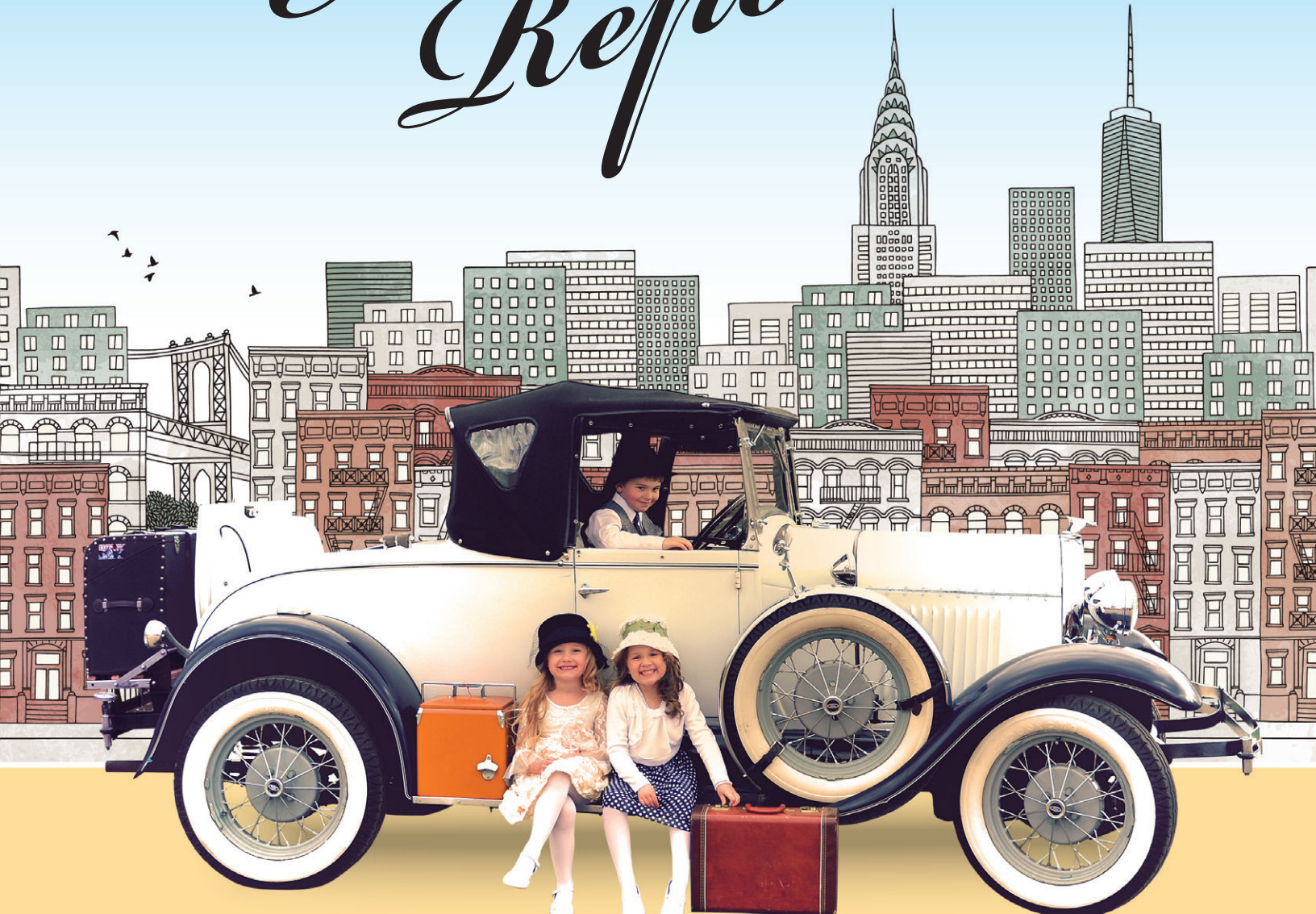




KATAHDIN
FEDERAL
CREDIT UNION

A financial institution with a clear vision

2016 Annual Report



*Bringing you old fashioned service
in a contemporary world*

Federally Insured by NCUA

Giving Back...

High School scholarships totaling \$8,000
Raised over \$7,100 for the Katahdin Area Relay For Life (Golf Tournament, raffle, auctions, public dinner)
Raised \$2,361 Ending Hunger Campaign for Maine
Raised \$1,200 for local food pantries through coin machine donations

Partnering Up

KFCU and Stearns High School Junior Class sponsored a Red Cross Blood Drive
KFCU and Brookfield US Foundation collaborated on "Providing Warmth for the Katahdin Region"

Financial Education

Millinocket Regional Hospital Health and Wellness Fair — Credit Union Strong Financial Fitness Booth
Northern Penobscot Chapter of Credit Unions Financial Fitness Fair

Sponsorships

Town of East Millinocket Summerfest
MRH Health and Wellness Fair
Ending Hunger Golf Tournaments
4th of July Activities
Trails End Festival
Christmas in Katahdin Community Party
Island Falls Summerfest
Millinocket Marathon and Half
Millinocket Memorial Library Auction
County Open
Youth Athletics sponsorships — Little League,
Youth Basketball, Little Giant Football
Performing Arts
Millinocket Historical Society
Friends of the Millinocket Memorial Library
Project Graduation/Prom/Chem-Free for all Area High Schools
Katahdin Council of Boy Scouts
Anah Temple Shrine
Dirigo Boy's/ Girl's State
Special Olympics
Food Baskets for the Holidays
Supporter of Student Activities
And much, much more...





President's & Chairman's Report



We often hear “times are changing”, but could anyone have predicted how rapidly this transformation was to occur? Who would have thought that we would become obsessed by social media sensations –often ordinary people doing something extraordinary or something that just makes us smile? When the credit union started, did our founders envision a credit union in which visiting the branch was an option, not a necessity? Did they think that someday we would be able to transact business, deposit a check, or pay a bill using our phones; or for that matter, pay for purchases using a cell phone? It wasn't so long ago that cell phones didn't exist except maybe in a science fiction or futuristic novel. At KFCU, we have done our best to keep up with the times and to offer up to date electronic services. Even with all these changes, one thing remains consistent—our dedication to good old fashioned member service. Whether you are a member who visits our branch, uses the phone to transact business, does everything remotely, or a combination of all of the above—we strive to provide you with the same level of service across all delivery channels.

Our purpose for existing is to provide the right mix of service and convenience to improve our members' lives. This past year, members took advantage of an array of borrowing opportunities to purchase their dream homes, buy new vehicles that allowed them the freedom to travel, and create everlasting memories by financing vacations, weddings, and other life experiences. Members also saved for future goals using a number of our savings products. Our commitment to our members doesn't stop there; we also support the communities we serve. KFCU sponsors many events and is proud of our charitable giving. Our employees are involved in a number of initiatives including the Ending Hunger Campaign and the Katahdin Area Relay for Life. Our financial strength allows us the flexibility to truly make a difference.

Financially, the credit union experienced strong growth in 2016. We maintained a healthy capital ratio in excess of 12%, well above the 7% threshold to being well capitalized as defined by regulatory agencies. Assets increased to over \$73.9 million with loan growth of \$686 thousand. We experienced over \$4 million in share growth, which equates to a 6.71% increase over 2015. We are pleased to report income of \$406 thousand, which exceeded our budget expectations. Our 12-month member growth was 1.34%. This level of income in combination with our stable asset level has allowed us to maintain our strong capital position while continuing to offer a high level of services to our members.

Even though times have changed, we pride ourselves on offering old fashioned service...in this contemporary world. We cherish your continued loyalty and membership and look forward to serving you for many years to come. Thank you for your membership!

Tina Jamo
President/CEO

Herbert Clark
Chairman of the Board



Supervisory Committee Report

The Supervisory Committee has the responsibility to ensure that our Credit Union is operated in compliance with all applicable rules and regulations and in accordance with sound and prudent business practices.

In fulfilling our responsibilities, the committee has personally performed numerous tests and has reviewed Credit Union records on a monthly basis. The committee has also engaged the certified public accounting firm of MacPage, LLC to perform a comprehensive annual audit for fiscal year 2016. In addition, the examiners from the National Credit Union Administration, our Federal Regulatory Agency, also conducted an annual examination of the Credit Union.

Based upon these audits and reviews, it is our opinion that our Credit Union remains well capitalized and continues to meet the needs of our members.

Respectfully Submitted,

Theresa M. Coffin

Chairperson





Independent Auditors' Report

Board of Directors

Katahdin Federal Credit Union and Subsidiaries
Millinocket, Maine

We have audited the accompanying consolidated financial statements of Katahdin Federal Credit Union and Subsidiaries (the Credit Union), which comprise of the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, changes in members' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Credit Union as of December 31, 2016 and 2015, and the consolidated results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Macpage LLC

South Portland, Maine

Consolidated Balance Sheets

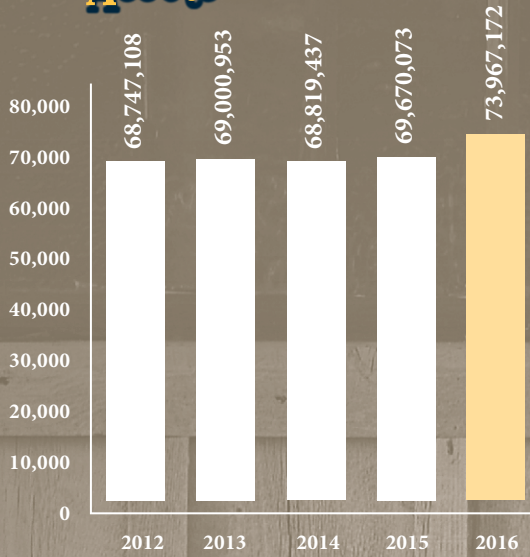
As of:	31. Dec. 16	31. Dec. 15
Assets		
Cash and Cash Equivalents	\$ 4,035,453	\$ 4,090,321
Investment Securities		
Available for Sale Securities	14,186,571	10,132,296
Other Investments	606,373	728,134
Loans to Members, Net of Allowance for Loan Losses	52,531,946	51,845,793
Accrued Interest Receivable	128,823	119,295
Property and Equipment, Net	946,481	1,094,266
Intangible Assets, Net	521,468	573,651
Collateral Held in Process of Liquidation	9,807	
Other Real Estate Owned	14,182	85,845
NCUSIF Deposit	610,761	579,030
Other Assets	375,307	421,442
Total Assets	\$ 73,967,172	\$ 69,670,073
Liabilities and Members' Equity		
Liabilities		
Members' Shares and Savings Accounts	\$ 64,110,485	\$ 60,080,565
Accrued Expenses and Other Liabilities	287,474	339,915
Notes Payable	376,472	396,520
Total Liabilities	\$ 64,774,431	\$ 60,817,000
Members' Equity		
Regular Reserves	\$ 1,963,607	\$ 1,963,607
Undivided Earnings	7,099,107	6,692,627
Accumulated Other Comprehensive Income		
Unrealized Loss on Available for Sales Securities and Postretirement Plan Obligation	(81,711)	(42,106)
Total Katahdin Federal Credit Union and Subsidiaries Members' Equity	8,981,003	8,614,128
Noncontrolling Interest	211,738	238,945
Total Members' Equity	9,192,741	8,853,073
Total Liabilities and Members' Equity	\$ 73,967,172	\$ 69,670,073

Consolidated Statements of Income

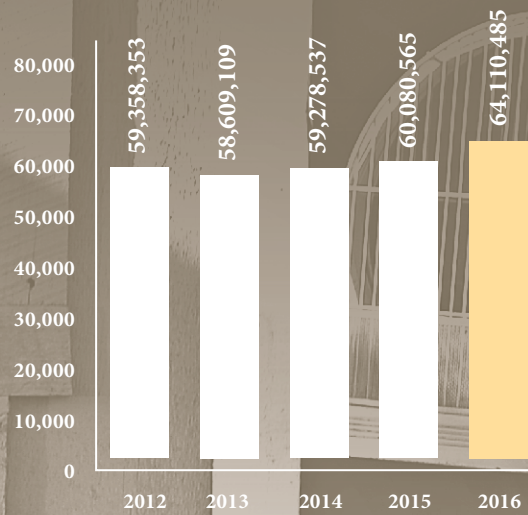
Years Ended December 31	2016	2015
Interest Income		
Interest on Loans	\$ 2,709,059	\$ 2,644,528
Interest on Investment Securities	159,840	119,091
Total Interest Income	2,868,899	2,763,619
Interest Expense		
Members' Shares and Savings Accounts	200,070	202,104
Interest on Borrowed Funds	24,158	25,297
Total Interest Expense	224,228	227,401
Net Interest Income	2,644,671	2,536,218
Provision for Loan Losses	80,870	176,920
Net Interest Income After Provision for Loan Losses	2,563,801	2,359,298
Non-Interest Income		
Servicing Fees	444,825	364,268
Other Income	189,636	186,371
Commissions and Fees	774,553	701,358
Total Non-Interest Income	1,409,014	1,251,997
Non-Interest Expense		
Payroll	1,290,821	1,243,968
Office Operating Expense	371,079	370,804
Employee Benefits and Payroll Taxes	372,808	355,397
Professional and Outside Services	404,787	381,908
Loan Servicing	284,904	270,842
Depreciation and Amortization	220,279	256,590
Educational and Promotional	110,018	107,887
Occupancy	155,559	157,512
Members and Other Insurance	12,562	12,395
Loss on Sale of Other Real Estate Owned	20,022	18,189
Loss on Sale of Collateral Held in Process of Liquidation	18,893	16,517
Travel and Conference	45,462	41,484
Other	103,693	98,834
Supervision and Exam	12,655	12,363
Total Non-Interest Expense	3,423,542	3,344,690
Net Income	549,273	266,605
Net Income Attributable to the Noncontrolling Interest	142,793	112,249
Net Income Attributable to Katahdin Federal	406,480	154,356
Credit Union and Subsidiaries	\$ 406,480	\$ 154,356

Financial Charts

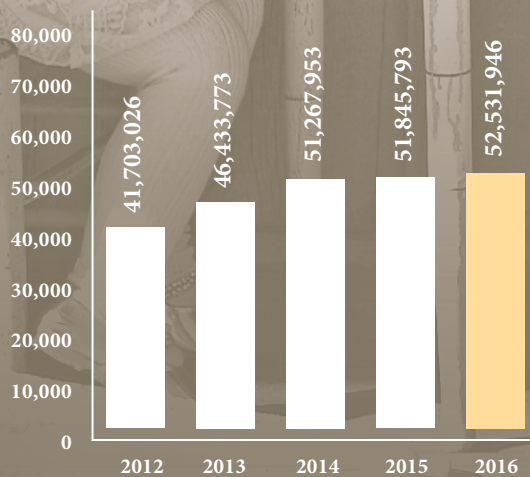
Assets



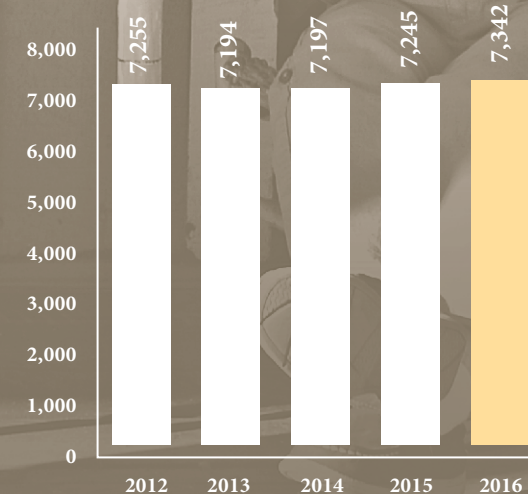
Shares



Loans



Members



Credit Union Associations

Single Source Financial Centre

For over twenty-two years, Single Source Financial Centre has been providing investment services and planning alternatives through Raymond James Financial Services, Inc. to members of Katahdin Federal Credit Union. Through our strategic association, members can take advantage of a personalized financial plan designed specifically by a trusted Raymond James advisor.

Products include:

IRAs: Traditional and Roth
Life Insurance
Annuities: Variable and Fixed
Long-Term Care Insurance
Investment Counseling
Treasuries
Mutual Funds
Retirement Planning
Stocks and Bonds
Tax Planning

Staff:

Raymond James Financial Advisor
Registered Representative Thomas Duff
Administrative Assistant Peggy McLean

Securities offered through Raymond James Financial Services, Inc. Member FINRA/SIPC, are:

- Not deposits
- Not insured by NCUA or any other governmental agency
- Not guaranteed by Katahdin Federal Credit Union
- Subject to risk, may lose value

749 Central Street
Millinocket ME 04462
207-723-5264 or 888-925-5264

Single Source Financial Centre, Katahdin Gateway Insurance LLC and KFCU are independent of Raymond James and Associates

Katahdin Gateway Insurance LLC

Katahdin Gateway Insurance LLC offers affordable property and casualty insurance products to members of KFCU at its convenient locations in Millinocket, East Millinocket, Lincoln and Milo. Our insurance professionals are committed to providing complete insurance coverage suited to your needs at a competitive price.

Products and Services

Personal Lines include:

Auto
Home
Motorcycle
Boat
Snowmobile
Personal Umbrellas
Camps
Rental Properties
Recreational Vehicles

749 Central Street
Millinocket, ME 04462
207-723-9941

55 Park Street
Milo, ME 04463
207-943-5955

By appointment only

Staff:

Office Manager all locations:
Lincoln Branch Manager:
Licensed agents:

Commercial Lines include:

Business Liability / Property Packages
Workers Compensation
Business Auto/ Truckers
Equipment Coverage
Professional Liability
Directors and Officers
Commercial Umbrellas

112 Main Street, Suite 3
East Millinocket, ME 04430
207-746-3687

30 Goding Avenue
Lincoln, ME 04457
207-794-3022

Kim French
Tracy Dill
Denyce Tibbitts
Mary Bernier
Rachel Dicker
Kristy Allen



Officials & Staff Directory

Board of Directors

Herbert Clark – Chairperson
Arnold Hopkins – Vice Chairperson
Gary Dumas – Treasurer
Rodney Daigle – Secretary
Bernadette Friel
Theresa Coffin
Joseph Clark
Dorothy Howard
Hal Cote
Terrence Daigle – Honorary Director

Associate Directors

Harold Lamson
George Pelletier

Supervisory Committee

Theresa Coffin – Chairperson
Brenda Hews
Joyce Phelan

Management

Tina Jamo – President/ CEO
Alaina Daisey – Chief Financial Officer

Quality Assurance Department

Nancy L. Pineau – Quality Assurance Specialist

Collections Department

Betty J. Averill – Collector/Cr Analyst

Administration Department

Molly Jamieson – HR/ Marketing Assistant

Accounting Department

Cathy A. McNally – Accountant
Gay Dickinson – Accountant

IT Department

Travis Rich – Network & Electronic
Banking Supervisor
Theresa Lane – Network & Electronic
Banking Specialist

Financial Services Department

Lisa Martin – Financial Services Supervisor
Jean Cyr – Financial Service Representative
Debbie Girsra – Financial Service Representative
Julie Achorn – Financial Service Representative
Lori Violette – Financial Service Representative

Teller Services Department

Michelle Jamo – Teller Services Supervisor
Lea Ann Jandreau – Senior Teller
Jennifer York – Teller II
Debora Murphy – Teller
Ashley Sennett – Teller
Brenda Bernardini – Teller
Nekia Small – Teller
Bruce Fleming – Teller
Cathy McGowan – Receptionist

Maintenance

Leo Levasseur
Carlton Bernier

Island Falls Office

Rachel Hale – Branch Manager
Kim McDonald – Senior Teller
Dottie Tucker – Teller
Mandi Noyes – Teller

Single Source Financial Centre

Peggy McLean – Administrative Assistant



Hours, Locations & Services

Lobby:

9:00 am – 5:00 pm

ATM at both locations
Available 24 hours a day,
7 days a week

Night Depository

10:00 a.m. – 2:00 p.m.

Drive Up Window:

Open Daily 8:00 am-5:00 pm

Locations:

1000 Central Street
Millinocket ME 04462
207.723.9718
207.723.8426 fax number

1068 Crystal Road, PO Box 330
Island Falls, ME 04747
207.463.3661
207.463.3763 fax number

800.451.9145 toll free number
www.katahdinfo.com
support@katahdinfo.com



Services

Savings Accounts
Checking Accounts
Club Accounts
IRA – Traditional, Roth, Coverdell
Education Savings Account
Share Certificates
IRA Certificates – Traditional, Roth,
Coverdell Education Savings Account
Health Savings Account
Money Trek Youth Savings Program
Real Estate Loans
Auto and RV Loans
Home Equity Loans and HELOC
Streamlinesm – Line of Credit/
Overdraft Protection
Signature Loans
Share and Certificate Secured Loans
Business Loans
VISA[®] Credit Cards/Classic and Gold
Money Connectionsm
Audio Response
Katahdin Connection, Home
Banking and Bill Payer
Mobile Connection
Apple Pay[®]
Remote Deposit Capture
Co-Op Shared Branching
CU24sm VISA[®] Debit Cards
VISA[®] Gift Cards
Direct Deposit
Night Deposit
Payroll Deduction
Money Orders
Notary Services

Wire Transfers
Safe Deposit Boxes
Debt Protection Programs
GAP (Guaranteed Auto
Protection Program)
Route 66 Extended Warranty
Program
Pet's Best Insurance

Available online at
www.katahdinfo.com

Online Account Opening
Online Loan Applications
Check Re-ordering
Ezcardinfo (allows VISA account
access and sign up for e-statements)
Current Rate and Term Information
Newsletter
Googolplex for students
Financial Resurce Center
FoolProof-High School and Consumer
Education



2016 Results

405 New and Used Auto Loans

97 Recreational Vehicles

36 First and Second Mortgages

32 new HELOCS

VISA Score Card Cash
Back Rebates: \$36,287.00



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