

20  
15 ANNUAL REPORT





Cynthia C. Merkle | PRESIDENT & CEO

Dear Friends,

I am pleased to report that we had another strong year as net income totaled \$12.0 million, representing a 24% increase over our prior year's performance.

We, like many in the banking industry, continue to see margin pressure, concluding the year with a net interest margin of 3.22%. Despite margin and pricing pressures which have pervaded our industry, we continue to **make a great deal of progress** in delivering upon the lending strategy implemented in late 2013. We originated \$152 million in new commercial loans in 2015 and ended the year with record commercial outstandings of \$733 million. And our **emphasis on strong credit quality** has resulted in improving metrics within our overall portfolio.

Our residential and consumer lending areas faced another challenging year as numerous technology changes and hundreds of hours of testing were required to implement another phase of the Dodd Frank regulation. Despite the internal impact this regulatory change created, we were successful in originating \$128 million in new loans, representing a 12% increase over 2014 results. Additionally, we introduced an expanded menu of new products including a wider array of services for first time homebuyers.

The **creation of our Business Banking Department** in 2015, focusing on small businesses and their owners, shines a spotlight on our commitment to this important sector of our community. We believe that this innovative business model will drive strong results for us going forward.

While our Trust and Investment areas continue to see challenges based upon market conditions, we surpassed our prior year's performance and concluded the year with revenues of \$3.8 million.

We continue to invest in our risk management program, in both the information security and regulatory compliance areas. The financial sector, like many industries, has growing concerns over cyber threats and therefore it has become a **priority to ensure we have the systems, personnel and processes in place to safeguard our information**. This is a priority that we are committed to doing.

Mid-way through 2015, we announced an exciting reorganization centered on the creation of the **Union Saving Bank Innovation Center**, an initiative that wraps marketing, technology and data analytics around a primary focus on digital services, payment services and customer services. This dedicated team will **create more bridges to customers and communities** with expanded product lines available through multiple channels. The additional resources we have committed to these cross-product initiatives will increase our ability to be innovative and an adaptive fast follower within the financial services environment.

**NET INCOME**  
\$12.0 million,  
a 24% increase

**COMMERCIAL LENDING**  
\$152 million, new loans  
\$733 million, commercial outstandings

**RESIDENTIAL AND  
CONSUMER LENDING**  
\$128 million, 105% of plan

# Building FOR THE FUTURE

Our long **history of supporting our communities remains a foundation** of who we are as a mutual bank. In October we created a new Community Relations Department, allowing us to centralize efforts related to charitable contributions, the USB Foundation, employee volunteerism and other community-related activities, in one department. Our commitment to local non-profit organizations is strong, as demonstrated by contributions totaling \$750,000 that we made to local non-profits in 2015, including a contribution made to the USB Foundation, enabling us to continue to build for the future in this regard.

We recognize that **our employees are vital to our success** and to the health of our communities, as demonstrated this past year by their collective contributions of over 20,000 volunteer hours sitting on Boards, staffing food pantries, wrapping holiday gifts, raking leaves and assisting seniors; to name a few. We had many reasons to celebrate our employees in 2015, culminating in a recognition event in the fall for those employees who reached service milestones. At this event, we introduced a **Quarter Century Club** and were proud to induct 20 employees who had achieved 25 or more years of service at Union Savings Bank. And we're not the only ones who think our employees are outstanding; Jason Ginsberg, Head of Treasury Services, and Vinny DiGilio, Head of Business Banking, were recognized by the Connecticut Bankers Association as New Leaders in Banking – outstanding employees who make a notable impact within their bank and community.

A longtime member of our Board of Trustees, Jack Tyransky, retired in April, having served the Bank for 26 years, most recently as Chairman of the Board. We thank Jack for his dedication over the many years.

While turning our attention to 2016, we are also reflecting upon our past as we **celebrate our 150th anniversary**. We have a year full of celebrations, culminating in June, the month in which a group of Danbury businessmen incorporated our bank. We are proud of our heritage and we are very excited about our future. We are well positioned to serve our communities and customers, while continuing to provide career opportunities to our employees.

On behalf of the Board of Trustees and all of us at Union Savings Bank, I thank you for your continued support.

Sincerely,

*Cynthia C. Merkle*

Cynthia C. Merkle  
PRESIDENT & CEO



## TRUST AND INVESTMENT

\$3.8 million in revenues

## NEW INITIATIVES

Business Banking Department  
Innovation Center  
Community Relations Department

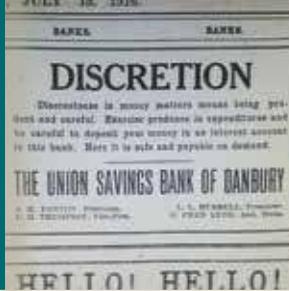
## CONTRIBUTIONS

\$750,000 to local non-profits  
20,000+ collective employee  
volunteer hours



**1866**

USB founded by group of Danbury's leading citizens; James S. Taylor elected President



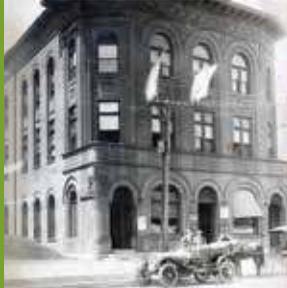
**1866**

June 20, 1866: Legislature of State of Connecticut authorized incorporation of Union Savings Bank



**1887**

March 29, 1887: USB moved to 226 Main Street building, designed by architects Berg & Clark



**1927**

Signature Tiffany-style chime clock unveiled outside of 226 Main Street location where it remains today



**1973**

May 31, 1973: Federal Road branch in Brookfield opens

**1974**

August 23, 1974: New Fairfield branch on Route 39 opens



**1975**

Wealth Management division established, today has more than \$400 million in assets



**1992**

Acquired Greenwood Bank of Bethel out of receivership from FDIC



**1996**

Acquired seven Eagle Federal branches

**1998**

Launched internet banking



**Union Savings Restoration Wins Architectural Award**

**2002**

Historic preservation award for New Milford branch building at 41 East Street



**2010**

Year ends with over \$2.4 billion in assets

**2010**

April 7, 2010: Acquired nine branches of First National Bank of Litchfield



# Customers. Emplo



20  
15

Highlights





## PAUL H. BRUCE

Executive Vice President, Chief Financial Officer

The Bank's **balance sheet continued to gain strength** in 2015 as evidenced by a regulatory capital ratio of 9.70% at year-end, an increase of almost 42% in five years. Growing capital through annual earnings is one of the primary methods to ensure the safety and soundness of a mutual savings bank. Net income of \$12.0 million in 2015 is a reflection of our efforts to control operating expenses in what is a highly competitive and challenging economic and financial environment.

To further improve efficiencies and strengthen operational functions, in 2015 we combined two departments, Deposit Operations and Loan Operations, into one division, Bank Operations, whose combined team works to support the needs of all deposit and lending customers. Whether through processing of loan payments and deposit transactions, issuance of new and replacement debit cards, and coordinating the numerous electronic transactions the Bank processes on a daily basis, our Bank Operations **staff ensures that account transactions are processed completely**, accurately and as efficiently as possible. We are also unique in that our card production team within Bank Operations produces debit cards on site, allowing for a quick turn-around between card ordering and delivery.

In 2015, we also developed a centralized deposit fraud function, to further **reduce the risk of deposit account fraud** and provide a more holistic review of deposit account activity. By combining various tracking solutions that identify and alert us to potential fraud, and constantly seeking new automated tracking solutions, we continue to pay close attention to protecting the Bank and its customers from fraudulent activities.

The Bank's General Services department takes great **pride in keeping our physical locations clean and running as efficiently as possible**, and we take great pride in our network of 26 branch offices and 32 ATM machines. This footprint of locations throughout western Connecticut is our primary contact with the many customers and communities we serve and we are always striving to improve the customer experience in all of our locations.

### 2015 HIGHLIGHTS AT A GLANCE

- Year-end regulatory capital ratio increased almost 42% in five years
- Net income of \$12.0 million
- Improved efficiencies by combining Deposit and Loan Operations into one division, Bank Operations
- Developed a centralized deposit fraud function by combining various tracking solutions

GAINING  
*Strength*



## FREDERICK F. JUDD, III

Executive Vice President,  
Wealth Management and Branch Banking

Since 1866, our focus has remained squarely on **assisting our customers achieve their goals** as we have expanded our branch network and broadened our product and service offerings. At its core, our branch banking and wealth management departments help customers transition through different life stages, providing peace of mind as customers rely upon us to help them navigate through the challenges and opportunities presented. We also work closely with businesses, not-for-profit organizations and municipalities to provide sound advice and cash management services that manage their complex needs. In 2015, we implemented a new Treasury platform with enhanced security features that offers increased protection of customer accounts.

Customers who interact with our branches can **count on friendly, courteous service from a team of dedicated professionals**. And while we embrace technology, and all the convenience it may offer, we have not lost sight of the value that a personal relationship brings to our customer interactions. The advise-based model of planning used by our trust and investment officers focuses on creating a financial plan and investment strategy that will assist our customer's to achieve their goals, both in the short and long term.

2015 continued progress in our branches to **enhance the customer experience and expand our customer outreach**, and we were pleased to surpass our core deposit growth goal by 4.39%. Our Solutions Teams in Monroe and Southbury delivered strong results, and a third team based in Ridgefield will be launched in 2016. We believe this strategy of placing multi-disciplined teams in a few of our branches assists us in delivering upon our relationship based service model while also helping to mitigate the impact of declining branch transactions as more customers migrate to online solutions.

### 2015 HIGHLIGHTS AT A GLANCE

- Increased protection of customer accounts by implementing a new Treasury platform with enhanced security features
- Surpassed core deposit growth goal by 4.39%
- Our Solutions Teams delivered strong results and assisted in delivering upon our relationship based service model

SOUND  
*Planning*

**Looking ahead to 2016**, we are excited to complete a project that has been in development for close to two years – **the renovation of our Bethel office**, expected to be completed in late 2016. With this project, we are reimagining what a Union Savings Bank branch is, enabling us to engage with customers on a different, broader level. And incorporated into this new branch design will be a new resource area that will provide guidance and assistance with life-stage needs (such as retirement planning) as well as an educational resource and concierge for non-financial services (such as community services).



## PETER R. MAHER

Executive Vice President, Chief Lending Officer

In 2015 we supported our local communities with increased lending activity to businesses and individuals. Our creative and experienced lending teams generated \$280 million of new money advances and we are proud that nearly all of this production was local – helping commercial and individual borrowers throughout western Connecticut and nearby New York State to grow and succeed.

Our commercial lending portfolio grew by a robust 6.3%. Highlights include:

- **\$152 million commercial new money advanced** compared with \$137 million in 2014 and \$102 million in 2013. This positive trend appears likely to continue into 2016 as we start the year with our strongest pipeline ever.
- **Over 130 new commercial loans aggregating to \$30 million** for local business working capital and expansion.
- Various **community development loans totaling \$7 million** to support local non-profits as well as loans to support operations of our valued municipal clients. We are proud, via participation in various investments as well as board membership, to support the Housing Development Fund and Connecticut Enterprise Development Fund among others.
- **Over twenty commercial construction loans totaling almost \$50 million** to support local development.

We enjoy a diverse commercial product menu including the ability to employ interest rate products such as swaps, caps and collars, permitting us to structure nearly \$100 million of loans over the past few years protected by these risk-reducing instruments. Our commercial lenders work closely with our knowledgeable and dedicated Treasury Services (cash management), Wealth Management and Branch Banking departments to build complete relationships with our business customers. In 2015 we dedicated a **Business Banking team** who works closely with small business clients and prospects, representing a real focus and commitment to this important base.

Our residential and consumer lending activity also increased in 2015 despite a stagnant local real estate market and significant slow-down in refinance activity:

- Production aggregating to \$128 million – representing a 12% increase from 2014.
- Closings via our **innovative and established First Time Homebuyer Program** increased 10% to almost \$12 million. This successful program gives a helping hand to first time homebuyers in our communities by providing portfolio loans with minimal down payment requirements and does not require Private Mortgage Insurance (PMI) protection.
- During 2015 we developed several helpful **new mortgage products** – including a separate program geared to further enhance our offerings to first time homebuyers.

### 2015 HIGHLIGHTS AT A GLANCE

- Generated \$280 million of new money advances
- Grew our commercial lending portfolio by 6.3%
- Dedicated a Business Banking team to work closely with small business clients and prospects
- Mortgage production aggregating to \$128 million, a 12% increase from 2014



## MARIE T. O'NEILL

Executive Vice President,  
Chief Branding and Innovation Officer

As we have for 150 years, the focus at Union Savings Bank is on the customer experience. A highlight of 2015 was the launch of our Innovation Center, an integrated team that seeks to leverage creativity and innovation to foster the convergence of perspectives, knowledge and insight. This collaborative approach combines Payment Services, Marketing, Digital Services, Customer Experience and Technology and Data Services to **deliver a customer-centric approach to financial services**. The creation of the Innovation Center enables us to adapt to the increasing complexity of financial services and to anticipate, identify, address and exceed the needs of customers through the delivery and promotion of new technologies.

Some of our efforts in 2015 were focused on **creating opportunities to connect and engage with our customers**, and define customer service expectations for our employees. We launched a Voice of the Customer survey, giving customers who use our call center the opportunity to give feedback about and describe expectations for their experience at Union Savings Bank. Launched initially in our Customer Service Center, this program will be expanded to other departments. We also created an internal **Customer Service Commitment Charter** that defines the responsibility of every employee to deliver a high quality of excellence to internal and external customers. Every employee is held accountable to the tenets outlined in this Charter, which we'll be sharing with our customers in 2016.

Other accomplishments in 2015 include **growth in our credit card portfolio**, with new accounts up 16% over the prior year and a 17% increase in active accounts. We **launched a new online banking service**, Business Online, specifically for business customers seeking a comprehensive set of commercial banking tools that allows a safe, easy and convenient way to manage their business activity online. And we continue to see growth in our online banking products, as more people embrace mobile banking with USB Mobile Money showing a 26% increase in usage in 2015.

### 2015 HIGHLIGHTS AT A GLANCE

- Initiated the Innovation Center to adapt to the increasing complexity of financial services
- Introduced a Voice of the Customer survey to give customers the opportunity to provide feedback about their experience and expectations
- Created a Customer Service Commitment Charter to define our responsibilities to customers
- New credit card accounts grew 16% and active accounts increased 17%
- Launched Business Online to help business customers manage their business activity online

**As we look ahead to 2016**, we will introduce a new debit chip card, and expand our customer payment capabilities to include ApplePay, Visa Checkout, Samsung and Android Pay. We will continue to evolve our marketing to include a growing digital focus and more targeted communications. And we will expand our digital footprint to include a broader social media experience as well as a complete redesign of unionsavings.com. We are also evolving our checking account products, to better reflect how business and individuals access their money and use their accounts.

# 20 15 Financials

FINANCIAL STATEMENTS

FINANCIAL TRENDS

CORPORATORS

TRUSTEES

BRANCH LOCATIONS



# FINANCIAL STATEMENTS

## BALANCE SHEETS

at December 31 (*amounts in thousands*) (*unaudited*)

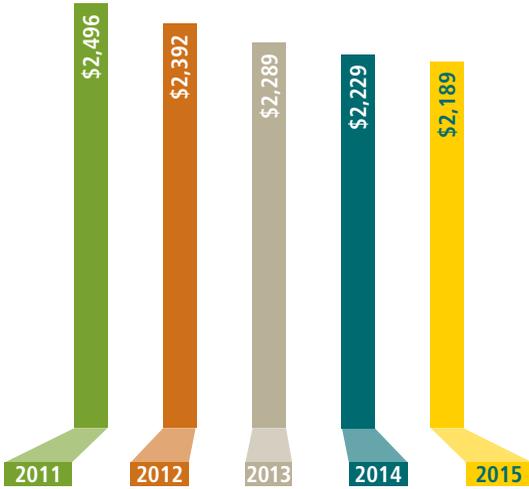
	2014	2015
<b>Assets</b>		
Cash and due from banks	\$57,718	\$79,549
Securities	300,054	273,490
Federal Home Loan Bank stock	20,905	12,849
Loans, net	1,693,052	1,666,614
Premises and equipment	49,286	47,062
Other assets	107,527	109,104
<b>Total assets</b>	<b>\$2,228,542</b>	<b>\$2,188,668</b>
<b>Liabilities and Capital</b>		
Deposits	1,690,750	1,665,767
Repurchase agreements	137,222	167,939
Federal Home Loan Bank advances	168,719	112,994
Other liabilities	28,566	24,859
Capital	203,285	217,109
<b>Total liabilities and capital</b>	<b>\$2,228,542</b>	<b>\$2,188,668</b>

## INCOME STATEMENTS

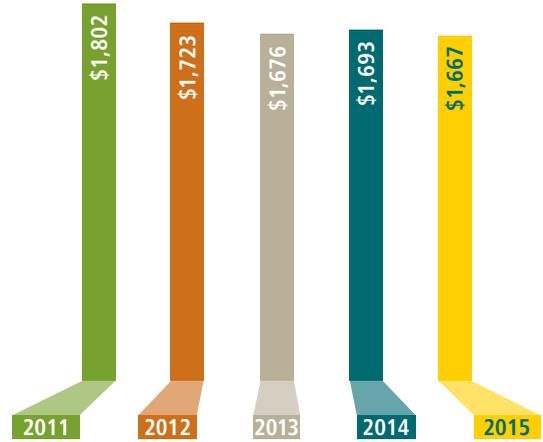
Years ended December 31 (*amounts in thousands*) (*unaudited*)

	2014	2015
Interest and dividend income	\$80,571	\$76,117
Interest expense	12,972	10,233
<b>Net interest and dividend income</b>	<b>67,599</b>	<b>65,884</b>
Provision for loan losses	3,459	2,403
<b>Net interest and dividend income after provision for loan losses</b>	<b>64,140</b>	<b>63,481</b>
Noninterest income	16,469	17,078
Noninterest expense	66,815	63,172
<b>Income before income taxes</b>	<b>13,794</b>	<b>17,387</b>
Provision for income taxes	4,116	5,348
<b>Net income</b>	<b>\$9,678</b>	<b>\$12,039</b>

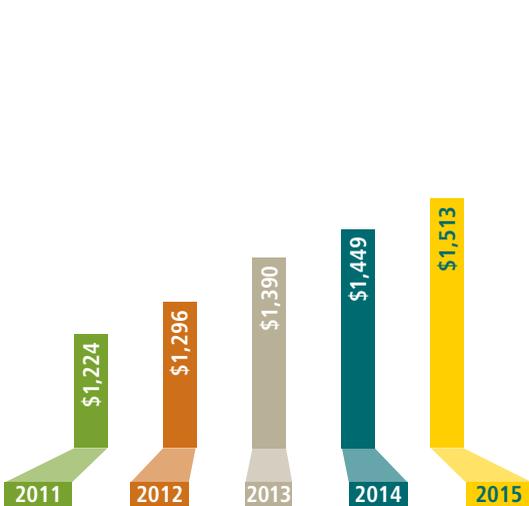
# FINANCIAL TRENDS



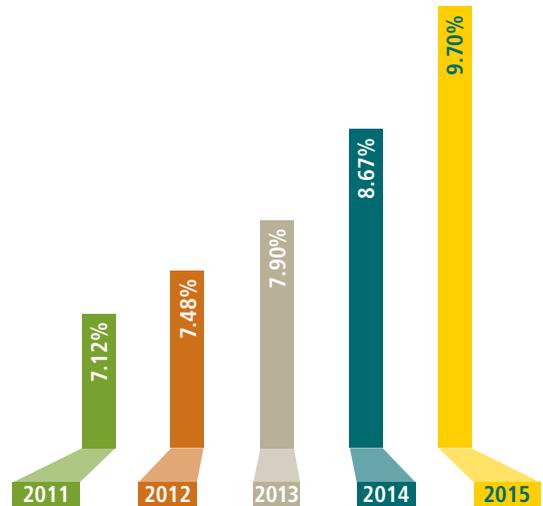
Assets (in millions)



Loans (in millions)



Core Deposits (in millions)



Regulatory Capital Ratio

## Core Deposits

- Represent the highest level of customer relationship
- Fiduciary responsibility to safeguard customer deposits is paramount

## Regulatory Capital Ratio

- Represents the “strength” of the balance sheet
- Growth is impressive since, as a mutual bank, we can only grow capital through earnings

## CORPORATORS

Michael Ackerman  
*Owner, The Pantry, Inc.*

Michael J. Allen  
*President, Danbury Square Box Company*

Cheryl A. Bakewell  
*Partner, Bakewell & Mulhare LLC*

Eduardo Batista  
*President, Danbury Donuts, Inc.*

David Begin  
*President & CEO, Chemical Marketing Concepts*

James J. Blansfield  
*President, Blansfield Builders, Inc.*

Patrick J. Boland  
*Retired Managing Director, Credit Suisse First Boston*

Abner Burgos-Rodriguez  
*Marketing Manager, Standard Petroleum*

Emile Buzaid  
*Retired Owner, Max Gun and Paron LLC*

Maureen Casey Gernert  
*Director, Career Development Center, WCSU*

Jacqueline Cassidy  
*Controller, Koster Keunen, Inc.*

Anthony W. Cirone, Jr.  
*Partner, Equale & Cirone LLP*

David M. Coelho  
*Electrical Instructor, Ridley-Lowell Business & Technical Institute*

Susan Cook  
*Owner, Cook Funeral Home, Inc.*

Geoffrey Dent  
*Sales, Electrical Wholesalers*

Daniel B. DiBuono  
*President, Tower Realty Corporation*

Charles R. Ebersol, Jr., Esq.  
*Partner, Ebersol & McCormick LLC*

Mourad Fahmi\*  
*CEO/Principal Owner, Miller-Stephenson Chemical Corp.*

Philip M. Farmer\*  
*President, Credit Resources, Inc.*

Thomas T. Fitzsimons  
*Executive Vice President, Channel Sources*

Clayton H. Fowler  
*Chairman & CEO, Spinnaker Real Estate Partners LLC*

Kathleen A. Harrison\*  
*Co-Owner, Fazzone & Harrison Realty, LLC*

Matthew Karpas\*  
*Managing Member, Karpas Strategies, LLC*

Michael R. Kaufman  
*Attorney, Jones, Damia, Kaufman, Borofsky & DePaul LLC*

Kevin J. Kelleher  
*President & CEO, Cartus*

Jeffrey B. Kilberg  
*Vice President, Nicholas/Tobin Insurance, Inc.*

Scott Lavelle  
*Real Estate Broker, Lavelle & Herron Real Estate*

Richard J. Lipton, M.D.  
*Physician, Advanced Ear, Nose & Throat Care*

Mark A. Malkin  
*Owner, Malkin & Daigle LLC*

Martin Marola  
*President, Tru-Hitch, Inc.*

Stanley J. McKenney  
*Vice President, McKenney Mechanical Contractors, Inc.*

Rute Mendes Caetano\*  
*Attorney, Ventura, Ribeiro & Smith*

Bruce Minoff  
*Owner, Hansen's Flower Shop*

Andrew W. Morin\*  
*President, Servco Oil, Inc.*

George Mulvaney  
*President, Mulvaney Mechanical*

Maurice A. Nizzardo\*  
*Real Estate Developer, Nizzardo Holdings, LLC*

Sal Pandolfi  
*Real Estate Services and Development*

Matthew Paul\*  
*Eye Surgeon/MD, Danbury Eye Physicians & Surgeons, PC/MD, FACS*

Larry Pereira\*  
*Attorney, Baker Law Firm*

William M. Petroccio\*  
*Attorney, Q & R Associates, LLC*

MaryJean Rebeiro  
*President & CEO, NY-CONN Corporation*

Cheryl Reedy  
*Director, Housatonic Resources Recovery Authority (HARRA)*

Eugene Reelick  
*Owner, Hollandia Nursery*

Agostinho Ribeiro  
*Managing Partner, Ventura, Ribeiro & Smith*

Frank Rowella, Jr.  
*Financial Advisor, Reynolds & Rowella*

Cynthia Emiry Roy  
*President & CEO, Regional Hospice*

John H. Ryan  
*President, Walker Industrial*

M. Jeffers Ryer  
*President, Ryer Associates Commercial Real Estate*

Thomas S. Santa  
*President & CEO, Santa Energy Corporation*

Lisa Scails  
*Executive Director, Cultural Alliance of Western CT*

Mary Schinke  
*Attorney, Attorney at Law LLC*

Valerie Sedelnick  
*President & CEO, Washington Supply Company*

Gregory L. Steiner  
*Principal, Berkshire Corporation Park*

Michael Sturdevant  
*Sergeant, Danbury Police Department*

Luis Tomas  
*Owner, European's Furniture & Gifts*

Lewis J. Wallace, Jr.  
*Director, Common Fund*

William H. Webb, Jr.  
*President, Pegasys, Inc.*

Arthur C. Weinshank  
*Partner, Cramer & Anderson LLP*

Ralph Williams III  
*Principal, Connecticut Business Services LLC*

Jordan Young  
*President, Fairfield Processing*

\*New Corporator slate to be elected March 2016

# TRUSTEES

## CHAIRMAN OF THE BOARD OF TRUSTEES

Donald T. Studley, C.P.A.  
*Partner, Studley, White & Associates, P.C.*

## VICE CHAIRMAN OF THE BOARD OF TRUSTEES

Jeff M. Levine  
*Owner, Levine Automotive*

Ray P. Boa  
*Owner, A & J Construction Company*

John A. Brighenti  
*Vice President & Owner, Avon Plumbing & Heating Co., Inc.*

Cynthia C. Merkle  
*President & CEO, Union Savings Bank*

Arnold E. Finaldi, Jr.  
*Senior Vice President, Rose & Kiernan, Inc.*

*Trustees are also Corporators*

David S. Hawley  
*President, Hawley Management*

John M. Murphy, M.D.  
*President & CEO, Western Connecticut Healthcare*

Gregory S. Oneglia  
*Vice Chairman, O & G Industries*

Stephen G. Rosentel, C.P.A.  
*President, Leahy's Fuels, Inc.*

Cynthia Stevens  
*Adjunct Faculty, Naugatuck Valley Community College*

H. Ray Underwood  
*Secretary & Treasurer, Underwood Services, Inc.*

Lucie H. Voves  
*President, Church Hill Classics*

# BRANCH LOCATIONS

<b>Bethel</b>	24 Grassy Plain Street 79 Stony Hill Road
<b>Brookfield</b>	200 Federal Road 828 Federal Road
<b>Canton</b>	188 Albany Turnpike
<b>Danbury</b>	71 Newtown Road 116 Main Street 226 Main Street 100 Mill Plain Road 126 North Street
<b>Goshen</b>	4 Sharon Turnpike
<b>Kent</b>	15 Kent Green Boulevard
<b>Litchfield</b>	13 North Street
<b>Marble Dale</b>	253 New Milford Turnpike

<b>Monroe</b>	411 Monroe Turnpike
<b>New Fairfield</b>	24 Route 39
<b>New Milford</b>	169 Danbury Road 41 East Street 100 Park Lane Road
<b>Newtown</b>	1-A Commerce Road
<b>Ridgefield</b>	100 Danbury Road
<b>Roxbury</b>	26 North Street
<b>Southbury</b>	406 Main Street South
<b>Torrington</b>	1057 Toringford Street 397 Main Street
<b>Washington Depot</b>	7 Bryan Plaza

Investing  
 IN COMMUNITY

*Historic images provided courtesy of  
 The Danbury Museum & Historical Society Authority.*

*Dedicated to growth.*



[unionsavings.com](https://unionsavings.com)

203.830.4200

866.872.1866



Member FDIC. Equal Housing Lender. 