

Shareholder Assistance and Investor Information

SECOND QUARTER REPORT JUNE 2022

If you need assistance with a change in registration of certificates, combining your certificates into one, reporting lost certificates, non-receipt or loss of dividend checks, assistance regarding direct deposit of dividends, information about the Company, or to receive copies of financial reports, please contact Kristy Adams Alfieri, Assistant Secretary at 802.888.0982 or contact our Transfer Agent at the address and phone number listed below:

TRANSFER AGENT:

Broadridge Corporate Issuer Solutions, Inc.
P.O. Box 1342
Brentwood, NY 11717
866.321.8022 or
720.378.5956
Email: shareholder@broadridge.com

NASDAQ STOCK MARKET

Ticker Symbol: UNB
Corporate Name: Union Bankshares, Inc.
Corporate Address:
20 Lower Main Street
P.O. Box 667
Morrisville, VT 05661-0667
Investor Relations: UBLocal.com

UnionBankshares, Inc.

UnionBankshares, Inc.

August 4, 2022

dear fellow SHAREHOLDER

We are pleased to report our financial results for the second quarter and the first six months of 2022. Consolidated net income for the three months ended June 30, 2022, was \$2.9 million, or \$0.65 per share, compared to \$3.0 million, or \$0.67 cents per share, for the same period in 2021, and \$5.4 million, or \$1.20 per share, for the six months ended June 30, 2022, compared to \$5.9 million, or \$1.31 per share for the same period in 2021. Total assets were \$1.2 billion as of June 30, 2022, compared to \$1.1 billion as of June 30, 2021, an increase of \$125.8 million, or 11.8%.

Key variances between the first six months of 2022 compared to the same period in 2021 were lower net gains on loan sales, lower SBA PPP fees, improved interest income, and lower interest expense and provision for loan losses. Net gains on loan sales decreased from \$2.0 million in 2021 to \$300 thousand in 2022. PPP loan fees decreased from \$1.4 million in the first half of 2021 compared to \$428 thousand for the same period of 2022. These were partially offset by an increase in interest income of \$263 thousand and decreases of \$584 thousand in interest expense and \$225 thousand in the provision for loan losses. We expect the positive variance in interest income to persist and improve throughout the balance of the year.

Total loans outstanding as of June 30, 2022, were \$823.0 million compared to \$783.0 million as of June 30, 2021, an increase of \$39.9 million, or 5.1%, net of \$54 million of PPP loans that were forgiven by the SBA. This means we have been able to replace the \$54 million in PPP loans yielding 1% with market rate loans, which was a great effort by our lending teams.

The funding of asset growth continues to be primarily from customer deposits which increased to \$1.1 billion as of June 30, 2022, compared to \$967.7 million as of June 30, 2021, an increase of \$135.4 million, or 14.0%. The

increase in customer deposits allowed for a reduction in wholesale funding of \$7.2 million since June 30, 2021.

Much has occurred since the beginning of the year. Sadly, war broke out in Europe destabilizing the global economy. Inflation, caused by increased stimulus and exacerbated by tight labor markets and soaring energy costs, has forced the Federal Reserve to increase interest rates. Despite some predictions of recessionary times ahead, our asset quality metrics remain quite strong. Locally, our business community is seeing continued good demand for products and services. Universally, the biggest challenge our business community faces is attracting and retaining enough employees with which to operate. Our company is not immune to this issue, though we have had some recent success in recruiting, perhaps signaling that the tight labor market is easing.

We are in the middle of our region's important summer/fall tourism season and all reports indicate strong demand, though a bit lower than last year's record setting season. Construction of all types continues to be robust, with many contractors committed to projects spanning over the next few years. Loan demand for both commercial and residential lending remains strong. We remain cautiously optimistic for the balance of the year.

We are pleased to report that the Board of Directors declared a cash dividend of \$0.35 per share for the quarter payable August 4, 2022, to shareholders of record as of July 30, 2022.

Sincerely,

Neil Van Dyke

Neil J. Van Dyke
Chair

David S. Silverman

David S. Silverman
President & Chief Executive Officer

About Union Bankshares

Union Bankshares, Inc. operates as the holding company for Union Bank, which provides commercial, retail and municipal banking services and asset management services throughout northern Vermont and New Hampshire. Union Bank was founded in 1891 in Morrisville, Vermont, where the Bank's and its holding company's headquarters are located. Union Bank operates 18 banking offices, three loan centers and several ATMs throughout its geographical footprint.

Union Bank has been helping people buy homes and local businesses create jobs in area communities since opening its doors over 130 years ago. Union Bank has earned an exceptional reputation for residential lending programs and has been recognized by the US Department of Agriculture, Rural Development for the positive impact made in the lives of first time home buyers. Union Bank is consistently one of the top Vermont Housing Finance Agency mortgage originators. Additionally, Union Bank has also been designated as an SBA Preferred lender for its participation in small business lending. Union Bank has received an "Outstanding" rating for its compliance with the Community Reinvestment Act (CRA). An institution in this group has an excellent record of helping to meet the credit needs of its assessment area, particularly in low-and moderate income neighborhoods, in a manner consistent with its resources and capabilities.

Consolidated **Balance Sheets**

(unaudited, in thousands)

ASSETS	JUNE 30, 2022	JUNE 30, 2021
Cash and Due from Banks	\$4,411	\$4,952
Federal Funds Sold & Overnight Deposits	20,885	56,279
Interest Bearing Deposits in Banks	13,943	12,948
Investment Securities	262,827	159,275
Loans Held for Sale	3,820	42,149
Loans, net	819,146	740,896
Reserve for Loan Losses	(8,340)	(8,505)
Premises and Equipment, net	20,983	21,637
Accrued Interest & other Assets	54,238	36,506
Total Assets	<u>\$1,191,913</u>	<u>\$1,066,137</u>

LIABILITIES & SHAREHOLDERS' EQUITY	JUNE 30, 2022	JUNE 30, 2021
Noninterest Bearing Deposits	\$337,140	\$243,573
Interest Bearing Deposits	662,778	610,540
Time Deposits	103,135	113,567
Borrowed Funds	—	7,164
Subordinated Debentures and Notes	16,188	—
Accrued Interest & Other Liabilities	12,726	8,926
Common Stock	9,940	9,916
Additional Paid-in Capital	2,019	1,609
Retained Earnings	80,617	74,006
Accumulated Other Comprehensive (loss) Income	(28,399)	1,001
Treasury Stock at Cost	(4,231)	(4,165)
Total Liabilities & Shareholders' Equity	<u>\$1,191,913</u>	<u>\$1,066,137</u>

Standby letters of credit were \$1,805,000 and \$2,425,000 at June 30, 2022 and 2021, respectively.

Consolidated **Statements of Income**

(unaudited, in thousands)

	JUNE 30, 2022	JUNE 30, 2021	JUNE 30, 2022	JUNE 30, 2021
	(3 months ended)		(6 months ended)	
Interest Income	\$10,404	\$9,898	\$20,130	\$19,398
Interest Expense	<u>733</u>	<u>979</u>	<u>1,496</u>	<u>2,080</u>
Net Interest Income	9,671	8,919	18,634	17,318
Provision for Loan Losses	<u>—</u>	<u>75</u>	<u>—</u>	<u>225</u>
Net Interest Income After Provision for Loan Losses	9,671	8,844	18,634	17,093
Trust Income	217	198	426	383
Noninterest Income	1,948	2,941	3,794	5,377
Noninterest Expenses:				
Salaries & Wages	3,520	3,553	6,930	6,636
Employee Benefits	1,295	1,203	2,600	2,372
Occupancy Expense, net	462	527	989	1,004
Equipment Expense	934	872	1,850	1,670
Other Expenses	<u>2,084</u>	<u>2,234</u>	<u>4,040</u>	<u>4,160</u>
Total	<u>8,295</u>	<u>8,389</u>	<u>16,409</u>	<u>15,842</u>
Income Before Taxes	3,541	3,594	6,445	7,011
Income Tax Expense	<u>610</u>	<u>603</u>	<u>1,032</u>	<u>1,144</u>
Net income	<u>\$2,931</u>	<u>\$2,991</u>	<u>\$5,413</u>	<u>\$5,867</u>

Earnings Per Share	\$0.65	\$0.67	\$1.20	\$1.31
Book Value Per Share			\$13.34	\$18.37

UnionBankshares, Inc.

DIRECTORS

Neil J. Van Dyke - *Chair*
Timothy W. Sargent - *Vice Chair*
Joel S. Bourassa
Dawn D. Bugbee
Nancy C. Putnam
Gregory D. Sargent
David S. Silverman
Janet P. Spitler

OFFICERS

Neil J. Van Dyke - *Chair*
David S. Silverman - *President & CEO*
Karyn J. Hale - *Chief Financial Officer*
Timothy W. Sargent - *Secretary*
Kristy Adams Alfieri - *Assistant Secretary*

UnionBank

DIRECTORS

Neil J. Van Dyke - *Chair*
Timothy W. Sargent - *Vice Chair*
Joel S. Bourassa
Dawn D. Bugbee
Mary K. Parent
Nancy C. Putnam
Gregory D. Sargent
David S. Silverman
Janet P. Spitler

**REGIONAL
ADVISORY BOARD
MEMBERS**

Michael R. Barrett - *St. Johnsbury*
Steven J. Bourgeois - *St. Albans*
Andrew A. Dean - *Northern NH*
Stanley T. Fillion - *Northern NH*
Rosemary H. Gingue - *St. Johnsbury*
John M. Goodrich - *St. Johnsbury*
Christopher M. Knapp - *Northern NH*
Coleen K. Kohaut - *St. Albans*
Justin P. Lavelly - *St. Johnsbury*
Daniel J. Luneau - *St. Albans*
Samuel H. Ruggiano - *St. Albans*
Christine A. Sheley - *Northern NH*
David S. Silverman - *All*

Union Bank Offices

(ATMs at all Branch Locations)

VERMONT

Berlin	1028 US Route 302	802.476.0061
Fairfax	Jct. Routes 104 & 128	802.849.2600
Hardwick	103 VT Route 15 West	802.472.8100
Jeffersonville	5062 VT Route 15	802.644.6600
Jericho	368 VT Route 15	802.899.7500
Johnson	198 Lower Main Street	802.635.6600
Lyndonville	183 Depot Street	802.626.3100
Morrisville	20 Lower Main Street	802.888.6600
	65 Northgate Plaza	802.888.6860

Shelburne	5068 Shelburne Road	802.985.0250
St. Albans	15 Mapleville Depot	802.524.9000
St. Johnsbury	Operations and Loan Center	

	364 Railroad Street	802.748.3131
	Branch	
	325 Portland Street	802.748.3121
Stowe	47 Park Street	802.253.6600
Williston	Branch	
	31 Market Street	802.878.7900
	Loan Center	
	31 Market Street	802.865.1000

NEW HAMPSHIRE

Groveton	3 State Street	603.636.1611
Littleton	263 Dells Road	603.444.7136
	76 Main Street	603.444.5321
Lincoln	135 Main Street	603.745.4000
North Conway	Commercial Loan Center	
	2541 White Mountain Hwy	603.662.9408

