,819
Professional services	859,884	809,564
Director compensation	162,710	177,674
FDIC insurance	259,883	137,089
Other	<u>1,302,911</u>	<u>1,176,552</u>
Total noninterest expense	10,055,889	8,700,578
Income before income tax expense	1,927,021	1,893,839
Income tax expense	<u>361,975</u>	<u>355,116</u>
Net income	<u>\$ 1,565,046</u>	<u>\$ 1,538,723</u>
Basic income per weighted average share of common stock	<u>\$ 0.47</u>	<u>\$ 0.63</u>

Financials (continued)

Union Financial Corporation | CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME - Years ended December 31, 2021 and 2020

	2021	2020
Net income	\$ 1,565,046	\$ 1,538,723
Other comprehensive income (loss):		
Unrealized holding gains (losses) on securities available for sale	(843,522)	202,123
Reclassification adjustment for gains included in net income (presented in net gain on sales of securities available for sale)	--	--
Net unrealized gains (losses)	(843,522)	202,123
Income tax (expense) benefit (income tax expense includes \$0 both years related to reclassification adjustments)	177,140	(42,446)
Total other comprehensive income (loss)	(666,382)	159,677
Comprehensive income	<u>\$ 898,664</u>	<u>\$ 1,698,400</u>

Union Financial Corporation | CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY - Years ended December 31, 2021 and 2020

	Common Stock	Surplus	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance: January 1, 2020	\$2,353,761	\$15,408,022	\$(2,928,254)	\$40,627	\$14,874,156
Net income	--	--	1,538,723	--	1,538,723
Common stock sold	365,175	1,917,169	--	--	2,282,344
Capital campaign expenses	--	(241,674)	--	--	(241,674)
Other comprehensive income	--	--	--	159,677	159,677
Cash dividend (\$0.12 per share)	--	--	(282,451)	--	(282,451)
Balance: December 31, 2020	\$2,718,936	\$17,083,517	\$(1,671,982)	\$200,304	\$18,330,775
Net income	--	--	1,565,046	--	1,565,046
Common stock sold	594,825	3,122,831	--	--	3,717,656
Capital campaign expenses	--	(239,747)	--	--	(239,747)
Other comprehensive income	--	--	--	(666,382)	(666,382)
Cash dividend (\$0.12 per share)	--	--	(326,272)	--	(326,272)
Balance: December 31, 2021	\$3,313,761	\$19,966,601	\$(433,208)	\$(466,078)	\$22,381,076

Union Financial Corporation | CONSOLIDATED STATEMENTS OF CASH FLOWS - Years ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,565,046	\$ 1,538,723
Adjustments to reconcile net income to net cash from operating activities:		
Provision for loan losses	578,101	450,016
Depreciation and amortization	557,179	508,082
Net loss on sales of other real estate	22,091	--
Net gain on sales of loans held for sale	(341,964)	(665,204)
Proceeds from sales of loans held for sale	13,801,148	24,125,754
Loans originated for sale	(13,459,184)	(23,460,550)
Earnings on bank-owned life insurance	(113,715)	(116,287)
Net change in:		
Accrued interest receivable and other assets	331,577	224,351
Accrued interest payable and other liabilities	<u>(414,837)</u>	<u>325,442</u>
Net cash from operating activities	2,525,442	2,930,327
CASH FLOWS FOR INVESTING ACTIVITIES		
Securities available for sale:		
Purchases	(37,781,815)	(9,135,099)
Proceeds from sales, calls, principal paydowns and maturities	3,801,359	6,761,965
Purchase of Federal Home Loan Bank stock	--	(91,300)
Net change in loans	143,846	(23,682,574)
Net premises and equipment expenditures	(33,524)	(206,403)
Proceeds from sales of other real estate	<u>411,600</u>	<u>--</u>
Net cash for investing activities	(33,458,534)	(26,353,411)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in deposits	35,907,823	85,394,283
Net proceeds from issuance of subordinated debt	5,855,813	--
Proceeds from sale of common stock, net of costs	3,477,909	2,040,670
Dividends paid	<u>(326,272)</u>	<u>(282,451)</u>
Net cash from financing activities	<u>44,915,273</u>	<u>87,152,502</u>
Net change in cash and cash equivalents	13,982,181	63,729,418
Cash and cash equivalents at beginning of year	<u>86,956,171</u>	<u>23,226,753</u>
Cash and cash equivalents at end of year	<u>\$ 100,938,352</u>	<u>\$ 86,956,171</u>
Supplemental disclosures of cash flow information		
Cash paid during the year for:		
Interest expense	\$ 913,956	\$ 1,097,976
Income tax expense	380,700	--
Supplemental noncash disclosures		
Transfers from loans to other real estate	\$ 265,222	\$ 16,811

Commercial Banking Loan Overview

Union Bank's current loan portfolio mix, as of December 31, 2021, is approximately 91.7% commercial loans, 5.2% real estate loans and 3.1% consumer loans (including home equity). Overall balance sheet growth over a three-year period has come primarily from the Grand Rapids market, and there is opportunity for an increased presence in the area once our new office opens in Summer 2022. The team showed improvement in overall commercial production in 2021 with a grand total of just over \$76MM, with \$60MM in commercial production and \$16MM in Payment Protection Program (PPP) Production. Historical production in 2020, excluding PPP, was \$32MM. This represents an 85% increase in overall production for 2021. Even with this increased level of commercial loan production, balances remained flat year-over-year (discussed in the following section).

PAYCHECK PROTECTION PROGRAM

As a Small Business Administration (SBA) lender, Union Bank worked with current and new business customers to help equip them with the tools needed to stay in business during the COVID-19 pandemic. In the spring of 2021, the Bank completed Phase 2 of the PPP with just over \$16MM in new PPP loans. On a combined basis, in Phase 1 and Phase 2, the Bank originated just over \$52MM in production. The forgiveness process on Phase 1 started in the fourth quarter of 2020. Of the \$52MM of PPP originated, \$10MM of this was forgiven in 2020. In 2021, working with the SBA, the Bank was able to receive forgiveness on \$39MM in additional balances leaving only \$3MM left for forgiveness moving into 2022.

COMMERCIAL LOANS AND DEPOSIT

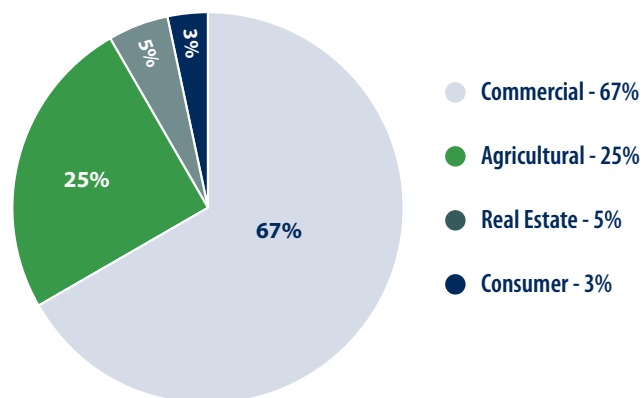
Commercial banking is expecting loan growth of \$39MM—primarily driven by new customer acquisitions in commercial and industrial (C&I) and commercial real estate. The Bank's Commercial banking is estimating overall production of \$65MM in 2022, driven by a strong focus on client selection and calling efforts.

We are starting 2022 with \$40MM in the commercial pipeline—double that of 2021. The \$39MM growth number is factoring in approximately \$22MM – \$25MM in amortization and an additional \$12MM through deleveraging and de-risking the balance sheet through proactive exit strategies. The Bank foresees a higher level of production and growth in manufacturing, wholesale, distributors and contract lending than in the past.

As stated, 2022 will focus on meeting or exceeding the Bank's planned target commercial loan growth amount of \$39MM. Commercial deposit production is slated at \$16.5MM for 2022.

To accomplish our 2022 goal of \$35MM in commercial loan growth, we will establish the interest rate derivative product we implemented in 2021 to help sustain the pipelines needed to achieve success in this area. We will use this strategic product to provide a longer-term, fixed-rate option for our commercial customers that will focus on those credit facilities that want longer, 7- to 10-year maturities. This will also provide the Bank with fee income on the sale of this derivative.

Loan Mix



MORTGAGE BANKING

Union Bank offers a competitive array of mortgage products, including adjustable-rate mortgages, fixed rates and a construction-to-permanent loan type that contributed to the growth of our in-house mortgage portfolio. We have seen growth in our in-house mortgage product balances in 2022, and overall production was at \$21MM.

This is a 20% decrease from the prior year. The Bank's Mortgage area is considering adding Federal Housing Administration (FHA), Veterans Affairs (VA) and Private Banking mortgage products in 2022. In 2021, we implemented MortgageBot—new software that aids in streamlining the origination process. Additionally, with this product, we can consider doing mortgages outside of Michigan, including states like Florida and Arizona which are popular vacation spots. The Bank has customers purchasing second homes in these markets and MortgageBot will allow Union Bank to originate in these markets.

TREASURY MANAGEMENT FOCUS

Focusing on customer needs and ease of doing business is a primary focus for Commercial Banking and Union Bank. In the fall of 2021, we added a full-time Director of Treasury Management officer who's primary focus is to expand and deliver value in our existing relationships and use our tools to attract new commercial business. We are in the process of completing a systems conversion that will significantly expand our capabilities in Treasury Management. The wave of the future will be in digital/electronic payments and services, and the ease in which we deliver these to our customers.



Universal Checking / UB Perks / BaZing Local

We understand our customers have many choices when choosing a financial institution to manage their everyday finances, and we want to ensure we're providing them with added value. In April of 2021, we launched a new consumer checking account line-up called Universal Checking. This program includes accounts with personal protection benefits and tools to help our customers save on the things they purchase every day via UB Perks powered by BaZing, including:

- **24-hour emergency roadside assistance**
- **Cell phone protection**
- **Protection against identity theft**
- **Discounts for shopping and dining from local stores and restaurants**
- **Nationwide travel, hotel, recreation and entertainment savings**
- **Buyer's protection and extended warranty**
- **Savings on prescriptions, vision and hearing aids**

The newest addition to this long list of benefits is Billshark. Billshark helps you get the best rate from service providers for internet, cell phone, cable, satellite, home security and more. Billshark can also find recurring subscriptions you no longer need and help with cancellations. UB Perk members receive preferred pricing for Billshark services, which will be reflected in the cart at sign-up. Billshark requires additional activation to begin.

To learn more about Universal Checking accounts, go to ubmich.com or visit one of our convenient locations.

BaZing Local Merchant Network - A powerful way to promote your local business



Following the pandemic, partnership with community and local businesses is important. Via the BaZing Local Merchant Network, Union Bank is able to support local businesses by promoting their products and services to Union Bank customers in efforts to help grow their business and increase their brand awareness within the communities we serve. Here are a few of the great benefits local businesses can expect with this new partnership offering:

FREE TO PARTICIPATE

Businesses can advertise their products and services for free as part of the network in exchange for providing an ongoing, exclusive discount. There is no fee to participate, and no revenue sharing is required. Customers using UB Perks/BaZing are members of participating banks or credit unions that allow them access to special discount offers in the community.

A SIMPLE WAY TO REDEEM

Customers use the exclusive UB Perks/BaZing mobile app to access discounts based on their locations. At the point of sale, they simply show a mobile coupon to receive the discount. Customers can also print a paper coupon at BaZing.com/unionbank.

CONTROL YOUR OFFERS ANYWHERE, ANYTIME

BaZing merchants can login to their online account to add new discounts or edit existing offers. This gives them the power to make the best offers for their business which also includes the ability to set limitations, terms or exclusions to any discounts they provide.

BY BEING AN ACCESS POINT TO GETTING THEIR BUSINESS REGISTERED ON BAZING, UNION BANK HAS THE OPPORTUNITY TO BE A CHAMPION FOR THE MAKERS, BUILDERS AND GROWERS.



Michigan's Cannabis Industry

At the end of 2021, Union Bank completed its third full year of providing deposit banking services to Michigan's Cannabis industry. While this line of business has brought significant deposits and revenue to the Bank, these benefits come with regulatory, reputation and operational risks. Although medical and adult-use marijuana is legal in Michigan, marijuana is still a schedule 1 drug, making it illegal at the Federal level.

THREE YEARS OF SERVICING THE CANNABIS INDUSTRY

Union Bank onboarded its first Cannabis provisioning center in January 2019. Throughout the first year of servicing the industry, the Bank continued to grow its portfolio slowly which enabled the Bank to build out and test the program to ensure it was addressing all the regulatory requirements while learning the nuances of the industry. 2019 was also a period of transition for the Michigan marijuana market. The licensing process was slow for the state as they developed the most efficient method for approving applicants. The Marijuana Regulatory Agency (MRA) ended the year by issuing the first adult-use licenses in early December.

2020 brought significant Cannabis industry growth as newly constructed cultivation and processing centers began operations and provisioning centers continued to open across the state. The COVID-19 pandemic affected the industry positively—as it was deemed “essential” and could continue to operate during all shutdowns. This provided strong sales and much-needed tax revenue for the state.

Throughout 2021, Union Bank continued to see significant levels of new business. As of November 2021, the state MRA reported 1,272 active medical licenses and 1,145 issued adult-use licenses. The number of additional financial institutions servicing the Cannabis industry has been slow to expand—with nine other banks and eight credit unions known to be actively providing deposit services in Michigan. As competition increases, we have had pressure on our pricing and expect this trend to continue as the market expands.

In 2021, Union Bank added commercial real estate lending to the services that are available for our Cannabis customers. Considering the increased risks to the Bank and the volatile Cannabis market, management and the board elected to take a conservative approach to lending, with strict underwriting guidelines.

Union Bank has become well-known within the Cannabis market, resulting in new customer referrals. As the Bank's customer base expanded, the Bank installed an internal software monitoring system that enables staff to efficiently monitor the onboarding of new customers. Additionally, the system tracks all sales and deposit activity to identify and minimize risk.

THE FUTURE OF CANNABIS

As the number of states with legalized medical and adult-use marijuana continues to rise, the Federal Government is recognizing the need for change. Several versions of The SAFE Banking Act have passed in the US House of Representatives, only to become stalled with the Senate. The Cannabis Administration and Opportunity Act was introduced in the Senate in July 2021. Currently, there is no support for this act to pass. Most industry analysts anticipate that banking legislation will pass in the next 12 – 18 months. Total de-scheduling of Cannabis and removing it from the Controlled Substance list is more than likely to be 2 – 3 years out.

The marijuana industry in Michigan is evolutionary and has moved at an extraordinary pace. Many cultivation, processing and testing facilities opened in 2021, which enabled the market to meet the demand for medical and adult use. Michigan's unlimited licensing structure encourages new businesses and competition, which will continue to drive prices down.

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UNION BANK CONTINUES TO EXPAND AND SERVE THE CANNABIS INDUSTRY

Effective compliance oversight of Cannabis accounts is the highest priority for this line of business. Due to departmental growth and restructuring in late 2021, the internal team is equipped with the necessary tools to maintain a strong program to service the Cannabis industry.

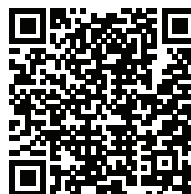
In 2022, Union Bank plans to actively grow its Cannabis portfolio with close attention to total deposits and the effects on key bank ratios such as Tier 1 Capital. We anticipate much of our growth to come from referrals from existing customers and ancillary service providers, as we have built a solid reputation within the industry. As the number of financial institutions is expected to continue to increase over the coming years, Union Bank will set itself apart by providing high-level customer service, being responsive to the needs of the industry and leveraging the services our ancillary partners can provide—including PIN/Debit transactions and lower-cost insurance products. Our goal is not to be the largest bank servicing the Cannabis industry—but to be the best.

Digital Banking Suite

Introduced in July 2021, Union Bank's Digital Banking Suite offers a convenient, seamless, more personal way for customers to manage their finances from the comfort of their home or on the go. The Suite is accessible via mobile phone, tablet or computer.

-  **VIEW BALANCES AND TRANSACTIONS:** Search your recent activity, filter by tags and add personal notes or images.
-  **TRANSFER FUNDS:** Effortlessly initiate one-time, future date or repeating transfers.
-  **DEPOSIT CHECKS:** Skip the trip to the bank and simply snap a photo of any check you need deposited into your account.
-  **GET ALERTS:** Receive automatic alerts and push notifications to help you stay on top of your bills.
-  **ASK FOR HELP:** Have fully secured, digital conversations with real staff members any time you need assistance.
-  **UB BUDGET BUDDY:** Build personal budgets, manage your cash flow and set goals for the future—all in one intuitive interface.

CHECK OUT UNION BANK'S VIRTUAL BRANCH ON YOUR MOBILE DEVICE



Scan the appropriate QR code for your mobile device to download the app.



Virtual Branch

THINKING OUTSIDE OF THE BOX

At the close of 2021, Union Bank completed its second full year of providing customer service via the Virtual Branch. When we launched the Virtual Branch in November 2019, we were well-positioned to continue serving our customers amid the COVID-19 crisis and shift the way we conduct business to keep our customers and employees safe. While we couldn't predict a forthcoming pandemic, our Virtual Branch provided consumers and business customers with more than convenience; it also provided a safer option. The new service also eliminated distance barriers beyond the period of restricted travel for our business and Cannabis-related Banking (CRB) customers located across the state of Michigan needing assistance. In a time when we were forced to close branch lobbies, our Virtual Branch—along with our Drive-Thru, 24-Hour ATM and Digital Banking Suite services—gave customers a variety of safe options to manage their finances. The popularity of the Virtual Branch continues to increase; the team completed 4,206 video calls in 2021 compared to the 1,521 in 2020.

CONVENIENT SERVICE

The Virtual Branch is accessible via PC, mobile device or in-branch kiosk. Kiosks, located at five Union Bank locations, provide a convenient option for customers wanting to avoid long lines or are in need of advanced banking support.

Beyond video calls, current and prospective customers are now able to instant message a Union Bank representative via the messaging feature on the Bank's website or Conversations—housed within the Digital Banking Suite. The addition of both these messaging platforms, launched in July 2021, allow team members to respond to customer questions or concerns promptly.

GROWTH IN NUMBERS

In anticipation of significant organizational growth and to accommodate the increasing popularity of the Virtual Branch and messaging platforms, additional team members were added to the Contact Center in 2021. In April, the Contact Center agents played an intricate role in the rollout of the Bank's NEW Universal Checking accounts by assisting customers during the transition process. In addition to selecting the right account, agents assisted each customer with the download of the NEW UB Perks app, along with a benefits explanation. Call volumes increased significantly during that period while the team also cared for the regular calls requesting assistance with online banking, e-statements, new account activity, wire transfers and general account maintenance.

The Contact Center team also provided a great deal of customer support in July 2021 when the Bank launched its NEW Digital Banking Suite. As a result of this upgrade, agents were able to assist with customer questions, maintenance and other types of inquiries.

In 2022, the Bank's goal is to increase the number of customers utilizing the Virtual Branch app. Currently, 465 customers have created a Virtual Branch account. The goal is to increase that number by 16% while retaining the current level of users. The agents will continue expanding their capabilities to include IRA/HSAs, consumer lending, branch support, electronic service setup and support, and creating more internal workflow to improve efficiencies. With the new installation of Ring Central in the first quarter of 2022, the Contact Center will begin exploring the new features and functions that will improve customer experience, strengthen reporting and add more efficiencies to the department.



UB Consulting Services, LLC



John Mull
VP, Senior Compliance Consultant



Damian Walters, CISA
VP, Senior IT Auditor and Assessor



Joe Campbell, CISA
Senior IT Auditor and Assessor

UB Consulting, LLC was formed in 2013 to provide regulatory compliance consulting services to unaffiliated third-party community banks throughout Michigan. These services are provided by the Bank's Compliance Officer and Senior Compliance Consultant, John Mull, with the intent to utilize his excess capacity with the Bank to generate service income through consulting agreements. In 2018, UB Consulting, LLC contracted with Damian Walters & Associates (DWA), a Certified Information Systems Auditor, to add IT compliance auditing and security assessing to its capabilities. With ever-changing IT threats, it is important that businesses keep their systems up-to-date and secure. DWA works with companies in various industries, not just financial institutions, to continually help secure their IT infrastructure. Due to continued growth of the DWA client portfolio, a full-time specialist was added to the team in late 2020.

Union Investment Solutions

Over the last several years, the team of Union Investment Solutions (UIS) has observed substantial growth and rounded out 2021 by exceeding the Bank's gross revenue goal by 37 percent. This success is a result of the team's expertise in the industry of both consumer and commercial financial wellness, commitment to excellent customer service and with many referrals from satisfied customers.

With a focus on Small Business Retirement Plans acquisition strategies and increasing presence in the Greater Grand Rapids market, UIS continues to identify potential commercial customers in need of assistance developing or revisiting their retirement programs for their employees. In a competitive job market following the Great Resignation of 2021, UIS understands that choosing the right employee retirement plan is important for attracting new and retaining current talent.

UIS continues to work with current and new consumer clients on their investment strategies to build and grow a secure financial future no matter what challenges life may bring. Another area of focus for UIS is financial wellness education for young adults. From balance sheets and investments to saving for college or retirement plans, it is never too early to start planning for the future.

If you are interested in scheduling a meeting with UIS to discuss your financial future, please give us a call at (616) 374-1530. We look forward to helping you grow a secure financial future, together.



Union Investment Solutions Team

Securities and insurance products are offered through Cetera Investment Services LLC, member FINRA/SIPC. Cetera is not affiliated with the financial institution where investment services are offered. Investments: • Are not FDIC/NCUSIF insured • May lose value • Are not financial institution guaranteed • Are not a deposit • Are not insured by any federal government agency. 1150 Jordan Lake Street, Lake Odessa, MI 48849 (616) 374-1530.

Our Leadership

BOARD OF DIRECTORS

Christopher Fluke, Chairman

ELECTED 2007

Retired from Walker, Fluke & Sheldon, PLC

Paul Trierweiler, Vice Chairman

ELECTED 2006

Co-Owner, Trierweiler Dairy Farm

Timothy Brodbeck

ELECTED 2013

Owner, Brodbeck Farms

Cortney Collison

ELECTED 2007

President & Chief Executive Officer, Union Bank

Lloyd Cunningham

ELECTED 1996

*Co-Owner, Specialty Industries
and Owner of Cunningham Farms*

Suzanne Dahms

ELECTED 1999

*Executive Vice President &
Chief Operations Officer, Union Bank*

Steve Millman

ELECTED 2018

President and Owner, NorthStar Commercial

DIRECTORS EMERITI

William Bulling

Jerry Collison

La Von Deatsman

Lynn Fetterman

Marvin Head

Dean Hyde

UNION INVESTMENT SOLUTIONS

Meg Wheeler

David White

SENIOR MANAGEMENT

Cortney Collison

PRESIDENT

Chief Executive Officer

Suzanne Dahms

EXECUTIVE VICE PRESIDENT

Chief Operations Officer

Timothy Doyle

EXECUTIVE VICE PRESIDENT

Chief Lending Officer

Christine Fortier

EXECUTIVE VICE PRESIDENT

Chief Financial Officer

BANK OFFICERS

Dana Bacon

Stephanie Brummette

Sandra Collison

Kimberly Cox

Zachary Dennis

Derek Dickinson

Edith Farrell

Kevan Van Fleet

Doug Flessner

Stephanie Joseph

Michael Keast

Sarah Klingenberg

Robert Kowalewski

Angela Kuhlman

John Mull

Bret Simonton

Janet Torres

Damian Walters

Melody Warzecha

Rose Willson

Community

Union Bank is proud to support and give back to the communities we serve with donations and monetary support. It's important to the Bank and its' employees to help develop business, educate our youth and uphold the safety and quality of life for local citizens. We are very intentional about the contributions we make to the community—so we keep our focus on qualified non-profit organizations located in the communities we serve. In 2021, the Bank donated over \$15,000 to local non-profits and community causes such as United Way, Green Gables Haven, Family Promise of Grand Rapids, Give-A-Kid Projects, Spectrum Health, Lakewood Educational Foundation, Oxford Community Memorial and Victims Fund, Imagination Library of Barry County and many more. In addition to monetary donations, the Union Bank team members volunteered at several community events and participated in the Barry County United Way Day of Caring by assembling over 65 personal hygiene packs for Manna's Market in Lake Odessa.



Family Promise donation



Assembling personal hygiene packs

2021 UB SCHOLARSHIP PROGRAM

2021 marked the 21st year of the scholarship program originally created to highlight and celebrate graduating high school seniors who have continuously shown dedication not only to their education but also to their community. Union Bank believes in helping students within its service area achieve their dreams of higher education. The Union Bank Scholarship Program is open to high school seniors who plan to attend a private or public college, university or trade school to further their skills and education in fields that make, build and grow for a living. The following students were awarded \$4,000 in scholarships:



Raleigh Kuplers

Forest Hills Northern High School



Oliver Beswick

Lakewood High School



Blake Mischley

Forest Hills Northern High School



Brianna Flynn

Westphalia High School



Gavin Salgat

Lakewood High School

Austin Bleam

Hastings High School



Angela Kuhlman, Jeffrey Lumppp, Janet Torres, Robert Kowalewski, Michael Keast, Dana Bacon, Sarah Klingenberg (new officer and board members listed from left to right).

Employee Promotions & Anniversaries

PROMOTIONS / APPOINTMENTS

STEPHANIE BRUMMETTE

Retail Operations and Training Officer

CHRISTOPHER FLUKE

Board Chairman

PAUL TRIERWEILER

Board Vice Chairman

ROSE WILLSON

AVP, Marketing Officer

CASEY GOGGINS

Contact Center Team Lead

ANNIVERSARIES

3 YEARS (2018)

CASEY GOGGINS

Contact Center Team Lead

DAMIAN WALTERS

IT Consultant

STEVE MILLMAN

Board Member

ELLI WONCH

Westphalia Branch Teller

SAMANTHA KEITH

Dimondale Branch Teller

15 YEARS (2006)

PAUL TRIERWEILER

Board Vice Chairman

CORTNEY COLLISON

President and Chief Executive Officer

25 YEARS (1996)

LLOYD CUNNINGHAM

Board Member

SANDRA COLLISON

Accountant, Bank Officer

WELCOME NEW OFFICERS AND BOARD MEMBERS!

ANGELA KUHLMAN AVP

Human Resources Manager

JEFFREY LUMPP

Board Member

JANET TORRES SVP

Retail and Deposit Operations Director

ROBERT KOWALEWSKI VP

Director of Business Development

MICHAEL KEAST VP

Commercial Relationship Manager

DANA BACON VP

Treasury Management Director

SARAH KLINGENBERG VP

Risk Officer

Union Financial Corporation Update



Union Financial Corporation (UFC) was formed in 1988 as the holding company for Union Bank. UFC is privately held and traded, and owns 100% of Union Bank.

Over the years, many local families have invested in Union Bank by purchasing shares in UFC. Through the decades, this ownership has been passed down to children and other local families. As a privately held company, ownership remains in the communities we serve, and our Board of Directors intend to maintain that local ownership and independence.

Occasionally, limited shares of UFC stock become available, and we are now extending the opportunity to hold ownership in the bank to our customers and supporters. While the number of shareholders who could invest was previously limited by regulation, the JOBS Act, passed in early 2012, now allows us to add new shareholders. We invite you to support your community through ownership in YOUR community bank.

While income per share fell slightly from previous year to \$0.47 as of year-end 2021 as result of more shares outstanding due to the capital campaign mentioned later in this section, the Fair Market Value (FMV) per share experienced an increase over year-end 2020. A primary focus of Senior Management and the Board of Directors is Capital Management. Being well-capitalized is crucial as the Bank positions itself for future growth and expansion. Focusing on earnings to strengthen capital has been a Bank initiative over the last few years. In 2020, the Bank launched a Capital Campaign to raise up to \$6 million in additional capital through a common stock offering to aide in the Banks' long-term strategic expansion plans. Due to COVID-19, the Capital Campaign was extended to March 31, 2021 and fully completed.

A \$6 million Subordinated Notes Capital Raise was launched in November 2021 and completed in December. In total, the Bank raised \$12 million in 2021 to further growth initiatives and boosted its legal lending limit to \$4 million.



Union Bank Breaks Ground on New Corporate Office

Union Bank announces a new corporate office at 670 Cascade W Parkway SE in Grand Rapids. The 6,500 square foot state-of-the-art facility designed by Ghafari Associates will open in Summer 2022.

Currently headquartered in Lake Odessa, Union Bank has been proud to call itself a local, independent bank with roots deep in West and Central Michigan soil since 1934. The Bank has changed over the years, but one thing remains the same—the commitment to working hard for local businesses and the hard-working people who make, build and grow for a living.

“Emerging from a difficult year, we as a Bank continue to stand strong and instill hope for the many local, independent businesses we serve and the individuals who work for them. Navigating the landscape over the past year has been a challenge for many of the makers, builders and growers in our community. We are honored to have helped so many of our customers find success and growth during a difficult time, and we are committed to always finding the right solutions to our customers’ needs,” said President and CEO, Cortney Collison.

The organization has seen steady growth over the years, and relocating the corporate office allows it to expand its footprint and help more businesses reach their goals.

Our History

Union Bank is a truly local, right-sized and proudly independent bank with roots deep in West and Central Michigan's soil—more specifically, we equip business owners who make, build and grow for success. The bank is state-chartered and overseen by a Board of Directors that are fully committed to remaining independent and real: real people who solve real problems, who listen with local knowledge and who consult with common sense.

FOUNDED AS A UNION OF TWO BANKS

Union Bank was founded in 1934 as the result of a “union” of two Lake Odessa banks. Since then, we have served the Lake Odessa community and slowly expanded into other neighboring communities; most recently into West Michigan in 2017 with the addition of a full-service branch in Ada. Union Bank now proudly serves the folks of Lake Odessa, Mulliken, Dimondale, Westphalia, Pewamo, Hastings and Ada/Cascade, and we expect our new Cascade Corporate Office to be open in the summer of 2022.

OUR ROOTS AND LOYALTY RUN DEEP

Since our inception, Union Bank has been a loyal partner to local farmers and to this day, approximately 28% of our commercial loan portfolio consists of agricultural loans. Along with our local farmers, Union Bank is also proud to support our customers' commercial, mortgage and consumer financial needs by offering industry-competitive products and exceptional customer service.

YOUR LIFE. YOUR BANK.

Our top priority has always been the Union Bank family. While we continue to enhance our products and services to provide our customers with the best that the financial industry has to offer, our dedication to shaping those services to fit individual lifestyles, and meet the needs of our communities, hasn't changed. When we say “Your life. Your bank.” we back it up with hard work and personal service. Our commitment to celebrating the owners and operators who make, build and grow for a living is and will always be at the core of what we do—we are people who work hard for hard-working people.

OUR COMMITMENT TO GROWTH AND COMMUNITY.

Michigan Banks

- 77 community banks remaining in Michigan
- 67% of deposits in Michigan are controlled by large, out-of-state banks

Why Community Banks are Important

- Money stays local
- Local decision-making
- Community involvement



Our Locations



Member
FDIC



Your life. Your bank.

Growing better, together with the
makers, builders and growers of
West and Central Michigan.