

Shareholder Assistance and Investor Information

FIRST QUARTER REPORT MARCH 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.

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MAY 5, 2022

dear fellow SHAREHOLDER

We are pleased to report our financial results for the first quarter of 2022. Consolidated net income for the first quarter was \$2.5 million, or \$0.55 per share compared to \$2.9 million, or \$0.64 cents per share, for the same period in 2021, a decrease of 13.7%. There were two primary reasons for the decrease in net income. As the SBA PPP program continues to run its course, outstanding balances of PPP loans have decreased due to forgiveness which has resulted in a reduction of fee income related to PPP loans of \$381 thousand year over year. Second, gains on sales of real estate loans were sharply lower as long-term interest rates increased sharply in response to high inflation. Loans already in our pipeline with interest rates committed saw premiums reduced, causing management to elect to hold these loans in the portfolio rather than sustain losses on sales. This should be a temporary phenomenon as rates charged going forward are reflective of the current interest rate environment with interest rates stabilizing at new, higher levels.

Asset quality remains strong as no provision for loan losses was recorded for the three months ended March 31, 2022, compared to \$150 thousand for the comparable quarter in 2021. All our commercial borrowers have exited pandemic related payment modifications and all but four of our residential customers have done the same.

Total assets were \$1.2 billion as of March 31, 2022, compared to \$1.1 billion as of March 31, 2021, an increase of \$129.2 million, or 11.7%. Asset growth continued to be fueled by increases in customer deposits that were reinvested into investment securities and into our communities through loans to individuals, businesses, and municipalities.

Investment securities reached \$287.6 million on March 31, 2022, compared to \$157.8 million on March 31, 2021. The \$129.8 million increase was caused by using low yielding excess liquidity to purchase higher yielding investments, primarily US Government Agency mortgage-backed securities. Since the settlement of these purchases, interest rates increased rapidly resulting in unrealized losses of \$22.1 million in the securities portfolio as of March 31, 2022. The offset to recording the unrealized losses was an increase

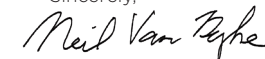
in deferred taxes included in other assets and accumulated comprehensive losses of \$17.5 million included in total equity. The Company had total equity capital of \$69.4 million and a book value per share of \$15.45 as of March 31, 2022, compared to \$79.8 million and \$17.81 per share as of March 31, 2021. The reduction in book value per share is the result of the unrealized loss on the investment portfolio and does not impact regulatory capital ratios.

Total loans outstanding as of March 31, 2022, were \$831.0 million compared to \$841.7 million as of March 31, 2021. The decrease in total loans was due to a reduction in pandemic related SBA PPP loans of \$70.4 million and a reduction in \$10.8 million in municipal loans. The pandemic related SBA PPP loans were designed to be short term in nature and have been forgiven in accordance with the PPP program. These decreases were partially offset by increases of \$40.3 million in commercial real estate loans and \$29.9 million in residential loans. Excluding SBA PPP loans forgiven, loan growth quarter over quarter was 7.8%.

We live in interesting times. Inflation is higher than it has been in decades, causing pain at the fuel pump and grocery stores. Russia has invaded Ukraine, causing senseless human carnage with more to come, sadly. The Federal Reserve meets on May 3rd and 4th, surely bringing us higher short term interest rates with hopes of a soft economic landing. Supply chains remain challenged, as do labor and housing markets. Yet here in Northern New England we anxiously await spring and its green leaves and flowers with another excellent maple season wrapped up. Despite the current uncertainty, we are confident facing the future and what it brings.

We are pleased to announce that the Board of Directors declared a cash dividend of \$0.35 per share for the quarter payable May 5, 2022, to shareholders of record as of April 30, 2022.

Sincerely,



Neil J. Van Dyke
Chair



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	MARCH 31, 2022	MARCH 31, 2021
Cash and Due from Banks	\$5,047	\$4,684
Federal Funds Sold & Overnight Deposits	45,755	51,822
Interest Bearing Deposits in Banks	14,192	14,691
Investment Securities	273,423	143,063
Loans Held for Sale	2,349	40,212
Loans, net	828,614	801,489
Reserve for Loan Losses	(8,336)	(8,429)
Premises and Equipment, net	21,320	19,882
Accrued Interest & other Assets	51,179	36,904
Total Assets	<u>\$1,233,543</u>	<u>\$1,104,318</u>

LIABILITIES & SHAREHOLDERS' EQUITY	MARCH 31, 2022	MARCH 31, 2021
Noninterest Bearing Deposits	\$303,077	\$231,992
Interest Bearing Deposits	726,864	648,960
Time Deposits	104,303	126,939
Borrowed Funds	—	7,164
Subordinated Debentures and Notes	16,179	—
Accrued Interest & Other Liabilities	13,703	9,440
Common Stock	9,937	9,911
Additional Paid-in Capital	1,878	1,504
Retained Earnings	79,259	72,494
Accumulated Other Comprehensive (loss) Income	(17,426)	81
Treasury Stock at Cost	(4,231)	(4,167)
Total Liabilities & Shareholders' Equity	<u>\$1,233,543</u>	<u>\$1,104,318</u>

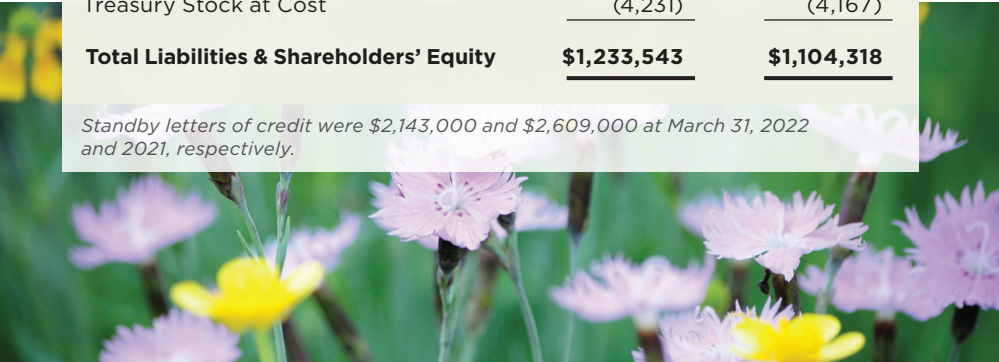
Standby letters of credit were \$2,143,000 and \$2,609,000 at March 31, 2022 and 2021, respectively.

Consolidated **Statements of Income**

(unaudited, in thousands)

	MARCH 31, 2022	MARCH 31, 2021
	(3 months ended)	
Interest Income	\$9,726	\$9,500
Interest Expense	<u>763</u>	<u>1,101</u>
Net Interest Income	8,963	8,399
Provision for Loan Losses	<u>—</u>	<u>150</u>
Net Interest Income After Provision for Loan Losses	8,963	8,249
Trust Income	209	185
Noninterest Income	1,846	2,436
Noninterest Expenses:		
Salaries & Wages	3,410	3,083
Employee Benefits	1,305	1,169
Occupancy Expense, net	527	477
Equipment Expense	916	798
Other Expenses	<u>1,956</u>	<u>1,926</u>
Total	<u>8,114</u>	<u>7,453</u>
Income Before Taxes	2,904	3,417
Income Tax Expense	<u>422</u>	<u>541</u>
Net income	<u>\$2,482</u>	<u>\$2,876</u>

Earnings Per Share	\$0.55	\$0.64
Book Value Per Share	\$15.45	\$17.81



UnionBankshares, Inc.

DIRECTORS

Neil J. Van Dyke - *Chair*
Timothy W. Sargent - *Vice Chair*
Joel S. Bourassa
Dawn D. Bugbee
John M. Goodrich
Nancy C. Putnam
Gregory D. Sargent
David S. Silverman
John H. Steel

OFFICERS

Neil J. Van Dyke - *Chair*
David S. Silverman - *President & CEO*
Jeffrey G. Coslett - *Vice President*
Karyn J. Hale - *Chief Financial Officer*
John H. Steel - *Secretary*
Kristy Adams Alfieri - *Assistant Secretary*

UnionBank

DIRECTORS

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

**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*
Mary K. Parent - *St. Johnsbury*
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 65 Northgate Plaza	802.888.6600 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 Branch 325 Portland Street	802.748.3131 802.748.3121
Stowe	47 Park Street	802.253.6600
Williston	Branch 31 Market Street Loan Center 31 Market Street	802.878.7900 802.865.1000

NEW HAMPSHIRE

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