



Reports Fourth Quarter and Full Year 2024 Financial Results

Lynnwood, WA / Accesswire / January 31, 2025 / U & I Financial Corp. (OTCQX: UNIF), the holding company ("Company") for UniBank ("Bank"), today reported a quarterly Net Loss of \$16.6 million or a loss of \$3.02 per share in the fourth quarter of 2024, compared to a Net Loss of \$18.2 million or a loss of \$3.33 per share for the same quarter of 2023. The Provision for Credit Losses of \$5.8 million recognized during the fourth quarter of 2024 was \$20.5 million lower than the \$26.3 million recognized for the same quarter last year. However, the Bank had an Income Tax Expense of \$10.5 million during this quarter as a result of a \$12.0 million Deferred Tax Assets Valuation Allowance expense as compared to an Income Tax Benefit of \$5.1 million for the same quarter last year, resulting in a \$15.7 million increase in Income Tax Expense.

For the year ended December 31, 2024, the Net Loss was \$31.1 million or a loss of \$5.67 per share, compared to a Net Loss of \$10.8 million or a loss of \$1.98 per share for the same period of 2023. The decrease was primarily due to less Net Interest Income of \$7.1 million and higher Interest Tax Expense of \$9.8 million.

At December 31, 2024, Total Assets were \$522.3 million, a decrease of \$87.7 million or 14.4% from \$610.0 million at December 31, 2023. Net Loans were \$386.1 million at December 31, 2024, decreasing by \$78.5 million or 16.9% from \$464.7 million at December 31, 2023. Total Deposits decreased by \$74.8 million or 14.5% to \$439.6 million at December 31, 2024 compared to \$514.4 million a year earlier.

The Bank continued to experience credit deterioration in commercial-equipment loans, with a \$18.1 million charged off during the fourth quarter of 2024. As of December 31, 2024, the remaining loans totaled \$10.8 million compared to \$29.6 million as of September 30, 2024. As of December 31, 2024 the Allowance for Credit Losses ("ACL") on Loans and ACL on Off-Balance Sheet Credit Exposure were \$6.3 million and \$65 thousand, respectively, compared to \$15.4 million and \$1.7 million, respectively, as of September 30, 2024.

The Bank's capital ratios were 5.60%, 7.53% and 8.80% for Tier 1 Leverage Ratio, Tier 1 Risk-Based Capital Ratio and Total Risk-Based Capital Ratio, respectively, as of December 31, 2024. The Tier 1 Risk-Based Capital Ratio and Total Risk-Based Capital Ratio were "adequately capitalized" per the regulatory guidelines.

"The Company had a very challenging year in 2024 due to the deterioration of the commercial-equipment loans. While the credit exposure of these loans has decreased by year end, the Bank is still actively working with borrowers to prevent further deterioration," said President & CEO Stephanie Yoon. "Looking ahead, we still have much work to do. Hence, we have added new talent in key areas of the Bank in addition to the new Chief Credit Officer who started in September 2024. With a strengthened team, I am hopeful that we can turn things around and continue the rebuilding process."

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 compliance with the Written Agreement with the Federal Reserve Bank of San Francisco and the Washington Department of Financial Institutions; 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)

	Dec-24	Sep-24	Dec-23	Dec-24	Dec-23
<i>(Dollars in thousands except EPS)</i>	QTD	QTD	QTD	YTD	YTD
Interest Income	\$7,165	\$8,270	\$9,306	\$34,082	\$37,652
Interest Expense	4,643	4,820	4,592	18,930	15,388
Net Interest Income	2,522	3,450	4,714	15,152	22,264
Provision for Credit Losses	5,801	19,479	26,253	28,246	26,411
Gain (Loss) on Loan Sales	-	-	(23)	179	1,410
Loan Servicing Fees, Net of Amortization	141	168	83	668	624
Other Non-interest Income	184	212	173	776	851
Non-interest Income	325	380	233	1,623	2,885
Salaries & Benefits	1,629	1,514	1,250	6,577	8,241
Occupancy Expense	193	205	188	779	729
Other Expense	1,238	1,568	586	5,619	3,712
Non-interest Expense	3,060	3,287	2,024	12,975	12,682
Net Income (Loss) before Income Taxes	(6,014)	(18,936)	(23,330)	(24,446)	(13,944)
Income Tax Expense (Benefit)	10,543	(3,983)	(5,122)	6,622	(3,136)
Net Income (Loss)	(\$16,557)	(\$14,953)	(\$18,208)	(\$31,068)	(\$10,808)
Total Outstanding Shares <i>(in thousands)</i>	5,477	5,477	5,466	5,477	5,466
Basic Earnings (Loss) per Share	(\$3.02)	(\$2.73)	(\$3.33)	(\$5.67)	(\$1.98)

Statement of Condition (Unaudited)

	Dec-24	Sep-24	Dec-23	Variance	Variance
<i>(Dollars in thousands)</i>	Qtr End	Qtr End	Qtr End	Prior Qtr	Prior Year
Cash and Due from Banks	\$61,684	\$70,527	\$61,254	(\$8,843)	\$430
Investments	48,511	50,344	51,346	(1,833)	(2,835)
Gross Loans	395,768	430,523	490,636	(34,755)	(94,868)
Allowance for Credit Losses (ACL) on Loans	(9,620)	(20,254)	(25,950)	10,634	16,330
Net Loans	386,148	410,269	464,686	(24,121)	(78,538)
Fixed Assets	5,936	6,078	6,438	(142)	(502)
Deferred Tax Assets	12,542	11,192	6,880	1,350	5,662
Valuation Allowance	(12,014)	-	-	(12,014)	(12,014)
Net Deferred Tax Assets	528	11,192	6,880	(10,664)	(6,352)
Other Assets	19,512	21,195	19,445	(1,683)	67
Total Assets	\$522,319	\$569,605	\$610,049	(\$47,286)	(\$87,730)
Checking	\$76,165	\$86,708	\$100,135	(\$10,543)	(\$23,970)
NOW	5,739	5,233	13,504	506	(7,765)
Money Market	124,530	128,136	200,966	(3,606)	(76,436)
Savings	6,184	6,258	8,063	(74)	(1,879)
Certificates of Deposit	226,984	241,840	191,733	(14,856)	35,251
Total Deposits	439,602	468,175	514,401	(28,573)	(74,799)
Borrowed Funds	50,000	50,000	20,000	-	30,000
ACL on Off-Balance Sheet Credit Exposure	65	1,695	5,551	(1,630)	(5,486)
Other Liabilities	2,721	2,710	8,678	11	(5,957)
Total Liabilities	492,388	522,580	548,630	(30,192)	(56,242)
Shareholders' Equity	29,931	47,025	61,419	(17,094)	(31,488)
Total Liabilities & Equity	\$522,319	\$569,605	\$610,049	(\$47,286)	(\$87,730)

Financial Ratios

	Dec-24	Sep-24	Dec-23	Dec-24	Dec-23
	QTD	QTD	QTD	YTD	YTD
<i>(Dollars in thousands except BVS)</i>					
Performance Ratios					
Return on Average Assets*	(11.87%)	(10.30%)	(11.85%)	(5.38%)	(1.85%)
Return on Average Equity*	(141.93%)	(96.78%)	(92.41%)	(53.64%)	(14.53%)
Net Interest Margin*	1.86%	2.44%	3.18%	2.67%	3.83%
Efficiency Ratio	107.48%	85.82%	40.91%	77.50%	50.36%
<i>*Quarterly results are annualized</i>					
				Adequately	Well
	Dec-24	Sep-24	Dec-23	Capitalized	Capitalized
	QTD	QTD	QTD	Minimum	Minimum
Capital					
Tier 1 Leverage Ratio**	5.60%	7.22%	10.16%	4.00%	5.00%
Common Equity Tier 1 Ratio**	7.53%	9.33%	12.42%	4.50%	6.50%
Tier 1 Risk-Based Capital Ratio**	7.53%	9.33%	12.42%	6.00%	8.00%
Total Risk-Based Capital Ratio **	8.80%	10.62%	13.71%	8.00%	10.00%
Book Value per Share (BVS)	\$5.47	\$8.59	\$11.24		
<i>**Represents Bank capital ratios</i>					
	Dec-24	Sep-24	Dec-23	Dec-24	Dec-23
	QTD	QTD	QTD	YTD	YTD
Asset Quality					
Net Credit Charge-Offs (Recoveries)***	\$18,064	\$17,386	\$0	\$50,063	\$0
Allowance for Credit Losses to Loans %	2.43%	4.70%	5.29%		
Nonperforming Assets to Total Assets	2.11%	1.29%	2.42%		
<i>*** Includes Off-Balance Sheet Credit Exposure</i>					

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 December 31, 2024 and September 30, 2024 (in thousands):

December 31, 2024						
Portfolio Segment	Pass	Special Mention	Substandard	Doubtful	Loss	Total
Commercial real estate	\$ 181,316	\$ 24,012	\$ 6,762	\$ 924	\$ -	\$ 213,014
Residential real estate	159,725	234	-	-	-	159,959
Commercial - equipment	-	881	7,986	1,899	-	10,766
Commercial - all other	8,124	-	100	-	-	8,224
Multifamily	2,802	-	-	-	-	2,802
Construction and land	883	-	-	-	-	883
Consumer and other	120	-	-	-	-	120
	<u>\$ 352,970</u>	<u>\$ 25,127</u>	<u>\$ 14,848</u>	<u>\$ 2,823</u>	<u>\$ -</u>	<u>\$ 395,768</u>

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	168,715	-	-	499	-	169,214
Commercial - equipment	-	18,066	7,985	3,554	-	29,605
Commercial - all other	8,857	-	-	-	-	8,857
Multifamily	2,823	-	-	-	-	2,823
Construction and land	907	-	-	-	-	907
Consumer and other	71	-	-	-	-	71
	<u>\$ 370,353</u>	<u>\$ 47,340</u>	<u>\$ 8,777</u>	<u>\$ 4,053</u>	<u>\$ -</u>	<u>\$ 430,523</u>

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 sufficient risk to warrant adverse classification.

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 December 31, 2024 and September 30, 2024 (in thousands):

December 31, 2024		Special					
Portfolio Segment	Pass	Mention	Substandard	Doubtful	Loss	Total	
Commercial real estate	\$ 1,214	\$ 163	\$ 49	\$ 79	\$ -	\$ 1,505	
Residential real estate	1,629	2	-	-	-	1,631	
Commercial - equipment	-	441	3,993	1,899	-	6,333	
Commercial - all other	121	-	2	-	-	123	
Multifamily	2	-	-	-	-	2	
Construction and land	23	-	-	-	-	23	
Consumer and other	3	-	-	-	-	3	
	\$ 2,992	\$ 606	\$ 4,044	\$ 1,978	\$ -	\$ 9,620	

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	3,901	2,475	-	15,409	
Commercial - all other	135	-	-	-	-	135	
Multifamily	2	-	-	-	-	2	
Construction and land	27	-	-	-	-	27	
Consumer and other	3	-	-	-	-	3	
	\$ 4,489	\$ 9,146	\$ 3,949	\$ 2,670	\$ -	\$ 20,254	

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

December 31, 2024	30 - 59 Days	60 - 89 Days	90 Days or	Total		Total
Portfolio Segment	Past Due	Past Due	More	Past Due	Current	Loans
Commercial real estate	\$ -	\$ -	\$ 7,306	\$ 7,306	\$ 205,708	\$ 213,014
Residential real estate	-	-	-	-	159,959	159,959
Commercial - equipment	1,817	754	403	2,974	7,792	10,766
Commercial - all other	100	-	-	100	8,124	8,224
Multifamily	-	-	-	-	2,802	2,802
Construction and land	-	-	-	-	883	883
Consumer and other	-	-	-	-	120	120
	\$ 1,917	\$ 754	\$ 7,709	\$ 10,380	\$ 385,388	\$ 395,768

<u>September 30, 2024</u>	30 - 59 Days	60 - 89 Days	90 Days or	Total		Total
<u>Portfolio Segment</u>	<u>Past Due</u>	<u>Past Due</u>	<u>More</u>	<u>Past Due</u>	<u>Current</u>	<u>Loans</u>
Commercial real estate	\$ 930	\$ 3,896	\$ -	\$ 4,826	\$ 214,220	\$ 219,046
Residential real estate	-	-	-	-	169,214	169,214
Commercial - equipment	6,425	5,810	3,272	15,507	14,098	29,605
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	\$ 3,272	\$ 20,333	\$ 410,190	\$ 430,523

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 December 31, 2024 and September 30, 2024 (in thousands):

December 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	\$ -	\$ 9,401	\$ 9,401	\$ -
Residential real estate	-	-	-	-
Commercial - equipment	-	1,638	1,638	-
	\$ -	\$ 11,039	\$ 11,039	\$ -
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	\$ -
Residential real estate	-	500	500	-
Commercial - equipment	-	4,265	4,265	-
	\$ -	\$ 7,329	\$ 7,329	\$ -

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 December 31, 2024 and September 30, 2024 the Bank had \$126 thousand and \$2.6 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 \$65 thousand and \$1.7 million as of December 31, 2024 and September 30, 2024, respectively.

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