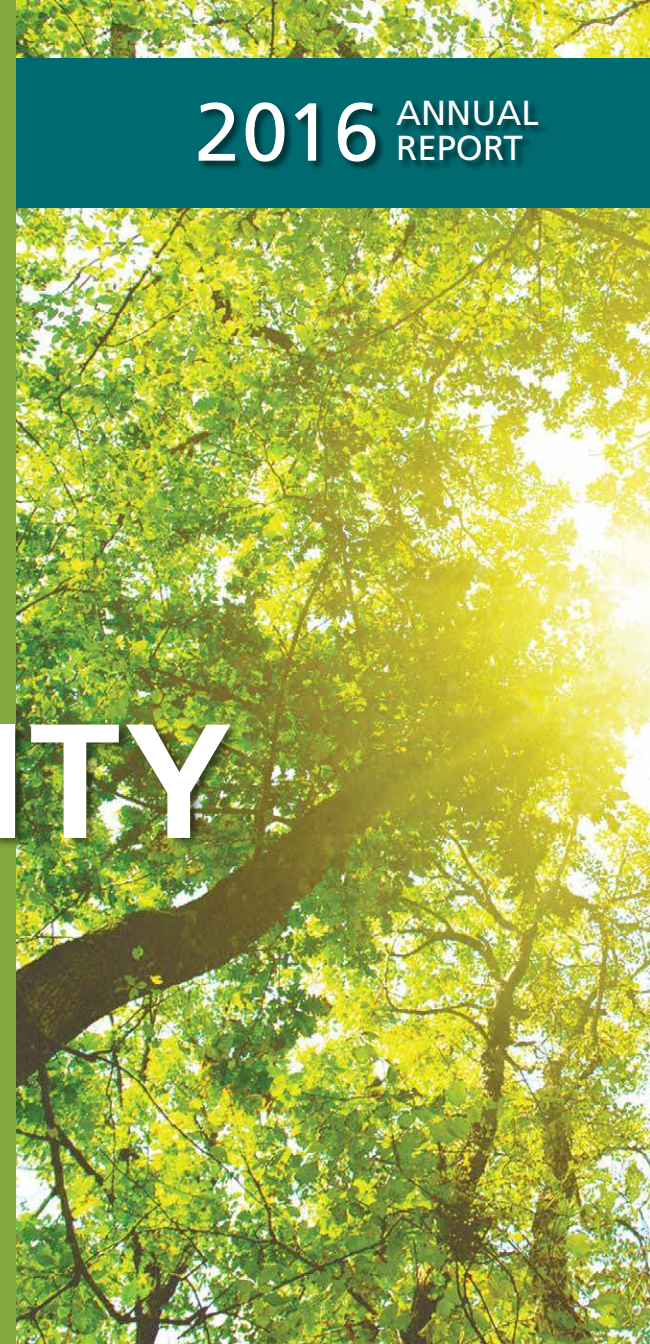


2016 ANNUAL
REPORT



INVESTING IN COMMUNITY





INVESTING IN PEOPLE

OUR ROOTS RUN DEEP IN OUR COMMUNITIES, WHERE WE BELIEVE THAT EVERYONE HAS THE POTENTIAL TO SUCCEED. THIS BELIEF ALLOWS US TO UNVEIL A WORLD OF OPPORTUNITY BY INVESTING IN PEOPLE.



Cynthia C. Merkle | PRESIDENT & CEO

I AM PLEASED TO REPORT WE HAD A VERY STRONG YEAR as net income totaled \$12.3 million, representing an increase over our prior year's performance.

While the margin pressure facing the financial institution industry over the past few years continued, we were able to claim some great successes which include:

- ▶ Originating a record \$175.4 million in commercial loans
- ▶ Growing our commercial portfolio by \$63.5 million or nearly 9%
- ▶ Doubling our new small business originations
- ▶ Generating \$141 million in residential loans which is 10% higher than 2015
- ▶ Originating community development loans of over \$4.2 million

We continue to manage our lending growth with an emphasis on strong credit quality, which has resulted in improving metrics within our overall portfolio.

To help simplify and enhance our customer's banking experience we are constantly striving to develop new products and services. In its first year of operation, our Innovation Center assisted us in delivering upon that commitment with the introduction of EMV chip enabled debit cards, digital wallets, a well-received digital ad campaign and through our expanded social media presence.

With simplifying and enhancing the customer experience in mind, we completed the renovation of our Bethel Grassy Plain Street branch. The branch now features a more open and innovative banking experience for our customers and a large community room for groups to hold their meetings, complete with the latest audio and video capabilities. The renovation also allowed us to launch **FutureTrack**, our solution to help support those who have already started to save for retirement and the overwhelming number of people who have not yet begun to save.

FutureTrack was designed to provide financial guidance for our customer's financial journey, primarily focusing on saving, retirement and life-stage

planning. We are supporting **FutureTrack** with a dedicated team, a new resource heavy website and a physical retail presence in the renovated Bethel Grassy Plain Street branch.

Our Branch Banking group saw a strong core deposit growth of 7.48%, while our Solutions Team initiative expanded by one last year with the addition of the Ridgefield Team to complement the teams serving the Monroe and Southbury markets. The Solutions Teams are a one-stop multidisciplinary team of banking representatives designed to give our clients exactly what they need to succeed. The delivery of services through the team approach continues to show strong market growth and enhance the customer experience. Our innovative approach to relationship banking caught the attention of the media, resulting in numerous national and local media articles.

The trust and investment areas generated nearly \$3.8 million in revenues and have seen a steady increase in revenues from the Raymond James portion of the group. We added our fourth CERTIFIED FINANCIAL PLANNER™ professional to our Wealth Management team in the beginning of 2017, further enhancing the planning capabilities of the group. We are continuing to expand services to our clients through financial planning, working with the next generation of clients through our estate settlement services and providing investment management services to the not-for-profit organizations in our community.

Treasury Services had a strong year and our focus continues to expand cash management services while promoting safety and efficiency to our business customers, plus expanding relationships with our municipal customers through deposit and investment services.

LAST YEAR WE CELEBRATED OUR 150TH ANNIVERSARY with hundreds of organizations and groups, thousands of customers and unique events sprinkled throughout the year including the joint underwriting of a monument dedicated to the hatting industry with the City of Danbury. We continued our long tradition of dedication towards enhancing the quality of life in our local communities through monetary donations, sponsorships and employee volunteer hours that totaled over 20,000 collective hours.

It was a year of celebration, which also included the contribution of nearly \$600,000 in grants and donations. We also announced a foundation grant

focus on education. To support the education theme, at our fall officer’s meeting in October, the Union Savings Bank Teachers’ Closet was unveiled. The Teachers’ Closet was created to provide free school supplies to teachers in the communities we serve where students and their families experience extreme financial challenges which prevent them from having the supplies they need for the school year. I’m proud to say that our officers donated over 800 school supply items to kick off this initiative.

We continue our commitment of securing an environment that ensures our employees succeed by providing development opportunities while also celebrating their successes.

IN 2016, WE HAD NUMEROUS REASONS TO BE PROUD. Jennifer Tomaino, vice president, business banking relationship manager, was honored by the Connecticut Bankers Association as a New Leader in Banking, a recognition made to outstanding employees who make a notable impact within their bank and community.

Patty Dyer, vice president, residential mortgage and the Ridgefield Solutions Team leader, was a recipient of the “Women of FIRE” award, a recognition bestowed by The Commercial Record. As noted by the newspaper, “the FIRE (Finance, Insurance and Real Estate) sector has emerged as a keystone of the Connecticut economy, transforming the knowledge, wealth and dreams of the world’s most ambitious visionaries into reality.”

A number of our employees also received professional designations in 2016, which required a great deal of time in preparation for industry examinations. Highlights include, Terry Shanahan and Jacquelyn McKenzie of our security department who passed their CAMS (Certified Anti-Money Laundering Specialist) exams and are now CAMS Certified. Since its inception, CAMS has become the gold standard in Anti-Money Laundering certifications and is recognized by private institutions, governments and law enforcement.

Additionally, Jose Diaz, Jr. of our Raymond James Wealth Management unit earned the designation of a CERTIFIED FINANCIAL PLANNER™ professional while Kasey Beckendorf, assistant vice president, compliance officer, earned his CRCM (Certified Regulatory Compliance Manager) certification from the American Bankers Association.

As a Bank, we once again earned an Outstanding Community Reinvestment rating from the state of Connecticut’s Banking Commission. We also received honors throughout the year from various organizations including being named the Dedicated Community Partner by the Portuguese Cultural Center and receiving the Hat City Award for Preservation Excellence from the Danbury Museum and Historical Society.

At the conclusion of 2016, we were preparing to say good bye to a longtime member of our Board of Trustees, Donald Studley, who retired in February of 2017. Don served the bank for many years, most recently as chairman of the board. We can’t thank Don enough for his dedication and commitment over the many years.

We are very proud of our accomplishments this year and we appreciate the support of our loyal customer base. 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 and CEO

NET INCOME	\$12.3 MILLION
RESIDENTIAL & CONSUMER LENDING	Mortgage production totaled \$141 MILLION 10% higher than 2015 results
COMMERCIAL LENDING	Grew commercial portfolio by \$63.5 MILLION a nearly 9% increase from 2015
CONTRIBUTIONS	Since 2011, we've donated nearly \$6 MILLION to local non-profits, and over 100,000 collective employee volunteer hours
TRUST & INVESTMENT	Revenues totalling nearly \$3.8 MILLION
NEW INITIATIVES	<ul style="list-style-type: none"> ▶ Bethel Grassy Plain Street renovation ▶ FutureTrack ▶ Ridgefield Solutions Team ▶ Foundation Grant focus on education ▶ Converted to EMV chip debit cards



INVESTING IN TOMORROW

2016
FINANCIALS

FINANCIAL STATEMENTS

FINANCIAL TRENDS

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FINANCIAL STATEMENTS

BALANCE SHEETS

at December 31 (amounts in thousands) (unaudited)

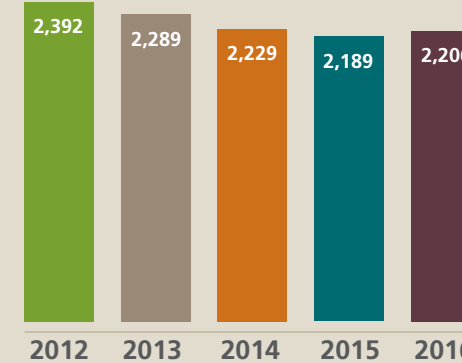
	2015	2016
Assets		
Cash and due from banks	\$79,549	\$45,545
Securities	273,490	311,332
Federal Home Loan Bank stock	12,849	6,844
Loans, net	1,666,614	1,670,735
Premises and equipment	47,062	46,799
Other assets	109,104	124,420
Total assets	\$2,188,668	\$2,205,675
Liabilities and Capital		
Deposits	1,665,767	1,665,637
Repurchase agreements	167,939	216,183
Federal Home Loan Bank advances	112,994	60,919
Other liabilities	24,859	35,274
Capital	217,109	227,662
Total liabilities and capital	\$2,188,668	\$2,205,675

INCOME STATEMENTS

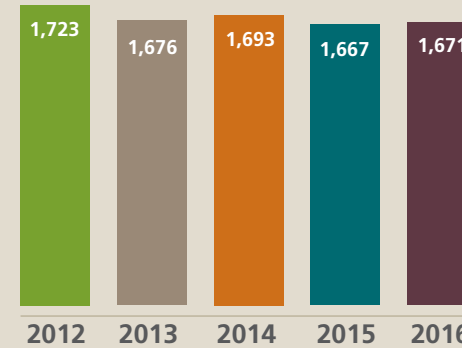
Years ended December 31 (amounts in thousands) (unaudited)

	2015	2016
Interest and dividend income	\$76,117	\$73,747
Interest expense	10,233	8,477
Net interest and dividend income	65,884	65,270
Provision for loan losses	2,403	1,595
Net interest and dividend income after provision for loan losses	63,481	63,675
Noninterest income	17,078	16,497
Noninterest expense	63,172	62,357
Income before income taxes	17,387	17,815
Provision for income taxes	5,348	5,497
Net income	\$12,039	\$12,318

FINANCIAL TRENDS



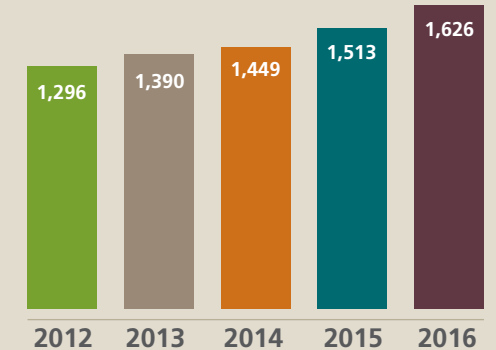
Assets (in \$millions)



Loans, net (in \$millions)

Core Deposits

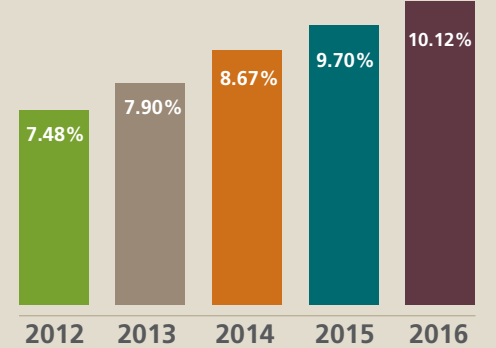
- ▶ Represent the highest level of customer relationship
- ▶ Fiduciary responsibility to safeguard customer deposits is paramount



Core Deposits (in \$millions)

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



Regulatory Capital Ratio

CORPORATORS

Michael Ackerman
Owner, The Pantry, Inc.

Michael J. Allen
President, Danbury Square Box Company

Cheryl A. Bakewell
CPA-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

Emile Buzaid
Retired Owner, Max Gun and Pawn LLC

Maureen Casey Gernert
Retired Director, Career Development Center, WCSU

Jacqueline Cassidy
Controller, Koster Keumen, Inc.

Anthony W. Cirone, Jr.
CPA-Partner, Cirone Friedberg LLP

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

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, Channell Sources

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

Ann L. Fowler-Cruz*
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Kathleen A. Harrison
Co-Owner, Fazzone & Harrison Realty LLC

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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/Owner, Remax Experience

Richard J. Lipton, MD
Physician, Advanced Ear, Nose & Throat Care

Mark A. Malkin
Owner, Malkin & Daigle LLC

Martin Marola
President, Marola Motor Sales, Inc.

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

Rute Mendes Caetano
Attorney, Ventura Law

Anthony Mercaldo*
CPA, Mittler, Mercaldo & Braun PC

Bruce Minoff
Owner, Hansen's Flower Shop

Andrew W. Morin
President, Servco Oil, Inc.

Maurice A. Nizzardo
Real Estate Developer, Nizzardo Holdings LLC

Sal Pandolfi
Real Estate Services & Development, Pandolfi Properties

Matthew Paul, MD
Eye Surgeon/Ophthalmologist, Danbury Eye Physicians & Surgeons

Larry Pereira
Attorney, Baker Law Firm

William M. Petroccio
Attorney, Q & R Associates LLC

MaryJean Rebeiro
President & CEO, NY-CONN Corporation

Eugene Reelick
Owner, Hollandia Nursery

Frank Rowella, Jr.
Financial Advisor, CPA-Partner, Reynolds & Rowella

John H. Ryan
President, Walker Industrial

M. Jeffers Ryer
President, Ryer Associates

Thomas S. Santa
President & CEO, Santa Energy Corporation

Lisa Scails
Executive Director, Cultural Alliance of Western CT

Mary Schinke
Attorney, Mary Schinke Attorney at Law LLC

Valerie Sedelnick
President & CEO, Washington Supply Company

Gregory L. Steiner
Principal, Berkshire Corporate Park

Michael R. 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. Weins Hank
Partner, Cramer & Anderson LLP

Ralph Williams III
Principal, Connecticut Business Services LLC

Jordan Young
President, Fairfield Processing

Jack Zazzaro*
DMD, Cosmetic & Family Dentistry

*New Corporators to be elected March, 2017

TRUSTEES

CHAIRMAN OF THE BOARD OF TRUSTEES

Donald T. Studley, CPA
Partner, Studley, White & Associates PC

VICE CHAIRMAN OF THE BOARD OF TRUSTEES*

Jeff Levine
Owner, Levine Automotive

Ray P. Boa
Owner, A & J Construction Company

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

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

David S. Hawley
President, Hawley Management

Cynthia C. Merkle
President & CEO, Union Savings Bank

John M. Murphy, MD
President & CEO, Western Connecticut Healthcare

Gregory S. Oneglia
Vice Chairman, O & G Industries

Stephen G. Rosentel, CPA
President, Leaby's Fuels, Inc.

Cynthia Stevens
Consultant

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

Lucie H. Voves
President, Church Hill Classics

* Chairman of the Board elected February 1, 2017

** Vice Chairman of the Board elected February 1, 2017

Trustees are also Corporators

BRANCH LOCATIONS

Bethel	24 Grassy Plain Street 79 Stony Hill Road
Brookfield	200 Federal Road 828 Federal Road
Canton	188 Albany Turnpike
Danbury	71 Newtown Road 116 Main Street 226 Main Street 100 Mill Plain Road 126 North Street
Goshen	4 Sharon Turnpike
Kent	15 Kent Green Boulevard
Litchfield	13 North Street
Marble Dale	253 New Milford Turnpike
Monroe	411 Monroe Turnpike
New Fairfield	24 Route 39
New Milford	169 Danbury Road 41 East Street 100 Park Lane Road
Newtown	1-A Commerce Road
Ridgefield	100 Danbury Road
Roxbury	26 North Street
Southbury	406 Main Street South
Torrington	1057 Torrington Street 397 Main Street
Washington Depot	7 Bryan Plaza



INVESTING IN GROWTH



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