



2020 ANNUAL REPORT

Providing hope, inspiring possibilities, and delivering solutions during a time of uncertainty.



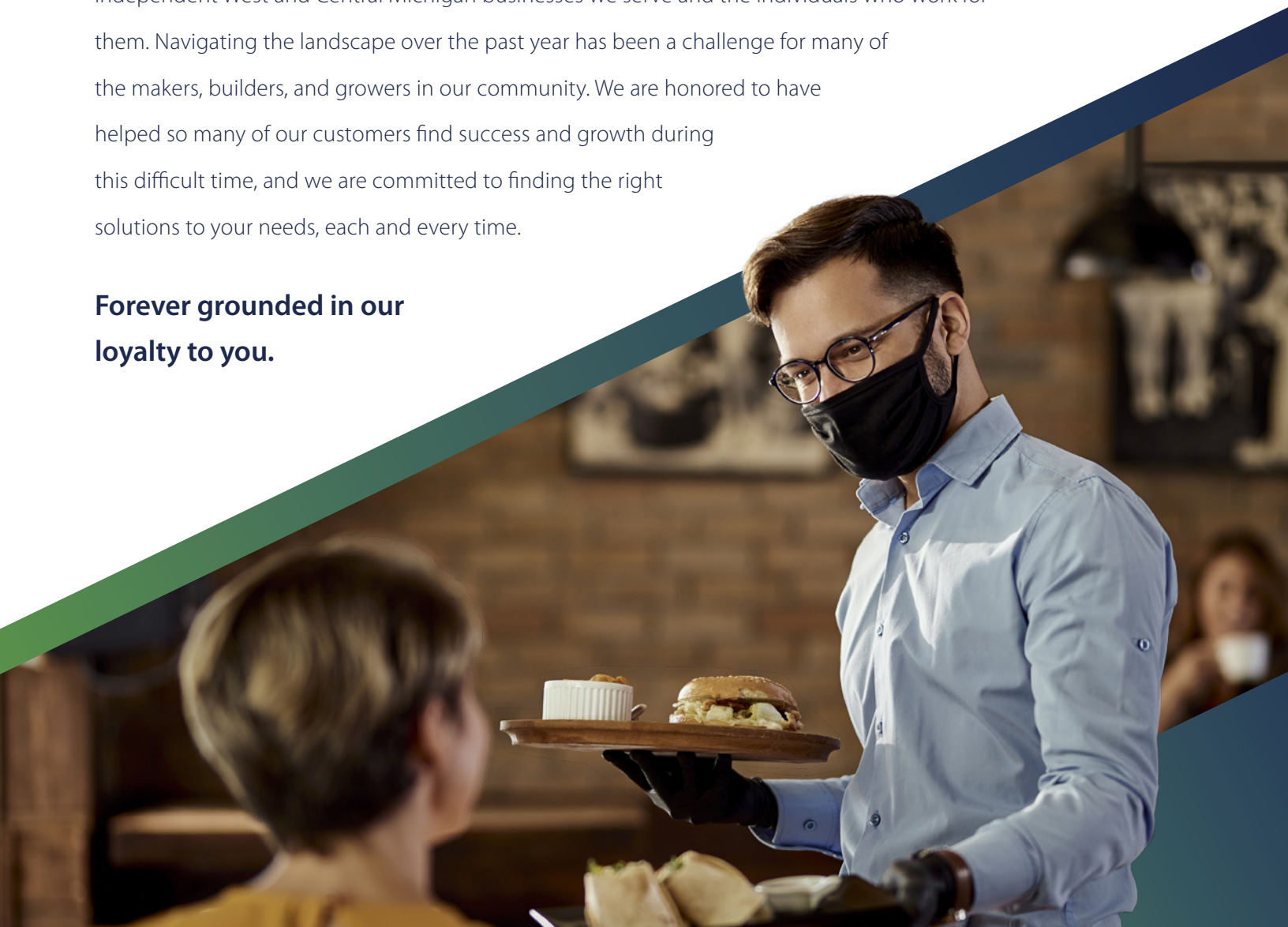
Union Financial Corporation



Committed to You: The Makers, the Builders and the Growers.

Union Bank has been proud to call itself a truly local and proudly independent bank since we opened in 1934. Emerging from a difficult year, we continue to stand strong and instill hope for the many local, independent West and Central Michigan 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 this difficult time, and we are committed to finding the right solutions to your needs, each and every time.

**Forever grounded in our
loyalty to 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

	12/31/20	12/31/19	12/31/18
TOTAL ASSETS	\$295,633,872	\$206,415,082	\$186,800,105
TOTAL GROSS LOANS	179,609,651	155,610,966	144,887,231
TOTAL DEPOSITS	266,164,706	180,770,423	161,589,146
TOTAL SHAREHOLDERS' EQUITY	18,330,775	14,874,156	13,742,781
ALLOWANCE FOR LOAN LOSSES	2,471,639	1,688,701	1,306,356
ALLOWANCE FOR LOAN LOSSES AS A % OF GROSS LOANS	1.38%	1.09%	0.90%
COMMON SHARES OUTSTANDING	2,718,936	2,353,761	2,353,761
EQUITY AS A % OF ASSETS	6.20%	7.21%	7.36%

	2020	2019	2018
NET INCOME	\$1,538,723	\$1,151,678	\$587,392
CASH DIVIDENDS DECLARED	282,451	282,451	282,451

PER SHARE DATA

Basic Earnings	\$0.63	\$0.49	\$0.25
Diluted Earnings	\$0.63	\$0.49	\$0.25
Cash Dividends Declared	\$0.12	\$0.12	\$0.12
Dividend Yield	1.93%	2.40%	2.40%
Market Value	\$6.22	\$5.00	\$5.00
Price to Earnings Ratio	9.87	10.20	20.00
Book Value	\$6.74	\$6.32	\$5.84

PROFITABILITY

Return on Average Assets	0.65%	0.60%	0.33%
Return on Average Equity	9.73%	8.07%	4.37%

Delivering hope, possibilities and solutions in an unprecedented year of uncertainty

I am continually reminded of the strength and resolve of our Union Bank team and customers and how well we come together to equip one another for success—especially this past year; one filled with incredible uncertainty. In the midst of a pandemic, we surpassed expectations and remained strong to see another record year of growth, while many of our hard-working customers have overcome unprecedented obstacles in their businesses and personal lives. This year was truly a year of providing hope, inspiring possibilities, and delivering solutions during a time of uncertainty.

READJUSTING DURING A PANDEMIC

In only a matter of months, the world of banking, much like every other industry, experienced a level of disruption with the COVID-19 pandemic that changed everything that had been the norm in financial services. There has not only been a major change in the way financial institutions conduct business, but in the way employees do their work and the way consumers manage their finances.

Banks across the country have used this time of disruption to consider reinventing themselves from the inside out. Consumer expectations regarding financial services and delivery channels have changed and banks must support their financial needs through the innovation of new digital products and services. A growing emphasis on social distancing requirements led many banks to effectively deploy technology with unprecedented agility and resilience. We were fully prepared to meet this challenge, though unaware at the time just how immense an impact it would make. Launched in 2019, our Virtual Branch recast the role of branches by providing a more innovative way of interacting with our customers.

STABILIZING OUR LOCAL ECONOMY

Union Bank played a crucial part in stabilizing our local economy and transmitting government stimulus and relief programs for businesses in West and Central Michigan. The U.S. Small Business Administration reported \$14.9 billion Payment Protection Program (PPP) loans made in 2020 across the country to provide much-needed relief to American small businesses. These loans have supported more than 51 million jobs and over 80% of all small business employees who are the drivers of economic growth in our country. Union Bank processed approximately \$35 million in PPP loans consisting of small- to mid-size businesses in 2020.

ACHIEVING OUR GOALS AND ENSURING A STRONG FUTURE

Turning the page on one of the most difficult years since the Great Recession in 2008-2009, our employees are the true assets of our organization. They continually contribute effectively towards 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 we are meeting the demands of our customers. As we face the challenges of 2021, 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, and a willingness to go above and beyond, we will achieve our goals. This is my vision for the future! I eagerly look forward to leading our employees as we turn this vision into reality. Together, we will ensure that this bank is profitable, an enjoyable place to work and a premier place to bank.



Cortney H. Collison
Cortney H. Collison
PRESIDENT & CEO

CONTINUED YEAR-END NET INCOME GROWTH

In 2019, our year-end net income nearly doubled compared to 2018, and growth continued in 2020 to over \$1.5 million. We attribute this continued success to many different objectives that our hard-working team accomplished throughout the year. As our outreach for new and enhanced financial partnerships continued to grow, so did our lending and deposit relationships due to the Paycheck Protection Program and increased Cannabis Related Business relationships. In 2020, the bank experienced a healthy increase in interest earned from loans as well as deposit account services charge—both areas contributing to enhanced income.

BRANDING FOR THE FUTURE

Over the past several years, senior management and our Board of Directors have worked together to analyze opportunities for growth, strategize, plan and implement new products/ services; and forecast what it will take to be competitive in a large market while maintaining a steady pace of sustainable organizational growth.

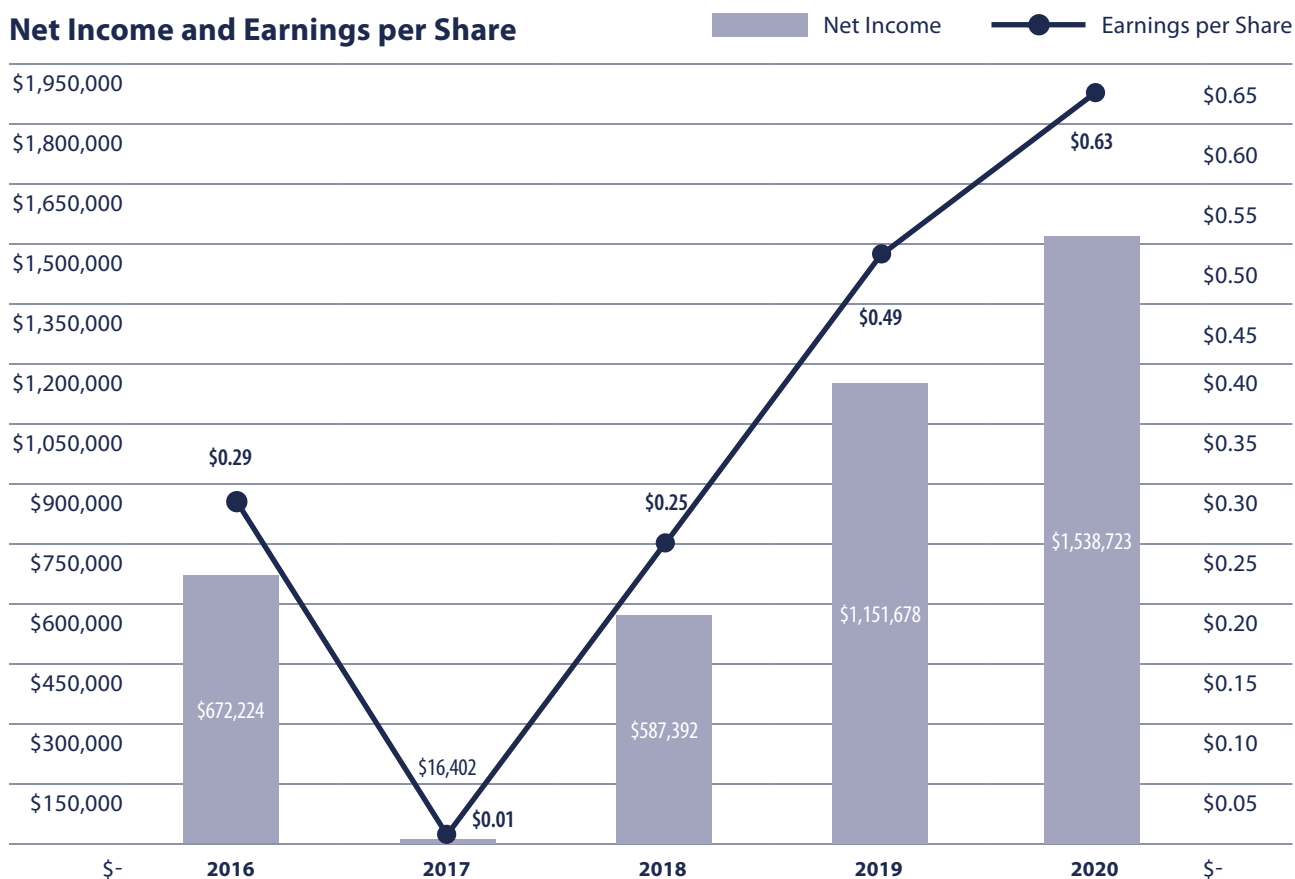
During this time, the possibility of relocating the bank's main office into the Greater Grand Rapids area has been discussed. As you know, we opened a branch in Ada in 2017 that currently operates with two commercial lenders who are focused on opportunities within this market. In order for Union Bank to be recognized as a true competitor in the Grand Rapids market, we need a more predominant presence. Additionally, the Lake Odessa headquarters has reached its potential and to grow, a change in location is required.

In preparation for further expansion into the Grand Rapids market and to focus on growth of our lending portfolio, Union Bank branded its loan products to increase awareness and capture a more competitive, modern edge in Michigan's second-largest city. Through digital and traditional marketing, Union Bank's *Make Build Grow* campaign allowed us to capture the attention of our small-business owners and entrepreneurs, especially those connected to manufacturing, agricultural and skilled trades. The branding campaign also aided in the marketing of the availability of Payment Protection Program funds.

To stay true to our slogan 'Your life. Your bank.' in 2021, we will continue to strengthen the awareness of our diverse product and service offerings to our local businesses and the hard-working people who make, build and grow for a living.

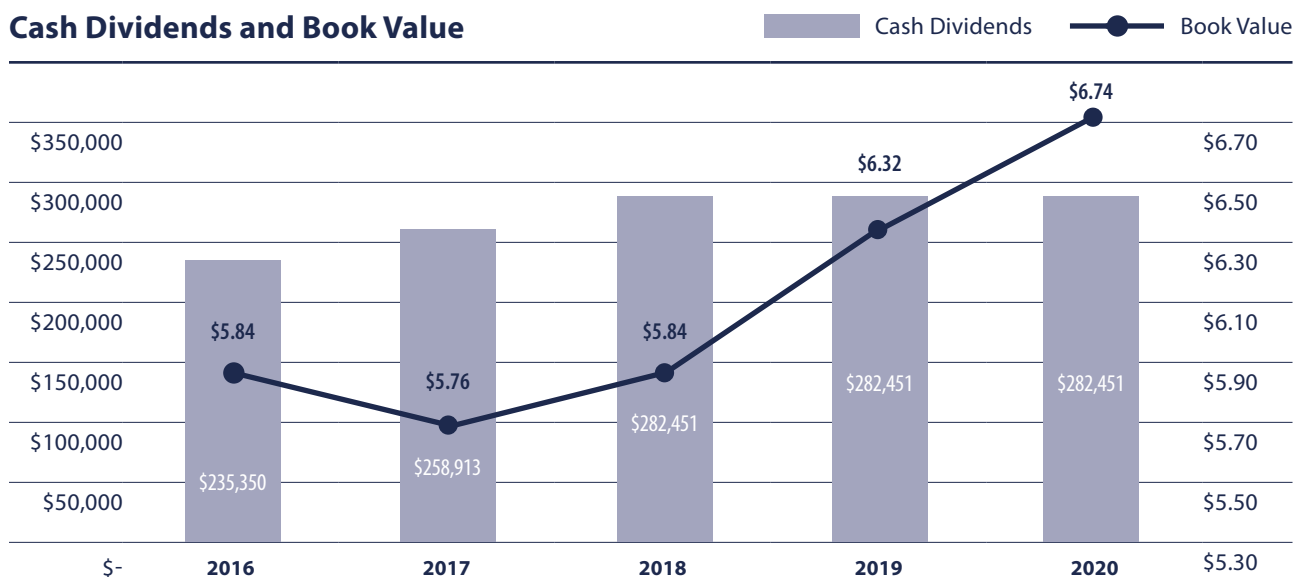


Net Income and Earnings per Share



*2017 net income results were affected by a \$590,292 adjustment to the corporation's deferred tax asset that became necessary due to the Tax Reform signed by the President in December 2017.

Cash Dividends and Book Value



Financials

Union Financial Corporation | CONSOLIDATED BALANCE SHEETS - December 31, 2020 and 2019

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 86,956,171	\$ 23,226,753
Securities available for sale	17,095,449	14,586,427
Federal Home Loan Bank stock	517,500	426,200
Loans held for sale	--	--
Loans, net	177,138,012	153,922,265
Premises and equipment, net	4,753,410	4,988,854
Other real estate	168,469	151,658
Goodwill	980,947	980,947
Bank-owned life insurance	4,811,490	4,695,203
Accrued interest receivable and other assets	<u>3,212,424</u>	<u>3,436,775</u>
 Total assets	 <u>\$ 295,633,872</u>	 <u>\$ 206,415,082</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits		
Noninterest-bearing demand	\$ 108,978,829	\$ 49,623,531
Interest-bearing demand	86,976,191	71,072,324
Savings	42,673,190	36,144,750
Time	<u>27,536,496</u>	<u>23,929,818</u>
Total deposits	266,164,706	180,770,423
 Federal Home Loan Bank borrowings	 2,500,000	 2,500,000
Subordinated debentures	5,522,000	5,522,000
Accrued interest payable and other liabilities	<u>3,116,391</u>	<u>2,748,503</u>
Total liabilities	277,303,097	191,540,926
Shareholders' equity		
Preferred stock: 200,000 shares authorized and no shares outstanding at December 31, 2020 and 2019	--	--
Common stock: \$1 par value, 10,000,000 shares authorized, 2,718,936 and 2,353,761 shares issued and outstanding at December 31, 2020 and 2019, respectively	2,718,936	2,353,761
Surplus	17,083,517	15,408,022
Accumulated deficit	(1,671,982)	(2,928,254)
Accumulated other comprehensive income	<u>200,304</u>	<u>40,627</u>
Total shareholders' equity	18,330,775	14,874,156
 Total liabilities and shareholders' equity	 <u>\$ 295,633,872</u>	 <u>\$ 206,415,082</u>

Union Financial Corporation | CONSOLIDATED STATEMENTS OF INCOME - December 31, 2020 and 2019

	2020	2019
Interest and dividend income		
Loans, net	\$ 8,928,146	\$ 8,189,718
Securities available for sale		
Taxable	199,692	246,950
Nontaxable	135,943	136,206
Other	<u>55,887</u>	<u>150,592</u>
Total interest and dividend income	9,319,668	8,723,466
Interest expense		
Deposits	729,997	833,112
Federal Home Loan Bank borrowings	96,821	84,153
Other borrowings	<u>236,725</u>	<u>319,888</u>
Total interest expense	<u>1,063,543</u>	<u>1,237,153</u>
Net interest income	8,256,125	7,486,313
Provision for loan losses	<u>450,016</u>	<u>100,000</u>
Net interest income after provision for loan losses	7,806,109	7,386,313
Noninterest income		
Service charges on deposit accounts	903,341	337,070
Net investment advisory fee income	220,454	265,056
Net gain on sales of loans held for sale	665,204	147,446
Income from U.B. Consulting LLC	319,156	262,930
Other	<u>680,153</u>	<u>716,602</u>
Total noninterest income	2,788,308	1,729,104
Noninterest expense		
Salaries and employee benefits	5,149,695	4,540,609
Other real estate, net	11,598	20,831
Occupancy	558,587	569,429
Furniture and equipment	679,819	517,526
Professional services	809,564	735,466
Director compensation	177,674	137,982
FDIC insurance	137,089	45,477
Other	<u>1,176,552</u>	<u>1,147,959</u>
Total noninterest expense	8,700,578	7,715,279
Income before income tax expense	1,893,839	1,400,138
Income tax expense	<u>355,116</u>	<u>248,460</u>
Net income	<u>\$ 1,538,723</u>	<u>\$ 1,151,678</u>
Basic income per weighted average share of common stock	<u>\$ 0.63</u>	<u>\$ 0.49</u>

Financials (continued)

Union Financial Corporation | CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME - Years ended December 31, 2020 and 2019

	2020	2019
Net income	\$ 1,538,723	\$ 1,151,678
Other comprehensive income (loss):		
Unrealized holding gains (losses) on securities available for sale	202,123	331,833
Reclassification adjustment for gains included in net income (presented in net gain on sales of securities available for sale)	--	--
Net unrealized gains (losses)	202,123	331,833
Income tax (expense) benefit (income tax expense includes \$0 both years related to reclassification adjustments)	(42,446)	(69,685)
Total other comprehensive income (loss)	159,677	262,148
Comprehensive income	<u>\$ 1,698,400</u>	<u>\$ 1,413,826</u>

Union Financial Corporation | CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY - Years ended December 31, 2020 and 2019

	Common Stock	Surplus	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance: January 1, 2019	\$2,353,761	\$15,408,022	\$(3,797,481)	\$(221,521)	\$13,742,781
Net income	--	--	1,151,678	--	1,151,678
Other comprehensive income	--	--	--	262,148	262,148
Cash dividend (\$0.12 per share)	--	--	(282,451)	--	(282,451)
Balance: December 31, 2019	\$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

Union Financial Corporation | CONSOLIDATED STATEMENTS OF CASH FLOWS - Years ended December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,538,723	\$ 1,151,678
Adjustments to reconcile net income to net cash from operating activities:		
Provision for loan losses	450,016	100,000
Depreciation and amortization.....	508,082	477,578
Net loss on sales of other real estate	--	18,025
Net gain on sales of loans held for sale	(665,204)	(147,446)
Net gain on sales of securities available for sale.....	--	--
Proceeds from sales of loans held for sale	24,125,754	5,925,073
Loans originated for sale.....	(23,460,550)	(5,647,627)
Earnings on bank-owned life insurance	(116,287)	(118,173)
Net change in:		
Accrued interest receivable and other assets	224,351	(81,123)
Accrued interest payable and other liabilities.....	<u>325,442</u>	<u>(767,360)</u>
Net cash from operating activities.....	2,930,327	910,625
CASH FLOWS FOR INVESTING ACTIVITIES		
Securities available for sale:		
Purchases	(9,135,099)	(4,914,962)
Proceeds from sales, calls, principal paydowns and maturities.....	6,761,965	5,982,510
Purchase of Federal Home Loan Bank stock	(91,300)	--
Net change in loans.....	(23,682,574)	(10,775,708)
Net premises and equipment expenditures	(206,403)	(357,053)
Proceeds from sales of other real estate.....	<u>--</u>	<u>34,635</u>
Net cash for investing activities	(26,353,411)	(10,030,578)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in deposits	85,394,283	19,181,277
Proceeds from sale of common stock, net of costs	2,040,670	--
Dividends paid	<u>(282,451)</u>	<u>(282,451)</u>
Net cash from financing activities	<u>87,152,502</u>	<u>18,898,826</u>
Net change in cash and cash equivalents.....	63,729,418	9,778,873
Cash and cash equivalents at beginning of year.....	<u>23,226,753</u>	<u>13,447,880</u>
Cash and cash equivalents at end of year.....	<u>\$ 86,956,171</u>	<u>\$ 23,226,753</u>
Supplemental disclosures of cash flow information		
Cash paid during the year for:		
Interest expense.....	\$ 1,097,976	\$ 1,204,282
Income tax expense.....	--	--
Supplemental noncash disclosures		
Transfers from loans to other real estate	\$ 16,811	\$ 204,318

Significant Growth in Lending Power

Union Bank’s commercial loan balance experienced significant growth during 2020 while providing financial aid assistance to local businesses who qualified for the Small Business Administration (SBA) COVID relief options. As of December 31, 2020, loan balances had increased 15.4% year-over-year to \$179.6 million. The bank’s current loan portfolio mix is approximately 90% commercial and agricultural loans, 7% real estate loans and 3% consumer loans (including home equity). In December 2020, the bank added a new Executive Vice President & Chief Lending Officer to focus on strategic initiatives for the growing organization, as well as lead the commercial and consumer lending divisions to ensure customers are equipped with the tools necessary to reach their personal and professional goals.

INSPIRING POSSIBILITIES TO OUR MAKERS, BUILDERS, AND GROWERS

While our loan portfolio continues to consist primarily of commercial and agricultural loans—traditionally profitable markets for us—we have started to experience growth in commercial real estate lending. We are optimistic about this development, though we will be cautious and carefully monitor growth due to the historically riskier aspects of such lending.

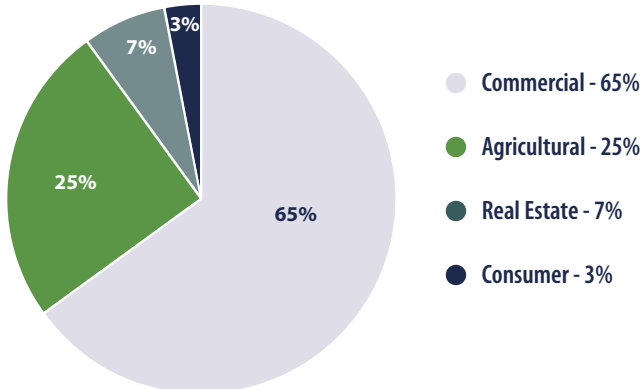
The West Michigan market offers many opportunities for growth and diversification of our portfolio, and continues to be a large focus for the bank. As we continue to grow and expand, our Commercial Relationship Managers (formerly referred to as Commercial Lenders) will remain focused on serving both 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.

Over the next year, we intend to focus on increasing our loan portfolio and improving credit quality. We expect to accomplish further growth through retention and expansion of current customers, increased efforts in sales, continued effective marketing initiatives and communication and emphasis on referrals.

PROVIDING HOPE - 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. The SBA Paycheck Protection Program (PPP) was made available in April 2020 to any small business that has been affected by COVID-19 who also has less than 500 employees or meets the SBA industry size standard. This special program offers the opportunity for the loan to be fully forgiven if all employee

Loan Mix



retention criteria are met and the funds are used for eligible expenses, including: payroll costs, benefits, mortgage interest, rent, utilities, worker protection costs related to COVID-19, uninsured property damage costs caused by looting or vandalism during 2020, and other expenses tied to keeping the business in operation.

In a time of uncertainty due to Michigan's mandates in response to the COVID-19 pandemic, many businesses had to close their doors to customers or modify the way they conducted business for several months. Union Bank was able to provide hope to 217 businesses who qualified for assistance, equating to over \$35 million in proceeds. At year-end, we had 94 full payoffs and seven partial payoffs equaling less than \$10K. Total PPP loan origination fees collected amounted to over \$1.2 million.

Union Bank is well-positioned to assist new and current customers with the PPP loan application process in the event additional stimulus funds become available in the future.

CONSUMER LOANS

The bank offers a competitive array of mortgage products including adjustable-rate mortgages and a construction-to-permanent loan that contributed to the growth of our in-house mortgage portfolio. With the drop-in interest rates that remained low for a majority of the year, we experienced increased mortgage applications—primarily for refinances. At year-end, we had originated and closed over \$10 million in mortgage loans compared to \$5.8 million for the full year of 2019.

In addition to our in-house real estate mortgage portfolio, Union Bank services \$50 million worth of loans sold on the secondary market. We currently have modest mortgage volume, however, we are focused on future growth by continuing to market new mortgage products, as well as USDA, VA and FHA mortgages. In addition, we are currently seeking to expand the team of mortgage originators in the Grand Rapids and Lansing markets to specifically increase sales to Freddie Mac and the Federal Home Loan Bank of Indianapolis (FHLBI), as well as to generate sustained mortgage growth throughout 2021 and beyond.



Significant CRB Growth

At the close of 2020, Union Bank completed its second full year of providing deposit banking services to Cannabis Related Businesses (CRB) across the state of Michigan. While this line of business has brought significant deposits and revenue to the bank, these benefits come with risks in regulations, reputation and operations. While medical and adult-use marijuana is legal in Michigan, it is illegal at the Federal level due to its classification as a schedule I drug.

MICHIGAN TRANSITIONS TO MEET A GROWING DEMAND

2019 was 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. To ensure patients could access required medical products, the Marijuana Regulatory Agency (MRA) passed several emergency rules throughout the year, ending the year by issuing the first adult-use licenses in early December.

In January 2019 we onboarded our first cannabis provisioning center. Throughout our first year servicing the industry, we continued to grow our portfolio slowly, enabling us to build out and test the program to ensure it was addressing all regulatory requirements while learning the nuances of the industry.

TECHNOLOGY SUPPORTS GROWTH

Towards the end of 2019, Union Bank was becoming well-known within the market, resulting in new customer referrals. As the bank's customer base expanded, we recognized that we could not effectively manage the portfolio without a software program focused specifically on cannabis banking. After careful selection, we chose to implement the Shield Compliance System, which integrates with the state's METRC monitoring system and provides key benefits including:

- Enables staff to efficiently onboard new customers
- Actively merges all sales, inventory and deposit activity
- Identifies daily deviations and exceptions, resolving alerts daily
- Provides communication to cannabis businesses (supporting documentation is required)
- Maintains all customer data and documents in a single location, bringing efficiency to many processes including Suspicious Activity Reporting

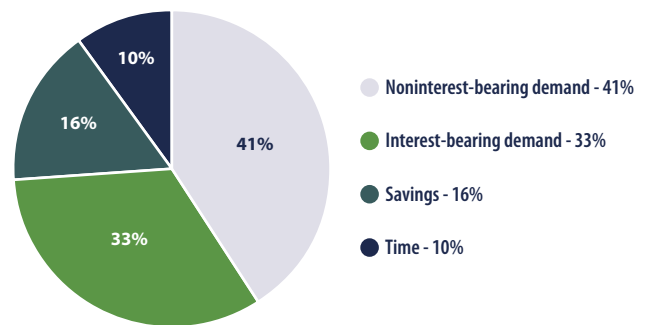
A BOOMING INDUSTRY

Early 2020 brought significant cannabis industry growth as newly constructed cultivation and processing centers began operations, provisioning centers continued to open across the state, and the pandemic deemed the industry "essential" which kept operations open during all shutdowns. This provided both strong sales and much-needed tax revenue for the state.

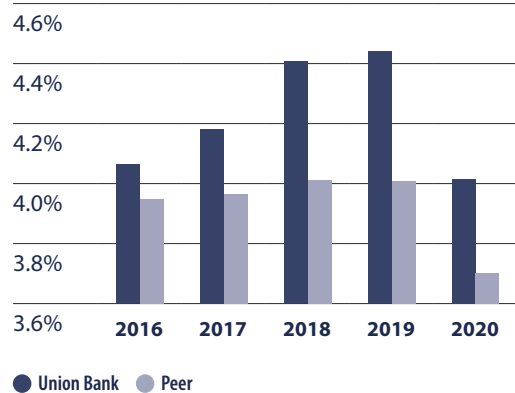
PORTFOLIO GROWTH

2020 also resulted in significant new business for the bank with our portfolio growing to over **100 customers, 200 licenses and \$60 million in deposits**. As of December 2020, the state MRA reported 753 active medical licenses and 473 adult-use licenses issued. Based on those numbers, Union Bank holds a 16% market share of all licenses issued. The number of additional financial institutions servicing the cannabis industry has been slow to expand with five other banks and six credit

Deposit Mix



Net Interest Margin



unions known to be actively providing deposit services, and a few other low-profile institutions only servicing their local markets. As competition increased, pricing pressure forced us to transition to fixed rates as opposed to a percentage of deposits.

LEGALIZATION AND SAFE BANKING PRACTICES

With the 2020 election, five additional states voted to legalize marijuana, bringing the total to 36 states with legalized medicinal marijuana and 15 states with legalized recreational use. As the number of states with legalized medical and recreational marijuana continues to rise, the Federal Government is recognizing the need for change. The SAFE Banking Act was passed by the US House of Representatives in 2019 followed by the Marijuana Opportunity, Reinvestment and Expungement (MORE) Act in 2020. Both have been sent to the Senate but currently do not have the support to pass. Most industry analysts are anticipating another three to four years before marijuana is legalized at the Federal level.

EXTRAORDINARY PACE

The marijuana industry in Michigan is evolutionary and has moved at an extraordinary pace—its growth rate in 2020 is equivalent to 10 years in almost every other industry. At this point, there are still inventory shortages in both the medical and adult-use markets. As cultivation entities continue to open, the market is anticipated to meet demand by mid-2021. Throughout the industry’s growth period, retail prices in both markets have remained high and will begin stabilizing in the second half of 2021. A primary limitation to the overall expansion is the limited number of municipalities that allow cannabis businesses. Of the state’s 1,734 municipalities, only 152 allow medical facilities and only 85 have opted in for adult use. These numbers are slowly increasing as municipalities re-evaluate their original decisions and become more comfortable with the industry.

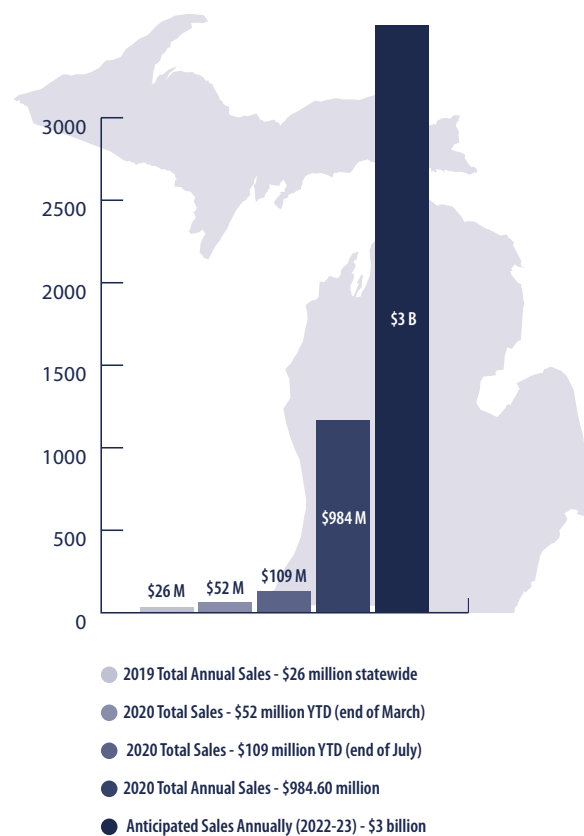
STAFF GROWTH TO MEET NEEDS

Effective compliance oversight of cannabis accounts is our highest priority for this line of business. The growth we experienced in 2020 put significant operational strains on our staff. We expanded our internal team in late 2020, hiring a seasoned BSA Officer who will focus on cannabis compliance and business development within the industry. Additionally, we transitioned an existing employee to a full-time BSA specialist with a second specialist added in 2021. The combination of our internal team, software integration and third-party consultants equips us with the necessary tools for a strong program servicing the cannabis industry.

FUTURE CRB GROWTH

In 2021 we plan to actively grow our Cannabis Related Business portfolio, paying close attention to total deposits and the effects on key bank ratios such as Tier 1 Capital. We anticipate a majority of our growth to come as a result of referrals from existing customers and ancillary service providers due to our solid reputation within the industry. While the number of participating financial institutions is expected to continue to increase over the coming years, Union Bank will set itself apart with high-level customer service, responsiveness to industry needs and leveraging the services of our ancillary partners—including PIN/Debit transactions and lower-cost insurance products. Lending to the cannabis industry presents another significant opportunity for the bank. Management is working on underwriting guidelines in order for us to slowly begin offering the much sought-after loans without bringing significant risk to the bank’s loan portfolio.

Cannabis Growth In Michigan



Virtual Branch Offers Safe Banking Option

When we launched the Virtual Branch in November 2019, we were well-positioned to continue serving our customers amid the COVID-19 crisis. While we couldn't predict a forthcoming pandemic, our Virtual Branch provided customers with more than convenience; it also provided a safer option. In a time when we were forced to close branch lobbies, our Virtual Branch along with our Drive-Thru, 24-Hour ATM, Online and Mobile Banking gave customers a variety of safe options to manage their finances.



SAFETY AND CONVENIENCE

Through the bank's mobile or web-based app, as well as in-branch kiosks, customers can conduct a variety of financial transactions via video call. The Virtual Branch allows Universal Bankers to help customers open new accounts, order new debit cards and checks, service their accounts, sign electronic documents and much more. Our Contact Center opened over 188 Payment Protection Program (PPP) checking accounts to close many of the PPP loans with the Virtual Branch, while maintaining a no-contact requirement for our lenders during the pandemic.

Since the initial stay-at-home order, the Virtual Branch has experienced a gradual increase in video banking calls with over 200 per month. In addition to video calls, overall call volume has increased to over 2,500 per month. With the addition of centralized calls via the Contact Center and the ability to bank from anywhere with the Virtual Branch app, less branch staff is needed on-site during business hours.

VIRTUAL BRANCH EXTENDS TO CRB CUSTOMERS

The Contact Center has played an important role in the increase of new cannabis customer accounts for the Cannabis Related Business (CRB) Department, along with ongoing customer support. One Universal Banker has been designated to assist with CRB customer servicing and opening new accounts via the Virtual Branch. Due to this staff dedication, many of the bank's CRB customers have quickly adopted the video banking concept, enabling them to sign documents virtually as well as submit wire forms and debit card applications.

GROWING THE SERVICE IN 2021

We plan to add even more services to the Virtual Branch in 2021, including the ability to:

- **Instant message a Universal Banker securely via Union Bank's website**
- **Speak with a Universal Banker during business hours when we transition all our ATMs to ITMs. This gradual transition is currently taking place, with expected completion by end of 2021.**
- **Capture an electronic signature for notaries**

With the changing landscape of banking, we are committed to working hard for local businesses and the hard-working people who make, build, and grow for a living to ensure they are equipped with the tools they need to thrive.



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



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



UB Consulting, LLC

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

The products offered through Union Investment Solutions include mutual funds, life insurance, annuities, long-term care insurance and money market accounts, as well as financial planning services for individuals and our customers who make, build and grow for a living. In May 2008, the bank entered into a Private Labeling Agreement with Cetera that allows the bank to market Cetera services through Union Investment Solutions (UIS). This was implemented to differentiate the bank's program from the Cetera programs of other banks in the area.

With a team of two representatives and an officer manager, the growth for UIS has been strong over the past several years with many referrals from satisfied customers. We are continuing to focus on identifying potential commercial customers who need assistance in developing or revising their retirement programs for their employees. We project continued strong growth by UIS in 2021 as the team continues its focus on 401K acquisition strategies while increasing its presence in the Greater Grand Rapids market.

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.

Union Investment Solutions Team



Our Leadership

BOARD OF DIRECTORS

Lloyd Cunningham, Chairman

ELECTED 1996

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

Christopher Fluke , Vice Chairman

ELECTED 2007

Retired from Walker, Fluke & Sheldon, PLC

Timothy Brodbeck

ELECTED 2013

Owner Brodbeck Farms

Cortney Collison

ELECTED 2007

President & Chief Executive Officer, Union Bank

Suzanne Dahms

ELECTED 1999

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

Steve Millman

ELECTED 2018

President and Owner, NorthStar Commercial

Paul Trierweiler

ELECTED 2006

Co-Owner Trierweiler Dairy Farm

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

Christine Fortier

EXECUTIVE VICE PRESIDENT

Chief Financial Officer

Timothy Doyle

EXECUTIVE VICE PRESIDENT

Chief Lending Officer

BANK OFFICERS

Stephanie Brummette

Sandra Collison

Kimberly Cox

Zachary Dennis

Derek Dickinson

Edith Farrell

Kevan Van Fleet

Doug Flessner

Michael Jorgensen

Stephanie Joseph

Angela Kuhlman

John Mull

Stacey Nurenberg

Bret Simonton

Ken Sommerdyke

Damian Walters

Melody Warzecha

Rose Willson

Laura Wolters

Community

Union Bank is proud to support and give back to the communities we serve with volunteer time, donations and monetary support. It's important to us and our employees to help develop business, educate our youth and uphold the safety and quality of life for local citizens.

2020 UB SCHOLARSHIP PROGRAM RECIPIENTS

Aubrey George - Pewamo-Westphalia High School

Kristine Possehn - Lakewood High School

Mackenzie Thelen - Lakewood High School

Owen Kowatch - Pewamo-Westphalia High School



HAND 2 HAND DONATION

This year, Union Bank made a donation to Hand2Hand, a 501(c)3 non-profit organization based in Hudsonville, Michigan, delivering hope to hungry children by mobilizing schools and churches to provide nutritious food over the weekends.

Pictured from left to right: Cortney Collison, Union Bank President and CEO; Matt Kind, Former Union Bank Vice President and Commercial Loan Officer; Katie Bartels, Hand2Hand Director of Giving; and Cheri Honderd, Hand2Hand Founder and Executive Director.



GOT COIN?

Throughout the year, COVID-19 had a huge impact on businesses across the country. Local businesses that rely on cash and coin for their daily transactions faced a second challenge: the national coin shortage.

Union Bank jumped into action and launched the Got Coin? Campaign to ask customers, employees and community members to bring in their piggy banks, jars and/or buckets to cash in their coin. In just three short weeks, Union Bank was able to locally recirculate \$28,657.39.

Employee Promotions & Anniversaries

In 2020 we had the honor of recognizing several of our team members for their years of service and dedication to our organization and communities that we serve.



(2020 promoted team members listed from left to right)

PROMOTIONS

STEPHANIE BRUMMETTE

Bank Officer

SANDRA COLLISON

Bank Officer

STEPHANIE JOSEPH

Bank Officer

LINDSAY FARRELL

Assistant Vice President

DEREK DICKINSON

Assistant Vice President

CHRISTINE FORTIER

Executive Vice President

ANNIVERSARIES

3 YEARS

KIMBERLY BEDFORD

Brand Manager, Hasting

BRENDA CRESSMAN

Teller, Westphalia

ZACHARY DENNIS

VP, Commercial Lending

MEGAN DILLION

Teller, Lake Odessa, Mulliken

CARRIE JENKS

Teller, Lake Odessa

KEVAN VAN FLEET

Senior Vice President

HALEY WILLETTE

Head Teller, Hastings

5 YEARS

CHARISE BLOSSOM

Executive Assistant

LORNA DICKINSON

Accounting Assistant

MELODY WARZECHA

*VP, Commercial
Relationship Manager*

15 YEARS

STEPHANIE BRUMMETTE

Virtual Branch Manager

STACEY NURENBERG

*AVP / Mulliken Branch
Manager / CCBSO*

25 YEARS

TERRI DOW

Loan Underwriter

CHRISTINE FORTIER

EVP / Chief Financial Officer

45 YEARS

SUZANNE DAHMS

EVP / Chief Operations Officer

New Executive Vice President Appointed in December

Cortney Collison, President and Chief Executive Officer announced the addition of Tim Doyle, Executive Vice President and Chief Lending Officer in December 2020. In his new role as a member of Senior Management, Doyle is focusing on strategic initiatives for the growing organization and leading the Commercial and Consumer Lending Divisions to ensure customers are equipped with the tools necessary to reach their personal and professional goals.

Doyle brings over 30 years of diverse finance and lending experience in both rural and metropolitan markets, most recently in Grand Rapids. As an innovative strategic leader with local knowledge, he understands the needs of Michigan businesses and the communities they serve. Doyle has served as Chairman of the Michigan Bankers Association in 2011 and 2012, and has completed a four-year commitment to the organization. Doyle is a proud member of the Ada community where he resides with his wife Dana and three children.



Tim Doyle, EVP, Chief Lending Officer

“ Tim’s extensive banking and leadership background, attention to detail, and his passion for community and building strong relationships will be a true asset as we continue to strive for long-term success for both our customers and our bank. ”

–Cortney Collison, President and CEO

About Union Financial Corporation (UFC)

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 intends 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.

In addition to our committed staff and loyal customers, our stakeholders play a major role in our success. It’s why we continue to focus on enhancing the return to shareholders. Bolstered by income per share of \$0.63 as of year-end 2020, the FMV (fair market value) per share experienced a significant increase over year-end 2019. UFC once again shared earnings in the year with shareholders by paying a 0.12 per share cash dividend. The corporation has also experienced a very successful capital offering, receiving much support from new investors.

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.

OUR ROOTS AND LOYALTY RUN DEEP

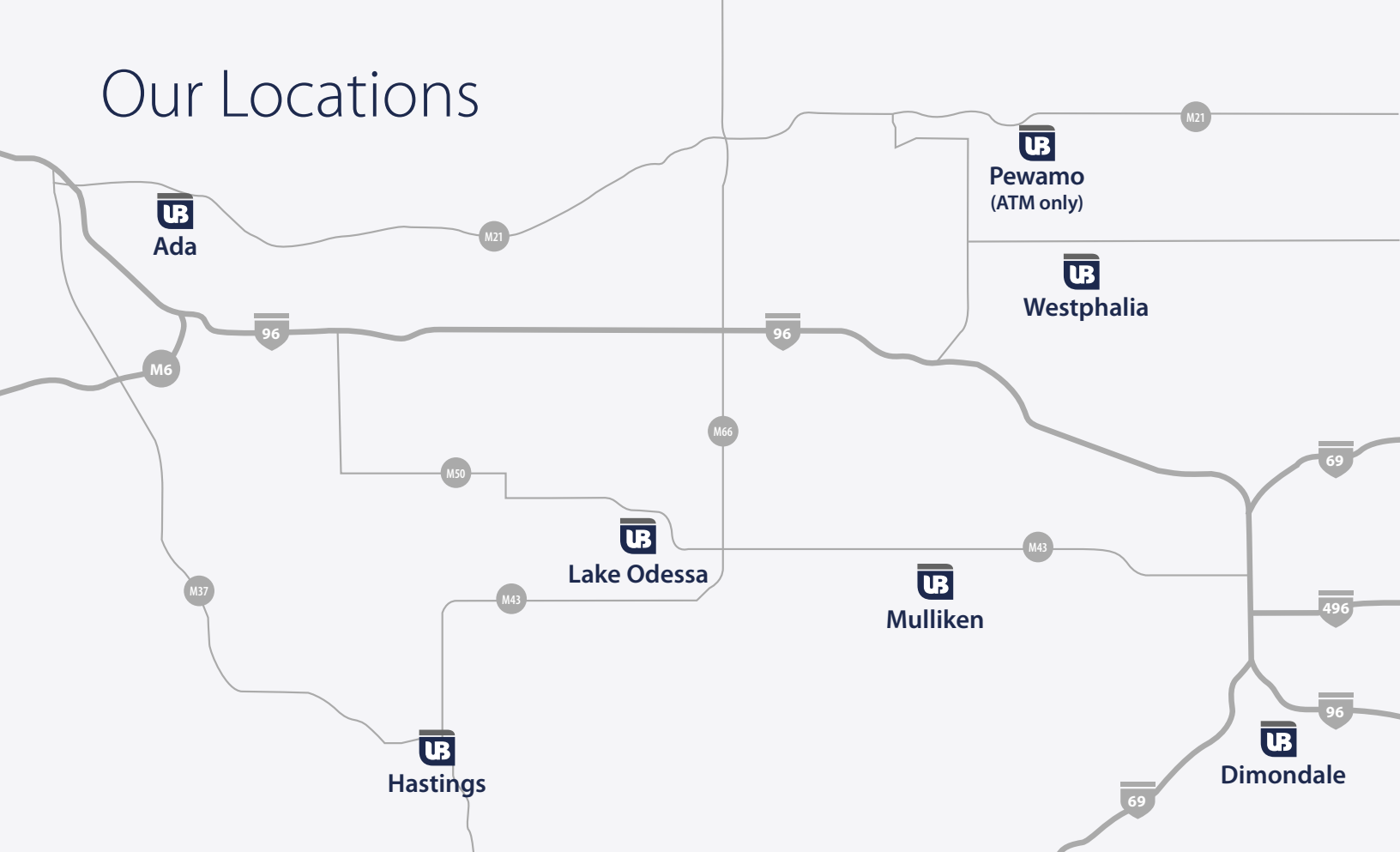
Since our inception, Union Bank has been a loyal partner to local farmers and to this day, approximately 28% of our commercial loan portfolio consists of agricultural loans. Along with our local farmers, Union Bank is also proud to support our customers' commercial, mortgage and consumer financial needs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



Your life. Your bank.

Grounded in loyalty to the makers,
builders and growers in West and
Central Michigan.