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A year like
no other:
Navigating
through a
pandemic

2020 UFS BANCORP
ANNUAL REPORT

Micheal Welch
CEO, UniBank

“It really comes down to community. Friends and neighbors working together, partnering to build common dreams, helping each other in good times and bad. That's what UniBank is all about.”

A Message From the CEO:
Together we can. Together we will.
Together we did.



We began 2020 with plans to celebrate our 150th anniversary as a Bank – balloons, parties, festivities were about to be finalized. Covid brought us to different plans. While we would have enjoyed a joyous celebration, the true measure of a community asset is its ability to meet the needs of the community during the most challenging times.

Our working mantra for 2020 quickly became, “Together We Can. Together We Will.” As a community bank we were committed to getting through the pandemic together: all employees, customers and non-customers alike. As a result of living out and committing to those six words we were successful.

I want to thank all members of Team UniBank (our employees, Directors, Corporators) without whom our ability to navigate nimbly throughout the year would not have been possible. From the beginning we committed to keeping the safety of our employees and customers at the forefront of our efforts, while maintaining the highest level of financial services. Our employees devoted themselves working in the branches, at home, and in the Main Office. Their resolve during the pandemic allowed us to successfully fulfill our goal of keeping people safe, all the while providing exemplary service throughout this challenging year. Our Directors and Corporators made themselves available so that we could quickly

and appropriately serve our community. This year has truly been a team effort.

I also want to thank our customers for allowing us to support them during this past year. Banking, when done well, is about relationships, and not just transactions. Your trust and faith in us further deepened our partnership at UniBank.

Many new customers – both individuals and businesses reached out to us for financial assistance, sensing that they were “not big enough for the BIG banks to provide personal attention.” When they called us, they reached a “live person” on the other end of the phone – with knowledge of the local area – and a skill set that provided the guidance and direction needed for them to navigate the challenges brought on by the pandemic.

This year we proved once again that acting with integrity and values focused on helping others, UniBank will be successful and more importantly, so will our communities. We can now look back on 2020 and emphatically say, “Together we did!”

Sincerely,

Michael W. Welch
Chief Executive Officer



◀ Michael Welch, Chief Executive Officer, Justine DeNorscia, Executive Vice President, Director of Government Banking and Christopher Foley, President, delivering a thank you surprise to the UniBank employees.

A year like no other.

What had begun as a year of celebrating the 150th anniversary of our founding quickly changed to a year of helping our customers, employees and community navigate the impact of the Covid pandemic – a pandemic the likes of which the world hadn't seen in 100 years.

Our notion of a community bank was put to the test as we watched our economy falter. Many businesses were forced to close to curtail the spread of Covid. Nonprofits were stretched beyond their normal limits and struggled to survive. First responders faced serious health risks while performing their jobs. Many of us experienced the loss of a friend, colleague or loved one. Jobs were lost and those fortunate enough to keep their jobs struggled to balance work and child-care while schools remained closed. No one was immune to the impact of the Covid virus.

As an essential service, UniBank remained open. We quickly adapted to a rapidly changing world.

Within days, non-essential employees were set up to work from home. Branches reduced hours and closed lobbies, switching to drive up service for most transactions. Stringent cleaning protocols were put into place in an effort to keep everyone safe. Our robust electronic delivery systems proved to be a valuable investment as we saw a significant increase in online banking and mobile banking transactions.

In spite of the pandemic, UniBank successfully completed a systems upgrade that had been over two years in the making. Completed in March of 2020, this upgrade provided even greater flexibility to our customers in how they approach banking all the while providing the security that is needed in today's complex technological world. This improved functionality also proved to be timely given the increased demand for "touch free" banking transactions in the current Covid world.

Christopher Foley President, UniBank

“ I've been honored to be part of the UniBank community for over 20 years. I value my role as a trusted advisor. It is my privilege to continue to bring the very best in banking to our loyal 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 believe our customers and our employees will reach their dreams.

To that end, UniBank experienced another successful year of performance for both assets and deposits. Total assets ended the year at \$2.16 billion, an increase of \$391 million, or an 18% increase year

over year. Deposits ended the year at \$1.9 billion, a \$348 million, or 18% increase over 2019. Retained earnings totaled \$172.8 million at year end, a \$12.9 million or 7.5% increase over 2019.

Our personal relationship approach to banking combined with a cutting edge and robust technology platform positions us ahead of others in the marketplace and allows us to serve our customers in a manner that sets us apart from banks that are either much smaller or much larger than us. Customers both value and appreciate this balanced approach.

▲ Above: Team UniBank donates time at Community Harvest.

Eric Perryman, Invest Worcester Mortgage Customer

“ I like being part of a close knit community. My neighbors all look out for each other so it's a great place to raise my family. Without UniBank this wouldn't be possible. They are part of my community, too. ”

As we embark on the \$2 billion in assets milestone, we remain firmly committed to our roots as a community bank. We remain independent, locally owned and focused on our mission to serve you as friend, neighbor and financial partner.

Retail Banking

Providing financial solutions for our retail customers was put to the test this year like never before. We are pleased to report that UniBank rose to the occasion by providing our customers many options for conducting their transactions, particularly during periods when we were required to close our branch lobbies.

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 an option. And for those more complex transactions, we offered live meetings by appointment with many safety protocols in place. We saw a significant rise in mobile and online transactions during 2020 as more and more customers found comfort in con-

ducting transactions from the safety of their own homes while discovering how truly robust our online delivery systems have become.

We are pleased to report that our growth trends from prior years continued. During 2020, retail deposits ended the year at \$885 million, with growth of 24.12% over the prior year. Net checking accounts grew by 3.28%

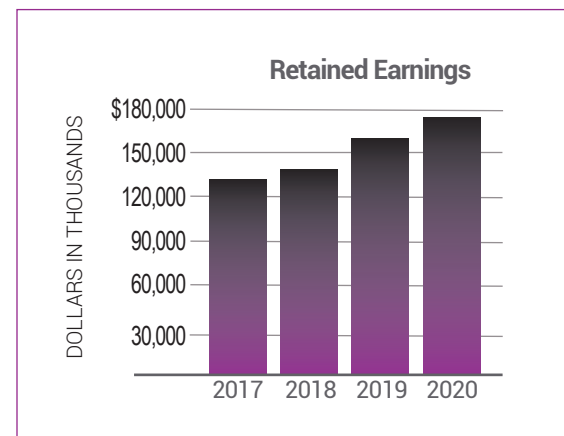
Mortgage and Consumer Lending

UniBank's mortgage department had a very productive year closing 719 mortgages in the amount of \$257 million while earning \$4.5 million in Loan Sale Income to Freddie Mac. In addition, we closed 262 home equity loans and lines of credit totaling \$33 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



Monique Levesque at the Upton branch assists Cathie Hatrick-Anderson from Bobcat Farm and her horse, Ruger.

Massachusetts by the Worcester Business Journal readers: That's an impressive 8 times out of the last 9 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.

Building strong, long-term relationships is 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 \$210 million in new loan commitments in 2020. A key component of the new loan commitments was 648 loans totaling \$109

Thomas McGregor
 Senior Vice President
 Senior Lender, UniBank

“ We believe that taking the time to build strong, long-term relationships with our customers and our community is the key to success. It's what continues to set us apart from other banks. ”

million as part of the Paycheck Protection Program. This was critical in helping local businesses in our community during the pandemic. Additionally, Commercial deposits grew a staggering 100% from \$60 million to \$120 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 213 customers with \$7 million in deposits – a year-over-year increase of 77%.

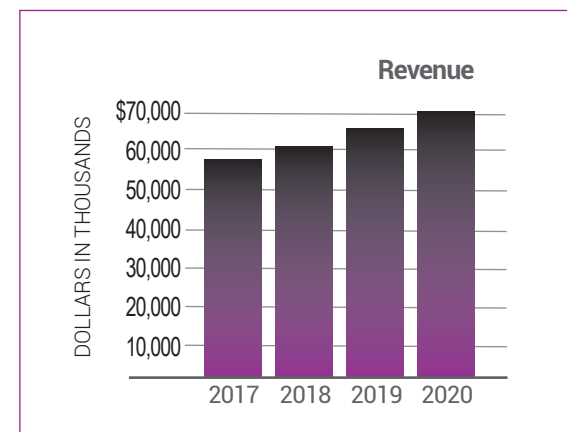
Since its launch, Invest Worcester has made a positive impact on the Worcester community by providing loans in Worcester within the areas of home ownership, business development and community development.

Outstanding loans also continued to grow ending

the year at \$22,662,044 million, an increase of 37% over 2019. It is our firm 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.

Government Banking

2020 was another impressive year. With the onset of the pandemic, many municipal offices closed down. Our ability to continue to service their needs while they worked under new circumstances spoke to our high level of dedication and service. We made sure they could still gain access to online banking in order to conduct their daily business. We also ensured that their payroll and payables would continue to process without interruption. Our consistent outreach led to us hear time and again how thankful they were because we were the only bank that continuously checked in on them during these difficult times. As a result, 2020 deposits averaged an all-time high of over a billion



Cheryl Nedoroscik, Relationship Banking Supervisor, greets a customer at the drive-up teller window at our Gold Star branch in Worcester.

Stephen and Lisa Genatossio
Sneakerama Owners

“It was a truly a lifesaver for us – our business was able to survive the pandemic in part because of UniBank’s assistance in securing a PPP loan. Dealing with a local bank makes all the difference.”

dollars at \$1,041,242,174.87, a growth of 13.5% over 2019’s average of \$918 million.

Technology and Security

Conversion of our core system and all cash management systems took place on March 9th. Two weeks later, 80% of the staff was sent home to work remotely due to the pandemic. This was something we had never done and provided an abundance of new challenges: how to service our clients remotely coupled with learning the new systems remotely. Showing once again their unwavering dedication to excellence, the technology staff exceeded all expectations by providing seamless delivery on both counts. This was likely the the biggest challenges our staff has ever encountered. We are pleased to report that the UniBank Team was strong and worked together remotely to achieve the level of service for our clients that separates us from the others!

Lisa and Steve Genatossio stand in front of Sneakerama with their son and Michael Welch, CEO, UniBank.

Community Outreach

150 years ago our founding fathers 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.

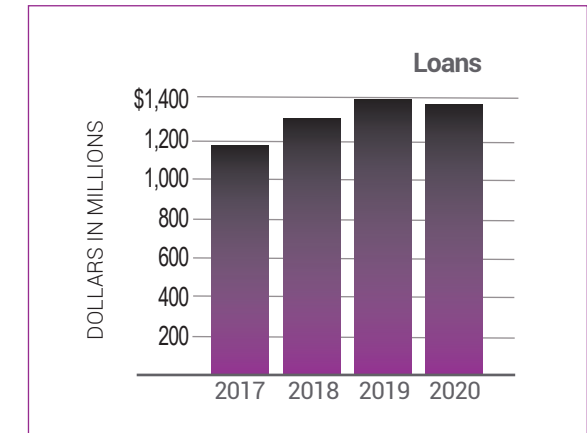
In this, the year of the pandemic, that foundation was put to the test like never before. UniBank responded with days of caring directed toward first responders at local hospitals, police departments, fire stations and more. We knew local families were stretched beyond their limits because of the high rate of unemployment. As such, a higher level of support was provided to local food pantries and fuel assistance programs.

During 2020, UniBank provided \$600,000 in donations and sponsorships to organizations such as local libraries, cultural organizations such as Music Worcester, Hanover Theatre, The Worcester Art Museum, The Clafin Hill Symphony Orchestra and



more. \$16,000 in college scholarships were awarded to area students. 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 our own “Valley” we continued to support the



Wendy Brown, Vice President, Director of Retail Banking, UniBank, delivering pizza to the Northbridge Fire Station as part of UniBank’s community outreach.



Justine DeNorscia
Executive Vice President
Government Banking, UniBank

“We are a bank that cares about its people: our customers and our employees. Always striving to do the “right thing” has helped us achieve both success and trust within our community year after year.”

The Blackstone Emergency Shelter, Whitin Community Center, Milford Regional Hospital, Peace of Bread, Community Harvest, Blackstone Valley Education Foundation, Northbridge Beautification and many more.

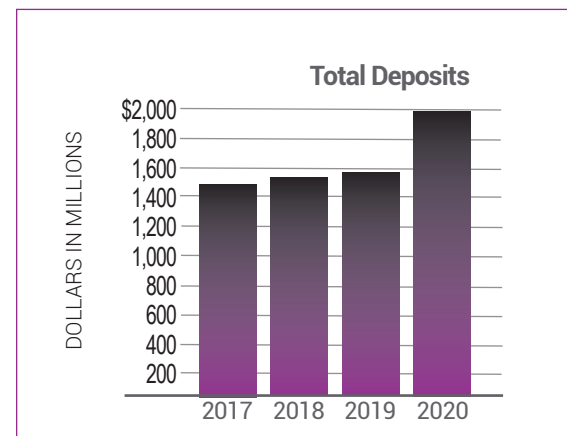
We continue to be excited to be among the founding partners of the WooSox, and look forward to the opening, still on schedule to pitch its first ball at Polar Park in 2021.

▲ Above: *Lemonia Mironidis*, Vice President, Branch Manager, UniBank, *Joy Murrieta*, Executive Director, Main Idea and *Matthew Wally*, Vice President, Government and Community Affairs, UniBank.

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 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



Financials

UFS Bancorp and Subsidiary Consolidated Statements of Condition

	December 31 (Dollars in Thousands)	
	2020	2019
ASSETS		
Cash and due from banks	\$ 7,863	\$ 4,283
Interest-bearing deposits	543,420	80,193
Short-term investments	29	11
Total cash and cash equivalents	551,312	84,487
Securities available for sale, at fair value	175,542	236,816
Securities held to maturity	17,525	8,055
Federal Home Loan Bank stock, at cost	1,521	1,498
Loans held-for-sale	-	530
Loans, net of allowance for loan losses of \$122,000 in 2020 and \$13,990 in 2019	1,341,093	1,381,788
Premises and equipment, net	20,149	18,813
Accrued interest receivable	3,665	3,297
Deferred income taxes	9,274	8,052
Bank-owned life insurance	9,269	9,057
Repossessed assets	6,581	2,665
Other assets	19,715	12,092
Total Assets	\$2,155,646	\$1,767,150
LIABILITIES AND RETAINED EARNINGS		
Deposits	\$1,939,565	\$1,591,723
Federal Home Loan Bank advances	14,623	-
Mortgagors' escrow accounts	1,341	1,667
Accrued expenses and other liabilities	27,335	13,905
Total liabilities	1,982,864	1,607,127
Retained earnings	169,402	160,127
Accumulated other comprehensive income	3,380	(272)
Total retained earnings	172,782	159,855
Total liabilities and retained earnings	\$2,155,646	\$1,767,150

UFS Bancorp and Subsidiary Consolidated Statements of Income

	Twelve months ended December 31 (Dollars in Thousands)	
	2020	2019
Interest and dividend income:		
Loans, including fees	\$ 55,029	\$ 55,447
Debt securities	3,502	6,150
Equity securities	104	109
Interest-bearing deposits and short-term investments	844	3,659
Total interest and dividend income	59,479	65,365
Interest expense:		
Deposits	6,907	12,346
Borrowed funds	316	7
Total interest expense	7,223	12,346
Net interest income	52,256	53,019
Provision for loan losses	7,750	5,543
Net interest income, after provision for loan losses	44,506	47,476
Non-interest income:		
Customer service fees	7,063	5,423
Loan referral fees	3,373	2,664
Fiscal advisory service fees	2,327	2,422
Gain on sale of loans, net	4,051	408
Other income	1,219	2,389
Total non-interest income	18,483	13,306
Non-interest expenses:		
Salaries and employee benefits	26,944	25,726
Occupancy and equipment	8,171	7,496
Professional services	2,374	1,996
Data processing services	2,628	2,294
FDIC deposit insurance	1,938	1,855
Advertising and marketing	1,368	1,885
Other general and administrative	7,157	7,797
Total non-interest expenses	50,580	48,098
Income before income taxes	12,409	12,684
Provision for income taxes	3,134	2,971
Net income	\$ 9,275	\$ 9,713

Our Subsidiaries

Sterling Financial

Despite the challenges presented by the pandemic and the disruption of workflows; Sterling, through the dedication and sacrifice of their people, was able to produce record volume for its Client Lender's and Parent in the amount of \$312,000,000. This resulted in record revenue of \$4.7 million. Sterling's return to UniBank was 49% over budget with an increase of 73% over the prior year. Sterling continued to be the largest customer of UniBank and handled over 500 more transactions in 2020. Given all the headwinds it was truly an amazing year.

UniBank Fiscal Advisory Services, Inc. (UFASI)

Despite the unprecedented challenge of the COVID-19 pandemic, UniBank Fiscal Advisory Services, Inc. had both a successful and profitable year. Even with the capital market disruptions seen in the spring and fall, which affected the municipal bond market, UFASI had an active year.

With low interest rates, refinancing of outstanding municipal debt was a key UFASI activity and a welcome source of significant savings to many communities that faced budgetary challenges due to lost revenues and additional expenses driven by the pandemic.

UFASI contributed to the overall success of the corporation and assisted 208 clients to finance 378 debt issues totaling an aggregate par value of \$1.855 billion. Bond issues accounted for 69% of that income. The remainder resulted from other financings and other services.

UniPay

When town offices began to close 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 new online transactions added to UniPay. These ranged from Covid 19 dona-

tions, to community food outreach donations and school lunch donations as communities came together. UniPay was proud to be able to assist in these important efforts!

As communities became more and more committed to staying home to stop the spread of Covid19, UniPay became a payment method of choice for many. As a result, UniPay transactions grew by 21% in 2020 with over 2.4 million payments processed and an additional 90,000 users registered in UniPay, a 13% growth over 2019.

Businesses also looked for ways to collect online payments and UniBank was there to offer UniPay to assist them with this new way of doing business. We were happy to add UniPay to many new business clients, making it easy for them to collect B2B and B2C payments.

UniPay continues to be a highly sophisticated, safe and secure online payment solution for municipalities, businesses and nonprofits. 2020 was a successful year as UniPay contributed to the banks income at an overall growth rate of 14% and average deposits of \$202 million.

UniVest

Like so many others, UniVest had to quickly change the way we did business during 2020 due to COVID. Customer contact changed from face-to-face meetings to phone contact. The first quarter was very difficult as the stock market plunged more than 30% by late March due to the pandemic. UniVest worked to keep customers calm and prevent panic selling. As the year progressed, the stock market began its anticipated recovery and continued to make gains throughout the remainder of the year.

UniVest finished the year with 33 new LPL accounts and assets ended the year at just over \$111,000,000, an 11.85% growth in assets.

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