

**UFS BANCORP**

ANNUAL  
REPORT



2023

# OUR COMPANY

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**UFS BANCORP is proud to be the holding company to UniBank. UniBank's subsidiaries include UniBank Fiscal Advisory Services, Inc. (UFASI), UniPayDirect, and Sterling Associates.**

With 13 bank locations throughout Central Massachusetts, UniBank is proud to be the bank of choice for individuals, businesses, and municipalities, serving over 22,800 households across Massachusetts and in surrounding New England states.

UniBank provides a sense of community and togetherness for our customers. We pride ourselves on getting to know our cus-

tomers and ensuring all their banking needs are met. We give back to our local communities for the betterment of those in need. We believe by doing good we all do well, and we believe that is important for the overall well-being of our community. UniBank strives to ensure that each customer feels they are seen and known.

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## Our Vision

Our vision is to be the premier independent community bank servicing the financial needs of consumers, businesses, and municipalities.

## Our Mission

Our mission is to be your bank of choice, your trusted financial partner, and a respected corporate citizen. We accomplish this by listening to your needs, developing lasting relationships, and providing innovative solutions to achieve your financial goals.

# TABLE OF CONTENTS

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Message from the CEO .....	4
Local Serving Local .....	5-8
Subsidiaries .....	9
Community Outreach .....	10
UniBank Charitable Foundation .....	11-12
Financials .....	13-14



UniBank was voted Best Bank for Business for the **11th year** by Worcester Business Journal (WBJ) Readers! (Back Row L-R): Donovan Biron (Business Banking Officer), Brennan Campbell (VP, Sr. Commercial Banking Officer), Veronique Dolce (NMLS #1842512, Worcester Relationship Branch Manager), Alexander Kampersal (VP, Sr. Business Banking Officer), Kristy Genga (AVP, UniPay Business Sales Officer), Matthew Wally (VP, Audit/CRA/Fair Lending), John Kelley (VP, Senior Commercial Loan Officer), Michael Stone (VP, Business Banking Manager). (Front Row L-R): Sean O'Connell (VP, Chief Lending Officer), Peter Stanton (CEO of the WBJ), Kristin Sawash (VP, Senior Commercial Banking Officer), Shannen Gray (AVP, Cash Management Relationship Manager), Wendy Brown (NMLS #688949, VP, Director of Retail Banking), and Christopher Foley (UniBank President).





UniBank was pleased to support the India Society of Worcester's (ISW) India Day event. ISW celebrated 60 years of service in 2023. (L-R): Michael Welch, CEO of UniBank, Shyam Sharma, Balki Chandrakasan, Jagan Srinivasan, Timothy P. Murray, President & CEO of the Worcester Regional Chamber of Commerce, and Sharat Amin.





## MESSAGE FROM THE CEO

As I reflect on 2023, I want to first thank each of you for all that you do to help forward the mission of UniBank, as an important community asset, in the Blackstone Valley, Central MA, and MetroWest.

The banking industry began 2023 with a great deal of anxiety regarding the rapid increase in cost of funds, fear about credit quality brought on by the dramatic change in commercial real estate space, the impact of higher interest rates to consumers, and the continued dramatic lack of inventory in the housing market – resulting in escalation in housing costs.

In March, the U.S. banking industry witnessed the collapse of three banks which added to the anxiety in the economy. Certainly, we all witnessed on the nightly news the continued and growing turmoil on the world stage and our nation was not unaffected by the upheaval.

The cost of funds did climb precipitously for all financial institutions, including UniBank. Margin compression was experienced by all. A number of the regional banks experienced challenges in their commercial real estate portfolios (at least those heavily concentrated in the larger markets). The vast majority of banks in our area, including UniBank, found their credit quality remained strong – this can be partially attributed to the fact that we are not reliant on large office tower lending.

Many banks did not perform as well in 2023 as they did the prior year. The rising cost of funds and a number of other factors resulted in increased costs resulting in poor yearly outcomes.

While we are not immune from any of the above referenced banking challenges, we were able to navigate through them, ***resulting in a year that exceeded expectations beyond our projections for 2023. We are bucking the trends of other banks – I guess this is what it means to Bank Different! Bank Unique!***

We have formed a cohesive team: employees, Board, and Corporators. We are focused on the mission of doing good in the community and being a community asset that stands for something. More and more people are seeing this and are turning to UniBank for their financial needs. We are standing as an example of “We are Better Together.”

Each of us involved with the Bank have our own gifts, talents, and responsibilities and are using them for the collective goals of the Bank. To be honest, I find it quite humbling to see what our collective talent, work, focus, care, concern, and expertise are doing for our local community. This is very unique. The Bank is in a strong position, both in our financial capital and our personnel capital, and we continue to work toward that end, as we lean into 2024.

We are grateful to all our customers who put their trust and faith in us. It is an honor to serve our community.

**Michael Welch, CEO**



## LOCAL SERVING LOCAL

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Since UniBank was founded, we have remained dedicated to serving the needs of the local community. As we have grown throughout the years, our dedication to the local communities has both deepened and broadened.

Since 1870, we have remained committed to our roots in the Blackstone Valley while we have expanded further into Central Massachusetts and MetroWest. We recognize that all of our communities benefit when there is a strong local institution, like UniBank, there to support their banking and community needs.

As we glance in the rear-view mirror, we are proud of our growth. We are proud of the connections and relationships we have built in our community. We are proud to have built UniBank up to be a strong institution that serves as a resource for both products and services, but also as an institution that makes the local communities better through charitable works. UniBank is strong and growing. We are invested in the Blackstone Valley, Central Massachusetts, and MetroWest and are dedicated to serving for generations.

(L-R) Christopher Foley, President of UniBank, Karen Yacino, (NMLS #688961) Douglas Relationship Branch Manager, and Anjali Paranjape, (NMLS #930661) Regional Manager, hand out reusable grocery bags and other giveaways at the popular Oktoberfest event in Douglas.



## Retail Banking

For the Retail Banking team, 2023 was a year of growth and development.

Our employees are our greatest asset, so providing ample opportunities for them to learn and develop was a focus in 2023. We enhanced the branch positions to provide new opportunities that are attractive to developing bankers, while also competitive in the job market. Additionally, we implemented new certificate programs through the American Bankers Association to enhance learning opportunities for employees.

Our Bankers continue to be the face of UniBank in the community by maintaining high visibility for the bank at local events, and through volunteerism. In addition to participation in bank sponsored events, we hosted events to promote development in the Shrewsbury and Mendon communities.

For the 2nd year in a row, UniBank was named Best Bank in Central Massachusetts by Worcester Telegram & Gazette readers in 2023. Our team proudly earned this reader's choice title by providing top-notch customer service and products that meet customer needs.



Members of the Milford branch team celebrate Customer Appreciation Day: (L-R) Pedro Hernandez (NMLS #963930), Relationship Branch Manager, Vanessa Calles, Teller, and Elizabeth Malo, Senior Teller.



Members of the Whitinsville branch team at the Northbridge Tree Lighting Celebration: (L-R) Joelle Violette, Senior Teller, Kristen Stewart, (NMLS #1812864), Relationship Branch Manager, and Cassandra Rosas, Teller.





Smiley, the WooSox mascot, visits UniBank's Hopkinton branch to greet customers and fans alike.

## Mortgage, Consumer Lending, and Specialty Lending

UniBank's Mortgage, Consumer Lending, and Specialty Lending departments had a successful and productive year despite the rising interest rate market. The mortgage team hosted several webinars through the year to help educate consumers about the home buying process while also building relationships.

UniBank's Consumer Lending team added the Mass Save® HEAT Loan program to its product offerings at the tail end of 2022, making 2023 the first full year the bank offered the program. It was a successful year. As a participating lender, UniBank offers an interest-free way for customers to make energy efficient improvements to their homes. The HEAT Loan program is complimentary to UniBank's consumer loan portfolio, and gives customers another great option for borrowing.

The Specialty Lending team, which provides airplane, boat, and manufactured home loans, had another successful year as well, experiencing a year-over-year increase in accounts opened.

## Commercial & Business Banking

For the **11th year**, UniBank was named Best Bank for Business by Worcester Business Journal readers. We are proud

to earn the title again, and prouder still of the work our Commercial and Business Banking teams are doing to build relationships while growing and supporting the local community.

Throughout 2023, we hosted several events we have coined the "Better Together" events, where we invited local businesses, non-profits, and community stakeholders to join with us in our mission to make our communities stronger. We use these events to create a collaboration with our local partners. As the largest community bank headquartered in Central Massachusetts, these networking events are having a positive impact. When locals team up with locals amazing things can happen!

In a year of economic uncertainty, our Commercial and Business Banking teams experienced a year of overall growth in 2023 with total loan balances increasing year-over-year.

## Invest Worcester

UniBank's Invest Worcester program, our socially responsible banking program, has a positive impact on the City of Worcester by leveraging funds deposited to provide mortgages, business development loans, and community development loans in the city. Since its inception, Invest Worcester has provided millions in loans, having a tremendous impact in Worcester.



## Government Banking

The Government Banking team welcomed new relationship managers to the team, making 2023 a year of growth and excitement. The individuals quickly became well-versed in UniBank's municipal product offerings to help the team in balancing our clients' needs and expectations in an ever-changing and growing rate market. The team worked with clients to meet their needs while adding layers of security to their cities and towns by offering additional services such as Positive Pay. We saw a continued growth in services offering payroll, Accounts Payables, Positive Pay, Remote Deposit as well as UniPay to many clients resulting in an increase in average balances.

## Technology & Security

We are continually striving to make technological enhancements to the customer experience and create efficiencies for our teams, all the while fostering a secure environment for banking services to be delivered and consumed.

In 2023, we upgraded the technology on several of our ATMs. These upgrades include touchscreen technology and provide a more elegant visual experience along with allowing customers to select various denominations of cash for added convenience. Our Retail banking team launched a robust scheduling software in 2023 to create a more efficient sched-

uling process as we work to staff our 13 branch locations with approximately 87 branch employees. Cloud and cloud migration continue to be active areas of development across all areas of the bank.

We remain steadfast in our commitment to maintaining the security of all systems and services to ensure a safe banking environment.

## Looking Ahead

We attribute the success we have experienced over our 154-year history to our community-focused mission and to our dedication to building relationships. That is our formula for success.

The communities we serve need stable institutions like UniBank that are devoted to supporting their local needs. We will continue to be the presence in the Blackstone Valley, Central Massachusetts, and MetroWest that gives back in big ways to make the cities and towns we call home better.

With an eye to the future, we expect to embrace new and emerging opportunities for growth, while remaining committed to providing our customers with the products and services that meet their needs in an ever-changing world.



Government Banking and UniPay volunteers, led by Justine DeNorscia, EVP, taking part in a day of service at Community Harvest Project in Grafton.

## UniVest

Offering investment and financial planning services, UniVest Investment Services\* offered through LPL Financial, is led by John Lyons, CFP®, who has over 32 years of experience. John is joined by Matthew Sexton, ChFC®, CLU®.

2023 marked 5 years that financial planning services at UniVest have been offered through LPL Financial. The service group saw another year of growth in Assets Under Management (AUM).

Not Insured by FDIC or Any Other Government Agency	Not Bank Guaranteed
Not Bank Deposits or Obligations	May Lose Value

# SUBSIDIARIES

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## Sterling Associates

Sterling Associates originates, underwrites, and closes marine, manufactured home, airplane, and recreational vehicle loans.

The Sterling Associates team prides itself on providing concierge-style service to its customers. This customized approach to lending leads to happy customers who come back again and again.

In a year that began with economic uncertainty, Sterling Associates had its third most productive year.

The Sterling Associates team has continued to grow. As individuals have retired, Sterling has begun to hire and train new salespeople to replace those roles. Sterling will nurture the recent hires giving them the tools to make them productive. This influx of “new blood” has energized the company and will allow continued growth and profitability.

## UFASI

UniBank Fiscal Advisory Services, Inc. is a municipal advisory and consulting firm serving more than 300 local governments in Massachusetts, Connecticut, Maine, New Hampshire, and Rhode Island.

The municipal bond market saw tax exempt interest rates remain relatively high in 2023 (compared to the previous 3-5 years) as the Federal Reserve Board continued the cycle of raising short term interest rates in its efforts to achieve its goal of 2% inflation. Against this backdrop, there was a general drop across the country in new money issuance for cities and towns in 2023.

The relatively high interest rate conditions also greatly reduced opportunities for refundings to achieve savings on outstanding bond issues.

Though financing for many long-planned capital projects pushed forward, issuers tended to issue short term bond anticipation notes rather than long term bonds.

## UniPay

UniPay, our secure online payment solution, had another very successful year, helping municipalities, businesses, and partners to streamline their collections while enhancing their revenues. Transactions processed through the UniPay system grew in 2023.

We remain dedicated to the growth of UniPay. In 2023 we completed some exciting projects to ensure the system remains a cutting-edge online collection system. We enhanced several system functions and launched a new and improved Customer Portal this year. We also partnered with UniBank's core banking system provider, COCC, to begin offering the UniPay solution to other financial institutions as a means to collect online payments from their customers/members.

Security and customer education are always a priority. We continued to educate municipal clients in 2023 with subjects ranging from instructional courses on UniBank products to cyber security sessions to help them keep their office safe from cyber threats.



# COMMUNITY OUTREACH

Giving back is in our DNA at UniBank. We are proud to support hundreds of organizations with donations and sponsorships that support youth development, community development, affordable housing, and environmental concerns.

We continued to forge relationships in 2023 to help our communities grow and

thrive. Some examples include our ongoing support of the Whittin Community Center, Open Sky Community Services, and Community Harvest Project. We have broadened our relationship with African Community Education (ACE), which helps provide financial literacy classes to African refugee and immigrant communities in Worcester. Additionally, we formed

a new partnership with the Latino Education Institute (LEI) through Worcester State University to provide both funding and expertise by providing financial literacy support.

In 2023, we supported 353 organizations with donations and sponsorships totaling over \$690,000.



Latino Education Institute (LEI) at Worcester State University



African Community Education (ACE)



Douglas Town Common Preservation



Blackstone Valley Rotary Day of Service



Bellingham Friends of Music



Northbridge Fire Department





# UNIBANK

## *Charitable Foundation*

The UniBank Charitable Foundation focuses on supporting organizations that promote youth and community development, affordable housing, and environmental concerns. Donations made through the UniBank Charitable Foundation are separate and distinct from the donations and sponsorships provided to the community through UniBank.

In 2023, The Foundation provided \$130,000 in donations to local organizations, bringing the total community support from the Foundation to over \$297,000 since its founding in 2018.

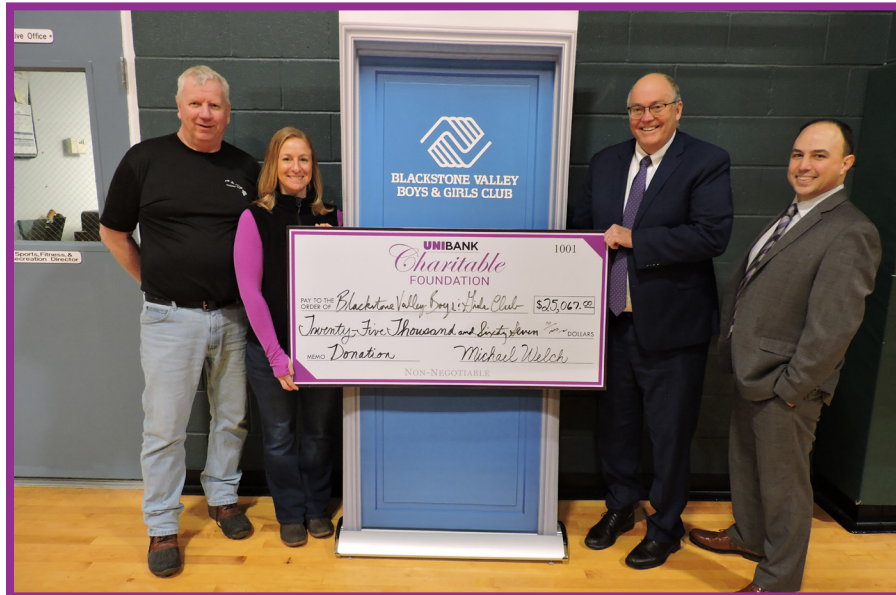
UniBank has been committed the last 5 years to growing the UniBank Charitable Foundation, while offering support in the most meaningful and impactful ways. In 2022, UniBank committed to providing \$1 million in funds per year to the UniBank Charitable Foundation through 2027.

Heather Elster (Right), Executive Director of the Whittin Community Center, receives a \$50,000 donation from the UniBank Charitable Foundation from UniBank CEO Michael Welch.





The UniBank Charitable Foundation donated \$25,000 to Daniels Farmstead of Blackstone, MA. (L-R): Matthew Catalano, (NMLS #1044146) Relationship Branch Manager of UniBank's Blackstone branch, Sue Gray, Mary Bluso, Michael Welch, UniBank CEO, Justine Brewer, Cindy Lavoie, Ryan Horn, and Ken Tubman.

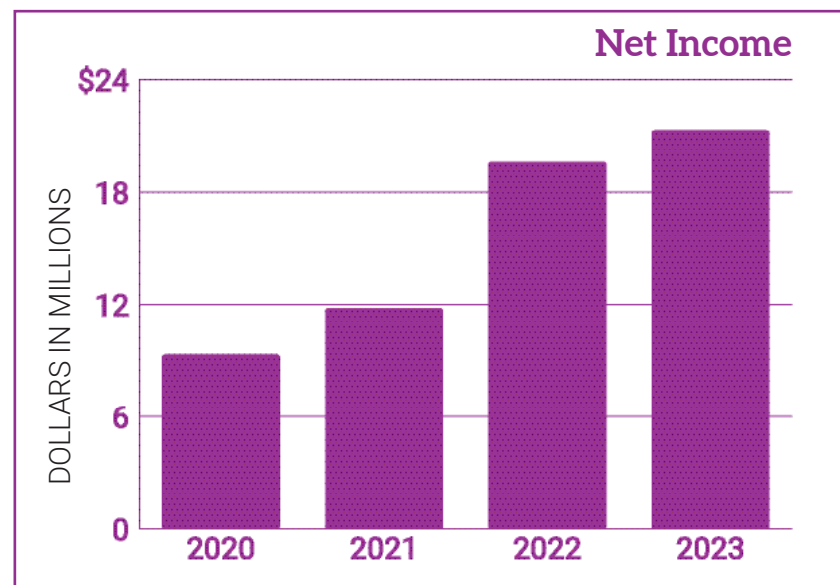


(L-R) Bruce Patterson and Sarah Haworth from the Blackstone Valley Boys & Girls Club receive a \$25,000 UniBank Charitable Foundation donation from Michael Welch, CEO of UniBank and Matthew Catalano, (NMLS #1044146) Relationship Branch Manager of UniBank's Blackstone branch.



Michael Welch (Right), CEO of UniBank, presents a \$30,000 donation from the UniBank Charitable Foundation to Kenneth Bates (Left), President and Chief Executive Officer of Open Sky Community Services.

# FINANCIALS

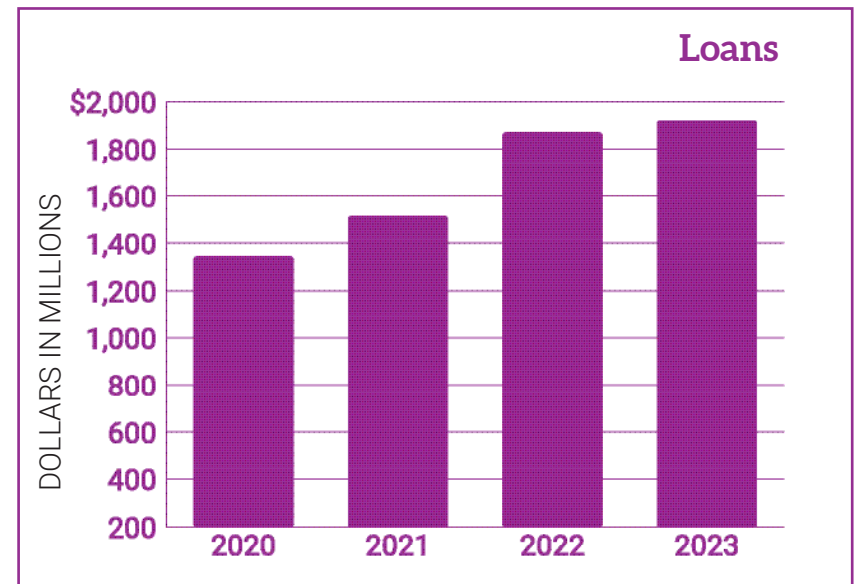
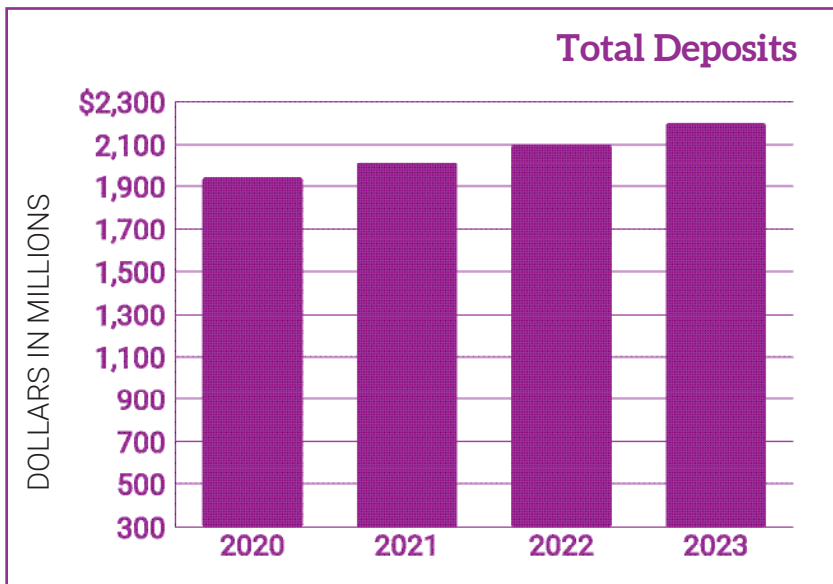
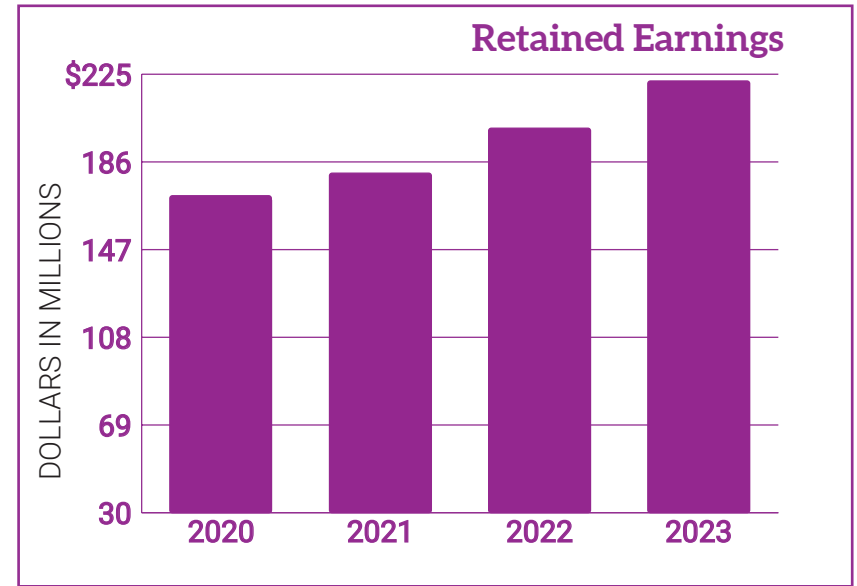
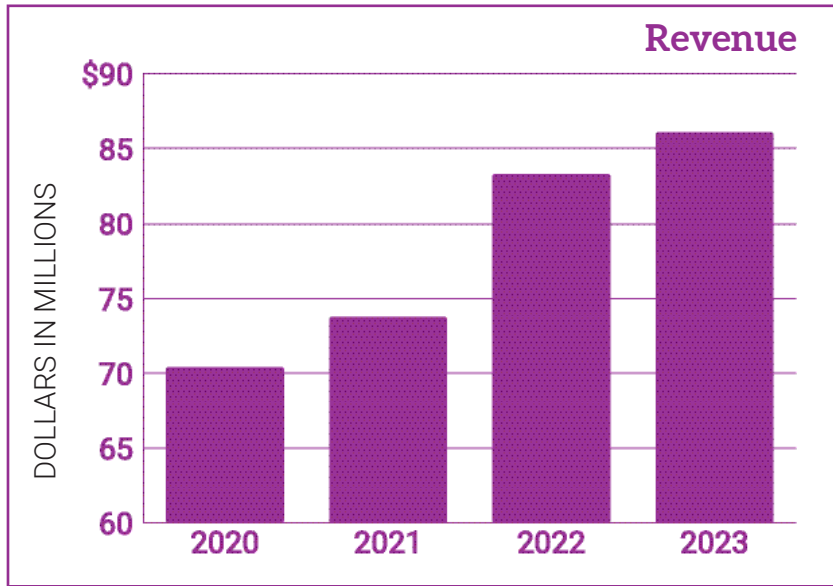


## UFS Bancorp and Subsidiary - Consolidated Statements of Income (unaudited)

Twelve Months ended December 31 (Dollars in Thousands)

	2023	2022
Interest and dividend income:		
Loans, including fees	\$ 83,626	\$ 62,368
Debt securities	12,020	10,079
Other interest and dividends	7,301	1,224
Total interest and dividend income	102,947	73,671
Interest expense:		
Deposits	28,549	3,237
Borrowed funds	3,186	1,529
Total interest expense	31,735	4,766
Net interest and dividend income	71,212	68,905
Provision for credit losses	2,560	4,583
Net interest and dividend income, after provision for credit losses	68,652	64,322
Non-interest income:		
Customer service fees	7,369	7,199
Loan referral fees	3,736	3,792
Fiscal advisory service fees	2,036	2,453
Other income	1,756	958
Total non-interest income	14,897	14,402
Non-interest expense:		
Salaries and employee benefits	29,121	28,000
Occupancy and equipment	9,053	8,242
Professional services	2,064	1,934
FDIC deposit insurance	2,377	1,604
Other expense	10,748	11,773
Total non-interest expense	53,363	51,553
Income before income taxes	30,186	27,171
Provision for income taxes	8,907	7,539
Net income	21,279	19,632





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**UFASI**

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