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DELTA REPORT

10-K

UNB - UNION BANKSHARES INC

10-K - DECEMBER 31, 2023 COMPARED TO 10-K - DECEMBER 31, 2022

The following comparison report has been automatically generated

TOTAL DELTAS	2744
CHANGES	512
DELETIONS	898
ADDITIONS	1334

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

☐ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2022 2023 **Commission file number 001-15985**

UNION BANKSHARES, INC.

(State or Other Jurisdiction of Incorporation or Organization)	**VT**	**03-0283552**	(I.R.S. Employer Identification No.)

P.O. BOX 667
20 LOWER MAIN STREET
MORRISVILLE, VT 05661-0667
(Address of Principal Executive Offices)

Registrant's telephone number: 802-888-6600

Former name, former address and former fiscal year, if changed since last report: Not applicable

Securities registered pursuant to section 12(b) of the Act:

Common Stock, $2.00 par value	**UNB**	**The NASDAQ Stock Market LLC**
(Title of class)	(Trading Symbol(s))	(Exchanges registered on)

Securities registered pursuant to Sections 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of “large accelerated filer,” ”accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards proviced pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).
Yes ☐ No ☒

The aggregate market value of the common stock held by non-affiliates of the registrant on June 30, 2022 June 30, 2023 was $104,500,623 $93,086,240 based on the closing price on the NASDAQ Stock Market LLC on such date of $26.15 $23.25 per share. For purposes of this calculation, all directors, executive officers, and named executives of the Registrant are assumed to be affiliates. Such assumption, however, shall not be deemed to be an admission of such status as to any such individual.

On February 28, 2023 February 28, 2024, there were 4,509,425 4,519,384 shares of common stock, $2.00 par value, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Specifically designated portions of the following documents are incorporated by reference in the indicated Part of this Annual Report on Form 10-K:

Document	Part
Portions of the Proxy Statement for the 2023 2024 Annual Meeting of Shareholders	III

UNION BANKSHARES, INC.
Table of Contents

(a) The information required by Part III Items 10, 11, 12, 13 and 14 is incorporated herein by reference, in whole or in part, from the Company's Proxy Statement for the Annual Meeting of Shareholders to be held on May 17, 2023. The incorporation by reference herein of portions of the Proxy Statement shall not be deemed to specifically incorporate by reference the information referred to in Items 407(d)(1)-(3) of Regulation S-K or the information required to be included in the Proxy Statement pursuant to Item 402(v) of Regulation S-K. Incorporation by reference of this report into any registration statement filed by the Company under the Securities Act of 1933, as amended shall not be deemed to incorporate by reference the information referred to in Item 201(e) of Regulation S-K.

FORWARD-LOOKING STATEMENTS

The Company may from time to time make written or oral statements that are considered “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may include financial projections, statements of plans and objectives for future operations, estimates of future economic performance or conditions and assumptions relating thereto. The Company may include forward-looking statements in its filings with the SEC, in its reports to stockholders, including this Annual Report, in press releases, other written materials, and in statements made by senior management to analysts, rating agencies, institutional investors, representatives of the media and others.

Forward-looking statements reflect management's current expectations and are subject to uncertainties, both general and specific, and risk exists that actual results will differ from those predictions, forecasts, projections and other estimates contained in forward-looking statements. These risks cannot be readily quantified. When management uses any of the terms “believes,” “expects,” “predicts,” “anticipates,” “intends,” "projects," "potential," “plans,” “seeks,” “estimates,” "targets," "goals," “may,” “might,” “could,” “would,” “should,” or similar expressions, they are making forward-looking statements. Many possible events or factors, including those beyond the control of management, could affect the future financial results and performance of the Company.

Factors that may cause results or performance to differ materially from those expressed in forward-looking statements include, but are not limited to:

- interest rate risk, including the effects of recent and anticipated rate increases changes by the Federal Reserve; FRB;
- fluctuations in the values of the securities held in our securities portfolio as the result of rising higher interest rates, which has resulted in unrealized losses in our securities portfolios;
- increased competitive pressures, including those from tax-advantaged credit unions and other financial service providers in the Company's northern Vermont and New Hampshire market area or in the financial services industry generally, from increasing consolidation and integration of financial service providers, and from changes in technology and delivery systems;
- changes in tax or banking laws and regulations that increases our compliance and other costs of doing business;
- increases in the level of nonperforming assets and charge-offs;
- changes in depositor behavior resulting in movement of funds out of bank Bank deposits and into the stock market, other investment assets, or other higher-yielding investments; into deposits at financial institutions offering higher rates;
- new or revised accounting standards, including as a result of the implementation of the new Current Expected Credit Loss (CECL) standard, which became effective for the Company on January 1, 2023; standards;
- the ability to successfully manage liquidity risk, which may increase the dependence on borrowed funds and non-core funding sources such as brokered deposits, and negatively impact our cost of funds;
- changes in information technology that require increased capital spending or that result in new or increased risks;
- changes in consumer and business spending, borrowing and savings habits;
- further changes to the regulations governing the calculation of the Company's regulatory capital ratios;
- increased competitive pressures affecting the ability of the Company to attract, develop and retain senior management and other employees;
- increased cybersecurity threats;
- disruptions in financial markets caused by high profile bank failures and actual or proposed responsive measures by federal or state governments or banking regulators, including increases in our deposit insurance assessments;
- the effects of inflation and higher energy costs on our borrowers and other customers; and
- changes in trade, monetary, and fiscal policies and laws, including interest rate policies of the FRB.

When evaluating forward-looking statements to make decisions about the Company and our stock, investors and others are cautioned to consider these and other risks and uncertainties, and are reminded not to place undue reliance on such statements. Investors should not consider the foregoing list of factors to be a complete list of risks or uncertainties. Forward-looking The statements made in this report, including any forward-looking statements, speak only as of the date they are made and the Company undertakes no obligation to update them to reflect new or changed information or events, except as may be required by federal securities laws.

PART I

Item 1. Business

Certain Definitions: Capitalized terms used in the following discussion and not otherwise defined below have the meanings assigned to them in Note 1 to the Company's audited consolidated financial statements contained in Part II, item 8, page 52 55 of this Annual Report.

General: Union Bankshares, Inc. ("Company") is a one-bank holding company whose sole subsidiary is Union Bank ("Union"). It was incorporated in the State of Vermont in 1982 to serve as a holding company for Union Bank. The Company's common stock is traded on the NASDAQ Global Select Market under the symbol "UNB". Union Bank was organized and

chartered as a State bank in 1891 and became a wholly owned subsidiary of the Company upon completion of the holding company reorganization in 1982. Both Union Bankshares, Inc. and Union Bank are headquartered in Morrisville, Vermont.

The Company's business is that of a community bank in the financial services industry. The Company has one definable business segment, Union Bank, which provides full retail, commercial, municipal banking, and wealth management and trust services throughout its 18 20 banking offices, three two loan centers, and several ATMs covering northern Vermont and northern New Hampshire. Also, many of Union's services are provided via the telephone, mobile devices, and through its website, www.ublocal.com. Union seeks to make a profit for the Company while providing quality retail banking services to individuals and commercial banking services to small and medium sized business corporations, limited liability companies, partnerships, and sole proprietorships, as well as nonprofit organizations, local municipalities and school districts within its market area.

The Company's income is derived principally from interest and fees on loans and earnings on other investments. Its primary expenses arise from interest paid on deposits and borrowings, salaries and wages, health insurance and other employee benefits and other general overhead expenses, including occupancy and equipment expenses. Our profitability depends primarily on net interest income, which is the difference between interest and dividend income on interest-earning assets and interest expense on interest-bearing liabilities. Interest-earning assets include loans, investment securities, and interest-earning deposits in banks. Interest-bearing liabilities primarily include customer deposit accounts, brokered deposits, subordinated notes and other borrowings. Net interest income is dependent upon the level of interest rates and the extent to which such rates change, as well as changes in the volume of various categories of assets and liabilities. Our profitability is also dependent on the level of noninterest income (primarily gains on sale of real estate loans, loan servicing income, and service fees), provision allowance for loan credit losses, noninterest expenses and income taxes. Our operations and profitability are subject to changes in interest rates, applicable statutes and regulations, changes in corporate tax rates, general economic conditions, the competitive environment, as well as other factors beyond our control.

Human Capital. Our employees play a vital role in our company-wide vision of delivering the best banking experience to all of our customers, employees, communities, and shareholders. As of December 31, 2022 December 31, 2023, Union employed 188 197 full time employees. Guided by our core values, we are committed to creating a company culture where everyone is included and respected, and where we support each other in reaching our full potential. To attract, engage, and retain top talent, we strive to create a supportive workplace, with opportunities for our employees to grow and develop in their careers. We provide numerous training and development opportunities, as well as a robust tuition reimbursement program. We are also deeply committed to the health and well-being of our employees. This includes market-competitive compensation, medical and dental insurance, paid time off, life insurance, short term and long-term disability, and a 401(k) plan. We maintain a number of human resources and other policies, including a harassment and retaliation policy, to promote a workplace that is safe for all and supports a culture where people feel they can report incidents that threaten that safety. In addition, we have a confidential whistleblower program that forwards complaints to the audit committee and the Board of Directors, and we will work to take necessary action as quickly as possible after a complaint is received. We also prohibit discrimination on the grounds of race, color, religion, sex, sexual orientation (including gender identity and gender expression), national origin, citizenship status, age, disability, genetic information, or veteran status. We employ based on talent and potential for professional growth, and we value a diversity of backgrounds and ideas.

Description of Services: Services or products offered to our customers include, but are not limited to, the following:

- Commercial loans for business purposes to business owners and investors for plant and equipment, working capital, real estate renovation and other sound business purposes;
- Commercial real estate loans on income producing properties, including commercial construction loans;
- SBA guaranteed loans;
- Residential construction and mortgage loans;
- Municipal financing, including loans and excess deposits secured by FHLBB letters of credit;
- Online cash management services, including account reconciliation, credit card depository, Automated Clearing House (ACH) origination, wire transfers, positive pay and night depository;
- Merchant credit card services for the deposit and immediate credit of sales drafts;
- Remote deposit capture for merchants;
- Online mortgage applications;

- Online consumer deposit account opening;
- Business checking accounts;
- Standby letters of credit, bank checks or money orders, and safe deposit boxes;
- ATM services;
- Debit MasterCard and ATM cards;
- Telephone, internet, and mobile banking services, including bill pay;
- Home improvement loans and overdraft checking privileges against preauthorized lines of credit;

- Retail depository services including personal checking accounts, checking accounts with interest, savings accounts, money market accounts, certificates of deposit, IRA/SEP/KEOGH accounts and Health Savings accounts; and
- Wealth management and trust services to individuals and organizations.

Consistent with the Company's objective of serving the financial needs of individuals, businesses and others within our market areas, we seek to concentrate our assets in loans. For the year ended December 31, 2022 December 31, 2023, the Company's rate of average loans to average deposits was 75.6% 81.8%. To be consistent with the requirements of prudent banking practices, adequate levels of assets are invested in high-grade securities, FDIC insured certificates of deposits, or other prudent investment alternatives such as company-owned life insurance and investments in real estate limited partnerships for affordable housing. Deposits are the primary source of funds for use in lending, investing and for other general operating purposes. In addition we obtain funds from principal repayments, sales and prepayments of loans, securities and FDIC insured certificates of deposit. Other funding sources may include brokered deposits purchased through CDARS, ICS or through other deposit brokers, and borrowings from the FHLB, correspondent banks or FRB loan facilities, including the Federal Reserve discount window.

Competition: The Company and Union face substantial competition for loans and deposits in northern Vermont and New Hampshire from local and regional commercial banks, savings banks, tax exempt credit unions, mortgage brokers, and financial services affiliates of bank holding companies, as well as from national and regional financial service providers such as mutual funds, brokerage houses, insurance companies, consumer finance companies and internet banks. Within the Company's market area are branches of several commercial and savings banks that are substantially larger than Union. Union focuses on its community banking niche and on providing convenient locations, hours and modes of delivery to provide superior customer service. We have seen over the last few years, a trend by customers to turn to local community banks to fulfill their financial needs with organizations and people they know and trust. Also, as a result of COVID-19, customers have looked Customers continue to look to perform traditional banking transactions electronically either via the internet or Union's mobile app. We are hopeful that these trends will continue. The Company seeks to capitalize upon the extensive business and personal contacts and relationships of our directors, advisory board members and officers within our communities to continue to develop our customer base, as well as relying on director and advisory board referrals, officer-originated calling programs and customer and shareholder referrals.

In order to compete with the larger financial institutions in its service area, Union capitalizes on the flexibility and local autonomy which is accorded by our independent status. This includes an emphasis on personal service, timely decision making, local promotional activity, and personal contacts and community service by our officers, directors and employees. We strive to inform the public about the strength of the franchise, the variety and flexibility of the services we offer and the strength of the local economy relative to the national economy. In addition, we provide information on financial topics of interest and strive to educate future generations by helping them to cultivate sound personal financial habits through our "Save for Success" program for children.

We compete for deposit accounts by offering customers competitive products and rates, personal service, local area expertise, convenient locations and access, and an array of financial services and products. The rapid increase in interest rates initiated by the Fed in 2022 and so far in 2023 has resulted in higher deposit rates. The unprecedented levels of liquidity experienced throughout 2020 and 2021 have essentially evaporated due to high levels of inflation, resulting in greater competitive Competitive pressures for deposits than in recent years. increased during 2023 as customers sought out the highest yield on their savings dollars and were willing to relocate funds to other institutions or brokerage firms. Union is utilizing a combination of higher rates on non-maturity deposits and time deposit specials to attract and retain customer deposits. deposits and attract new customers in our new market areas.

The competition in originating real estate and other loans comes principally from commercial banks, savings banks, mortgage banking companies and tax exempt credit unions. We compete for loan originations primarily through the interest rates and loan fees we charge, the types of loans we offer, and the efficiency and quality of services we provide. The Company emphasizes residential mortgage lending, commercial real estate and construction lending, as well as municipal loans and both conventional and SBA guaranteed commercial lending. Factors that affect our ability to compete for loans include general and local economic conditions, prevailing interest rates including FHLB rates, the Federal

Home Loan Bank rates, prime rate, and pricing volatility of the secondary loan markets. We promote an increased level of personal service and expertise within the community to position Union as a lender to small to middle market business and residential customers, which tend to be under-served by larger institutions.

Through Union's Wealth Management Group we compete for personal and institutional wealth management and trust business with trust companies, commercial banks having trust departments, investment advisory firms, brokerage firms, mutual funds and insurance companies.

Regulation and Supervision

General

The following discussion addresses elements of the regulatory framework applicable to bank holding companies and their subsidiaries. This regulatory framework is intended primarily for the protection of depositors, the Federal Deposit Insurance

Fund (“DIF”), and the banking system as a whole, rather than the protection of shareholders or non-depository creditors of a bank holding company such as the Company.

As a bank holding company, the Company is subject to regulation, supervision and examination by the FRB under the Bank Holding Company Act of 1956, as amended (“BHCA”). As a state chartered commercial bank, Union Bank is subject to the regulation and supervision by the FDIC and the Vermont Department of Financial Regulation ("DFR").

The following is a summary of certain aspects of various statutes and regulations applicable to the Company and its subsidiary. This summary is not a comprehensive analysis of all applicable laws, and you should refer to the applicable statutes and regulations for more information. Changes in applicable laws or regulations, and in their interpretation and application by regulatory agencies and other governmental authorities, cannot be predicted, but may have a material effect on our business, financial condition or results of operations.

This regulation and supervision establishes a comprehensive framework of activities in which a bank holding company or a bank can engage. The prior approval of the FDIC and DFR is required, among other things, for Union to establish or relocate a branch office, assume deposits or engage in any merger, consolidation, purchase or sale of all or substantially all of the assets of any bank. This regulatory structure also gives the regulatory authorities extensive discretion in connection with their supervisory and enforcement activities and examination policies, including policies with respect to classification of assets and establishment of adequate credit loss reserves for regulatory purposes. To the extent that this information describes statutory and regulatory provisions, it is qualified in its entirety by reference to those provisions.

The Company is also under the jurisdiction of the SEC for matters relating to the offer and sale of its securities as well as investor reporting public disclosure requirements. The Company is subject to restrictions, reporting requirements, and review procedures under federal securities laws and regulations. The Company's common stock is listed on the NASDAQ Global Select Market under the trading symbol “UNB” and accordingly, the Company is subject to the rules of NASDAQ for listed companies.

Financial Regulatory Reform Legislation

The Dodd-Frank Act. The Dodd-Frank Act, enacted in 2010, comprehensively reformed the regulation of financial institutions and the products and services they offer. Among other things, the Dodd-Frank Act:

- granted the FRB increased supervisory authority and codified the source of strength doctrine, doctrine;
- provided new capital standards applicable to the Company, Company;
- modified the scope and costs associated with deposit insurance coverage, coverage;
- permitted well capitalized and well managed banks to acquire other banks in any state subject to certain deposit concentration limits and other conditions, conditions;
- permitted the payment of interest on business demand deposit accounts, accounts;
- established the CFPB and transferred rulemaking authority to it under various consumer protection laws relating to financial products and services, services;
- established new minimum mortgage underwriting standards for residential mortgages, mortgages;
- barred banking organizations, such as the Company, from engaging in proprietary trading and from sponsoring and investing in hedge funds and private equity funds, except as permitted under certain circumstances, circumstances; and
- established the Financial Stability Oversight Council to designate certain activities as posing a risk to the United States financial systems and recommended new or heightened standards and safeguards for financial institutions engaging in such activities.

While the Dodd-Frank Act is focused principally on changes to the financial regulatory system, it includes several corporate governance, disclosure and compensation provisions applicable to public companies. companies, such as the Company. Those provisions include:

- A requirement that public companies solicit an advisory vote on executive compensation ("say-on-pay"), an advisory vote on the frequency of say-on-pay votes and, in the event of a merger or other extraordinary transaction, an advisory vote on certain "golden parachute" payments. The Company's last say-on-pay vote was held at the 2022 annual meeting with shareholders approving the Company's executive compensation program by a wide margin. Our next say-on-pay and say-on-frequency advisory votes are scheduled to occur at the 2025 annual meeting, meeting;

- Requirements that the SEC adopt rules directing the securities exchanges to adopt listing standards with respect to compensation committee independence and the use of consultants, consultants;
- Provisions calling for the SEC to adopt expanded disclosure requirements for annual proxy statements and other filings, particularly in the area of executive compensation, such as disclosure of pay versus performance, policies with regard to hedging transactions conducted by employees and directors, and, for public companies other than smaller reporting companies, the ratio of CEO pay to the pay of a median employee, employee. The Company included the required pay versus performance disclosures beginning with its 2023 proxy statement;

- Provisions requiring the adoption or revision of certain other corporate policies, such as compensation "clawback" policies providing for the recovery of executive compensation in the event of a financial restatement, restatement. The Company adopted a clawback policy in November 2023; and
- A provision clarifying the SEC's authority to adopt rules requiring issuers to include in their proxy statements solicitations for shareholder nominations for directors.

Although disclosure requirements for public companies increased under the Dodd-Frank Act, the Company is a “smaller reporting company” and as permitted under the rules and regulations of the SEC, has elected to provide certain scaled disclosures in this Annual Report and in its annual meeting proxy statement, including scaled disclosures regarding executive compensation.

Bank Holding Company Regulation

As a bank holding company, the Company is subject to regulation, supervision and examination by the FRB, which has the authority, among other things, to order bank holding companies to cease and desist from unsafe or unsound banking practices; to assess civil money penalties; and to order termination of non-banking activities or termination of ownership and control of a non-banking subsidiary by a bank holding company.

Source of Strength. Under long-standing FRB policy and now codified in the Dodd-Frank Act, bank holding companies, such as Union Bankshares, are required to act as a source of financial and management strength to their subsidiary banks, such as Union, and to commit resources to support them. This support may be called for at times when a bank holding company may not have the required resources to do so.

Acquisitions and Activities. Under the BHCA, the activities of bank holding companies, such as Union Bankshares Inc., and those of companies that they control, such as Union, or in which they hold more than 5% of the voting stock, are limited to banking, managing or controlling banks, furnishing services to or performing services for their subsidiaries, or certain activities that the FRB has determined to be so closely related to banking, managing or controlling banks as to be a proper incident thereto. Satisfactory capital ratios, CRA ratings and anti-money laundering policies are generally prerequisites to obtaining Federal regulatory approval to make acquisitions. Financial holding companies may engage in certain nonbanking activities not permitted for bank holding companies. Union Bankshares Inc. has not elected to become a financial holding company.

Enforcement Powers. The FRB has the authority to issue cease and desist orders against bank holding companies to prevent or terminate unsafe or unsound banking practices, violations of law and regulations, or conditions imposed by, or violations of agreements with, or commitments to, the FRB. The FRB is also empowered to assess civil money penalties against companies or individuals who violate the BHCA or orders or regulations thereunder, to order termination of nonbanking activities of nonbanking subsidiaries of bank holding companies, and to order termination of ownership and control of a nonbanking subsidiary by a bank holding company. There are no FRB enforcement actions currently in place against the Company.

The FRB has the power to prohibit dividends by bank holding companies if their actions constitute unsafe or unsound practices. The FRB has issued a policy statement on the payment of cash dividends by bank holding companies, which expresses the FRB's view that a bank holding company should pay cash dividends only to the extent that the company's net income for the past year is sufficient to cover both the cash dividends and rate of earnings retention that is consistent with the company's capital needs, asset quality and overall financial condition.

Regulation of Union Bank

Union is subject to regulation, supervision, and examination by the FDIC and the DFR. Pursuant to the Dodd-Frank Act, the FRB may directly examine the subsidiary of the Company. The enforcement powers available to the federal banking regulators include, among other things, the ability to issue cease and desist or removal orders; to terminate insurance of deposits; to assess civil money penalties; to issue directives to increase capital; to place the Bank into receivership; and to initiate injunctive actions against banking organizations and institution-affiliated parties. The DFR possesses similar enforcement powers under Vermont law. There are no such enforcement actions currently in place against Union.

Deposit Insurance. As a member of the FDIC, the deposits of Union are insured under the Deposit Insurance Fund (“DIF”) maintained by the FDIC up to $250,000 per ownership category. Under applicable federal laws and regulations, deposit insurance premium assessments to the DIF are currently based on a supervisory risk rating system, with the most favorably rated institutions paying the lowest premiums. Under this assessment system, risk is defined and measured using an institution's

supervisory ratings, combined with certain other risk measures, including certain financial ratios and long-term debt issuer ratings. For the year ended December 31, 2022 December 31, 2023, the Bank's total FDIC insurance assessment expense was $622 $998 thousand.

Brokered Deposits. The FDICIA restricts the ability of an FDIC insured bank to accept brokered deposits unless it is a well capitalized institution under FDICIA's prompt corrective action guidelines. Union has established an account with one of its approved investment brokers to accept brokered deposits as an approved liquidity source. Additionally, Union accepts

reciprocal time and money market deposits primarily through its membership with the IntraFi Network in CDARS and ICS, respectively. The Economic Growth, Regulatory Relief, and Consumer Protection Act of 2018 allows the Company to hold reciprocal deposits up to 20 percent of total liabilities without those deposits being treated as brokered for regulatory purposes.

Community Reinvestment Act ("CRA"). Union is subject to the federal CRA, which requires banks to demonstrate their commitment to serving the credit needs of low and moderate income residents of their communities. Union participates in a variety of direct and indirect lending programs and other investments for the benefit of low and moderate income residents in its local communities. The FDIC conducts examinations of insured banks' compliance with CRA requirements and rates institutions as "Outstanding," "Satisfactory," "Needs to Improve," and "Substantial NonCompliance." Failure of an institution to receive at least a "Satisfactory" CRA rating could adversely affect its ability to undertake certain activities, such as branching and acquisitions of other financial institutions, which require regulatory approval based, in part, on the institution's record of CRA compliance. In addition, failure of a bank subsidiary to receive at least a "Satisfactory" rating would disqualify a bank holding company from eligibility to become or remain a financial holding company under the GLBA. Union has received an "Outstanding" rating from its most recent CRA compliance examination by the FDIC. In October 2023, the FDIC and other federal bank regulatory agencies jointly issued a final rule that is designed to strengthen and modernize regulations implementing the CRA. Under the new regulations, banks with $2 billion or more in assets will be evaluated under a Retail Lending Test, a Retail Services and Products Test, a Community Development Financing Test, and a Community Development Services Test. Banks, such as Union, with total assets of $600 million or more and less than $2 billion will be evaluated under the Retail Lending Test and, at the bank's option, either the current Intermediate Bank Community Development Test or the new Community Development Financing Test. The final rule takes effect on April 1, 2024 with staggered compliance dates of January 1, 2026 and January 1, 2027. In February 2024, several trade groups filed a complaint in the U.S. District Court for the Northern District of Texas seeking to vacate the final rule. It is not known at this time what the final outcome of that litigation will be or how it would impact our CRA requirements.

Federal Reserve Board Policies. The monetary policies and regulations of the FRB have had a significant effect on the operating results of banks in the past and are expected to continue to do so in the future. FRB policies affect the levels of bank earnings on loans and investments and the levels of interest paid on bank deposits and borrowings through the Federal Reserve System's open-market operations in United States government securities, regulation of the discount rate and terms on bank borrowings from Federal Reserve Banks.

Capital Adequacy and Safety and Soundness

Capital Adequacy Guidelines. The FDIC and other federal bank regulatory agencies adopted a final rule for leverage and risk-based capital requirements and the method for calculating risk-weighted assets which is consistent with agreements that were reached by the Basel Committee on Banking Supervision under the so-called Basel III framework and certain provisions of the Dodd-Frank Act that became effective on January 1, 2015. Among other things, the rule established a common equity Tier 1 capital ratio with a minimum requirement of 4.5%, increased the minimum Tier 1 risk based ratio from 4.0% to 6.0%, and assigned a higher risk weight of 150% to exposures that are more than 90 days past due or in nonaccrual status as well as certain commercial real estate loans that finance the acquisition, development or construction of real property. The final rule also required accumulated OCI be included for purposes of calculating regulatory capital unless a one time opt-out election was made during the first quarter of 2015. The Company and Union both made the election. The rule limits a banking organization's capital distributions and certain discretionary bonus payments if the banking organization does not hold a "capital conservation buffer" of 2.5% above the minimum capital ratio requirements.

A financial institution's failure to meet minimum regulatory capital standards can lead to other penalties, including termination of deposit insurance or appointment of a conservator or receiver for the financial institution. Risk based capital ratios are the primary measure of regulatory capital presently applicable to bank holding companies. Risk based capital guidelines are designed to make regulatory capital requirements more sensitive to differences in risk profiles among banks and bank holding companies, to account for off-balance-sheet exposure and to minimize disincentives for holding liquid assets.

Federal bank regulatory agencies require banking organizations that engage in significant trading activity to calculate a capital charge for market risk. Significant trading activity means trading activity of at least 10% of total assets or $1 billion, whichever is smaller, calculated on a consolidated basis for bank holding companies. Federal bank regulators may apply the market risk measure to other bank holding companies, as the agency deems necessary or appropriate for safe and sound banking practices. Each agency may exclude organizations that it supervises that otherwise meet the criteria under certain circumstances. The market risk charge will be included in the calculation of an organization's risk based capital ratio. Neither the Company nor Union is currently subject to this special capital charge.

Prompt Corrective Action. FDICIA, among other things, identifies five capital categories for insured depository institutions (well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized) and requires the respective federal banking agencies to implement systems for “prompt corrective action” for insured depository

institutions that do not meet minimum capital requirements. FDICIA imposes progressively more restrictive constraints on operations, management and capital distributions, depending on the category in which an institution is classified. Failure to meet the capital guidelines could also subject a banking an insured depository institution to capital raising requirements. An “undercapitalized” bank must develop a capital restoration plan and its parent holding company must guarantee that bank's compliance with the plan.

The liability of the parent holding company under any such guarantee is limited to the lesser of 5% of the bank's assets at the time it became undercapitalized or the amount needed to comply with the plan. Furthermore, in the event of the bankruptcy of the parent holding company, such guarantee would take priority over the parent's general unsecured creditors. In addition, FDICIA requires the various federal banking agencies to prescribe certain noncapital standards for safety and soundness related generally to operations and management, asset quality and executive compensation, and permits regulatory action against a financial institution that does not meet such standards.

The various federal banking agencies have adopted substantially similar regulations that define the five capital categories identified by FDICIA, using the Tier 1 Capital, Common Equity Tier 1 Capital, Total Capital and Leverage Ratios as the relevant capital measures. Such regulations establish various degrees of corrective action to be taken when an insured depository institution is considered undercapitalized. Under the regulations as in effect during 2022, 2023, a “well capitalized” institution must have a Tier 1 capital ratio of at least 8.0%, a Common Equity Tier 1 ratio of 6.5%, a total capital ratio of at least 10% and a leverage ratio of at least 5% and not be subject to a capital directive order.

At December 31, 2022 December 31, 2023, Union's Tier I and Total Risk Based Capital Ratios were 12.9% 12.5% and 14.0% 13.4% respectively, and its Leverage Capital Ratio was 7.8% 7.6%, and it is considered well capitalized under applicable regulatory guidelines in effect as of such date.

Safety and Soundness Standards. FDICIA, as amended, directs each Federal banking agency to prescribe safety and soundness standards for insured depository institutions relating to internal controls, information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, compensation, asset quality, earnings and stock valuation. The Community Development and Regulatory Improvement Act of 1994 amended FDICIA by allowing Federal banking regulators to publish guidelines rather than regulations concerning safety and soundness.

FDICIA also contains a variety of other provisions that may affect Union's operations, including reporting requirements, regulatory guidelines for real estate lending, “truth in savings” disclosure provisions, and a requirement to provide 90 days prior notice to customers and regulatory authorities before closing any branch. Union is subject to §112 of FDICIA, which requires an additional annual reporting to the FDIC, FRB, and DFR regarding preparation of the annual financial statements, the maintenance of an internal control structure for financial and regulatory reporting and compliance with certain designated banking laws, as well as imposition of increased responsibilities on the Company's external auditor and audit committee.

Dividend Restrictions

As a bank holding company, the Company's ability to pay dividends to its stockholders is largely dependent on the ability of its subsidiary to pay dividends to it. Payment of dividends by Vermont-chartered banks, such as Union, is subject to applicable state and federal laws. Under Vermont banking laws, a Vermont-chartered bank may not authorize dividends or other distributions that would reduce the bank's capital below the amount of capital required in the bank's Certificate of General Good or under any capital or surplus standards established by the Commissioner of the DFR. Union does not have any capital restrictions in its Certificate of General Good and, to date, the Commissioner of the DFR has not adopted capital or surplus standards. Nevertheless, the capital standards established by the FDIC, described above under "Prompt Corrective Action" apply to Union, and the capital standards of the FRB apply to the Company on a consolidated basis. In addition, the FRB, the FDIC and the Commissioner of the DFR are authorized under applicable federal and state laws to prohibit payment of dividends that are determined to be an unsafe or unsound practice. Payment of dividends that significantly deplete the capital of a bank or a bank holding company, or render it illiquid, could be found to be an unsafe or unsound practice. Further, the Basel III capital standards limit a financial institution's ability to pay dividends if it does not maintain a required capital conservation buffer.

Consumer Protection Regulation

The Company and Union are subject to a number of federal and state laws designed to protect consumers and prohibit unfair or deceptive business practices, including, but not limited to, the Equal Credit Opportunity Act, the Fair Housing Act, the Home Ownership Protection Act, the Fair Credit Reporting Act, as amended by the Fair and Accurate Credit Transactions Act of 2003 (the “FACT Act”), GLBA, the Truth in Lending Act, CRA, the Home Mortgage Disclosure Act, the Real Estate Settlement Procedures Act, the National Flood Insurance Act and various state law counterparts. Union is also subject to laws and regulations to protect consumers in connection with their deposit or electronic transactions. These laws include the Truth in Savings Act, the Electronic Funds Transfer Act and the Expedited Funds Availability Act. These laws and regulations mandate certain disclosure requirements and regulate the manner in which financial institutions must interact with customers when taking deposits, making loans, collecting loans and providing other services. Further, the Dodd-Frank Act established the

CFPB, which has the responsibility for making rules and regulations under the federal consumer protection laws relating to financial products and services. The CFPB also has a broad mandate to prohibit unfair or deceptive acts and practices and is specifically empowered to require certain disclosures to consumers and draft model disclosure forms under the various federal consumer protection laws. The CFPB is charged with enforcing consumer protection laws against banks with assets in excess of

$10 billion, $10 billion, while community banks continue to be subject to the enforcement authority of their primary regulator. This supervisory structure may lead to conflicting regulatory guidance for community banks versus larger banks and increase regulatory costs and burdens. Failure to comply with consumer protection laws and regulations can subject financial institutions to enforcement actions, fines and other penalties.

The Dodd-Frank Act prescribes certain standards that mortgage lenders must consider before making a residential mortgage loan, including verifying a borrower’s ability to repay such mortgage loan, and allows borrowers to assert violations of certain provisions of the Truth-in-Lending Act as a defense to foreclosure proceedings. Under the Dodd-Frank Act, prepayment penalties are prohibited for certain mortgage transactions and creditors are prohibited from financing credit life/disability insurance policies in connection with a residential mortgage loan or home equity line of credit. In addition, the Dodd-Frank Act prohibits mortgage originators from receiving compensation based on the terms of residential mortgage loans and generally limits the ability of a mortgage originator to be compensated by others if compensation is received from a consumer. The Dodd-Frank Act requires mortgage lenders to make additional disclosures prior to the extension of credit, in each billing statement, and for negative amortization loans and hybrid adjustable rate mortgages. Additionally, the CFPB adopted rules and forms that combine certain disclosures that consumers receive in connection with applying for and closing on a residential mortgage loan under the Truth in Lending Act (Regulation Z) and the Real Estate Settlement Procedures Act (Regulation X), also known as the TILA and RESPA Integrated Disclosures, or TRID. TRID established new disclosure timing requirements and applies to most closed-end consumer credit transactions secured by real property.

Privacy and Customer Information Security. The GLBA requires financial institutions to implement policies and procedures regarding the disclosure of nonpublic personal information about consumers to nonaffiliated third parties. In general, we must provide our consumer customers with a disclosure that explains our policies and procedures regarding the disclosure of such nonpublic personal information. We must also provide an updated notice if we change our information-sharing practices. Except as otherwise required or permitted by law, we are prohibited from disclosing nonpublic personal information except as provided in such policies and procedures. The GLBA also requires that we develop, implement and maintain a comprehensive written information security program designed to ensure the security and confidentiality of customer information (as defined under the GLBA), to protect against anticipated threats or hazards to the security or integrity of such information; and to protect against unauthorized access to or use of such information that could result in substantial harm or inconvenience to any customer. We are also required to send a notice to customers whose “sensitive information” has been compromised if unauthorized use of this information is “reasonably possible.” Most of the states, including the states where we operate, have enacted legislation concerning breaches of data security and our duties in response to a data breach. Congress continues to consider federal legislation that would require consumer notice of data security breaches. Pursuant to the FACT Act, we have developed and implemented a written identity theft prevention program to detect, prevent, and mitigate identity theft in connection with the opening of certain accounts or certain existing accounts.

Home Mortgage Disclosure Act (“HMDA”). HMDA makes information available to the public that helps to show whether financial institutions are serving the housing credit needs of their neighborhoods and communities. The Act requires institutions to gather and compile data about loan applications secured by a lien on a residential dwelling for home purchase, home improvement, refinances and certain other borrowing purposes. The information must be compiled each calendar year on a Loan/Application Register, and submitted to the FFIEC by March 1st of the following year and made available to the public no later than March 31st. The Federal Financial Institutions Examinations Council prepares a series of tables that comprise the disclosure statement for each reporting institution. HMDA applies to financial institutions that have their main office or any branch in a Metropolitan Statistical Area ("MSA"). Union is subject to HMDA as it has branch offices within the Burlington, Vermont MSA.

Regulation of Other Activities

Transactions with Related Parties. The Company's and Union's authority to extend credit, purchase or sell an asset from or to their directors, executive officers and 10% or more stockholders, as well as to entities controlled by such persons, is governed by the requirements of the Federal Reserve Act and Regulation O of the FRB thereunder. Among other things, these provisions require that extensions of credit to insiders (i) be made on terms that are substantially the same as, and follow credit underwriting procedures that are not less stringent than those prevailing for comparable transactions with unaffiliated persons and that do not involve more than the normal risk of repayment or present other unfavorable features and (ii) not exceed certain limitations on the amount of credit extended to such persons, individually and in the aggregate, which limits are based in part, on the amount of the bank's capital. Under applicable guidelines, any related party transaction, including a loan, must be reviewed by the Company's Audit Committee. In addition, under the federal SOX Act (discussed below), the Company, itself, may not extend or arrange for any personal loans to its directors and executive officers. The Company has a Related Persons

Transactions Approval Policy administered by the Company's Audit Committee which incorporates applicable regulatory guidelines and requirements.

Interstate Banking. The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 authorized an adequately capitalized and managed bank holding company to acquire banks based outside its home state, generally without regard to whether the state's law would permit the acquisition, and also authorized banks to merge across state lines thereby creating interstate branches. In addition, this Act authorized banks to acquire existing interstate branches (short of merger) or to establish new interstate branches. States were given the right, exercisable before June 1, 1997, to prohibit altogether or impose certain limitations on interstate mergers and the acquisition or establishment of interstate branches. The Dodd-Frank Act removed remaining state law impediments to de novo interstate branching. Although interstate banking and branching may have resulted in increased competitive pressures in the markets in which the Company operates, interstate branching may also present competitive opportunities for locally-owned and managed banks, such as Union, that are familiar with the local markets and that emphasize personal service and prompt, local decision-making. The ability to branch interstate has also benefited Union, as it permitted the expansion of its banking operations into New Hampshire, with the conversion of its loan production office in Littleton to a full service branch in March of 2006, the May 2011 acquisition of three New Hampshire branches, the opening of a full service branch in Lincoln in 2014, and the planned opening of a full-service branch in North Conway in 2023.

Affiliate Restrictions. Bank holding companies and their affiliates are subject to certain restrictions under the Federal Reserve Act in their dealings with each other, such as in connection with extensions of credit, transfers of assets, and purchase of services among affiliated parties. The Dodd-Frank Act further tightened these restrictions. Generally, loans or extensions of credit, issuances of guarantees or letters of credit, investments or purchases of assets by a subsidiary bank from a bank holding company or its affiliates are limited to 10% of the bank's capital and surplus (as defined by federal regulations) with respect to each affiliate and to 20% in the aggregate for all affiliates, and borrowings are also subject to certain collateral requirements. These transactions, as well as other transactions between a subsidiary bank and its holding company or other affiliates must generally be on arms-length terms, that is, on terms comparable to those involving nonaffiliated companies. Further, under the Federal Reserve Act and FRB regulations, a bank holding company and its subsidiaries are prohibited from engaging in certain tie-in-arrangements in connection with extensions of credit or lease or sale of property, furnishing of property or services to third parties. The Company and Union are subject to these restrictions in their intercompany transactions.

Bank Secrecy Act. Union is subject to federal laws establishing record keeping, customer identification and reporting requirements pertaining to large or suspicious cash transactions, purchases of other monetary instruments and the international transfer of cash or monetary instruments that may signify money laundering. Provisions designed to help combat international terrorism, were added to the Bank Secrecy Act by the 2001 USA Patriot Act. These provisions require banks to avoid establishing or maintaining correspondent accounts of foreign off-shore banks and banks in jurisdictions that have been found to fall significantly below international anti-money laundering standards. U.S. banks are also prohibited from opening correspondent accounts for off-shore shell banks, defined as banks that have no physical presence and that are not part of a regulated and recognized banking company. The USA Patriot Act requires all financial institutions to adopt an anti-money laundering program and to establish due diligence policies, procedures and controls that are reasonably designed to detect and report instances of money laundering in United States private banking accounts and correspondent accounts maintained for non-U.S. persons or their representatives. Effective May 11, 2018, Since 2018, banks are have been required to comply with enhanced customer due diligence regulations requiring collection of information on beneficial owners and control persons of legal entity customers.

The due diligence requirements issued by the Department of Treasury require minimum standards to verify customer identity and maintain accurate records, encourage information sharing cooperation among financial institutions, federal banking agencies and law enforcement authorities regarding possible money laundering or terrorist activities, prohibit the anonymous use of “concentration accounts” and require all covered financial institutions to have in place an anti-money laundering compliance program. In addition, the USA Patriot Act amended certain provisions of the federal Right to Financial Privacy Act to facilitate the access of law enforcement to bank customer records in connection with investigating international terrorism. The Bank Secrecy Act/Anti-Money Laundering statutory regime was significantly amended by the Anti-Money Laundering Act of 2020 (“AMLA”), which became effective on January 1, 2021. Among other provisions, AMLA establishes a new beneficial ownership database, codifies various information-sharing practices among financial institutions, law enforcement and FinCEN that have developed since enactment of the USA Patriot Act, enhances law enforcement subpoena powers with regard to foreign financial institutions that maintain correspondent accounts in the United States, and emphasizes the use of technology and automation in identifying financial crimes.

The USA Patriot Act also amended the BHC Act and the Bank Merger Act to require the federal banking agencies to consider the effectiveness of a financial institution's anti-money laundering program when reviewing applications under these acts for mergers, acquisitions, and certain other expansion activities.

SOX Act. This far reaching federal legislation, enacted in 2002, was generally intended to protect investors by strengthening corporate governance and improving the accuracy and reliability of corporate disclosures made pursuant to federal securities laws. The SOX Act includes provisions addressing, among other matters, the duties, functions and qualifications of audit

committees for all public companies; certification of financial statements by the chief executive officer and the chief financial officer; the forfeiture of bonuses or other incentive-based compensation and profits from the sale of an issuer’s securities by

directors and senior officers in the twelve month period following initial publication of any financial statements that later require restatement; disclosure of off-balance sheet transactions; a prohibition on personal loans to directors and officers, except (in the case of banking companies) loans in the normal course of business; expedited filing requirements for reports of beneficial ownership of company stock by insiders; disclosure of a code of ethics for senior officers, and of any change or waiver of such code; the formation of a public accounting oversight board; auditor independence; disclosure of fees paid to the company's auditors for non-audit services and limitations on the provision of such services; attestation requirements for company management and external auditors, relating to internal controls and procedures; and various increased criminal penalties for violations of federal securities laws.

NASDAQ. In response to the SOX Act, the NASDAQ Exchange on which the Company's common stock is listed, implemented comprehensive corporate governance listing standards, including rules strengthening director independence requirements for boards and committees of the board, the director nomination process and shareholder communication avenues. These rules require the Company to annually certify to the NASDAQ, after each annual meeting, that the Company is in compliance and will continue to comply with the NASDAQ corporate governance requirements.

Taxing Authorities. The Company and Union are subject to income taxes at the Federal level and are individually subject to state taxation based on the laws of each state in which they operate. The Company and Union file a consolidated federal tax return with a calendar year end. The Company and Union have filed separate tax returns for each state jurisdiction affected for 2021 2022 and will do the same for 2022. 2023. No tax return is currently being examined or audited by any taxing authority that the Company is aware of. The taxing authorities also regulate the information reporting requirements that Union is subject to, and which continue to increase and require resources to comply with.

Available Information

The Company files annual, quarterly, and current reports, proxy statements, and other documents with the SEC under the Securities Exchange Act of 1934 (the “Exchange Act”). These reports, proxy statements, and other documents are available to the public on the internet website maintained by the SEC at www.sec.gov.

Our Internet website address is www.ublocal.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, including any amendments to those reports filed or furnished pursuant to section 13(a) or 15(d), proxy statements filed pursuant to Section 14(a) and reports filed pursuant to Section 16, 13(d) and 13(g) of the Exchange Act are available free of charge through the Investor Relations page of our website as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. The information on our website is not incorporated by reference into this report.

The Company will also provide copies of this 2022 2023 Annual Report on Form 10-K, free of charge, upon written request to its Treasurer at the Company's main address, PO Box 667, Morrisville, VT 05661-0667. Shareholder meeting materials for our 2023 2024 Annual Meeting, including this Annual Report on Form 10-K, are available at www.materials.proxyvote.com/905400 no later than the date on which they are mailed to shareholders.

Item 1A. Risk Factors

An investment in the Company involves risk, some of which, including market, liquidity, credit, operational, legal, compliance, reputational and strategic risks, could be substantial and is inherent in our business. The material risks and uncertainties that management believes affect the Company are described below. Any of the following risks could affect the Company's financial condition and results of operations and could be material and/or adverse in nature. You should consider all of the following risks together with all of the other information in this Annual Report on Form 10-K.

Credit and Interest Rate Risks

Our loans are concentrated in certain areas of Vermont and New Hampshire and adverse conditions in those markets could adversely affect our operations.
We are exposed to real estate and economic factors throughout Vermont and New Hampshire. Further, because a substantial portion of our loan portfolio is secured by real estate in Vermont and New Hampshire, the value of the associated collateral is subject to real estate market conditions in those states and in the northern New England region more generally. Adverse economic, political and business developments or natural hazards may affect these areas and the ability of property owners in these areas to make payments of principal and interest on the underlying mortgages. If these areas experience adverse economic, political or business conditions, or significant natural hazards, we would likely experience higher rates of loss and delinquency on our loan portfolio than if the portfolio were more geographically diverse.

If our allowance for loan credit losses is not sufficient to cover actual loan losses, our earnings could decrease.
As a lender, we are exposed to the risk that our loan customers may not repay their loans according to their terms and that the collateral or guarantees securing these loans may be insufficient to assure repayment. The underwriting and credit monitoring policies and procedures that we have adopted to address this risk may not prevent unexpected losses that could have a material adverse effect on our business, financial condition, results of operations and cash flows. We make maintain an allowance for credit losses to provide for loan defaults and non-performance, which also includes increases for new loan growth. While we believe that our allowance for credit losses is appropriate to cover expected losses, we cannot provide assurance that we will not increase the allowance for credit losses further or that regulators will not require us to increase the allowance for credit losses which could have a material adverse effect on our net income and financial condition.

Management makes various assumptions and judgments about the collectability of our loan portfolio, including which are regularly reevaluated and are based in part on:

- current and forecasted economic conditions and their estimated effects on specific borrowers;
- an evaluation of the creditworthiness of our borrowers existing relationships among loans, potential credit losses and the value of the real estate and other assets serving as collateral for the repayment of many of our loans. On a quarterly basis the allowance for loan loss is presented to Union's Board of Directors for discussion, review, and approval. We rely on our loan reviews, our experience, and our evaluation of economic conditions, among other factors, in determining the amount present level of the allowance for credit losses;
- results of examinations of our loan losses. portfolios by regulatory agencies; and
- management's internal review of the loan portfolio.

In determining the size of the allowance for credit losses, we rely on an analysis of our loan portfolio, our experience and a third-party economic forecast. If our assumptions prove to be incorrect, our current allowance for loan credit losses may not be sufficient to cover the losses we could experience, resulting in additions to our allowance and a related charge to our income. losses.

In addition, bank third parties, including our federal and state regulators, periodically review evaluate the adequacy of our allowance for loan credit losses and may require communicate with us concerning the methodology or judgments that we have raised in determining the allowance for credit losses. As a result of this input, we may be required to assign different risk ratings to specific credits, increase our provision for loan credit losses, and/or recognize further loan charge-offs, charge offs which may could have a material adverse effect on our net income and financial condition or results of operations. condition.

Our commercial, commercial real estate and construction loan portfolio may expose us to increased credit risks.
At December 31, 2022 December 31, 2023, approximately 44% 43% of our loan portfolio was comprised of commercial and commercial real estate loans. In general, commercial and commercial real estate loans have historically posed greater credit risks than owner occupied residential mortgage loans. The repayment of commercial real estate loans depends on the business and financial condition of borrowers. Economic events and changes in government regulations, which we and our borrowers cannot control or reliably predict, could have an adverse impact on the cash flows generated by the businesses and properties securing our commercial and commercial real estate loans and on the values of the collateral securing those loans. Repayment of commercial loans depends substantially on the borrowers' underlying business, financial condition and cash flows. Commercial loans are generally collateralized by equipment, inventory, accounts receivable and other fixed assets. Compared to real estate, that type of collateral is more difficult to monitor, its value is harder to ascertain, it may depreciate more rapidly and it may not be as readily saleable if repossessed.

Changes in interest rates and interest rate volatility may reduce our profitability.
Our consolidated earnings and financial condition are primarily dependent upon net interest income, which is the difference between interest earned from loans and investments and interest paid on deposits and borrowings. Net interest income can be affected significantly by changes in market interest rates. In particular, changes in relative interest rates may reduce our net interest income as the difference between interest income and interest expense decreases. As a result, we have adopted asset and liability management policies to minimize the potential adverse effects of changes in interest rates on net interest income, primarily by altering the mix and maturity of loans, investments and funding sources. However, despite these measures there can be no assurance that a change in interest rates will not negatively impact our results of operations or financial condition. Because

market interest rates may change by differing magnitudes and at different times, significant changes in interest rates over an extended period of time could reduce overall net interest income.

The fair value of our investment securities can fluctuate due to factors outside of our control, and impairment of investment securities could require charges to earnings, which could result in a negative impact on our results of operations.

As of December 31, 2022 December 31, 2023, the carrying value of our investment securities portfolio was approximately $250.3 million $264.4 million. Factors beyond our control can significantly influence the fair value of securities in our portfolio and can cause potential adverse changes to the fair value of these securities. These factors include, but are not limited to, rating agency actions in respect to the securities, defaults by the issuer or with respect to the underlying securities and changes in market interest rates and instability in the capital markets. Any of these factors, among others, could cause impairments and realized and/or unrealized losses in future periods and declines in other comprehensive income, which could have an adverse effect on our business, financial condition and results of operations.

An AFS investment security is considered impaired when it experiences a decline debt securities in fair value below its amortized cost basis. At each measurement date, we an unrealized loss position, are evaluated by management for impairment, to determine how much of whether the decline in fair value below has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security and the issuer, among other factors. If this assessment indicates that a credit loss exists, management compares the present value of cash flows expected to be collected from the security with the amortized cost basis is due to credit-related factors and how much of the decline security. If the present value of cash flows expected to be collected is due less than the amortized cost basis for the security, a credit loss exists and an ACL is recorded, limited to noncredit-related factors. Credit-related impairment is recognized as an allowance on our balance sheet with a corresponding adjustment to earnings. the amount by which the amortized cost basis of the security exceeds its fair value. Any impairment that is has not credit related been recorded through an ACL is recognized in other comprehensive income (loss), net of applicable taxes.

A lack of liquidity could adversely affect our operations and jeopardize our business, the Company's financial condition and results of operations. operations and result in regulatory restrictions.

Liquidity is essential The Company must maintain sufficient funds to our business. We rely on our ability respond to generate deposits the needs of depositors and effectively manage borrowers. Deposits have traditionally been the repayment and maturity schedules Company's primary source of our loans funds for use in lending and investment activities and are emphasized due to the relatively lower cost of these funds. The Company also receives funds from loan repayments, investment maturities and income on other interest-earning assets, as well as borrowings. If the Company is required to rely more heavily on more expensive funding sources to support liquidity and future growth, its revenues may not increase proportionately to cover its increased costs, which would adversely affect its operating margins, profitability and growth prospects. Alternatively, the Company may need to sell a portion of its investment securities respectively, to ensure that we have adequate liquidity to fund our operations. An inability portfolio to raise funds, through deposits, borrowings, the sale of our investment securities, FHLB advances, and the sale of loans and other sources which, as discussed below, could have result in a substantial negative effect on our liquidity. Our most important source of funds consists of core deposits. Deposit balances can decrease when customers perceive alternative investments as providing a better risk/return tradeoff. If customers move money out of the bank and into other investments, we would lose a relatively low-cost source of funds, increasing our funding costs and reducing our net interest income and net income.

Other primary sources of funds consist of cash flows from operations and investment securities. Additional liquidity is provided by the ability to borrow from the FHLB and our ability to raise brokered deposits. We also may borrow funds from the FRB's discount window or from third-party lenders, such as other financial institutions. Our access to funding sources in amounts adequate to finance or capitalize our activities, or on terms that are acceptable to us, could be impaired by factors that affect us directly or indirectly, such as disruptions in the financial markets or negative views and expectations about the prospects for the bank or non-bank financial services industries.

As of December 31, 2022, approximately $762.7 million or, 63.46% of our deposits consisted of interest-bearing demand deposits, savings and money market accounts. Based on past experience, we believe that our deposit accounts are a relatively stable sources of funds. If we increase interest rates paid to retain deposits, our earnings may be adversely affected, which could have an adverse effect on our business, financial condition and results of operations.

If rapid loan growth were to occur and we are unable to successfully grow transactional deposits organically we will likely be required to rely on higher cost sources of funding, such as certificates of deposit, to fund continued loan growth, which could have an adverse effect on our business, financial condition and results of operations.

loss. Any decline in available funding could adversely impact our the Company's ability to originate loans, invest in securities, meet our pay expenses, pay dividends to our stockholders or fulfill obligations such as repaying our its borrowings or meeting deposit withdrawal demands, any of which could have a material adverse impact on our its liquidity, business, financial condition and results of operations. A lack of liquidity could also attract increased regulatory scrutiny and potential restraints imposed by regulators. Depending on the capitalization status and regulatory treatment of depository institutions, including whether an institution is subject to a supervisory prompt corrective action directive, regulatory restrictions and prohibitions may include restrictions on growth, restrictions on interest rates paid on deposits, restrictions or prohibitions on payment of dividends and restrictions on the acceptance of brokered deposits.

Rising interest rates have decreased the value of the Company's securities portfolio, and the Company would realize losses if it were required to sell such securities to meet liquidity needs.

As a result of inflationary pressures and the resulting rapid increases in interest rates over the last year, the trading value of previously issued government and other fixed income securities has declined significantly. These securities make up a majority of the securities portfolio of most banks in the U.S., including the Company's, resulting in unrealized losses embedded in the securities portfolios. While the Company does not currently intend to sell these securities, if the Company were required to sell such securities to meet liquidity needs, it may incur losses, which could impair the Company's capital, financial condition, and results of operations and require the Company to raise additional capital on unfavorable terms, thereby negatively impacting its profitability. While the Company has taken actions to diversify its funding sources, there is no guarantee that such actions will be successful or sufficient in the event of sudden liquidity needs. Furthermore, while the Federal Reserve Board temporarily made funding available to eligible depository institutions, including Union, secured by U.S. treasuries, agency debt and mortgage-backed securities, and other qualifying assets as collateral at par, to mitigate the risk of potential losses on the sale of such instruments, that Bank Term Funding Program terminated on March 11, 2024 and there is no guarantee that similar liquidity facilities will be available in the future or effective in addressing liquidity needs as they arise.

Potential deterioration in the performance or financial position of the Federal Home Loan Bank ("FHLB") of Boston might restrict our funding needs and may adversely impact our financial condition and results of operations.

Significant components of our liquidity needs are met through our access to funding pursuant to our membership in the FHLB. The FHLB is a cooperative that provides services to its member banking institutions. The primary reason for joining the FHLB is to obtain funding. The purchase of stock in the FHLB is a requirement for a member to gain access to funding. Any deterioration in the FHLB's performance or financial condition may affect our ability to access funding and/or require us to deem the required investment in FHLB stock to be impaired. If we are not able to access funding through the FHLB, we may not be able to meet our liquidity needs, which could have an adverse effect on our results of operations or financial condition. Similarly, if we deem all or part of our investment in FHLB stock impaired, such action could have an adverse effect on our financial condition or results of operations.

Prepayments of loans may negatively impact our business.

Generally, our customers may prepay the principal amount of their outstanding loans at any time. The speed at which such prepayments occur, as well as the size of such prepayments, are within our customers' discretion. If customers prepay the principal amount of their loans, and we are unable to lend those funds to other borrowers or invest the funds at the same or higher interest rates, our interest income will be reduced. A significant reduction in interest income could have a negative impact on our results of operations and financial condition.

Environmental liability associated with our lending activities could result in losses.

In the course of business, we may acquire, through foreclosure, properties securing loans we have originated or purchased that are in default. Particularly in commercial real estate lending, there is a risk that material environmental violations could be discovered at these properties. In this event, we might be required to remedy these violations at the affected properties at our sole cost and expense. The cost of remedial action could substantially exceed the value of affected properties. We may not have adequate remedies against the prior owners or other responsible parties and could find it difficult or impossible to sell the affected properties. These events could have an adverse effect on our financial condition and results of operations.

Risks Relating to Regulation of the Industry

We operate in a highly regulated environment and may be adversely affected by changes in laws, regulations and monetary policy.

We are subject to regulation and supervision by the FRB and Union Bank is subject to regulation and supervision by the FDIC and the DFR. Federal and state laws and regulations govern numerous matters affecting us, including changes in the ownership or control of banks and bank holding companies, maintenance of adequate capital and sound financial condition, branching activities, permissible types, amounts and terms of loans and investments, permissible nonbanking activities, the level of reserves against deposits and restrictions on dividend payments. The FDIC and the DFR possess the power to issue cease and desist orders against banks subject to their jurisdiction to prevent or remedy unsafe or unsound banking practices or violations of law, and the FRB possesses similar powers with respect to bank holding companies. These and other restrictions limit the manner in which we may conduct business and obtain financing.

We are subject to deposit insurance assessments by the FDIC to fund the DIF. Recent high profile bank failures and responsive actions taken by the federal government and federal banking regulators are likely to result in higher deposit assessments in future periods, which will reduce our net income.

We are also affected by the monetary policies of the FRB. Changes in monetary or legislative policies may affect the interest rates we must offer to attract deposits and the interest rates we must charge on our loans, as well as the manner in which we offer deposits and make loans. These monetary policies also affect the valuation of our investment securities and have had, and are expected to continue to have, significant effects on the operating results of depository institutions generally, including Union Bank.

The laws, rules, regulations, and supervisory guidance and policies applicable to us are subject to regular modification and change. It is impossible to predict the competitive impact that any such future changes would have on the banking and financial services industry in general or on our business in particular. Such changes may, among other things, increase the cost of doing business, limit permissible activities, or affect the competitive balance between banks and other financial institutions. The Dodd-Frank Act instituted major changes to the banking regulatory regimes governing banks and other financial institutions, regulatory regimes resulting in light of increased government intervention in the financial services sector. Other changes to statutes, regulations, or regulatory policies, including changes in interpretation or implementation of statutes, regulations, or policies, could affect us in substantial and unpredictable ways. Such changes could subject us to additional costs, limit the types of financial services and products we may offer, and/or increase the ability of non-banks to offer competing financial services and products, among other things. Failure to comply with laws, regulations, or policies could result in sanctions by regulatory agencies, civil money penalties, and/or reputational damage, which could have a material adverse effect on our business, financial condition, or results of operations.

Additional requirements imposed by the Dodd-Frank Act could adversely affect us.

The Dodd-Frank Act comprehensively reformed the regulation of financial institutions, products and services. Among other things, the Dodd-Frank Act established the CFPB as an independent government bureau of which derives its funding from the FRB. The CFPB has the authority to prescribe rules for all depository institutions governing the provision of consumer financial products and services, which may result in rules and regulations that reduce the profitability of such products and services or impose greater costs and restrictions on us and our subsidiaries. The Dodd-Frank Act also established new minimum mortgage underwriting standards for residential mortgages, and the regulatory agencies have focused on the examination and supervision of mortgage lending and servicing activities.

The CFPB's qualified mortgage rule, or "QM Rule," became effective on January 10, 2014. The QM Rule requires mortgage lenders, prior to originating most residential mortgage loans, to make a determination of a borrower's ability to repay the loan and establishes protections from liability under this requirement for so-called "qualified mortgages" that meet certain heightened criteria. If a mortgage lender does not appropriately establish a borrower's ability to repay the loan, the borrower may be able to assert against the originator of the loan or any subsequent transferee, as a defense to foreclosure by way of recoupment or setoff, a violation of the ability-to-repay requirement. Loans that meet the definition of "qualified mortgage" will be presumed to have complied with the ability-to-repay standard. Although amendments to the QM Rule adopted by the CFPB in March 2021 will make it less challenging for a loan to meet the definition, the QM Rule and related ability-to-repay requirements and similar rules could nevertheless still limit Union's ability to make certain types of loans or loans to certain borrowers, or could make it more expensive and time-consuming to make these loans, which could limit the Bank's growth or profitability.

Current and future legal and regulatory requirements, restrictions, and regulations, including those imposed under the Dodd-Frank Act, may adversely impact our profitability and may have a material and adverse effect on our business, financial condition, or results of operations; may require us to invest significant management attention and resources to evaluate and make any changes required by the legislation and related regulations; and may make it more difficult for us to attract and retain qualified executive officers and employees.

We may become are subject to more stringent capital requirements.

The federal banking agencies issued a joint final rule, requirements which may adversely impact return on equity, require additional capital raises, or the "Final Capital Rule," that implemented the Basel III capital standards and established the minimum capital levels required under the Dodd-Frank Act which became effective as of January 1, 2015. The Final Capital Rule established a minimum common equity Tier I capital ratio of 6.5% of risk-weighted assets for a "well capitalized" institution and increased the minimum Tier I capital ratio for a “well capitalized” institution from 6.0% to 8.0%. Additionally, subject to a transition period, the Final Capital Rule requires an institution to maintain a 2.5% common equity Tier I capital conservation buffer over the 6.5% minimum risk-based capital requirement for “adequately capitalized” institutions, or face restrictions on limit the ability to pay dividends or repurchase shares.

Federal regulations establish minimum capital requirements for insured depository institutions, including minimum risk-based capital and leverage ratios, and define “capital” for calculating these ratios. The minimum capital requirements are: (i) a common equity Tier 1 capital ratio of 4.5%; (ii) a Tier 1 to risk-based assets capital ratio of 6%; (iii) a total capital ratio of 8%; and (iv) a Tier 1 leverage ratio of 4%. The regulations also establish a “capital conservation buffer” of 2.5%, which if complied will result in the following minimum ratios: (i) a common equity Tier 1 capital ratio of 7.0%; (ii) a Tier 1 to risk-based assets capital ratio of 8.5%; and (iii) a total capital ratio of 10.5%. An institution will be subject to limitations on paying dividends, engaging in share repurchases and paying discretionary bonuses if its capital level falls below the capital conservation buffer amount. The application of these capital requirements could, among other things, require us to maintain higher capital resulting in lower returns on equity, and engage in share repurchases. The Final Capital Rule increased the required capital for certain categories of assets, including high-volatility construction real estate loans and certain exposures related to securitizations; however, the Final Capital Rule retained the current capital treatment of residential mortgages. Under the Final Capital Rule, we made a one-time, permanent election to continue to exclude accumulated other comprehensive income from capital. If we had not made this election, unrealized gains and losses would be included in the calculation of our regulatory capital. An increase in the amount of capital that the Company or Union must maintain in order to support a given level of assets would reduce the amount of leverage that our capital could support and increased volatility could be problematic. Our ability to increase our level of interest earning assets or to allocate those assets in the best manner to generate interest income may be adversely affected. required to obtain additional capital to comply or be subject to regulatory actions if we are unable to comply with such requirements.

We may incur fines, penalties and other negative consequences from regulatory violations, possibly even inadvertent or unintentional violations.

We maintain systems and procedures designed to ensure that we comply with applicable laws and regulations. However, some legal/regulatory frameworks provide for the imposition of fines or penalties for noncompliance even though the noncompliance was inadvertent or unintentional and even though there was in place at the time systems and procedures designed to ensure compliance. For example, we are subject to regulations issued by the Office of Foreign Assets Control, or “OFAC,” that prohibit financial institutions from participating in the transfer of property belonging to the governments of certain foreign countries and designated nationals of those countries and certain other persons or entities whose interest in property is blocked by OFAC-administered sanctions. OFAC may impose penalties for inadvertent or unintentional violations even if reasonable processes are in place to prevent the violations. There may be other negative consequences resulting from a finding of noncompliance, including restrictions on certain activities. Such a finding may also damage our reputation and could restrict the ability of institutional investment managers to invest in our securities.

We face significant legal risks, both from regulatory investigations and proceedings and from private actions brought against us.

Our businesses and operations are subject to increasing regulatory oversight and scrutiny, which could lead to regulatory investigations or enforcement actions. These and other initiatives from federal and state officials could result in judgments, settlements, fines or penalties, or require us to restructure our operations and activities, all of which could lead to reputational damage, or higher operational costs, or both, thereby reducing our revenue.

From time to time we are named as a defendant or are otherwise involved in various legal proceedings. There is no assurance that litigation with private parties will not increase in the future. Future actions against us may result in judgments, settlements, fines, penalties or other results adverse to us, which could materially adversely affect our business, financial condition or results of operations, or cause serious reputational harm to us. As a participant in the financial services industry, we are exposed to a high level of litigation related to our businesses and operations. Although we maintain insurance, the scope of this coverage may not provide us with full, or even partial, coverage in any particular case. As a result, a judgment against us in any such litigation could have a material adverse effect on our financial condition and results of operation.

Our businesses and operations are also subject to increasing regulatory oversight and scrutiny, which could lead to regulatory investigations or enforcement actions. These and other initiatives from federal and state officials could result in judgments, settlements, fines or penalties, or cause us to be required to restructure our operations and activities, all of which could lead to reputational damage, or higher operational costs, thereby reducing our revenue.

Changes in accounting standards can be difficult to predict and can materially impact how we record and report our financial condition and results of operations.

Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. From time to time, the FASB changes the financial accounting and reporting standards that govern the preparation of our financial statements. These changes can be hard to anticipate and implement and can materially impact how we record and report our financial condition and results of operations. For example, effective for the Company in 2023, the FASB’s current financial instruments project will significantly change the way the Company's loan loss provision is determined, from an incurred loss model to an expected loss model.

Our financial statements are based in part on assumptions and estimates, which, if wrong, could cause unexpected losses in the future.

Pursuant to GAAP, we are required to use certain assumptions and estimates in preparing our financial statements, including in determining credit loss reserves, reserves related to litigation and the fair value of certain assets and liabilities and reserves related to litigation, among other items. If the assumptions or estimates underlying our financial statements are incorrect, we may experience material losses.

Risks Relating to the Company's Stock

If we do not maintain net income growth, the market price of our common stock could be adversely affected.

Our return on stockholders’ equity and other measures of profitability, which affect the market price of our common stock, depend in part on our continued growth and expansion. Our growth strategy has two principal components: internal growth and external growth. Our ability to generate internal growth is affected by the competitive factors described below as well as by the primarily rural characteristics and related demographic features of the markets we serve. Our ability to continue to identify and invest in suitable acquisition candidates on acceptable terms is an important component of our external growth strategy. In pursuing acquisition opportunities, we may be in competition with other companies having similar growth strategies. As a result, we may not be able to identify or acquire promising acquisition candidates on acceptable terms. Competition for these acquisitions could result in increased acquisition prices and a diminished pool of acquisition opportunities. An inability to find suitable acquisition candidates at reasonable prices could slow our growth rate and have a negative effect on the market price of our common stock.

We are a holding company and depend on Union Bank for dividends, distributions and other payments.

We are a legal entity that is separate and distinct from Union Bank. Our revenue (on a parent company only basis) is derived primarily from interest and dividends paid to us by Union Bank. Our right, and consequently the right of our shareholders, to participate in any distribution of the assets or earnings of any subsidiary through the payment of such dividends or otherwise is necessarily subject to the prior claims of creditors (including depositors, in the case of Union Bank), except to the extent that certain claims of Union in a creditor capacity may be recognized.

Our stockholders may not receive dividends on our common stock.

Holders of our common stock are entitled to receive dividends only when, as and if declared by our board of directors. Although we have historically declared regular cash dividends on our common stock, we are not required to do so and our board of directors may reduce or eliminate our common stock dividend in the future. The FRB has the authority to prohibit a bank holding company, such as us, from paying dividends if it deems such payment to be an unsafe or unsound practice. The FDIC has the authority to use its enforcement powers to prohibit Union from paying dividends to us if, in its opinion, the payment of dividends would constitute an unsafe or unsound practice. Federal law also prohibits the payment of dividends by a bank that will result in the bank failing to meet its applicable capital requirements on a pro forma basis. Further, our ability to pay dividends would be restricted if we do not maintain a required capital conservation buffer under applicable regulatory capital rules. A reduction or elimination of dividends could adversely affect the market price of our common stock.

We may need to raise additional capital in the future and such capital may not be available when needed or on acceptable terms.

As a bank holding company, we are required by regulatory authorities to maintain adequate levels of capital to support our operations. We may need to raise additional capital in the future to provide us with sufficient capital resources and liquidity to meet our commitments and business needs. Our ability to raise additional capital, if needed, will depend on, among other things, conditions in the capital markets at that time, which are outside of our control, and our financial performance. We cannot assure you that such capital will be available to us on acceptable terms or at all. Our inability to raise sufficient additional capital on acceptable terms when needed could subject us to certain activity restrictions or to a variety of enforcement remedies available to the regulatory authorities, including limitations on our ability to pay dividends or pursue acquisitions, the issuance by regulatory authorities of a capital directive to increase capital and the termination of deposit insurance by the FDIC.

Market volatility may impact our business and the value of our common stock.

Our business performance and the trading price of shares of our common stock may be affected by many factors affecting financial institutions, including volatility in the credit, mortgage and housing markets, the markets for securities relating to mortgages or housing, and the value of debt and mortgage-backed and other securities that we hold in our investment portfolio. Government Market volatility in financial institution stocks may also result from high profile bank failures. In addition, government action and legislation may also impact us and the value of our common stock. We cannot predict what impact, if any, market volatility will have on our business or share price and for these and other reasons our shares of common stock may trade at a price lower than that at which they were purchased.

Certain provisions of our articles of incorporation may have an anti-takeover effect.

Provisions of our certificate articles of incorporation and bylaws and regulations and federal banking laws, including regulatory approval requirements, could make it more difficult for a third party to acquire us, even if doing so would be perceived to be beneficial to our shareholders. The combination of these provisions may inhibit a non-negotiated merger or other business combination, which, in turn, could adversely affect the market price of our common stock.

If we fail to correct identify any material weakness that we subsequently identify in our internal control over financial reporting and fail to correct it, or otherwise fail to maintain effective internal control over financial reporting, we may not be able to report our financial results accurately and timely, in which case our business may be harmed, investors may lose confidence in the accuracy and completeness of our financial reports, and the price of our common stock may decline.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting and for evaluating and reporting on our system of internal control. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. We are required to comply with the FDICIA and other rules that govern financial institutions with total assets of $1 billion or more. In particular, we are required to provide management's report on the effectiveness of our internal control over financial reporting. In addition, our independent registered public accounting firm is required to report on the effectiveness of our internal control over financial reporting.

If we identify material weaknesses in our internal control over financial reporting in the future, if we cannot comply with the requirements of FDICIA in a timely manner or attest that our internal control over financial reporting is effective, or if our independent registered public accounting firm cannot express an opinion as to the effectiveness of our internal control over financial reporting when required, we may not be able to report our financial results accurately and timely. As a result, investors, counterparties and customers may lose confidence in the accuracy and completeness of our financial reports; our liquidity, access to capital markets and perceptions of our creditworthiness could be adversely affected; and the market price of our common stock could decline. In addition, we could become subject to investigations by the stock exchange on which our securities are listed, the SEC, the Federal Reserve, FRB, the FDIC, or other regulatory authorities, which could require additional financial and management resources. These events could have an adverse effect on our business, financial condition and results of operations.

Environmental, social and governance oversight may influence the Company's stock price and increase compliance costs.

Some investors have begun to consider how corporations, such as the Company, are addressing environmental, social, and governance matters, commonly referred to as "ESG" matters, when making investment decisions. Investor advocacy groups, investment funds and influential investors are also increasingly focused on these practices, especially as they relate to the environment, health and safety, diversity, labor conditions, and human rights. Specific examples of matters being evaluated as part of the investment decision or recommendation by certain investors include the business risks of climate change and the adequacy of companies' responses to climate change, diversity of a company's management and/or board of directors, community involvement and charitable giving, and the inclusion of ESG factors in the determination of the executive compensation. These shifts in investing priorities may result in adverse effects on the trading price of the Company's common stock if investors determine, whether real or perceived, that the Company's ESG actions are not satisfactory. In addition, new government regulations could also result in new or more stringent forms of ESG oversight and expanding mandatory and voluntary reporting, diligence, and disclosure. Increased ESG related compliance costs could result in increases to our overall operational costs.

Operational Risks

A failure in or breach of our operational systems, information systems, or infrastructure, or those of our third party vendors and other service providers, may result in financial losses, loss of customers, or damage to our reputation.

We rely heavily on communications and information systems to conduct our business. In addition, we rely on third parties to provide key components of our infrastructure, including internet connections, network access and network access. processing services. These types of information and related systems are critical to the operation of our business and essential to our ability to perform day-to-day operations, and, in some cases, are critical to the operations of certain of our customers. These third parties with which we do business or that facilitate our business activities, including exchanges, clearing firms, financial intermediaries or vendors that provide services or security solutions for our operations, could also be sources of operational and information security risk to us, including breakdowns or failures of their own systems or capacity constraints. Although we have safeguards and business continuity plans in place, our business operations may be adversely affected by significant and widespread disruption to our physical infrastructure or operating systems that support our business and our customers, resulting in financial losses, loss of customers, or damage to our reputation.

An interruption or breach in security of our information systems or those related to merchants and third party vendors, including as a result of cyber attacks, could disrupt our business, result in the disclosure or misuse of confidential customer or proprietary information, damage our reputation, or result in financial losses.

Our technologies, systems, networks and software, and those of other financial institutions have been, and are likely to continue to be, the target of cybersecurity threats and attacks, which may range from uncoordinated individual attempts to sophisticated and targeted measures directed at us. These cybersecurity threats and attacks may include, but are not limited to, attempts to access information, including customer and company information, malicious code, computer viruses and denial of service attacks that could result in unauthorized access, misuse, loss or destruction of data (including confidential customer information), account takeovers, unavailability of service, ransomware attacks or other events. These types of threats may result from human error, fraud or malice on the part of external or internal parties, or from accidental technological failure. Further, to access our products and services our customers may use computers and mobile devices that are beyond our security control systems. The risk of a security breach or disruption, particularly through cyber-attack or cyber intrusion, including by computer hackers, has increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased.

Our business requires the collection and retention of large volumes of customer data, including payment card numbers and other personally identifiable information in various information systems that we maintain and in those maintained by third parties with whom we contract to provide data services. We also maintain important internal company data such as personally identifiable information about our employees and information relating to our operations. The integrity and protection of that customer and company data is important to us. As customer, public, legislative and regulatory expectations and requirements regarding operational and information security have increased, our operations systems and infrastructure must continue to be continually safeguarded and monitored for potential failures, disruptions and breakdowns.

Our customers and employees have been, and will continue to be, targeted by parties using fraudulent e-mails and other communications in attempts to misappropriate passwords, payment card numbers, bank account information or other personal information or to introduce viruses to our customers' computers. These communications may appear to be legitimate messages sent by the Bank or other businesses, but direct recipients to fake websites operated by the sender of the e-mail or request that the recipient send a password or other confidential information via e-mail or download a program. Despite our efforts to mitigate these threats through product improvements, use of encryption and authentication technology to secure online transmission of confidential consumer information, and customer and employee education, such attempted frauds against us or our merchants and our third party service providers remain a serious issue. The pervasiveness of cyber security incidents in general and the risks of cyber-crime are complex and will continue to evolve.

Although we make significant efforts to maintain the security and integrity of our information systems and have implemented various measures to manage the risk of a security breach or disruption, there can be no assurance that our security efforts and measures will be effective or that attempted security breaches or disruptions would not be successful or damaging. Even the most well-protected information, networks, systems and facilities remain potentially vulnerable because attempted security breaches, particularly cyber-attacks and intrusions, or disruptions will occur in the future, and because the techniques used in such attempts are constantly evolving and generally are not recognized until launched against a target, and in some cases are designed not to be detected and, in fact, may not be detected. Accordingly, we may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures, and thus it is virtually impossible for us to entirely mitigate this risk. A security breach or other significant disruption could: 1)(i) disrupt the proper functioning of our networks and systems and therefore our operations and/or those of certain of our customers; 2)(ii) result in the unauthorized access to, and destruction, loss, theft, misappropriation or release of confidential, sensitive or otherwise valuable information of ours or our customers, including account numbers and other financial information; 3)(iii) result in a violation of applicable privacy, data breach and other laws, subjecting the Bank to additional regulatory scrutiny and exposing the Bank to civil litigation, governmental fines and possible financial liability; 4)(iv) require significant management attention and resources to remedy the damages that result; or 5)(v) harm our reputation or cause a decrease in the number of customers that choose to do business with us or reduce the level of business that our customers do with us. The occurrence of any such failures, disruptions or security breaches could have a negative impact on our results of operations, financial condition, and cash flows as well as damage our brand and reputation.

Although we maintain an insurance policy covering certain cybersecurity risks which we believe provides appropriate coverage for a financial institution of our size and business and technology profile, we cannot provide any assurance that such policy would be sufficient to cover all financial losses or damages we might suffer in the event that we or one of our third party vendors experiences a system failure or suffers a system intrusion or other cyberattack.

We rely on other companies to provide key components of our business infrastructure.

Third party vendors provide key components of our business infrastructure such as internet connections, network access and core application processing. While we have selected these third party vendors carefully, we do not control their actions. Any problems caused by these third parties, including as a result of their not providing us their services for any reason or their performing their services poorly, could adversely affect our ability to deliver products and services to our customers or otherwise conduct our business efficiently and effectively. Replacing these third party vendors could also entail significant business disruption, delay and expense.

Strategic Risks

Competition in the local banking industry may impair our ability to attract and retain customers at current levels.

Competition in the markets in which we operate may limit our ability to attract and retain customers. In particular, we compete for loans, deposits and other financial products and services with local independent banks, thrift institutions, savings institutions, mortgage brokerage firms, credit unions, finance companies, trust companies, mutual funds, insurance companies and brokerage and investment banking firms operating locally as well as nationally. Additionally, we compete with banks and other financial institutions with larger capitalization, as well as financial intermediaries not subject to bank regulatory restrictions, which have larger lending limits and are able to serve the credit and investment needs of larger customers. There is also increased competition by out-of-market competitors through the Internet. If we are unable to attract and retain customers, we may be unable to continue our loan growth and our results of operations and financial condition may otherwise be negatively impacted.

We may incur significant losses as a result of ineffective risk management processes and strategies.

We seek to monitor and control our risk exposure through a risk and control framework encompassing a variety of separate but complementary financial, credit, operational, compliance and legal reporting systems, internal controls, management review processes and other mechanisms. While we employ a broad and diversified set of risk monitoring and risk mitigation techniques, those techniques and the judgments that accompany their application may not be effective and may not anticipate every economic and financial outcome in all market environments or the specifics and timing of such outcomes.

Expansion or contraction of the Company's branch network may adversely affect its financial results.

The Company cannot assure that the opening of new branches will be accretive to earnings or that it will be accretive to earnings within a reasonable period of time. Numerous factors contribute to the performance of a new branch, such as suitable location, qualified personnel, and an effective marketing strategy. Additionally, it takes time for a new branch to gather sufficient loans and deposits to generate income sufficient to cover its operating expenses. Difficulties Union experiences in opening new branches may have a material adverse effect on the Company's financial condition and results of operations. Additionally, the Company cannot assure that the closing of branches would not adversely affect earnings.

We must adapt to information technology changes in the financial services industry, which could present operational issues, require significant capital spending, or impact our reputation.

The financial services industry is constantly undergoing technological changes, with frequent introductions of new technology-driven products and services. We invest significant resources in information technology system enhancements in order to meet customer expectations and provide functionality and security at an appropriate level. The effective use of technology increases efficiency and enables financial institutions to better serve customers and reduce costs. Our future success will depend, in part, upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands for convenience, as well as to create additional efficiencies in our operations. We may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to our customers. Failure to successfully implement and integrate future system enhancements could adversely impact the ability to provide timely and accurate financial information in compliance with legal and regulatory requirements, which could result in sanctions from regulatory authorities. Such sanctions could include fines and suspension of trading in our stock, among others. In addition, future system enhancements could have higher than expected costs and/or result in operating inefficiencies, which could increase the costs associated with the implementation as well as ongoing operations.

Failure to properly utilize system enhancements that are implemented in the future could result in impairment charges that adversely impact our financial condition and results of operations and could result in significant costs to remediate or replace the defective components. In addition, we may incur significant training, licensing, maintenance, consulting and amortization expenses during and after systems implementations, and any such costs may continue for an extended period of time.

Economic Risks

Inflationary pressures and rising prices may affect our results of operations and financial condition.

Inflation rose sharply continued at the end of 2021 and throughout 2022. elevated levels in 2023. Inflationary pressures, are currently expected to including the impact of recent increases in inflation, may remain elevated throughout 2023. in 2024. Small to medium-sized businesses may be impacted more during periods of high inflation as they are not able to leverage economies of scale to mitigate cost pressures compared to larger businesses. Consequently, the ability of our business customers to repay their loans may deteriorate, and in some cases this deterioration may occur quickly, which would adversely impact our results of operations and financial condition. Furthermore, a prolonged period of inflation could cause wages and other costs to increase, which could adversely affect our results of operations and financial condition.

Our financial condition and results of operations have been adversely affected, and may continue to be adversely affected, by general market and economic conditions.

We have been, and continue to be, impacted by general business and economic conditions in the United States and, to a lesser extent, abroad. These conditions include short-term and long-term interest rates, inflation, money supply, political issues, legislative and regulatory changes, fluctuations in both debt and equity capital markets, broad trends in industry and finance, unemployment and the strength condition of the U.S. economy and the local economies in which we operate, all of which are beyond our control. Deterioration or continued weakness in any of these conditions factors could result in increases in loan delinquencies and nonperforming assets, decreases in loan collateral values, the value of our investment portfolio and demand for our products and services.

General Risks

We may be unable to attract and retain key personnel.

Our success depends, in large part, on our ability to attract and retain key personnel. Competition for qualified personnel in the financial services industry can be intense and we may not be able to hire or retain the key personnel that we depend upon for success. The unexpected loss of services of one or more of our key personnel could have a material adverse impact on our business because of the loss of their skills, knowledge of the markets in which we operate and years of industry experience, and because of the difficulty of promptly finding qualified replacement personnel.

We are subject to reputational risk.

We are dependent on our reputation within our market area, as a trusted and responsible financial service provider, for all aspects of our relationships with customers, employees, vendors, third-party service providers, and others, with whom we conduct business or potential future business. Our actual or perceived failure to (a) (i) identify and address potential conflicts of interest, ethical issues, money-laundering, or privacy issues; (b) (ii) meet legal and regulatory requirements applicable to the Bank Union and to the Company; (c) (iii) maintain the privacy of customer and accompanying personal information; or (d) (iv) maintain adequate record keeping; and (e) (v) identify the legal, reputational, credit, liquidity and market risks inherent in our products, could give rise to reputational risk that could harm our business prospects and adversely affect our financial condition and results of operations. If we fail to address any of these issues in an appropriate manner, we could be subject to additional legal risks, which, in turn, could increase the size and number of litigation claims and damages asserted or subject us to enforcement actions, fines and penalties and cause us to incur related costs and expenses. Our ability to attract and retain customers and employees could be adversely affected to the extent our reputation is damaged.

We face significant and increasing competition in the financial services industry.

We operate in a highly competitive environment that includes financial and non-financial services firms, including traditional banks, online banks, financial technology companies, wealth management companies and others. These companies compete on the basis of, among other factors, size, quality and type of products and services offered, price, technology and reputation. Emerging technologies have the potential to intensify competition and accelerate disruption in the financial services industry. In recent years, non-financial services firms, such as financial technology companies, have begun to offer services traditionally provided by financial institutions. These firms attempt to use technology and mobile platforms to enhance the ability of companies and individuals to borrow money, save and invest. Our ability to compete successfully depends on a number of factors, including our ability to develop and execute strategic plans and initiatives; to develop competitive products and technologies; and to attract, retain and develop a highly skilled employee workforce. If we are not able to compete successfully, we could be placed at a competitive disadvantage, which could result in the loss of customers and market share, and our business, results of operations and financial condition could suffer.

We may be required to write down goodwill and other identifiable intangible assets.

When we acquire a business, a portion of the purchase price of the acquisition may be allocated to goodwill and other identifiable intangible assets. The excess of the purchase price over the fair value of the net identifiable tangible and intangible assets acquired determines the amount of the purchase price that is allocated to goodwill acquired. At December 31, 2022 December 31, 2023, there was no remaining unamortized identifiable intangible asset and our goodwill was approximately $2.2 million. Under current accounting standards, if we determine that goodwill or intangible assets are impaired, we would be required to write down the value of these assets to fair value. We conduct an annual review, or more frequently if events or circumstances warrant such, to determine whether goodwill is impaired. We recently completed our goodwill impairment analysis as of December 31, 2022 December 31, 2023 and concluded goodwill was not impaired. We conduct a review of our other intangible assets for impairment should events or circumstances warrant. We cannot provide assurance that we will not be required to take an impairment charge in the future. Any impairment charge would have a negative effect on our shareholders' equity and financial results and may cause a decline in our stock price.

The accuracy of our financial statements and related disclosures could be affected if the judgments, assumptions or estimates used in our critical accounting policies are inaccurate.

The preparation of financial statements and related disclosure in conformity with GAAP requires us to make judgments, assumptions and estimates that affect the amounts reported in our consolidated financial statements and accompanying notes. Our critical accounting policies, which are described in Item 7 of this report captioned "Management's Discussion and Analysis of Financial Condition and Results of Operations", constitute those significant accounting policies and methods used in the preparation of our consolidated financial statements that we consider "critical" because they require judgments, assumptions and estimates that materially affect our consolidated financial statements and related disclosures. As a result, if future events differ significantly from the management's judgments, assumptions and estimates in our critical accounting policies, those events or assumptions could have a material impact on our consolidated financial statements and related disclosures.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 1C. Cybersecurity

Our Company faces a number of cybersecurity risks in connection with the operation of our business which could have a material adverse effect on our business financial condition, results of operations, cash flows, or reputation. As part of the operation of our business, the Company, and our service providers, use, store, and process data for our customers, employees, partners, and suppliers. A cybersecurity incident impacting any of these entities could materially and adversely affect our operations, performance, or results of operations. In addition, as a financial services company we are subject to extensive regulatory compliance requirements, including those established by the FRB, FDIC and the DFR. To address these risks and regulatory requirements, the Company established a robust cybersecurity risk management program. This program safeguards sensitive customer data, financial transactions, and our information systems, serving as a vital component of our broader enterprise risk management strategy.

Risk Management Oversight and Governance

The Company's Board of Directors is charged with overseeing and approving Union's risk management framework and monitoring adherence to related policies required by applicable statutes, regulations and principles of safety and soundness. Union's Information Security Officer (ISO) provides periodic updates regarding cybersecurity risks and the cybersecurity program to the Board of Directors. Additionally, awareness and training on cybersecurity topics is provided to the Company's Board of Directors on a regular basis. Consistent with this responsibility the Board has delegated primary oversight responsibility over the risk management framework and oversight of the cybersecurity program, including oversight of cybersecurity risk and cybersecurity risk management to Union's IT Steering Committee.

Union's IT Steering Committee has representation from the following departments: information technology, information security, other department leaders and stakeholders, and Union's senior management team. This Committee receives regular updates on the state of Union's cybersecurity program, including any incidents, as well as approving information technology or information security related projects and proposals. These team members are also responsible for the resolution of any findings and implementation of recommendations from internal and external audits and examinations.

Union's ISO is responsible for implementing and maintaining the cybersecurity program with support from Union's Information Security team. The Information Security team consists of Union's ISO, members of the risk and compliance department, security staff, and information technology members, all of whom collaboratively work together to manage cybersecurity risks. The ISO reports directly to Union's Senior Risk Officer.

Cybersecurity Risk Management Program

The program is designed to identify, assess, manage, mitigate, and respond to cyber threats with the goal of preventing cybersecurity incidents to the extent feasible, while also increasing our system resilience to minimize business disruption in the event we experience a cyber event. Our program is structured to be nimble and adaptable to changes in cybersecurity threats over time and to respond to emerging threats in a timely and efficient manner.

Our Information Security team, led by our ISO, is responsible for monitoring our information systems for vulnerabilities and mitigating any issues. The Information Security team works collaboratively across the Company to understand the potential impacts of a cybersecurity incident and prioritize mitigation and other measures based on, among other things, the materiality to our business. The Information Security team has established processes designed to monitor threats in the cybersecurity landscape which include interacting with intelligence networks, working with researchers, discussions with peers at other companies, monitoring social media, reviewing government alerts and other news items and attending industry specific security conferences and trainings. The team regularly monitors our internal network and customer-facing network to identify any security issues. In addition, the Company augments the team's monitoring via the engagement of external vendors who provide continuous threat monitoring services of the Company's environment.

As part of our assessment of the risks to our Company, the Information Security team conducts annual cybersecurity risk assessments to evaluate the inherent risk of our applications and the strength of our controls, and identify the residual risk for each application. In addition, we conduct regular reviews and testing of critical network and application systems to monitor their security. We have adopted internal Company-wide Information Technology and Information Security policies which are reviewed and updated annually and approved by our Board of Directors. Our employees and the Board of Directors attend annual trainings that are designed to raise awareness about cybersecurity threats, reduce our vulnerability, and encourage consideration of cybersecurity threats across the Company. Additional trainings are required for employees in certain roles; these additional trainings are tailored to the employees' specific duties.

We regularly review and update our investments in information technology security to identify and protect critical assets, provide monitoring and alerts, and, as needed, engage third-party experts. To assess the effectiveness of our program, we have engaged consultants to conduct penetration testing and other vulnerability assessments. Additionally, our Internal Audit department and external auditors conduct assessments of different systems to provide the Audit Committee with information on our risk management processes, including cybersecurity risk management. We also test our defenses internally and conduct regular cybersecurity simulations and tabletop exercises with members of senior management present. These tests and assessments provide useful insights into the strengths and weaknesses of our cybersecurity framework.

Our cybersecurity framework is designed to protect our customers, employees, investors, and our intellectual property. Before purchasing third-party technology or other solutions that could expose the Company's assets and electronic information, our Information Security team completes security reviews on the vendors. Contracts are also negotiated to ensure language is included to address cybersecurity risk limitation and remediation. We also conduct ongoing reviews of cybersecurity risks associated with our third-party service providers. As part of the Company's Vendor Management Program, annual reviews are conducted for certain third-party vendors. Members of our Information Security team work with department managers and application owners to review System and Organization Controls ("SOC") 1 or SOC 2 reports. In the event a third-party vendor is unable to provide either a SOC 1 or SOC 2 report, this group conducts additional reviews to assess the cybersecurity preparedness of the specific vendor. This assessment of the risks associated with the use of third-party service providers is part of our overall vendor management and cybersecurity risk management framework.

To date, such cybersecurity risks have not materially affected us. We do, from time to time, experience threats to our data and systems that have been halted by the policies and systems in place. For more information about the cybersecurity risks we face, see Operational Risks in Part I, Item 1A of this Annual Report.

Item 2. Properties

As of December 31, 2022 December 31, 2023, Union operated 14 community banking locations in Lamoille, Caledonia, Chittenden, Franklin and Washington counties of Vermont and five in Grafton and Coos counties of New Hampshire. Union has also leased space to establish a full service branch location in North Conway, in Carroll County New Hampshire. Union also operates three loan centers in St. Johnsbury and Williston, Vermont and North Conway, Plymouth, New Hampshire. In addition as of such date, Union also operated several ATMs in northern Vermont and New Hampshire. Union owns, free of encumbrances, 16 of its branch locations and its headquarters and operated several ATMs in northern Vermont and New Hampshire. Union leases two three branch locations, the NH one loan center location, the production office, land upon which the Williston branch and loan center was built, on and certain ATM premises from third parties under terms and conditions considered by management to be favorable to Union. Union also owns or leases certain properties contiguous to its branch locations for staff and customer parking convenience.

Additional information relating to the Company's properties as of December 31, 2022 December 31, 2023, is set forth in Notes 8 and 9 to the Company's audited consolidated financial statements contained in Part II, Item 8 of this Annual Report.

Item 3. Legal Proceedings

There are no known pending legal proceedings to which the Company or its subsidiary is a party, or to which any of their properties is subject, other than ordinary litigation arising in the normal course of business activities. Although the amount of any ultimate liability with respect to such proceedings cannot be determined, in the opinion of management, any such liability would not have a material effect on the consolidated financial position or results of operations of the Company and its subsidiary.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Trading Market for Common Stock

The common stock of the Company is traded on the NASDAQ Global Select Market under the trading symbol "UNB."

On February 28, 2022 February 28, 2024, there were 4,509,425 4,519,384 shares of common stock outstanding held by 508 492 stockholders of record. The number of stockholders does not reflect the number of beneficial owners, including persons or entities who may hold the stock in nominee or “street name.”

Repurchase

Repurchases of Common Stock
There was no repurchase The following table summarizes repurchases of the Company's equity securities during the quarter ended December 31, 2022 December 31, 2023.

Issuer Purchases of Equity Securities				
Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Shares that May Yet be Purchased Under the Plans or Program (1)
October 2023	700	$21.51	700	1,800
November 2023	—	—	—	1,800
December 2023	—	—	—	—

(1) *All repurchases were made pursuant to a discretionary stock repurchase program under which the Company may repurchase up to 2,500 shares of its common stock each calendar quarter, in open market or privately negotiated transactions, in management's discretion. The repurchase authorization for a calendar quarter expires at the end of that quarter to the extent it has not been exercised, and is not carried forward into future quarters. The program was initially authorized in 2010 and was reauthorized most recently in December 2023. The program will expire on December 31, 2024, unless reauthorized by the Board of Directors.*

Securities Authorized for Issuance Under Equity Compensation Plans

Information regarding equity securities authorized for issuance under the Company's equity compensation plans plan is included in Part III, Item 12 of this Annual Report under the caption “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters”, and is incorporated herein by reference.

Five Year Performance Graph: Graph

The following graph illustrates the annual percentage change in the cumulative total shareholder return of the Company's common stock for the period December 31, 2016 December 31, 2018 through December 31, 2022 December 31, 2023. For purposes of comparison, the graph illustrates comparable shareholder returns of the S&P U.S.

SmallCap Banks Index and the NASDAQ Composite Index. The graph assumes a $100 investment on December 31, 2016 December 31, 2018 in each case and measures the amount by which the market value, assuming reinvestment of dividends, has changed during the five year period ended December 31, 2022 December 31, 2023.

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		Period Ended					
		Period Ended					
Index	Index	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022
Union Bankshares, Inc.	Union Bankshares, Inc.	100.00	92.33	72.46	54.20	65.61	55.48
NASDAQ Composite Index	NASDAQ Composite Index	100.00	97.16	132.81	192.47	235.15	158.65
S&P U.S. SmallCap Banks Index	S&P U.S. SmallCap Banks Index	100.00	83.44	104.69	95.08	132.36	116.69

						Period Ended
Index	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023

The performance graph and related information furnished under Part II, Item 5 of this Annual Report on Form 10-K shall not be deemed to be "soliciting material" or "filed" with the SEC, nor subject to Exchange Act Regulations 14A or 14C, other than as provided in Item 201 of Regulation S-K, or to the liabilities of Section 18 of the Exchange Act. Such information shall not be deemed to be incorporated by reference into any filing under the Securities Act or Exchange Act except to the extent that the Company specifically incorporates it by reference into such filing.

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

GENERAL

The following discussion and analysis focuses on those factors that, in management's view, had a material effect on the consolidated financial position of Union Bankshares, Inc. ("the Company," "our," "we," "us") and its subsidiary, Union Bank ("Union"), as of December 31, 2022 December 31, 2023 and 2021, 2022, and its consolidated results of operations for the years then ended. The Company is considered a "smaller reporting company" under the disclosure rules of the SEC. Accordingly, the Company has elected to provide its audited statements of income, comprehensive income, cash flows, and changes in stockholders' equity for a two year, rather than a three year, period and intends to provide smaller reporting company scaled disclosures where management deems appropriate.

This discussion is being presented to provide a narrative explanation of the consolidated financial statements and should be read in conjunction with the audited consolidated financial statements and related notes and with other financial data contained in Item 8, Part II of this Annual Report. The purpose of this presentation is to enhance overall financial disclosures and to provide information about historical financial performance and developing trends as a means to assess to what extent past performance can be used to evaluate the prospects for future performance. Management is not aware of the occurrence of any events after December 31, 2022 December 31, 2023 which would materially affect the information presented.

CERTAIN DEFINITIONS

Capitalized terms used in the following discussion and not otherwise defined below have the meanings assigned to them in Note 1 to the Company's audited consolidated financial statements contained in Part II, item 8, page 52 55 of this Annual Report.

NON-GAAP FINANCIAL MEASURES

Under SEC Regulation G, public companies making disclosures containing financial measures that are not in accordance with GAAP must also disclose, along with each non-GAAP financial measure, certain additional information, including a reconciliation of the non-GAAP financial measure to the closest comparable GAAP financial measure, as well as a statement of the company's reasons for utilizing the non-GAAP financial measure.

The SEC has exempted from the definition of non-GAAP financial measures certain commonly used financial measures that are not based on GAAP. However, two non-GAAP financial measures commonly used by financial institutions, namely tax-equivalent net interest income and tax-equivalent net interest margin (as presented in the tables in the section labeled Yields Earned and Rates Paid), have not been specifically exempted by the SEC, and may therefore constitute non-GAAP financial measures under Regulation G. We are unable to state with certainty whether the SEC would regard those measures as subject to Regulation G. Management believes that these non-GAAP financial measures are useful in evaluating the Company's financial performance and facilitate comparisons with the performance of other financial institutions. However, that information should be considered supplemental in nature and not as a substitute for related financial information prepared in accordance with GAAP.

CRITICAL ACCOUNTING POLICIES

The Company has established various accounting policies which govern the application of GAAP in the preparation of the Company's financial statements. Certain accounting policies involve significant judgments and assumptions by management which have a material impact on the reported amount of assets, liabilities, capital, revenues and expenses and related disclosures of contingent assets and liabilities in the consolidated financial statements and accompanying notes. The SEC has defined a company's critical accounting policies as the ones that are most important to the portrayal of the company's financial condition and results of operations, and which require management to make its most difficult and subjective judgments, often as a result of the need to make estimates on matters that are inherently uncertain. Based on this definition, management has identified the accounting policies and judgments most critical to the Company. The judgments and assumptions used by management are based on historical experience and other factors, which are believed to be reasonable under the circumstances. Nevertheless, because the nature of the judgments and assumptions made by management is inherently subject to a degree of uncertainty, actual results could differ from estimates and have a material impact on the carrying value of assets, liabilities, capital, or the results of operations of the Company.

Allowance for loan credit losses

The Company believes the ALL is a critical accounting policy that requires the most significant judgments and estimates used in the preparation of its consolidated financial statements. The amount of the ALL is based on management's periodic evaluation of the collectability of the loan portfolio, including the nature, volume and risk characteristics of the portfolio, credit concentrations, trends in historical loss experience, estimated value of any underlying collateral, specific impaired loans and economic conditions. Changes in these qualitative factors may cause management's estimate of the ALL to increase or decrease and result in adjustments to the Company's provision for loan losses in future periods. For additional information, see FINANCIAL CONDITION- Allowance for Loan Losses and Credit Quality below. on off-balance sheet credit exposures

Effective January 1, 2023, the Company will adopt adopted ASU No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The guidance in the ASU, which is more commonly referred to as the current expected credit loss model ("CECL") Current Expected

Credit Losses (CECL), requires that expected credit losses for financial assets held at the reporting date that are accounted for at amortized cost be measured and recognized based on historical experience and current and reasonably supportable forecasted conditions to reflect the full amount of expected credit losses. CECL also applies to certain off-balance sheet credit exposures, such as loan commitments, standby letters of credit, financial guarantees and other similar investments. The initial adjustment upon Company believes the transition to CECL will not be reported allowance for credit losses (ACL) on loans and off-balance sheet credit exposures is a critical accounting policy that requires the most significant judgments and estimates used in net income, but as a cumulative-effect adjustment to retained earnings. The Company conducted a parallel calculation under CECL as the preparation of December 31, 2022 and has substantially completed the development of its CECL process and is in process of finalizing its calculation, internal CECL policy and internal control framework. Based on the December 31, 2022 parallel calculation, the Company anticipates that the adoption of CECL will result in an immaterial impact to its consolidated financial statements and the Company's and Union's regulatory capital ratios as of January 1, 2023. The Company and Union are expected to continue to exceed regulatory guidelines, and Union's capital ratios will meet the requirements for it to be considered "well capitalized" under prompt corrective action provisions as of the transition date. The Company expects that statements. CECL may create more volatility in the level of the ALL ACL from quarter to quarter as the ALL will be ACL is now dependent upon macroeconomic forecasts and conditions, loan portfolio volumes and credit quality, among other things. For additional information on CECL, refer to Note 1 of the consolidated financial statements.

Other than temporary impairment of Allowance for credit losses on AFS debt securities

CECL also impacts the accounting for AFS debt securities. AFS debt securities in unrealized loss positions are evaluated for impairment related to credit losses at least quarterly. The OTTI decision Company believes the ACL on AFS debt securities is a critical accounting policy due to the level of judgment involved to determine if credit-related impairment exists. If the impairment analysis indicates that a credit loss exists, management compares the present value of cash flows expected to be collected from the security with the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis for the Company. Accounting guidance requires security, a company to perform periodic reviews of individual debt securities in its investment portfolio to determine whether a decline in the value of a security credit loss exists and an ACL is OTT. A review of OTTI requires management to make certain judgments regarding the cause and materiality of the decline, its effect on the financial statements and the probability, extent and timing of a valuation recovery, the Company's intent and ability to continue to hold the security, and, with respect to debt securities, the likelihood that the Company will have to sell the security before its value recovers. Pursuant to these requirements, management assesses valuation declines to determine the extent to which such changes are attributable to (1) fundamental factors specific recorded, limited to the issuer, such as amount by which the nature of the issuer and its financial condition, business prospects or other issuer-specific factors or (2) market-related factors, such as interest rates or equity market declines. Declines in the fair value of debt securities below their costs that are deemed by management to be OTT are recorded in earnings as realized losses to the extent they are deemed credit losses, with noncredit losses recorded in OCI (loss). Once an OTT loss on a debt security is realized, subsequent gains in the value amortized cost basis of the security may not be recognized in income until the security is sold. exceeds its fair value.

Mortgage servicing rights

MSRs associated with loans originated and sold, where servicing is retained, are required to be capitalized and initially recorded at fair value on the acquisition date and are subsequently accounted for using the “amortization method”. Mortgage servicing rights are amortized against non-interest income in proportion to, and over the period of, estimated future net servicing income of the underlying financial assets. The value of capitalized servicing rights represents the estimated present value of the future servicing fees arising from the right to service loans for third parties. The carrying value of the mortgage servicing rights is periodically reviewed for impairment based on a determination of estimated fair value compared to amortized cost, and impairment, if any, is recognized through a valuation allowance and is recorded as a reduction of non-interest income. Subsequent improvement (if any) in the estimated fair value of impaired mortgage servicing rights is reflected in a positive valuation adjustment and is recognized in non-interest income up to (but not in excess of) the amount of the prior impairment. Critical accounting policies for mortgage servicing rights relate to the initial valuation and subsequent impairment tests. The methodology used to determine the valuation of mortgage servicing rights requires the development and use of a number of estimates, including anticipated principal amortization and prepayments. Factors that may significantly affect the estimates used are changes in interest rates and the payment performance of the underlying loans. The Company analyzes and accounts for the value of its servicing rights with the assistance of a third party consultant.

Intangible assets

The Company's intangible assets include goodwill, which represents the excess of the purchase price over the fair value of net assets acquired in the 2011 Branch Acquisition. In accordance with current authoritative guidance, the Company assesses qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of the Company is less than its carrying amount, which could result in goodwill impairment. The Company also recorded acquired identifiable intangible assets in connection with the 2011 Branch Acquisition, representing the core deposit intangible which was subject to straight-line amortization over the estimated 10 years average life of the acquired core deposit base. The core deposit intangible was fully amortized in 2021.

Other

The Company also has other key accounting policies, which involve the use of estimates, judgments and assumptions, that are significant to understanding the Company's financial condition and results of operations, including investment securities. The most significant accounting policies followed by the Company are presented in Note 1 of the consolidated financial statements and in the section below under the caption “FINANCIAL CONDITION” and the subcaptions "Asset Quality", “Allowance for Loan Losses and Credit Quality" Losses" and ”Investment Activities.” Although management believes that its estimates, assumptions and judgments are reasonable, they are based upon information available when such estimates, assumptions and judgments are made and can be impacted by future events and events outside the control of the Company. Actual results may differ significantly from these estimates under different assumptions, judgments or conditions.

OVERVIEW

Concerns over interest rate levels, energy prices, domestic The Company, like other financial institutions, has experienced earnings pressure due to the prolonged and global policy issues, and geopolitical events, as well as the implications of those events steep yield curve inversion. The sharp increases in short-term rates have had a significant impact on the markets Company's funding costs due to higher rates paid on deposit accounts and increased utilization of wholesale funding at higher costs. The Company’s financial position remains strong, supported by a diverse deposit base, a strong liquidity position, excellent asset quality, and regulatory capital in general, add excess of all required levels. The Company continues to focus on gathering deposits, optimization of the global uncertainty. There is also net interest margin and maintaining strong asset quality.

The Company's earnings have been impacted by the inverted yield curve, as deposit and funding costs have risen at a risk that faster pace than assets have repriced, which has resulted in compression of the net interest rate increases margin and spread. The net interest margin was 2.88% for the year ended December 31, 2023 compared to fight inflation could lead 3.28% for the year ended December 31, 2022, while the net interest spreads for the same periods were 2.50% and 3.13%, respectively. We continue to a recession. The FRB increased manage the net interest margin and spread, by remaining disciplined on loan and deposit pricing, utilizing brokered and retail CDs when appropriate to reduce our exposure to high short-term interest rates, and maximizing our balance sheet collateral (i.e. loans and investment securities) to obtain wholesale funding in 2022 by a total of 425 bps cost effective way to fight inflation. Interest rate levels and energy prices, in combination with global economic conditions, fiscal and monetary policy and the level of regulatory and government scrutiny of financial institutions will continue to impact our results in the coming years. fund loan growth.

The Company's consolidated net income was $11.3 million, with basic earnings per share of $2.50 for 2023 compared to $12.6 million, with and basic earnings per share of $2.81 for 2022, compared to $13.2 million, and basic while diluted earnings per share of $2.94 for 2021. the same periods were $2.48 and $2.79, respectively. The decrease in net income reflects the combined effect of a decrease in noninterest net interest income of $4.0 million, $1.6 million or 30.7% 4.0%, and an increase in noninterest expenses of $309 thousand, $1.7 million, or 0.9% 5.2%, partially offset by an increase in net interest noninterest income of $3.7 million $451 thousand, or 10.4% 4.8%, and a decrease reduction in the provision for income taxes of $14 thousand, $1.0 million, or 0.5%. 38.4%, and a decrease in credit loss expense of $499 thousand.

Sales of qualifying residential loans to the secondary market for the year ended December 31, 2022 December 31, 2023 were $78.0 million $75.6 million resulting in gain on sales of $1.0 million $1.2 million, compared to sales of $216.8 million $78.0 million and gain on sales of $5.0 million $1.0 million for the year ended December 31, 2021 December 31, 2022.

As of December 31, 2022 December 31, 2023, the Company had total consolidated assets of $1.3 billion $1.5 billion, an increase of 10.9% 9.9% compared to December 31, 2021 total consolidated assets of $1.3 billion at December 31, 2022. Total investments decreased $17.4 million increased $14.4 million, or 6.5% 5.7%, to $265.9 million, or 18.1% of total assets at December 31, 2023 compared to $251.5 million, or 18.8% of total assets, at December 31, 2022 compared to $269.0 million, or 22.3% of total assets, as of December 31, 2021 primarily due to the increase in unrealized losses on the portfolio from December 31, 2021 to December 31, 2022. Net loans and loans held for sale increased $159.1 million $74.2 million or 20.1% 7.8%, to $1.0 billion, or 69.9% of total assets, at December 31, 2023, compared to $952.3 million, or 71.3% of total assets, at December 31, 2022, compared to $793.2 million, or 65.8% of total assets, at December 31, 2021. The level of federal funds sold decreased $27.9 million increased $39.9 million, or 45.5% 119.4%, to $73.2 million at December 31, 2023 compared to $33.4 million at December 31, 2022.

Deposits increased $103.7 million, or 8.6%, primarily due to wholesale deposit funding. Total deposits were $1.3 billion at December 31, 2023 and included $103.0 million of retail brokered deposits and $50.2 million of purchased ICS deposits, compared to $61.3 million at December 31, 2021.

Customer deposits increased $106.8 million, or 9.8%, to reach $1.2 billion at December 31, 2022 and that included $33.0 million of retail brokered deposits. Borrowed funds were $65.7 million at December 31, 2023 compared to $50.0 million at December 31, 2022.

The Company's total capital decreased increased from $84.3 million at December 31, 2021 to $55.2 million at December 31, 2022 to $65.8 million at December 31, 2023. This decrease increase primarily reflects an increase net income of $35.9 million $11.3 million for 2023 and a decrease of $5.5 million in accumulated other comprehensive loss, and partially offset by regular cash dividends paid of $6.3 million, partially offset by net income of $12.6 million for 2022. $6.5 million. (See *Capital Resources* on pages 43 46 to 44. 47.) These changes also resulted in a decrease an increase in the Company's book value per share to $12.25 $14.56 at December 31, 2022 December 31, 2023 from $18.77 $12.25 as of December 31, 2021 December 31, 2022.

Return on average assets is a financial metric often utilized as an indicator of a financial institution's performance. The Company's return on average assets decreased 16 18 bps for the year ended December 31, 2022 December 31, 2023 compared to 2021 primarily 2022 due to an increase in average assets of $128.3 million $115.2 million and a decrease in net income of $1.4 million for the year ended December 31, 2022 December 31, 2023.

The following per share information and key ratios presented in the table below depict several measurements of performance or financial condition at or for the years ended December 31, 2022 December 31, 2023 and 2021: 2022:

		2022		2021	
Return on average assets	Return on average assets	1.00	%	1.16	%
Return on average assets					
Return on average assets					
Return on average equity					
Return on average equity					
Return on average equity	Return on average equity	19.65	%	15.92	%
Net interest margin (1)	Net interest margin (1)	3.28	%	3.38	%
Net interest margin (1)					
Net interest margin (1)					

Efficiency ratio (2)						
Efficiency ratio (2)						
Efficiency ratio (2)	Efficiency ratio (2)		67.84	%	73.13	%
Net interest spread (3)	Net interest spread (3)		3.13	%	3.27	%
Net interest spread (3)						
Net interest spread (3)						
Loan to deposit ratio	Loan to deposit ratio		79.82	%	73.13	%
Net recoveries to total average loans			—	%	(0.01)	%
Allowance for loan losses to loans not held for sale			0.87	%	1.06	%
Loan to deposit ratio						
Loan to deposit ratio						
Net charge-offs (recoveries) to total average loans						
Net charge-offs (recoveries) to total average loans						
Net charge-offs (recoveries) to total average loans						
ACL on loans to loans not held for sale						
ACL on loans to loans not held for sale						
ACL on loans to loans not held for sale						
Nonperforming assets to total assets (4)						
Nonperforming assets to total assets (4)						
Nonperforming assets to total assets (4)	Nonperforming assets to total assets (4)		0.18	%	0.39	%
Equity to assets	Equity to assets		4.13	%	7.00	%
Equity to assets						
Equity to assets						
Total capital to risk weighted assets						
Total capital to risk weighted assets						
Total capital to risk weighted assets	Total capital to risk weighted assets		13.98	%	15.39	%
Book value per share	Book value per share	$	12.25	$	18.77	
Book value per share						
Book value per share						
Basic earnings per share						
Basic earnings per share						
Basic earnings per share	Basic earnings per share	$	2.81	$	2.94	
Diluted earnings per share	Diluted earnings per share	$	2.79	$	2.92	
Diluted earnings per share						
Diluted earnings per share						
Dividends paid per share						
Dividends paid per share						
Dividends paid per share	Dividends paid per share	$	1.40	$	1.32	
Dividend payout ratio (5)	Dividend payout ratio (5)		49.82	%	44.90	%
Dividend payout ratio (5)						
Dividend payout ratio (5)						

(1) *The ratio of tax equivalent net interest income to average earning assets. See page 29 32 for more information.*

(2) *The ratio of noninterest expenses to tax equivalent net interest income and noninterest income, excluding securities gains (losses).*

(3) *The difference between the average yield on earning assets and the average rate paid on interest bearing liabilities. See page 29 32 for more information.*

(4) *Nonperforming assets are loans or investment securities that are in nonaccrual or 90 or more days past due as well as OREO or OAO.*

(5) *Cash dividends declared and paid per share divided by consolidated net income per share.*

RESULTS OF OPERATIONS

For the year ended December 31, 2022 December 31, 2023, net income was $12.6 million $11.3 million compared to $13.2 million $12.6 million for the year ended December 31, 2021 December 31, 2022. The primary components of these results, which include net interest income, noninterest income, noninterest expenses, and provision for income taxes, are discussed below:

Net Interest Income. The largest component of the Company's operating income is net interest income, which is the difference between interest and dividend income received from interest earning assets and the interest paid on interest bearing liabilities. Net interest income is affected by various factors, including but not limited to: changes in interest rates, loan and deposit pricing strategies, the volume and mix of interest earning assets and interest bearing liabilities, and the level of nonperforming assets. The net interest margin is calculated as net interest income on a fully tax equivalent basis as a percentage of average interest earning assets.

Net interest income Interest earned on average earning assets for the year ended December 31, 2023 was $39.4 million on a fully tax equivalent basis for 2022, $57.1 million compared to $35.7 million for 2021, an increase of $3.7 million, or 10.4%. The net interest spread decreased 14 bps to 3.13% $43.9 million for the year ended December 31, 2022, from 3.27% an increase of $13.2 million, or 29.9%. The average earning asset base increased $126.9 million between periods and the average yield on average earning assets increased 66 bps to 4.31% for the year ended December 31, 2021 December 31, 2023 compared to 3.65% for the year ended December 31, 2022.

The average yield on federal funds sold and overnight deposits increased 269 bps between the twelve month comparison periods due to an increase in the interest rate paid on balances maintained in Union's master account at the FRB. Interest income on investment securities increased $1.4 million between the comparison periods due to an increase of $19.1 million in the average balance of the portfolio and an increase of 40 bps in the average yield.

Interest income on loans increased $10.9 million between the twelve month comparison periods due to an increase in the average volume of loans outstanding of $118.4 million and an increase of 58 bps in the average yield. Loan demand has remained stable during 2023 despite increases in interest rates and low housing inventory.

Average interest bearing liabilities increased $187.5 million between the twelve month comparison periods due to growth in customer time deposit balances, utilization of brokered deposits included in time deposits, the purchase of nonreciprocal ICS deposits from IntraFi included in non-time deposits, and an increase in borrowed funds. The average rate paid on interest bearing liabilities increased 129 bps to 1.81% for the year ended December 31, 2023 compared to 0.52% for the year ended December 31, 2022. Interest expense increased $14.7 million, to $19.3 million for the year ended December 31, 2023 compared to $4.5 million for the year ended December 31, 2022. Higher rates paid on customer deposit accounts and utilization of higher cost funding of brokered deposits and advances from the FHLB were drivers of the increase in interest expense.

The net interest spread decreased 63 bps to 2.50% for the year ended December 31, 2023, from 3.13% for the same period last year, reflecting the combined net effect of the 6 bps decrease in the average yield earned on interest earning assets and the 8 129 bps increase in the average rate paid on interest bearing liabilities, which was only partially offset by the 66 bps increase in the average yield earned on interest earning assets between periods. The net interest margin decreased 10 40 bps for the year ended December 31, 2023 compared to 3.28% the same period last year as a result of the changes discussed above.

During 2023, Union, like many other financial institutions, offered higher rate time deposit specials to attract new deposit dollars and retain existing customer deposits. Although some new money was obtained, a shift of funds from non-maturity deposits to time deposit specials occurred. Interest expense on time deposits increased $7.6 million to $8.7 million for the year ended December 31, 2023 compared to $1.0 million for the year ended December 31, 2022 compared due to 3.38% for increases in the year ended December 31, 2021.

The average yield on volume of $135.4 million and 255 bps in the average earning assets was 3.65% for the year ended December 31, 2022 compared to 3.71% for the year ended December 31, 2021, rate paid. Despite a decrease of 6 bps while $36.8 million in the average earning assets increased $145.8 million. Interest income on investment securities balance of savings/money market accounts, interest expense increased $2.4 million year over year between the twelve month comparison periods due to an increase in average balances of $127.1 million and an increase of 8 63 bps in average yield between the comparison periods. The average balance of PPP loans was $4.1 million for the year ended December 31, 2022 with an average yield of 14.61% which takes into account the 1.0% interest charged on PPP

loans and related fee income recognized during 2022. Fee income recognized on PPP loans was $551 thousand for the year ended December 31, 2022 compared to $2.8 million for the year ended December 31, 2021. Average loans, excluding PPP loans, increased $112.5 million, or 14.82%, to $871.5 million for the year ended December 31, 2022 compared to $759.0 million for the year ended December 31, 2021. The increase in the average loans resulted in a $4.8 million increase in interest income on loans between periods, despite a decrease of 1 bp in the average yield. The decrease in the average yield is attributable to management's decision to reduce the volume of residential loan sales to the secondary market to hold more of such loans in portfolio. While these loans have contributed to the increase in average loans and interest income, the yield on these loans is lower than on other loan types. Management expects loan yields to improve in future periods as new loans are being recorded at higher rates. Although loan yields are expected to increase as a result of higher rates, competition and other economic factors may impact the Company's ability to increase average loan balances.

The average cost of funding, which is tied primarily to our customer deposits, increased 8 bps to 0.52% for the year ended December 31, 2022, compared to 0.44% for the year ended December 31, 2021. Interest expense increased $959 thousand to $4.5 million for the year ended December 31, 2022 compared to $3.6 million for the year ended December 31, 2021. The increase in interest expense was primarily due to the issuance of subordinated debt during the third quarter of 2021 and the utilization of wholesale funding during the fourth quarter of 2022 when the Company experienced a decrease in the excess liquidity levels that had been consistent in 2021. The average balance of subordinated notes was $16.2 million for the year ended December 31, 2022, with an average rate of 3.51% and interest expense of $569 thousand compared to an average balance of $6.2 million for the year ended December 31, 2021, with an average rate of 3.19% and interest expense of $199 thousand. Higher rates paid on customer deposit accounts and increases in average interest bearing deposit balances of $57.0 million resulted in an increase in interest expense of $375 thousand between the comparison periods. The increase in average customer deposit balances is due to overall growth of the Company and the utilization of $33.0 million in brokered deposits included in time deposits as of December 31, 2022. In addition to brokered deposits, the Company utilized wholesale funding in the form of borrowed funds from the FHLB with an average balance of $11.1 million for the year ended December 31, 2022, at an average rate of 3.86% and interest expense of $433 thousand compared to an average balance of $7.1 million for the year ended December 31, 2021, at an average rate of 3.05% and interest expense of $219 thousand.See the following tables for details. those accounts.

The following table shows for the periods indicated the total amount of tax equivalent interest income from average interest earning assets, the related average tax equivalent yields, the tax equivalent interest expense associated with average interest bearing liabilities, the related tax equivalent average rates paid, and the resulting tax equivalent net interest spread and margin:

	Years Ended December 31,	
	2022	**2021**

		Average Balance (1)	Interest Earned/ Paid	Average Yield/ Rate	Average Balance (1)	Interest Earned/ Paid	Average Yield/ Rate
				(Dollars in thousands)			
				Years Ended December 31,			
				Years Ended December 31,			
				Years Ended December 31,			
			2023				
			2023				
			2023				
		Average Balance (1)					
		Average Balance (1)					
		Average Balance (1)					
				(Dollars in thousands)			
				(Dollars in thousands)			
				(Dollars in thousands)			
Average Assets:	Average Assets:						
Federal funds sold and overnight deposits	Federal funds sold and overnight deposits	$ 32,707	$ 245	0.74 %	$ 81,660	$ 100	0.12 %
Federal funds sold and overnight deposits							
Federal funds sold and overnight deposits							
Interest bearing deposits in banks							
Interest bearing deposits in banks							
Interest bearing deposits in banks	Interest bearing deposits in banks	14,105	187	1.33 %	13,299	139	1.05 %
Investment securities (2), (3)	Investment securities (2), (3)	292,555	5,130	1.82 %	165,424	2,755	1.74 %
PPP loans, net (4)		4,053	592	14.61 %	49,929	3,330	6.67 %
Loans (excluding PPP loans), net (2), (5)		871,475	37,766	4.37 %	758,965	32,931	4.38 %
Investment securities (2), (3)							
Investment securities (2), (3)							
Loans, net (2), (4)							
Loans, net (2), (4)							
Loans, net (2), (4)							
Nonmarketable equity securities							
Nonmarketable equity securities							
Nonmarketable equity securities	Nonmarketable equity securities	1,324	28	2.11 %	1,158	18	1.54 %
Total interest earning assets (2)	Total interest earning assets (2)	1,216,219	43,948	3.65 %	1,070,435	39,273	3.71 %
Total interest earning assets (2)							
Total interest earning assets (2)							
Cash and due from banks							
Cash and due from banks							
Cash and due from banks	Cash and due from banks	4,573			4,858		
Premises and equipment	Premises and equipment	21,073			21,302		

Premises and equipment							
Premises and equipment							
Other assets							
Other assets							
Other assets	Other assets	20,352			37,332		
Total assets	Total assets	$ 1,262,217			$ 1,133,927		
Total assets							
Total assets							
Average Liabilities and Stockholders' Equity:							
Average Liabilities and Stockholders' Equity:							
Average Liabilities and Stockholders' Equity:	Average Liabilities and Stockholders' Equity:						
Interest bearing checking accounts	Interest bearing checking accounts	$ 292,850	$ 919	0.31 %	$ 255,031	$ 586	0.23 %
Interest bearing checking accounts							
Interest bearing checking accounts							
Savings/money market accounts							
Savings/money market accounts							
Savings/money market accounts	Savings/money market accounts	434,492	1,588	0.37 %	416,245	1,644	0.39 %
Time deposits	Time deposits	119,081	1,015	0.85 %	118,145	917	0.78 %
Time deposits							
Time deposits							
Borrowed funds and other liabilities							
Borrowed funds and other liabilities							
Borrowed funds and other liabilities	Borrowed funds and other liabilities	11,050	433	3.86 %	7,080	219	3.05 %
Subordinated notes	Subordinated notes	16,188	569	3.51 %	6,244	199	3.19 %
Subordinated notes							
Subordinated notes							
Total interest bearing liabilities							
Total interest bearing liabilities							
Total interest bearing liabilities	Total interest bearing liabilities	873,661	4,524	0.52 %	802,745	3,565	0.44 %
Noninterest bearing deposits	Noninterest bearing deposits	311,444			238,572		
Noninterest bearing deposits							
Noninterest bearing deposits							
Other liabilities							
Other liabilities							
Other liabilities	Other liabilities	12,930			9,891		
Total liabilities	Total liabilities	1,198,035			1,051,208		
Total liabilities							
Total liabilities							
Stockholders' equity							
Stockholders' equity							
Stockholders' equity	Stockholders' equity	64,182			82,719		
Total liabilities and stockholders' equity	Total liabilities and stockholders' equity	$ 1,262,217			$ 1,133,927		
Total liabilities and stockholders' equity							
Total liabilities and stockholders' equity							

Net interest income					
Net interest income					
Net interest income	Net interest income	$ 39,424		$ 35,708	
Net interest spread (2)	Net interest spread (2)		3.13 %		3.27 %
Net interest spread (2)					
Net interest spread (2)					
Net interest margin (2)	Net interest margin (2)		3.28 %		3.38 %
Net interest margin (2)					
Net interest margin (2)					

(1) *Average balances are calculated based on a daily averaging method.*

(2) *Average yields reported on a tax equivalent basis using a marginal federal corporate income tax rate of 21%.*

(3) *Average balances of investment securities are calculated on the amortized cost basis and include nonaccrual securities, if applicable.*

(4) *Includes unamortized costs and unamortized premiums.*

(5) *Includes loans held for sale as well as nonaccrual loans, unamortized costs and unamortized premiums and is net of the allowance for loan losses. ACL on loans.*

Tax exempt interest income amounted to $2.3 million $4.3 million and $2.1 million $2.3 million for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively. The following table presents the effect of tax exempt income on the calculation of net interest income, using a marginal federal corporate income tax rate of 21% for the years ended December 31, 2022 December 31, 2023 and 2021: 2022:

				Years Ended December 31,
		Years Ended December 31,		
		2022	2021	
		(Dollars in thousands)		(Dollars in thousands)
Net interest income as presented	Net interest income as presented	$39,424	$35,708	
Effect of tax-exempt interest	Effect of tax-exempt interest			
Effect of tax-exempt interest				
Effect of tax-exempt interest				
Investment securities				
Investment securities				
Investment securities	Investment securities	201	125	
Loans	Loans	301	299	
Loans				
Loans				
Net interest income, tax equivalent	Net interest income, tax equivalent	$39,926	$36,132	
Net interest income, tax equivalent				
Net interest income, tax equivalent				

Rate/Volume Analysis. The following table describes the extent to which changes in average interest rates (on a fully tax equivalent basis) and changes in volume of average interest earning assets and interest bearing liabilities have affected the Company's interest income and interest expense during the periods indicated. For each category of interest earning assets and interest bearing liabilities, information is provided on changes attributable to:

- changes in volume (change in volume multiplied by prior rate);
- changes in rate (change in rate multiplied by prior volume); and

- total change in rate and volume.

Changes attributable to both rate and volume have been allocated proportionately to the change due to volume and the change due to rate.

	Year Ended December 31, 2022 Compared to Year Ended December 31, 2021 Increase/(Decrease) Due to Change In			Year Ended December 31, 2021 Compared to Year Ended December 31, 2020 Increase/(Decrease) Due to Change In		
	Volume	Rate	Net	Volume	Rate	Net
	Year Ended December 31, 2023 Compared to Year Ended December 31, 2022 Increase/(Decrease) Due to Change In					
	Volume					
	Year Ended December 31, 2023 Compared to Year Ended December 31, 2022 Increase/(Decrease) Due to Change In			Year Ended December 31, 2022 Compared to Year Ended December 31, 2021 Increase/(Decrease) Due to Change In		
	Volume	Rate	Net	Volume	Rate	Net
Interest earning assets:	(Dollars in thousands)					
Interest earning assets:	(Dollars in thousands)					
Federal funds sold and overnight deposits	$ (93)	$ 238	$ 145	$ 51	$ (43)	$ 8
Interest bearing deposits in banks	8	40	48	60	(83)	(23)
Investment securities	2,287	88	2,375	1,491	(700)	791
PPP loans, net	(4,647)	1,909	(2,738)	92	1,803	1,895
Loans (excluding PPP loans). net	4,912	(77)	4,835	2,418	(2,487)	(69)
Loans, net						
Nonmarketable equity securities	3	7	10	(26)	(53)	(79)
Total interest earning assets	$2,470	$2,205	$4,675	$4,086	$(1,563)	$ 2,523
Interest bearing liabilities:						
Interest bearing checking accounts						
Interest bearing checking accounts						
Interest bearing checking accounts	$ 96	$ 237	$ 333	$ 172	$ (291)	$ (119)
Savings/money market accounts	70	(126)	(56)	482	(1,029)	(547)
Time deposits	7	91	98	(303)	(660)	(963)
Borrowed funds	145	69	214	(365)	213	(152)

Subordinated notes	Subordinated notes	348	22	370	199	—	199
Total interest bearing liabilities	Total interest bearing liabilities	$ 666	$ 293	$ 959	$ 185	$(1,767)	$(1,582)
Net change in net interest income	Net change in net interest income	$1,804	$1,912	$3,716	$3,901	$ 204	$ 4,105

Provision for Loan Losses. **Credit Loss Expense (Benefit).** There was no provision for loan losses recorded The Company adopted ASU No. 2016-13 to account for the years ACL, effective January 1, 2023. As such, ACL and credit loss benefit as of and for the year ended December 31, 2023 were accounted for under CECL in accordance with the ASU. In accordance with previously applicable GAAP, the ACL and credit loss expense as of and for the year ended December 31, 2022 or 2021. No provision was deemed necessary by management based on were accounted for under the size and mix incurred loss methodology. Refer to Note 1, Significant Accounting Policies for a description of the loan portfolio, Company's accounting policies for the level of nonperforming loans, the results ACL.

Credit loss (benefit) expense was made up of the qualitative factor review and prevailing economic conditions. For further details, see FINANCIAL CONDITION *Asset Quality* and *Allowance* *following components* *for* *Loan Losses* below.the following periods:

	For the Years Ended December 31,	
	2023 (CECL)	**2022 (Incurred Loss)**
	(Dollars in thousands)	
Credit loss benefit for loans	$ (274)	$ —
Credit loss benefit for off-balance sheet credit exposures	(225)	—
Credit loss benefit, net	$ (499)	$ —

Noninterest Income. The following table sets forth the components of noninterest income for the years ended December 31, 2022 December 31, 2023 and 2021 2022 :

		For the Years Ended December 31,				
		2022	**2021**	**$ Variance**	**% Variance**	**For the Years Ended December 31,**
		(Dollars in thousands)				(Dollars in thousands)
Trust income		$ 838	$ 808	$ 30	3.7	
Wealth management income						
Service fees						
Service fees						
Service fees	Service fees	6,859	6,516	343	5.3	
Net gains on sales of loans held for sale	Net gains on sales of loans held for sale	1,004	4,956	(3,952)	(79.7)	
Net gains on sales of loans held for sale						
Net gains on sales of loans held for sale						
Net gains on sales of investment securities AFS						
Net gains on sales of investment securities AFS						
Net gains on sales of investment securities AFS	Net gains on sales of investment securities AFS	31	—	31	—	

Net loss on other investments		(60)	(21)	(39)	185.7
(Expense) income from MSRs, net		(465)	243	(708)	(291.4)
Net gains (losses) on other investments					
Net gains (losses) on other investments					
Net gains (losses) on other investments					
Income from Company-owned life insurance					
Income from Company-owned life insurance					
Income from Company-owned life insurance	Income from Company-owned life insurance	509	309	200	64.7
Other income	Other income	271	152	119	78.3
Other income					
Other income					
Total noninterest income	Total noninterest income	$8,987	$12,963	$ (3,976)	(30.7)
Total noninterest income					
Total noninterest income					

The significant changes in noninterest income for the year ended December 31, 2022 December 31, 2023 compared to the year ended December 31, 2021 December 31, 2022 are described below:

- Trust Wealth management income. Trust Wealth management income increased as dollars in managed fiduciary accounts grew between December 31, 2021 December 31, 2022 and 2022. 2023, as did the value of assets within those accounts.
- Service fees. Service fee income increased $343 $143 thousand for the year ended December 31, 2022 December 31, 2023 compared to the same period in 2021 2022 primarily due to increases of $247 $58 thousand in other loan servicing fees, $57 thousand in ATM network fees, $37 thousand in overdraft fee income $46 and $27 thousand in ATM network service charge income, and $43 partially offset by a $45 thousand decrease in loan servicing fee income. merchant program fees.
- Net gains on sales of loans held for sale. Management reduced the volume of loans sold in 2022 compared to 2021 due to the increase in the 10-year treasury rate in 2022 and the related impact on the pricing of loans held for sale. Residential loans totaling $78.0 million $75.6 million were sold to the secondary market during 2022, 2023, compared to residential loan sales of $216.8 million $78.0 million during 2021. 2022. The decrease increase of $4.0 million $159 thousand in net gains on sales of loans held for sale is reflective of despite the lower sales volumes and lower volume reflects higher premiums obtained on those sales. sales in 2023 and $31 thousand of recapture on gains from 2021 recorded in 2022 that did not recur in 2023.
- Net loss gains (losses) on other investments. Participants in the 2020 Amended and Restated Nonqualified Excess Plan (the "2020 Deferred Compensation Plan") elect to defer receipt of current compensation from the Company or its subsidiary and select designated reference investments consisting of investment funds. The performance of those funds, over which the Company has no control, resulted in net gains of $189 thousand and net losses of $60 thousand and $21 thousand for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively.
- (Expense) income from MSRs, net. Income from MSRs is derived from servicing rights acquired through the sale of loans where servicing is retained. Capitalized servicing rights are initially recorded at fair value and amortized in proportion to, and over the period of, the future estimate of servicing the underlying mortgages. The amortization of MSRs exceeded new capitalized MSRs which resulted in an expense of $465 thousand for 2022 compared to income of $243 thousand in 2021. The reduction in capitalized MSRs is consistent with the reduced volume of loan sales to the secondary market during 2022.
- Income from Company-owned life insurance. The Company purchased $5.8 million Death benefit proceeds of Company-owned life insurance covering select officers of Union during the fourth quarter of 2021. In addition, $77 thousand was were received in proceeds from a death benefit, resulting 2022 that did not recur in increased income for the year ended December 31, 2022 compared to 2021. 2023.
- Other income. The increase decrease in Other income is resulted primarily attributable to an increase of $55 from $93 thousand in prepayment penalties received from the early payoff of loans during 2022 compared to 2021, that did not recur in addition to $53 thousand of income received as a litigation settlement related to previous investment holdings in the Company's defined benefit pension plan that was terminated in 2018. 2023.

Noninterest Expenses. The following table sets forth the components of noninterest expenses for the years ended December 31, 2022 December 31, 2023 and 2021: 2022:

	For the Years Ended December 31,
For the Years Ended December 31,	

		2022	2021	$ Variance	% Variance	
		(Dollars in thousands)				(Dollars in thousands)
Salaries and wages	Salaries and wages	$14,083	$14,448	$ (365)	(2.5)	
Employee benefits	Employee benefits	5,030	4,593	437	9.5	
Employee benefits						
Employee benefits						
Occupancy expense, net						
Occupancy expense, net						
Occupancy expense, net	Occupancy expense, net	1,913	1,890	23	1.2	
Equipment expense	Equipment expense	3,692	3,447	245	7.1	
Equipment expense						
Equipment expense						
Vermont franchise tax						
Vermont franchise tax						
Vermont franchise tax	Vermont franchise tax	1,087	968	119	12.3	
Professional fees	Professional fees	877	922	(45)	(4.9)	
Professional fees						
Professional fees						
FDIC insurance assessment						
FDIC insurance assessment						
FDIC insurance assessment						
ATM network and debit card expense	ATM network and debit card expense	980	898	82	9.1	
FDIC insurance assessment		622	644	(22)	(3.4)	
Advertising and public relations		617	530	87	16.4	
ATM network and debit card expense						
ATM network and debit card expense						
Other loan related expenses	Other loan related expenses	390	421	(31)	(7.4)	
Electronic banking expenses		415	381	34	8.9	
Trust expenses		387	353	34	9.6	
Supplies and printing		334	368	(34)	(9.2)	
Prepayment penalties on borrowings		—	226	(226)	(100.0)	
Legal fees		68	104	(36)	(34.6)	
Amortization of core deposit intangible		—	71	(71)	(100.0)	
Other loan related expenses						
Travel and entertainment		190	103	87	84.5	
Other loan related expenses						
Wealth management expenses						
Wealth management expenses						

Wealth management expenses					
Communications					
Communications					
Communications					
Amortization of MSRs, net					
Amortization of MSRs, net					
Amortization of MSRs, net					
Donations					
Donations					
Donations					
Training and development					
Training and development					
Training and development					
Other losses					
Other losses					
Other losses					
Insurance expense					
Insurance expense					
Insurance expense					
Other expenses					
Other expenses					
Other expenses	Other expenses	2,479	2,488	(9)	(0.4)
Total noninterest expenses	Total noninterest expenses	$33,164	$32,855	$ 309	0.9
Total noninterest expenses					
Total noninterest expenses					

The significant changes in noninterest expenses for the year ended December 31, 2022 December 31, 2023 compared to the year ended December 31, 2021 December 31, 2022 are described below:

- Salaries and wages. The $365 $164 thousand decrease increase in salaries and wages was primarily due to employee turnover and annual salary adjustments for the increased number of open positions that resulted during 2022, a reduction in commissions earned by mortgage loan originators and the deferral of loan origination costs, 2023 fiscal year, partially offset by a decrease in accrual amounts for the annual salary adjustments. incentive plan payments to select officers of Union for 2023 compared to 2022.

- Employee benefits. Employee benefit expense increased $437 $335 thousand primarily due to increases of $413 $225 thousand in employee benefits related to the Company's deferred compensation plans and $147 thousand in premium expense for the Company's medical and dental plans, partially offset by decreases of $22 thousand in 401k contributions and $12 $16 thousand in payroll tax expense for 2022. 2023.

- Equipment expense. Occupancy expense, net. Equipment The increase in occupancy expense increased by $245 of $122 thousand is primarily due to increases in software license utilities and taxes, partially offset by a decrease in repair and maintenance costs expense. Additionally, lease expense increased $67 thousand primarily due to a new lease for 2022 compared to 2021. a full service branch location in North Conway, NH.

- Vermont franchise tax. The Vermont franchise tax is determined based on a quarterly tax rate applied to the Company's average balance of Vermont customer deposit balances. The tax rate remained unchanged throughout 2022 2023 and 2021; 2022; however, the average balances in Vermont deposit account balances increased for the year ended December 31, 2022 December 31, 2023, resulting in an increase in expense.

- Professional fees. During the first half of 2021, Professional fees increased by $139 thousand due to annual increases in engagement fees, payment for additional consultants were engaged to assist with employment searches tax consulting services and internal audit expenses, and other advisory consulting services engagements in 2023 that were not utilized in 2022, resulting 2022.

- FDIC insurance assessment. The FDIC insurance assessment increased by $376 thousand primarily due to an increase in an the assessment rate as well as overall decrease of $45 thousand growth in expense. net assets.

- ATM network and debit card expense. The $82 thousand increase decrease in ATM network and debit card expense between periods relates is primarily due to the ending of the debit card Scorecard rewards program during 2023, resulting in a decrease of $226 thousand in expense compared to 2022. This decrease was offset by $155 thousand of increases related to an increase in the volume of ATM and debit card transactions and new card issuance costs.

- Advertising and public relations. The increase of $87 thousand in advertising and public relations expense primarily relates to advertising campaigns and product specific advertising in 2022 that did not occur in 2021.

- Other loan related expenses. Other loan related expenses consist There was an increase of other $81 thousand in the costs incurred for originating and servicing loans such as during 2023. These costs include insurance and property tax tracking expenses, credit report fees and other real estate closing costs. These expenses decreased $31 thousand in 2022 compared to 2021 primarily due to lower volume of residential mortgage loan originations between periods.

- Electronic banking expenses. Electronic banking expenses increased $34 thousand in 2022 compared to 2021 due to additional online banking services and an increase in the volume of activity.
- Trust Wealth management expenses. The $34 $52 thousand increase is was primarily attributable to the growth in managed fiduciary accounts and the associated data processing and professional services. In addition, consulting services were engaged in 2022 that were not utilized in 2021.
- Prepayment penalties on borrowings. Communications. During 2021, the Company paid prepayment penalties on the early payoff of FHLB advances of $226 thousand. There were no prepayment penalties paid The increase in 2022. expense between 2023 and 2022 was primarily due to an increase in remote ATM telecommunication costs.
- Legal fees. Amortization of MSRs, net. Income from MSRs is derived from servicing rights acquired through the sale of loans on which servicing is retained. Capitalized servicing rights are initially recorded at fair value and amortized in proportion to, and over the period of, the estimated future servicing period of the underlying loans. The decrease amortization of MSRs exceeded new capitalized MSRs which resulted in legal fees net expense of $36 $316 thousand between periods primarily relates to recoveries received from borrowers and $465 thousand for legal fees expensed in prior years. the years ended December 31, 2023 and 2022, respectively.
- Travel Donations. Charitable donations are made as part of the Company's on-going commitment to enhancing the economic vitality and entertainment. social welfare of our communities. The $102 thousand increase in donations was primarily due to contributions made to assist communities with recovery efforts related to the July 2023 historic flood that occurred in the State of Vermont.
- Training and development. The Company has resumed business travel, intercompany travel Training and development events that were suspended or held as virtual events in the prior year due to the economic disruption caused by impacts of COVID-19 have resumed in-person, resulting in increased expense of $87 $112 thousand for 2022 compared between comparison periods.
- Other losses. Other losses primarily consist of debit card fraud on customer accounts, charged off checking accounts, and fraudulent check cashing schemes. Hackers continue to 2021. become more sophisticated and are being more successful in hacking customer debit cards, resulting in an increase in losses sustained by the Company. New debit cards are issued to customers whose accounts have been compromised.
- Insurance expense. Blanket bond insurance costs increased in 2023 due to adjustments to the amortization period of the existing policies.

Provision for Income Taxes. The Company has provided for current and deferred federal income taxes for the current and prior periods period presented. The Company's net provision for income taxes was $1.6 million and $2.6 million for 2023 and 2022, and 2021. respectively. The Company's effective federal corporate income tax rate was 12.5% and 16.3% for 2023 and 16.1% for 2022, and 2021, respectively.

Amortization expense related to limited partnership investments included as a component of tax expense amounted to $1.1 million $1.4 million and $1.0 million $1.1 million for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively. These investments provide tax benefits, including tax credits. Low income housing tax credits with respect to limited partnership investments are also included as a component of income tax expense and amounted to $1.4 million and $1.1 million for the years ended December 31, 2022 December 31, 2023 and 2021. 2022, respectively. See Note 10 to the Company's consolidated financial statements.

FINANCIAL CONDITION

At December 31, 2022 December 31, 2023, the Company had total consolidated assets of $1.3 billion $1.5 billion, including gross loans and loans held for sale (total loans) of $959.3 million $1.0 billion, deposits of $1.2 billion $1.3 billion and stockholders' equity of $55.2 million $65.8 million. The Company's total assets increased $131.1 million $132.4 million, or 10.9% 9.9%, from $1.2 billion $1.3 billion at December 31, 2021 December 31, 2022.

Net loans and loans held for sale increased $159.1 million $74.2 million, or 20.1% 7.8%, to $1.0 billion, or 69.9% of total assets, at December 31, 2023, compared to $952.3 million, or 71.3% of total assets, at December 31, 2022, compared to $793.2 million, or 65.8% of total assets, at December 31, 2021. (See *Loan Portfolio* below.)

Total deposits increased $106.8 million $103.7 million, or 9.8% 8.6% to $1.3 billion at December 31, 2023, from $1.2 billion at December 31, 2022, from $1.1 billion at December 31, 2021. There were increases in time deposits of $135.9 million, or 88.8% and interest bearing deposits of $39.2 million $3.0 million, or 5.4% 0.4%, which were partially offset by a decrease in noninterest bearing deposits of $21.3 million $35.2 million, or 8.0%, and time deposits of $46.3 million, or 43.4% 12.3%. (See average balances and rates in the *Yields Earned and Rates Paid* table on page 29. 32.)

Borrowed funds at December 31, 2023 were $65.7 million and consisted of $50.0 million in $55.7 million of FHLB advances and $10.0 million of borrowings from the FRB. Borrowed funds at December 31, 2022 and there were no borrowed funds at December 31, 2021. In August 2021, the Company completed the private placement consisted of $16.5 million in aggregate principal amount FHLB advances of fixed-to-floating rate subordinated notes due 2031 to certain qualified institutional buyers and accredited investors. The Notes are presented in the consolidated balance sheets net of unamortized issuance costs of $295 thousand and $329 thousand at December 31, 2022 and 2021, respectively. $50.0 million. (See *Borrowings* on page 41. 44.)

Total stockholders' equity decreased $29.1 million increased $10.6 million, or 34.5% 19.2%, from $84.3 million at December 31, 2021 to $55.2 million at December 31, 2022 to $65.8 million at December 31, 2023. (See *Capital Resources* on pages 43 46 to 44. 47.)

Loans Held for Sale and Loan Portfolio. The Company's gross loan portfolio (including loans held for sale) increased $158.5 million $72.0 million, or 19.8% 7.5%, to $1.0 billion, representing 70.2% of assets at December 31, 2023, from $959.3 million, representing 71.8% of assets at December 31, 2022, from $800.9 million, representing 66.4% of assets at December 31, 2021. The Company's loans consist primarily of adjustable-rate and fixed-rate mortgage loans secured by one-to-four family, multi-family residential or commercial real estate. Real estate secured loans represented $911.5 million, or 88.4% of total loans, at December 31, 2023 compared to $828.2 million, or 86.3% of total loans, at December 31, 2022 compared to $670.6 million, or 83.7% of total loans, at December 31, 2021. The Company had four PPP loans totaling $205 thousand classified as commercial loans at December 31, 2022 compared to 154 PPP loans totaling $13.6 million at December 31, 2021. Changes net change in the composition of the Company's loan portfolio from December 31, 2021 December 31, 2022 (see table below) resulted primarily from an increase in the volume of residential, loans not held for sale, construction, commercial real estate and municipal residential construction loans originated, partially offset by a decrease in the commercial portfolio related to PPP loans forgiveness. originated. There was no material change in the Company's lending programs or terms during 2022. 2023.

The composition of the Company's loan portfolio, was including loans held for sale were as follows at as of December 31:

Loan Class	2022 $	2022 %	2021 $	2021 %	December 31, 2023 Amount	December 31, 2023 Percent	December 31, 2022 Amount	December 31, 2022 Percent
	(Dollars in thousands)				(Dollars in thousands)			
Residential real estate	$352,433	36.7	$246,827	30.8				
Non-revolving residential real estate								
Revolving residential real estate								
Construction real estate	96,620	10.1	65,149	8.1				
Commercial construction real estate								
Commercial construction real estate								
Commercial construction real estate								
Residential construction real estate								
Commercial real estate	377,947	39.4	344,816	43.1				
Non-residential commercial real estate								
Non-residential commercial real estate								
Non-residential commercial real estate								
Multi-family residential real estate								
Commercial	40,973	4.3	49,788	6.2				
Consumer	2,204	0.2	2,376	0.3				
Municipal	87,980	9.2	78,094	9.8				
Loans held for sale	1,178	0.1	13,829	1.7				
Total loans	$959,335	100.0	$800,879	100.0				
ACL on loans					(6,566)		(8,339)	
Unamortized net loan costs					1,752		1,336	
Net loans and loans held for sale					$ 1,026,526		$ 952,332	

The Company originates and sells qualified residential mortgage loans in various secondary market avenues, with a majority of sales made to the FHLMC/Freddie Mac, generally with servicing rights retained. At December 31, 2022 December 31, 2023, the Company serviced a $987.4 million $1.1 billion residential real estate mortgage portfolio, of which $1.2 million $3.1 million was held for sale and approximately $633.7 million $646.5 million was serviced for unaffiliated third parties. This compares to a residential real estate mortgage servicing portfolio of $898.8 million $987.4 million at December 31, 2021 December 31, 2022, of which $13.8 million $1.2 million was held for sale and approximately $638.1 million $633.7 million was serviced for unaffiliated third parties. Loans held for sale are accounted for at the lower of cost or fair value and are reviewed by management at least quarterly based on current market pricing.

In an effort to utilize some excess liquidity during the first half of 2022 and in light of the impact on the pricing of loans resulting from the increase in the 10-year treasury rate in 2022, the Company elected to retain in portfolio the majority of residential real estate loans originated in 2022. The Company sold $78.0 million $75.6 million of qualified residential real estate loans originated during 2022 2023 to the secondary market to mitigate long-term interest rate risk and to generate fee income, compared to sales of $216.8 million $78.0 million during 2021. 2022. Residential mortgage loan origination activity continued to be stable during 2022, consisting of both refinancing and purchase activity, although there has been a decline in refinancing activity with 2023. Despite the increase in interest rates. Reflecting low housing inventory there was and rising interest rates, purchase activity in the Company's markets continues to be stable with an increase in construction loan activity in 2022. activity. The Company originates and sells FHA, VA, and RD residential mortgage loans, and also has an Unconditional Direct Endorsement Approval from HUD which allows the Company to approve FHA loans originated in any of its Vermont or New Hampshire locations without needing prior HUD underwriting approval. The Company sells FHA, VA and RD loans as originated with servicing released. Some of the government backed loans qualify for zero down payments without geographic or income restrictions. These loan products increase the Company's ability to serve the borrowing needs of residents in the communities served, including low and moderate income borrowers, while the loan sales and government guaranty mitigates the Company's exposure to credit risk.

The Company also originates commercial real estate and commercial loans under various SBA, USDA and State sponsored programs which provide a government agency guaranty for a portion of the loan amount. There was $3.2 million $2.6 million and $17.2 million $3.2 million guaranteed under these various programs at December 31, 2022 December 31, 2023 and 2021, 2022, respectively, on aggregate balances of $4.2 million $3.4 million and $18.5 million $4.2 million in subject loans for the same time periods. These amounts include the $205 thousand and $13.6 million of PPP loans that were guaranteed 100% by SBA at December 31, 2022 and 2021, respectively. The Company occasionally sells the guaranteed portion of a loan to other financial concerns and retains servicing rights, which generates fee income. There were no commercial real estate or commercial loans sold during 2022 2023 or 2021. 2022. The Company recognizes gains and losses on the sale of the principal portion of these loans as they occur. at the time of sale.

The Company serviced $27.0 million $25.7 million and $21.2 million $27.0 million of commercial and commercial real estate loans for unaffiliated third parties as of December 31, 2022 December 31, 2023 and 2021, 2022, respectively. This includes $25.7 million $24.7 million and $19.6 million $25.7 million of commercial or commercial real estate loans the Company had participated out to other financial institutions at December 31, 2022 December 31, 2023 and 2021, 2022, respectively. These loans were participated in the ordinary course of business on a nonrecourse basis, for liquidity or credit concentration management purposes.

As of December 31, 2022 December 31, 2023, total loans serviced had grown to $1.6 billion $1.7 billion, which includes total loans on the balance sheet of $959.3 million $1.0 billion as well as total loans sold with servicing retained of $660.7 million $672.2 million, compared to total loans serviced of $1.5 billion $1.6 billion as of December 31, 2021 December 31, 2022.

The Company capitalizes MSRs for all loans sold with servicing retained and recognizes gains and losses on the sale of the principal portion of these loans as they occur. at the time of sale. The unamortized balance of MSRs on loans sold with servicing retained was $2.0 million $1.7 million and $2.5 million $2.0 million as of December 31, 2022 December 31, 2023 and 2021, 2022, respectively, with an estimated market value in excess of the carrying value at both year ends. Management periodically evaluates and measures the servicing assets for impairment.

Qualifying residential first lien mortgage loans and certain commercial real estate loans with a carrying value of $272.9 million $343.7 million and $224.4 million $272.9 million were pledged as collateral for borrowings from the FHLB under a blanket lien at December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

The following table breaks down by classification the contractual maturities of the gross loans held in portfolio and for sale as of December 31, 2022 December 31, 2023:

	Within 1 Year	2-5 Years	6-15 Years	Over 15 Years	Total
	(Dollars in thousands)				
Fixed rate					
Residential real estate	$ 85	$ 1,694	$ 56,430	$200,477	$258,686
Construction real estate	31,180	9,533	6,179	—	46,892

	Within 1 Year	2-5 Years	6-15 Years	Over 15 Years	Total
Fixed rate	(Dollars in thousands)				
Non-revolving residential real estate					
Non-revolving residential real estate					
Non-revolving residential real estate					
Revolving residential real estate					
Commercial construction real estate					
Commercial construction real estate					

Commercial construction real estate						
Residential construction real estate						
Commercial real estate	Commercial real estate	1,045	5,669	45,137	—	51,851
Non-residential commercial real estate						
Non-residential commercial real estate						
Non-residential commercial real estate						
Multi-family residential real estate						
Commercial	Commercial	590	8,359	21,286	—	30,235
Consumer	Consumer	1,102	1,077	8	—	2,187
Municipal	Municipal	76,588	7,336	4,056	—	87,980
Total fixed rate	Total fixed rate	110,590	33,668	133,096	200,477	477,831
Variable rate	Variable rate					
Residential real estate	Residential real estate	723	762	61,730	31,710	94,925
Residential real estate						
Residential real estate						
Non-revolving residential real estate						
Non-revolving residential real estate						
Non-revolving residential real estate						
Revolving residential real estate						
Construction real estate	Construction real estate	5,522	4,322	11,841	28,043	49,728
Commercial construction real estate						
Commercial construction real estate						
Commercial construction real estate						
Residential construction real estate						
Commercial real estate	Commercial real estate	13,965	4,452	247,635	60,044	326,096
Non-residential commercial real estate						
Multi-family residential real estate						
Commercial	Commercial	3,107	1,719	5,912	—	10,738

Consumer	Consumer	17	—	—		17
Total variable rate	Total variable rate	23,334	11,255	327,118	119,797	481,504
		$133,924	$44,923	$460,214	$320,274	$959,335
Total variable rate						
Total variable rate						
	$					

Asset Quality. The Company, like all financial institutions, is exposed to certain credit risks, including those related to the value of the collateral that secures its loans and the ability of borrowers to repay their loans. Consistent application of the Company's conservative loan policies has helped to mitigate this risk and has been prudent for both the Company and its customers. The Company's Board has set forth well-defined lending policies (which are periodically reviewed and revised as appropriate) that include conservative individual lending limits for officers, aggregate and advisory board approval levels, Board approval for large credit relationships, a quality control program, a loan review program and other limits or standards deemed necessary and prudent. The Company's loan review program encompasses a review process for loan documentation and underwriting for select loans as well as a monitoring process for credit extensions to assess the credit quality and degree of risk in the loan portfolio. Management performs, and shares with the Board, periodic concentration analyses based on various factors such as industries, collateral types, location, large credit sizes and officer portfolio loads. Board approved policies set forth portfolio diversification levels to mitigate concentration risk and the Company participates large credits out to other financial institutions to further mitigate that risk. The Company has established underwriting guidelines to be followed by its officers; material exceptions are required to be approved by a senior loan officer, the President or the Board.

The Company does not make loans that are interest only, have teaser rates or that result in negative amortization of the principal, except for construction, lines of credit and other short-term loans for either commercial or consumer purposes where the credit risk is evaluated on a borrower-by-borrower basis. The Company evaluates the borrower's ability to pay on variable-rate loans over a variety of interest rate scenarios, not only the rate at origination.

The majority of the Company's loan portfolio is secured by real estate located throughout the Company's primary market area of northern Vermont and New Hampshire. For residential loans, the Company generally does not lend more than 80% of the appraised value of the home without a government guaranty or the borrower purchasing private mortgage insurance. Although the Company lends up to 80% of the collateral value on commercial real estate loans to strong borrowers, the majority of commercial real estate loans do not exceed 75% of the appraised collateral value. Rarely, the loan to value may go up to 100% on loans with government guarantees or other mitigating circumstances. Although the Company's loan portfolio consists of different business segments, there is a portion of the loan portfolio centered in leisure travel tourism related loans. The Company has implemented risk management strategies to mitigate exposure to this industry through utilizing government guaranty programs as well as participations with other financial institutions as discussed above. Additionally, the loan portfolio contains many loans to seasoned and well established businesses and/or well secured loans which further reduce the Company's risk. Management closely follows the local and national economies and their impact on the local businesses, especially on the tourism industry, as part of the Company's risk management program.

The region's economic environment continues to see has seen consistent signs of improvement and over the states of Vermont and New Hampshire have been fully opened since June 2021, after past two years following the COVID-19 pandemic closure of large segments of the economy. pandemic. There is has been consistent demand for leisure travel and dining out which is supporting the region's tourist and restaurant industries; however, the industries are also facing continue to face some challenges due to less than normal workforce participation supply chain delays and inflation. Demand for homes continues to be strong with the general safety and desirability of the region and the increased ability of working remotely. The Company's management is focused on the lingering economy and the related impact of COVID-19 on its borrowers and closely monitors industry and geographic concentrations, specifically the continuing impact on the region's tourist and restaurant industries. The Vermont unemployment rate was reported at 2.2% for December 2023 compared to 2.6% for December 2022 compared to 2.5% for December 2021 and the New Hampshire unemployment rate was 2.5% for December 2023 compared to 2.7% for December 2022 compared to 2.6% for December 2021. 2022. These rates compare favorably with the nationwide unemployment rate of 3.5% 3.7% and 3.9% 3.5%, respectively, for the comparable periods. Management will continue to monitor the national, regional and local economic environment in relation to COVID-19 and its impact on unemployment, business outlook and real estate values in the Company's market area.

The Company also monitors its delinquency levels for any adverse trends. Management closely monitors the Company's loan and investment portfolios, OREO and OAO for potential problems and reports to the Boards of the Company and Union at regularly scheduled meetings. Repossessed assets and loans or investments that are 90 days or more past due or in nonaccrual status are considered to be nonperforming assets.

TDR loans involve one or more of the following: forgiving a portion of interest or principal, refinancing at a rate materially less than the market rate, rescheduling loan payments, or granting other concessions to a borrower due to financial or economic reasons related to the debtor's financial difficulties that the Company would not ordinarily grant. When evaluating the ALL, management makes a specific allocation for TDR loans as they are considered impaired.

The following table details the composition of the Company's nonperforming assets and amounts utilized to calculate certain asset quality ratios monitored by Company's management as of December 31:

		2023	
		2023	
		2023	
		2022	**2021**
		(Dollars in thousands)	
Nonaccrual loans	Nonaccrual loans	$ 2,211	$ 4,650
Nonaccrual loans			

Nonaccrual loans			
Loans past due 90 days or more and still accruing interest			
Loans past due 90 days or more and still accruing interest			
Loans past due 90 days or more and still accruing interest	Loans past due 90 days or more and still accruing interest	186	98
Total nonperforming loans and assets	Total nonperforming loans and assets	$ 2,397	$ 4,748
Total nonperforming loans and assets			
Total nonperforming loans and assets			
Guarantees of U.S. or state government agencies on the above nonperforming loans	Guarantees of U.S. or state government agencies on the above nonperforming loans	$ 76	$ 113
TDR loans		$ 1,710	$ 2,215
Allowance for loan losses		$ 8,339	$ 8,336
Net recoveries		$ (3)	$ (65)
Guarantees of U.S. or state government agencies on the above nonperforming loans			
Guarantees of U.S. or state government agencies on the above nonperforming loans			
ACL on loans			
ACL on loans			
ACL on loans			
Net charge-offs (recoveries)			
Net charge-offs (recoveries)			
Net charge-offs (recoveries)			
Total loans outstanding			
Total loans outstanding			
Total loans outstanding	Total loans outstanding	$959,335	$800,879
Total average loans outstanding	Total average loans outstanding	$875,528	$808,894
Total average loans outstanding			
Total average loans outstanding			

The following table shows trends of certain asset quality ratios monitored by Company's management at December 31:

	2022		2021	
	(Dollars in thousands)			
Allowance for loan losses to total loans outstanding	0.87	%	1.04	%
Allowance for loan losses to nonperforming loans	347.89	%	175.57	%
Allowance for loan losses to nonaccrual loans	377.16	%	179.27	%

			(Dollars in thousands)			
			(Dollars in thousands)			
			(Dollars in thousands)			
ACL on loans to total loans outstanding						
ACL on loans to total loans outstanding						
ACL on loans to total loans outstanding						
ACL on loans to nonperforming loans						
ACL on loans to nonperforming loans						
ACL on loans to nonperforming loans						
ACL on loans to nonaccrual loans						
ACL on loans to nonaccrual loans						
ACL on loans to nonaccrual loans						
Nonperforming loans to total loans						
Nonperforming loans to total loans						
Nonperforming loans to total loans	Nonperforming loans to total loans		0.25	%	0.59	%
Nonperforming assets to total assets	Nonperforming assets to total assets		0.18	%	0.39	%
Nonperforming assets to total assets						
Nonperforming assets to total assets						
Nonaccrual loans to total loans						
Nonaccrual loans to total loans						
Nonaccrual loans to total loans	Nonaccrual loans to total loans		0.23	%	0.58	%
Delinquent loans (30 days to nonaccruing) to total loans	Delinquent loans (30 days to nonaccruing) to total loans		0.57	%	0.82	%
Net recoveries to total average loans			—	%	(0.01)	%
Delinquent loans (30 days to nonaccruing) to total loans						
Delinquent loans (30 days to nonaccruing) to total loans						
Net charge-offs (recoveries) to total average loans						
Net charge-offs (recoveries) to total average loans						
Net charge-offs (recoveries) to total average loans						
Residential real estate						
Residential real estate						
Residential real estate	Residential real estate		—	%	(0.03)	%
Net recoveries	Net recoveries	$	—	$	(66)	
Total average loans		$	304,778	$	243,212	
Construction real estate			—	%	—	%
Net charge-offs		$	—	$	—	
Total average loans		$	67,272	$	62,678	
Commercial real estate			—	%	—	%
Net recoveries						
Net recoveries	Net recoveries	$	—	$	—	
Total average loans	Total average loans	$	373,657	$	324,101	
Total average loans						
Total average loans						
Commercial						
Commercial						
Commercial	Commercial		—	%	—	%
Net recoveries	Net recoveries	$	(1)	$	—	
Net recoveries						

Net recoveries							
Total average loans							
Total average loans							
Total average loans	Total average loans	$	43,710	$	88,626		
Consumer	Consumer		(0.09)	%	0.04	%	
Net (recoveries) charge-offs		$	(2)	$	1		
Consumer							
Consumer							
Net charge-offs (recoveries)							
Net charge-offs (recoveries)							
Net charge-offs (recoveries)							
Total average loans	Total average loans	$	2,262	$	2,608		
Municipal			—	%	—	%	
Net charge-offs		$	—	$	—		
Total average loans							
Total average loans	Total average loans	$	83,849	$	87,669		

Nonperforming loans at December 31, 2022 decreased $2.4 million, All other loan categories did not have charge-offs or 49.5% and decreased as a percentage of assets from 0.39% at December 31, 2021 to 0.18% at December 31, 2022, with recoveries for the ALL as a percentage of nonperforming loans increasing from 175.57% to 347.89%. Management considers the asset quality ratios to be at favorable levels. The Company's success at keeping the ratios at favorable levels is the result of continued focus on maintaining strict underwriting standards, as well as our practice, as a community bank, of actively working with troubled borrowers to resolve the borrower's delinquency, while maintaining the safe and sound credit practices of Union and safeguarding our strong capital position. periods presented above.

There was one revolving residential real estate loan totaling $17 thousand in process of foreclosure at December 31, 2023 and one residential real estate loan totaling $28 thousand in process of foreclosure at December 31, 2022 and no loans in process of foreclosure at December 31, 2021. The aggregate interest on nonaccrual loans not recognized was $59 $143 thousand and $504 $59 thousand for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

The Company had loans rated substandard that were on a performing status totaling $1.2 million and $1.3 million at December 31, 2022 December 31, 2023 and $769 thousand at December 31, 2021. December 31, 2022, respectively. In management's view, such loans represent a higher degree of risk of becoming nonperforming loans in the future. While still on a performing status, in accordance with the Company's credit policy, loans are internally classified when a review indicates the existence of any of the following conditions, making the likelihood of collection questionable:

- the financial condition of the borrower is unsatisfactory;
- repayment terms have not been met;
- the borrower has sustained losses that are sizable, either in absolute terms or relative to net worth;
- confidence in the borrower's ability to repay is diminished;
- loan covenants have been violated;
- collateral is inadequate; or
- other unfavorable factors are present.

Although management believes that the Company's nonperforming and internally classified loans are generally well-secured and that probable credit losses inherent in the loan portfolio are provided for in the Company's ALL, there can be no assurance that future deterioration in economic conditions and/or collateral values, or changes in other relevant factors will not result in future credit losses. The Company's management is focused on the impact that the economy may have on its borrowers and closely monitors industry and geographic concentrations for evidence of financial problems. Management will continue to monitor the national, regional and local economic environment, particularly as it relates to the COVID-19 crisis and its residual impact on unemployment, business failures and real estate values in the Company's market area.

On occasion, the Company acquires residential or commercial real estate properties through or in lieu of loan foreclosure. These properties are held for sale and are initially recorded as OREO at fair value less estimated selling costs at the date of the Company's acquisition of the property, with fair value based on an appraisal for more significant properties and on a broker's price opinion for less significant properties. Holding costs and declines in fair value of properties acquired are expensed as incurred. Declines in the fair value after acquisition of the property result in charges against income before tax. The Company evaluates each OREO property at least quarterly for changes in the fair value. The Company had no properties classified as OREO at December 31, 2022 December 31, 2023 or 2021. 2022.

Allowance for Loan Credit Losses on Loans. Some of the Company's loan customers ultimately do not make all of their contractually scheduled payments, requiring the Company to charge off a portion or all of the remaining principal balance due. The Company maintains an ALL ACL to absorb such losses. The ALL is maintained at a level believed by management to be appropriate to absorb probable credit losses inherent in the loan portfolio as of the evaluation date; however, actual loan losses may vary from management's current estimates.

The ALL is evaluated quarterly using a consistent, systematic methodology, which analyzes the risk inherent in the loan portfolio. In addition to evaluating the collectability of specific loans when determining the appropriate level of the ALL, management also takes into consideration other qualitative factors such as changes in the mix and size of the loan portfolio, credit concentrations, historic loss experience, the amount of delinquencies and ACL on loans adversely classified, industry trends, and the impact of the local and regional economy on the Company's borrowers as well as the estimated value of any underlying collateral. The appropriate level of the ALL is assessed by an allocation process whereby specific loss allocations are made against impaired loans and general loss allocations are made against segments of the loan portfolio that have similar attributes. Although the ALL is assessed by allocating reserves by loan category, the total ALL is available to absorb losses that may occur within any loan category.

The ALL is increased by a provision for loan losses charged to earnings, and reduced by charge-offs, net of recoveries. The provision for loan losses at December 31, 2023 represents management's estimate of expected credit losses over the current period credit cost associated with maintaining an appropriate ALL. Based on an evaluation expected life of the loan portfolio loans at the balance sheet date. The Company adopted ASU No. 2016-13, more commonly referred to as CECL, effective January 1, 2023, which replaced the incurred loss allowance methodology with an expected loss allowance methodology. Results for reporting periods beginning after January 1, 2023 are presented under CECL while prior period amounts continue to be reported in accordance with the incurred loss methodology under previously applicable GAAP. The Company's policy and other relevant qualitative factors, management presents a quarterly analysis methodologies related to establishing the ACL on loans under CECL and the adoption of CECL as of January 1, 2023 and for the appropriate level of year ended December 31, 2023 and for establishing the ALL ACL on loans under previously applicable GAAP for the 2022 comparison periods presented are described in Note 1, Significant Accounting Policies and Note 7, Allowance for Credit Losses on Loans and Off-Balance Sheet Credit Exposures to the Board, indicating any changes Company's consolidated financial statements. The Company's ACL on loans was $6.6 million and $8.3 million at December 31, 2023 and December 31, 2022, respectively.

The following table reflects activity in the ALL since the last review and any recommendations as to adjustments in the ALL and the level of future provisions.
Credit quality of the commercial portfolio is quantified by a credit risk rating system designed to parallel regulatory criteria and categories of loan risk and has historically been well received by the various regulatory authorities. Individual loan officers and credit department personnel monitor ACL on loans to ensure appropriate rating assignments are made on a timely basis. Risk ratings and quality of commercial and retail credit portfolios are also assessed on a regular basis by an independent loan review function.

The level of ALL allocable to each loan portfolio category with similar risk characteristics is determined based on historical charge-offs, adjusted for qualitative risk factors. A quarterly analysis of various qualitative factors, including portfolio characteristics, national and local economic trends, overall market conditions, and levels of, and trends in, delinquencies and nonperforming loans, helps to ensure that areas with the potential risk for loss are considered in management's ALL estimate. Management increased certain economic qualitative factors utilized to estimate the ALL during 2020 at the onset of the COVID-19 pandemic. During 2021 and 2022, the economic qualitative reserve factor assigned to each loan portfolio in the ALL estimate was decreased due to continued indications of economic improvement. COVID-19 restrictions were lifted in June 2021 and all borrowers that had executed loan modifications due to COVID-19 were no longer subject to modified terms at December 31, 2022. During 2021, the economic qualitative reserve factor was decreased 10 bps for the residential real estate, commercial real estate, commercial, consumer and municipal loan portfolios and 5 bps for the construction real estate loan portfolio. Based on these continued improving economic trends during 2022, the economic qualitative reserve factor was decreased a further 15 bps for the residential real estate, commercial real estate, commercial, and consumer loan portfolios and a further 20 bps for the construction real estate loan portfolio. These reductions brought the economic qualitative reserve factor back to the pre-pandemic level for all loan portfolios. years ended December 31:

In addition to the qualitative risk factor analysis of each loan portfolio, loans meeting specified criteria are also evaluated for specific impairment and may be classified as impaired when management believes it is probable that the Company will not collect all the contractual interest and principal payments as scheduled in the loan agreement. Commercial loans with balances greater than $500 thousand was established by management as the threshold for individual impairment evaluation with a

	2023	2022
	(Dollars in thousands)	
Balance at beginning of period	$ 8,339	$ 8,336
Impact of adoption of ASU No. 2016-13	(1,495)	—
Charge-offs	(8)	(4)
Recoveries	4	7
Net (charge-offs) recoveries	(4)	3
Credit loss benefit	(274)	—
Balance at end of period	$ 6,566	$ 8,339

specific reserve allocated when warranted. Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Company does not separately identify individual consumer, real estate or small balance commercial loans for impairment evaluation, unless such loans are subject to a restructuring agreement or have been identified as impaired as part of a larger customer relationship. A specific reserve amount is allocated to the ALL for individual loans that have been classified as impaired on the basis of the fair value of the collateral for collateral dependent loans, an observable market price, or the present value of anticipated future cash flows.
Impaired loans, including $1.7 million of TDR loans, were $9.5 million at December 31, 2022, with government guaranties of $341 thousand and a specific reserve amount allocated of $30 thousand. Impaired loans, including $2.2 million of TDR loans, were $6.8 million at December 31, 2021, with government guaranties of $423 thousand and a specific reserve amount allocated of $46 thousand. The specific reserve amount allocated to individually identified impaired loans decreased $16 thousand as a result of the December 31, 2022 impairment evaluation.

The following table (net of loans held for sale) shows the internal breakdown by class of loans risk component of the Company's ALL ACL on loans and the percentage of loans in each category to total loans in the respective portfolios at December 31:

	2022		2021	
	$	%	$	%
	(Dollars in thousands)			
Residential real estate	$ 2,417	36.8	$ 2,068	31.4

	2023		2022	
	Amount	Percent	Amount	Percent
	(Dollars in thousands)			
Residential real estate				
Non-revolving residential real estate				

Revolving residential real estate					
Construction real estate	Construction real estate	1,032	10.1	837	8.3
Commercial construction real estate Commercial construction real estate Commercial construction real estate Residential construction real estate					
Commercial real estate	Commercial real estate	3,935	39.4	4,122	43.8
Non-residential commercial real estate Non-residential commercial real estate Non-residential commercial real estate Multi-family residential real estate					
Commercial	Commercial	301	4.3	275	6.3
Consumer	Consumer	10	0.2	11	0.3
Municipal	Municipal	95	9.2	86	9.9
Unallocated	Unallocated	549	—	937	—
Total	Total	$ 8,339	100.0	$ 8,336	100.0

Notwithstanding the categories shown in the table above or any specific allocation under the Company's ALL ACL methodology, all funds in the ALL ACL on loans are available to absorb loan losses in the portfolio, regardless of loan category or specific allocation.

Management of the Company believes, in its best estimate, that the ALL ACL on loans at December 31, 2022 December 31, 2023 is appropriate to cover probable expected credit losses inherent in over the expected life of the Company’s loan portfolio as of such date. However, there can be no assurance that the Company will not sustain losses in future periods which could be greater than the size of the ALL ACL on loans at December 31, 2022 December 31, 2023. In addition, our banking regulators, as an integral part of their examination process, periodically review our ALL. ACL. Such agencies may require us to recognize adjustments to the ALL ACL based on their judgments about information available to them at the time of their examination. A large adjustment to the ALL ACL on loans for losses in future periods may could require increased provisions credit loss expense to replenish the ALL, ACL on loans, which could negatively affect earnings.

Investment Activities. The investment portfolio is used to generate interest and dividend income, manage liquidity and mitigate interest rate sensitivity. At December 31, 2022 December 31, 2023, the investment securities classified as AFS, which are carried at fair value, increased $14.1 million to $264.4 million, or 18.0% of investment securities AFS was total assets, compared to $250.3 million, or 18.7% of total assets, compared at December 31, 2022. The increase between periods is due to $267.8 million purchases of higher yielding municipal securities of $24.9 million during the first quarter of 2023 and a decrease in unrealized losses of $6.4 million, or 22.2% partially offset by returns of total assets, at December 31, 2021 principal of $16.7 million.

There were no investment securities classified as HTM or as trading at December 31, 2022 December 31, 2023 or 2021. 2022. Investment securities classified as AFS are marked-to-market, with any unrealized gain or loss after estimated taxes charged to the equity portion of the balance sheet through the accumulated OCI component of stockholders' equity. The fair value of

Net unrealized losses in the Company's AFS investment securities AFS portfolio were $41.0 million at December 31, 2022 reflects a net unrealized loss of $47.4 million, December 31, 2023 compared to a net unrealized loss of $2.0 million at December 31, 2021. Despite the decrease in the overall fair value of the investment portfolio, the amortized cost of investment securities classified as AFS increased $27.9 million during 2022. The Company used excess liquidity to increase the investment portfolio during 2021 and the first half of 2022 to obtain higher yields than what would have been earned at the Federal Funds rate.

At December 31, 2022, 207 debt securities had gross unrealized losses of $47.8 million, with aggregate depreciation of 16.04% from the Company's amortized cost basis. Securities are evaluated at least quarterly for OTTI and $47.4 million at December 31, 2022. The Company's accumulated OCI component of stockholders' equity at December 31, 2023 and 2022 reflected cumulative net unrealized losses on investment securities of $32.0 million and $37.4 million, respectively. The unrealized losses are primarily attributable to changes in management's estimation, no security was OTTI. Management's evaluation of OTTI is subject long-term interest rates which are tied to risks and uncertainties and is intended to determine the appropriate amount and timing of recognition of any impairment charge. The assessment of whether such impairment pricing indexes for debt securities has occurred is based on management's best estimate of the cash flows expected securities. No declines in value were deemed by management to be collected at the individual security level. We regularly monitor our investment portfolio impairment related to ensure securities that may be OTTI are identified in a timely manner and that any impairment charge is recognized in the proper period and, with respect to debt securities, that the impairment is properly allocated between credit losses recognized in earnings and noncredit unrealized losses recognized in OCI. Further deterioration at December 31, 2023. Deterioration in credit quality and/or imbalances in liquidity that may result from changes in the financial marketplace or a quick rise in interest rates market conditions might adversely affect the fair value values of the Company's Company’s investment portfolio and the amount of gains or losses ultimately realized on the sale of such securities and may also increase the potential that certain unrealized credit losses will may be designated as OTT identified in future periods, resulting in write-downs credit loss expense recorded in earnings.

Investment securities AFS with a fair value of $926 thousand and related charges to earnings. $433 thousand were pledged as collateral for public unit deposits or for other purposes as required or permitted by law at December 31, 2023 and 2022, respectively. Investment securities AFS pledged as collateral for Bank Term Funding Program (BTFP) borrowings at the Federal Reserve Bank (FRB) consisted of U.S. Government-sponsored enterprises and Agency MBS securities with a fair value of $8.9 million at December 31, 2023. The Company began utilizing the BTFP as a source of liquidity during 2023.

Federal Home Loan Bank of Boston Stock. Union is a member of the FHLB, with an investment of $2.7 million $3.1 million and $1.1 million $2.7 million in its Class B common stock at December 31, 2022 December 31, 2023 and 2021, 2022, respectively. Union is required to invest in $100 par value stock of the FHLB in an amount tied to the unpaid principal balances on qualifying loans, plus an amount to satisfy an activity based requirement. The stock is nonmarketable, and is redeemable by the FHLB at par value. Although the FHLB was in compliance with all regulatory capital ratios as of December 31, 2022 December 31, 2023 and 2021, 2022, there is the possibility of future capital calls by the FHLB on member banks to ensure compliance with its capital plan. Union's investment in FHLB stock is carried at cost in Other assets on the consolidated balance sheets. Similar to evaluating investment securities for OTTI, potential credit losses, the Company has evaluated periodically evaluates its investment in the FHLB. Management's most recent evaluation of the Company's holdings of FHLB common stock concluded that the investment was not impaired at December 31, 2022 December 31, 2023.

Deposits. The following table shows information concerning the Company's average deposits by account type and the weighted average nominal rates at which interest was paid on such deposits for the years ended December 31:

		2022			2021			
		Average Balance	Percent of Total Deposits	Average Rate Paid	Average Balance	Percent of Total Deposits	Average Rate Paid	
				(Dollars in thousands)				(Dollars in thousands)
Nontime deposits:	Nontime deposits:							
Noninterest bearing deposits	Noninterest bearing deposits	$ 311,444	26.9	—	$ 238,572	23.2	—	
Noninterest bearing deposits								
Noninterest bearing deposits								
Interest bearing checking accounts								
Interest bearing checking accounts								
Interest bearing checking accounts	Interest bearing checking accounts	292,850	25.3	0.31 %	255,031	24.8	0.23 %	
Money market accounts	Money market accounts	246,867	21.3	0.62 %	248,864	24.2	0.62 %	
Money market accounts								
Money market accounts								
Savings accounts	Savings accounts	187,625	16.2	0.04 %	167,381	16.3	0.06 %	
Savings accounts								
Savings accounts								
Total nontime deposits								
Total nontime deposits								
Total nontime deposits	Total nontime deposits	1,038,786	89.7	0.24 %	909,848	88.5	0.25 %	
Total time deposits	Total time deposits	119,081	10.3	0.85 %	118,145	11.5	0.78 %	
Total time deposits								
Total time deposits								
Total deposits	Total deposits	$ 1,157,867	100.0	0.30 %	$ 1,027,993	100.0	0.31 %	

Total deposits

Total deposits

Deposits grew $106.8 million $103.7 million, or 9.8% 8.6%, from $1.1 billion at December 31, 2021 to $1.2 billion at December 31, 2022 to $1.3 billion at December 31, 2023. Total average deposits grew $129.9 million $57.8 million, or 12.6% 5.0%, between years, with average nontime time deposits growing $128.9 million increasing $135.4 million, or 14.2% 113.7%, and average time nontime deposits increasing $936 thousand, decreasing by $77.6 million, or 0.8% 7.5%, during the same time frame. The increase in the average balance in total time deposits between periods was due to an increase of $78.8 million in average brokered deposits and an increase of $56.6 million in average customer time deposit accounts as customers took advantage of higher rate paying CDs. The decrease in average balances for of nontime deposits was attributable to decreases of $67.8 million in noninterest bearing deposits, $13.6 million in money market accounts, and $23.2 million in saving accounts, partially offset by an increase of $27.0 million in interest bearing checking accounts. The increase in interest bearing checking accounts was primarily attributable to the overall growth purchase of nonreciprocal ICS deposits from IntraFi as described below. The decreases in franchise. The average the other categories were attributable to customers spending down deposit balances (including COVID-19 relief funds), the loss of deposit dollars to competing financial institutions and brokerage firms, and customers shifting monies into time deposits increased due as they continue to retail brokered deposits issued during 2022 under a master certificate of deposit program with a broker, along with customers taking advantage of time deposit rate promotions offered at the end of 2022. seek higher yields.

The Company participates in CDARS, which permits the Company to offer full deposit insurance coverage to its customers by exchanging deposit balances with other CDARS participants. CDARS also provides the Company with an additional source of funding and liquidity through the purchase of deposits. There were no purchased CDARS deposits as of December 31, 2022 December 31, 2023 or December 31, 2021 December 31, 2022. There were $12.3 million $11.7 million of time deposits of $250,000 or less on the balance sheets at December 31, 2022 December 31, 2023 and $13.6 million $12.3 million at December 31, 2021 December 31, 2022, which were exchanged with other CDARS participants.

The Company also participates in the ICS program, a service through which Union can offer its customers demand or savings products with access to unlimited FDIC insurance, while receiving reciprocal deposits from other FDIC-insured banks. Like the exchange of certificate of deposit accounts through CDARS, exchange of demand or savings deposits through ICS provides a depositor with full deposit insurance coverage of excess balances, thereby helping the Company retain the full amount of the deposit on its balance sheet. As with the CDARS program, in addition to reciprocal deposits, participating banks may also purchase one-way ICS deposits. There were $209.3 million $232.6 million and $155.3 million $209.3 million in exchanged ICS demand and money market deposits on the balance sheets at December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022, respectively. There Additionally, there were $50.2 million of purchased ICS deposits at December 31, 2023 and no purchased ICS deposits at December 31, 2022 or December 31, 2021.

At December 31, 2022 December 31, 2023, there were $33.0 $103.0 million of retail brokered deposits at a weighted average rate of 3.45% 5.07% issued under a master certificate of deposit program with a deposit broker for the purpose terms of providing six, nine, and twelve months, which provide a supplemental source of funding and liquidity. These deposits matured in January 2023 and There were replaced with $33.0 million $33.0 million of retail brokered deposits at December 31, 2022 at a weighted average rate of 4.7% 3.45% for a 12 three month term. There were no retail brokered deposits at December 31, 2021.

term that matured in January 2023.

A provision of the Dodd-Frank Act permanently raised FDIC deposit insurance coverage to $250 thousand per depositor per insured depository institution for each account ownership category. Uninsured deposits have been estimated to include deposits with balances greater than the FDIC insurance coverage limit of $250 thousand. This estimate is based on the same methodologies and assumptions used for regulatory reporting requirements. At December 31, 2022 December 31, 2023, the Company had estimated uninsured deposit accounts totaling $342.8 million $390.4 million, or 28.5% 29.9% of total deposits. Uninsured deposits include $30.4 million $26.7 million of municipal deposits and were collateralized under applicable state regulations by investment securities or letters of credit issued by the FHLB at December 31, 2022 December 31, 2023, as described below under *Borrowings.*

The following table provides a maturity distribution of the Company's time deposits in amounts in excess of the $250 thousand FDIC insurance limit at December 31:

	2022	2021
	(Dollars in thousands)	
Three months or less	$ 1,011	$ 4,249
Over three months through six months	4,001	5,576
Over six months through twelve months	11,462	4,536
Over twelve months	9,883	1,862
	$ 26,357	$ 16,223

Uninsured time deposits with balances greater than $250 thousand increased $10.1 million, or 62.5%, between December 31, 2021 and December 31, 2022, which resulted primarily from rate promotions offered at the end of 2022.

	2023	2022
	(Dollars in thousands)	
Three months or less	$ 11,512	$ 1,011
Over three months through six months	10,800	4,001
Over six months through twelve months	19,872	11,462
Over twelve months	622	9,883
	$ 42,806	$ 26,357

Borrowings. Advances from the FHLB are another key source of funds to support earning assets. These funds are also used to manage the Bank's interest rate and liquidity risk exposures. Borrowed funds were comprised of included FHLB advances of $55.7 million with a weighted average rate of 3.68% at December 31, 2023 and $50.0 million with a weighted average rate of 4.41% at December 31, 2022. The Company had no borrowed funds at December 31, 2021. Average borrowings outstanding for 2022 were $11.1 million, compared to average borrowings outstanding for 2021 of $7.1 million, with the weighted average interest rate on the Company's borrowings increasing from 3.05% for 2021 to 3.86% for 2022. A $7.0 million FHLB advance was prepaid during the fourth quarter of 2021 utilizing excess liquidity, resulting in penalties paid of $226 thousand which are included in Other expenses on the Company's consolidated statement of income for the year ended December 31, 2021. The Company had no overnight federal funds purchased on December 31, 2022 or 2021.

The Company has the authority, up to its available borrowing capacity with the FHLB, to collateralize public unit deposits with letters of credit issued by the FHLB. FHLB letters of credit in the amount of $42.5 million $42.4 million and $37.5 million $42.5 million were utilized as collateral for these deposits at December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022, respectively. Total fees paid by the Company in connection with the issuance of these letters of credit were $34 $44 thousand and $45 $34 thousand for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

In March 2023, the FRB created the BTFP to provide an additional source of liquidity funding to U.S. depository institutions. Advances under this program are secured by qualifying investment assets consisting of eligible U.S. Government-sponsored enterprises and Agency MBS securities valued at par. At December 31, 2023, the Company had an outstanding BTFP advance of $10.0 million at a rate of 4.85% due December 23, 2024. The BTFP will cease making new loans under this program on March 11, 2024.

In August 2021, the Company completed the private placement of $16.5 million in aggregate principal amount of fixed-to-floating rate subordinated notes due 2031 (the "Notes") to certain qualified institutional buyers and accredited investors. The Notes initially bear interest, payable semi-annually, at the rate of 3.25% per annum, until September 1, 2026. From and including September 1, 2026, the interest rate applicable to the outstanding principal amount due will reset quarterly to the then current three-month secured overnight financing rate (SOFR) plus 263 basis points. The Notes are presented in the consolidated balance sheets net of unamortized issuance costs of $261 thousand and $295 thousand at December 31, 2023 and $329 thousand at December 31, 2022 and 2021, 2022, respectively. See Note 13 to the Company's consolidated financial statements.

Commitments, Contingent Liabilities, and Off-Balance-Sheet Arrangements. The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers, to reduce its own exposure to fluctuations in interest rates, and to implement its strategic objectives. These financial instruments include commitments to extend credit, standby letters of credit, interest rate caps and floors written on adjustable-rate loans, commitments to participate in or sell loans, commitments to buy or sell securities, certificates of deposit or other investment instruments and risk-sharing commitments or guarantees on certain sold loans. Such instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized on the balance sheet. The contractual or notional amounts of these instruments reflect the extent of involvement the Company has in a particular class of financial instrument.

The Company's maximum exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual or notional amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. For interest rate caps and floors written on adjustable-rate loans, the contractual or notional amounts do not represent the Company's exposure to credit loss. The Company controls the risk of interest rate cap agreements through credit approvals, limits and monitoring procedures. The Company generally requires collateral or other security to support financial instruments with credit risk.

The following table details the contractual or notional amount of financial instruments that represented credit risk at December 31, 2022 December 31, 2023:

		Contract or Notional Amount						
		2023	2024	2025	2026	2027	Thereafter	Total
		(Dollars in thousands)						
Commitments to originate loans	Commitments to originate loans	$ 39,217	$ —	$ —	$ —	$ —	$ —	$ 39,217
Unused lines of credit	Unused lines of credit	130,872	36,222	11,206	185	375	6,679	185,539
Standby and commercial letters of credit	Standby and commercial letters of credit	487	240	39	—	—	996	1,762
Credit card arrangements	Credit card arrangements	241	—	—	—	—	—	241
MPF credit enhancement obligation, net	MPF credit enhancement obligation, net	396	—	—	—	—	—	396
Commitment to purchase investment in a real estate limited partnership		3,000	—	—	—	—	—	3,000
Total	Total	$174,213	$36,462	$11,245	$185	$375	$ 7,675	$230,155

	Contract or Notional Amount						
	2024	2025	2026	2027	2028	Thereafter	Total
	(Dollars in thousands)						
Total							
Total							
Total							

Commitments to originate loans are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have a fixed expiration date or other termination clause and may require payment of a fee. The unused lines of credit total includes $13.4 million $13.7 million of lines available under the overdraft privilege program and is included in the 2023 2024 funding period. Approximately $48.7 million $37.6 million of the unused lines of credit relate to real estate construction loans that are expected to fund within the next twelve months. The remaining lines primarily relate to revolving lines of credit for other real estate or commercial loans. Since many of the loan commitments are expected to expire without being drawn upon and not all credit lines will be utilized, the total commitment amounts do not necessarily represent future cash requirements. Lines of credit incur seasonal volume fluctuations due to the nature of some customers' businesses, such as tourism.

Unused lines of credit increased $17.1 million, or 10.2%, from $168.4 million at December 31, 2021 to $185.5 million at December 31, 2022. Some of the larger lines have underlying participation agreements in place with other financial institutions in order to permit the Company to support the credit needs of larger dollar borrowers without bearing all the credit risk in the Company's balance sheet. Commitments to originate loans decreased $9.7 million, or 19.8%, from $48.9 million at December 31, 2021 to $39.2 million at December 31, 2022.

The Company may, from time-to-time, enter into commitments to purchase, participate or sell loans, securities, certificates of deposit, or other investment instruments which involve market and interest rate risk. At December 31, 2022 December 31, 2023, the Company had binding commitments to sell residential mortgage loans at fixed rates totaling $904 thousand. $2.7 million.

The Company sells 1-4 family residential mortgage loans under the MPF loss-sharing program with FHLB, when management believes it is economically advantageous to do so. Under this program the Company shares in the credit risk of each mortgage, while receiving fee income in return. The Company is responsible for a Credit Enhancement Obligation based on the credit quality of these loans. FHLB funds a first loss account based on the Company's outstanding MPF mortgage balances. This creates a laddered approach to sharing in any losses. In the event of default, homeowner's equity and private mortgage insurance, if any, are the first sources of repayment; the FHLB first loss account funds are then utilized, followed by the member's Credit Enhancement Obligation, with the balance the responsibility of FHLB. These loans must meet specific underwriting standards of the FHLB. As of December 31, 2022 December 31, 2023, the Company had sold loans through the MPF program totaling $33.9 million $40.2 million with an outstanding balance of $9.1 million $14.7 million. The volume of loans sold to the MPF program and the corresponding Credit Enhancement Obligation are closely monitored by management. As of December 31, 2022 December 31, 2023, the notional amount of the maximum contingent contractual liability related to this program was $415 $763 thousand, of which $19 thousand was recorded as a reserve through Other liabilities. Since inception of the Company's MPF participation in 2015, the Company has not experienced any losses under this program.

With the adoption of CECL, effective January 1, 2023, the Company records an ACL on off-balance sheet credit exposures through a charge or credit to Credit loss expense on the consolidated statements of income to account for the change in the ACL on off-balance sheet credit exposures between reporting periods. The ACL on off-balance sheet credit exposures totaled $1.2 million at December 31, 2023 and was included in Accrued interest and other liabilities on the December 31, 2023 consolidated balance sheet. There was $225 thousand of credit loss benefit for off-balance sheet credit exposures recorded for the year ended December 31, 2023. Under previously applicable GAAP, there was no ACL on off-balance sheet credit exposures required at December 31, 2022.

Liquidity. Liquidity is a measurement of the Company’s ability to meet potential cash requirements, including ongoing commitments to fund deposit withdrawals, repay borrowings, fund investment and lending activities, purchase and lease commitments, and for other general business purposes. The primary objective of liquidity management is to maintain a balance between sources and uses of funds to meet our cash flow needs in the most economical and expedient manner. The Company's principal sources of funds are deposits; wholesale funding options including purchased deposits, amortization, prepayment and maturity of loans, investment securities, interest bearing deposits and other short-term investments; sales of securities AFS and loans; earnings; and funds provided from operations. Contractual principal repayments on loans are a relatively predictable source of funds; however, deposit flows and loan and investment prepayments are less predictable and can be significantly

influenced by market interest

rates, economic conditions, and rates offered by our competitors. Managing liquidity risk is essential to maintaining both depositor confidence and earnings stability.

At December 31, 2022 December 31, 2023, Union, as a member of FHLB, had access to unused lines of credit of $76.9 million up to $135.9 million, over and above the $93.5 million $99.6 million in combined outstanding borrowings and other credit subject to collateralization subject and to the purchase of required FHLB Class B common stock and evaluation by the FHLB of the underlying collateral available. This line of credit can be used for either short-term or long-term liquidity or other funding needs.

Union also maintains an IDEAL Way Line of Credit with the FHLB. The total line available was $551 thousand at December 31, 2022 December 31, 2023. There were no borrowings against this line of credit as of such date. Interest on this line is chargeable at a rate determined by the FHLB and payable monthly. Should Union utilize this line of credit, qualified portions of the loan and investment portfolios would collateralize these borrowings.

In addition to its borrowing arrangements with the FHLB, Union maintains a pre-approved Federal Funds federal funds line of credit totaling $15.0 million $15.0 million with an upstream correspondent bank, a master brokered deposit agreement with a brokerage firm, and one-way buy options with CDARS and ICS as well as access to the FRB discount window, which would require pledging of qualifying investment securities or loans. In addition to the funding sources available to Union, the Company maintains a $5.0 million revolving line of credit with a correspondent bank. ICS. At December 31, 2022 December 31, 2023, there were no purchased CDARS or deposits, $50.2 million in purchased ICS deposits, $33.0 million $103.0 million in retail brokered deposits issued under a master certificate of deposit program with a broker, and no outstanding advances at the FRB discount window or on the Union or correspondent line.

In response to recent bank failures, the FRB created the BTFP in March 2023 to provide liquidity to U.S. depository institutions which allows any federally insured depository institution to pledge as collateral its investment portfolio at par, not at fair market value. At December 31, 2023, the Company correspondent lines. had an outstanding BTFP advance of $10.0 million at a rate of 4.85% due December 23, 2024.

Union's investment and residential loan portfolios provide a significant amount of contingent liquidity that could be accessed in a reasonable time period through sales of those portfolios. We also have additional Additional contingent liquidity sources are available with further access to the brokered deposit market and the FRB discount window. These sources are considered as liquidity alternatives in our contingent liquidity plan. Management believes the Company has sufficient liquidity to meet all reasonable borrower, depositor, and creditor needs in the present economic environment. However, any projections of future cash needs and flows are subject to substantial uncertainty, including factors outside the Company's control.

Capital Resources. Capital management is designed to maintain an optimum level of capital in a cost-effective structure that meets target regulatory ratios, supports management’s internal assessment of economic capital, funds the Company’s business strategies and builds long-term stockholder value. Dividends are generally in line with long-term trends in earnings per share and conservative earnings projections, while sufficient profits are retained to support anticipated business growth, fund strategic investments, maintain required regulatory capital levels and provide continued support for deposits. The Company and Union continue to satisfy all capital adequacy requirements to which they are subject and Union is considered well capitalized under the FDIC's Prompt Corrective Action framework. The Company continues to evaluate growth opportunities both through internal growth including or potential new locations. The dividend payouts and stock repurchases during the last few years reflect the Board's desire to utilize our capital for the benefit of the stockholders. acquisitions.

In August 2021, the Company completed the private placement of $16.5 million in aggregate principal amount of fixed-to-floating rate subordinated notes due 2031 to certain qualified institutional buyers and accredited investors. The Notes are structured to qualify as a Tier 2 capital for the Company under bank regulatory guidelines. The proceeds from the sale of the Notes were utilized to provide additional capital to Union to support its growth and for other general corporate purposes.

Stockholders' equity decreased increased from $84.3 million at December 31, 2021 to $55.2 million at December 31, 2022 to $65.8 million at December 31, 2023, reflecting an increase net income of $35.9 million $11.3 million for 2023, a decrease of $5.5 million in accumulated other comprehensive loss due to a decrease an increase in the fair market value of the Company's AFS securities, cash dividends declared of $6.3 million, and stock repurchases of $79 thousand during 2022. These decreases were partially offset by net income of $12.6 million for 2022, an increase of $446 $374 thousand in common stock and additional paid in capital from the vesting of stock based compensation, and a $60 $76 thousand increase due to the issuance of common stock under the DRIP. DRIP and a $37 thousand increase to retained earnings from the impact of adoption of ASU No. 2016-13. These increases were partially offset by cash dividends declared of $6.5 million and stock repurchases of $130 thousand.

The Company has 7,500,000 shares of $2.00 par value common stock authorized. As of December 31, 2022 December 31, 2023, the Company had 4,982,523 4,995,348 shares issued, of which 4,508,587 4,518,848 were outstanding and 473,936 476,500 were held in treasury. As of December 31, 2022 December 31, 2023, there were outstanding unvested RSUs under the Company's 2014 Equity Plan with respect to 1,745 1,789 shares under RSU grants in 2021 2022 and 7,822 10,652 shares under RSU grants in 2022. 2023.

In January 2022, 2023, the Company's Board reauthorized for 2022 2023 the limited stock repurchase plan that was initially established in May of 2010. The limited stock repurchase plan allows the repurchase of up to a fixed number of shares of the Company's common stock each calendar quarter in open market purchases or privately negotiated transactions, as management may deem advisable and as market conditions may warrant. The repurchase authorization for a calendar quarter (currently 2,500 shares) expires at the end of that quarter to the extent it has not been exercised, and is not carried forward into future quarters. The Company repurchased 2,650 5,700 shares under this program during 2022 2023 at a total cost of $79 $129 thousand. Since inception, as of December 31, 2022 December 31, 2023, the Company had repurchased 20,440 26,140 shares under the program, for a total cost of $553 $682 thousand. In January

December 2023, the Board reauthorized the limited stock repurchase plan for 2023 2024 on similar terms.

The Company also repurchased 30 shares outside of the limited stock repurchase program at a cost of $1 thousand during 2023.

The Company maintains a DRIP whereby registered stockholders may elect to reinvest cash dividends and optional cash contributions to purchase additional shares of the Company's common stock. The Company has reserved 200,000 shares of its common stock for issuance and sale under the DRIP. As of December 31, 2022 December 31, 2023, 7,583 10,749 shares of stock had been issued from treasury stock since inception of the DRIP, including 2,153 3,166 shares in 2022. 2023.

The Company's total capital to risk weighted assets decreased to 13.3% at December 31, 2023, from 14.0% at December 31, 2022, from 15.4% at December 31, 2021. Tier I capital to risk weighted assets decreased to 10.7% at December 31, 2023, from 11.0% at December 31, 2022, from 11.9% at December 31, 2021, and Tier I capital to average assets decreased to 6.5% at December 31, 2023 from 6.7% at December 31, 2022 from 7.1% at December 31, 2021. At December 31, 2022 December 31, 2023 and 2021, 2022, Union was categorized as well capitalized under the Prompt Corrective Action regulatory framework and the Company exceeded applicable minimum capital adequacy requirements. There were no conditions or events between December 31, 2022 December 31, 2023 and the date of this report that management believes have changed either the Company's or Union's regulatory capital category. See Note 22 to the Company's consolidated financial statements for additional discussion of the Company's and Union's regulatory capital ratios.

Impact of Inflation and Changing Prices. The Company's consolidated financial statements have been prepared in accordance with GAAP, which allows for the measurement of financial position and results of operations in terms of historical dollars, without considering changes in the relative purchasing power of money over time due to inflation. Banks have asset and liability structures that are essentially monetary in nature, and their general and administrative costs constitute relatively small percentages of total expenses. Thus, increases in the general price levels for goods and services have a relatively minor effect on the Company's total expenses but could have an impact on our loan customers' financial condition. Interest rates have a more significant impact on the Company's financial performance than the effect of general inflation. The Federal Reserve moved boldly

Beginning in March 2022, with interest rate increases the FOMC voted to try to reduce inflation. The increase the federal funds target range increased seven rate multiple times during 2022 from a range of 0% 0.00% to 0.25% to a range of 4.25% 5.25% to 4.50% 5.50% on July 26, 2023, when the FOMC stated that it will continue to assess additional information and increased another 50 bps during the first quarter of 2023 to a range of 4.75% to 5.0%. With inflation well above 2% its implications for monetary policy. At its most recent meeting on January 31, 2024, the FOMC will likely continue decided to increase maintain the target range for the federal funds rate at the range set following its July 26, 2023 meeting. The FOMC indicated, in consideration of adjustments to the target range for the federal funds rate, it will carefully assess incoming data, the evolving outlook, and the balance of risk. Further, it indicated that it does not expect it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably toward its long-term target of 2%.

Inevitably, not all of our interest rate-sensitive assets and liabilities will re-price simultaneously and in 2023. The Company's balance sheet depicts an asset sensitive posture as net equal volume in response to changes in the federal funds rate, and therefore the potential for interest income is expected to benefit as interest rates rise and worsen as interest rates decline. The degree of benefit rate exposure exists. Management believes that several factors will depend on affect the pace and extent actual impact of interest rate increases, changes on our balance sheet and operating results, including, but not limited to, actual changes in interest rates or expectations of future changes, the degree of volatility in the securities markets, inflation rates or expectations of inflation, and the slope of the interest rate yield curve, and the Company's overall deposit pricing strategy. Customer deposit balances increased during 2022 and are expected to increase in 2023 due to deposit growth initiatives, including continued expansion in the Company's newest markets and the ability to open new accounts online within the states of Vermont and New Hampshire. The cost of funds, which is primarily tied to rates paid on customer deposits, increased 8 bps during 2022. Management is projecting continued increases in the cost of funds for 2023 as interest rates on wholesale funds are expected to increase with further FOMC increases in rates and rising rates exert continued upward pressure on rates paid on customer deposit accounts in order to defend the existing deposit base and attract new customers. Market rates are out of the Company's control but can have a dramatic impact on net interest income.

Interest rates do not necessarily move in the same direction or change in the same magnitude as the prices of goods and services. Inflation in the price of goods and services, while not having a substantial impact on the operating results of the Company, does affect all customers and therefore may impact their ability to keep funds on deposit or make timely loan payments. curve. The Company is aware of and evaluates this interest rate risk along with others in making business decisions. The levels of deficit spending by federal, state and local governments and control of the money supply by the FRB, including further changes to monetary or fiscal policies, may have unanticipated effects on interest rates or inflation in future periods that could have an unfavorable impact on the future operating results of the Company.

Increases in the federal funds rate, which began in March 2022, and greater industry-wide competition for deposits have had a significant impact on our cost of interest-bearing liabilities. Beginning in the fourth quarter of 2022 and to assist in meeting our loan-growth needs, we placed additional reliance on wholesale funding in the form of borrowings and then, in the first and second quarters of 2023, we started to purchase brokered certificates of deposit and nonreciprocal ICS deposits. These funding sources generally have a higher cost than deposits originating within the markets we serve and are not our preferred sources of funding.

The cost of funds, which is primarily tied to rates paid on customer deposits, increased 129 bps during 2023. Management is projecting continued increases in the cost of funds for 2024 as interest rates on wholesale funds are expected to remain higher for longer. Market rates are out of the Company's control but can have a dramatic impact on net interest income.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Omitted, in accordance with the regulatory relief available to smaller reporting companies in SEC Release Nos. 33-10513 (effective September 10, 2018).

Item 8. Financial Statements and Supplementary Data

UNION BANKSHARES, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
December 31, 2022 2023 and 2021 2022

		2022	2021		2023	2022
2023						
Assets	*Assets*	(Dollars in thousands)		*Assets*	(Dollars in thousands)	
Cash and due from banks	Cash and due from banks	$ 4,504	$ 4,659			
Federal funds sold and overnight deposits	Federal funds sold and overnight deposits	33,381	61,263			
Cash and cash equivalents	Cash and cash equivalents	37,885	65,922			
Interest bearing deposits in banks	Interest bearing deposits in banks	16,428	13,196			
Investment securities available-for-sale	Investment securities available-for-sale	250,267	267,819			
Other investments	Other investments	1,264	1,132			
Other investments						
Other investments						
Total investments	Total investments	251,531	268,951			
Loans held for sale	Loans held for sale	1,178	13,829			
Loans	Loans	958,157	787,050			
Allowance for loan losses		(8,339)	(8,336)			
Allowance for credit losses on loans						
Net deferred loan costs	Net deferred loan costs	1,336	705			
Net loans	Net loans	951,154	779,419			
Premises and equipment, net	Premises and equipment, net	20,479	21,615			
Premises and equipment, net						
Premises and equipment, net						
Company-owned life insurance						
Company-owned life insurance						
Company-owned life insurance	Company-owned life insurance	18,518	18,764			
Other assets	Other assets	39,316	23,677			
Total assets	***Total assets***	$1,336,489	$1,205,373			

Liabilities and Stockholders' Equity	**Liabilities and Stockholders' Equity**			
Liabilities				
Liabilities				
Liabilities	***Liabilities***			
Deposits	Deposits			Deposits
Noninterest bearing	Noninterest bearing	$ 286,145	$ 264,888	
Interest bearing	Interest bearing	762,722	723,479	
Time	Time	153,045	106,715	
Total deposits	Total deposits	1,201,912	1,095,082	
Borrowed funds	Borrowed funds	50,000	—	
Subordinated notes	Subordinated notes	16,205	16,171	
Accrued interest and other liabilities	Accrued interest and other liabilities	13,152	9,779	
Total liabilities	***Total liabilities***	1,281,269	1,121,032	
Commitments and Contingencies (Notes 9, 15, 16, 18, 19 and 22)	**Commitments and Contingencies (Notes 9, 15, 16, 18, 19 and 22)**			**Commitments and Contingencies (Notes 9, 15, 16, 18, 19 and 22)**
Stockholders' Equity	**Stockholders' Equity**			
Common stock, $2.00 par value; 7,500,000 shares authorized; 4,982,523 shares issued at December 31, 2022 and 4,967,093 shares issued at December 31, 2021		9,965	9,934	
Common stock, $2.00 par value; 7,500,000 shares authorized; 4,995,348 shares issued at December 31, 2023 and 4,982,523 shares issued at December 31, 2022				
Common stock, $2.00 par value; 7,500,000 shares authorized; 4,995,348 shares issued at December 31, 2023 and 4,982,523 shares issued at December 31, 2022				
Common stock, $2.00 par value; 7,500,000 shares authorized; 4,995,348 shares issued at December 31, 2023 and 4,982,523 shares issued at December 31, 2022				
Additional-paid-in capital	Additional-paid-in capital	2,225	1,769	
Retained earnings	Retained earnings	84,669	78,350	
Treasury stock at cost; 473,936 shares at December 31, 2022 and 473,438 shares at December 31, 2021		(4,220)	(4,160)	

Treasury stock at cost; 476,500 shares at December 31, 2023 and 473,936 shares at December 31, 2022			
Accumulated other comprehensive loss	Accumulated other comprehensive loss	(37,419)	(1,552)
Total stockholders' equity	***Total stockholders' equity***	55,220	84,341
Total liabilities and stockholders' equity	***Total liabilities and stockholders' equity***	$1,336,489	$1,205,373

See accompanying notes to consolidated financial statements.

UNION BANKSHARES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
Years Ended December 31, 2022 December 31, 2023 and 2021 2022

		2022	2021		
		(Dollars in thousands, except per share data)			
		(Dollars in thousands, except per share data)		(Dollars in thousands, except per share data)	
Interest and dividend income	***Interest and dividend income***	(Dollars in thousands, except per share data)		(Dollars in thousands, except per share data)	***Interest and dividend income***
Interest and fees on loans	Interest and fees on loans				
Interest on debt securities:	Interest on debt securities:				
Interest on debt securities:					
Interest on debt securities:					
Taxable					
Taxable					
Taxable	Taxable	4,217	2,129		
Tax exempt	Tax exempt	913	626		
Tax exempt					
Tax exempt					
Dividends					
Dividends					
Dividends	Dividends	28	18		
Interest on federal funds sold and overnight deposits	Interest on federal funds sold and overnight deposits	245	100		
Interest on federal funds sold and overnight deposits					

Interest on federal funds sold and overnight deposits			
Interest on interest bearing deposits in banks			
Interest on interest bearing deposits in banks			
Interest on interest bearing deposits in banks	Interest on interest bearing deposits in banks	187	139
Total interest and dividend income	Total interest and dividend income	43,948	39,273
Total interest and dividend income			
Total interest and dividend income			
Interest expense			
Interest expense			
Interest expense	***Interest expense***		
Interest on deposits	Interest on deposits	3,522	3,147
Interest on deposits			
Interest on deposits			
Interest on short-term borrowed funds			
Interest on short-term borrowed funds			
Interest on short-term borrowed funds	Interest on short-term borrowed funds	433	—
Interest on long-term borrowed funds	Interest on long-term borrowed funds	—	219
Interest on long-term borrowed funds			
Interest on long-term borrowed funds			
Interest on subordinated notes			
Interest on subordinated notes			
Interest on subordinated notes	Interest on subordinated notes	569	199
Total interest expense	Total interest expense	4,524	3,565
Total interest expense			
Total interest expense			
Net interest	***Net interest***	39,424	35,708

income	***income***		
Provision for loan losses		—	—
Net interest income after provision for loan losses		39,424	35,708
Net interest income			
Net interest income			
Credit loss benefit, net			
Credit loss benefit, net			
Credit loss benefit, net			
Net interest income after credit loss benefit			
Net interest income after credit loss benefit			
Net interest income after credit loss benefit			
Noninterest income	***Noninterest income***		
Trust income		838	808
Noninterest income			
Noninterest income			
Wealth management income			
Wealth management income			
Wealth management income			
Service fees			
Service fees			
Service fees	Service fees	6,859	6,516
Net gains on sales of investment securities available-for-sale	Net gains on sales of investment securities available-for-sale	31	—
Net gains on sales of investment securities available-for-sale			
Net gains on sales of investment securities available-for-sale			
Net gains on sales of loans held for sale	Net gains on sales of loans held for sale	1,004	4,956
Net loss on other investments		(60)	(21)
Net gains on sales of loans held for sale			
Net gains on sales of loans held for sale			
Net gains (losses) on other investments			
Net gains (losses) on other investments			
Net gains (losses) on other investments			
Other income			
Other income			
Other income	Other income	315	704

Total noninterest income	Total noninterest income	8,987	12,963
Total noninterest income			
Total noninterest income			
Noninterest expenses	***Noninterest expenses***		
Noninterest expenses			
Noninterest expenses			
Salaries and wages			
Salaries and wages			
Salaries and wages	Salaries and wages	14,083	14,448
Employee benefits	Employee benefits	5,030	4,593
Employee benefits			
Employee benefits			
Occupancy expense, net	Occupancy expense, net	1,913	1,890
Occupancy expense, net			
Occupancy expense, net			
Equipment expense			
Equipment expense			
Equipment expense	Equipment expense	3,692	3,447
Other expenses	Other expenses	8,446	8,477
Other expenses			
Other expenses			
Total noninterest expenses			
Total noninterest expenses			
Total noninterest expenses	Total noninterest expenses	33,164	32,855
Income before provision for income taxes	***Income before provision for income taxes***	15,247	15,816
Income before provision for income taxes			
Income before provision for income taxes			
Provision for income taxes	***Provision for income taxes***	2,632	2,646
Provision for income taxes			
Provision for income taxes			
Net income			
Net income			
Net income	***Net income***	$12,615	$13,170
Basic earnings per common share	***Basic earnings per common share***	$ 2.81	$ 2.94
Basic earnings per common share			

Basic earnings per common share			
Diluted earnings per common share			
Diluted earnings per common share			
Diluted earnings per common share	***Diluted earnings per common share***	$ 2.79	$ 2.92
Dividends per common share	***Dividends per common share***	$ 1.40	$ 1.32
Dividends per common share			
Dividends per common share			

See accompanying notes to consolidated financial statements.

UNION BANKSHARES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) INCOME
Years Ended December 31, 2022 December 31, 2023 and 2021 2022

		2022		2021
		(Dollars in thousands)		
Net income	$	12,615	$	13,170
Other comprehensive loss, net of tax:				
Investment securities available-for-sale:				
Net unrealized holding losses arising during the year on investment securities available-for-sale		(35,842)		(4,188)
Reclassification adjustment for net gains on investment securities available-for-sale realized in net income		(25)		—
Total other comprehensive loss		(35,867)		(4,188)
Total comprehensive (loss) income	$	(23,252)	$	8,982

		2023		2022
		(Dollars in thousands)		
Net income	$	11,257	$	12,615
Other comprehensive income (loss), net of tax:				
Investment securities available-for-sale:				
Net unrealized holding gains (losses) arising during the year on investment securities available-for-sale		5,464		(35,842)
Reclassification adjustment for net gains on investment securities available-for-sale realized in net income		—		(25)
Total other comprehensive income (loss)		5,464		(35,867)
Total comprehensive income (loss)	$	16,721	$	(23,252)

See accompanying notes to consolidated financial statements.

UNION BANKSHARES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years Ended December 31, 2022 December 31, 2023 and 2021 2022

Common Stock							Common Stock					
Shares, net of treasury	Amount	Additional paid-in capital	Retained earnings	Treasury stock	Accumulated other comprehensive income (loss)	Total stockholders' equity	Shares, net of treasury	Amount	Additional paid-in capital	Retained earnings	Treasury stock	Accumula other comprehen income (lo
(Dollars in thousands, except per share data)							(Dollars in thousands, except per share data					

Balances, December 31, 2020	4,480,100	$ 9,910	$ 1,393	$ 71,097	$ (4,169)	$ 2,636	$ 80,867
Net income	—	—	—	13,170	—	—	13,170
Other comprehensive loss	—	—	—	—	—	(4,188)	(4,188)
Balances, December 31, 2021							
Dividend reinvestment plan	1,291	—	29	—	11	—	40
Cash dividends declared ($1.32 per share)	—	—	—	(5,917)	—	—	(5,917)
Stock based compensation expense	9,361	18	281	—	—	—	299
Exercise of stock options	3,000	6	66	—	—	—	72
Purchase of treasury stock	(97)	—	—	—	(2)	—	(2)
Balances, December 31, 2021							
Balances, December 31, 2021 Balances, December 31, 2021	4,493,655	9,934	1,769	78,350	(4,160)	(1,552)	84,341
Net income Net income	—	—	—	12,615	—	—	12,615
Other comprehensive loss Other comprehensive loss	—	—	—	—	—	(35,867)	(35,867)
Dividend reinvestment plan Dividend reinvestment plan	2,153	—	41	—	19	—	60
Dividend reinvestment plan							
Dividend reinvestment plan							
Cash dividends declared ($1.40 per share) Cash dividends declared ($1.40 per share)	—	—	—	(6,296)	—	—	(6,296)
Stock based compensation expense Stock based compensation expense	15,429	31	415	—	—	—	446
Purchase of treasury stock Purchase of treasury stock	(2,650)	—	—	—	(79)	—	(79)
Purchase of treasury stock							
Purchase of treasury stock							
Balances, December 31, 2022 Balances, December 31, 2022	4,508,587	$ 9,965	$ 2,225	$ 84,669	$ (4,220)	$ (37,419)	$ 55,220
Impact of adoption of ASU No. 2016-13							
Net income							
Other comprehensive income							
Dividend reinvestment plan							
Dividend reinvestment plan							
Dividend reinvestment plan							
Cash dividends declared ($1.44 per share)							
Stock based compensation expense							

Purchase of treasury stock
Purchase of treasury stock
Purchase of treasury stock
Balances, December 31, 2023

See accompanying notes to consolidated financial statements.

UNION BANKSHARES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2022 December 31, 2023 and 2021 2022

		2022	2021
		(Dollars in thousands)	
		(Dollars in thousands)	
		(Dollars in thousands)	
Cash Flows From Operating Activities	***Cash Flows From Operating Activities***	(Dollars in thousands)	
Net income	Net income	$ 12,615	$ 13,170
Net income			
Net income			
Adjustments to reconcile net income to net cash provided by operating activities:			
Adjustments to reconcile net income to net cash provided by operating activities:			
Adjustments to reconcile net income to net cash provided by operating activities:	Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	Depreciation	1,801	1,825
Deferred income tax (benefit) provision		(270)	371
Depreciation			
Depreciation			
Credit loss benefit			
Credit loss benefit			
Credit loss benefit			
Deferred income tax provision (benefit)			
Deferred income tax provision (benefit)			
Deferred income tax provision (benefit)			
Net amortization of premiums on investment securities			

Net amortization of premiums on investment securities			
Net amortization of premiums on investment securities	Net amortization of premiums on investment securities	630	579
Equity in losses of limited partnerships	Equity in losses of limited partnerships	1,138	1,011
Equity in losses of limited partnerships			
Equity in losses of limited partnerships			
Stock based compensation expense			
Stock based compensation expense			
Stock based compensation expense	Stock based compensation expense	446	299
Net increase in unamortized loan costs	Net increase in unamortized loan costs	(631)	(851)
Net increase in unamortized loan costs			
Net increase in unamortized loan costs			
Proceeds from sales of loans held for sale			
Proceeds from sales of loans held for sale			
Proceeds from sales of loans held for sale	Proceeds from sales of loans held for sale	78,976	221,773
Origination of loans held for sale	Origination of loans held for sale	(65,321)	(198,458)
Origination of loans held for sale			
Origination of loans held for sale			
Net gains on sales of loans held for sale	Net gains on sales of loans held for sale	(1,004)	(4,956)
Net losses on disposals of premises and equipment		—	108
Net gains on sales of loans held for sale			
Net gains on sales of loans held for sale			
Net gains on disposals of premises and equipment			

Net gains on disposals of premises and equipment			
Net gains on disposals of premises and equipment			
Net gains on sales of investment securities available-for-sale			
Net gains on sales of investment securities available-for-sale			
Net gains on sales of investment securities available-for-sale	Net gains on sales of investment securities available-for-sale	(31)	—
Net gains on sales of other real estate owned		—	(13)
Net losses on other investments		60	21
(Increase) decrease in accrued interest receivable		(916)	881
Amortization of core deposit intangible		—	71
Net (gains) losses on other investments			
Net (gains) losses on other investments			
Net (gains) losses on other investments			
Increase in accrued interest receivable			
Increase in accrued interest receivable			
Increase in accrued interest receivable			
Amortization of debt issuance costs	Amortization of debt issuance costs	34	11
Amortization of debt issuance costs			
Amortization of debt issuance costs			
Increase in other assets			
Increase in other assets			
Increase in other assets	Increase in other assets	(225)	(5,831)
Increase (decrease) in other liabilities		1,729	(821)
Increase in other liabilities			
Increase in other liabilities			
Increase in other liabilities			
Net cash provided by operating activities			

Net cash provided by operating activities

Net cash provided by operating activities	Net cash provided by operating activities	29,031	29,190
Cash Flows From Investing Activities	***Cash Flows From Investing Activities***		

Cash Flows From Investing Activities

Cash Flows From Investing Activities

Interest bearing deposits in banks

Interest bearing deposits in banks

Interest bearing deposits in banks	Interest bearing deposits in banks		
Proceeds from maturities and redemptions	Proceeds from maturities and redemptions	7,968	6,972

Proceeds from maturities and redemptions

Proceeds from maturities and redemptions

Purchases

Purchases

Purchases	Purchases	(11,200)	(7,469)
Investment securities available-for-sale	Investment securities available-for-sale		

Investment securities available-for-sale

Investment securities available-for-sale

Proceeds from sales

Proceeds from sales

Proceeds from sales	Proceeds from sales	6,827	8,717
Proceeds from maturities, calls and paydowns	Proceeds from maturities, calls and paydowns	23,509	28,196

Proceeds from maturities, calls and paydowns

Proceeds from maturities, calls and paydowns

Purchases	Purchases	(58,784)	(204,848)

Purchases			
Purchases			
Net purchases of other investments			
Net purchases of other investments			
Net purchases of other investments	Net purchases of other investments	(192)	(106)
Net increase in nonmarketable stock	Net increase in nonmarketable stock	(1,652)	(14)
Net increase in nonmarketable stock			
Net increase in nonmarketable stock			
Net increase in loans			
Net increase in loans			
Net increase in loans	Net increase in loans	(171,111)	(15,931)
Recoveries of loans charged off	Recoveries of loans charged off	7	68
Recoveries of loans charged off			
Recoveries of loans charged off			
Net purchases of premises and equipment	Net purchases of premises and equipment	(665)	(3,509)
Net purchases of premises and equipment			
Net purchases of premises and equipment			
Investments in limited partnerships			
Investments in limited partnerships			
Investments in limited partnerships	Investments in limited partnerships	(2,290)	(2,194)
Proceeds from sales of other real estate owned		—	110
Proceeds from sales of premises and equipment			
Proceeds from sales of premises and equipment			
Proceeds from sales of premises and equipment			
Net cash used in investing activities	Net cash used in investing activities	(207,583)	(190,008)
Net cash used in investing activities			
Net cash used in investing activities			

	(Dollars in thousands)	
	(Dollars in thousands)	
	(Dollars in thousands)	
Cash Flows From Financing Activities		
Cash Flows From Financing Activities		
Cash Flows From Financing Activities		
Cash Flows From Financing Activities		
Advances on long-term borrowings		
Advances on long-term borrowings		
Advances on long-term borrowings		
Repayment of long-term borrowings		
Repayment of long-term borrowings		
Repayment of long-term borrowings		
Net (decrease) increase in short-term borrowings outstanding		
Net (decrease) increase in short-term borrowings outstanding		
Net (decrease) increase in short-term borrowings outstanding		
Net (decrease) increase in noninterest bearing deposits		
Net (decrease) increase in noninterest bearing deposits		
Net (decrease) increase in noninterest bearing deposits		
Net increase in interest bearing deposits		
Net increase in interest bearing deposits		
Net increase in interest bearing deposits		
Net increase in time deposits		
Net increase in time deposits		
Net increase in time deposits		
Repayment of long-term borrowings	—	(7,164)
Net increase in short-term borrowings outstanding	50,000	—
Net increase in noninterest bearing deposits	21,257	49,643
Net increase in interest bearing deposits	39,243	86,110
Net increase (decrease) in time deposits	46,330	(34,973)
Proceeds from issuance of subordinated notes	—	16,500
Debt issuance costs incurred with issuance of subordinated notes	—	(340)
Exercise of stock options	—	72
Purchase of treasury stock		
Purchase of treasury stock		
Purchase of treasury stock		
Purchase of treasury stock	(79)	(2)
Dividends paid		
Dividends paid	(6,236)	(5,877)
Dividends paid		
Dividends paid		
Net cash provided by financing activities		
Net cash provided by financing activities	150,515	103,969
Net decrease in cash and cash equivalents	(28,037)	(56,849)
Net cash provided by financing activities		
Net cash provided by financing activities		
Net increase (decrease) in cash and cash equivalents		
Net increase (decrease) in cash and cash equivalents		

Net increase (decrease) in cash and cash equivalents					
Cash and cash equivalents					
Cash and cash equivalents					
Cash and cash equivalents	***Cash and cash equivalents***				
Beginning of year	*Beginning of year*		65,922		122,771
Beginning of year					
Beginning of year					
End of year					
End of year					
End of year	*End of year*	$	37,885	$	65,922
Supplemental Disclosures of Cash Flow Information	**Supplemental Disclosures of Cash Flow Information**				
Supplemental Disclosures of Cash Flow Information					
Supplemental Disclosures of Cash Flow Information					
Interest paid	Interest paid	$	4,394	$	3,449
Interest paid					
Interest paid					
Income taxes paid					
Income taxes paid					
Income taxes paid	Income taxes paid	$	950	$	1,850
Supplemental Schedule of Noncash Investing and Financing Activities	**Supplemental Schedule of Noncash Investing and Financing Activities**				
Other real estate acquired in settlement of loans		$	—	$	47
Supplemental Schedule of Noncash Investing and Financing Activities					
Supplemental Schedule of Noncash Investing and Financing Activities					
Investment in limited partnerships acquired by capital contributions payable					
Investment in limited partnerships acquired by capital contributions payable					
Investment in limited partnerships acquired by capital contributions payable	Investment in limited partnerships acquired by capital contributions payable	$	3,494	$	1,264
Right-of-use operating lease assets obtained in exchange for operating lease liabilities	Right-of-use operating lease assets obtained in exchange for operating lease liabilities	$	641	$	—
Right-of-use operating lease assets obtained in exchange for operating lease liabilities					
Right-of-use operating lease assets obtained in exchange for operating lease liabilities					
Dividends paid on Common Stock:					
Dividends paid on Common Stock:					
Dividends paid on Common Stock:	**Dividends paid on Common Stock:**				
Dividends declared	Dividends declared	$	6,296	$	5,917
Dividends declared					
Dividends declared					
Dividends reinvested	Dividends reinvested		(60)		(40)
Dividends reinvested					

Dividends reinvested				
	$			
	$			
	$			
	$	6,236	$	5,877

See accompanying notes to consolidated financial statements.

UNION BANKSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies

Basis of financial statement presentation

The accounting and reporting policies of Union Bankshares, Inc. and its Subsidiary (together, the Company) are in conformity with GAAP and general practices within the banking industry. The following is a description of the more significant policies.

The consolidated financial statements include the accounts of Union Bankshares, Inc., and its wholly owned subsidiary, Union Bank, headquartered in Morrisville, Vermont. All significant intercompany transactions and balances have been eliminated. The Company utilizes the accrual method of accounting for financial reporting purposes.

The Company is a “smaller reporting company” and as permitted under the rules and regulations of the SEC, has elected to provide its audited consolidated statements of income, comprehensive income, cash flows and changes in stockholders’ equity for a two year, rather than three year, period. The Company has also elected to provide certain other scaled disclosures in this Annual Report on Form 10-K, as permitted for smaller reporting companies.

Certain amounts in the 2021 2022 consolidated financial statements have been reclassified to conform to the current year presentation.

The acronyms, abbreviations and capitalized terms identified below are used throughout this Annual Report on Form 10-K, including Parts I, II and III. The following is provided to aid the reader and provide a reference page when reviewing this Annual Report:

ACL:	Allowance for credit losses	FHLMC/Freddie Mac:	Federal Home Loan Mortgage Corporation
AFS:	Available-for-sale	HTM: FOMC:	Held-to-maturity Federal Open Market Committee
ALCO:	Asset Liability Management Committee	GAAP:	Generally accepted accounting principles in the United States
ASC:	Accounting Standards Codification	GLBA:	Gramm-Leach-Bliley Financial Modernization Act of 1999
ASU:	Accounting Standards Update	HTM:	Held-to-maturity
BHCA:	Bank Holding Company Act of 1956	HUD:	U.S. Department of Housing and Urban Development
ALL: Board:	Allowance for loan losses Board of Directors	ICS:	Insured Cash Sweeps of the IntraFi Network
ASC:	Accounting Standards Codification	IRS:	Internal Revenue Service
ASU:	Accounting Standards Update	MBS:	Mortgage-backed security
BHCA:	Bank Holding Company Act of 1956	MPF:	Mortgage Partnership Finance Program
Board:	Board of Directors	MSRs:	Mortgage Servicing rights
bp or bps:	Basis point(s)	NASDAQ: IRS:	NASDAQ Global Security Market Internal Revenue Service
Branch Acquisition:	The acquisition of three New Hampshire branches in May 2011	OAO: MBS:	Other assets owned Mortgage-backed security
BTFP:	Bank Term Funding Program	MPF:	Mortgage Partnership Finance Program
CARES Act:	Coronavirus Aid, Relief and Economic Security Act	OCI: MSRs:	Other comprehensive income (loss) Mortgage servicing rights
CDARS:	Certificate of Deposit Accounts Registry Service of the IntraFi Network	OFAC: NASDAQ:	U.S. Office of Foreign Assets Control NASDAQ Global Security Market
CECL:	Current Expected Credit Loss expected credit loss	OREO: OAO:	Other real estate assets owned
CFPB:	Consumer Financial Protection Bureau	OTTI: OCI:	Other-than-temporary impairment Other comprehensive income (loss)
COLI:	Company-Owned Life Insurance Company-owned life insurance	OTT: OFAC:	Other-than-temporary U.S. Office of Foreign Assets Control
Company:	Union Bankshares, Inc. and Subsidiary	PPP: OREO:	Paycheck Protection Program Other real estate owned
COVID-19:	Novel Coronavirus coronavirus	PPPLF: RD:	PPP Liquidity Facility of the FRB USDA Rural

			Development
DCF:	Discounted cash flow	RSU:	Restricted stock unit
DFR:	Vermont Department of Financial Regulation	RD: SBA:	USDA Rural Development U.S. Small Business Administration
Dodd-Frank Act:	The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010	RSU: SEC:	Restricted Stock Unit U.S. Securities and Exchange Commission
DRIP:	Dividend Reinvestment and Stock Purchase Plan	SBA: SOX Act:	U.S. Small Business Administration Sarbanes Oxley Act of 2002
EPS:	Earnings per share	SEC: Tax Act:	U.S. Securities Tax Cuts and Exchange Commission Jobs Act
FASB:	Financial Accounting Standards Board	SOX Act: TDR:	Sarbanes Oxley Act of 2002 Troubled-debt restructuring
FDIC:	Federal Deposit Insurance Corporation	Tax Act: Union:	Tax Cut and Jobs Act Union Bank, the sole subsidiary of Union Bankshares, Inc
FDICIA:	The Federal Deposit Insurance Corporation Improvement Act of 1991	TDR: USDA:	Troubled-debt restructuring U.S. Department of Agriculture
FHA:	U.S. Federal Housing Administration	Union: VA:	Union Bank, the sole subsidiary of Union Bankshares, Inc U.S. Veterans Administration
FHLB:	Federal Home Loan Bank of Boston	USDA:	U.S. Department of Agriculture
FRB:	Federal Reserve Board	VA:	U.S. Veterans Administration
Fannie Mae:	Federal National Mortgage Association	2008 Plan:	2008 Amended and Restated Nonqualified Deferred Compensation Plan
FHLMC/Freddie Mac: FRB:	Federal Home Loan Mortgage Corporation Reserve Board	2014 Equity Plan:	2014 Equity Incentive Plan, as amended
GAAP: Fannie Mae:	Generally accepted accounting principles in the United States Federal National Mortgage Association	2020 Plan:	2020 Amended and Restated Nonqualified Excess Plan
GLBA:	Gramm-Leach-Bliley Financial Modernization Act of 1999		

Nature of operations

The Company provides a variety of financial services to individuals, municipalities, commercial businesses and nonprofit customers through its branches, ATMs, telebanking, mobile and internet banking systems in northern Vermont and New Hampshire. This market area encompasses primarily retail consumers, small businesses, municipalities, agricultural producers and the tourism industry. The Company's primary deposit products are checking accounts, savings accounts, money market accounts, certificates of deposit and individual retirement accounts and its primary lending products are commercial, real estate, municipal and consumer loans. The Company also offers fiduciary and asset management services through its Wealth Management Group, an unincorporated division of Union.

Significant concentration of credit risk

The Company grants loans primarily to customers in Vermont and New Hampshire. Although it has a diversified loan portfolio, a large portion of the Company's loans are secured by commercial or residential real estate located in Vermont and New Hampshire, resulting in exposure to volatility with each state's real estate market. Additionally, the ability of borrowers to repay loans is highly dependent upon other economic factors throughout Vermont and New Hampshire. The Company typically requires the principals of any commercial borrower to obligate themselves personally on the loan.

Use of estimates in preparation of consolidated financial statements

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates. Material estimates that are particularly susceptible to significant change in the near term and involve inherent uncertainties relate to the determination of the ALL ACL on loans, the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans, valuation of deferred tax assets, and asset impairment judgments, including OTTI of investment the ACL on AFS debt securities. These estimates involve a significant degree of complexity and subjectivity and the amount of the change that is reasonably possible, should any of these estimates prove inaccurate, cannot be estimated.

Presentation of cash flows

For purposes of presentation in the consolidated statements of cash flows, cash and cash equivalents includes cash on hand, amounts due from banks (including cash items in process of clearing), federal funds sold (generally purchased and sold for one day periods) and overnight deposits.

Wealth management operations

Assets held by Union's Wealth Management Group in a fiduciary or agency capacity, other than trust cash on deposit with Union, are not included in these consolidated financial statements because they are not assets of Union or the Company.

Fair value measurement

The Company utilizes FASB ASC Topic 820, *Fair Value Measurement*, as guidance for accounting for assets and liabilities carried at fair value. This standard defines fair value as the price that would be received, without adjustment for transaction costs, to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. The guidance in FASB ASC Topic 820 establishes a three-level fair value hierarchy, which prioritizes the inputs used in measuring fair value. A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The three levels of the fair value hierarchy are:

- Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 - Quoted prices for similar assets or liabilities in active markets, quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and
- Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

Investment securities

Debt securities the Company has the positive intent and ability to hold to maturity are classified as HTM and reported at amortized cost. Debt securities not classified as either HTM or trading are classified as AFS and reported at fair value. Debt securities purchased and held primarily for resale in the near future are classified as trading securities and are reported at fair value, with unrealized gains and losses included in earnings. The Company does not generally hold any securities classified as trading.

Accretion of discounts and amortization of premiums arising at acquisition on investment securities are included in income using the effective interest method over the life of the securities to the call date. Unrealized gains and losses on investment securities AFS are excluded from earnings and reported in Accumulated OCI, net of tax and reclassification adjustment, as a separate component of stockholders' equity. The specific identification method is used to determine realized gains and losses on sales of AFS or trading securities.
The Company evaluates all
Allowance for credit losses on AFS debt securities

Upon adoption of the FASB ASU No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on* a quarterly basis, and *Financial Instruments*, more frequently when economic conditions warrant, commonly referred to determine if as Current Expected Credit Losses (CECL), effective January 1, 2023, AFS debt securities in unrealized loss positions are evaluated for impairment related to credit losses at least quarterly. For AFS debt securities in an OTTI exists. A debt security is considered impaired if the fair value is lower than its amortized cost basis at the report date. If impaired, unrealized loss position, management then first assesses whether the unrealized loss is OTT.

An unrealized loss on a debt security is generally deemed to be OTT and a credit loss is deemed to exist if the present value of the expected future cash flows is less than the amortized cost basis of the debt security. The credit loss component of an OTTI write-down is recorded, net of tax effect, through net income as a component of net OTTI losses in the consolidated statement of income, while the remaining portion of the impairment loss is recognized in OCI, provided the Company does not intend it intends to sell, the underlying debt security and or if it is "more more likely than not" not that the Company will not have be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through earnings. For AFS debt security prior to recovery.

Management securities that do not meet the above criteria, management evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the following factors in determining whether an OTTI exists and the period over which the security is expected to recover:

- The length of time, and extent to which the fair value has been is less than the amortized cost;
- Adverse conditions specifically related to the security, industry, or geographic area;
- The historical and implied volatility of the fair value of the security;
- The payment structure of the debt security and the likelihood of the issuer being able to make payments that may increase in the future;
- Failure of the issuer of the security to make scheduled interest or principal payments;
- Any cost, any changes to the rating of the security by a rating agency;
- Recoveries or additional declines in fair value subsequent agency, and adverse conditions specifically related to the balance sheet date; security and
- The nature the issuer, among other factors. If this assessment indicates that a credit loss exists, management compares the present value of cash flows expected to be collected from the security with the amortized cost basis of the issuer, including whether it security. If the present value of cash flows expected to be collected is less than the amortized cost basis for the security, a private company, public entity or government-sponsored enterprise, credit loss exists and an ACL is recorded, limited to the amount by which the amortized cost basis of the security exceeds its fair value. Any impairment that has not been recorded through an ACL is recognized in other comprehensive income (loss), net of applicable taxes.

A change in the ACL on AFS debt securities is recorded as expense (credit) within the Credit loss expense on the consolidated statement of income. Losses are charged against the ACL when management believes the uncollectibility of an AFS debt security is confirmed based on the above described analysis. As of December 31, 2023 and the existence or likelihood CECL adoption date of any government or third party guaranty. January 1, 2023, there was no ACL carried on the Company's AFS debt securities. Refer to Note 4 of the consolidated financial statements for further discussion.

Loans held for sale

Loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value in the aggregate. The estimated fair value of loans held for sale is based on current price quotes that determine the amount that the loans could be sold for in the secondary market. Loans transferred from held for sale to portfolio are transferred at the lower of cost or fair value in the aggregate. Sales are normally made without recourse. Gains and losses on the disposition of loans held for sale are determined on the specific identification basis. Net unrealized losses are recognized through a valuation allowance and charged to income.

Loans

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their unpaid principal balances, adjusted for any charge-offs, the ALL, ACL, and any deferred fees or costs on originated loans and unamortized premiums or discounts on purchased loans.

Loan interest income is accrued daily on outstanding balances. The following accounting policies, related to accrual and nonaccrual loans, apply to all portfolio segments and loan classes, which the Company considers to be the same. The accrual of interest is normally discontinued when a loan is specifically determined to be impaired and/or management believes, after considering collection efforts and other factors, that the borrower's financial condition is such that collection of interest is doubtful. Generally, any unpaid interest previously accrued on those loans is reversed against current period interest income. A loan may be restored to accrual status when its financial status has significantly improved and there is no principal or interest past due. A loan may also be restored to accrual status if the borrower makes six consecutive monthly payments or the lump sum equivalent. Income on nonaccrual loans is generally not recognized unless a loan is returned to accrual status or after all principal has been collected. Interest income generally is not recognized on impaired loans unless the likelihood of further loss is remote. Interest payments received on such loans are generally applied as a reduction of the loan principal balance. Delinquency status is determined based on contractual terms for all portfolio segments and loan classes. Loans past due 30 days or more are considered delinquent. Loans are considered in process of foreclosure when a judgment of foreclosure has been issued by the court.

Loan origination fees and direct loan origination costs are deferred and amortized as an adjustment of the related loan's yield using methods that approximate the interest method. The Company generally amortizes these amounts over the estimated average life of the related loans.

Effective with the adoption of CECL on January 1, 2023, the Company evaluates the risk characteristics of its loans based on regulatory call report code with segmentation based on the underlying collateral or purpose for certain loan types. Prior to the

adoption of CECL, under the incurred loss model, the Company evaluated the risk characteristics of its loans based on the underlying collateral securing the loans.

Allowance for loan credit losses on loans

The ALL ACL on loans is established a significant accounting estimate used in the preparation of the Company's consolidated financial statements. The level of the ACL on loans represents management's estimate of expected credit losses over the expected life of the loans at the balance sheet date. The expected life of the loans is based on the contractual term of the loans adjusted for estimated prepayments. The contractual life is calculated based on the maturity date and excludes expected extensions, renewals, and modifications.

Upon adoption of CECL on January 1, 2023, the Company replaced the incurred loss model that recognizes losses when it becomes probable that a credit loss will be incurred, with a requirement to recognize lifetime expected credit losses based on historical experience and current and reasonably supportable forecasted conditions to reflect the full amount of expected credit losses. The ACL on loans is a valuation account that is deducted from the amortized cost basis of loans to present the net amount expected to be collected on the loans. Loans, or portions thereof, are charged off against the ACL on loans when they are deemed uncollectible. The ACL on loans is comprised of reserves measured on a collective (pool) basis based on a lifetime loss-rate model when similar risk characteristics exist. Loans that do not share risk characteristics are evaluated on an individual basis, generally larger non-accruing commercial loans.

The Company uses the DCF method to estimate expected credit losses for all loan pools. For each of the loan segments, the Company generates cash flow projections at the instrument level wherein payment expectations are adjusted for estimated prepayment speed, curtailments, time to recovery, and loss rates. The modeling of expected prepayment speeds, curtailment rates, and time to recovery are based on historical benchmark data.

The Company uses regression analysis of historical internal and peer data to determine suitable loss drivers to utilize when modeling lifetime loss rates. This analysis also determines how expected loss rates will react to forecasted levels of the loss drivers. For all loan pools utilizing the DCF method, management utilizes and forecasts national unemployment as a loss driver.

For all DCF models, management has determined that four quarters represents a reasonable and supportable forecast period and reverts back to a historical loss rate over four quarters on a straight-line basis. Management leverages economic projections from a reputable and independent third party to inform its loss driver forecasts over the four-quarter forecast period.

The combination of adjustments for credit expectations (default and loss) and timing expectations (prepayment, curtailment, and time to recovery) produces an expected cash flow stream at the instrument level that represents the sum of expected losses to determine the estimated ACL on loans.

The ACL on loans evaluation also considers various qualitative factors, including changes in policy and/or underwriting standards, actual or expected changes in economic trends and conditions, changes in the nature and volume of the portfolio, changes in credit and lending staff/administration, problem loan portfolio through a provision trends, credit risk concentrations, loan review results, changes in the value of underlying collateral for loans, and changes in the regulatory and business environment.

Certain loans are individually evaluated for estimated credit losses, including those greater than $500 thousand that are classified as substandard or doubtful and are on nonaccrual or that have other unique characteristics differing from the segment. Specific reserves are established when appropriate for such loans based on the present value of expected future cash flows of the loan or the estimated realizable value of the collateral, if any.

Management may also adjust its assumptions to account for differences between expected and actual losses charged from period-to-period. The variability of management's assumptions could alter the ACL on loans materially and impact future results of operations and financial condition. The loss estimation models and methods used to earnings. determine the ACL are continually refined and enhanced.

The level of the ACL on loans represents management's estimate of expected credit losses over the expected life of the loans at the balance sheet date. For all loan classes, loan losses are charged against the ALL ACL on loans when management believes the loan balance is uncollectible or in accordance with federal guidelines. Subsequent recoveries, if any, are credited to the ALL.

The ALL is maintained at a level believed by management to be appropriate to absorb probable credit losses inherent in the loan portfolio as of the balance sheet date. The amount of the ALL is based ACL on management's periodic evaluation of the collectability of the loan portfolio, including the nature, volume and risk characteristics of the portfolio, credit concentrations, trends in historical loss experience, estimated value of any underlying collateral, specific impaired loans and economic conditions. While management uses available information to recognize losses on loans, future additions to the ALL may be necessary based on changes in economic conditions or other relevant factors.

In addition, various regulatory agencies, as an integral part of their examination process, regularly review the Company's ALL. Such agencies may require the Company to recognize additions to the ALL, with a corresponding charge to earnings, based on their judgments about information available to them at the time of their examination, which may not be currently available to management.

The ALL consists of specific, general and unallocated components. The specific component relates to loans that are classified as impaired. Loans are evaluated for impairment and may be classified as impaired when management believes it is probable that the Company will not collect all the contractual interest and principal payments as scheduled in the loan agreement. Impaired loans may also include troubled loans that are restructured. A TDR occurs when the Company, for economic or legal reasons related to the borrower's financial difficulties, grants a concession to the borrower that would otherwise not be granted. A TDR classification may result from the transfer of assets to the Company in partial satisfaction of a troubled loan, a modification of a loan's terms (such as reduction of stated interest rates below market rates, extension of maturity that does not conform to the Company's policies, reduction of the face amount of the loan, reduction of accrued interest, or reduction or deferment of loan payments), or a combination. A specific reserve amount is allocated to the ALL for individual loans that have been classified as impaired based on management's estimate of the fair value of the collateral for collateral dependent loans, an observable market price, or the present value of anticipated future cash flows. The Company accounts for the change in present value attributable to the passage of time in the loan loss reserve. Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Company does not separately identify individual consumer, real estate or small balance commercial loans for impairment evaluation, unless such loans are subject to a restructuring agreement or have been identified as impaired as part of a larger customer relationship. Management has established the threshold for individual impairment evaluation for commercial loans with balances greater than $500 thousand, based on an evaluation of the Company's historical loss experience on substandard commercial loans.

The general component represents the level of ALL allocable to each loan portfolio segment with similar risk characteristics and is determined based on historical loss experience, adjusted for qualitative factors, for each class of loan. Management deems a five year average to be an appropriate time frame on which to base historical losses for each portfolio segment. Qualitative factors considered include underwriting, economic and market conditions, portfolio composition, collateral values, delinquencies, lender experience and legal issues. The qualitative factors are determined based on the various risk characteristics of each portfolio segment. Risk characteristics relevant to each portfolio segment are as follows:

- *Residential real estate* - Loans in this segment are collateralized by owner-occupied 1-4 family residential real estate, second and vacation homes, 1-4 family investment properties, home equity and second mortgage loans. Repayment is dependent on the credit quality of the individual borrower. The overall health of the economy, including unemployment rates and housing prices, could have an effect on the credit quality of this segment.

- *Construction real estate* - Loans in this segment include residential and commercial construction properties, commercial real estate development loans (while in the construction phase of the projects), land and land development loans. Repayment is dependent on the credit quality of the individual borrower and/or the underlying cash flows generated by the properties being constructed. The overall health of the economy, including unemployment rates, housing prices, vacancy rates and material costs, could have an effect on the credit quality of this segment.
- *Commercial real estate* - Loans in this segment are primarily properties occupied by businesses or are income-producing properties. The underlying cash flows generated by the properties may be adversely impacted by a downturn in the economy as evidenced by a general slowdown in business or increased vacancy rates which, in turn, could have an effect on the credit quality of this segment. Management requests business financial statements at least annually and monitors the cash flows of these loans.
- *Commercial* - Loans in this segment are made to businesses and are generally secured by non-real estate assets of the business. Repayment is expected from the cash flows of the business. A weakened economy, and resultant decreased consumer or business spending, could have an effect on the credit quality of this segment. Loans originated under the PPP are

  also included in this segment. Management requests business financial statements at least annually and monitors the cash flows of these loans.
- *Consumer* - Loans in this segment are made to individuals for personal expenditures, such as an automobile purchase, and include unsecured loans. Repayment is primarily dependent on the credit quality of the individual borrower. The overall health of the economy, including unemployment, could have an effect on the credit quality of this segment.
- *Municipal* - Loans in this segment are made to municipalities located within the Company's service area. Repayment is primarily dependent on taxes or other funds collected by the municipalities. Management considers there to be minimal risk surrounding the credit quality of this segment.

Incurred loss methodology: The Company adopted CECL using the modified retrospective method for all financial assets measured at amortized cost and off-balance sheet credit exposures. Results for reporting periods beginning after January 1, 2023 are presented under CECL while prior period amounts continue to be reported in accordance with the incurred loss methodology under previously applicable GAAP.

Under the incurred loss methodology, the ACL was maintained at a level believed by management to be appropriate to absorb probable credit losses inherent in the loan portfolio as of the balance sheet date. The amount of the ACL was based on management's periodic evaluation of the collectability of the loan portfolio, including the nature, volume and risk characteristics of the portfolio, credit concentrations, trends in historical loss experience, estimated value of any underlying collateral, specific impaired loans and economic conditions.

Under the incurred loss methodology, the ACL consisted of specific, general and unallocated components. The specific component related to loans that were classified as impaired. Loans were evaluated for impairment and may have been classified as impaired when management believed it was probable that the Company would not collect all the contractual interest and principal payments as scheduled in the loan agreement. Impaired loans may have also included troubled loans that were restructured. A TDR occurred when the Company, for economic or legal reasons related to the borrower's financial difficulties, granted a concession to the borrower that would otherwise not be granted. A TDR classification may have resulted from the transfer of assets to the Company in partial satisfaction of a troubled loan, a modification of a loan's terms (such as reduction of stated interest rates below market rates, extension of maturity that does not conform to the Company's policies, reduction of the face amount of the loan, reduction of accrued interest, or reduction or deferment of loan payments), or a combination. A specific reserve amount was allocated to the ACL for individual loans that had been classified as impaired based on management's estimate of the fair value of the collateral for collateral dependent loans, an observable market price, or the present value of anticipated future cash flows. The Company accounted for the change in present value attributable to the passage of time in the loan loss reserve. Large groups of smaller balance homogeneous loans were collectively evaluated for impairment. Accordingly, the Company did not separately identify individual consumer, real estate or small balance commercial loans for impairment evaluation, unless such loans were subject to a restructuring agreement or had been identified as impaired as part of a larger customer relationship. Management established the threshold for individual impairment evaluation for commercial loans with balances greater than $500 thousand, based on an evaluation of the Company's historical loss experience on substandard commercial loans.

The general component represented the level of ACL allocable to each loan portfolio segment with similar risk characteristics and was determined based on historical loss experience, adjusted for qualitative factors, for each class of loan. Management deemed a five year average to be an appropriate time frame on which to base historical losses for each portfolio segment. Qualitative factors considered included underwriting, economic and market conditions, portfolio composition, collateral values, delinquencies, lender experience and legal issues. The qualitative factors were determined based on the various risk characteristics of each portfolio segment as discussed above.

An unallocated component is was maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the ALL reflects ACL reflected management's estimate of the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

All evaluations are inherently subjective as they require estimates that are susceptible to significant revision as more information becomes available or as changes occur in economic conditions or other relevant factors.

Mortgage Banking banking

Residential real estate mortgages are originated by the Company both for its portfolio and for sale into the secondary market. The transfer of these financial assets is accounted for as a sale when control over the asset has been surrendered. Control is deemed to be surrendered when (i) the asset has been isolated from the Company, (ii) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred asset, and (iii) the Company does not maintain effective control over the transferred asset through an agreement to repurchase it before its maturity. The Company records the gain on sale of the financial asset within net gains on sales of loans held for sale, net in the consolidated statements of income.

Servicing assets are recognized as separate assets when servicing rights are acquired through the sale of residential mortgage loans with servicing rights retained. Capitalized servicing rights, which are reported in other assets on the consolidated statements of condition, balance sheets, are initially recorded at fair value and are amortized in proportion to, and over the period of, the estimated future servicing of the underlying mortgages (typically, the contractual life of the mortgage). The amortization of mortgage servicing rights is recorded as a reduction of loan servicing fee income within noninterest income on the consolidated statements of income.

Servicing assets are evaluated for impairment regularly based upon the fair value of the rights as compared to amortized cost. Impairment is determined by stratifying rights by predominant characteristics, such as interest rates and terms. Fair value is determined using prices for similar assets with similar characteristics, when available, or based upon discounted cash flows using market-based assumptions. Impairment of the servicing assets is recognized through a valuation allowance to the extent that fair value is less than the capitalized amount. If it is later determined that all or a portion of the impairment no longer exists, a reduction of the allowance may be recorded as noninterest income up to, but not in excess of, the prior impairment.

Servicing fee income is recorded for fees earned for servicing loans for investors. The fees are based on a contractual percentage of the outstanding principal or a fixed amount per loan and are recorded as income within noninterest income in the consolidated statements of income when earned.

Premises and equipment

Premises and equipment are stated at cost, less accumulated depreciation. Depreciation is computed principally by the straight line method over the estimated useful lives of the assets. The cost of assets sold or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts and the resulting gains or losses are reflected in the consolidated statements of income. Maintenance and repairs are charged to current expense as incurred and the costs of major renovations and betterments are capitalized. Construction in progress is stated at cost, which includes the cost of construction and other direct costs attributable to the construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into use.

Accrued interest

Upon adoption of CECL on January 1, 2023, the Company elected to present accrued interest receivable balances in Other assets on the consolidated balance sheets and exclude accrued interest from the ACL on loans and AFS debt securities. The Company will continue to write-off accrued interest receivable by reversing interest income when a security or loan is placed in nonaccrual, which is generally when payments on a security or loan are 90 days or more past due.

Intangible assets

Intangible assets include consist of goodwill amounting to $2.2 million, which represents the excess of the purchase price over the fair value of net assets acquired in the 2011 Branch Acquisition. Goodwill is evaluated for impairment annually, in accordance with current authoritative accounting guidance. Management assesses qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of the Company, in total, is less than its carrying amount. Management is not aware of any such events or circumstances that would cause it to conclude that the fair value of the Company is less than its carrying amount.

Federal Home Loan Bank stock

As a member of the FHLB, Union is required to invest in $100 par value stock of the FHLB in an amount to satisfy unpaid principal balances on qualifying loans, plus an amount to satisfy an activity based requirement. The stock is nonmarketable, and is redeemable by the FHLB at par value. Also, there is the possibility of future capital calls by the FHLB on member banks to ensure compliance with its capital plan. FHLB stock is reported in Other assets at its par value of $3.1 million and $2.7 million at December 31, 2023 and $1.1 million at December 31, 2022 and 2021, 2022, respectively.

Company-owned life insurance

COLI represents life insurance on the lives of certain current or former directors or employees who have provided positive consent allowing the Company to be the beneficiary of such policies. The Company utilizes COLI as tax-efficient funding for certain benefit obligations to its employees and directors, including obligations under one of the Company's nonqualified deferred compensation plans. (See Note 15.) The Company is the primary beneficiary of the insurance policies. Increases in the cash value of the policies, as well as any gain on insurance proceeds received, are recorded in Other income, and are not currently subject to income taxes. COLI is recorded at the cash value of the policies, less any applicable cash surrender charges (of which there are currently none). The Company reviews the financial strength of the insurance carriers prior to the purchase of COLI to ensure minimum credit ratings of at least investment grade. The financial strength of the carriers is reviewed annually and COLI with any individual carrier is limited by Company policy to 15% of the sum of Tier 1 Capital and allowable Tier 2 capital.

Investment in real estate limited partnerships

The Company has purchased various limited partnership interests in affordable housing partnerships. These partnerships were established to acquire, own and rent residential housing for elderly, low or moderate income residents in Vermont or in New Hampshire. GAAP permits an entity to amortize the initial cost of the investment in proportion to the amount of the tax credits and other tax benefits received and recognize the net investment performance in the statements of income statement as a component of income tax expense. There were no impairment losses during the year resulting from the forfeiture or ineligibility of tax credits related to qualified affordable housing project investments. (See Note 10.)

Advertising costs

The Company expenses advertising costs as incurred and they are included in Other expenses in the Company's consolidated statements of income.

Earnings per common share

Basic EPS is calculated based on the weighted average number of shares of common stock issued during the period, including DRIP shares issuable upon reinvestment of dividends, retroactively adjusted for stock splits and stock dividends, if any, and reduced for shares held in treasury. Diluted EPS is calculated after adjusting the denominator of the basic EPS calculation for the effect of all the potential issuance of dilutive common shares under outstanding equity compensation grants during the period. (See Note 17.)

Income taxes

The Company prepares its federal income tax return on a consolidated basis. Federal income taxes are allocated to members of the consolidated group based on taxable income. The Company recognizes income taxes under the asset and liability method. This involves estimating the Company's actual current tax exposure as well as assessing temporary differences resulting from differing treatment of items, such as timing of the deduction of expenses, for tax and GAAP purposes. These differences result in deferred tax assets and liabilities, which are netted and included in Other assets. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Company must also assess the likelihood that any deferred tax assets will be recovered from future taxable income and to the extent that recovery is not likely, a valuation allowance must be established. A change in enacted federal income tax rates for future periods requires revaluation of deferred taxes. (See Note 14.)

Off-balance-sheet financial instruments

In the ordinary course of business, the Company is a party to off-balance-sheet financial instruments consisting of commitments to originate credit, unused lines of credit including commitments under credit card arrangements, commitments to purchase investment securities, commitments to invest in real estate limited partnerships, commercial letters of credit, standby letters of credit and risk-sharing commitments on certain sold loans. (See Notes 18 and 19.) Such financial instruments are recorded in the financial statements when they become fixed and certain.

Allowance for credit losses on off-balance sheet credit exposures

The ACL on off-balance sheet credit exposures is a component of Accrued interest and other liabilities on the Company's consolidated balance sheets and represents the estimate of probable credit losses inherent in unfunded commitments to extend credit as of the balance sheet date. Unfunded commitments to extend credit include unused portions of lines of credit, commitments to originate loans and standby and commercial letters of credit. The process used to determine the ACL for these exposures is consistent with the process for determining the ACL on loans, as adjusted for estimated funding probabilities. A charge or credit to Credit loss expense on the consolidated statements of income is made to account for the change in the ACL on off-balance sheet exposures between reporting periods.

Comprehensive income (loss) income

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income or loss. Certain changes in assets and liabilities, such as the after tax effect of unrealized gains and losses on debt securities AFS that are do not OTTI, exhibit credit related impairment, are not reflected in the consolidated statements of income. The cumulative effect of such items, net of tax effect, is reported as a separate component of the equity section of the consolidated balance sheets (Accumulated OCI) (See Note 24). OCI, along with net income, comprises the Company's total comprehensive income or loss.

Transfers of financial assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Company, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Stock Based Compensation based compensation

Under the Company's 2014 Equity Plan, as amended and approved by the stockholders in May 2022, 150,000 shares of the Company’s common stock were authorized for equity awards of incentive stock options, nonqualified stock options, restricted stock and restricted stock units to eligible officers and (except for awards of incentive stock options) nonemployee directors. Stock based compensation awards are measured at the fair value of the stock at the grant date and recognized as expense over the period in which they vest. (See Note 16.)

Segment Reporting reporting

Operating segments are the components of an entity for which separate financial information is available and evaluated regularly by management in order to allocate resources and assess performance. Management assesses consolidated financial results to make operating and strategic decisions, assess performance, and allocate resources. Therefore, the Company has determined that its business is conducted in one reportable segment and represents the consolidated financial statements of the Company.

Impact of adoption:

The following table illustrates the impact of adoption of ASU No. 2016-13 on January 1, 2023. As noted above, there was no ACL on AFS debt securities required to be recorded upon adoption of the ASU.

	Pre-CECL Adoption	Reclassification to CECL Portfolio Segmentation	Pre-CECL Adoption Portfolio Segmentation	Post-CECL Adoption	Impact of CECL Adoption
Assets		(Dollars in thousands)			
Loans					
Residential real estate	$ 352,433	$ (352,433)	$ —	$ —	$ —
Non-revolving residential real estate	—	335,470	335,470	335,470	—
Revolving residential real estate	—	16,963	16,963	16,963	—
Construction real estate	96,620	(96,620)	—	—	—
Commercial construction real estate	—	56,501	56,501	56,501	—
Residential construction real estate	—	40,119	40,119	40,119	—
Commercial real estate	377,947	(377,947)	—		—
Non-residential commercial real estate	—	282,397	282,397	282,397	—
Multi-family residential real estate	—	95,550	95,550	95,550	—
Commercial	40,973	—	40,973	40,973	—
Consumer	2,204	—	2,204	2,204	—
Municipal	87,980	—	87,980	87,980	—
Total loans	$ 958,157	$ —	$ 958,157	$ 958,157	$ —
ACL on loans					
Residential real estate	$ 2,417	$ (2,417)	$ —	$ —	$ —
Non-revolving residential real estate	—	2,294	2,294	2,024	(270)
Revolving residential real estate	—	123	123	148	25
Construction real estate	1,032	(1,032)	—	—	—
Commercial construction real estate	—	611	611	1,593	982
Residential construction real estate	—	421	421	131	(290)
Commercial real estate	3,935	(3,935)	—	—	—
Non-residential commercial real estate	—	2,931	2,931	2,174	(757)
Multi-family residential real estate	—	1,004	1,004	224	(780)
Commercial	301	—	301	492	191
Consumer	10	—	10	5	(5)
Municipal	95	—	95	53	(42)
Unallocated	549	—	549	—	(549)
Total ACL on loans	$ 8,339	$ —	$ 8,339	$ 6,844	$ (1,495)
Liabilities					
ACL on off-balance sheet credit exposures			$ —	$ 1,458	$ 1,458
Retained earnings					
Decrease in ACL on loans					$ 1,495
Increase in ACL on off-balance sheet credit exposures					(1,458)
Increase to retained earnings					$ 37

Recent accounting pronouncements (Unaudited)

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. Under this guidance, which will replace the incurred loss model for recognizing credit losses, banks and other lending institutions will be required to recognize the full amount of expectedcredit losses. The guidance in the ASU which is referred to as the current expected credit loss model ("CECL"), requires that expected credit losses for financial assets held at the reporting date that are accounted for at amortized cost be measured and recognized based on historical experience and current and reasonably supportable forecasted conditions to reflect the full amount of expected credit losses. CECL also applies to certain off-balance sheet credit exposures, such as loan commitments, standby letters of credit, financial guarantees and other similar commitments. A modified version of these requirements also applies to debt securities classified as AFS. As initially proposed, the The ASU was to become effective forfiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption was permitted for fiscal years beginning after December 15, 2018, including interim periods within such years. In October 2019, the FASB approved amendments to delay the effective date of the ASU to fiscal years beginning after December 31, 2022, including interim periods within those fiscal years, for smaller reporting companies, as defined by the SEC, and other non-SEC reporting entities. The Company did not choose to early adopt the ASU. As the Company is a smaller reporting company, the ASU will become became effective for the Company beginning with the 2023 fiscal year. The Company established a CECL implementation team and developed a transition project plan. The Company has substantially completed the development of its CECL process and is currently working to finalize its internal CECL policy and internal control framework. A software package utilized for the current calculation of the allowance for loan impact

losses will also be utilized for the Company's CECL calculation beginning in the first quarter of 2023. The Company will primarily utilize a discounted cash flow model to estimate the allowance for loan losses. This model contains assumptions to calculate credit losses over the estimated life of financial assets and will include the impact of forecasted economic conditions. To estimate the reserve liability for off-balance sheet credit exposures, which are primarily unfunded loan commitments, the Company will apply certain assumptions, including, but not limited to, a funding assumption. The Company has conducted parallel calculations as of December 31, 2022 under the existing incurred loss model and the CECL model. Upon adoption of the ASU in on the first quarter of 2023, the Company anticipates that it will result in an immaterial impact to its Company's consolidated financial statements as well as is discussed in the Company's and Union's regulatory capital ratios. Impact of adoption section.

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, and has issued subsequent amendments thereto, which provides temporary optional guidance to ease the potential burden in accounting for reference rate reform. The ASU provides optional expedients and exceptions for applying GAAP to contract modifications and hedging relationships, subject to meeting certain criteria, that reference LIBOR or another reference rate expected to be discontinued. It is intended to help stakeholders during the global market-wide reference rate transition period. The guidance is effective for all entities as of March 12, 2020 through December 31, 2024. The transition away from LIBOR is not expected to have a material impact on the Company's consolidated financial statements.

In March 2022, the FASB issued ASU No. 2022-02, *Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings (TDRs) and Vintage Disclosures* which eliminates. The guidance amends ASC 326 to eliminate the accounting guidance for TDRs by creditors, while enhancing disclosure requirements for certain loan refinancings refinancing and restructurings restructuring activities by creditors when a borrower is experiencing financial difficulty. The ASU Specifically, rather than applying TDR recognition and measurement guidance, creditors will determine whether a modification results in a new loan or continuation of an existing loan. These amendments are also requires intended to enhance existing disclosure requirements and introduce new requirements related to certain modifications of current period charge offs receivables made to borrowers experiencing financial difficulty. Additionally, the amendments to ASC 326 require that an entity disclose current-period gross write-offs by year of origination for loans within the vintage disclosures, which requires that an entity disclose the amortized cost basis of financing receivables by credit quality indicator and leases. class of financing receivable by year of origination. The guidance applies to entities that have adopted the amendments in ASU No. 2022-02 is effective 2016-13 for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022. The Company adopted ASU No. 2022-02 is effective January 1, 2023. The adoption of the provisions contained within ASU No. 2022-02 did not expected to have a material impact on the Company's consolidated financial statements.

In March 2023, the FASB issued ASU No. 2023-02, *Investments-Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method*. ASU No. 2014-01, *Investments-Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Qualified Affordable Housing Projects*, previously introduced the option to apply the proportional amortization method to account for investments made primarily for the purpose of receiving income tax credits and other income tax benefits when certain requirements are met; however, this guidance limited the proportional amortization method to investments in low-income-housing tax credit (LIHTC) structures. The proportional amortization method results in the cost of the investment being amortized in proportion to the income tax credits and other income tax benefits received, with the amortization of the investment and the income tax credits being presented net in the income statement as a component of income tax expense (benefit). Equity investments in other tax credit structures are typically accounted for using the equity method, which results in investment income, gains and losses, and tax credits being presented gross on the income statement in their respective line items. The amendments in this update permit reporting entities to elect to account for their tax equity investments, regardless of the tax credit program from which the income tax credits are received, using the proportional amortization method if certain conditions are met. The amendments in this update are effective for the Company for fiscal years beginning after December 31, 2023, including interim periods within those fiscal years. Early adoption is permitted in any interim period. If early adoption is elected, adoption must be as of the beginning of the fiscal year that includes the interim period of adoption. The amendments in this update must be applied on either a modified retrospective or a retrospective basis. The Company did not elect early adoption and is currently evaluating the impact of this standard for its tax equity investments and the impact to noninterest income, noninterest expense, and income tax expense within the consolidated financial statements.

Note 2. Restrictions on Cash and Cash Equivalents

The nature of the Company's business requires that it maintain amounts due from correspondent banks which, at times, may exceed federally insured limits. The balances in these accounts at December 31, were as follows:

	2022	2021	2023	2022	
	(Dollars in thousands)				
	(Dollars in thousands)				(Dollars in thousands)

Noninterest bearing accounts	Noninterest bearing accounts	$ 691	$ 336
Federal Reserve Bank of Boston	Federal Reserve Bank of Boston	33,336	61,047
FHLB of Boston	FHLB of Boston	187	692

No losses have been experienced in these accounts and the Company believes it is not exposed to any significant risk with respect to the accounts.

The Company had no reserve requirement and was not required to maintain contracted clearing balances at December 31, 2022 December 31, 2023 or 2021. 2022. Balances at the Federal Reserve Bank of Boston and a portion of the funds at the FHLB are classified as overnight deposits as they earn interest.

Note 3. Interest Bearing Deposits in Banks

Interest bearing deposits in banks consist of certificates of deposit purchased from various financial institutions. Deposits at each institution are generally maintained at or below the FDIC insurable limit of $250 thousand. As of December 31, 2022 December 31, 2023, the Company held $16.4 million $14.7 million in certificates with rates ranging from 0.40% 0.50% to 5.06% 6.09% and various maturity dates through 2026, with $7.7 million $9.0 million scheduled to mature in 2023. 2024. There were $16.4 million in certificates at December 31, 2022.

Note 4. Investment Securities

Investment Debt securities AFS as of the balance sheet dates consisted of the following:

December 31, 2022	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale		(Dollars in thousands)		
Debt securities:				

December 31, 2023		**December 31, 2023**	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	
	(Dollars in thousands)						(Dollars in thousands)
U.S. Government-sponsored enterprises							
U.S. Government-sponsored enterprises							

U.S. Government-sponsored enterprises	U.S. Government-sponsored enterprises	$ 45,090	$ —	$ (5,845)	$ 39,245
Agency MBS	Agency MBS	198,478	104	(34,150)	164,432
State and political subdivisions	State and political subdivisions	47,722	281	(7,537)	40,466
Corporate	Corporate	6,343	—	(219)	6,124
Total	Total	$ 297,633	$ 385	$ (47,751)	$250,267

December 31, 2021	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale		(Dollars in thousands)		
Debt securities:				

December 31, 2022		**December 31, 2022**	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	
	(Dollars in thousands)						(Dollars in thousands)

U.S. Government-sponsored enterprises

U.S. Government-sponsored enterprises

U.S. Government-sponsored enterprises	U.S. Government-sponsored enterprises	$	37,176	$	55	$	(593)	$ 36,638
Agency MBS	Agency MBS		181,216		574		(3,540)	178,250
State and political subdivisions	State and political subdivisions		44,068		1,293		(107)	45,254
Corporate	Corporate		7,323		381		(27)	7,677
Total	Total	$	269,783	$	2,303	$	(4,267)	$267,819

At December 31, 2022 December 31, 2023 and 2021, 2022, there were no investment securities HTM. Investment securities AFS with a carrying amount fair value of $433 $926 thousand and $608 $433 thousand were pledged as collateral for public unit deposits or for other purposes as required or permitted by law at December 31, 2022 December 31, 2023 and 2021, 2022, respectively. Investment securities AFS pledged as collateral for BTFP borrowings at the FRB consisted of U.S. Government-sponsored enterprises and Agency MBS securities with a fair value of $8.9 million at December 31, 2023. The Company began utilizing the BTFP as a source of liquidity during 2023. (See Note 12.)

Information pertaining to all investment AFS debt securities with gross unrealized losses, for which an ACL has not been recorded, as of the balance sheet dates, aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

December 31, 2022		Less Than 12 Months			12 Months and Over			Total		
December 31, 2023										
		Number of Securities	Fair Value	Gross Unrealized Loss	Number of Securities	Fair Value	Gross Unrealized Loss	Number of Securities	Fair Value	Gross Unrealized Loss
		(Dollars in thousands)								
		(Dollars in thousands)								
Debt securities:										
U.S. Government-sponsored enterprises										
U.S. Government-sponsored enterprises										
U.S. Government-sponsored enterprises	U.S. Government-sponsored enterprises	4	$ 8,000	$ (533)	31	$ 31,103	$ (5,312)	35	$ 39,103	$ (5,845)
Agency MBS	Agency MBS	31	24,306	(2,192)	62	134,297	(31,958)	93	158,603	(34,150)
State and political subdivisions	State and political subdivisions	39	15,457	(1,846)	27	18,613	(5,691)	66	34,070	(7,537)
Corporate	Corporate	10	4,719	(124)	3	1,405	(95)	13	6,124	(219)
Total	Total	84	$52,482	$ (4,695)	123	$185,418	$ (43,056)	207	$237,900	$ (47,751)
Total										
Total										

December 31, 2023	Less Than 12 Months			12 Months and
	Number of Securities	Fair Value	Gross Unrealized Loss	Number of Securities	Fair Value

December 31, 2022	Less Than 12 Months			12 Months and Over			Total		
	Number of Securities	Fair Value	Gross Unrealized Loss	Number of Securities	Fair Value	Gross Unrealized Loss	Number of Securities	Fair Value	Gross Unrealized Loss
	(Dollars in thousands)								
U.S. Government-sponsored enterprises	4	$ 8,000	$ (533)	31	$ 31,103	$ (5,312)	35	$ 39,103	$ (5,845)

Agency MBS	31	24,306	(2,192)	62	134,297	(31,958)	93	158,603	(34,150)
State and political subdivisions	39	15,457	(1,846)	27	18,613	(5,691)	66	34,070	(7,537)
Corporate	10	4,719	(124)	3	1,405	(95)	13	6,124	(219)
Total	84 $	52,482 $	(4,695)	123 $	185,418 $	(43,056)	207 $	237,900 $	(47,751)

AFS debt securities in unrealized loss positions are evaluated for impairment related to credit losses and an ACL is recorded for any credit loss identified. No ACL for AFS debt securities was recorded at adoption of ASU No. 2016-13 or at December 31, 2023. Accrued interest receivable on AFS debt securities totaled $1.4 million and $984 thousand at December 31, 2023 and December 31, 2022, respectively, and is excluded from the estimate of credit losses. Under previously applicable GAAP, no ACL for AFS debt securities was required at December 31, 2022.

December 31, 2021	Less Than 12 Months			12 Months and Over			Total		
	Number of Securities	Fair Value	Gross Unrealized Loss	Number of Securities	Fair Value	Gross Unrealized Loss	Number of Securities	Fair Value	Gross Unrealized Loss
					(Dollars in thousands)				
Debt securities:									
U.S. Government-sponsored enterprises	18 $	29,754 $	(464)	14 $	3,885 $	(129)	32 $	33,639 $	(593)
Agency MBS	41	130,742	(2,252)	17	32,955	(1,288)	58	163,697	(3,540)
State and political subdivisions	17	17,483	(107)	—	—	—	17	17,483	(107)
Corporate	2	985	(15)	1	488	(12)	3	1,473	(27)
Total	78 $	178,964 $	(2,838)	32 $	37,328 $	(1,429)	110 $	216,292 $	(4,267)

The Company has the ability to hold the investment There were no dispositions of AFS securities that had unrealized losses at December 31, 2022 for the foreseeable future. The decline in fair value is the result of market conditions and not attributable to credit quality in the investment securities and no declines were deemed by management to be OTT at December 31, 2022 or 2021.

year ended December 31, 2023. The following table presents the proceeds from sales and calls resulting in gross realized gains and gross realized losses from the disposition of AFS securities: securities for the year ended December 31, 2022:

	For the Years Ended December 31,	
	2022	2021
	(Dollars in thousands)	
Proceeds from sales	$ 6,827	$ 8,717
Proceeds from calls	502	789
Gross gains	81	58
Gross losses	(50)	(58)
Net gains	$ 31	$ —

	2022
	(Dollars in thousands)
Proceeds from sales	$ 6,827
Proceeds from calls	502
Gross gains	81
Gross losses	(50)
Net gains	$ 31

The amortized cost and estimated fair value of debt securities by contractual scheduled maturity as of December 31, 2022 December 31, 2023, were as follows:

	Amortized Cost	Fair Value
Available-for-sale	(Dollars in thousands)	

	Amortized Cost	Fair Value
Available-for-sale	(Dollars in thousands)	

	Amortized Cost	Fair Value
Available-for-sale	(Dollars in thousands)	

Due in one year or less	Due in one year or less	$ 5	$ 5
Due from one to five years	Due from one to five years	22,961	20,827
Due from five to ten years	Due from five to ten years	27,043	23,806
Due after ten years	Due after ten years	49,146	41,197
		99,155	85,835
Agency MBS	Agency MBS	198,478	164,432
Total	Total	$ 297,633	$250,267

Actual maturities may differ for certain debt securities that may be called by the issuer prior to the contractual maturity. Actual maturities may differ from contractual maturities on agency MBS because the mortgages underlying the securities may be prepaid, usually without any penalties. Therefore, these agency MBS are shown separately and not included in the contractual maturity categories in the above maturity summary.

Note 5. Loans Held for Sale and Loan Servicing

At December 31, 2022 December 31, 2023 and 2021, 2022, loans held for sale consisted of conventional residential mortgages originated for subsequent sale, with an estimated fair value in excess of their carrying value. Therefore, no valuation reserve was necessary for loans held for sale as of the balance sheet dates.

Commercial and residential mortgage loans serviced for others are not included in the accompanying balance sheets. The unpaid principal balance of commercial and residential mortgage loans serviced for others was $672.2 million and $660.7 million at December 31, 2023 and $659.3 million at December 31, 2022 and 2021, 2022, respectively.

Loans sold consisted of the following during the years ended December 31:

	2022		2021	
	Loans Sold	Net Gains on Sale	Loans Sold	Net Gains on Sale
	(Dollars in thousands)			
Residential loans	$ 77,972	$ 1,004	$ 216,817	$ 4,956

	2023		2022	
	Loans Sold	Net Gains on Sale	Loans Sold	Net Gains on Sale
	(Dollars in thousands)			
Residential loans	$ 75,592	$ 1,163	$ 77,972	$ 1,004

There were no obligations to repurchase loans for any amount at December 31, 2022 December 31, 2023, but there were contractual risk sharing commitments on certain sold loans totaling $415 $763 thousand as of such date. (See Note 19.)

The Company generally retains the servicing rights on loans sold. At December 31, 2022 December 31, 2023 and 2021, 2022, the unamortized balance of servicing rights on loans sold with servicing retained was $2.0 million $1.7 million and $2.5 million $2.0 million, respectively, and is included in Other assets. The estimated fair value of these servicing rights was in excess of their carrying value at December 31, 2022 December 31, 2023 and 2021, 2022, and therefore no impairment reserve was necessary. The capitalization and amortization of MSRs is included in Other income. expenses.

The following table presents the capitalization and amortization of loan servicing rights: rights during the periods indicated:

	For The Years Ended December 31,	
	2022	2021
	(Dollars in thousands)	

	For The Years Ended December 31,

		For The Years Ended December 31,			
		For The Years Ended December 31,			
		2023			
		2023			
		2023			
		(Dollars in thousands)			
		(Dollars in thousands)			
		(Dollars in thousands)			
Capitalization of servicing rights	Capitalization of servicing rights	$	480	$	1,454
Amortization of servicing rights	Amortization of servicing rights		945		1,211
Net capitalization of servicing rights		$	(465)	$	243
Amortization of servicing rights					
Amortization of servicing rights					
Net amortization of servicing rights					
Net amortization of servicing rights					
Net amortization of servicing rights					

Note 6. Loans

The composition of Net loans at December 31, by regulatory call report code segmentation based on underlying collateral or purpose for certain loan types, was as follows:

		2022		2021
		(Dollars in thousands)		
Residential real estate	$	352,433	$	246,827
Construction real estate		96,620		65,149
Commercial real estate		377,947		344,816
Commercial		40,973		49,788
Consumer		2,204		2,376
Municipal		87,980		78,094
Gross loans		958,157		787,050
Allowance for loan losses		(8,339)		(8,336)
Net deferred loan costs		1,336		705
Net loans	$	951,154	$	779,419

There were 4 and 154 PPP loans totaling $205 thousand and $13.6 million classified as commercial loans as of December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, there were PPP deferred loan origination fees of $7 thousand and $558 thousand, respectively, remaining to be amortized into interest income over the lives of the respective loans. PPP loan origination fees of $551 thousand and $2.8 million were recognized in earnings during the years ended December 31, 2022 and 2021, respectively.

		2023		2022
		(Dollars in thousands)		
Residential real estate				
Non-revolving residential real estate	$	397,409	$	335,470
Revolving residential real estate		18,902		16,963
Construction real estate				
Commercial construction real estate		36,973		56,501
Residential construction real estate		51,662		40,119
Commercial real estate				
Non-residential commercial real estate		298,148		282,397
Multi-family residential real estate		105,344		95,550
Commercial		40,448		40,973
Consumer		2,589		2,204
Municipal		76,795		87,980
Gross loans		1,028,270		958,157
ACL on loans		(6,566)		(8,339)

Net deferred loan costs	1,752	1,336
Net loans	$ 1,023,456	$ 951,154

Qualifying residential first mortgage loans and certain commercial real estate loans with a carrying value of $272.9 million $343.7 million and $224.4 million $272.9 million were pledged as collateral for borrowings from the FHLB under a blanket lien at December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

Accrued interest receivable on loans totaled $4.0 million and $3.1 million at December 31, 2023 and December 31, 2022, respectively, and is excluded from the estimate of credit losses described in Note 7.

A summary of current, past due and nonaccrual loans as of the balance sheet dates follows:

December 31, 2022	Current	30-59 Days	60-89 Days	90 Days and over and accruing	Nonaccrual	Total
	(Dollars in thousands)					
Residential real estate	$ 350,341	$ 1,724	$ 79	$ 186	$ 103	$ 352,433
Construction real estate	96,085	529	—	—	6	96,620
Commercial real estate	375,311	515	19	—	2,102	377,947
Commercial	40,806	7	160	—	—	40,973
Consumer	2,197	7	—	—	—	2,204
Municipal	87,980	—	—	—	—	87,980
Total	$ 952,720	$ 2,782	$ 258	$ 186	$ 2,211	$ 958,157

December 31, 2021	Current	30-59 Days	60-89 Days	90 Days and over and accruing	Nonaccrual	Total
	(Dollars in thousands)					
Residential real estate	$ 245,169	$ 1,328	$ 130	$ 53	$ 147	$ 246,827
Construction real estate	64,939	72	—	—	138	65,149
Commercial real estate	340,209	242	—	—	4,365	344,816
Commercial	49,699	36	8	45	—	49,788
Consumer	2,376	—	—	—	—	2,376
Municipal	78,094	—	—	—	—	78,094
Total	$ 780,486	$ 1,678	$ 138	$ 98	$ 4,650	$ 787,050

There was one residential real estate loan totaling $28 thousand in process of foreclosure at December 31, 2022 and no loans in process of foreclosure at December 31, 2021. Aggregate interest not recognized on nonaccrual loans was $59 thousand and $504 thousand for the years ended December 31, 2022 and 2021, respectively.

Note 7. Allowance for Loan Credit Losses on Loans and Off-Balance Sheet Credit Quality Exposures

Results for reporting periods beginning after January 1, 2023 are presented under CECL while prior period amounts continue to be reported under the incurred loss model in accordance with previously applicable GAAP as described in Note 1.

Changes in the ACL on loans, by class of loans, for the year ended December 31, 2023 were as follows:

December 31, 2023	Balance, December 31, 2022	Impact of Adoption of ASU No. 2016-13	Charge-Offs	Recoveries	Credit Loss Expense (Benefit)	Balance, December 31, 2023
	(Dollars in thousands)					
Non-revolving residential real estate	$ 2,294	$ (270)	$ —	$ 1	$ 336	$ 2,361
Revolving residential real estate	123	25	—	—	$ 11	159
Residential real estate	2,417	(245)	—	1	347	2,520
Commercial construction real estate	611	982	—	—	(558)	1,035
Residential construction real estate	421	(290)	—	—	32	163
Construction real estate	1,032	692	—	—	(526)	1,198
Non-residential commercial real estate	2,931	(757)	—	—	8	2,182
Multi-family residential real estate	1,004	(780)	—	—	20	244

Commercial real estate	3,935	(1,537)	—	—	28	2,426
Commercial	301	191	—	—	(140)	352
Consumer	10	(5)	(8)	3	5	5
Municipal	95	(42)	—	—	12	65
Unallocated	549	(549)	—	—	—	—
Total	$ 8,339	$ (1,495)	$ (8)	$ 4	$ (274)	$ 6,566

Changes in the ALL, ACL on loans, by class of loans under the incurred loss methodology, for the year ended December 31, 2022 were as follows for the years ended: follows:

December 31, 2022	Residential Real Estate	Construction Real Estate	Commercial Real Estate	Commercial	Consumer	Municipal	Unallocated	Total
	(Dollars in thousands)							
Balance, December 31, 2021	$ 2,068	$ 837	$ 4,122	$ 275	$ 11	$ 86	$ 937	$ 8,336
Provision (credit) for loan losses	349	195	(187)	25	(3)	9	(388)	—
Recoveries of amounts charged off	—	—	—	2	5	—	—	7
	2,417	1,032	3,935	302	13	95	549	8,343
Amounts charged off	—	—	—	(1)	(3)	—	—	(4)
Balance, December 31, 2022	$ 2,417	$ 1,032	$ 3,935	$ 301	$ 10	$ 95	$ 549	$ 8,339

December 31, 2022	Balance, December 31, 2021	Charge-Offs	Recoveries	Credit Loss Expense (Benefit)	Balance, December 31, 2022
	(Dollars in thousands)				
Residential real estate	$ 2,068	$ —	$ —	$ 349	$ 2,417
Construction real estate	837	—	—	195	1,032
Commercial real estate	4,122	—	—	(187)	3,935
Commercial	275	(1)	2	25	301
Consumer	11	(3)	5	(3)	10
Municipal	86	—	—	9	95
Unallocated	937	—	—	(388)	549
Total	$ 8,336	$ (4)	$ 7	$ —	$ 8,339

December 31, 2021	Residential Real Estate	Construction Real Estate	Commercial Real Estate	Commercial	Consumer	Municipal	Unallocated	Total
	(Dollars in thousands)							
Balance, December 31, 2020	$ 1,776	$ 763	$ 4,199	$ 458	$ 15	$ 214	$ 846	$ 8,271
Provision (credit) for loan losses	226	74	(77)	(183)	(3)	(128)	91	—
Recoveries of amounts charged off	66	—	—	—	2	—	—	68
	2,068	837	4,122	275	14	86	937	8,339
Amounts charged off	—	—	—	—	(3)	—	—	(3)
Balance, December 31, 2021	$ 2,068	$ 837	$ 4,122	$ 275	$ 11	$ 86	$ 937	$ 8,336

The allocation of the ALL, summarized Company's ACL on off-balance sheet credit exposures is recognized as a liability within Accrued interest and other liabilities on the basis of the Company's impairment methodology by class of loan, as of the consolidated balance sheet, dates, with adjustments to the ACL recognized in Credit loss expense in the consolidated statement of income. In accordance with previously applicable GAAP, there was no ACL on off-balance sheet credit exposures required during the year ended December 31, 2022. The Company's activity in the ACL on off-balance sheet credit exposures for the year ended December 31, 2023 was as follows:

December 31, 2022	Residential Real Estate	Construction Real Estate	Commercial Real Estate	Commercial	Consumer	Municipal	Unallocated	Total
	(Dollars in thousands)							
Individually evaluated for impairment	$ 21	$ —	$ 9	$ —	$ —	$ —	$ —	$ 30
Collectively evaluated for impairment	2,396	1,032	3,926	301	10	95	549	8,309
Total allocated	$ 2,417	$ 1,032	$ 3,935	$ 301	$ 10	$ 95	$ 549	$ 8,339

December 31, 2021	Residential Real Estate	Construction Real Estate	Commercial Real Estate	Commercial	Consumer	Municipal	Unallocated	Total
	(Dollars in thousands)							
Individually evaluated for impairment	$ 26	$ —	$ 20	$ —	$ —	$ —	$ —	$ 46
Collectively evaluated for impairment	2,042	837	4,102	275	11	86	937	8,290
Total allocated	$ 2,068	$ 837	$ 4,122	$ 275	$ 11	$ 86	$ 937	$ 8,336

Despite the allocation shown in the tables above, the ALL is general in nature and is available to absorb losses from any class of loan.

The recorded investment in loans, summarized on the basis of the Company's impairment methodology by class of loan, as of the balance sheet dates, was as follows:

December 31, 2022	Residential Real Estate	Construction Real Estate	Commercial Real Estate	Commercial	Consumer	Municipal	Total
	(Dollars in thousands)						
Individually evaluated for impairment	$ 1,473	$ 58	$ 7,933	$ 7	$ —	$ —	$ 9,471
Collectively evaluated for impairment	350,960	96,562	370,014	40,966	2,204	87,980	948,686
Total	$ 352,433	$ 96,620	$ 377,947	$ 40,973	$ 2,204	$ 87,980	$ 958,157

December 31, 2021	Residential Real Estate	Construction Real Estate	Commercial Real Estate	Commercial	Consumer	Municipal	Total
	(Dollars in thousands)						
Individually evaluated for impairment	$ 1,750	$ 198	$ 4,819	$ 9	$ —	$ —	$ 6,776
Collectively evaluated for impairment	245,077	64,951	339,997	49,779	2,376	78,094	780,274
Total	$ 246,827	$ 65,149	$ 344,816	$ 49,788	$ 2,376	$ 78,094	$ 787,050

	2023
ACL on Off-Balance Sheet Credit Exposures	(Dollars in thousands)
Balance, December 31, 2022	$ —
Impact of adoption of ASU No. 2016-13	1,458
Credit loss benefit	(225)
Balance, December 31, 2023	$ 1,233

Risk and collateral ratings are assigned to loans and are subject to ongoing monitoring by lending and credit personnel, with such ratings updated annually or more frequently if warranted. The following is an overview of the Company's loan rating system:

1-3 Rating - Pass

Risk-rating grades "1" through "3" comprise those loans ranging from those with lower than average credit risk, defined as borrowers with high liquidity, excellent financial condition, strong management, favorable industry trends or loans secured by highly liquid assets, through those with marginal credit risk, defined as borrowers that, while creditworthy, exhibit some characteristics requiring special attention by the account officer.

4/M 4-4.5 Rating - Satisfactory/Monitor

Borrowers exhibit potential credit weaknesses or downward trends warranting management's attention. While potentially weak, these borrowers are currently marginally acceptable; no loss of principal or interest is envisioned. When warranted, these credits may be monitored on the watch list.

5-7 Rating - Substandard

Borrowers exhibit well defined weaknesses that jeopardize the orderly liquidation of debt. The loan may be inadequately protected by the net worth and paying capacity of the obligor and/or the underlying collateral is inadequate.

The following tables summarize table summarizes the Company's loans by year of origination and by loan ratings applied by management to the Company's loans by class as of the balance sheet dates: December 31, 2023:

December 31, 2022	Residential Real Estate	Construction Real Estate	Commercial Real Estate	Commercial	Consumer	Municipal	Total
	(Dollars in thousands)						
Pass	$ 328,885	$ 47,356	$ 258,175	$ 36,338	$ 2,197	$ 87,980	$ 760,931
Satisfactory/Monitor	21,429	49,206	111,077	4,368	7	—	186,087
Substandard	2,119	58	8,695	267	—	—	11,139
Total	$ 352,433	$ 96,620	$ 377,947	$ 40,973	$ 2,204	$ 87,980	$ 958,157

December 31, 2021	Residential Real Estate	Construction Real Estate	Commercial Real Estate	Commercial	Consumer	Municipal	Total
	(Dollars in thousands)						
Pass	$ 227,684	$ 39,135	$ 191,902	$ 45,407	$ 2,371	$ 78,094	$584,593
Satisfactory/Monitor	16,820	25,816	147,645	4,301	5	—	194,587
Substandard	2,323	198	5,269	80	—	—	7,870
Total	$ 246,827	$ 65,149	$ 344,816	$ 49,788	$ 2,376	$ 78,094	$787,050

2023	2023	2022	2021	2020	2019	Prior	Rev
	(Dollars in thousands)						
Residential Real Estate							
Non-revolving residential real estate							
Pass							
Satisfactory/Monitor							
Substandard							
Revolving residential real estate							
Construction Real Estate							
Pass							
Pass							
Pass							
Satisfactory/Monitor							
Substandard							
Commercial construction real estate							
Pass							
Satisfactory/Monitor							
Substandard							
Residential construction real estate							
Commercial Real Estate							
Pass							
Pass							
Pass							

Satisfactory/Monitor
Substandard
Non-residential commercial real estate
Pass
Satisfactory/Monitor
Substandard
Multi-family residential real estate
Pass
Satisfactory/Monitor
Substandard
Commercial
Pass
Satisfactory/Monitor
Substandard
Consumer
Pass
Satisfactory/Monitor
Substandard
Municipal
Total Loans

Gross charge-offs for the year ended December 31, 2023 consisted of two consumer loans totaling $8 thousand that were originated in 2022.

The following tables provide information with respect table summarizes the loan ratings applied by management to impaired the Company's loans by class, of loan under the incurred loss methodology, as of December 31, 2022:

December 31, 2022	**Residential Real Estate**	**Construction Real Estate**	**Commercial Real Estate**	**Commercial**	**Consumer**	**Municipal**	**Total**
				(Dollars in thousands)			
Pass	$ 328,885	$ 47,356	$ 258,175	$ 36,338	$ 2,197	$ 87,980	$ 760,931
Satisfactory/Monitor	21,429	49,206	111,077	4,368	7	—	186,087
Substandard	2,119	58	8,695	267	—	—	11,139
Total	$ 352,433	$ 96,620	$ 377,947	$ 40,973	$ 2,204	$ 87,980	$ 958,157

A summary of current and for the years ended December 31, 2022 and 2021:

	December 31, 2022			**For The Year Ended December 31, 2022**	
	Recorded Investment (1)	**Principal Balance (1)**	**Related Allowance**	**Average Recorded Investment**	**Interest Income Recognized**
			(Dollars in thousands)		
Residential real estate	$ 190	$ 200	$ 21		
Commercial real estate	2,068	2,068	9		
With an allowance recorded	2,258	2,268	30		
Residential real estate	1,283	1,787	—		
Construction real estate	58	83	—		
Commercial real estate	5,865	6,403	—		
Commercial	7	7	—		
With no allowance recorded	7,213	8,280	—		
Residential real estate	1,473	1,987	21	$ 1,570	$ 101

Construction real estate	58	83	—	116	27
Commercial real estate	7,933	8,471	9	5,822	185
Commercial	7	7	—	8	1
Total	$ 9,471	$ 10,548	$ 30	$ 7,516	$ 314

	December 31, 2021			For The Year Ended December 31, 2021	
	Recorded Investment (1)	Principal Balance (1)	Related Allowance	Average Recorded Investment	Interest Income Recognized
	(Dollars in thousands)				
Residential real estate	$ 199	$ 209	$ 26		
Commercial real estate	1,591	1,764	20		
With an allowance recorded	1,790	1,973	46		
Residential real estate	1,551	2,043	—		
Construction real estate	198	218	—		
Commercial real estate	3,228	3,274	—		
Commercial	9	9	—		
With no allowance recorded	4,986	5,544	—		
Residential real estate	1,750	2,252	26	$ 1,749	$ 197
Construction real estate	198	218	—	205	4
Commercial real estate	4,819	5,038	20	4,552	217
Commercial	9	9	—	82	9
Total	$ 6,776	$ 7,517	$ 46	$ 6,588	$ 427

(1) Does not reflect government guaranties on impaired past due *loans as of December 31, 2022 December 31, 2023 follows:*

December 31, 2023	30-59 Days	60-89 Days	90 Days and Over	Total Past Due	Current	Total
	(Dollars in thousands)					
Residential real estate						
Non-revolving residential real estate	$ 2,015	$ 312	$ 162	$ 2,489	$ 394,920	$ 397,409
Revolving residential real estate	—	—	17	17	18,885	18,902
Construction real estate						
Commercial construction real estate	17	—	—	17	36,956	36,973
Residential construction real estate	—	—	—	—	51,662	51,662
Commercial real estate						
Non-residential commercial real estate	197	—	—	197	297,951	298,148
Multi-family residential real estate	1,058	—	—	1,058	104,286	105,344
Commercial	4	—	—	4	40,444	40,448
Consumer	14	—	—	14	2,575	2,589
Municipal	—	—	—	—	76,795	76,795
Total	$ 3,305	$ 312	$ 179	$ 3,796	$ 1,024,474	$ 1,028,270

A summary of current and 2021 totaling $341 thousand and *$423 thousand, respectively.* past due loans as of December 31, 2022, under the incurred loss methodology, follows:

December 31, 2022	30-59 Days	60-89 Days	90 Days and Over	Total Past Due	Current	Total
	(Dollars in thousands)					
Residential real estate	$ 1,724	$ 79	$ 289	$ 2,092	$ 350,341	$ 352,433
Construction real estate	535	—	—	535	96,085	96,620
Commercial real estate	515	2,087	34	2,636	375,311	377,947
Commercial	7	160	—	167	40,806	40,973
Consumer	7	—	—	7	2,197	2,204
Municipal	—	—	—	—	87,980	87,980

Total	$ 2,788	$ 2,326	$ 323	$ 5,437	$ 952,720	$ 958,157

A summary of nonaccrual loans as of December 31, 2023 follows:

December 31, 2023	Nonaccrual	Nonaccrual With No Allowance for Credit Losses	90 Days and Over and Accruing
		(Dollars in thousands)	
Residential real estate			
Non-revolving residential real estate	$ —	$ —	$ 162
Revolving residential real estate	17	—	—
Commercial real estate			
Non-residential commercial real estate	1,841	1,841	—
Total	$ 1,858	$ 1,841	$ 162

A summary of nonaccrual loans as of December 31, 2022, under the incurred loss methodology, follows:

December 31, 2022	Nonaccrual	Nonaccrual With No Allowance for Credit Losses	90 Days and Over and Accruing
		(Dollars in thousands)	
Residential real estate	$ 103	$ —	$ 186
Construction real estate	6	6	—
Commercial real estate	2,102	—	—
Total	$ 2,211	$ 6	$ 186

There was one revolving residential real estate loan totaling $17 thousand in process of foreclosure at December 31, 2023 and one residential real estate loan totaling $28 thousand in process of foreclosure at December 31, 2022. Aggregate interest on nonaccrual loans not recognized was $143 thousand as of December 31, 2023 and $59 thousand as of December 31, 2022.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans that are individually evaluated and collateral dependent represent loans that the Company has determined foreclosure of the collateral is probable, or where the borrower is experiencing financial difficulty and the Company expects repayment of the loan to be provided substantially through the sale of the collateral. For these loans, the ACL is measured based on the difference between the fair value of the collateral and the amortized cost basis of the loan at the measurement date.

The following is a summary of TDR table presents collateral dependent loans to borrowers experiencing financial difficulty by loan class of loan and collateral type as of the balance sheet dates:

	December 31, 2022		December 31, 2021	
	Number of Loans	Principal Balance	Number of Loans	Principal Balance
		(Dollars in thousands)		
Residential real estate	25	$ 1,473	29	$ 1,750
Construction real estate	2	58	2	81
Commercial real estate	1	172	3	375
Commercial	1	7	1	9
Total	29	$ 1,710	35	$ 2,215

	December 31, 2023	December 31, 2022
	Real Estate	Real Estate
	(Dollars in thousands)	
Non-residential commercial real estate	$ 1,841	$ 2,068

The TDR Collateral dependent loans above represent loan modifications in are loans for which a concession was the repayment is expected to be provided substantially by the underlying collateral and there are no other available and reliable sources of repayment.

For periods prior to the borrower, including due date extensions, maturity date extensions, interest rate reductions or the forgiveness adoption of accrued interest. Troubled CECL, loans that are restructured were evaluated for impairment and meet established thresholds are may have been classified as impaired when management believed it was probable that the Company would not collect all the contractual interest and principal payments as scheduled in the loan agreement. Under previously applicable GAAP, a specific reserve amount is was allocated to the ALL ACL for individual loans that had been classified as impaired based on the basis management's estimate of the fair value of the collateral for collateral dependent loans, an observable market price, or the present value of anticipated future cash flows. The Company accounted for the change in present value attributable to the passage of time in the ACL. Large groups of smaller balance homogeneous loans were collectively evaluated for impairment. Accordingly, the Company did not separately identify individual consumer, real estate or small balance commercial loans for impairment evaluation, unless such loans were subject to a restructuring agreement or had been identified as impaired as part of a larger customer relationship. Based on an evaluation of the Company's historical loss experience on substandard commercial loans, management established the commercial loan threshold for individual impairment evaluation as commercial loan relationships with aggregate balances greater than $500 thousand.

There was no new TDR activity

The following table provides information with respect to impaired loans by class of loan as of and for year ended December 31, 2022, prior to the adoption of CECL:

	December 31, 2022			For The Year Ended December 31, 2022	
	Recorded Investment (1)	Principal Balance (1)	Related Allowance	Average Recorded Investment	Interest Income Recognized
	(Dollars in thousands)				
Residential real estate	$ 190	$ 200	$ 21		
Commercial real estate	2,068	2,068	9		
With an allowance recorded	2,258	2,268	30		
Residential real estate	1,283	1,787	—		
Construction real estate	58	83	—		
Commercial real estate	5,865	6,403	—		
Commercial	7	7	—		
With no allowance recorded	7,213	8,280	—		
Residential real estate	1,473	1,987	21	$ 1,570	$ 101
Construction real estate	58	83	—	116	27
Commercial real estate	7,933	8,471	9	5,822	185
Commercial	7	7	—	8	1
Total	$ 9,471	$ 10,548	$ 30	$ 7,516	$ 314

(1) Does not reflect government guaranties on impaired loans as of December 31, 2022 totaling $423 thousand.

Occasionally, the Company modifies loans to borrowers experiencing financial difficulty by providing interest rate reductions, term extensions, payment deferrals or principal forgiveness. When principal forgiveness is provided, the amount of forgiveness is charged off against the ACL on loans. The following tables summarize loan modifications to borrowers experiencing financial difficulty by loan class, type of modification and the financial effect of the modifications as of and for the year ended December 31, 2022. December 31, 2023:

	Interest Rate Reduction		
	Amortized Cost Basis	% of Loan Class	Financial Effect
	(Dollars in thousands)		
Non-residential commercial real estate	$ 398	0.13 %	Reduced weighted average contractual interest rate from 8.75% to 6.85%
Multi-family residential real estate	440	0.42 %	Reduced weighted average contractual interest rate from 9.25% to 7.75%

	Payment Delay		
	Amortized Cost Basis	% of Loan Class	Financial Effect
	(Dollars in thousands)		
Non-residential commercial real estate	$ 3,383	1.13 %	Modification allowed for 7 months of interest only payments with remaining balances due at maturity.

The following table provides new TDRs for presents the year ended December 31, 2021: performance of loans as of December 31, 2023 that have been modified in the last twelve months:

	New TDRs During the Year Ended December 31,2021		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
	(Dollars in thousands)		

Residential real estate	2 $	445 $	445

December 31, 2023	Current	Past Due 30-89 Days	Past Due 90 Days and Over
		(Dollars in thousands)	
Non-residential commercial real estate	$ 3,781	$ —	$ —
Multi-family residential real estate	440	—	—

There were no TDR loans to borrowers experiencing financial difficulty that were modified within the previous twelve months that had subsequently defaulted during the years year ended December 31, 2022 or 2021*December 31, 2023*. TDR loans Loans are considered defaulted at 90 days past due.

At December 31, 2022 and 2021, December 31, 2023, the Company was not committed to lend any additional funds to borrowers whose experiencing financial difficulty for which the Company modified the terms of the loans were nonperforming, impaired in the form of principal forgiveness, an interest rate reduction, an other-than-insignificant payment delay, or restructured. a term extension.

Note 8. Premises and Equipment

The major classes of premises and equipment and accumulated depreciation at December 31, were as follows:

		2022	2021	2023	2022
		(Dollars in thousands)			
	(Dollars in thousands)			(Dollars in thousands)	
Land and land improvements	Land and land improvements	$ 4,466	$ 4,466		
Building and improvements	Building and improvements	20,432	20,412		
Furniture and equipment	Furniture and equipment	11,636	11,310		
Construction in progress and deposits on equipment	Construction in progress and deposits on equipment	361	122		
		36,895	36,310		
Less accumulated depreciation	Less accumulated depreciation	(16,416)	(14,695)		
		$20,479	$21,615		

Depreciation included in Occupancy and Equipment expenses amounted to $1.6 million and $1.8 million for the years ended December 31, 2022 December 31, 2023 and 2021. 2022, respectively.

Note 9. Leases

As of December 31, 2022 December 31, 2023, the Company had operating real estate leases for two three branch locations, one loan production office and land upon which a branch location was constructed and two ATM locations. constructed. The lease agreements have maturity dates ranging from October 2023 June 2028 to September 2047. As of December 31, 2022 December 31, 2023, the weighted average remaining life of the lease term for the operating leases was 20.38 18.13 years.

The discount rate used in determining the lease liability for each individual lease was the FHLB fixed advance rate as of January 2019 that corresponded to the remaining lease term for each lease at adoption of the ASU or the date the lease became effective. effective or as of January 2019 for leases in effect at adoption of ASU No. 2016-02. As of December 31, 2022, December 31, 2023 and 2022, the weighted average discount rate for operating leases was 3.62% and 3.55%. , respectively.

The right-of-use assets and lease liabilities related to operating leases were as follows at December 31:

	2022	2021
	(Dollars in thousands)	

2023	2023	2022
(Dollars in thousands)		(Dollars in thousands)

Right-of-use assets included in Other assets	Right-of-use assets included in Other assets	$2,152	$1,612
Lease liabilities included in Accrued interest and other liabilities	Lease liabilities included in Accrued interest and other liabilities	2,255	1,690

Total estimated rental commitments for operating leases were as follows as of December 31, 2022 December 31, 2023:

		(Dollars in thousands)
2023	$	168
2024		157
2025		159
2026		161
2027		168
Thereafter		2,520
Total	$	3,333

		(Dollars in thousands)
2024	$	213
2025		215
2026		217
2027		224
2028		211
Thereafter		2,623
Total	$	3,703

A reconciliation of the operating lease undiscounted cash flows in the maturity analysis above and the operating lease liability recognized in the consolidated balance sheet sheets is shown below:

		December 31, 2022 2023
		(Dollars in thousands)
Undiscounted cash flows	$	3,333 3,703
Discount effect of cash flows		(1,078) (1,098)
Lease liabilities	$	2,255 2,605

Operating lease costs, included in Occupancy expense, net in the consolidated statements of income were $206 $259 thousand and $195 $206 thousand for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively. Occupancy expense is shown in the consolidated statements of income, net of rental income of $273 $261 thousand and $251 $273 thousand for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

Note 10. Investment in Real Estate Limited Partnerships

The Company has purchased from time to time various interests in limited partnerships established to acquire, own and rent residential housing for elderly, low or moderate income individuals in Vermont and New Hampshire. The following is a summary of investments in real estate limited partnerships at December 31:

	2022	2021
	(Dollars in thousands)	

	2023	2022
	(Dollars in thousands)	
Carrying values of investments carried at equity included in Other assets	$11,009	$7,572
Capital contribution payable included in Accrued interest and other liabilities	3,442	1,158

The following table presents the net impact on the Provision for income taxes related to investments carried at equity:

	For the Years Ended December 31,			
	2023	2022		2021
	(Dollars in thousands)			
Provision for undistributed net losses of limited partnership investments		$	1,138	$ 1,011
Federal income tax credits related to limited partnership investments			(1,110)	(1,057)
Net effect on Provision for income taxes		$	28	$ (46)

For the Years Ended December 31,
For the Years Ended December 31,
(Dollars in thousands)
(Dollars in thousands)
Federal income tax credits related to limited partnership investments
Federal income tax credits related to limited partnership investments
Net effect on Provision for income taxes
Net effect on Provision for income taxes

Note 11. Deposits

The following is a summary of interest bearing deposits at December 31:

	2023	2022	2021
	(Dollars in thousands)		

Interest bearing checking accounts	Interest bearing checking accounts	$329,785	$281,638
Savings and money market accounts	Savings and money market accounts	432,937	441,841
Time deposits, $250,000 and over	Time deposits, $250,000 and over	26,357	16,223
Other time deposits	Other time deposits	126,688	90,492
		$915,767	$830,194

Included in other time deposits are brokered deposits of $103.0 million and $33.0 million at December 31, 2022. December 31, 2023 and 2022, respectively. There were no brokered $50.2 million of purchased one-way ICS deposits included in savings and money market deposits at December 31, 2021 December 31, 2023 and no purchased one-way ICS deposits at December 31, 2022. Reciprocal deposits of $244.3 million and $221.6 million and $168.9 million at December 31, 2022 and 2021, respectively, are were included in deposit balances in the consolidated balance sheets. sheets at December 31, 2023 and 2022, respectively.

The following is a summary of time deposits by maturity at December 31, 2022 December 31, 2023:

	(Dollars in thousands)	
2023	$	100,935
2024		42,513
2025		5,327
2026		2,099
2027		2,171
	$	153,045

	(Dollars in thousands)	
2024	$	276,060
2025		7,280
2026		2,990
2027		1,815
2028		777
	$	288,922

Note 12. Borrowed Funds

The Company's borrowed funds at December 31, 2023 consisted of borrowings from the FHLB of $50.0 million $55.7 million at a weighted average rate of 4.41% 3.68%, and borrowings from the FRB of $10.0 million at a weighted average rate of 4.85%. Borrowed funds at December 31, 2022 and there were no borrowed funds consisted of $50.0 million of borrowings from FHLB at December 31, 2021 a weighted average rate of 4.41%.

The Company has established both overnight and longer term lines of credit with the FHLB. These borrowings are secured by a blanket lien on qualified collateral consisting of loans with first mortgages secured by one-to-four family properties and certain commercial real estate loans. At December 31, 2023, pledged loans with a carrying value of $343.7 million provided a gross borrowing capacity of $235.5 million at the FHLB, less outstanding borrowings and other credit subject to collateralization of $99.6 million, resulting in remaining year-end available borrowing capacity of $135.9 million. At December 31, 2022, pledged loans with a carrying value of $272.9 million provided a gross borrowing capacity of $170.4 million at the FHLB, less outstanding borrowings and other credit subject to collateralization of $93.5 million, resulting in remaining year-end available borrowing capacity of $76.9 million. At December 31, 2021, pledged loans with a carrying value of $224.4 million provided a gross borrowing capacity of $138.7 million at the FHLB, less outstanding borrowings and other credit subject to collateralization of $22.0 million, resulting in remaining year-end available borrowing capacity of $116.7 million.

Under a separate agreement with the FHLB, the Company has the authority, up to its available borrowing capacity, to collateralize public unit deposits with letters of credit issued by the FHLB. FHLB letters of credit in the amount of $42.5 million $42.4 million and $37.5 million $42.5 million were utilized as collateral for these deposits at December 31, 2022 December 31, 2023 and 2021, 2022, respectively. Total fees paid by the Company in connection with the issuance of these letters of credit were $34 $44 thousand and $45 $34 thousand for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively. Union also maintains an IDEAL Way Line of Credit with the FHLB. The total line available was $551 thousand as of December 31, 2022 December 31, 2023 and 2021.

2022.

In addition to its borrowing arrangements with the FHLB, Union maintains a preapproved Federal Funds line of credit with a correspondent bank totaling $15.0 million. Interest on advances under this line is payable daily and charged at the Federal Funds rate at the time of the borrowing. In addition to the foregoing funding sources available to Union, the Company maintains a $5.0 million revolving line of credit with a correspondent bank. There were no outstanding borrowings on either the line of credit at December 31, 2022 December 31, 2023 or 2021. 2022.

In March 2023, the FRB created the BTFP to provide an additional source of liquidity funding to U.S. depository institutions. Advances under this program are secured by qualifying investment assets consisting of eligible U.S. Government-sponsored enterprises and Agency MBS securities valued at par. At December 31, 2023, the Company had an outstanding BTFP advance of $10.0 million at a rate of 4.85% due December 23, 2024. The BTFP will cease making new loans under this program on March 11, 2024.

Note 13. Subordinated Notes

In August 2021, the Company completed the private placement of $16.5 million in aggregate principal amount of fixed-to-floating rate subordinated notes due 2031 (the "Notes") to certain qualified institutional buyers and accredited investors. The Notes initially bear interest, payable semi-annually, at the rate of 3.25% per annum, until September 1, 2026. From and including September 1, 2026, the interest rate applicable to the outstanding principal amount due will reset quarterly to the then current three-month secured overnight financing rate (SOFR) plus 263 basis points. The Company may, at its option, beginning with the interest payment date of September 1, 2026, but not generally prior thereto, and on any scheduled interest payment date thereafter, redeem the Notes, in whole or in part. The Notes have been structured to qualify as Tier 2 capital instruments for the Company under bank regulatory guidelines.

The Company used the proceeds to provide additional capital support to the Company's wholly-owned subsidiary, Union Bank, to support growth and for other general corporate purposes.

The unamortized issuance costs of the Notes were $261 thousand and $295 thousand at December 31, 2023 and $329 thousand at December 31, 2022 and 2021, 2022, respectively. The Company recorded $34 thousand and $11 thousand of issuance costs in interest expense for the year ended December 31, 2022 December 31, 2023 and 2021, respectively. 2022. The Notes are presented net of unamortized issuance costs in the consolidated balance sheets.

Note 14. Income Taxes

The components of the provision for income taxes for the years ended December 31, were as follows:

			2022		2021
			(Dollars in thousands)		
			(Dollars in thousands)		
			(Dollars in thousands)		
			(Dollars in thousands)		
Current federal tax provision	Current federal tax provision	$	2,734	$	2,149
Current state tax provision	Current state tax provision		168		126
Deferred tax (benefit) provision			(270)		371
Current state tax provision					
Current state tax provision					
Deferred tax provision (benefit)					
Deferred tax provision (benefit)					
Deferred tax provision (benefit)					
		$	2,632	$	2,646

The total provision for income taxes differs from the amounts computed at the statutory federal income tax rate of 21% primarily due to the following for the years ended December 31:

		2022	2021
		(Dollars in thousands)	
		(Dollars in thousands)	
		(Dollars in thousands)	
		(Dollars in thousands)	

Computed “expected” tax expense	Computed “expected” tax expense	$	3,202	$	3,321
State taxes	State taxes		133		100
State taxes					
State taxes					
Tax exempt interest					
Tax exempt interest					
Tax exempt interest	Tax exempt interest		(479)		(446)
Increase in cash surrender value of COLI	Increase in cash surrender value of COLI		(107)		(65)
Increase in cash surrender value of COLI					
Increase in cash surrender value of COLI					
Tax credits					
Tax credits					
Tax credits	Tax credits		(1,140)		(1,093)
Equity in losses of limited partnerships	Equity in losses of limited partnerships		965		842
Equity in losses of limited partnerships					
Equity in losses of limited partnerships					
Non-deductible expenses					
Non-deductible expenses					
Non-deductible expenses	Non-deductible expenses		37		24
Other	Other		21		(37)
		$	2,632	$	2,646
Other					
Other					

Listed below are the significant components of the net deferred tax asset at December 31:

		2022	2021		2023	2022	
	(Dollars in thousands)						(Dollars in thousands)
Components of the deferred tax asset				Components of the deferred tax asset			
Allowance for credit losses							
		(Dollars in thousands)					
Components of the deferred tax asset							
Bad debts		$ 1,891	$1,813				
Deferred compensation							
Deferred compensation							
Deferred compensation	Deferred compensation	345	308				
Origination fees	Origination fees	2	121				
Loans held for sale	Loans held for sale	5	56				
Core deposit intangible	Core deposit intangible	88	109				
Limited partnership investments	Limited partnership investments	15	—				

Unrealized loss on investment securities available-for-sale	Unrealized loss on investment securities available-for-sale	9,947	412	
Other	Other	92	74	
Total deferred tax asset	Total deferred tax asset	12,385	2,893	
Components of the deferred tax liability	Components of the deferred tax liability			Components of the deferred tax liability
Depreciation	Depreciation	(1,226)	(1,397)	
Mortgage servicing rights	Mortgage servicing rights	(461)	(543)	
Limited partnership investments	Limited partnership investments	—	(136)	
Goodwill	Goodwill	(389)	(341)	
Goodwill				
Goodwill				
Prepaid expenses	Prepaid expenses	(190)	(162)	
Total deferred tax liability	Total deferred tax liability	(2,266)	(2,579)	
Total deferred tax liability				
Total deferred tax liability				
Net deferred tax asset	Net deferred tax asset	$10,119	$ 314	

Deferred tax assets are recognized subject to management's judgment that it is more likely than not that the deferred tax asset will be realized. Based on the temporary taxable items, historical taxable income and estimates of future taxable income, the Company believes that it is more likely than not that the deferred tax assets at December 31, 2022 December 31, 2023 will be realized and therefore no valuation allowance is warranted.

The net deferred income tax asset is included in Other assets in the consolidated balance sheets at December 31, 2022 December 31, 2023 and 2021, respectively. 2022.

Based on management's evaluation, management has concluded that there were no significant uncertain tax positions requiring recognition in the Company's financial statements at December 31, 2022 December 31, 2023 or 2021. 2022. The Company is subject to income tax at the federal level and in the state of New Hampshire. Although the Company is not currently the subject of an examination by any taxing authority, the Company's tax years ended December 31, 2019 December 31, 2020 through 2021 2022 are open to examination under applicable statutes of limitation. The 2022 2023 tax return has not yet been filed.

The Company may from time to time be assessed interest and/or penalties by federal or state tax jurisdictions, although any such assessments historically have been minimal and immaterial to the Company's financial results. In the event that the Company receives an assessment for interest and/or penalties, it will be classified in the financial statements as Other expenses.

Note 15. Employee Benefit Plans

401(k) Plan: Union maintains a tax-qualified defined contribution 401(k) plan under which employees may elect to make tax deferred contributions of up to the IRS maximum from their annual salary, which are matched by Union equal to 50% of the first 6% of the compensation contributed. All employees meeting service requirements are eligible to participate in the 401(k) plan. Union may make employer matching and profit-sharing contributions to the 401(k) plan at the discretion of the Board. Company contributions are fully vested after three years of service. The 401(k) plan includes "Safe Harbor" provisions requiring annual nondiscretionary minimum contributions to the 401(k) plan for all eligible participants in an amount equal to 3% of eligible earnings of each eligible participant. Additionally, in 2022 2023 and 2021 2022 a discretionary profit-sharing contribution was made to the 401(k) plan in an amount equal to 3% percent of each employee's eligible earnings, as defined by the 401(k) plan.

The following table summarizes employer contributions for the years ended December 31, 2022 December 31, 2023 and 2021: 2022:

	2022	2021

		(Dollars in thousands)			
		2023			
		2023			
		2023			
		(Dollars in thousands)			
		(Dollars in thousands)			
		(Dollars in thousands)			
Employer matching	Employer matching	$	323	$	320
Profit sharing	Profit sharing		361		367
Profit sharing					
Profit sharing					
Safe harbor					
Safe harbor					
Safe harbor	Safe harbor		401		395
Total	Total	$	1,085	$	1,082
Total					
Total					

Nonqualified Deferred Compensation Plans: The Company and Union have two nonqualified deferred compensation plans for directors and certain key officers, referred to in this Note as the 2008 Plan and the 2020 Plan. The Company accrued an expense of $7 thousand in 2022 2023 and 2021 2022 under the 2008 Plan. The benefit obligations under the 2008 Plan represent general unsecured obligations of the Company and no assets are segregated for such payments. However, the Company and Union have purchased life insurance contracts on the lives of each participant in order to recoup the funding costs of these benefits. The benefits accrued under the 2008 Plan aggregated $211 thousand and $253 thousand at December 31, 2023 and $292 thousand at December 31, 2022 and 2021, 2022, respectively, and are included in Accrued interest and other liabilities. The cash surrender value of the life insurance policies purchased to recoup the funding costs under the 2008 Plan aggregated $447 thousand and $433 thousand at December 31, 2023 and $1.1 million at December 31, 2022 and 2021, 2022, respectively, and are included in Company-owned life insurance in the Company's consolidated balance sheets.

The 2020 Plan, which amended and restated an earlier plan adopted in 2006, provides a means by which participants may elect to defer receipt of current compensation from the Company or its subsidiary in order to provide retirement or other benefits as selected in the individual adoption agreements. Although the Plan did not originally allow for employer contributions, the Board subsequently determined that employer contributions may be appropriate in certain circumstances and accordingly amended and restated the plan effective February 1, 2020 to permit such contributions. Participants may select among designated reference investments consisting of investment funds, with the performance of the participant's account mirroring the selected reference investment. Distributions are made only upon a qualifying distribution event, which may include a separation from service, death, disability or unforeseeable emergency, or upon a date specified in the participant's deferral election form. The 2020 Plan is unfunded, representing general unsecured obligations of the Company of $1.3 $1.5 million and $1.1 million $1.3 million as of December 31, 2022 December 31, 2023 and 2021, 2022, respectively, and are included in Accrued interest and other liabilities in the consolidated balance sheets, including employer contributions of $39 $30 thousand and $24 $39 thousand accrued as of December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

Note 16. Stock Based Compensation

The Company's stock-based compensation plan is the Union Bankshares, Inc. 2014 Equity Incentive Plan, as amended in May 2022. Under the 2014 Equity Plan, 150,000 shares of the Company's common stock are available for equity awards of incentive stock options, nonqualified stock options, restricted stock and RSUs to eligible officers and (except for awards of incentive stock options) nonemployee directors. Shares available for issuance of awards under the 2014 Equity Plan consist of unissued shares of the Company's common stock and/or shares held in treasury. As of December 31, 2022 December 31, 2023, the only outstanding grants under the plan consisted of RSUs, as described in the table below.

RSUs. Each RSU represents the right to receive one share of the Company's common stock upon satisfaction of applicable vesting conditions. For each of the awards granted in 2022 2023 and 2021, 2022, 50% of the RSUs awarded were in the form of Time-Based RSUs, which vest over three years, approximately one-third per year on the anniversary of the earned date; and 50% of the RSUs awarded were in the form of Performance-Based RSUs, which are subject to both performance and time based vesting conditions, with vesting of awards over two years, approximately one-half per year on the anniversary of the earned date. Prior to vesting, the RSUs do not earn dividends or dividend equivalents, nor do they bear any voting rights.

The following table presents a summary of RSUs from the respective Award Plan Summaries as of December 31, 2022 December 31, 2023:

	Number of RSUs Granted	Weighted-Average Grant Date Fair Value	Number of Unvested RSUs
2021 Award	17,685	$ 26.73	1,745

	Number of RSUs Granted					Number of RSUs Granted	Weighted-Average Grant Date Fair Value	Number of Unvested RSUs
2022 Award	2022 Award	15,705	31.99	7,822				
2023 Award					2023 Award	19,282	26.90	10,652
Total	Total	33,390		9,567	Total	34,987		12,441

Unrecognized compensation expense related to the unvested RSUs was $297$344 thousand and $317$297 thousand, as of December 31, 2022December 31, 2023 and 2021, 2022, respectively.

On May 18, 2022May 17, 2023, the Company's board of directors, as a component of total director compensation, granted an aggregate of 1,3233,872 RSUs to the Company's non-employee directors. Each RSU represents the right to receive one share of the Company's common stock upon satisfaction of applicable vesting conditions. The RSUs will vest in May 2023, 2024, subject to continued board service through the vesting date, other than in the case of the director's death or disability. Prior to vesting, the RSUs do not earn dividends or dividend equivalents, nor do they bear any voting rights. Director compensation expense related to this award is estimated to be $38$80 thousand of which $22$47 thousand has been recorded for the year ended December 31, 2022December 31, 2023.

Stock options. The following summarizes information regarding the proceeds received by the Company from the exercise of incentive stock options during the year ended December 31, 2021:

		2021
		(Dollars in thousands, except per share data)
Proceeds received	$	72
Number of shares exercised		3,000
Weighted average price per share	$	24.00
Total intrinsic value of options exercised	$	27

There were no options issued under the 2014 Equity Plan during the years ended December 31, 2022 or 2021 and no compensation cost relating to options charged to income in 2022 or 2021. There were no stock options outstanding under the 2014 Equity Plan as of December 31, 2022 or 2021.

Note 17. Earnings Per Share

The following table presents the reconciliation between the calculation of basic EPS and diluted EPS for the years ended December 31, 2022December 31, 2023 and 2021: 2022:

		2022		2021
		(Dollars in thousands, except per share data)		
		2023		
		2023		
		2023		
		(Dollars in thousands, except per share data)		
		(Dollars in thousands, except per share data)		
		(Dollars in thousands, except per share data)		
Net income	Net income	$ 12,615	$	13,170
Weighted average common shares outstanding for basic EPS	Weighted average common shares outstanding for basic EPS	4,496,169		4,483,791
Weighted average common shares outstanding for basic EPS				
Weighted average common shares outstanding for basic EPS				
Dilutive effect of stock-based awards (1)				
Dilutive effect of stock-based awards (1)				
Dilutive effect of stock-based awards (1)	Dilutive effect of stock-based awards (1)	18,055		25,157

Weighted-average common and potential common shares for diluted EPS	Weighted-average common and potential common shares for diluted EPS		4,514,224		4,508,948
Weighted-average common and potential common shares for diluted EPS					
Weighted-average common and potential common shares for diluted EPS					
Earnings per common share:					
Earnings per common share:					
Earnings per common share:	**Earnings per common share:**				
Basic EPS	Basic EPS	$	2.81	$	2.94
Basic EPS					
Basic EPS					
Diluted EPS	Diluted EPS	$	2.79	$	2.92
Diluted EPS					
Diluted EPS					

(1) Dilutive effect of stock based awards represents the effect of the assumed exercise of stock options and vesting of restricted stock units. Unvested awards do not have dividend or dividend equivalent rights.

Note 18. Financial Instruments With Off-Balance-Sheet Risk

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit, standby letters of credit, interest rate caps and floors written on adjustable-rate loans, commitments to participate in or sell loans, commitments to buy or sell securities, guarantees on certain sold loans and risk-sharing commitments on certain sold loans under the MPF program with the FHLB. At December 31, 2022 December 31, 2023 and 2021, 2022, the Company had binding loan commitments to sell residential mortgage loans at fixed rates totaling $2.7 million and $904 thousand, and $2.7 million, respectively. The fair value adjustment of these commitments is not material to the Company's financial statements.

Such instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet. The contract or notional amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments and the potential impact on the Company's future financial position, financial performance and cash flow.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual notional amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. For interest rate caps and floors embedded in adjustable-rate loans, the contract or notional amounts do not represent exposure to credit loss. The Company controls the risk of interest rate cap agreements through credit approvals, limits and monitoring procedures. Interest rate caps and floors on adjustable rate loans permit the Company to manage its interest rate risk and cash flow risk on these loans within parameters established by Company policy.

The Company generally requires collateral or other security to support financial instruments with credit risk. The following table shows financial instruments outstanding whose contract amount represents credit risk at December 31:

		Contract or Notional Amount		**Contract or Notional Amount**	
		2022	**2021**	**2023**	**2022**
		(Dollars in thousands)			
	(Dollars in thousands)				(Dollars in thousands)
Commitments to originate loans	Commitments to originate loans	$ 39,217	$ 48,910		
Unused lines of credit	Unused lines of credit	185,539	168,442		
Standby and commercial letters of credit	Standby and commercial letters of credit	1,762	2,158		

Credit card arrangements	Credit card arrangements	241	170
MPF credit enhancement obligation, net (See Note 19)	MPF credit enhancement obligation, net (See Note 19)	396	428
Commitment to purchase investment in a real estate limited partnership	Commitment to purchase investment in a real estate limited partnership	3,000	4,574
Commitment to purchase investment in a real estate limited partnership			
Commitment to purchase investment in a real estate limited partnership			
Total	Total	$230,155	$224,682
Total			
Total			

Commitments to extend credit are agreements to lend to a customer at either a fixed or variable interest rate as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates within 90 days of the commitment. Unused lines of credit are generally renewable at least annually except for home equity lines which usually have a specified draw period followed by a specified repayment period. Unused lines may have other termination clauses and may require payment of a fee.

Since many of the commitments and lines are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company, upon issuance of a commitment to extend credit is based on management's credit evaluation of the customer. Collateral held varies but may include real estate, accounts receivable, inventory, property, plant and equipment and income-producing commercial properties.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those guarantees are issued to support the customer's private borrowing arrangements or guarantee the customer's contractual performance on behalf of a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers and the Company evaluates each customer's creditworthiness on a case-by-case basis. The fair value of standby letters of credit has not been included in the Company's consolidated balance sheet for either year as the fair value is immaterial.

The Company did not hold or issue derivative instruments or hedging instruments during the years ended December 31, 2022 December 31, 2023 and 2021. 2022.

Note 19. Commitments and Contingencies

Contingent Liabilities: The Company sells 1-4 family residential mortgage loans under the MPF program with FHLB (See Note 18). Under this program, the Company shares in the credit risk of each mortgage loan, while receiving fee income in return. The Company is responsible for a Credit Enhancement Obligation based on the credit quality of these loans. FHLB funds a First Loss Account based on the Company's outstanding MPF mortgage loan balances. This creates a laddered approach to sharing in any losses. In the event of default, homeowner's equity and private mortgage insurance, if any, are the first sources of repayment; the FHLB First Loss Account funds are then utilized, followed by the member's Credit Enhancement Obligation, with the balance the responsibility of FHLB. These loans meet specific underwriting standards of the FHLB. The Company had sold $33.9 million $40.2 million and $33.5 $33.9 million in loans through the MPF program since inception of its participation in the program, with an outstanding principal balance of $9.1 million $14.7 million and $9.5 million $9.1 million as of December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

The volume of loans sold to the MPF program and the corresponding Credit Enhancement Obligation are closely monitored by management. As of December 31, 2022 December 31, 2023 and 2021, 2022, the notional amount of the maximum contingent contractual liability related to this program was $415 $763 thousand and $447 $415 thousand, respectively, of which $19 thousand had been recorded as a reserve through accrued Accrued interest and other liabilities at December 31, 2022 December 31, 2023 and 2021.

2022.

Legal Contingencies: In the normal course of business, the Company is involved in various legal and other proceedings. In the opinion of management, any liability resulting from such proceedings is not expected to have a material adverse effect on the Company’s consolidated financial statements.

Note 20. Fair Value Measurement

The following is a description of the valuation methodologies used for the Company’s assets that are measured on a recurring basis at estimated fair value:

Investment securities AFS: Certain U.S. Treasury notes have been valued using unadjusted quoted prices from active markets and therefore have been classified as Level 1. However, the majority of the Company’s AFS investment securities have been valued utilizing Level 2 inputs. For these securities, the Company obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include market maker bids, quotes and pricing models. Inputs to the pricing models include recent trades, benchmark interest rates, spreads and actual and projected cash flows.

Mutual funds: Mutual funds have been valued using unadjusted quoted prices from active markets and therefore have been classified as Level 1.

Assets measured at fair value on a recurring basis at December 31, 2022 December 31, 2023 and 2021, 2022, segregated by fair value hierarchy level, are summarized below:

		Fair Value Measurement			
		Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2022:		(Dollars in thousands)			
December 31, 2023:	**December 31, 2023:**	(Dollars in thousands)			
Investment securities available-for-sale	Investment securities available-for-sale				
Investment securities available-for-sale					
Debt securities:	Debt securities:				
U.S. Government-sponsored enterprises					
U.S. Government-sponsored enterprises					
U.S. Government-sponsored enterprises	U.S. Government-sponsored enterprises	$ 39,245	$ 2,551	$ 36,694	$ —
Agency MBS	Agency MBS	164,432	—	164,432	—
State and political subdivisions	State and political subdivisions	40,466	—	40,466	—
Corporate	Corporate	6,124	—	6,124	—
Total debt securities	Total debt securities	$250,267	$ 2,551	$ 247,716	$ —
Other investments:	Other investments:				
Other investments:					
Other investments:					
Mutual funds					
Mutual funds					
Mutual funds	Mutual funds	$ 1,264	$ 1,264	$ —	$ —
December 31, 2021:		(Dollars in thousands)			
December 31, 2022:					
December 31, 2022:					
December 31, 2022:		(Dollars in thousands)			
Investment securities available-for-sale	Investment securities available-for-sale				
Debt securities:	Debt securities:				

Debt securities:

Debt securities:

U.S. Government-sponsored enterprises

U.S. Government-sponsored enterprises

U.S. Government-sponsored enterprises	U.S. Government-sponsored enterprises	$ 36,638	$ 2,875	$ 33,763	$ —
Agency MBS	Agency MBS	178,250	—	178,250	—
State and political subdivisions	State and political subdivisions	45,254	—	45,254	—
Corporate	Corporate	7,677	—	7,677	—
Total debt securities	Total debt securities	$267,819	$ 2,875	$ 264,944	$ —
Other investments:	Other investments:				

Other investments:

Other investments:

Mutual funds

Mutual funds

Mutual funds	Mutual funds	$ 1,132	$ 1,132	$ —	$ —

There were no transfers in or out of Levels 1 and 2 during the years ended December 31, 2022 December 31, 2023 and 2021, 2022, nor were there any Level 3 assets at any time during those periods. Certain other assets and liabilities are measured at fair value on a nonrecurring basis, that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). Assets and liabilities measured at fair value on a nonrecurring basis in periods after initial recognition, such as collateral-dependent impaired collateral dependent individually evaluated loans and MSRs, were not considered material at December 31, 2022 December 31, 2023 or 2021. 2022. The Company has not elected to apply the fair value method to any financial assets or liabilities other than those situations where other accounting pronouncements require fair value measurements.

FASB ASC Topic 825*, Financial Instruments,* requires disclosure of the estimated fair value of financial instruments. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for

the Company's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Management's estimates and assumptions are inherently subjective and involve uncertainties and matters of significant judgment. Changes in assumptions could dramatically affect the estimated fair values.

Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. Certain financial instruments and all nonfinancial instruments may be excluded from disclosure requirements. Thus, the aggregate fair value amounts presented may not necessarily represent the actual underlying fair value of such instruments of the Company.

As of the balance sheet dates, the estimated fair values and related carrying amounts of the Company's significant financial instruments were as follows:

	December 31, 2022				
		Fair Value Measurement			
	Carrying Amount	Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(Dollars in thousands)				
	December 31, 2023				December 31, 2023

	Carrying Amount	Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		Fair Value Measurement			
	(Dollars in thousands)				
Financial assets					
Cash and cash equivalents					
Cash and cash equivalents	$ 37,885	$ 37,885	$ 37,885	$ —	$ —
Interest bearing deposits in banks	16,428	16,428	—	16,428	—
Investment securities	251,531	251,531	3,815	247,716	—
Loans held for sale	1,178	1,202	—	1,202	—
Loans, net					
Residential real estate					
Residential real estate	350,507	319,066	—	—	319,066
Construction real estate	95,723	94,231	—	—	94,231
Commercial real estate	373,990	358,897	—	—	358,897
Commercial	40,729	38,588	—	—	38,588
Consumer	2,197	2,161	—	—	2,161
Municipal	88,008	86,306	—	—	86,306
Accrued interest receivable	4,163	4,163	—	1,014	3,149
Nonmarketable equity securities	2,816				N/A
Nonmarketable equity securities	3,199	N/A			N/A
Financial liabilities					
Deposits					
Noninterest bearing					
Noninterest bearing	286,145	286,145	286,145	—	—
Interest bearing	762,722	762,722	762,722	—	—

Time	Time	153,045	149,166	—	149,166	—
Short-term borrowed funds		50,000	49,997	—	49,997	—
Borrowed funds						
Short-term						
Short-term						
Short-term						
Long-term						
Subordinated notes	Subordinated notes	16,205	14,037	—	14,037	—
Accrued interest payable	Accrued interest payable	354	354	—	354	—

		December 31, 2021				
		Fair Value Measurement				
		Carrying Amount	Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(Dollars in thousands)				

	December 31, 2022					
	Fair Value Measurement					
	Carrying Amount					
	(Dollars in thousands)					

December 31, 2022				
Fair Value Measurement				
Carrying Amount	Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(Dollars in thousands)				

Financial assets	Financial assets					
Cash and cash equivalents						
Cash and cash equivalents						
Cash and cash equivalents	Cash and cash equivalents	$ 65,922	$ 65,922	$65,922	$ —	$ —
Interest bearing deposits in banks	Interest bearing deposits in banks	13,196	13,196	—	13,196	—
Investment securities	Investment securities	268,951	268,951	4,007	264,944	—
Loans held for sale	Loans held for sale	13,829	14,088	—	14,088	—
Loans, net	Loans, net					

Residential real estate					
Residential real estate					
Residential real estate	244,980	246,573	—	—	246,573
Construction real estate	64,370	64,539	—	—	64,539
Commercial real estate	340,066	341,451	—	—	341,451
Commercial	49,558	48,682	—	—	48,682
Consumer	2,367	2,350	—	—	2,350
Municipal	78,078	78,748	—	—	78,748
Accrued interest receivable	3,248	3,248	—	734	2,514
Nonmarketable equity securities	1,164				N/A
Nonmarketable equity securities	2,816	N/A			N/A
Financial liabilities					
Deposits					
Deposits					
Deposits					
Noninterest bearing					
Noninterest bearing					
Noninterest bearing	264,888	264,888	264,888	—	—
Interest bearing	723,479	723,479	723,479	—	—
Time	106,715	106,588	—	106,588	—
Short-term borrowed funds					
Short-term borrowed funds					
Short-term borrowed funds					
Subordinated notes	16,171	16,179	—	16,179	—
Subordinated notes					
Subordinated notes					
Accrued interest payable	225	225	—	225	—

The carrying amounts in the preceding tables are included in the consolidated balance sheets under the applicable captions.

Note 21. Transactions with Related Parties

The Company has had, and is expected to have in the future, banking transactions in the ordinary course of business with principal stockholders, directors, principal officers, their immediate families and affiliated companies in which they are principal stockholders (commonly referred to as related parties). In the opinion of management, these transactions were made on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not represent more than the normal risk of collectability or present other unfavorable features.

Aggregate loan transactions with related parties for the years ended December 31 were as follows:

	2022	2021	2023	2022
	(Dollars in thousands)			
	(Dollars in thousands)		(Dollars in thousands)	
Balance, January 1,	$1,146	$ 731		

New loans and advances on lines	New loans and advances on lines	1,032	2,050
Repayments	Repayments	(957)	(1,635)
Other, net	Other, net	(929)	—
Balance, December 31,	Balance, December 31,	$ 292	$1,146
Balance available on lines of credit or loan commitments	Balance available on lines of credit or loan commitments	$ 133	$ 571

There were no loans to related parties that were past due, in nonaccrual status or that had been restructured to provide a reduction or deferral of interest or principal because of deterioration in the financial position of the borrower, or that were considered classified at December 31, 2022 December 31, 2023 or 2021. 2022.

Deposit accounts of related parties were $1.3 million and $1.0 million at December 31, 2023 and $2.2 million at December 31, 2022 and 2021, 2022, respectively. Union's Wealth Management Group also had invested $139 $77 thousand and $204 $139 thousand in certificates of deposit with Union at December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

Note 22. Regulatory Capital Requirements

The Company (on a consolidated basis) and Union are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Company's and Union's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and Union must meet specific capital guidelines that involve quantitative measures of assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The Company's and Union's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Under the current guidelines, banking organizations must have a minimum total risk-based capital ratio of 8.0%, a minimum Tier I risk-based capital ratio of 6.0%, a minimum common equity Tier I risk-based capital ratio of 4.5%, and a minimum leverage ratio of 4.0% in order to be "adequately capitalized." In addition to these requirements, banking organizations must maintain a 2.5% capital conservation buffer consisting of common Tier I equity, increasing the minimum required total risk-based capital, Tier I risk-based and common equity Tier I capital to risk-weighted assets they must maintain to avoid limits on capital distributions and certain bonus payments to executive officers and similar employees.

The Economic Growth, Regulatory Relief and Consumer Protection Act of 2018 directed the federal banking regulators to adopt rules providing for a simplified regulatory capital framework for qualifying community banking organizations. In September 2019, the banking regulators finalized a rule that introduced the community bank leverage ratio (CBLR) framework as an optional simplified measure of capital adequacy for qualifying institutions. Beginning with the March 31, 2020 regulatory capital calculation, a banking organization with a Tier I leverage ratio greater than 9.0%, less than $10 billion in average consolidated assets, and limited amounts of off-balance sheet exposures and trading assets and liabilities may opt into the CBLR framework and will be deemed "well capitalized" and will not be required to report or calculate risk-based capital. A community banking organization that does not meet the requirements for use of the simplified CBLR framework will continue to calculate its regulatory capital ratios under existing guidelines. As of December 31, 2022 December 31, 2023, the Tier I leverage ratio was 6.66% 6.51% and 7.84% 7.62% for the Company and Union, respectively.

The Company and Union's risk-based capital ratios exceeded regulatory guidelines at December 31, 2022 December 31, 2023 and 2021, 2022, and, specifically, Union was "well capitalized" under Prompt Corrective Action provisions for each period. There were no conditions or events known to management that occurred subsequent to December 31, 2022 December 31, 2023 and prior to the publication of these financial statements that would change the Company's or Union's regulatory capital categorization.

Union's and the Company's regulatory capital amounts and ratios as of the balance sheet dates are presented in the following tables:

		Actual		**For Capital Adequacy Purposes**		**To Be Well Capitalized Under Prompt Corrective Action Provisions**	
As of December 31, 2022		**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
Company:	Company:			(Dollars in thousands)			

	Actual		**For Capital Adequacy Purposes**		**To Be Well Capitalized Under Prompt Corrective Action Provisions**	
As of December 31, 2023	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
Company:			(Dollars in thousands)			

Total capital to risk weighted assets	Total capital to risk weighted assets	$114,959	13.98 %	$65,785	8.00 %	N/A	Total capital to risk weighted assets	$119,577	13.34	13.34 %	$71,710	8.00	8.00 %	
Tier 1 capital to risk weighted assets	Tier 1 capital to risk weighted assets	90,415	11.00 %	49,317	6.00 %	N/A	Tier 1 capital to risk weighted assets	95,539	10.66	10.66 %	53,774	6.00	6.00 %	
Common Equity Tier 1 to risk weighted assets	Common Equity Tier 1 to risk weighted assets	90,415	11.00 %	36,988	4.50 %	N/A	Common Equity Tier 1 to risk weighted assets	95,539	10.66	10.66 %	40,331	4.50	4.50 %	
Tier 1 capital to average assets	Tier 1 capital to average assets	90,415	6.66 %	54,303	4.00 %	N/A	Tier 1 capital to average assets	95,539	6.51	6.51 %	58,703	4.00	4.00 %	

Union: Union:

Union:

Union:

Total capital to risk weighted assets

Total capital to risk weighted assets

Total capital to risk weighted assets	Total capital to risk weighted assets	$114,618	13.95 %	$65,731	8.00 %	$82,163	10.00 %		$ 119,652	13.35	13.35 %	$ 71,702	8.00	8.00 %	$ 89,627	10.00	10.00 %	
Tier 1 capital to risk weighted assets	Tier 1 capital to risk weighted assets	106,279	12.94 %	49,279	6.00 %	65,706	8.00 %	Tier 1 capital to risk weighted assets	111,854	12.48	12.48 %	53,776	6.00	6.00 %	71,701	8.00	8.	
Common Equity Tier 1 to risk weighted assets	Common Equity Tier 1 to risk weighted assets	106,279	12.94 %	36,959	4.50 %	53,386	6.50 %	Common Equity Tier 1 to risk weighted assets	111,854	12.48	12.48 %	40,332	4.50	4.50 %	58,257	6.50	6.	
Tier 1 capital to average assets	Tier 1 capital to average assets	106,279	7.84 %	54,224	4.00 %	67,780	5.00 %	Tier 1 capital to average assets	111,854	7.62	7.62 %	58,716	4.00	4.00 %	73,395	5.00	5.	

	Actual		For Capital Adequacy Purposes		To be Well Capitalized Under Prompt Corrective Action Provisions		Actual	For Capital Adequacy Purposes	To be Well Capitalized Unde Prompt Correctiv Action Provision
As of December 31, 2021	Amount	Ratio	Amount	Ratio	Amount	Ratio			

As of December 31, 2022								As of December 31, 2022	Amount	Ratio		Amount	Ratio		Amount	Rati	
Company:	Company:	(Dollars in thousands)						Company:	(Dollars in thousands)								
Total capital to risk weighted assets	Total capital to risk weighted assets	$108,175	15.39 %	$56,231	8.00 %		N/A	Total capital to risk weighted assets	$114,959	13.98	13.98 %	$65,785	8.00	8.00 %			
Tier 1 capital to risk weighted assets	Tier 1 capital to risk weighted assets	83,668	11.90 %	42,186	6.00 %		N/A	Tier 1 capital to risk weighted assets	90,415	11.00	11.00 %	49,317	6.00	6.00 %			
Common Equity Tier 1 to risk weighted assets	Common Equity Tier 1 to risk weighted assets	83,668	11.90 %	31,639	4.50 %		N/A	Common Equity Tier 1 to risk weighted assets	90,415	11.00	11.00 %	36,988	4.50	4.50 %			
Tier 1 capital to average assets	Tier 1 capital to average assets	83,668	7.12 %	47,004	4.00 %		N/A	Tier 1 capital to average assets	90,415	6.66	6.66 %	54,303	4.00	4.00 %			
Union:	Union:																
Union:																	
Union:																	
Total capital to risk weighted assets																	
Total capital to risk weighted assets																	
Total capital to risk weighted assets	Total capital to risk weighted assets	$107,480	15.31 %	$56,162	8.00 %	$70,202	10.00 %		$ 114,618	13.95	13.95 %	$ 65,731	8.00	8.00 %	$ 82,163	10.00	10.00 %
Tier 1 capital to risk weighted assets	Tier 1 capital to risk weighted assets	99,144	14.12 %	42,129	6.00 %	56,172	8.00 %	Tier 1 capital to risk weighted assets	106,279	12.94	12.94 %	49,279	6.00	6.00 %	65,706	8.00	8.
Common Equity Tier 1 to risk weighted assets	Common Equity Tier 1 to risk weighted assets	99,144	14.12 %	31,597	4.50 %	45,640	6.50 %	Common Equity Tier 1 to risk weighted assets	106,279	12.94	12.94 %	36,959	4.50	4.50 %	53,386	6.50	6.
Tier 1 capital to average assets	Tier 1 capital to average assets	99,144	8.44 %	46,988	4.00 %	58,735	5.00 %	Tier 1 capital to average assets	106,279	7.84	7.84 %	54,224	4.00	4.00 %	67,780	5.00	5.

Dividends paid by Union are the primary source of funds available to the Company for payment of dividends to its stockholders. Union is subject to certain requirements imposed by federal banking laws and regulations, which among other things, establish minimum levels of capital and restrict the amount of dividends that may be distributed by Union to the Company.

Note 23. Treasury Stock

The basis for the carrying value of the Company's treasury stock is the purchase price of the shares at the time of purchase. The Company maintains a limited stock repurchase plan which authorizes the repurchase of up to 2,500 shares of its common stock each calendar quarter in open market purchases or privately negotiated transactions, as management may deem advisable and as market conditions may warrant. The repurchase authorization for a calendar quarter expires at the end of that quarter to the extent it has not been exercised, and is not carried forward into future quarters. The quarterly repurchase program, which was initially adopted in 2010, was most recently reauthorized in January December 2023 and will expire on December 31, 2023 December 31, 2024 unless reauthorized. The Company repurchased 5,700 shares, at a total cost of $129 thousand, under this program during 2023, while 2,650 shares, at a total cost of $79 thousand under this program during 2022, while 97 shares, at a total cost of $2 thousand were repurchased under the program during 2021. 2022. Since inception, the Company had repurchased 20,440 26,140 shares of its common stock as of December 31, 2022 December 31, 2023, at prices ranging from $17.86 to $48.82 per share and at a total cost of $553 $682 thousand. The Company also repurchased 30 shares outside of the limited stock repurchase program at a cost of $1 thousand during 2023.

The Company maintains a Dividend Reinvestment and Stock Purchase Plan (DRIP) whereby registered stockholders may elect to reinvest cash dividends and optional cash contributions to purchase additional shares of the Company's common stock. The Company has reserved 200,000 shares of its common stock for issuance and sale under the DRIP. As of December 31, 2022 December 31, 2023, 7,583 10,749 shares of stock had been issued from treasury stock under the DRIP, since inception of the Plan in 2016.

Note 24. Other Comprehensive Loss Income (Loss)

The components of Accumulated OCI, net of tax, at December 31 were:

		2022	2021
		(Dollars in thousands)	
Net unrealized loss on investment securities AFS	$	(37,419) $	(1,552)

		2023	2022
		(Dollars in thousands)	
Net unrealized loss on investment securities AFS	$	(31,955) $	(37,419)

The following table discloses the tax effects allocated to each component of OCI for the years ended:

	December 31, 2022			December 31, 2021		
	Before-Tax Amount	Tax Benefit/ Expense	Net-of-Tax Amount	Before-Tax Amount	Tax Benefit	Net-of-Tax Amount
	(Dollars in thousands)					
	Before-Tax Amount					
	Before-Tax Amount					
	Before-Tax Amount					
	(Dollars in thousands)					
Investment securities AFS:	Investment securities AFS:					
Net unrealized holding losses arising during the year on investment securities AFS	$ (45,370)	$ 9,528	$ (35,842)	$ (5,300)	$ 1,112	$ (4,188)
Net unrealized holding gains (losses) arising during the year on investment securities AFS						
Net unrealized holding gains (losses) arising during the year on investment securities AFS						
Net unrealized holding gains (losses) arising during the year on investment securities AFS						

Reclassification adjustment for net gains on investment securities AFS realized in net income

Reclassification adjustment for net gains on investment securities AFS realized in net income

Reclassification adjustment for net gains on investment securities AFS realized in net income	Reclassification adjustment for net gains on investment securities AFS realized in net income	(31)	6	(25)	—	—	—
Total other comprehensive loss		$(45,401)	$ 9,534	$(35,867)	$(5,300)	$1,112	$(4,188)

Total other comprehensive income (loss)

Total other comprehensive income (loss)

Total other comprehensive income (loss)

The following table discloses information concerning the reclassification adjustments from OCI for the years ended December 31:

Reclassification Adjustment Description	Reclassification Adjustment Description	2022	2021	Affected Line Item in Consolidated Statements of Income
		(Dollars in thousands)		
Investment securities available-for-sale:				
Net gains on investment securities AFS	Net gains on investment securities AFS	$(31)	$ —	Net gains on sales of investment securities available-for-sale
Tax expense	Tax expense	6	—	Provision for income taxes
Total reclassifications	Total reclassifications	$(25)	$ —	Net income

Reclassification Adjustment Description		2023	2022	Affected Line Item in Consolidated Statements of Income	
Reclassification Adjustment Description					
(Dollars in thousands)					
Investment securities AFS:					
Investment securities AFS:					
Investment securities AFS:					
Net gains on investment securities AFS					
Net gains on investment securities AFS					
	$ —	$ (31)		Net gains on sales of investment securities AFS	Net gains on sales of investment securities AFS
	Tax expense —	6	6	Provision for income taxes	Provision for income taxes

Total reclassifications			
Total reclassifications	$ —	$ (25)	Net income

Note 25. Subsequent Events

Events occurring subsequent to December 31, 2022 December 31, 2023 have been evaluated as to their potential impact on the consolidated financial statements.

On January 18, 2023 January 17, 2024, the Board of Directors Company declared a regular quarterly cash dividend of $0.36 per share, for the quarter, an increase of 2.9% from the cash dividend of $0.35 paid in recent prior quarters. The dividend is payable February 2, 2023 February 1, 2024 to shareholders of record as of January 28, 2023 on January 27, 2024.

Note 26. Condensed Financial Information (Parent Company Only)

The following condensed financial statements are for Union Bankshares, Inc. (Parent Company Only), and should be read in conjunction with the consolidated financial statements of Union Bankshares, Inc. and Subsidiary.

UNION BANKSHARES, INC. (PARENT COMPANY ONLY)
CONDENSED BALANCE SHEETS
December 31, 2022 2023 and 2021 2022

		2022	2021		2023	2022	
		(Dollars in thousands)					
	(Dollars in thousands)						(Dollars in thousands)
ASSETS	ASSETS			ASSETS			
Cash	Cash	$ 156	$ 342				
Other investments							
Other investments							
Other investments	Other investments	75	73				
Investment in subsidiary - Union	Investment in subsidiary - Union	71,083	99,817				
Other assets	Other assets	644	837				
Total assets	Total assets	$71,958	$101,069				
LIABILITIES AND STOCKHOLDERS' EQUITY	LIABILITIES AND STOCKHOLDERS' EQUITY			LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES	LIABILITIES			LIABILITIES			
Subordinated notes	Subordinated notes	$16,205	$ 16,171				
Accrued interest and other liabilities	Accrued interest and other liabilities	533	557				
Total liabilities	Total liabilities	16,738	16,728				
STOCKHOLDERS' EQUITY	STOCKHOLDERS' EQUITY			STOCKHOLDERS' EQUITY			
Common stock, $2.00 par value; 7,500,000 shares authorized; 4,982,523 shares issued at December 31, 2022 and 4,967,093 shares issued at December 31, 2021		9,965	9,934				

Common stock, $2.00 par value; 7,500,000 shares authorized; 4,995,348 shares issued at December 31, 2023 and 4,982,523 shares issued at December 31, 2022			
Additional paid-in capital	Additional paid-in capital	2,225	1,769
Retained earnings	Retained earnings	84,669	78,350
Treasury stock at cost; 473,936 shares at December 31, 2022 and 473,438 shares at December 31, 2021		(4,220)	(4,160)
Treasury stock at cost; 476,500 shares at December 31, 2023 and 473,936 shares at December 31, 2022			
Accumulated other comprehensive loss	Accumulated other comprehensive loss	(37,419)	(1,552)
Total stockholders' equity	Total stockholders' equity	55,220	84,341
Total liabilities and stockholders' equity	Total liabilities and stockholders' equity	$71,958	$101,069

The investment in subsidiary is carried under the equity method of accounting. The investment in subsidiary and cash, which is on deposit with Union, have been eliminated in consolidation.

UNION BANKSHARES, INC. (PARENT COMPANY ONLY)
CONDENSED STATEMENTS OF INCOME
Years Ended December 31, 2022 December 31, 2023 and 2021 2022

		2022	2021	
Revenues				
Revenues				
Revenues	Revenues	(Dollars in thousands)		(Dollars in thousands)
Dividends - bank subsidiary - Union	Dividends - bank subsidiary - Union	$ 6,850	$ 5,400	
Other income	Other income	20	26	
Other income				
Other income				
Total revenues	Total revenues	6,870	5,426	
Total revenues				
Total revenues				
Expenses				
Expenses				

Expenses	Expenses		
Interest on subordinated notes	Interest on subordinated notes	569	200
Interest on subordinated notes			
Interest on subordinated notes			
Administrative and other			
Administrative and other			
Administrative and other	Administrative and other	544	600
Total expenses	Total expenses	1,113	800
Total expenses			
Total expenses			
Income before applicable income tax benefit and equity in undistributed net income of subsidiary			
Income before applicable income tax benefit and equity in undistributed net income of subsidiary			
Income before applicable income tax benefit and equity in undistributed net income of subsidiary	Income before applicable income tax benefit and equity in undistributed net income of subsidiary	5,757	4,626
Applicable income tax benefit	Applicable income tax benefit	(233)	(164)
Applicable income tax benefit			
Applicable income tax benefit			
Income before equity in undistributed net income of subsidiary			
Income before equity in undistributed net income of subsidiary			
Income before equity in undistributed net income of subsidiary	Income before equity in undistributed net income of subsidiary	5,990	4,790
Equity in undistributed net income - Union	Equity in undistributed net income - Union	6,625	8,380
Equity in undistributed net income - Union			
Equity in undistributed net income - Union			
Net income	Net income	$ 12,615	$ 13,170
Net income			
Net income			

UNION BANKSHARES, INC. (PARENT COMPANY ONLY)
CONDENSED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2022 December 31, 2023 and 2021 2022

		2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES	CASH FLOWS FROM OPERATING ACTIVITIES	(Dollars in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES			
CASH FLOWS FROM OPERATING ACTIVITIES		(Dollars in thousands)	
Net income	Net income	$12,615	$13,170

Adjustments to reconcile net income to net cash provided by operating activities:	Adjustments to reconcile net income to net cash provided by operating activities:		
Adjustments to reconcile net income to net cash provided by operating activities:			
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed net income of Union			
Equity in undistributed net income of Union			
Equity in undistributed net income of Union	Equity in undistributed net income of Union	(6,625)	(8,380)
Net losses (gains) on other investments		10	(6)
Net (gains) losses on other investments			
Net (gains) losses on other investments			
Net (gains) losses on other investments			
Amortization of debt issuance costs			
Amortization of debt issuance costs			
Amortization of debt issuance costs	Amortization of debt issuance costs	34	11
Decrease in other assets	Decrease in other assets	193	32
(Decrease) increase in other liabilities		(86)	76
Decrease in other assets			
Decrease in other assets			
Increase (decrease) in other liabilities			
Increase (decrease) in other liabilities			
Increase (decrease) in other liabilities			
Net cash provided by operating activities			
Net cash provided by operating activities			
Net cash provided by operating activities	Net cash provided by operating activities	6,141	4,903

CASH FLOWS FROM INVESTING ACTIVITIES	CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in Union		—	(15,000)
CASH FLOWS FROM INVESTING ACTIVITIES			
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of other investments			
Purchases of other investments			
Purchases of other investments	Purchases of other investments	(12)	(7)
Net cash used in investing activities	Net cash used in investing activities	(12)	(15,007)
Net cash used in investing activities			
Net cash used in investing activities			
CASH FLOWS FROM FINANCING ACTIVITIES	CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of subordinated notes		—	16,500
Debt issuance costs incurred with issuance of subordinated notes		—	(340)
CASH FLOWS FROM FINANCING ACTIVITIES			
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	Dividends paid	(6,236)	(5,877)
Issuance of common stock		—	72
Dividends paid			
Dividends paid			
Purchase of treasury stock	Purchase of treasury stock	(79)	(2)
Net cash (used in) provided by financing activities		(6,315)	10,353
Net (decrease) increase in cash		(186)	249
Purchase of treasury stock			
Purchase of treasury stock			
Net cash used in financing activities			
Net cash used in financing activities			
Net cash used in financing activities			
Net decrease in cash			
Net decrease in cash			

Net decrease in cash			
Cash, beginning of year			
Cash, beginning of year			
Cash, beginning of year	Cash, beginning of year	342	93
Cash, end of year	Cash, end of year	$ 156	$ 342
Cash, end of year			
Cash, end of year			
Supplemental Disclosures of Cash Flow Information			
Supplemental Disclosures of Cash Flow Information			
Supplemental Disclosures of Cash Flow Information	**Supplemental Disclosures of Cash Flow Information**		
Interest paid	Interest paid	$ 578	$ 12
Interest paid			
Interest paid			
Dividends paid on Common Stock:			
Dividends paid on Common Stock:			
Dividends paid on Common Stock:	**Dividends paid on Common Stock:**		
Dividends declared	Dividends declared	$ 6,296	$ 5,917
Dividends declared			
Dividends declared			
Dividends reinvested	Dividends reinvested	(60)	(40)
		$ 6,236	$ 5,877
Dividends reinvested			
Dividends reinvested			
		$	
		$	
		$	

Note 27. Quarterly Financial Data (Unaudited)

A summary of consolidated financial data for each of the four quarters of 2022 2023 and 2021 2022 is presented below:

		Quarters in 2022 Ended				Quarters in 2023 Ended				
		March 31,	June 30,	Sept. 30,	Dec 31,	March 31,	June 30,	Sept. 30,	Dec 31,	
		(Dollars in thousands, except per share data)								
	(Dollars in thousands, except per share data)									(Dollars in thousands, except per share data)
Interest and dividend income	Interest and dividend income	$9,726	$10,404	$11,463	$12,355					
Interest expense	Interest expense	763	733	1,023	2,005					

Net interest income	Net interest income	8,963	9,671	10,440	10,350
Credit loss expense (benefit)					
Noninterest income	Noninterest income	2,055	2,165	2,467	2,300
Noninterest expenses	Noninterest expenses	8,114	8,295	8,366	8,389
Net income	Net income	2,482	2,931	3,758	3,444
Basic earnings per common share	Basic earnings per common share	$ 0.55	$ 0.65	$ 0.84	$ 0.77
Diluted earnings per common share	Diluted earnings per common share	$ 0.55	$ 0.65	$ 0.83	$ 0.76

		Quarters in 2021 Ended				Quarters in 2022 Ended			
		March 31,	June 30,	Sept. 30,	Dec 31,	March 31,	June 30,	Sept. 30,	Dec 31,
		(Dollars in thousands, except per share data)							
	(Dollars in thousands, except per share data)					(Dollars in thousands, except per share data)			
Interest and dividend income	Interest and dividend income	$9,500	$9,898	$9,852	$10,023				
Interest expense	Interest expense	1,101	979	706	779				
Net interest income	Net interest income	8,399	8,919	9,146	9,244				
Provision (credit) for loan losses		150	75	—	(225)				
Noninterest income									
Noninterest income									
Noninterest income	Noninterest income	2,621	3,139	4,201	3,002				
Noninterest expenses	Noninterest expenses	7,453	8,389	8,548	8,465				
Net income	Net income	2,876	2,991	3,925	3,378				
Basic earnings per common share	Basic earnings per common share	$ 0.64	$ 0.67	$ 0.87	$ 0.76				
Diluted earnings per common share	Diluted earnings per common share	$ 0.64	$ 0.66	$ 0.87	$ 0.75				

Note 28. Other Noninterest Income and Other Noninterest Expenses

There are no components of other noninterest income that were in excess of one percent of total revenues for the years ended December 31, 2022 December 31, 2023 and 2021. 2022. The components of other noninterest expenses which are in excess of one percent of total revenues for the years ended December 31, 2022 December 31, 2023 and 2021 2022 were as follows:

			2022		2021	
			2023			
			2023			
			2023			
Expenses						
Expenses						
Expenses	Expenses		(Dollars in thousands)			(Dollars in thousands)
Vermont franchise tax	Vermont franchise tax	$	1,087	$	968	
Vermont franchise tax						
Vermont franchise tax						
Professional fees						
Professional fees						
Professional fees	Professional fees		877		922	
ATM network and debit card expense	ATM network and debit card expense		980		898	
ATM network and debit card expense						
ATM network and debit card expense						
FDIC insurance assessment	FDIC insurance assessment		622		644	
FDIC insurance assessment						
FDIC insurance assessment						
Advertising and public relations						
Advertising and public relations						
Advertising and public relations	Advertising and public relations		617		530	
Director and advisory board fees			519		524	
Other expenses						
Other expenses						
Other expenses	Other expenses		3,744		3,991	
Total other expenses	Total other expenses	$	8,446	$	8,477	
Total other expenses						
Total other expenses						

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Union Bankshares, Inc. and Subsidiary

Opinions

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Union Bankshares, Inc. and Subsidiary (the Company) as of December 31, 2022 December 31, 2023 and 2021, 2022, and the related consolidated statements of income, comprehensive income (loss) income, , changes in stockholders' equity, and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2022 December 31, 2023 and 2021, 2022, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

We have also audited, in accordance with U.S. generally accepted auditing standards, the Company's internal control over financial reporting as of December 31, 2022 December 31, 2023, based on criteria established in the Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 24, 2023 March 25, 2024, expressed an unmodified opinion.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company has changed its method of accounting for the recognition and measurement of credit losses as of January 1, 2023 due to the adoption of Financial Accounting Standards Board Accounting Standards Codification Topic 326, *Financial Instruments – Credit Losses*.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Maine n New Hampshire n Massachusetts n Connecticut n West Virginia n Arizona n Puerto Rico

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Union Bankshares, Inc. and Subsidiary
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Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements, and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

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Allowance for Loan Credit Losses on Loans and Off-Balance Sheet Credit Exposures

As described in Notes 1, 6 and 7 to the Company's consolidated financial statements, the Company has a gross loan portfolio of $958.2 million and $1.02 billion, related allowance for loan credit losses on loans of $8.3 million $6.6 million and an allowance for credit losses on off-balance sheet credit exposures of $1.2 million as of December 31, 2022 December 31, 2023. The Company's allowance for loan credit losses is a on loans and off-balance sheet credit exposures are material and complex estimate estimates requiring significant management judgment in the evaluation of the credit quality and the estimation of inherent losses within the loan portfolio. portfolio and off-balance sheet credit exposures.

The allowance for credit losses on loans represents the Company's estimate of expected credit losses over the expected life of the loans at the balance sheet date. The allowance for credit losses on loans is comprised of reserves measured on a collective (pool) basis based on a lifetime loss-rate model when similar risk characteristics exist. Loans that do not share risk characteristics are evaluated on an individual basis.

For reserves measured on a collective (pool) basis, the Company uses the discounted cash flow method to estimate expected credit losses for all loan pools. For each of the loan segments, the Company generates cash flow projections at the instrument level wherein payment expectations are adjusted for estimated prepayment speed, curtailments, time to recovery, and loss rates. The modeling of expected prepayment speeds, curtailment rates, and time to recovery are based on historical benchmark data. The Company uses regression analysis of historical internal and peer data to determine suitable loss drivers to utilize when modeling lifetime loss rates. The Company also incorporates a reasonable and supportable forecast period, which reverts back to a historical loss rate. The combination of adjustments for credit expectations (default and loss) and timing expectations (prepayment, curtailment, and time to recovery) produces an expected cash flow stream at the instrument level that represents the sum of expected losses to determine the estimated allowance for credit losses on loans. The allowance for credit losses on loans evaluation also considers various qualitative factors, including changes in policy and/or underwriting standards, actual or expected changes in economic trends and conditions, changes in the nature and volume of the portfolio, changes in credit and lending staff/administration, problem loan trends, credit risk concentrations, loan review results, changes in the value of underlying collateral for loans, and changes in the regulatory and business environment.

The allowance for credit losses on off-balance sheet credit exposures represents the estimate of probable credit losses inherent in unfunded commitments to extend credit as of the balance sheet date. Unfunded commitments to extend credit include unused portions of lines of credit, commitments to originate loans and standby and commercial letters of credit. The process used to determine the allowance for loan credit losses for these exposures is based consistent with the process for determining the allowance for credit losses on management's periodic evaluation loans, as adjusted for estimated funding probabilities.

Board of the loan portfolio, credit concentrations, trends in historical loss experience, estimated value of any underlying collateral,specific impaired loans Directors and economic conditions. Stockholders
Union Bankshares, Inc. and Subsidiary
Page 3

Changes in these judgments and assumptions could have a material effect on the Company's financial results. The allowance for loan losses includes a general reserve which is determined based on the results of a quantitative and a qualitative analysis of all loans not measured for impairment at the reporting date.

The general component of the allowance for loan losses is based on historical loss experience, adjusted for qualitative factors, for each class of loans with similar risk characteristics. The Company considers relevant credit quality indicators for each loan class, stratifies loans by risk rating, and estimates losses for each loan class based upon their nature and risk profile. This process requires significant management judgment in the review of the loan portfolio and assignment of risk ratings based upon the characteristics of loans. The qualitative factors determined for each loan class are subjectively selected by management using certain objective measurements period over period. The qualitative factors are adjusted based on management's assessment and include changes in loan underwriting, economic and market conditions, portfolio composition, collateral values, delinquencies, lender experience and legal and regulatory issues. Auditing these complex judgments and assumptions involves especially challenging auditor judgment due to the nature and extent of audit evidence and effort required to address these matters, including the extent of specialized skill or knowledge needed.

The primary procedures we performed to address this critical audit matter included:

- Testing the design of controls relating to management's review of loans, assignment of risk ratings,and consistency of application of accounting policies.
- Evaluating the reasonableness of judgments, assumptions, and sources of data used by management in forming the qualitative loss factors its expected cash flow streams by performing retrospective review of historic loan loss experience and analyzing data used in developing the judgments and assumptions, including assessment of whether there were additional qualitative considerations sources of data relevant to the loan portfolio. portfolio not used by management.
- Comparing the judgments and assumptions documented by management to the allowance for credit loss model for consistency.
- Evaluating the appropriateness of inputs and factors that the Company used in forming the qualitative loss factors and assessing whether such inputs and factors were relevant, reliable, and reasonable for the purpose used.
- Evaluating the appropriateness of estimated funding probabilities used in the calculation of the allowance for credit losses on off-balance sheet credit exposures.
- Evaluating the appropriateness of the Company's loan risk rating policy and testing the consistency of its application.
- Evaluating the appropriateness of specific reserves for impaired individually evaluated loans.
- Verifying the mathematical accuracy and computation of the allowance for loan credit losses on loans and off-balance sheet credit exposures by re-performing or independently calculating significant elements of the allowance for loan credit losses on loans and off-balance sheet credit exposures based on relevant source documents.

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Berry Dunn McNeil & Parker, LLC

We have served as the Company's auditor since 2009.

Manchester, New Hampshire
March 24, 2023 25, 2024

Vermont Registration No. 92-0000278
PCAOB registration No. 136

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. The Company's Chief Executive Officer and Chief Financial Officer, with the assistance of the Disclosure Control Committee, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of

December 31, 2022 December 31, 2023. Based on this evaluation they concluded that those disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files with the Commission is accumulated and communicated to the Company's management, including its principal executive and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required information.

Management's Report on Internal Control Over Financial Reporting. The Company's management is responsible for establishing and maintaining adequate internal controls over financial reporting, as such term is defined in the Securities Exchange Act Rule 13a-15(f). The Company's management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the Company's internal control over financial reporting based on the *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework). Based on the evaluation, the Company's management concluded that the Company's internal control over financial reporting was effective as of December 31, 2022 December 31, 2023.

This annual report on Form 10-K does not include Berry Dunn McNeil & Parker, LLC, an attestation report of the Company's independent registered public accounting firm, regarding which has audited and reported on the consolidated financial statements contained in this Annual Report on Form 10-K, has issued its written audit report on the Company's internal control over financial reporting. Management's This report was not subject to attestation by the Company's independent registered public accounting firm pursuant to permanent relief from such requirement accorded to smaller reporting companies. can be found on page 93.

There were no changes in the Company's internal controls over financial reporting during the fourth quarter of 2022 2023 that have materially affected, or that are reasonably likely to materially affect, the Company's internal controls over financial reporting. While the Company believes that its existing disclosure controls and procedures have been effective to accomplish these objectives, the Company intends to continue to examine, refine and formalize its disclosure controls and procedures and to monitor ongoing developments in this area.

Item 9B. Other Information

None

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The following information from the Company's Proxy Statement for the 2023 2024 Annual Meeting of Shareholders is hereby incorporated by reference:

Listing of the names, ages, principal occupations, business experience and specific qualifications of the directors and nominees under the caption “PROPOSAL I: TO ELECT DIRECTORS”.

Listing of the names, ages, titles and business experience of the executive officers and named executives under the caption “EXECUTIVE OFFICERS” and, with respect to the named executive officers who are also directors, under the caption "PROPOSAL I: TO ELECT DIRECTORS".

Information regarding compliance with Section 16(a) of the Securities Exchange Act of 1934 under the caption “SHARE OWNERSHIP INFORMATION - Delinquent Section 16(a) Reports”.

Information regarding the composition and meetings of the Audit Committee, and the Audit Committee financial expert, under the caption "PROPOSAL I: TO ELECT DIRECTORS - Board Committees and Corporate Governance - Audit Committee."

Information regarding the Company's Insider Trading Policy under the caption "PROPOSAL I: TO ELECT DIRECTORS - Board Committees and Corporate Governance - Insider Trading Policy."

The Company has adopted a Code of Ethics for Senior Financial Officers and the Chief Executive Officer and a Code of Ethics for all directors, officers and employees. A request for a copy of either of the Company's Codes of Ethics can be made either in writing to Kristy Adams Alfieri, Assistant Corporate Secretary, Union Bankshares, Inc., PO Box 667, Morrisville, VT 05661,

or by email at ubexec@unionbankvt.com. A copy can also be found on the Company's investor relations page accessed via Union Bank's website at www.ublocal.com. The Company will make any legally required disclosures regarding amendments to, or waivers of provisions of its Codes of Ethics in accordance with the rules and regulations of the SEC including posting the codes on the Company's investor relations page accessed via Union Bank's website at www.ublocal.com.

Item 11. Executive Compensation

The following information from the Company's Proxy Statement for the 2023 2024 Annual Meeting of Shareholders is hereby incorporated by reference:

Information regarding compensation of directors under the caption “PROPOSAL I: TO ELECT DIRECTORS - Directors' Compensation.”

Information regarding executive officer and named executive compensation and benefit plans under the captions - “EXECUTIVE COMPENSATION” and "COMPENSATION COMMITTEE REPORT."

Information regarding management interlocks and certain transactions is omitted, in accordance with the regulatory relief available to smaller reporting companies in Release Nos. 33-10513 and 34-83550.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following information from the Company's Proxy Statement for the 2023 2024 Annual Meeting of Shareholders is hereby incorporated by reference:

Information regarding the share ownership of management and principal shareholders under the caption “SHARE OWNERSHIP INFORMATION - Share Ownership of Management and Principal Holders.”

The following table summarizes certain information regarding securities available for issuance under the Company's equity compensation plans plan as of December 31, 2022 December 31, 2023:

Equity Compensation Plan Information as of December 31, 2022 December 31, 2023:

Plan Category	Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a) (1)	Weighted average exercise price of outstanding options, warrants and rights (b) (2)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c) (3)	Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a) (1)	Weighted average exercise price of outstanding options, warrants and rights (b) (2)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c) (3)
Equity compensation plans approved by security holders	Equity compensation plans approved by security holders	10,890	$ —	87,383				
Equity compensation plans approved by security holders								
Equity compensation plans approved by security holders								
Equity compensation plans not approved by security holders								
Equity compensation plans not approved by security holders								
Equity compensation plans not approved by security holders	Equity compensation plans not approved by security holders	—	—	—		—	—	—
Total	Total	10,890	$ —	87,383	Total	16,313	$ —	69,135

(1) *Represents shares issuable upon vesting of outstanding restricted stock units (“RSUs”) granted under the 2014 Equity Plan, as amended, for which performance conditions have been satisfied but which are also subject to time-based vesting conditions.*

(2) *There were no outstanding stock options; RSUs not included as they do not include an exercise price.*

(3) *All of such shares are available for issuance pursuant to future awards under the 2014 Equity Plan, as amended. amended, prior to the Plan's termination date of May 19, 2024.*

Item 13. Certain Relationships and Related Party Transactions, and Director Independence

The following information from the Company's Proxy Statement for the 2023 2024 Annual Meeting of Shareholders is hereby incorporated by reference:

Information regarding transactions with management and directors under the caption “PROPOSAL I: TO ELECT DIRECTORS - Transactions with Management and Directors.”

Information regarding Director independence under the caption "PROPOSAL I: TO ELECT DIRECTORS - Director Independence."

Item 14. Principal Accountant Fees and Services

The following information from the Company's Proxy Statement for the 2023 2024 Annual Meeting of Shareholders is hereby incorporated by reference:

Information on fees paid to the Independent Auditors set forth under the caption “PROPOSAL 2: 3: RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS - Audit Fees.”

Description of Audit Committee pre-approval guidelines set forth under the caption “PROPOSAL 2: 3: RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS - Audit Committee Preapproval Guidelines.”

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) Documents Filed as Part of this Report:

(1) The following consolidated financial statements are included:

1) Consolidated Balance Sheets at December 31, 2022 December 31, 2023 and 2021 2022
2) Consolidated Statements of Income for the years ended December 31, 2022 December 31, 2023 and 2021 2022
3) Consolidated Statements of Comprehensive Income for the years ended December 31, 2022 December 31, 2023 and 2021 2022
4) Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2022 December 31, 2023 and 2021 2022
5) Consolidated Statements of Cash Flows for the years ended December 31, 2022 December 31, 2023 and 2021 2022
6) Notes to the Consolidated Financial Statements
7) Report of Independent Registered Public Accounting Firm

(2) All Financial Statement Schedules are omitted as the required information is inapplicable or the information is presented in the consolidated financial statements or related notes.

(b) The following exhibits are either filed herewith as part of this report, or are incorporated herein by reference:

Item No:

3.1	Amended and Restated Articles of Incorporation of Union Bankshares, Inc. (as of August 1, 2007), previously filed with the Commission as Exhibit 3.1 to the Company's June 30, 2007 Form 10-Q and incorporated herein by reference.
3.2	Bylaws of Union Bankshares, Inc., as amended and restated, previously filed with the Commission on March 18, 2021 as Exhibit 99.1 to Form 8-K and incorporated herein by reference.
4.1	Description of Common Stock, previously filed as Exhibit 4.1 to the Company's 2019 Form 10-K and incorporated herein by reference.
4.2	Form of 3.25% Fixed-to-Floating Rate Subordinated Debentures Due 2031 (Qualified Institutional Buyers), previously filed with the Commission on August 27,2021 as Exhibit 4.1 to Form 8-K and incorporated herein by reference.
4.3	Form of 3.25% Fixed-to-Floating Rate Subordinated Debentures Due 2031 (Accredited Investors), previously filed with the Commission on August 27,2021 as Exhibit 4.2 to Form 8-K and incorporated herein by reference.
10.1	2008 Amended and Restated Nonqualified Deferred Compensation Plan of Union Bankshares, previously filed with the Commission as Exhibit 10.3 to the Company's 2008 Form 10-K and incorporated herein by reference.*
10.2	2020 Amended and Restated Executive Nonqualified Excess Plan of Union Bankshares Inc. and Subsidiary, previously filed with the Commission as Exhibit 10.2 to the Company's 2020 Form 10-K and incorporated herein by reference.*
10.3	First Amendment to the Union Bankshares, Inc. Executive Nonqualified Excess Plan, previously filed with the Commission as Exhibit 10.5 to the Company's 2008 Form 10-K and incorporated herein by reference.*
10.4	Short Term Incentive Performance Plan, previously filed with the Commission on February 9, 2012 as Exhibit 10.1 to Form 8-K and incorporated herein by reference.*
10.5	Union Bankshares, Inc. 2014 Equity Incentive Plan, as amended, previously filed with the Commission on April 12, 2022 at pages A-1 through A-20 of the definitive proxy statement for the 2022 Annual Meeting of Union's Shareholders, and incorporated herein by reference.*
10.6	Amended and Restated Change in Control Agreement dated August 18, 2021, between Union Bank and David S. Silverman, and joined in by the Company, previously filed with the Commission on August 24, 2021 as Exhibit 10.1 to Form 8-K and incorporated herein by reference.*
10.7	Form of Amended and Restated Change in Control Agreement dated August 18, 2021, between Union Bank and Karyn J. Hale, and joined in by the Company, previously filed with the Commission on August 24, 2021 as Exhibit 10.2 to Form 8-K and incorporated herein by reference.*
10.8	Form of Change in Control Agreement dated August 18, 2021, between Union Bank and each of four senior managers of Union Bank, and joined in by the Company, previously filed with the Commission on August 24, 2021 as Exhibit 10.3 to Form 8-K and incorporated herein by reference.*
10.9	Form of Restricted Stock Unit Award Certificate under the Company's 2014 Equity Incentive Plan, previously filed with the Commission as Exhibit 10.12 to the Company's 2020 Form 10-K and incorporated herein by reference.*
10.10	Supplemental Executive Retirement Agreement dated March 1, 2020 between David S. Silverman and Union Bank, previously filed with the Commission as Exhibit 10.13 to the Company's 2020 Form 10-K and incorporated herein by reference.*
10.11	Form of Subordinated Note Purchase Agreement dated as of August 26, 2021 between the Company and the several Note Purchasers, previously filed with the Commission on August 27, 2021 as Exhibit 10.1 to Form 8-K and incorporated herein by reference.
19.1	Union Bankshares, Inc. Insider Trading Policy.
21.1	Subsidiaries of the Company.
23.1	Consent of Berry Dunn McNeil & Parker, LLCLLC.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
32.2	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
97	Union Bankshares, Inc. Clawback Policy.
101	The following materials from the Company's Annual Report on Form 10-K for the year ended December 31, 2022December 31, 2023 formatted in Inline eXtensible Business Reporting Language (iXBRL): (i) the audited consolidated balance sheets, (ii) the audited consolidated statements of income for the years ended December 31, 2022December 31, 2023 and 2021, 2022, (iii) the audited consolidated statements of comprehensive income, (iv) the audited consolidated statements of changes in stockholders' equity, (v) the audited consolidated statements of cash flows and (vi) related notes.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

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* denotes compensatory plan or agreement

** This exhibit shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section, and shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.

(c) Not applicable.

Item 16. Form 10-K Summary

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized, as of March 24, 2023 March 25, 2024.

Union Bankshares, Inc.

By:	/s/ David S. Silverman	By:	/s/ Karyn J. Hale
	David S. Silverman		Karyn J. Hale
	Chief Executive Officer and President		Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated as of March 24, 2023 March 25, 2024.

Name	Title
/s/ David S. Silverman David S. Silverman	Director, Chief Executive Officer and President (Principal Executive Officer)
/s/ Karyn J. Hale Karyn J. Hale	Chief Financial Officer (Principal Financial/Accounting Officer)
/s/ Cornelius J. Van Dyke Cornelius J. Van Dyke	Director, Chairman of the Board
/s/ Timothy W. Sargent Timothy W. Sargent	Director, Vice Chairman of the Board
/s/ Joel S. Bourassa Joel S. Bourassa	Director
/s/ Dawn D. Bugbee Dawn D. Bugbee	Director
/s/ Mary K. Parent Mary K. Parent	Director
/s/ Nancy C. Putnam Nancy C. Putnam	Director
/s/ Gregory D. Sargent Gregory D. Sargent	Director
/s/ Janet P. Spitler Janet P. Spitler	Director

EXHIBIT INDEX *

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32.2	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
97	Union Bankshares, Inc. Clawback Policy.
101	The following materials from the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023 formatted in Inline eXtensible Business Reporting Language (iXBRL): (i) the audited consolidated balance sheets, (ii) the audited consolidated statements of income for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, (iii) the audited consolidated statements of comprehensive income, (iv) the audited consolidated statements of changes in stockholders' equity, (v) the audited consolidated statements of cash flows and (vi) related notes.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

* other than exhibits incorporated by reference to prior filings.

** This exhibit shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section, and shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.

Exhibit 19.1

UNION BANKSHARES, INC. AND SUBSIDIARY
INSIDER TRADING POLICY

Current Approval Date March 20, 2024

Purpose

This Insider Trading Policy (“Policy”) of Union Bankshares, Inc. (together with its subsidiaries, the “Company”) sets forth the general standards for the Company and its employees, officers and directors with respect to engaging in transactions in Company securities. This Policy explains the prohibitions against “insider trading” based on federal securities laws and establishes Company policies and procedures to promote and monitor compliance with those laws.

Who is Covered

This Policy applies to the directors and officers of the Company and Union Bank as well as certain employees who are likely to be in possession of material nonpublic information due to the nature of their work. This Policy also applies toindividuals who have been informed in writing that they have been designated as “insiders” of the Company.

INSIDER TRADING POLICY AND GUIDELINES

Overview of Insider Trading Law

Federal securities statutes and case law generally make it unlawful for any person to trade in a company's stock or other securities in breach of a fiduciary duty or other relationship of trust and confidence, while in possession of "material" and "nonpublic" information. "Material" information is information that would be considered important by a reasonable investor in making an investment decision.

There is a relationship of trust and confidence between the Company’s stockholders and its insiders who have obtained material nonpublic information about the Company by reason of their position. Company insiders have a fiduciary duty to the Company to keep its nonpublic information confidential. They also have a special duty to put stockholders' interests before their own. Trading on material nonpublic information by directors and officers violates these duties.

It can also be unlawful for Company insiders to provide (or “tip”) material nonpublic information to outsiders who may trade, and for those outsiders to trade, based on material nonpublic information. Tipping liability may arise even when the insider does not receive a financial benefit, if the insider intended to benefit the tippee.

In some circumstances, securities laws also prohibit a person from trading in the securities of another company while in possession of material nonpublic information about that company obtained as a result of the person’s position with his or her own company. A company's confidential information is the company's property, and trading on that information constitutes unlawful misappropriation of the company’s property.

The term “trading” includes both purchases and sales of securities, including derivative securities. However, the prohibition against insider trading only applies to trading based on information that is both “material,” that is, information that a reasonable investor would consider important to an investment decision, and “nonpublic,” that is, information that has not been widely disseminated to the public.

Exchange Act Rule 10b5-1 sets forth an “awareness” (or “scienter”) test, premising liability for trading while in the *knowing* possession of material nonpublic information. However, due to their close relationship, corporate insiders are often presumed to have access to material nonpublic information about the company

Important Concepts

Material Information. Insider trading restrictions only apply if the particular information the insider possesses is both “material” and not publicly known. Materiality, however, involves a relatively low threshold. Information is generally regarded as “material” if it has market significance, that is, if its public dissemination is likely to affect the market price of securities, or if it otherwise is information that a reasonable investor would want to know before making an investment decision.

The following is a non-exhaustive list of subjects that are reasonably likely to be found to be material in particular situations:

- significant changes in the Company's prospects;
- significant write-downs in assets or increases in reserves;
- developments regarding significant litigation or government agency investigations;
- liquidity problems;
- changes in earnings estimates or unusual gains or losses in major operations;
- major changes in the Company's management or the board of directors;
- changes in dividends;
- extraordinary borrowings;
- major changes in accounting methods or policies;
- adoption, modification or termination of a share repurchase program;
- award or loss of a significant contract;

- cybersecurity risks and incidents, including vulnerabilities and significant breaches;
- significant new products or services;
- proposals, plans or agreements, even if preliminary in nature, involving mergers, acquisitions, divestitures, recapitalizations, strategic alliances, licensing arrangements, or purchases or sales of substantial assets; and
- public or private offerings of Company securities.

Material information is not limited to historical facts but may also include projections and forecasts. With respect to a future event, such as a merger, acquisition or introduction of a new service or product, the point at which negotiations or product development are determined to be material is determined by balancing the probability that the event will occur against the magnitude of the effect the event would have on a Company's operations or stock price should it occur. Thus, information concerning an event that would have a large effect on stock price, such as a merger, may be material even if the possibility that the event will occur is relatively small.

If you are unsure whether information is material, you should either consult the Compliance Officer before making any decision to disclose such information (other than to persons who need to know it) or to trade while in possession of that information, or you should assume that the information is material and refrain from any disclosure or trading activity.

***Nonpublic Information*.** Insider trading prohibitions only apply when you possess material information that is “nonpublic.” To be considered “public” the information must have been disseminated in a manner designed to reach investors generally, and the investors must be given the opportunity to absorb the information. Even after public disclosure of information about the Company (which will generally occur through a public filing with the SEC), insiders must wait until the opening of the market on the third trading day after the information was publicly disclosed before assuming that the information has been disseminated.

With a Company such as Union Bankshares, which is not followed in the national financial press, wide dissemination of information may not be achieved simply by issuing press releases, even if they are picked up in the local press. Instead, the Company is able to achieve wide dissemination of material information through its filings with the SEC, including prospectuses, proxy statements, annual and quarterly reports (Forms 10-Q and 10-K) and current reports (Form 8-K). In connection with its efforts to avoid insider trading, the Company requires that material information be on file with the SEC at least two full trading days before it is deemed to have been widely disseminated for purposes of insider trading.

As with questions of materiality, if you are not sure whether information is considered public, you should either consult with the Compliance Officer or assume that the information is nonpublic and treat it as confidential.

Prohibited Conduct

No Insider Trading or Tipping. No director or executive officer or any of their immediate family members or controlled entities may purchase or sell, or offer to purchase or sell, any Company security while in possession of material nonpublic information about the Company.

No director or executive officer or any of their immediate family members or controlled entities who knows of any material nonpublic information about the Company may communicate ("**tip**") that information to any other person, including family members and friends, or otherwise disclose such information without the Company’s express authorization.

No director or executive officer or any of their immediate family members or controlled entities may purchase or sell any security of any other company while in possession of material nonpublic information about that company that was obtained in the course of his or her service with the Company. No director or executive officer or any of their immediate family members or controlled entities who knows of any such material nonpublic information may communicate or tip that information to any other person, including family members, friends and business associates, or otherwise disclose such information, without the Company's express authorization.

To facilitate compliance and avoid inadvertent violations, the Company's directors and officers are also strongly encouraged to inform the Compliance Officer in advance of any acquisition or disposition of Company stock, whether or not the insider believes that he or she may have material nonpublic information.

No Selective Disclosure. Insiders should be vigilant in avoiding selective disclosure of material information. Disclosure to stockholders, analysts or other securities professionals does not constitute public disclosure for purposes of insider trading prohibitions, and such selective disclosure is prohibited under SEC Regulation FD ("Fair Disclosure") unless the Company makes a simultaneous public disclosure of the information.

Blackout Periods

The Company's directors and officers are prohibited from trading in the Company's securities during quarterly or other blackout periods, as defined below. Generally, the Company's Chief Executive Officer or the Compliance officer will notify directors and senior officers by email prior to the beginning of a blackout period and at the end of such period.

Quarterly Blackout Periods. During the days leading up to the end of a fiscal quarter and continuing until public dissemination of quarterly results, insiders are likely to possess, or will be presumed to possess, material nonpublic information about the Company's financial results. Accordingly, as a matter of policy the Company prohibits officers and directors from trading in the Company's securities during the period beginning at the opening of the trading market on the fifteenth (15th) day (or the next trading day if the 15th is not a trading day) of the last month of a fiscal quarter and ending at the opening of the trading market on the third trading day following the date the Company's financial results are publicly disclosed in a filing with the SEC.

***Other Blackout Periods*.** From time to time, other types of material nonpublic information regarding the Company (such as negotiation of mergers or acquisitions) may be pending and not be publicly disclosed. While such material nonpublic information is pending, the Company may impose special blackout periods during which directors and officers are prohibited from trading in the Company's securities. If the Company imposes a special blackout period, the Chief Executive Officer or the Compliance Officer will notify the directors and officers of the closed trading period.

Trading Windows

Directors and officers are generally permitted to trade in the Company's securities when no blackout period is in effect. This means that directors and officers can trade during the period beginning at the opening of the market on the third trading day following the public release of earnings results for the previous quarter and ending at the opening of the trading market on the fifteenth (15th) day (or the next trading day if the 15th is not a trading day) of the last month of the fiscal quarter. *However, even during this trading window, a director or officer who is in possession of any material nonpublic information should not trade in the Company's stock until the information has been made publicly available or is no longer material.* In addition, the Company may close the quarterly trading window at any time if a special blackout period is imposed and will re-open the trading window once the special blackout period has ended.

Margin Accounts and Pledges

Securities held in a margin account may be sold by the broker without the customer's consent if the customer fails to meet a margin call. Similarly, securities pledged as collateral for a loan may be sold in foreclosure if the borrower defaults on the loan. Because a margin sale or foreclosure sale may occur at a time when the pledgor is aware of material nonpublic information or otherwise is not permitted to trade in Company securities, directors and officers of the Company are prohibited from holding Company securities in a margin account or pledging Company securities as collateral for a loan. An exception to this prohibition may be granted where a person wishes to pledge Company securities as collateral for a loan (not including margin debt) and clearly demonstrates the financial capacity to repay the loan without resort to the pledged securities. Any person who wishes to pledge Company securities as collateral for a loan must submit a request for approval to the Compliance Officer at least two weeks prior to the execution of documents evidencing the pledge.

Certain Exceptions

10b5-1 Trading Plans. The blackout period and trading window requirements do not apply to transactions under a pre-existing written plan, contract, instruction, or arrangement under Exchange Act Rule 10b5-1 (an "**Approved 10b5-1 Plan**") that:

- has been reviewed and approved by the Compliance Officer at least one month in advance of any trades thereunder (or, if revised or amended, such revisions or amendments have been reviewed and approved by the Compliance Officer at least one month in advance of any subsequent trades);
- was entered into in good faith by the director or officer at a time when he or she was not in possession of material nonpublic information about the Company; and
- gives a third party the discretionary authority to execute such purchases and sales, outside the control of the director or officer, so long as the third party does not possess any material nonpublic information about the Company; or explicitly specifies the security or securities to be purchased or sold, the number of shares, the prices and/or dates of transactions, or other formula(s) describing such transactions.

If you wish to adopt an Approved 10b5-1 Plan, you should discuss the matter in advance with the Compliance Officer.

Equity Awards; Shares for Withholdings. The blackout period and trading window requirements described above do not apply to the exercise of a director or employee stock option or to the exercise of an election to have the Company withhold shares issuable upon exercise of a stock option, upon vesting of restricted stock units (“**RSUs**”), or upon award or vesting (as the case may be) of restricted stock, for the purpose of satisfying tax withholding requirements. The window policy does apply, however, to any sale of stock as part of a broker-assisted cashless

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exercise of an option or any other market sale for the purpose of generating the cash needed to pay the exercise price of an option or tax liabilities upon vesting of RSUs or upon award or vesting of restricted stock.

Compliance Officer

All Transactions in Company Stock Should be Discussed in Advance with the Compliance Officer. As a means of assisting the Company’s directors and executive officers in complying with their obligations under the federal securities laws, the Company has named the Chief Financial Officer as the Compliance Officer and filing coordinator. The Compliance Officer will assist directors and officers with their Section 16 reporting obligations, including arranging for the electronic filing of reports with the SEC. In order to ensure timely preparation and filing of reports, directors and officers are urged to contact the Compliance Officer **before** acquiring or disposing of shares of the Company’s common stock.

Acknowledgment and Agreement

All insiders are required to sign the attached acknowledgment and certification of this Policy on an annual basis.

ACKNOWLEDGMENT AND AGREEMENT

The undersigned acknowledges receipt of the Company's Insider Trading Policy. The undersigned has read and understands, and agrees to comply with, such Policy at all times in connection with the purchase and sale of securities and the confidentiality of material nonpublic information.

Signature:	______________________
Please print name:	______________________
Date:	______________________

Exhibit 21.1

SUBSIDIARIES OF THE COMPANY

Wholly-owned subsidiary of Union Bankshares, Inc.

- Union Bank, incorporated in the State of Vermont.

Exhibit 23.1

berrydunnlogo.jpg

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the inclusion in this Annual Report (Form 10-K) of Union Bankshares, Inc. of our report dated March 24, 2023 March 25, 2024 with respect to the consolidated financial statements for the year ended December 31, 2022 December 31, 2023, included in the 2022 2023 Annual Report to Shareholders of Union Bankshares, Inc.

We also consent to the incorporation by reference in the Registration Statement (Form S-3 No. 333-209815) pertaining to the Union Bankshares, Inc. Dividend Reinvestment and Stock Purchase Plan and in the Registration Statement (Form S-8 No. 333-266281) pertaining to the Union Bankshares, Inc. 2014 Equity Incentive Plan, as amended, of our report dated March 24, 2023 March 25, 2024, with respect to the consolidated financial statements, incorporated therein by reference, of Union Bankshares, Inc. included in the Annual Report (Form 10-K) for the year ended December 31, 2022 December 31, 2023.

berrydunnsignaturea36.jpg

Manchester, New Hampshire
March 24, 2023 25, 2024

Vermont Registration No. 92-0000278

Maine n New Hampshire n Massachusetts n Connecticut n West Virginia n Arizona n Puerto Rico

berrydunn.com

Exhibit 31.1

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER

I, David S. Silverman, certify that:

1. I have reviewed this annual report on Form 10-K of Union Bankshares, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

    (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

    (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles;

    (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluations;

    (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:

    (a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: March 24, 2023 March 25, 2024

/s/ David S. Silverman

David S. Silverman
Director, President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER

I, Karyn J. Hale, certify that:

1. I have reviewed this annual report on Form 10-K of Union Bankshares, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles;

(c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluations;

(d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:

(a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: March 24, 2023 March 25, 2024

/s/ Karyn J. Hale

Karyn J. Hale
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Union Bankshares, Inc. (the “Company”) on Form 10-K for the period ended December 31, 2022 December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned Chief Executive Officer of the Company hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002 that to the best of his knowledge: 1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods covered in the Report.

A signed original of this written statement required by Section 906 has been provided to Union Bankshares, Inc. and will be retained by Union Bankshares, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ David S. Silverman

David S. Silverman
Chief Executive Officer

March 24, 2023 25, 2024

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Union Bankshares, Inc. (the "Company") on Form 10-K for the period ended December 31, 2022 December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Chief Financial Officer of the Company hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002 that to the best of his knowledge: 1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods covered in the Report.

A signed original of this written statement required by Section 906 has been provided to Union Bankshares, Inc. and will be retained by Union Bankshares, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Karyn J. Hale

Karyn J. Hale
Chief Financial Officer

March 24, 2023 25, 2024

Exhibit 97

UNION BANKSHARES, INC.
CLAWBACK POLICY

Current Approval Date November 29, 2023

1. Purpose; Overview. The purpose of the Union Bankshares, Inc. Clawback Policy (this "Policy") is to set forth the circumstances under which a Covered Executive will be required to repay or return Erroneously Awarded Compensation to Union Bankshares, Inc. (together with its Affiliates, the "Company"). The Board has adopted this Policy in accordance with the terms herein and is intended to comply with Nasdaq Listing Rule 5608, as such rule may be amended from time to time (the "Listing Rule"). Capitalized terms not otherwise defined herein shall have the meanings assigned to such terms under Section 10 of this Policy.

2. Recovery of Erroneously Awarded Compensation. Upon the occurrence of a Restatement, if the Committee determines that a Covered Executive Received any Erroneously Awarded Compensation, the Company shall reasonably promptly take steps to recover such Erroneously Awarded Compensation, and each Covered Executive shall be required to take all actions necessary to enable such recovery, provided, however, that there shall be no duplication of recovery under both this Policy and any clawback policy adopted under Section 304 of The Sarbanes-Oxley Act of 2002, or under the provisions or terms of any other Company policies or compensation plans or awards. In no event shall the Company be required to award a Covered Executive an additional payment if, following a Restatement, the restated or accurate financial results would have resulted in a higher Incentive Compensation payment. In the event the Company is required to recover Erroneously Awarded Compensation from a Covered Executive who is no longer an employee, the Company will be entitled to seek such recovery in order to comply with applicable law, regardless of the terms of any release of claims or separation agreement such individual may have signed.

(a) *Means of Recovery*. The Committee shall determine, in its sole discretion and in a manner that effectuates the purpose of the Listing Rule, one or more methods for recovering any Erroneously Awarded Compensation hereunder, which may include, without limitation: (i) requiring cash reimbursement of cash Incentive Compensation previously paid; (ii) seeking recovery or forfeiture of any gain realized on the vesting, exercise, settlement, sale, transfer or other disposition of any equity-based awards granted as Incentive Compensation; (iii) offsetting the amount to be recovered from any compensation otherwise owed by the Company to the Covered Executive, or forfeiture of deferred compensation, to the extent consistent with Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations thereunder; (iv) cancelling outstanding, or forfeiting, vested or unvested cash or equity awards (including those subject to service-based and/or performance-based vesting conditions, or for which such conditions have been satisfied); (v) cancelling, offsetting or reducing future compensation; and/or (vi) taking any other remedial and recovery action permitted by law, as determined by the Committee. Notwithstanding the foregoing, the Company makes no guarantee as to the treatment of such amounts under Section 409A of the Internal Revenue Code of 1986, as amended, and shall have no liability to any Covered Executive or his or her successors with respect thereto.

(b) *Exceptions to the Recovery Requirement*. Notwithstanding anything in this Policy to the contrary, Erroneously Awarded Compensation need not be recovered pursuant to this Policy if the Committee determines that recovery would be impracticable as a result of any of the following:

i. the direct expense paid to a third party to assist in enforcing this Policy would exceed the amount to be recovered; provided that, before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on expense of enforcement, the Company must make a reasonable attempt to recover such Erroneously Awarded Compensation, document such reasonable attempt(s) to recover, and provide that documentation to the Exchange; or

ii. recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and the regulations thereunder.

(c) *Failure to Repay*. To the extent that a Covered Executive fails to repay all Erroneously Awarded Compensation to the Company when due, the Company shall take all actions reasonable and appropriate to recover such Erroneously Awarded Compensation from the applicable Covered Executive. The applicable Covered Executive shall be required to reimburse the Company for any and all expenses reasonably incurred (including legal fees) by the Company in recovering such Erroneously Awarded Compensation in accordance with the immediately preceding sentence.

3. Indemnification Prohibition. The Company shall not indemnify any Covered Executive against the loss of any Erroneously Awarded Compensation for which the Committee has determined to seek recovery pursuant to this Policy nor shall the Company pay or agree to pay any insurance premium to cover the loss of any Erroneously Awarded Compensation for which the Committee has determined to seek recovery pursuant to this Policy. To the extent any such agreement or organizational document purports to provide otherwise, the Covered Executive hereby irrevocably agrees to waive such indemnification.

4. Administration; Interpretation. The Committee shall administer this Policy. The Committee shall have full authority to interpret and enforce this Policy in a manner consistent with its intent to meet the requirements of the Listing Rule and any other applicable law and shall otherwise be interpreted (including in the determination of amounts recoverable and the means of recovery) in the business judgment of the Committee. Notwithstanding the foregoing, any determination that recovery would be impracticable (as described in Section 2(b)(i) of this Policy) must be made by a fully independent compensation committee as

determined by the Board under the listing rules of the Exchange, or in the absence of such a fully independent compensation committee, the determination must be made by a majority of the independent directors serving on the Board. Any determinations made by the Committee shall be final, conclusive and binding on all affected individuals. As further set forth in Section 8 below, this Policy is intended to supplement any other clawback policies and procedures that the Company may have in place from time to time pursuant to other applicable law, plans, policies or agreements.

5. Amendment. The Committee may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary, including as and when it determines that it is legally required by any federal securities laws or the Listing Rule.

6. Required Disclosure. The Company shall file all disclosures with respect to this Policy in accordance with the requirements of the federal securities laws and shall provide any documentation with respect thereto to the Exchange in accordance with the Listing Rule.

7. Acknowledgment. To the extent required by the Committee, each Covered Executive shall be required to sign and return to the Company the acknowledgement form attached hereto as Exhibit A pursuant to which such Covered Executive will agree to be bound by the terms of, and comply with, this Policy. For the avoidance of doubt, each Covered Executive will be fully bound by, and must comply with, this Policy, whether or not such Covered Executive has executed and returned such acknowledgment form to the Company.

8. Other Recovery Rights. The Committee intends that this Policy will be applied to the fullest extent of the law. The Committee may require that any employment or service agreement, cash-based bonus plan or program, equity award agreement, or similar agreement entered into on or after the adoption of this Policy shall, as a condition to the grant of any benefit thereunder, require a Covered Executive to agree to abide by the terms of this Policy. Any right of recovery under this Policy is in addition to, and not in lieu of, any other remedies or rights of recovery that may be available to the Company pursuant to the terms of any similar policy, or pursuant to the terms of any employment agreement, equity award agreement, cash-based bonus plan or program, or similar agreement and any other legal remedies available to the Company. For the avoidance of doubt, any right of recovery under this Policy will prevail over any other remedies or rights of recovery that may be available to the Company pursuant to the terms of any similar policy or otherwise, to the extent that a larger recovery amount would be recoverable under this Policy.

9. Successors. This Policy shall be binding and enforceable against all Covered Executives and, to the extent required by applicable law, their beneficiaries, heirs, executors, administrators or other legal representatives.

10. Defined Terms.

(a) "**Affiliate**" shall mean each entity that directly or indirectly controls, is controlled by, or is under common control with the Company.

(b) "**Board**" shall mean the Board of the Directors of the Company.

(c) "**Clawback Eligible Incentive Compensation**" shall mean Incentive Compensation Received by a Covered Executive (i) on or after October 2, 2023, (ii) after beginning service as a Covered Executive, (iii) with respect to a performance period for such Incentive Compensation during which the individual served at any time as a Covered Executive (irrespective of whether such individual continued to serve as a Covered Executive prior to, at or following the Restatement), (iv) while the Company has a class of securities listed on a national securities exchange or a national securities association, and (v) during the applicable Clawback Period.

(d) "**Clawback Period**" shall mean, with respect to any Restatement, the three completed Fiscal Years of the Company immediately preceding the date that the Company is required to prepare the Restatement and any Transition Period (that results from a change in the Company's fiscal year) within or immediately following those three completed fiscal years.

(e) "**Committee**" shall mean the Compensation Committee of the Board.

(f) "**Covered Executive**" shall mean each current and former Executive Officer of the Company.

(g) "**Erroneously Awarded Compensation**" shall mean the amount of Clawback Eligible Incentive Compensation that exceeds the amount of Incentive Compensation that otherwise would have been Received had it been determined based on the restated amounts and computed without regard to any taxes paid by the Covered Executive in respect of the Erroneously Awarded Compensation. For Incentive Compensation based on stock price or total shareholder return, where the amount of erroneously awarded Incentive Compensation is not subject to mathematical recalculation directly from the information in a Restatement:

i. The calculation of Erroneously Awarded Compensation shall be based on a reasonable estimate of the effect of the Restatement on the stock price or total shareholder return upon which the Incentive Compensation was Received; and

ii. The Company shall maintain documentation of the determination of that reasonable estimate and provide such documentation to the Exchange.

(h) "**Exchange**" shall mean the Nasdaq Stock Market.

(i) "**Executive Officer**" shall mean the Company's president, principal financial officer, principal accounting officer (or if there is no such accounting officer, the controller), any vice president of the Company in charge of a principal business unit, division, or function (such as sales, administration, or finance), any other officer who performs a policy-

making function, or any other person who performs similar policy-making functions for the Company. Executive officers of the Company's parent(s) or subsidiaries shall be deemed executive officers of the Company if they perform such policy making functions for the Company. For the avoidance of doubt, the term "policy-making function" is not intended to include policy making functions that are not significant. Identification of an executive officer for purposes of this Policy would include at a minimum executive officers identified pursuant Item 401(b) of Regulation S-K.

(j) "**Financial Reporting Measures**" shall mean measures that are determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any measures that are derived wholly or in part from such measures, including, without limitation, stock price and total shareholder return. Financial reporting measures may include "non-GAAP financial measures" as well as other measures, metrics and ratios that are not GAAP measures. For the avoidance of doubt, a financial reporting measure need not be presented in the Company's financial statements or included in a filing with the SEC.

(k) "**Fiscal Year**" shall mean the Company's fiscal year; provided that a Transition Period between the last day of the Company's previous fiscal year end and the first day of its new fiscal year that comprises a period of nine to 12 months will be deemed a completed fiscal year.

(l) "**Incentive Compensation**" shall mean any compensation (whether cash or equity based) that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure, including, but not limited to: (i) non-equity incentive plan awards that are earned solely or in part by satisfying a Financial Reporting Measure performance goal; (ii) bonuses paid from a bonus pool, where the size of the pool is determined solely or in part by satisfying a Financial Reporting Measure performance goal; (iii) other cash awards based on satisfaction of a Financial Reporting Measure performance goal; (iv) restricted stock, restricted stock units, stock options, stock appreciation rights, and performance share units that are granted or vest solely or in part based on satisfaction of a Financial Reporting Measure performance goal; and (v) proceeds from the sale of shares acquired through an incentive plan that were granted or vested solely or in part based on satisfaction of a Financial Reporting Measure performance goal. For the avoidance of doubt, Incentive Compensation does not include awards that vest exclusively upon completion of a specified employment period, without any performance condition, and bonus awards that are discretionary or based on subjective goals or goals unrelated to Financial Reporting Measures, and does not include, without limitation: (1) salaries; (2) bonuses paid solely based on satisfaction of subjective standards, such as demonstrating leadership, and/or completion of a specified employment period; (3) non-equity incentive plan awards earned solely based on satisfaction of strategic or operational measures; (4) wholly time-based equity awards; and (5) discretionary bonuses or other compensation that is not paid from a bonus pool that is determined by satisfying a Financial Reporting Measure performance goal.

(m) "**Listing Rule**" shall have the meaning set forth in Section 1 of this Policy.

(n) “**Received**” shall mean, with respect to any Incentive Compensation, actual or deemed receipt, and Incentive Compensation shall be deemed received in the Company’s Fiscal Year during which the Financial Reporting Measure specified in the Incentive Compensation award is attained, even if payment, grant or vesting of the Incentive Compensation occurs after the end of that period.

(o) “**Restatement**” shall mean an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the Company’s previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period. The date that the Company is required to prepare an accounting restatement is the earlier to occur of: (i) the date that the Board, a committee of the Board, or the officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an accounting restatement; or (ii) the date a court, regulator, or other legally authorized body directs the Company to prepare an accounting restatement. The Company’s obligation to recover Erroneously Awarded Compensation is not dependent on whether the Company files a restated financial statement. A change to the Company’s financial statement that does not represent an error correction is not a Restatement, including without limitation: (i) retrospective application of a change in accounting principle; (ii) retrospective revision to reportable segment information due to a change in the structure of the Company’s internal organization; (iii) retrospective reclassification due to a discontinued operation; (iv) retrospective application of a change in reporting entity, such as from a reorganization of entities under common control; and (v) retrospective revision for stock splits, reverse stock splits, stock dividends or other changes in capital structure.

(p) “**SEC**” shall mean the U.S. Securities and Exchange Commission.

(q) “**Transition Period**” shall mean any transition period that results from a change in the Company’s Fiscal Year within or immediately following the three completed Fiscal Years immediately preceding the date the Company is required to prepare a Restatement.

Policy Adopted on: November 29, 2023

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