U & I FINANCIAL CORP.

Reports First Quarter 2024 Financial Results

Lynnwood, WA / Accesswire / April 30, 2024 / U & I Financial Corp. (OTCQX: UNIF), the holding company ("Company") for UniBank ("Bank"), today reported quarterly net income of $1.3 million or $0.23 per share in the first quarter of 2024, compared to $2.7 million or $0.49 per share for the same quarter of 2023, decreasing by $1.4 million or $0.26 per share, primarily due to less net interest income. The net income turned positive after the restated net loss of $18.2 million or $3.33 loss per share in fourth quarter of 2023, primarily due to not having to accrue for Provision for Credit Losses in the first quarter 2024 as compared to $26.3 million in provision for the fourth quarter of 2023.

As of March 31, 2024 in comparison to March 31, 2023, total assets increased by $4.9 million or 0.8% to $594.7 million from the year earlier period of $589.8 million. Net loans ended at $456.4 million, decreasing by $8.6 million or 1.8% from $465.0 million a year earlier. The net decrease was primarily due to higher Allowance for Credit Losses (ACL) on Loans by $10.1 million as compared to the same period of the previous year. Finally, total deposits decreased by $28.8 million or 5.7% to $474.9 million from the year earlier period balance of $503.7 million.

As noted above, the Company recorded a Provision for Credit Losses of $26.3 million in the fourth quarter of 2023, resulting in $26.4 million for the full fiscal year 2023. The ACL on Loans and ACL on Off-Balance Sheet Credit Exposure ended at $26.0 million and $5.6 million, respectively, at December 31, 2023. During the first quarter of 2024, the Bank charged-off $14.6 million in total credits, which had been fully reserved in ACL on Loans and ACL on Off-Balance Sheet Credit Exposure for $11.6 million and $3.0 million, respectively. Additional disclosures on credit quality are presented in the tables below.

Also discussed in the restated fourth quarter earnings release, certain borrowers of commercial-equipment loans have filed a lawsuit in Washington state court against the Bank after the case was dismissed in federal court caused by actions by the Securities and Exchange Commission against the manufacturer of the equipment for fraudulent activities. The Bank will continue to defend this litigation vigorously.

"It has been a challenging time for the Company over the past several months, and the dust seems to be settling as reflected in the first quarter 2024 results," said Stephanie Yoon, Interim-CEO. "It will take time to work though these loans. In the interim we hope to complete the search for the new CEO and continue our efforts to build franchise value. Meanwhile, the Bank continues to exceed the regulatory minimum well capitalized ratios by comfortable margins and have sufficient liquidity."

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; 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)	Mar-24 QTD	Dec-23 QTD	Mar-23 QTD	Mar-23 $ Var	Mar-23 % Var
Interest Income	$9,285	$9,306	$8,775	$510	5.8%
Interest Expense	4,698	4,592	2,900	1,798	62.0%
Net Interest Income	4,587	4,714	5,875	(1,288)	(21.9%)
Provision for Credit Losses	-	26,253	-	-	-
Gain (Loss) on Loan Sales	-	(23)	824	(824)	(100.0%)
Loan Servicing Fees, Net of Amortization	184	83	205	(21)	(10.2%)
Other Non-interest Income	185	173	173	12	6.9%
Non-interest Income	369	233	1,202	(833)	(69.3%)
Salaries & Benefits	1,989	1,250	2,634	(645)	(24.5%)
Occupancy Expense	192	188	179	13	7.3%
Other Expense	1,184	586	951	233	24.5%
Non-interest Expense	3,365	2,024	3,764	(399)	(10.6%)
Net Income (Loss) before Income Taxes	1,591	(23,330)	3,313	(1,722)	(52.0%)
Income Tax Expense (Benefit)	322	(5,122)	638	(316)	(49.5%)
Net Income (Loss)	**$1,269**	**($18,208)**	**$2,675**	**($1,406)**	**(52.6%)**
Total Outstanding Shares *(in thousands)*	5,476	5,466	5,441	34	
Basic Earnings (Loss) per Share	$0.23	($3.33)	$0.49	($0.26)	

Statement of Condition (Unaudited)

(Dollars in thousands)	Mar-24 Qtr End	Dec-23 Qtr End	Mar-23 Qtr End	Mar-23 $ Var	Mar-23 % Var
Cash and Due from Banks	$46,495	$61,254	$47,550	($1,055)	(2.2%)
Investments	52,355	51,346	50,303	2,052	4.1%
Loans Held for Sale	6,110	-	-	6,110	100.0%
Gross Loans	471,081	490,636	469,614	1,467	0.3%
Allowance for Credit Losses (ACL) on Loans	(14,634)	(25,950)	(4,580)	(10,054)	219.5%
Net Loans	456,447	464,686	465,034	(8,587)	(1.8%)
Fixed Assets	6,268	6,438	6,840	(572)	(8.4%)
Other Assets	27,029	26,325	20,062	6,967	34.7%
Total Assets	**$594,704**	**$610,049**	**$589,789**	**$4,915**	**0.8%**
Checking	$95,698	$100,135	$111,023	($15,325)	(13.8%)
NOW	13,025	13,504	14,339	(1,314)	(9.2%)
Money Market	151,058	200,966	221,312	(70,254)	(31.7%)
Savings	7,468	8,063	11,448	(3,980)	(34.8%)
Certificates of Deposit	207,696	191,733	145,614	62,082	42.6%
Total Deposits	474,945	514,401	503,736	(28,791)	(5.7%)
Borrowed Funds	52,000	20,000	7,000	45,000	642.9%
ACL on Off-Balance Sheet Credit Exposure	2,256	5,551	15	2,241	100.0%
Other Liabilities	3,039	8,678	3,801	(762)	(20.0%)
Total Liabilities	532,240	548,630	514,552	17,688	3.4%
Shareholders' Equity	62,464	61,419	75,237	(12,773)	(17.0%)
Total Liabilities & Equity	**$594,704**	**$610,049**	**$589,789**	**$4,915**	**0.8%**

Financial Ratios

(Dollars in thousands except BVS)	Mar-24 QTD	Dec-23 QTD	Mar-23 QTD	Mar-23 YTD	Dec-23 YTD
Performance Ratios					
Return on Average Assets*	0.86%	(11.85%)	1.84%	0.86%	(1.85%)
Return on Average Equity*	8.25%	(92.41%)	14.73%	8.25%	(14.53%)
Net Interest Margin*	3.10%	3.18%	4.17%	3.10%	3.83%
Efficiency Ratio	67.87%	40.91%	53.20%	67.87%	50.36%
**Quarterly results are annualized*					

Capital				Well Capitalized Minimum
Tier 1 Leverage Ratio**	10.22%	10.16%	12.96%	5.00%
Common Equity Tier 1 Ratio**	12.56%	12.42%	16.36%	6.50%
Tier 1 Risk-Based Capital Ratio**	12.56%	12.42%	16.36%	8.00%
Total Risk-Based Capital Ratio **	13.83%	13.71%	17.24%	10.00%
Book Value per Share (BVS)	$11.41	$11.24	$13.83	
***Represents Bank capital ratios*				

Asset Quality			
Net Credit Charge-Offs (Recoveries)	$14,611	$0	$0
Allowance for Credit Losses to Loans %	3.11%	5.29%	0.98%
Nonperforming Assets to Total Assets	0.78%	2.42%	0.05%

Additional Credit Disclosures

Loan Segmentation - The following table presents the Bank's total loans outstanding at amortized cost by portfolio segment and by internally assigned grades as of March 31, 2024 and December 31, 2023 (in thousands):

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

December 31, 2023 Portfolio Segment	Pass	Special Mention	Substandard	Doubtful	Loss	Total
Commercial real estate	$ 239,876	$ 1,570	$ -	$ -	$ -	$ 241,446
Residential real estate	168,708	-	-	-	-	168,708
Commercial - equipment	33,770	14,630	4,173	2,898	11,643	67,114
Commercial - all other	9,429	-	-	-	-	9,429
Multifamily	2,884	-	-	-	-	2,884
Construction and land	979	-	-	-	-	979
Consumer and other	76	-	-	-	-	76
	$ 455,722	$ 16,200	$ 4,173	$ 2,898	$ 11,643	$ 490,636

The commercial real estate (CRE) loans that were graded Special Mention increased to $25.4 million as of March 31, 2024, increasing by $23.8 million from December 31, 2023. The increase was due to the downgrades of three franchise hotel loans, each with a Loan-to-value (LTV) less than 50%. Per the grading definitions below, they did not warrant adverse classifications but may require actions by the Bank to prevent further degradations. In addition, the commercial-equipment loans graded Substandard increased to $15.4 million, increasing by $11.2 million from December 31, 2023. The increase was composed of loans that migrated from Special Mention as of December 31, 2023. Management did not believe any more provisions would be required on these loans as they were generally current on payments and the ACL on these migrated loans totaled $5.7 million or approximately 50%.

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 table presents the allowance for credit losses under ASC 326, *Financial Instruments – Credit Losses* by portfolio segment and by internally assigned grades as of March 31, 2024 and December 31, 2023 (in thousands):

March 31, 2024 Portfolio Segment	Pass	Special 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	69	-	-	-	-	69
Multifamily	3	-	-	-	-	3
Construction and land	30	-	-	-	-	30
Consumer and other	3	-	-	-	-	3
	$ 3,772	$ 1,598	$ 6,274	$ 2,989	$ -	$ 14,633

December 31, 2023 Portfolio Segment	Pass	Special Mention	Substandard	Doubtful	Loss	Total
Commercial real estate	$ 1,641	$ 48	$ -	$ -	$ -	$ 1,689
Residential real estate	1,252	-	-	-	-	1,252
Commercial - equipment	426	7,315	621	2,898	11,643	22,903
Commercial - all other	65	-	-	-	-	65
Multifamily	3	-	-	-	-	3
Construction and land	34	-	-	-	-	34
Consumer and other	4	-	-	-	-	4
	$ 3,425	$ 7,363	$ 621	$ 2,898	$ 11,643	$ 25,950

Past due loans –The following table presents past due loans at amortized cost by portfolio segment as of March 31, 2024 and December 31, 2023 (in thousands):

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

December 31, 2023 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	$ -	$ -	$ 484	$ 484	$ 240,962	$ 241,446
Residential real estate	-	-	-	-	168,708	168,708
Commercial - equipment	260	407	10,186	10,853	56,261	67,114
Commercial - all other	-	-	-	-	9,429	9,429
Multifamily	-	-	-	-	2,884	2,884
Construction and land	-	-	-	-	979	979
Consumer and other	-	-	-	-	76	76
	$ 260	$ 407	$ 10,670	$ 11,337	$ 479,299	$ 490,636

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 March 31, 2024 and December 31, 2023 (in thousands):

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	$ -

December 31, 2023 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	$ -	$ 484	$ 484	$ -
Commercial - equipment	-	14,281	14,281	-
	$ -	$ 14,765	$ 14,765	$ -

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 March 31, 2024 and December 31, 2023 the Bank had $3.9 million and $7.1 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 were $2.3 million and $5.5 million as of March 31, 2024 and December 31, 2023, respectively.

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