



2018 ANNUAL REPORT



GROWING STRONG
TOGETHER

HELPING OUR COMMUNITY GROW & THRIVE



**WE ARE ROOTED IN OUR
COMMITMENT TO OUR CUSTOMERS,
TEAM MEMBERS AND COMMUNITY,
CULTIVATING A STRONG FUTURE OF
GROWTH — TOGETHER.**



Cynthia C. Merkle | President & CEO

This year our customers and team members truly redefined what it means to grow together. From announcing our plans to reorganize into a mutual holding company, to increasing our digital offerings for our customers and expanding our Teachers' Closet program, we had an incredible year of growth.

In August 2018, we announced plans to reorganize into a mutual holding company from a mutual savings bank. This reorganization will make Union Savings Bank stronger, preserve its mutuality and position the bank for future growth.

I am pleased to announce we received a majority vote from our customers, passing our plan to reorganize into a mutual holding company. I'd like to personally thank our customers for trusting USB to be their financial partner and for contributing to the continued success of Union Savings Bank.

I'm also pleased to share 2018 growth numbers, which include many financial successes:

- ▶ Record net income of \$21.8 million; an increase of 91% from 2017
- ▶ Origination of \$175 million in commercial loans
- ▶ Increasing community development lending 80% from 2017
- ▶ Donating a total of \$643,525 to charitable organizations

Putting our customers first and providing excellent convenience and customer service continue to guide us. After a successful transition through our system upgrade, we continue to enhance the customer experience. Among these improvements include a dedicated customer service team for business banking, enabling our team to assist business customers with agility.

Fueled by our commitment to better serve our customers, we've made many improvements through our Voice of the Customer program, which invites customers to share their open and honest feedback on how we're doing. In 2018, we listened and made changes that included lowering balance requirements for Health Savings Accounts, improving our business customers' ability to reset passwords more quickly, and simplifying our telephone banking system for quicker access.

The shift to online and mobile banking usage is more apparent than ever, and with this in mind we started providing new and existing customers the opportunity to open checking and savings accounts from their device of choice — to bank their own way. As the push toward digital and mobile continues, we've designated branch team members to serve as digital experts to better assist our customers.

Always putting customer security first and foremost, the bank launched USB Debit Card fraud alerts, notifying customers at the first sign of potentially fraudulent activity. This new capability monitors account activity 24/7, notifying users of suspicious transactions by text and allowing them to confirm the transaction.

In 2018, our Branch Banking team launched new "mobile banker" technology, adding flexibility to our branch banking experience. Untethering the branch banking team from a desk— or even the branch — enables them to make the personalized branch experience even more accessible. Coupled with our new branded USB van, we've expanded our reach and can now bring convenience directly to our customers.

Treasury Services helped our business customers to better manage their cash flow and reduce the risk of fraud-related losses by adding to our ACH and remote check deposit capabilities. As a result, the department surpassed its goals for both revenue and product adoption.

It was a strong year for Commercial Lending. Our portfolio grew by over \$70 million in 2018. Small business lending grew 13 percent over the previous year, a positive sign of growth in our market area. And our commercial team provided over \$53 million in loans backed by interest rate swaps, an innovative tool enabling the bank to offer lower fixed rates to our borrowers.

In a year of stock market fluctuation, our Trust Department remained focused on gathering new assets, settling estates and developing financial and investment plans for our clients. Together with our Raymond James team, we have fully

integrated our **FutureTrack** initiative, providing financial tools, planning and guidance to customers along their financial journey. New financial advisor Vincent Camarota brought more than 20 years of investment experience to our Raymond James team, positioning the department for growth in 2019.

Our team members remain committed to giving back in any way they can. For the third year in a row, team members supported causes they care about most through our USB Gives Back initiative, donating their time and financial assistance to local charitable organizations. We are proud to recognize Customer Service Center team member Greg Nilson, who was nominated by his colleagues, for exceptional commitment to the community. Greg received the bank's second annual USB Community Hero Award along with \$500 to donate to a charity of his choice.

In 2018, we once again learned what can happen when we join together to support our community. Thanks to our team members, customers and community, more than 500 items of professional attire were collected in our annual Save-a-Suit drive in May. These donations helped veterans in our community prepare to re-enter the workforce. In June, over 1,400 books were donated in our third annual Share the Love of Reading book drive. Donated books were delivered to our community partners who shared their love of reading with the children they serve.

The USB Teachers' Closet program grew this year as we welcomed our third school, South Street Elementary School, to the roster of schools we support. The USB Teachers' Closet began in 2016 as a school supply drive by our team members, and continues to help provide much needed supplies to teachers and students in schools where they're needed most. In 2018, nearly 8,000 school supplies were donated by our team members, customers, Trustees, and Corporators, helping to provide 89 elementary school teachers and over 1,200 students with the tools they need to succeed.

The Union Savings Bank Foundation continued its mission to serve, granting over \$200,000 to eighteen non-profit community partners in 2018. Grant recipients applied their funding to a variety of programs that focus on educating and enriching the lives of our community. Together, the bank and the foundation donated over \$600,000 to charitable organizations.

As is our tradition, we do more than simply support our community with financial contributions. I am so proud of the thousands of hours our team members dedicated to helping our community grow and thrive, including the United Way Day of Action in June where volunteers prepared take-home

packages of food for local families in need and participated in community beautification projects.

We had many opportunities to recognize and encourage excellence among our team members. We are always proud to see them pursue professional growth and learning, and in 2018, we introduced a new program to bring these goals even closer. The Professional Development Trainee program will provide USB team members with opportunities to explore many different areas of the bank, from branch banking to commercial to operations. We are looking forward to introducing participants to comprehensive, hands-on experiences that will shape them into future leaders in our company.

In 2018, Scott Kozek, Director of Learning and Development, was named a New Leader in Banking by the Connecticut Bankers Association. Scott continues the tradition of USB team members being recognized by the CBA for their leadership. Scott's energy and enthusiasm serve as a warm welcome to our new team members and motivate us all to achieve our goals. We congratulate Scott on this illustrious honor.

Dañ Silva, Director of Technology and Data Services, graduated from the American Banker Association's Stonier Graduate School program at Wharton. The curriculum of the Stonier program equips today's bankers with the tools and insights needed to become financial leaders of the future.

I'd like to also take this opportunity to offer well-wishes to long-time Trustee Cynthia Stevens, who will be retiring in March. Cynthia has been an incredible asset to the bank and we thank her for her guidance and leadership over the years.

Today, Union Savings Bank is stronger than ever. Once again, I would like to thank our customers, team members and our community partners for placing their trust in us.

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

We will continue to grow strong together.

Sincerely,

Cynthia C. Merkle

President and CEO

NET INCOME
**\$21.8
MILLION**

**COMMERCIAL
LENDING**

Grew commercial portfolio
by over

\$70 MILLION

CONTRIBUTIONS

In 2018, we donated over

\$600,000

to local non-profit
organizations

**TRUST &
INVESTMENT**

Revenues totalling over

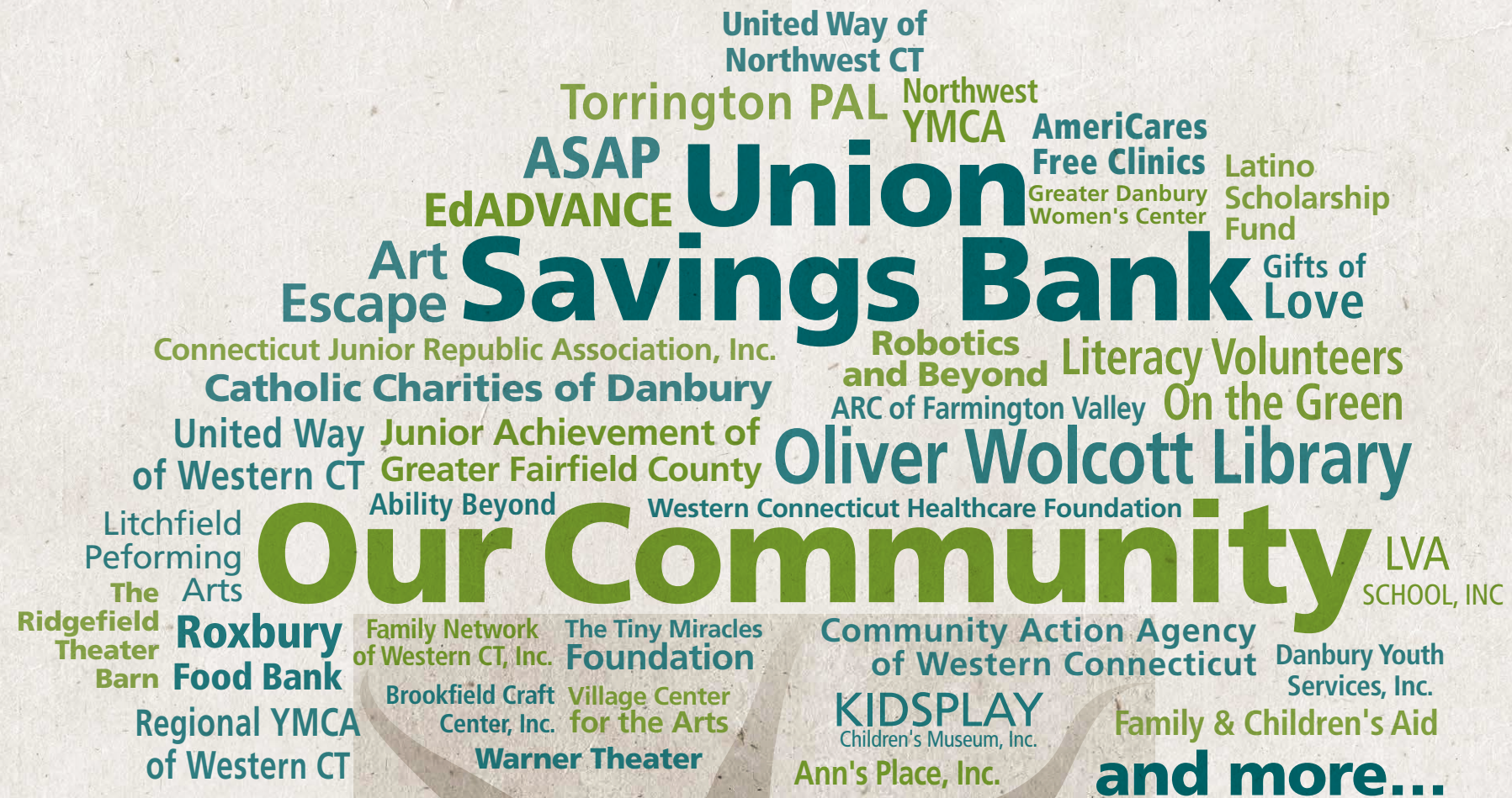
\$3.7 MILLION

**NEW
INITIATIVES**

- ▶ Reorganization into a mutual holding company
- ▶ Online account opening
- ▶ Professional Development Trainee program

“We share a passion for giving back to our community. It’s in our very nature.”

At Union Savings Bank, we love giving back; we are invested in making our community a better place — and we like to help in any way we can. From volunteering our time to contributing to important local programs — Union Savings Bank is truly committed to getting involved. We’re locals too; we work here, we live here and we play here — so it’s only fitting that we re-invest our time here.



2018

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BALANCE SHEETS

at December 31 (amounts in thousands) (unaudited)

	2017	2018
Assets		
Cash and due from banks	\$73,474	\$39,353
Securities	267,576	253,025
Federal Home Loan Bank stock	4,812	4,499
Loans, net	1,673,444	1,700,024
Premises and equipment	45,696	43,581
Other assets	116,550	118,776
Total assets	\$2,181,552	\$2,159,258
Liabilities and Capital		
Deposits	\$1,682,225	\$1,632,275
Repurchase agreements	214,023	206,175
Federal Home Loan Bank advances	12,197	28,167
Other liabilities	35,885	34,819
Capital	237,222	257,822
Total liabilities and capital	\$2,181,552	\$2,159,258

INCOME STATEMENTS

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

	2017	2018
Interest and dividend income	\$75,486	\$80,391
Interest expense	7,101	7,724
Net interest and dividend income	68,385	72,667
Provision for loan losses	1,192	828
Net interest and dividend income after provision for loan losses	67,193	71,839
Noninterest income	23,322	15,773
Noninterest expense	69,535	60,893
Income before income taxes	20,980	26,719
Provision for income taxes	9,550	4,909
Net income	\$11,430	\$21,810

FINANCIAL TRENDS

	Net Income (in \$thousands)	Assets (in \$millions)	Loans, net (in \$millions)	Regulatory Capital Ratio
2018	21,810	2,159	1,700	12.06%
2017	11,430	2,182	1,673	10.80%
2016	12,318	2,206	1,671	10.12%
2015	12,039	2,189	1,667	9.70%
2014	9,679	2,229	1,693	8.67%

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, CPA
Partner, Bakewell & Mulbare LLC

David Begin
President & CEO, Chemical Marketing Concepts

James J. Blansfield
President, Blansfield Builders, Inc.

Emile Buzaid
Retired Owner, Max Gun and Pawn LLC

Maureen Casey Gernert
Retired Director, Career Development Center, WCSU

Jacqueline Cassidy
Controller, Koster Keunen, Inc.

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

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

Sheila A. Denton*
Senior Vice President, Corporate Secretary/General Counsel, Boehringer Ingelheim

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

Ann. L. Fowler-Cruz, Esq.
Principal, Cohen & Wolf PC

Martin Handshy
President, Charter Group Partners

Kathleen A. Harrison
Co-Owner, Fazzzone & Harrison Realty LLC

H. Thomas Hinman*
Owner/Manager, Riverside Nursery & Garden LLC

Matthew Karpas
Managing Member, Karpas Strategies LLC

Heather Katz*
Managing Principal, Cleary Benefits Group

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

Kevin J. Kelleher
Consultant

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.

Wanda McGarry
Vice President, Corporate Secretary, Kovacs Construction Corp.

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

Rute Mendes Caetano, Esq.
Partner, Ventura Law

Anthony Mercaldo, CPA
Mittler, Mercaldo & Braun PC

Andrew W. Morin
President, Servco Oil, Inc.

Maurice A. Nizzardo
Real Estate Developer, Nizzardo Holdings LLC

Thomas J. Oneglia
Assistant Vice President, O&G Industries, Inc.

Sal Pandolfi
Real Estate Services & Development, Pandolfi Properties

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

Larry Pereira, Esq.
Attorney, Baker Law Firm

William M. Petroccio, Esq.
Attorney, Q & R Associates LLC

Zachary S. Rapp
President, Sydney A. Rapp Land Surveying, PC

MaryJean Rebeiro
President & CEO, NY-CONN Corporation

Eugene Reelick
Owner, Hollandia Nursery

Anthony Rizzo, Jr.*
President & CEO, The Rizzo Companies

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, Esq.
Mary Schinke Attorney at Law LLC

Valerie Sedelnick
President & CEO, Washington Supply Company

Gregory L. Steiner
Principal, Berkshire Corporate Park

Michael R. Sturdevant
Lieutenant, Danbury Police Department

Luis Tomas
Retired Owner, European's Furniture & Gifts

Lewis J. Wallace, Jr.
Director, Common Fund

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

Arthur C. Weinsbank, Esq.
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, 2019

TRUSTEES

CHAIRMAN OF THE BOARD OF TRUSTEES

Jeff Levine
Owner, Levine Automotive

VICE CHAIRMAN OF THE BOARD OF TRUSTEES

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

Ray P. Boa
Owner, A & J Construction Company

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

David S. Hawley
President, Hawley Management

Cynthia C. Merkle
President & CEO, Union Savings Bank

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

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

Frank A. Rowella, Jr., CPA
Managing Partner, Reynolds & Rowella

Cynthia Stevens*
Consultant

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

Lucie H. Voves
President, Church Hill Classics

*Trustees are also Corporators
Retired March, 2019

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 (ATM only)

Newtown 1-A Commerce Road

Ridgefield 100 Danbury Road

Roxbury 26 North Street

Southbury 406 Main Street South

Torrington 1057 Tarringford Street
397 Main Street

Washington Depot 7 Bryan Plaza



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