

## Shareholder Assistance and Investor Information

## THIRD QUARTER REPORT SEPTEMBER 2014

If you need assistance with a change in registration of certificates, combining your certificates into one, reporting lost certificates, non-receipt or loss of dividend checks, assistance regarding direct deposit of dividends, information about the Company, or to receive copies of financial reports, please contact Kristy Adams Alfieri, Assistant Secretary at 802-888-6600 or contact our Transfer Agent at the address and phone number listed below:

### TRANSFER AGENT:

Registrar & Transfer Company  
Attn: Stock Transfer Department  
10 Commerce Drive  
Cranford, NJ 07016  
Phone: 800-368-5948  
Fax: 908-497-2318  
E-mail: [info@rtco.com](mailto:info@rtco.com)

### NASDAQ STOCK MARKET

Ticker Symbol: UNB  
Corporate Name: Union Bankshares, Inc.  
Corporate Address:  
20 Lower Main Street  
PO Box 667  
Morrisville, VT 05661-0667  
Investor Relations: [www.UnionBankVT.com](http://www.UnionBankVT.com)



# Union Bankshares, Inc.

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## to our SHAREHOLDERS

November 6, 2014

We are pleased to share your company's financial results for the period ending September 30, 2014. Net Income for the third quarter 2014 was \$2.13 million, or \$0.47 per share, compared to \$2.07 million, or \$0.47 per share, for 2013, an increase of 2.6% quarter over quarter. Year to date earnings for 2014 were \$5.8 million, or \$1.30 per share, compared to \$5.6 million, or \$1.26 per share, for 2013, an increase of 3.6% year over year.

Total assets grew to \$602.7 million as of September 30, 2014 from \$574.7 million as of September 30, 2013, an increase of 4.9%. Total asset growth included an increase in loans of 2.4%, amounting to \$487.4 million as of September 30, 2014 from \$476.1 million at September 30, 2013. The increase is attributable to continued residential loan demand and an increase in commercial and municipal lending during the first nine months of 2014. Loans serviced for others grew \$48.1 million, or 15.5%, to \$358.2 million as of September 30, 2014 from \$310.0 million as of September 30, 2013. Total deposits reached \$531.0 million compared to the prior year of \$507.3 million, or growth of 4.7%. The Company had total capital of \$52.7 million with a book value per share of \$11.81 as of September 30, 2014 compared to \$46.7 million and \$10.47 per share at September 30, 2013.

Closing the quarter over \$600 million is a new milestone for your company. Prior to acquiring three branches in New Hampshire in 2011 Union Bankshares, Inc. was approximately \$450 million in assets. Having grown by approximately 1/3 since this time, it seems an appropriate juncture to restate our growth philosophy. Our goal is to grow the company profitably, with equal weight on "grow" and "profitably." We wish to grow the business to increase our earning assets as well as the value of the company. Perhaps as importantly, we need to grow to spread the runaway regulatory and compliance costs imposed on us in the wake of the financial crisis that surfaced in 2008 over a larger base.

We continue to expand our geographical footprint with the opening of our Lincoln, New Hampshire branch in the spring and most recently the opening of a loan production office in Newport, Vermont. Along with the traditional branch network, we will also be introducing new electronic delivery channels to our customers during the fourth quarter.

At this writing "foliage season" is winding down. Most folks around here agree that the foliage display was spectacular and the best in recent memory. The summer and fall tourism season was very strong, with the weather cooperating for most of the regions special events. We are pleased to see the improvement in the travel and tourism sector, as this industry was battered post 2008.

It has been announced that IBM is "selling" its Essex Junction location to competitor Global Foundries. While we have little

direct exposure to IBM employees, it remains to be seen how this announcement may ripple through the Northern Vermont economy. We will be actively monitoring this in the coming months, with hopes that this is a positive development for the region.

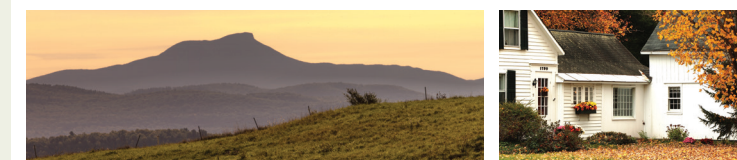
In the next few months you may notice that we are embarking on a re-branding process, introducing a new logo throughout our footprint and on our website, written materials, and in advertising. The new branding is meant to stay in keeping with our current identity, but bring a more contemporary look and feel to our external communications.

Finally, we are pleased to announce the quarterly dividend of \$.26 per share. Enclosed, please find a check or advice of deposit. If you have not done so, please consider signing up for direct deposit of your dividend.

Sincerely,

Kenneth D. Gibbons  
Chairman

David S. Silverman  
President & Chief Executive Officer



## About Union Bankshares

Union Bankshares, Inc. operates as the holding company for Union Bank, which provides commercial, retail and municipal banking services and asset management services throughout northern Vermont and northwestern New Hampshire. Union Bank was founded in 1891 in Morrisville, Vermont, where the Bank's and its holding company's headquarters are located. Union Bank operates 17 banking offices and two loan centers and multiple ATMs throughout its geographical footprint.

Union Bank is committed to the communities it serves, and encourages employee participation in community events and charitable services. Union Bank has consistently been recognized for our Community Reinvestment efforts and for our performance in residential lending to borrowers of all income levels. The US Small Business Administration has designated Union Bank as a Preferred Lender.

## Union Bankshares, Inc.

### DIRECTORS

Kenneth D. Gibbons - *Chairman*  
Cynthia D. Borck  
Steven J. Bourgeois  
John M. Goodrich  
Timothy W. Sargent  
David S. Silverman  
John H. Steel  
Schuyler W. Sweet  
Neil J. Van Dyke

### OFFICERS

Kenneth D. Gibbons - *Chairman*  
David S. Silverman - *President & CEO*  
Karyn J. Hale - *Chief Financial Officer*  
John H. Steel - *Secretary*  
Kristy Adams Alfieri - *Assistant Secretary*  
Jeffrey G. Coslett - *Vice President*

## Union Bank

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John H. Steel  
Schuyler W. Sweet  
Neil J. Van Dyke

### REGIONAL ADVISORY BOARD MEMBERS

Michael R. Barrett - *St. Johnsbury*  
Joel S. Bourassa - *Northern NH*  
Steven J. Bourgeois - *St. Albans*  
Stanley T. Fillion - *Northern NH*  
Rosemary H. Gingue - *St. Johnsbury*  
Christopher M. Knapp - *Northern NH*  
Coleen K. Kohaut - *St. Albans*  
Justin P. Lavelly - *St. Johnsbury*  
Daniel J. Luneau - *St. Albans*  
Alexandra S. MacLean - *St. Johnsbury*  
Mary K. Parent - *St. Johnsbury*  
Samuel H. Ruggiano - *St. Albans*  
David S. Silverman - *All*  
Schuyler W. Sweet - *Northern NH*  
Norrine A. Williams - *Northern NH*

## Union Bank Offices

(ATMs at all Branch Locations)

### VERMONT

|                |                       |              |
|----------------|-----------------------|--------------|
| Danville       | 421 Route 2 East      | 802-684-2211 |
| Fairfax        | Jct. Routes 104 & 128 | 802-849-2600 |
| Hardwick       | 103 VT Route 15 West  | 802-472-8100 |
| Jeffersonville | 44 Main Street        | 802-644-6600 |
| Johnson        | 198 Lower Main Street | 802-635-6600 |
| Lyndonville    | 183 Depot Street      | 802-626-3100 |
| Morrisville    | 20 Lower Main Street  | 802-888-6600 |
|                | 65 Northgate Plaza    | 802-888-6860 |
| Newport        | 325 East Main Street  | 802-334-0750 |
| St. Albans     | 15 Mapleville Depot   | 802-524-9000 |
| St. Johnsbury  | 364 Railroad Street   | 802-748-3131 |
|                | 325 Portland Street   | 802-748-3121 |
| S. Burlington  | Loan Center           |              |
|                | 30 Kimball Avenue     | 802-865-1000 |
| Stowe          | 47 Park Street        | 802-253-6600 |

### NEW HAMPSHIRE

|              |                 |              |
|--------------|-----------------|--------------|
| Groveton     | 3 State Street  | 603-636-1611 |
| Littleton    | 263 Dells Road  | 603-444-7136 |
|              | 76 Main Street  | 603-444-5321 |
| Lincoln      | 135 Main Street | 603-745-4000 |
| N. Woodstock | 155 Main Street | 603-745-2488 |

## Consolidated Balance Sheets (unaudited, in thousands)

| ASSETS                                  | SEPT. 30, 2014   | SEPT. 30, 2013   |
|---|------------------|------------------|
| Cash and Due from Banks                 | \$4,254          | \$4,032          |
| Federal Funds Sold & Overnight Deposits | 19,531           | 12,377           |
| Interest Bearing Deposits in Banks      | 12,112           | 19,562           |
| Investment Securities                   | 53,420           | 36,740           |
| Loans Held for Sale                     | 6,065            | 4,221            |
| Loans, net                              | 481,301          | 471,855          |
| Reserve for Loan Losses                 | (4,758)          | (4,773)          |
| Premises and Equipment, net             | 11,154           | 10,769           |
| Other Real Estate Owned, net            | 320              | 483              |
| Accrued Interest & Other Assets         | 19,267           | 19,404           |
| <b>Total Assets</b>                     | <b>\$602,666</b> | <b>\$574,670</b> |

| LIABILITY & SHAREHOLDERS' EQUITY                    | SEPT. 30, 2014   | SEPT. 30, 2013   |
|---|------------------|------------------|
| Noninterest Bearing Deposits                        | \$94,604         | \$88,723         |
| Interest Bearing Deposits                           | 297,444          | 265,225          |
| Time Deposits                                       | 138,990          | 153,401          |
| Borrowed Funds                                      | 14,940           | 14,190           |
| Accrued Interest & Other Liabilities                | 4,016            | 6,449            |
| Common Stock  | 9,859            | 9,855            |
| Additional Paid in Capital                          | 414              | 360              |
| Retained Earnings                                   | 45,735           | 43,035           |
| Accumulated Other Comprehensive Income (Loss)       | 589              | (2,688)          |
| Treasury Stock at Cost                              | (3,925)          | (3,880)          |
| <b>Total Liabilities &amp; Shareholders' Equity</b> | <b>\$602,666</b> | <b>\$574,670</b> |

Standby letters of credit were \$2,033,000 and \$1,621,000 at September 30, 2014 and 2013, respectively.

## Consolidated Statements of Income (unaudited, in thousands)

|   | SEPT. 30, 2014   | SEPT. 30, 2013 | SEPT. 30, 2014   | SEPT. 30, 2013 |
|---|------------------|----------------|------------------|----------------|
|   | (3 months ended) |                | (9 months ended) |                |
| Interest Income                                     | \$6,258          | \$6,232        | \$18,554         | \$18,248       |
| Interest Expense                                    | 528              | 609            | 1,634            | 1,870          |
| Net Interest Income                                 | 5,730            | 5,623          | 16,920           | 16,378         |
| Provision for Loan Losses                           | 150              | 95             | 300              | 230            |
| Net Interest Income After Provision for Loan Losses | 5,580            | 5,528          | 16,620           | 16,148         |
| Trust Income  | 183              | 155            | 549              | 472            |
| Noninterest Income                                  | 2,532            | 2,039          | 6,239            | 5,998          |
| Noninterest Expenses:                               |                  |                |                  |                |
| Salaries & Wages                                    | 2,253            | 2,320          | 6,694            | 6,712          |
| Pension & Employee Benefits                         | 692              | 596            | 2,062            | 1,917          |
| Occupancy Expense, net                              | 272              | 249            | 906              | 871            |
| Equipment Expense                                   | 418              | 385            | 1,215            | 1,199          |
| Other Expenses                                      | 1,923            | 1,554          | 5,140            | 4,806          |
| Total   | 5,558            | 5,104          | 16,017           | 15,505         |
| Income Before Taxes                                 | 2,737            | 2,618          | 7,391            | 7,113          |
| Income Tax Expense                                  | 611              | 545            | 1,582            | 1,506          |
| <b>Net income</b>                                   | <b>\$2,126</b>   | <b>\$2,073</b> | <b>\$5,809</b>   | <b>\$5,607</b> |
| <b>Earnings Per Share</b>                           | <b>\$0.47</b>    | <b>\$0.47</b>  | <b>\$1.30</b>    | <b>\$1.26</b>  |
| <b>Book Value Per Share</b>                         |                  |                | <b>\$11.81</b>   | <b>\$10.47</b> |

