U & I FINANCIAL CORP.

Reports Third Quarter 2024 Financial Results

Lynnwood, WA / Accesswire / October 31, 2024 / U & I Financial Corp. (OTCQX: UNIF), the holding company ("Company") for UniBank ("Bank"), today reported a quarterly Net Loss of $15.0 million or a loss of $2.73 per share in the third quarter of 2024, compared to the Net Income of $2.4 million or earnings of $0.43 per share for the same quarter of 2023, primarily due to the Provision for Credit Losses of $19.5 million recognized during the third quarter of this year. For the nine months ended September 30, 2024, the Net Loss was $14.5 million or a loss of $2.65 per share, as a result of the $22.4 million Provision for Credit Losses, compared to the Net Income of $7.4 million or earnings of $1.36 per share for the same period of 2023.

At September 30, 2024, Total Assets were $569.6 million, a decrease of $42.6 million or 7.0% from $612.2 million at September 30, 2023. Net Loans were $410.3 million at September 30, 2024, decreasing by $66.6 million or 14.0% from $476.9 million at September 30, 2023. Total Deposits decreased by $54.0 million or 10.3% to $468.2 million at September 30, 2024 compared to $522.1 million a year earlier.

The Bank has experienced credit deterioration from Bank borrowers with "commercial-equipment" loans. As of September 30, 2024, these loans totaled $38.3 million as compared to $49.3 million as of June 30, 2024. The Allowance for Credit Losses (ACL) on Loans and ACL on Off-Balance Sheet Credit Exposure were $24.1 million and $1.7 million, respectively, as of September 30, 2024, compared to $13.1 million and $2.2 million, respectively, as of June 30, 2024. Additional information on credit quality is presented in the tables below.

The Bank's capital ratios remained above the regulatory "well capitalized" minimums at 7.53%, 9.56% and 10.87% for Tier 1 Leverage Ratio, Tier 1 Risk-Based Capital Ratio and Total Risk-Based Capital Ratio, respectively, as of September 30, 2024.

"As a result of the ongoing issues with commercial equipment loans, it was necessary to recognize a large provision in the third quarter. Although the Bank has charged off $23 million of these loans and has reserved for 63% of the remaining $38 million, its capital ratios are still above regulatory 'well capitalized' minimum ratios," said President & CEO Stephanie Yoon. "While we are disappointed to recognize another large provision in the third quarter due to these loans, we are encouraged by the work of our new, solid credit team as they actively work to resolve these issues."

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)	Sep-24 QTD	Jun-24 QTD	Sep-23 QTD	Sep-24 YTD	Sep-23 YTD	Dec-23 YTD
Interest Income	$8,270	$9,362	$9,616	$26,917	$28,346	$37,652
Interest Expense	4,820	4,769	4,173	14,287	10,796	15,388
Net Interest Income	3,450	4,593	5,443	12,630	17,550	22,264
Provision for Credit Losses	19,479	2,966	158	22,445	158	26,411
Gain (Loss) on Loan Sales	-	179	609	179	1,433	1,410
Loan Servicing Fees, Net of Amortization	168	175	164	527	541	624
Other Non-interest Income	212	195	176	592	678	851
Non-interest Income	380	549	949	1,298	2,652	2,885
Salaries & Benefits	1,514	1,445	1,962	4,948	6,991	8,241
Occupancy Expense	205	189	187	586	541	729
Other Expense	1,568	1,629	1,120	4,381	3,126	3,712
Non-interest Expense	3,287	3,263	3,269	9,915	10,658	12,682
Net Income (Loss) before Income Taxes	(18,936)	(1,087)	2,965	(18,432)	9,386	(13,944)
Income Tax Expense (Benefit)	(3,983)	(260)	610	(3,921)	1,986	(3,136)
Net Income (Loss)	**($14,953)**	**($827)**	**$2,355**	**(14,511)**	**$7,400**	**(10,808)**
Total Outstanding Shares *(in thousands)*	5,477	5,477	5,466	5,477	5,466	5,466
Basic Earnings (Loss) per Share	($2.73)	($0.15)	$0.43	($2.65)	$1.36	($1.98)

Statement of Condition (Unaudited)

(Dollars in thousands)	Sep-24 Qtr End	Jun-24 Qtr End	Sep-23 Qtr End	Variance Prior Qtr	Variance Prior Year	Dec-23 Qtr End
Cash and Due from Banks	$70,527	$46,299	$58,923	$24,228	$11,604	$61,254
Investments	50,344	50,996	48,841	(652)	1,503	51,346
Loans Held for Sale	-	-	-	-	-	-
Gross Loans	439,233	459,196	482,132	(19,963)	(42,899)	490,636
Allowance for Credit Losses (ACL) on Loans	(28,964)	(17,680)	(5,234)	(11,284)	(23,730)	(25,950)
Net Loans	410,269	441,516	476,898	(31,247)	(66,629)	464,686
Fixed Assets	6,078	6,140	6,577	(62)	(499)	6,438
Other Assets	32,387	27,676	20,978	4,711	11,409	26,325
Total Assets	**$569,605**	**$572,627**	**$612,217**	**($3,022)**	**($42,612)**	**$610,049**
Checking	$86,708	$88,860	$105,770	($2,152)	($19,062)	$100,135
NOW	5,233	10,925	14,588	(5,692)	(9,355)	13,504
Money Market	128,136	144,471	197,296	(16,335)	(69,160)	200,966
Savings	6,258	6,895	9,050	(637)	(2,792)	8,063
Certificates of Deposit	241,840	200,758	195,429	41,082	46,411	191,733
Total Deposits	468,175	451,909	522,133	16,266	(53,958)	514,401
Borrowed Funds	50,000	54,000	8,000	(4,000)	42,000	20,000
ACL on Off-Balance Sheet Credit Exposure	1,695	2,176	15	(481)	1,680	5,551
Other Liabilities	2,710	3,387	3,901	(677)	(1,191)	8,678
Total Liabilities	522,580	511,472	534,049	11,108	(11,469)	548,630
Shareholders' Equity	47,025	61,155	78,168	(14,130)	(31,143)	61,419
Total Liabilities & Equity	**569,605**	**$572,627**	**$612,217**	**($3,022)**	**($42,612)**	**$610,049**

Financial Ratios

(Dollars in thousands except BVS)	Sep-24 QTD	Jun-24 QTD	Sep-23 QTD	Sep-24 YTD	Sep-23 YTD	Dec-23 YTD
Performance Ratios						
Return on Average Assets*	(10.30%)	(0.57%)	1.54%	(3.30%)	1.65%	(1.85%)
Return on Average Equity*	(96.78%)	(5.29%)	11.92%	(31.24%)	13.01%	(14.53%)
Net Interest Margin*	2.44%	3.21%	3.65%	2.92%	4.05%	3.83%
Efficiency Ratio	85.82%	63.43%	51.14%	71.36%	52.76%	50.36%
**Quarterly results are annualized*						

Capital	Sep-24 QTD	Jun-24 QTD	Sep-23 QTD	Well Capitalized Minimum
Tier 1 Leverage Ratio**	7.53%	10.22%	13.26%	5.00%
Common Equity Tier 1 Ratio**	9.56%	12.82%	16.54%	6.50%
Tier 1 Risk-Based Capital Ratio**	9.56%	12.82%	16.54%	8.00%
Total Risk-Based Capital Ratio **	10.87%	14.10%	17.61%	10.00%
Book Value per Share (BVS)	$8.59	$11.17	$14.30	
***Represents Bank capital ratios*				

Asset Quality	Sep-24 QTD	Jun-24 QTD	Sep-23 QTD	Sep-24 YTD	Sep-23 YTD	Dec-23 YTD
Net Credit Charge-Offs (Recoveries)***	$8,676	$0	$0	$23,288	$0	$0
Allowance for Credit Losses to Loans %	6.59%	3.85%	1.09%			
Nonperforming Assets to Total Assets	2.74%	1.02%	0.74%			
**** Includes Off-Balance Sheet Credit Exposure*						

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 September 30, 2024 and June 30, 2024 (in thousands):

September 30, 2024 Portfolio Segment	Pass	Special Mention	Substandard	Doubtful	Loss	Total
Commercial real estate	$ 188,980	$ 29,274	$ 792	$ -	$ -	$ 219,046
Residential real estate	168,714	-	-	499	-	169,213
Commercial - equipment	-	18,066	7,639	3,554	9,057	38,316
Commercial - all other	8,857	-	-	-	-	8,857
Multifamily	2,823	-	-	-	-	2,823
Construction and land	907	-	-	-	-	907
Consumer and other	71	-	-	-	-	71
	$ 370,352	$ 47,340	$ 8,431	$ 4,053	$ 9,057	$ 439,233

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

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 September 30, 2024 and June 30, 2024 (in thousands):

September 30, 2024		**Special**				
Portfolio Segment	**Pass**	**Mention**	**Substandard**	**Doubtful**	**Loss**	**Total**
Commercial real estate	$ 1,234	$ 113	$ 48	$ -	$ -	$ 1,395
Residential real estate	3,088	-	-	195	-	3,283
Commercial - equipment	-	9,033	3,820	2,475	8,791	24,119
Commercial - all other	135	-	-	-	-	135
Multifamily	2	-	-	-	-	2
Construction and land	27	-	-	-	-	27
Consumer and other	3	-	-	-	-	3
	$ 4,489	$ 9,146	$ 3,868	$ 2,670	$ 8,791	$ 28,964

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

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

September 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	$ 930	$ 3,896	$ -	$ 4,826	$ 214,220	$ 219,046
Residential real estate	-	-	-	-	169,213	169,213
Commercial - equipment	6,425	5,810	8,093	20,328	17,988	38,316
Commercial - all other	-	-	-	-	8,857	8,857
Multifamily	-	-	-	-	2,823	2,823
Construction and land	-	-	-	-	907	907
Consumer and other	-	-	-	-	71	71
	$ 7,355	$ 9,706	$ 8,093	$ 25,154	$ 414,079	$ 439,233

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

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 September 30, 2024 and June 30, 2024 (in thousands):

September 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	$ -	$ 2,564	$ 2,564	$ -
Commercial - equipment	-	12,976	12,976	-
	$ -	$ 15,539	$ 15,539	$ -

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	$ -

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 September 30, 2024 and June 30, 2024 the Bank had $2.6 million and $3.5 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 $1.7 million and $2.2 million as of September 30, 2024 and June 30, 2024, respectively.

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