

Shareholder Assistance and Investor Information

FOURTH QUARTER REPORT DECEMBER 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 802-888-0982 or contact our Transfer Agent at the address and phone number listed below:

TRANSFER AGENT:

Broadridge Corporate Issuer Solutions, Inc.
P.O. Box 1342
Brentwood, NY 11717
(866)-321-8022 or
(720)-378-5956
Email: shareholder@broadridge.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



UnionBankshares, Inc.

UnionBankshares, Inc.

to our SHAREHOLDERS

February 9, 2015

We are pleased to report the financial results for your company for the year ended December 31, 2014. Net income for the year end was \$7.7 million, a 7.8% improvement over 2013 earnings of \$7.1 million. Earnings per share for 2014 were \$1.73 compared to \$1.60 per share for 2013, an 8.1% improvement. Results for 2014 reflect a year to year increase in net interest income of \$675 thousand and an increase in noninterest income of \$408 thousand. The provision for loan losses increased \$40 thousand and noninterest expense increased \$373 thousand as a result of increases in occupancy, equipment, and other expenses, which were partially offset by a decrease in total personnel expense.

Earnings for the fourth quarter of 2014 were \$1.9 million, or \$0.43 per share, compared to \$1.5 million, or \$0.34 per share, for 2013 representing a quarter over quarter improvement of 26.5%. Net interest income improved \$133 thousand, the provision for loan losses decreased \$30 thousand, noninterest income increased \$82 thousand, and noninterest expenses decreased \$147 thousand. These positive changes were offset by an increase in the provision for income taxes of \$35 thousand.

Total assets grew to \$623.8 million as of December 31, 2014 compared to \$585.4 million as of December 31, 2013, a 6.6% increase. Total loans increased \$25.9 million to \$491.1 million, or 5.6%, as of December 31, 2014 compared to \$465.1 million as of December 31, 2013. The 2014 loan growth was net of \$94.9 million of residential mortgage loans sold to the secondary market during the year to manage long-term interest rate risk, compared to sales of \$123.1 million in 2013. Total deposits reached \$552.1 million compared to the prior year of \$518.4 million, an increase of \$33.7 million, or 6.5%. Borrowed funds increased \$1.9 million, or 14.4% to \$15.1 million as of December 31, 2014 compared to \$13.2 million in 2013. The company had total capital of \$52.0 million with a book value per share of \$11.66 as of December 31, 2014 compared to \$50.0 million with a book value of \$11.17 as of December 31, 2013.

Management and the Board are pleased with 2014 results. Our strategy to improve core operating income and control noninterest expense generated good improvement in 2014. At the same time we opened a new branch in Lincoln, New Hampshire in June and a Loan Production Office in Newport, Vermont in August. We also rolled out mobile check deposit service expanding the ways our customers can access banking services utilizing cell or Wi-Fi service. In addition we have many technology based projects that we are in the midst of, mostly focused on projects that enhance the customer experience or provide added security for the bank and its customers.

The local economy seems to continue to improve despite, not because of, State and National politics. Of the past several years 2014 was the best of a lackluster bunch. Improvements are still spotty geographically, with some of the towns in our market area improving at a faster pace than others. We have indications that 2015 will be another year of improvement, with the snow sport season beginning reasonably well and construction projects in the pipeline.

An economic bright spot has been the travel and tourism industry throughout our footprint. Since 2011 this industry had

one good season after another, allowing folks who came out of the recession caused by the 2008 financial crises weakened, to survive and thrive. And for those of you living away, Vermont and New Hampshire are participating in the creation of new industries driven by those who wish to imbibe artisan made "adult" beverages. Few among us would have believed several years ago that within 20 minutes of our headquarters there would be not less than five craft beer brewers and three artisan distilleries, with more coming soon. This has created a new phenomenon some refer to as "beer" or "beverage" tourism, and it is becoming an important element of Northern Vermont's and Northern New Hampshire's economies.

At our Board meeting held on January 21, 2015, after considering our 2014 earnings and our capital ratios, we voted to issue a quarterly dividend of 27 cents per share with a declaration date of January 21, 2015, with a record date of January 31, 2015, and a payable date of February 9, 2015. The dividend represents a 1 cent increase over the dividend issued last quarter. As always, the Board and management appreciate your support of our endeavors.

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.

UnionBankshares, 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*

UnionBank

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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*
John M. Goodrich, *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 | DEC. 31, 2014 | DEC. 31, 2013 |
|---|------------------|------------------|
| Cash and Due from Banks | \$4,822 | \$5,223 |
| Federal Funds Sold & Overnight Deposits | 36,922 | 25,496 |
| Interest Bearing Deposits in Banks | 12,252 | 17,613 |
| Investment Securities | 52,964 | 45,492 |
| Loans Held for Sale | 10,743 | 3,840 |
| Loans, net | 480,333 | 461,283 |
| Reserve for Loan Losses | (4,694) | (4,647) |
| Premises and Equipment, net | 11,853 | 10,678 |
| Other Real Estate Owned, net | 297 | 559 |
| Accrued Interest & Other Assets | 18,356 | 19,906 |
| Total Assets | \$623,848 | \$585,443 |

| LIABILITY & SHAREHOLDERS' EQUITY | DEC. 31, 2014 | DEC. 31, 2013 |
|---|------------------|------------------|
| Noninterest Bearing Deposits | \$90,385 | \$87,247 |
| Interest Bearing Deposits | 302,722 | 269,614 |
| Time Deposits | 158,957 | 161,493 |
| Borrowed Funds | 15,118 | 13,216 |
| Accrued Interest & Other Liabilities | 4,684 | 4,053 |
| Common Stock | 9,859 | 9,855 |
| Additional Paid in Capital | 418 | 363 |
| Retained Earnings | 46,462 | 43,405 |
| Accumulated Other Comprehensive (Loss) Income | (832) | 77 |
| Treasury Stock at Cost | (3,925) | (3,880) |
| Total Liabilities & Shareholders' Equity | \$623,848 | \$585,443 |

Standby letters of credit were \$1,725,000 and \$1,633,000 at December 31, 2014 and 2013, respectively

Consolidated Statements of Income (unaudited, in thousands)

| | DEC. 31, 2014 | DEC. 31, 2013 | DEC. 31, 2014 | DEC. 31, 2013 |
|---|------------------|----------------|-------------------|----------------|
| | (3 months ended) | | (12 months ended) | |
| Interest Income | \$6,298 | \$6,233 | \$24,852 | \$24,481 |
| Interest Expense | 521 | 589 | 2,155 | 2,459 |
| Net Interest Income | 5,777 | 5,644 | 22,697 | 22,022 |
| Provision for Loan Losses | 45 | 75 | 345 | 305 |
| Net Interest Income After Provision for Loan Losses | 5,732 | 5,569 | 22,352 | 21,717 |
| Trust Income | 177 | 172 | 726 | 644 |
| Noninterest Income | 1,944 | 1,867 | 8,183 | 7,857 |
| Noninterest Expenses: | | | | |
| Salaries & Wages | 2,222 | 2,252 | 8,916 | 8,964 |
| Pension & Employee Benefits | 663 | 860 | 2,725 | 2,777 |
| Occupancy Expense, net | 293 | 285 | 1,199 | 1,156 |
| Equipment Expense | 441 | 398 | 1,674 | 1,597 |
| Other Expenses | 1,958 | 1,929 | 7,080 | 6,727 |
| Total | 5,577 | 5,724 | 21,594 | 21,221 |
| Income Before Taxes | 2,276 | 1,884 | 9,667 | 8,997 |
| Income Tax Expense | 391 | 356 | 1,973 | 1,862 |
| Net income | \$1,885 | \$1,528 | \$7,694 | \$7,135 |
| Earnings Per Share | \$0.43 | \$0.34 | \$1.73 | \$1.60 |
| Book Value Per Share | | | \$11.66 | \$11.17 |

