



embracing membership

72nd ANNUAL REPORT 2012



a peek inside

About us

NorState Federal Credit Union is a not-for-profit financial cooperative owned by each member who belongs to the credit union. As of the end of 2012, NorState FCU had 13,573 members and assets of \$155.9 million along with 67 employees. In addition to its six branch locations, the credit union has 9 convenient ATMs.

Our History

NorState FCU was founded on January 21, 1941 by a group of local leaders who saw the need to provide financial services to the employees of Fraser Papers and took it upon themselves to serve that need. Over the seven decades that have followed, the credit union has evolved into a dynamic, full-service financial institution that it is today.

From its humble beginnings in a janitor's closet at the paper mill to a multi-branch cooperative serving many thousands of people, the credit union has followed a strict notion of service to its members. As people's needs and expectations have changed, so has the credit union in order to meet those needs and to live up to our goal of being *"Your Lifelong Financial Partner."*

Our Mission

Working Together To Improve Our Members' Financial Lives.

Our Vision

To Be The Most Valued, Respected And Progressive Provider Of Financial Services To All Residents Of Aroostook County And Northern Penobscot County.



from our president



Dear Members,

2012 was another very successful year for Norstate Federal Credit Union. In spite of continuing challenges with a sluggish economy and the resulting stress on some of our members, total assets grew by \$8,139,383.30 to \$155,976,879.69. The kind of growth that our credit union has experienced year to year is a clear and continuing indicator that our members recognize the value of membership. We never take for granted, the faith and trust that you place in the credit union and we work hard to earn that trust every day. Net outstanding loans at year end totaled \$128,487,855.57 for growth of \$6,608,481.72 last year.

Every dollar that is loaned to our members supports the local economy in one form or another. Since this credit union was organized, it has loaned nearly three quarters of a billion dollars to members. The positive impact that has made on the region is clear and undeniable.

The financial well-being of our members and the communities we serve is directly linked to the credit unions role. Many new products and services were introduced or enhanced last year and we remain committed to insuring that the credit union remains relevant and valuable to you.

With my upcoming retirement on July 1, 2013, I reflect on the privilege that it has been to serve you over the past 15 years and I thank you for the opportunity. NorState Federal Credit Union will always be near and dear to me and the wonderful people that I've had the pleasure of working with will remain real friends.

Thank you to our volunteers who dedicate their time to represent your voice. The complexity of this business continues to expand and their willingness to devote their time and energy to stay educated and informed is commendable. Thank you also to our hardworking, professional staff members who are always there to meet your financial needs. I will miss you all.

Sincerely,

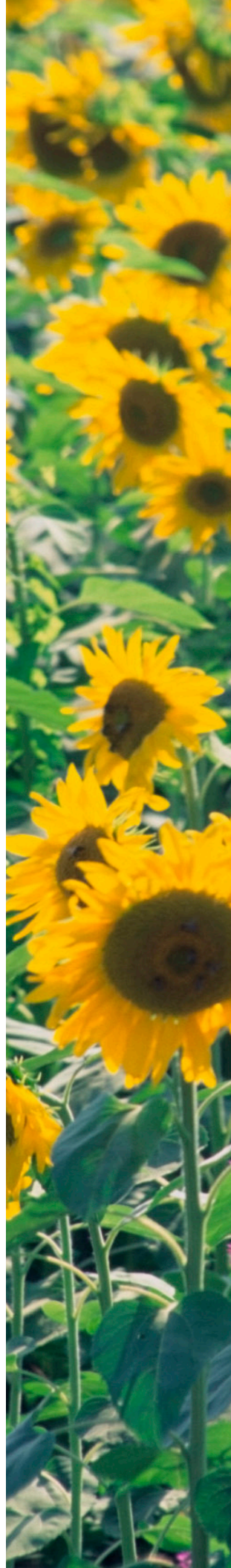
David E. Rossignol, CCE, CEO

Balance sheets

COMPARATIVE BALANCE SHEET

As of December 31, 2012

	2012	2011
ASSETS		
Loans	\$ 113,112,713.64	\$ 105,539,702.30
Participation Loan	568,499.76	1,034,809.54
Student Loans	673,393.14	639,063.34
VISA Loans	4,855,418.83	4,538,004.62
Mortgage Loans	9,639,818.38	10,464,698.37
Allowance for Loan Losses	(361,988.18)	(336,904.32)
Net Loans Outstanding	\$ 128,487,855.57	\$ 121,879,373.85
Cash	\$ 1,862,217.41	\$ 1,829,946.60
Federal Agency Securities	\$ -	\$ -
TRICORP	1,743,236.93	3,829,002.56
Jumbo CD Investment	9,884,159.18	9,556,976.91
MECUL Capital Stock	200,000.00	200,000.00
Other CU Shares	40,342.62	11,536.59
Synergent Debentures	5,000.00	15,000.00
Federal Home Loan Bank	737,812.42	898,621.09
Invest in Equinox Aroostook - CUSO	90,010.00	5,010.00
Loan to Equinox Aroostook - CUSO	190,000.00	340,000.00
Allowance for Loss on Investments	(1,417.07)	(1,417.07)
Net Investments	\$ 12,889,144.08	\$ 14,854,730.08
New Building (Net)	\$ 1,187,366.34	\$ 1,263,795.34
Land & Building - Mad Branch (Net)	152,189.96	157,589.96
Land & Building - E.L. Branch (Net)	131,071.37	136,286.57
Land & Building - Ash. Branch (Net)	169,662.26	180,652.10
Land & Building - VB Branch (Net)	164,261.38	173,190.10
Land & Building - FK Branch (Net)	291,944.45	305,529.53
Storage Shed (Net)	1,297.24	1,659.40
Leasehold Improvements (Net)	8,354.83	9,608.11
Land Improvements (Net)	9,970.82	11,941.30
Furniture & Equipment (Net)	303,598.45	294,423.07
All Other Assets	3,041,148.21	2,458,031.54
Deposits in NCUSIF	1,260,835.21	1,169,307.09
Pension Plan Asset	4,884,998.00	2,131,905.00
Split Dollar Life Insurance CSV	1,130,964.11	979,526.75
Total Other Assets	12,737,662.63	9,273,445.86
Total Assets	\$ 155,976,879.69	\$ 147,837,496.39



LIABILITIES

Accounts Payable (Including CSD)	\$	1,052,191.68	\$	734,288.92
Notes Payable		9,538,481.13		6,094,436.44
Divs Payable - Market Index Cert.		0.00		0.00
Pension Plan Liability		0.00		0.00
All Other Liabilities		131,235.86		245,799.39
Total Liabilities	\$	10,721,908.67	\$	7,074,524.75

OWNERS' EQUITY

Shares	\$	24,789,803.24	\$	23,381,185.65
Share Drafts		15,043,467.75		13,950,472.17
IRA Certificates		16,578,233.21		16,105,577.90
Share Certificates		49,407,814.47		51,519,009.04
Money Market Fund (Flexes)		14,053,519.89		12,865,314.64
Non-Member Certificates		4,041,000.00		3,445,000.00
Regular Clubs		2,198,428.45		1,815,253.81
IRA Clubs		2,075,929.24		1,809,815.58
Escrow Payable		173,102.88		119,096.17
Unapplied Club		69,070.69		71,892.65
Total Deposits	\$	128,430,369.82	\$	125,082,617.61

Regular Reserves	\$	3,718,650.07	\$	3,718,650.07
Acc Gain/Loss AFS Securities		0.00		0.00
Undivided Earnings		14,964,456.13		13,680,301.96
Unrecognized Gn (Ls) in Pension Plan		-1,858,505.00		-1,718,598.00
Total Retained Earnings		16,824,601.20		15,680,354.03
Total Liabilities & Equity	\$	155,976,879.69	\$	147,837,496.39

COMPARATIVE INCOME STATEMENT

As of December 31, 2012

		2012		2011
INCOME				
Interest Income:				
Interest On Loans	\$	7,138,872.00	\$	7,067,743.70
Income From Investments		292,249.54		396,693.10
Income from Investment in CUSO		6,191.89		11,900.04
Total Interest Income	\$	7,437,313.43	\$	7,476,336.84
Interest Expense:				
Dividends	\$	1,410,324.20	\$	1,573,321.57
Interest On Borrowed Funds		108,028.59		105,055.85
Total Interest Expense		1,518,352.79		1,678,377.42
Net Interest Income	\$	5,918,960.64	\$	5,797,959.42
Provision Loan Loss	\$	482,709.93	\$	381,268.02
Provision for Investment Loss		0.00		0.00
Net Int. Inc. After Provision Loss	\$	5,436,250.71	\$	5,416,691.40

OPERATING EXPENSES:

Salaries	\$	2,406,308.75	\$	2,259,294.72
Employee Benefits		574,908.59		688,390.57
Education & Conference Expenses		82,001.00		65,761.15
League Dues		23,025.55		21,384.18
Office Occupancy Expenses		468,914.06		480,747.46
Office Operations Expenses		549,073.10		485,813.04
Member Educational & Promotional		117,836.85		117,529.27
Loan Servicing Expenses		331,427.16		309,707.89
Professional & Outside Expenses		528,944.55		484,932.37
Member Insurance		140,474.27		313,861.01
Operating Fee - NCUA		33,349.94		31,323.30
Cash Over & Short		1,584.26		5,273.01
Annual & Other Meetings		16,629.34		18,510.82
Unrealized Loss On Canadian \$		7,559.23		7,382.21
Loss On Canadian Exchange		0.00		0.00
Miscellaneous Expenses		40,782.78		44,613.63
Total Operating Expense	\$	5,322,819.43	\$	5,334,524.63

OTHER OPERATING INCOME:

Recovery of Unrealized loss on Can \$	\$	5,248.94	\$	9,193.27
Income from Canadian Exchange		16,886.74		21,827.32
Misc. Operating Income		1,299,288.97		1,249,925.41
Total Other Operating Income	\$	1,321,424.65	\$	1,280,946.00

NON-OPERATING GAIN (LOSS):

Gain (Loss) on Disposition-Assets	\$	-	\$	6,100.00
Oreo Expense / Income		150,701.76		54,347.02
Total Non-Operating Gain (Loss)		(150,701.76)		(48,247.02)
Net Income (Loss)	\$	1,284,154.17	\$	1,314,865.75



We Help Make Small-Biz Dreams Come True

If you dream about owning your own business, our member-business services can help.

Add our history of exceptional personal service and you will see why we are your best source for a loan.

www.norstatefcu.org

Contact us today so we can help you achieve your business dream.



Home equity ...

it's worth tapping for those important

"little" things in your life.

NorState Federal Credit Union
www.norstatefcu.org

NorState Federal Credit Union

Your Lifelong Financial Partner

www.norstatefcu.org - 1-800-804-7555 - nfcu@norstatefcu.org

MADAWASKA - VAN BUREN - PRESQUE ISLE - ASHLAND - EAGLE LAKE - FORT KENT

2012 BOARD OF DIRECTORS

Dr. David Mitchell, Chair
Sandra San Antonio, Vice Chair
Ray Marquis, Treasurer
Muriel Dechaine, Secretary
Bertrand Cyr
Cliff Cyr
Dale Danie

2012 SUPERVISORY COMMITTEE

Maurice Pelletier, Chair
Mary Ann Chasse
Mark Violette
Avril Marin
Ray Beaulieu



Your Lifelong Financial Partner

2012 MANAGEMENT

David E. Rossignol, President/CEO
Susan G. Whitehead, Exec. Vice President/COO
Andrew Blanchette, Senior Vice President/CFO
Nancy Marquis-Cyr, VP Lending
Jim Pelletier, VP Commercial Services
Stephen Gagne, VP Branch Administration
Denise Duperre-Cote, Marketing Director
Terry Beaulieu, Human Resources
Patricia Holmes, AVP Member Services
Brenda Chasse, AVP Branch Manager - Van Buren
Allen Chamberland, AVP Branch Mgr - Fort Kent
Denise Zarate, Branch Manager - Ashland
June Gallant, Branch Manager - Presque Isle
Andrew Martin, Branch Manager - Eagle Lake
Paul Berube, Special Assets Manager

NorState Federal Credit Union is an equal opportunity / affirmative action institution and employer. For more information, please call 1-207-728-7555.

Dear fellow members:

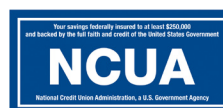
On behalf of the board of directors of NorState Federal Credit Union, I am honored to welcome you to our credit union's 2013 annual meeting. I am also pleased to tell you that at a time when a lot of credit unions are struggling, NorState remains financially sound and continues to show solid growth. We continue to provide a safe harbor for our members' deposits and serve as a crucial source for loans when needed.

A well-known saying is that the only constant in life is change. This month, NorState's administration is undergoing a monumental change. Our CEO for the past 15 years is retiring. Under Dave Rossignol's bold leadership, NorState has tripled in asset size, added several new locations, and made countless new financial services available to our members. We will miss his talented and confident guiding hand, and we wish Dave and his wife Val a very happy retirement.

I am pleased to announce that Susan Whitehead has been promoted to the position of CEO. Sue has been with NorState since 1988, and takes over with a very solid track record of her own. We look forward to working with her in the years ahead as NorState continues on its path into the future.

Sincerely,
David Mitchell
Chair, Board of Directors

PowerPay



Maine Credit Union League

75 YEARS
1898-2013



Maine Credit Unions
Aroostook Chapter Member





*Wishing Our President
Dave Rossignol
A Very Happy
Retirement*