U & I FINANCIAL CORP.

Reports Second Quarter 2024 Financial Results

Lynnwood, WA / Accesswire / July 31, 2024 / U & I Financial Corp. (OTCQX: UNIF), the holding company ("Company") for UniBank ("Bank"), today reported a quarterly Net Loss of $827 thousand or $0.15 loss per share in the second quarter of 2024, compared to $2.4 million of Net Income or $0.44 earnings per share for the same quarter of 2023. Net income decreased by $3.2 million or $0.59 per share, primarily due to an increase in the Provision for Credit Losses of $3.0 million in the second quarter of 2024, compared to no provision during the same period last year.

As of June 30, 2024, Total Assets was $572.6 million, a decrease of $34.6 million or 5.7% from $607.2 million at June 30, 2023. Net Loans were $441.5 million at June 30, 2024, decreasing by $40.5 million or 8.4% from $482.1 million at June 30, 2023. Total Deposits decreased by $65.0 million or 12.6% to $451.9 million at June 30, 2024 compared to $516.9 million a year earlier.

As mentioned in previous earnings releases, the Bank has experienced credit deterioration from Bank borrowers with "commercial-equipment" loans. These loans had provided financing to borrowers to purchase equipment from manufacturers. The manufacturers also service the equipment through operating arrangements with the respective borrowers. The Bank will continue to monitor equipment loans and will continue to adjust our reserves as needed. As of June 30, 2024, the Allowance for Credit Losses (ACL) on Loans and ACL on Off-Balance Sheet Credit Exposure were $17.7 million and $2.2 million, respectively, as compared to $5.1 million and $15 thousand, respectively, as of June 30, 2023. Additional information on credit quality is presented in the tables below.

"During the second quarter the Bank continued to face challenges caused by commercial-equipment loans," said President & CEO Stephanie Yoon. "It will take time to work through these problems so that the Bank can resume its prior growth."

Non-GAAP Financial Metrics

This news release contains certain non-GAAP financial measure disclosures. Management believes these non-GAAP financial measures provide meaningful supplemental information regarding the Company's operational performance, credit quality and capital levels.

About U & I Financial Corp.

UniBank, the wholly owned subsidiary of U & I Financial Corp. (OTCQX: UNIF). Founded in 2006 and based in Lynnwood, Washington, the Bank serves small to medium-sized businesses, professionals, and individuals across the United States with a particular emphasis on government guaranteed loan programs. Customers can access their accounts in any of the four branches – Lynnwood, Bellevue, Federal Way and Tacoma – online, or through the Bank's ATM network.

For more information visit www.unibankusa.com or call (425) 275-9700.

Forward-Looking Statement Safe Harbor: This news release contains comments or information that constitutes forward-looking statements (within the meaning of the Private Securities Litigation Reform Act of 1995) that are based on current expectations that involve a number of risks and uncertainties. Forward-looking statements describe the Company's projections, estimates, plans and expectations of future results and can be identified by words such as "believe," "intend," "estimate," "likely," "anticipate," "expect," "looking forward," and other similar expressions. They are not guarantees of future performance. Actual results may differ materially from the results expressed in these forward-looking statements, which because of their forward-looking nature, are difficult to predict. Investors should not place undue reliance on any forward-looking statement, and should consider factors that might cause differences including but not limited to the degree of competition by traditional and nontraditional competitors, declines in real estate markets, an increase in unemployment or sustained high levels of unemployment; changes in interest rates; adverse changes in local, national and international economies; changes in the Federal Reserve's actions that affect monetary and fiscal policies; changes in legislative or regulatory actions or reform, including without limitation, the Dodd-Frank Wall Street Reform and Consumer Protection Act; demand for products and services; further declines in the quality of the loan portfolio that results in continued losses and our ability to succeed in our problem-asset resolution efforts; including, but not limited to, continued credit deterioration of commercial-equipment loans and future increases in the Provision for Credit Losses, the impact of technological advances; changes in tax laws; and other risk factors. U & I Financial Corp. undertakes no obligation to publicly update or clarify any forward-looking statement to reflect the impact of events or circumstances that may arise after the date of this release.

STATEMENT OF INCOME (Unaudited)

(Dollars in thousands except EPS)	Jun-24 QTD	Mar-24 QTD	Jun-23 QTD	Jun-24 YTD	Jun-23 YTD	Dec-23 YTD
Interest Income	$9,362	$9,285	$9,955	$18,647	$18,730	$37,652
Interest Expense	4,769	4,698	3,723	9,467	6,623	15,388
Net Interest Income	4,593	4,587	6,232	9,180	12,107	22,264
Provision for Credit Losses	2,966	-	-	2,966	-	26,411
Gain (Loss) on Loan Sales	179	-	-	179	824	1,410
Loan Servicing Fees, Net of Amortization	175	184	172	359	377	624
Other Non-interest Income	195	185	329	380	502	851
Non-interest Income	549	369	501	918	1,703	2,885
Salaries & Benefits	1,445	1,989	2,395	3,434	5,029	8,241
Occupancy Expense	189	192	175	381	354	729
Other Expense	1,629	1,184	1,055	2,813	2,006	3,712
Non-interest Expense	3,263	3,365	3,625	6,628	7,389	12,682
Net Income (Loss) before Income Taxes	(1,087)	1,591	3,108	504	6,421	(13,944)
Income Tax Expense (Benefit)	(260)	322	738	62	1,376	(3,136)
Net Income (Loss)	**($827)**	**$1,269**	**$2,370**	**$442**	**$5,045**	**(10,808)**
Total Outstanding Shares *(in thousands)*	5,477	5,476	5,441	5,477	5,441	5,466
Basic Earnings (Loss) per Share	($0.15)	$0.23	$0.44	$0.08	$0.93	($1.98)

Statement of Condition (Unaudited)

(Dollars in thousands)	Jun-24 Qtr End	Mar-24 Qtr End	Jun-23 Qtr End	Variance Prior Qtr	Variance Prior Year	Dec-23 Qtr End
Cash and Due from Banks	$46,299	$46,495	$48,684	($196)	($2,385)	$61,254
Investments	50,996	52,355	49,714	(1,359)	1,282	51,346
Loans Held for Sale	-	6,110	-	(6,110)	-	-
Gross Loans	459,196	471,081	487,126	(11,885)	(27,930)	490,636
Allowance for Credit Losses (ACL) on Loans	(17,680)	(14,634)	(5,076)	(3,046)	(12,604)	(25,950)
Net Loans	441,516	456,447	482,050	(14,931)	(40,534)	464,686
Fixed Assets	6,140	6,268	6,702	(128)	(562)	6,438
Other Assets	27,676	27,029	20,089	647	7,587	26,325
Total Assets	**$572,627**	**$594,704**	**$607,239**	**($22,077)**	**($34,612)**	**$610,049**
Checking	$88,860	$95,698	$107,476	($6,838)	($18,616)	$100,135
NOW	10,925	13,025	13,905	(2,100)	(2,980)	13,504
Money Market	144,471	151,058	213,825	(6,587)	(69,354)	200,966
Savings	6,895	7,468	9,744	(573)	(2,849)	8,063
Certificates of Deposit	200,758	207,696	171,986	(6,938)	28,772	191,733
Total Deposits	451,909	474,945	516,936	(23,036)	(65,027)	514,401
Borrowed Funds	54,000	52,000	10,000	2,000	44,000	20,000
ACL on Off-Balance Sheet Credit Exposure	2,176	2,256	15	(80)	2,161	5,551
Other Liabilities	3,387	3,039	3,177	348	210	8,678
Total Liabilities	511,472	532,240	530,128	(20,768)	(18,656)	548,630
Shareholders' Equity	61,155	62,464	77,111	(1,309)	(15,956)	61,419
Total Liabilities & Equity	**$572,627**	**$594,704**	**$607,239**	**($22,077)**	**($34,612)**	**$610,049**

Financial Ratios

(Dollars in thousands except BVS)	Jun-24 QTD	Mar-24 QTD	Jun-23 QTD	Jun-24 YTD	Jun-23 YTD	Dec-23 YTD
Performance Ratios						
Return on Average Assets*	(0.57%)	0.86%	1.59%	0.15%	1.72%	(1.85%)
Return on Average Equity*	(5.29%)	8.25%	12.48%	1.42%	13.59%	(14.53%)
Net Interest Margin*	3.21%	3.10%	4.32%	3.16%	4.24%	3.83%
Efficiency Ratio	63.43%	67.87%	53.85%	65.63%	53.51%	50.36%
**Quarterly results are annualized*						

Capital				Well Capitalized Minimum
Tier 1 Leverage Ratio**	10.22%	10.22%	13.11%	5.00%
Common Equity Tier 1 Ratio**	12.82%	12.56%	16.31%	6.50%
Tier 1 Risk-Based Capital Ratio**	12.82%	12.56%	16.31%	8.00%
Total Risk-Based Capital Ratio **	14.10%	13.83%	17.36%	10.00%
Book Value per Share (BVS)	$11.17	$11.41	$14.17	
***Represents Bank capital ratios*				

Asset Quality			
Net Credit Charge-Offs (Recoveries)	$0	$14,611	($942)
Allowance for Credit Losses to Loans %	3.85%	3.11%	1.04%
Nonperforming Assets to Total Assets	1.02%	0.78%	0.00%

Additional Credit Disclosures

Loan Segmentation - The following tables present the Bank's total loans outstanding at amortized cost by portfolio segment and by internally assigned grades as of June 30, 2024 and March 31, 2024 (in thousands):

June 30, 2024 Portfolio Segment	Pass	Special Mention	Substandard	Doubtful	Loss	Total
Commercial real estate	$ 199,692	$ 24,254	$ 492	$ -	$ -	$ 224,438
Residential real estate	172,278	-	-	-	-	172,278
Commercial - equipment	28,072	2,972	15,319	2,985	-	49,348
Commercial - all other	9,267	-	-	-	-	9,267
Multifamily	2,844	-	-	-	-	2,844
Construction and land	932	-	-	-	-	932
Consumer and other	89	-	-	-	-	89
	$ 413,174	$ 27,226	$ 15,811	$ 2,985	$ -	$ 459,196

March 31, 2024 Portfolio Segment	Pass	Special Mention	Substandard	Doubtful	Loss	Total
Commercial real estate	$ 205,433	$ 25,360	$ -	$ -	$ -	$ 230,793
Residential real estate	174,798	-	-	-	-	174,798
Commercial - equipment	31,270	2,975	15,394	3,005	-	52,644
Commercial - all other	8,951	-	-	-	-	8,951
Multifamily	2,864	-	-	-	-	2,864
Construction and land	955	-	-	-	-	955
Consumer and other	76	-	-	-	-	76
	$ 424,347	$ 28,335	$ 15,394	$ 3,005	$ -	$ 471,081

Descriptions of the various risk grades are as follows:

Special Mention: Assets having potential weaknesses that if left uncorrected, may result in decline in borrower's repayment ability. However, these assets are not adversely classified and do not expose the Bank to sufficent risk to warrant adverse classificaiton.

Substandard: An asset is considered substandard if it is inadequately protected by the current net worth and pay capacity of the borrower or of any collateral pledged. Substandard assets include those characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

Doubtful: Assets classified as doubtful have all the weaknesses inherent in those classified substandard, with the added characteristic that the weaknesses present make collection or liquidation in full highly questionable and improbable on the basis of currently existing facts, conditions, and values.

Loss: Assets classified as loss are those considered uncollectible and of such little value that their continuance as assets without the establishment of a specific loss reserve is not warranted. Any loans downgraded to this category are generally charged off soon after.

Allowance for Credit Losses on Loans – The following tables present the allowance for credit losses under ASC 326, *Financial Instruments – Credit Losses* by portfolio segment and by internally assigned grades as of June 30, 2024 and March 31, 2024 (in thousands):

June 30, 2024		**Special**				
Portfolio Segment	**Pass**	**Mention**	**Substandard**	**Doubtful**	**Loss**	**Total**
Commercial real estate	$ 1,182	$ 113	$ 4	$ -	$ -	$ 1,299
Residential real estate	3,124	-	-	-	-	3,124
Commercial - equipment	865	1,972	7,281	2,985	-	13,103
Commercial - all other	120	-	-	-	-	120
Multifamily	3	-	-	-	-	3
Construction and land	27	-	-	-	-	27
Consumer and other	4	-	-	-	-	4
	$ 5,325	$ 2,085	$ 7,285	$ 2,985	$ -	$ 17,680

March 31, 2024		**Special**				
Portfolio Segment	**Pass**	**Mention**	**Substandard**	**Doubtful**	**Loss**	**Total**
Commercial real estate	$ 1,059	$ 111	$ -	$ -	$ -	$ 1,170
Residential real estate	2,141	-	-	-	-	2,141
Commercial - equipment	467	1,487	6,274	2,989	-	11,217
Commercial - all other	70	-	-	-	-	70
Multifamily	3	-	-	-	-	3
Construction and land	30	-	-	-	-	30
Consumer and other	3	-	-	-	-	3
	$ 3,773	$ 1,598	$ 6,274	$ 2,989	$ -	$ 14,634

Past due loans –The following table presents past due loans at amortized cost by portfolio segment as of June 30, 2024 and March 31, 2024 (in thousands):

June 30, 2024 Portfolio Segment	30 - 59 Days Past Due	60 - 89 Days Past Due	90 Days or More	Total Past Due	Current	Total Loans
Commercial real estate	$ 220	$ 1,053	$ 572	$ 1,845	$ 222,593	$ 224,438
Residential real estate	-	-	-	-	172,278	172,278
Commercial - equipment	5,562	5,058	3,448	14,068	35,280	49,348
Commercial - all other	-	-	-	-	9,267	9,267
Multifamily	-	-	-	-	2,844	2,844
Construction and land	-	-	-	-	932	932
Consumer and other	-	-	-	-	89	89
	$ 5,782	$ 6,111	$ 4,020	$ 15,913	$ 443,283	$ 459,196

March 31, 2024 Portfolio Segment	30 - 59 Days Past Due	60 - 89 Days Past Due	90 Days or More	Total Past Due	Current	Total Loans
Commercial real estate	$ 220	$ 79	$ -	$ 299	$ 230,494	$ 230,793
Residential real estate	-	-	-	-	174,798	174,798
Commercial - equipment	247	2,585	162	2,994	49,650	52,644
Commercial - all other	-	-	-	-	8,951	8,951
Multifamily	-	-	-	-	2,864	2,864
Construction and land	-	-	-	-	955	955
Consumer and other	-	-	-	-	76	76
	$ 467	$ 2,664	$ 162	$ 3,293	$ 467,788	$ 471,081

Non-accrual loans – Loans are placed on nonaccrual once the loan is 90 days past due or sooner if, in management's opinion, the borrower may be unable to meet payment of obligations as they become due, as well as when required by regulatory provisions. The following table presents the nonaccrual loans at amortized cost by portfolio segment as of June 30, 2024 and March 31, 2024 (in thousands):

June 30, 2024 Portfolio Segment	Nonaccrual with no Allowance for Credit Losses	Nonaccrual with Allowance for Credit Losses	Total Nonaccrual	Loans Past Due Over 89 Days Still Accruing
Commercial real estate	$ -	$ 2,402	$ 2,402	$ -
Commercial - equipment	-	3,448	3,448	-
	$ -	$ 5,850	$ 5,850	$ -

March 31, 2024 Portfolio Segment	Nonaccrual with no Allowance for Credit Losses	Nonaccrual with Allowance for Credit Losses	Total Nonaccrual	Loans Past Due Over 89 Days Still Accruing
Commercial real estate	$ -	$ 1,883	$ 1,883	$ -
Commercial - equipment	-	2,747	2,747	-
	$ -	$ 4,630	$ 4,630	$ -

Off-Balance Sheet Credit Exposure - The Bank has originated certain loans in the commercial-equipment segment with government guarantees and has subsequently sold many of the guaranteed portions of these loans in the secondary market. Upon defaults by the borrowers, the Bank would be required to repurchase the guaranteed portions of the loans and submit the repayment requests to the respective government agency. The agency may decide not to honor the guarantees if certain conditions are not met. Guarantees, as defined under *ASC 460, Guarantees*, that create off-balance sheet credit exposure are in the scope of *ASC 326-20 (CECL)* when such guarantees for loans have an implicit repurchase arrangement and thus may present an off-balance sheet credit risk. As of June 30, 2024 and March 31, 2024 the Bank had $3.5 million and $3.9 million, respectively, of such guarantees sold of commercial-equipment loans that were graded below Pass. The Allowance for Credit Losses on Off-Balance Sheet Credit Exposure for these sold guarantees was $2.2 million and $2.3 million as of June 30, 2024 and March 31, 2024, respectively.

U & I Financial Corp.
Investor Relations
IR@unibankusa.com