



Putting community  
into banking

2021 UFSBancorp Annual Report

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## A Message From Our CEO



To begin a reflection on the year 2021, I thought it best to quote one of the greatest philosophers of the 20th Century. Yogi Berra once said when commenting on a situation, "It's like déjà vu all over again." Isn't that true of 2021?

In my 2020 Annual Report letter I wrote:

*Our working mantra for 2020 became – Together We Can. Together We Will. As a community bank – we were committed to getting through the pandemic together – all employees, all customers, as well as those in the community who were not our customers. As a result of living out and committing to those six words – we are now able to say – Together We Did!!!*

None of us could have imagined that we would still be coping with the various realities brought about by the pandemic. At UniBank, we take pride in the fact that we were able to keep our employees and customers safe, while also providing our customers the necessary financial assistance to navigate the uncertainties faced by all in 2021. Our mantra of 2020, of "Together We Can. Together We Will." served us well in 2021 and has led (we hope) to our conclusion of Together We Did!

During the course of this year, people in the community mentioned to me that "UniBank really stepped up in many and varied ways during the pandemic – becoming a true beacon in the community." Two examples manifesting that sentiment were our partnership with the Worcester Red Sox and our establishment of the UniBank Charitable Foundation.

UniBank is one of the twenty-one original Founding Partners that helped bring the Worcester Red Sox to town. The

excitement and the energy generated during the inaugural season was palpable and came at a time that our community needed positive and life-giving energy. That energy was certainly experienced on Friday nights, as the community witnessed the awe inspiring UniBank Fireworks displays. It was electrifying and brought great joy to hundreds of thousands of people who watched them throughout the season. UniBank is playing a central role in the revitalization of our community.

In 2021, we announced the establishment of the UniBank Charitable Foundation. We draw inspiration from the fact that we are a mutual bank. Our initial \$2,000,000 commitment sets the foundational blocks for future giving, ensuring our legacy for the next 150 years. We are particularly thankful to the individuals and companies who bank with us... because of these relationships, we are better positioned for future giving. By banking with UniBank, people are supporting their local communities. We take seriously our role as one of the long-standing community assets in Central Massachusetts.

In a world searching for stability and institutional anchors in our lives – UniBank is playing an even greater role, than we did 152 years ago, when we were founded to bring stability and growth into a couple of small mill towns in the Blackstone Valley. UniBank is more relevant today than at any other time in our history.

The following pages of this 2021 Annual Report chronicles not only our financial success (the best in our history), but also our faithfulness to our mission as a mutual bank – that of serving and giving back to our community.

Sincerely,

Michael W. Welch  
Chief Executive Officer

Photographs, front cover, clockwise from top left:

UniBank team with a donation for the Worcester Free Tax Service Coalition.

UniBank Staff showing their WooSox pride during the inaugural season.

Arts Worcester fundraiser, Art on The Line, sponsored by UniBank. (Photo courtesy of Richard Suls.)

Neighborhood String's Children's Concert sponsored by UniBank.



◀ Christopher Foley, President, Justine DeNorscia, Executive Vice President, Director of Government Banking and Michael Welch, Chief Executive Officer.

as COVID vaccinations were approved and widely distributed. We knew better times were ahead.

UniBank continued to stand tall and grow in strength and service. First and foremost, capital strength has been the singular focus for the Board and management. We attracted an incredible amount of deposits from our customers and the growth in our assets impacted our capital ratios. The Board and management pivoted quickly to each wave of inflows towards the best utility of the funds towards maintaining and growing our depository relationships and exploring new and expanded opportunities for investments in our communities. The Board and management were very diligent in their efforts to manage this tremendous growth. We did not dilute our credit standards and we did not disenfranchise any credit-worthy customers. As a result, we are thrilled to report that our credit quality, a major hallmark of any financial institution, is rock-solid.

UniBank experienced another successful year of performance for both assets and deposits. Total assets ended the year at \$2.4 billion, an increase of \$219 million, or a 10.2% increase year over year. Deposits ended the year at \$2.0 billion, a \$71 million, or 3.7% increase over 2020. Retained earnings totaled \$181 million at year end, a \$11.3 million or 6.7% increase over 2020.

### \$2 Billion in Assets

Early in 2021, UniBank reached an important milestone as our assets topped \$2 billion in April. This achievement during such challenging times was certainly among our many



### The COVID Impact Continued

We started 2021 optimistic that the worst of COVID was behind us. As we began to tentatively plan for a return to normal, COVID re-emerged surging with a seemingly endless number of variants to navigate. Armed with lessons learned from 2020, our franchise nimbly moved from on site to remote workforce where possible with each successive surge. Our robust electronic delivery systems continued to be a valuable investment as we continued to see a higher demand for these services.

Our notion of a community bank was tested in new ways as we saw local non-profits struggle to survive.

Still, there was an air of optimism on the horizon



highlights. We view this milestone as an affirmation that our commitment to our roots as a community bank is correct and valued by our customers.

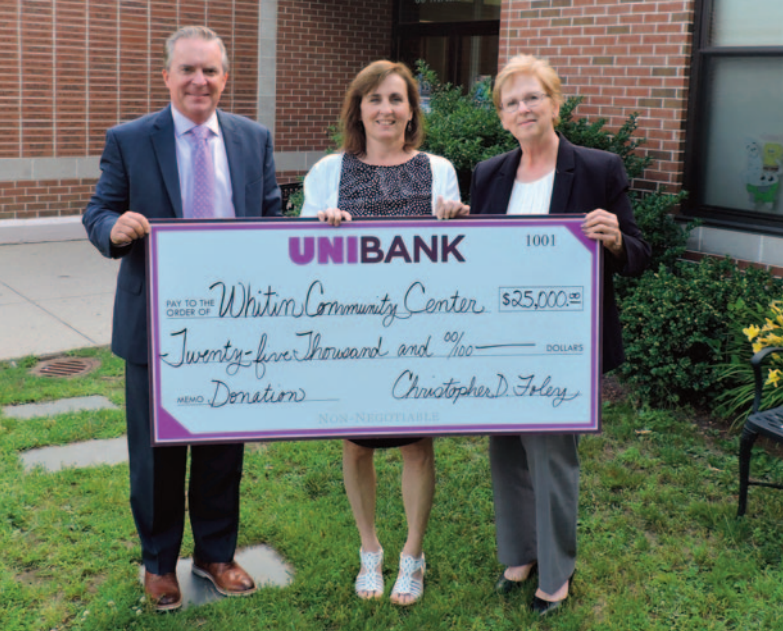
We continue to view ourselves as a financial institution focused not only on *what* we achieve but *how* we achieve success. It is that notion of putting the customer first that is central to our identity. With that as a guiding principle, we continue to help our customers, employees and local community reach their financial dreams.

▲ Above: UniBank Main Office branch staff provided treats to our canine friends at the Valley Pet Resort.

### Retail Banking

In spite of the many challenges the pandemic continued to deliver, our Retail Banking team had an outstanding year. UniBank continued to provide our customers many options for conducting their transactions, particularly during periods when we closed our branch lobbies or reduced lobby hours.

For customers who preferred a “touchless” transaction we provided online, mobile, and telephone banking solutions. For those looking for a “live” transaction, our drive-up teller windows remained



◀ Christopher Foley, President, UniBank with Heather Elster, Executive Director, Whitin Community Center and Patricia Baker, Senior Vice President, UFASI.

an option. And for those more complex transactions, we offered live meetings by appointment with many safety protocols in place. We continued to see a rise in electronic transactions during 2021 as some customers found comfort in conducting transactions from the safety of their own homes while discovering how truly robust our online delivery systems have become.

During periods when the pandemic waned, the retail team was visible in the community, resuming their Random Acts of Kindness and at community events such as Cars in the Park, Sutton Chain of Lights, Milford Day, the Hopkinton Holiday Stroll, and more. They also resumed Giving Trees in the branch lobbies.

We are pleased to report that our growth trends from prior years continued. During 2021, retail deposits ended the year at \$851 million, with

growth of 10.8% over the prior year. Net checking accounts grew by 4.5%.

### Mortgage and Consumer Lending

UniBank's mortgage department had another very productive year closing 689 mortgages in the amount of \$306 million while earning \$1.2 million in Loan Sale Income to Freddie Mac. In addition, we closed 342 home equity loans and lines of credit totaling \$45 million. We also provided 127 consumer loans totaling \$1.3 million.

UniBank customers come to us for more than competitive rates. They enjoy the expertise, attention to detail, and superior service that UniBank consistently provides.

### Commercial and Small Business Lending

Once again, we are pleased to report that UniBank was named the Best Bank for Business in Central Massachusetts by the Worcester Business Journal readers. That's an impressive 9 times out of the last 10 years. We continue to believe that earning this distinction is a testament that our client and community-focused approach in providing custom solutions is what our customers want.



Michael Welch, CEO, UniBank, Chris McGrath, Director of Athletics at Northbridge High School, Tim Labrie, Friends of Lasell Field, and Christopher Foley, President, UniBank.

Building strong, long-term relationships has always been the key to a successful community; it is what sets us apart from other area banks. We have found by focusing on what's right for our customers' success ultimately results in success for everyone. By combining the best bankers in the region with cutting edge technology we are able to work successfully with clients both small and large.

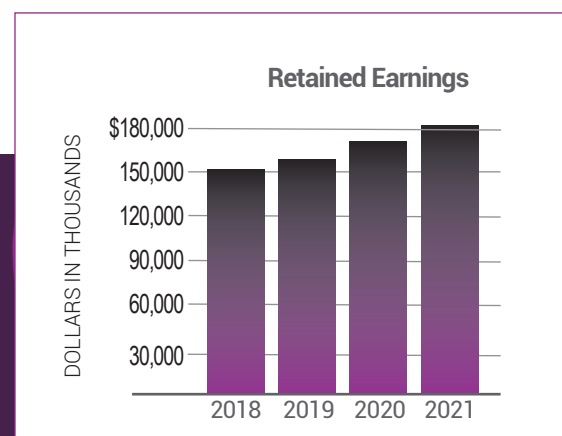
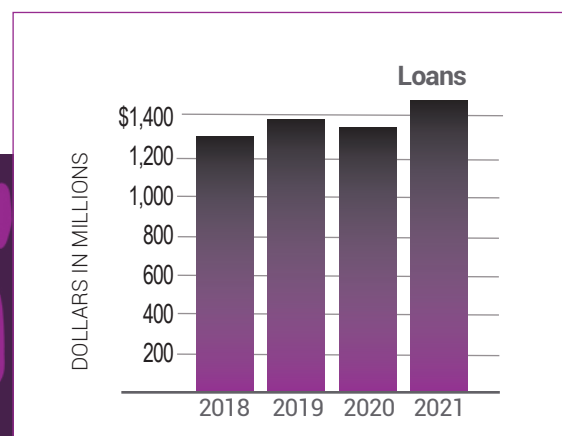
This approach has helped our Commercial Banking team to generate over \$130 million in new loan commitments in 2021. In addition, UniBank provided 438 loans totaling \$53 million as part of the Paycheck Protection Program. These loans were critical in helping local businesses in our community during the pandemic. Additionally, Commercial deposits grew 4.9% from \$183 million to \$192 million over the past year.

### Invest Worcester Continues to Invest

Invest Worcester, UniBank's socially responsible banking program completed another highly successful year. Since its inception four years ago Invest Worcester has grown to 234 customers with just under \$9.5 million in deposits – a year-over-year increase of 34%.

Since its launch, Invest Worcester has made a positive impact on the Worcester community by providing loans in Worcester within the areas of home ownership, business development, and community development.

Outstanding loans ended the year at \$22.5 million. It is our belief that by continuing to invest in growing businesses we will bring better job opportunities to Worcester. In view of the pandemic, this mission has become more important than ever.





◀ *Michael Welch, CEO, UniBank gets ready to throw the first pitch for the WooSox.*

lion with an all-time high balance of 1.615 Billion representing a growth of 26% over 2020's average of \$1.1 Billion.

### Technology and Security

The previous year is evidence of UniBank's continued focus on improving efficiency through technology while keeping security as a top priority. A number of legacy systems were either retired or re-configured in an effort to leverage the technology investments made in prior years. From a staffing perspective, UniBank welcomed several new staff in the areas of technology and security aligned with our strategic goals for the Bank. These individuals work together as a team ensuring our systems and data are viewed from a risk first approach.

The new normal for the Bank will be to keep up with the ever-changing technology, expert systems, security, and risk landscape. Our investment in people, tools, and technologies will be focused on the bank's required posture.

Because of these investments, UniBank and its subsidiaries are in an excellent position to meet these challenges.

### Community Outreach

As the pandemic continued, UniBank responded, distributing over \$700,000 in greatly needed funds to non-profits throughout Central Massachusetts. Funds were provided to a myriad of organizations including food banks, fuel assistance programs, college scholarships, local libraries, cultural organizations, and more.

During 2021, UniBank provided financial support in the form of donations and sponsorships to organizations including Music Worcester, Hanover

### Government Banking

2021 was another impressive year for growth in our Government Banking Division of UniBank. With the continuation of the pandemic, many municipal offices continued to be closed to the public during the first half of the year, and again toward year end. Yet, our ability to continue to service our clients while growing those relationships, and help meet all their needs, speaks to our high level of commitment and dedication to the Massachusetts cities and towns. In 2021, we introduced a new product, account securitization, to help further solidify our relationships and provide a safe place for them to keep their deposits. Because of our continued outreach to the municipalities we serve, we heard time and again how thankful they were for the relationship they had with UniBank. They cited us as the only bank that checked in on them regularly during these difficult times. As a result, 2021 deposits averaged an all-time high of \$1.3 Bil-



*WooSox fireworks, sponsored by UniBank*

Theatre, The Claflin Hill Symphony Orchestra, Abby's House, Quinsigamond College Community Foundation, and Worcester Educational Foundation, to name a few. UniBank also provided generous support to organizations that support those with disabilities including Open Sky, Seven Hills Foundation, Reliant Foundation, and Audio Journal. The Boys and Girls Club, Neighborhood Strings, and the YWCA received support for programs that support inclusionary practices.

In the Blackstone Valley we continued to support the Blackstone Emergency Shelter, Whitin Community Center, Milford Regional Medical Center, Peace of Bread, Community Harvest, Blackstone Valley Edu-

cation Foundation, Northbridge Beautification, and many more. UniBank was also visible with days of caring directed toward first responders at local hospitals, police departments, fire stations, and more. But that's not all. UniBank employees were visible volunteering in schools, local sporting events, and fundraisers. Over 50 employees sit on non-profit boards throughout the region.

As a founding partner of the WooSox, UniBank was proud to be part of the inaugural season as our CEO, Michael Welch threw out the first pitch. UniBank also sponsored the Friday night fireworks. UniBank employees were seen at the ball field volunteering several times at the Be Like Brit fundraiser.

The UniBank Charitable Foundation Launch

**UNIBANK**  
*Charitable*  
**FOUNDATION**

152 years ago our founders had a vision to create a community bank in the Blackstone Valley. They envisioned an institution that would provide sound financial services while providing financial support to help their local communities thrive. With this vision in mind they laid the foundation for the legacy of giving that endures within UniBank today.

The Bank's Governance and Leadership team strategized the establishment and announcement of such a foundation for a few years. The plan was to announce UniBank's Charitable Foundation in 2020 but due to the pandemic, delayed the announcement until this year.

continue to draw inspiration from our founding as a true mutual. Our mission is to support the community. We've made an initial commitment of \$2 million toward an endowment."

UniBank began its commitment to the Foundation about four years ago and upon establishing it began to allocate funds into the endowment, with plans to allocate \$1 million a year. The Foundation's endowment will be separate from UniBank's ongoing \$750,000 annual contributions to the community, an allotment also used charitably to make a legacy play ensuring our philanthropic support of the community for our next 152 years.

"We look at what it means to be an institution in the community," Welch said. "For us, we

Ken Warchol, Northbridge Historical Commission and Timothy Wickstrom, Chairman of the Board, UniBank.



UniBank announced its new charitable foundation at an event. At the ceremony (from left) are Frank Carroll, UniBank Board Chair Timothy Wickstrom, UniBank CEO Michael Welch, Jim Coughlin, Sr. and James Kenary IV.

Tim Wickstrom, Chairman of the Board for UniBank, said the bank's history as a mutual bank in the community fuels its ongoing commitment to local businesses. "We decided we would start this Charitable Foundation to continue the mission of helping people in the Greater Blackstone Valley, and we're going to do that in a very deliberate, consistent way, in building it up," Wickstrom said. "At the same time, we'll keep or make even greater the contributions to the charities in the Greater Central Massachusetts area. It's an exciting development at the bank; it really is part of who we are.



Michael Welch, CEO, UniBank with Lieutenant Governor, Karyn Polito and Christopher Foley, President, UniBank at the launch of UniBank's Charitable Foundation.

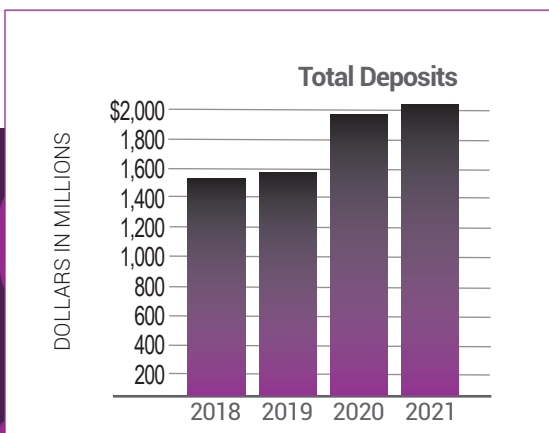
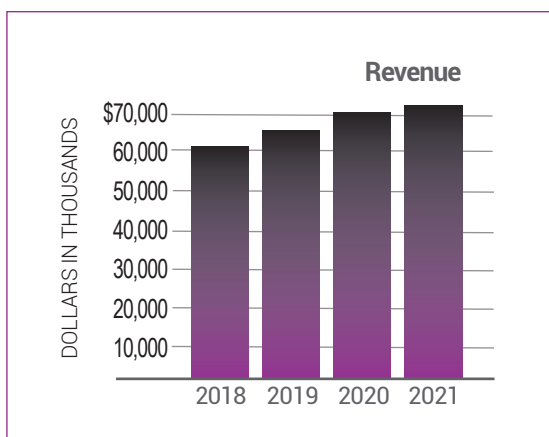


▲ UniBank summer interns packaging meals "to go" for Peace of Bread.

### Looking Ahead

What will the future bring? Hopefully a return to "normal" – spending time again with friends and neighbors. We plan to take with us the lessons we've learned during the pandemic to continue providing the best practices in banking. We will look for more ways to make your interactions with UniBank easy, convenient, and always with the outstanding service you've come to expect.

We also expect further growth and expansion but remain true to our core as a community bank, committed to you: our friends, neighbors, and loyal customers.



## UniBank in the community

### Peace of Bread

There is an old adage that says charity begins at home. UniBank has supported the United Presbyterian Church's Peace of Bread program since the program's inception 18 years ago and is literally located right across the street from UniBank. You can't get closer to home than that. Once a month, Peace of Bread provides a hot dinner at the church (during the pandemic meals were provided "to go") to anyone in need - whether the need is financial or simply for companionship - no questions asked. Once a quarter, UniBank's Joanne Khoury, Executive Assistant, shops for all the food needed for a hearty meal and assists with the meal prep. She also coordinates a team of 7 to 10 volunteers that sets up and serves. Typically about 150 meals are provided. UniBank also assists with their food pantry. Over the last 18 years, Joanne and her team have served over 10,000 hot meals to individuals and families in need. Joanne has always had a strong desire to help people in need. As a Whitinsville resident, providing aid in her community brings it home.

Joanne Khoury, Executive Assistant, UniBank with volunteers, Michael Sabourin and Jane Archibald, Senior Vice President, Operations Associate.

### Quinsigamond Community College Foundation

Established in 1985, the Quinsigamond Foundation fulfills its purpose by contributing, soliciting, receiving and administering donations for any and all scholarships, projects, functions, services and activities sponsored by or participated in by the College. Matthew Wally, Vice President, Audit/CRA/Fair Lending, has been on the Foundation board since 2018, currently serving as Vice President. Says Matthew, "I enjoy serving on the Foundation Board because I value the opportunities community colleges like Quinsigamond provide to students who do not begin their secondary education at four year colleges. The Foundation provides supportive services to students who need a little assistance to achieve their goal of graduating with the skills required to join the workforce. The Foundation provides scholarships to qualified students and also supports a Food Pantry and Resource Center to fight the growing problem of food insecurity among low income college students."

Matthew Wally, Vice President, UniBank, Bonnie Coleman, Manager of Student Resources and Theresa Vecchio, Dean of Students, Quinsigamond Community College.



# Financials

## UFS Bancorp and Subsidiary Consolidated Statements of Condition

	December 31 (Dollars in Thousands)	
	2021	2020
<b>ASSETS</b>		
Cash and due from banks	\$ 5,482	\$ 7,863
Interest-bearing deposits	68,290	543,420
Short-term investments	44	29
Total cash and cash equivalents	73,816	551,312
Securities available for sale, at fair value	697,627	175,542
Securities held to maturity	31,888	17,525
Federal Home Loan Bank stock, at cost	2,086	1,521
Loans, net of allowance for loan losses of \$17,492 in 2021 and \$22,000 in 2020	1,513,882	1,341,093
Premises and equipment, net	18,275	20,149
Accrued interest receivable	4,551	3,665
Deferred income taxes	10,761	9,361
Bank-owned life insurance	9,482	9,269
Repossessed assets	1,840	6,581
Other assets	10,728	19,632
<b>Total Assets</b>	<b>\$2,374,936</b>	<b>\$2,155,650</b>
<b>LIABILITIES AND RETAINED EARNINGS</b>		
Deposits	\$2,010,860	\$1,939,565
Borrowed funds	13,650	14,623
Securities sold under agreements to repurchase	151,469	-
Mortgagors' escrow accounts	1,661	1,341
Accrued expenses and other liabilities	21,419	27,335
Total liabilities	2,199,059	1,982,864
Commitments and contingencies (Notes 6 and 9)		
Retained earnings	180,688	169,402
Accumulated other comprehensive income	(4,811)	3,384
Total equity	175,877	172,786
Total Liabilities and equity	\$2,374,936	2,155,650

## UFS Bancorp and Subsidiary Consolidated Statements of Income

	Twelve months ended December 31 (Dollars in Thousands)	
	2021	2020
<b>Interest and dividend income:</b>		
Loans, including fees	\$ 51,900	\$ 55,029
Debt securities	6,782	3,502
Equity securities	24	104
Interest-bearing deposits and short-term investments	387	844
Total interest and dividend income	59,093	59,479
<b>Interest expense:</b>		
Deposits	2,526	6,907
Borrowed funds	681	316
Total interest expense	3,207	7,223
Net interest and dividend income	55,886	52,256
Provision for loan losses	6,037	7,750
Net interest income, after provision for loan losses	49,849	44,506
<b>Non-interest income:</b>		
Customer service fees	7,355	7,062
Loan referral fees	3,896	3,373
Fiscal advisory service fees	3,022	2,327
Gain on sales of loans, net	1,179	4,501
Gain on sales of securities, net	151	-
Gain (loss) on OREO operations, net	1,446	(331)
Bank-owned life insurance	213	212
Other income	598	1,000
Total non-interest income	17,860	18,144
<b>Non-interest expenses:</b>		
Salaries and employee benefits	27,963	26,944
Occupancy and equipment	9,353	8,171
Professional services	2,479	2,374
Data processing services	1,760	2,628
FDIC deposit insurance	1,289	1,938
Advertising and marketing	1,787	1,368
Other expense	7,782	6,818
Total non-interest expense	52,413	50,241
Income before income taxes	15,296	12,409
Provision for income taxes	4,010	3,134
<b>Net income</b>	<b>\$ 11,286</b>	<b>\$ 9,275</b>

# Our Subsidiaries

## Sterling Associates

2021 saw another year of rapid growth for Sterling.

Originations grew 19% to \$380 million. We continued to be the largest customer of UniBank adding over \$126 million to the consumer loan portfolio. Sterling was instrumental in an additional \$50 million outside portfolio purchase and saw revenue exceed \$6 million. 2021 was a year of change that saw long-term President Tom Smith step down after 30 years at the helm. Shawn Rogan was named the new President and Tom will stay on as Senior Advisor for the business. Sterling celebrated its 30th year in business in August.

## UniBank Fiscal Advisory Services, Inc. (UFASI)

The UFASI Team serves as fiscal advisors to more than 300 local government entities in Massachusetts, Connecticut, Maine, New Hampshire, and Rhode Island.

In spite of a year of pandemic related market uncertainty, UFASI experienced robust production in 2021 as the pursuit of low interest rates drove a surge of new capital projects to market and incited broad refunding opportunities yielding significant budgetary savings to our clients. Though traditionally the appeal of the municipal bond market is for non-taxable deals, conditions were such that taxables were active, particularly in the first half of the year.

UFASI reported record revenue of over \$3 million from a portfolio of 375 debt issues with an aggregate par value of \$1.479 billion. They continue to grow their client base adding five in 2021. Their before-tax net income exceeded \$1.2 million, outperforming 2020 by 94%.

## UniPay

With town offices continuing to be closed to the public, cities and towns turned to UniPay as a way to enhance their online collections and provide residents a safe alternative to coming into the town hall. As a result, we saw over 1,400 new

online transactions added to UniPay. UniPay is proud to assist the Massachusetts cities and towns to streamline their revenue collections helping to make their operations more streamlined while keeping costs down.

As communities became more and more committed to staying home to stop the spread of COVID, UniPay became a payment method of choice for many. As a result, UniPay receipts grew by 23% with over \$2.8 million in payments processed. Additionally, those online payment transactions grew by 19% while registered users in our UniPay system grew 14% over 2020.

We saw many new businesses looking for ways to collect online payments and UniBank was there to offer UniPay assisting over 40 new businesses to successfully collect online payments and transitioning to a new way of doing business. UniPay is the easiest way for area businesses to collect B2B and B2C payments.

UniPay continues to be a highly sophisticated, safe and secure online payment solution for municipalities, businesses and nonprofits. 2021 was a very successful year as UniPay contributed to the banks income at an overall growth rate of 20% and average deposits of \$282 million.

## UniVest

Assets Under Management (AUM) increased from \$111,360,000 to \$126,122,000. \$1,972,000 from new clients and the balance of \$12,790,000 came from additions to existing accounts and market growth. Revenue increased from 2020 revenue of \$359,007 to \$490,257 in 2021 – an astounding 36% increase.

Matthew Sexton was hired as a second broker in December of 2021. Matthew will be based in Worcester and will cover Worcester, Shrewsbury, Grafton, Hopkinton and Sutton. We look forward to having better coverage throughout our expanding branch system.

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Not Bank Guaranteed • Not Bank Deposits or Obligations • May Lose Value