

a friendly 'smile'
from some of our staff & friends



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1-800-804-7555
Madawaska - Van Buren - Fort Kent
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2011 Annual Report

71st Annual Meeting
June 2, 2012



Your Lifelong Financial Partner
Serving You Since 1941

Welcome Members:

NorState experienced very solid growth in 2011. Total Assets at year-end were \$147,837,496.39 compared to \$137,604,498.20 at the end of 2010. This is a difference of \$10,232,998.19 in one year and is a good indication of the faith and trust that you place in the credit union. Even though the local economy remains sluggish, outstanding loans grew by over 8.2 million dollars. Total net outstanding loans were at \$121,879,373.85 at year end.

When you stop to consider the significant impact that almost 122 million dollars can have on a local economy, the overall impact of the credit union and its benefits gets even clearer. These are funds that have gone into homes and cars and businesses and college educations and any number of other worthwhile causes.

Your credit union plays a vital role in the overall financial well being of all the communities we serve.

Many members continue to experience financial stress however. But the credit union stands ready to help people through

tough times and our financial strength will help us weather these times. We strongly encourage members to seek assistance from our dedicated staff of professionals for all financial and insurance needs. We're here to help.

Thank you to our volunteers who dedicate their time to represent your voice. The challenges of keeping up with the ever increasing regulatory demands and complexity of this business can be daunting and their willingness to devote their time and energy to this cause is commendable. Thank you also to our hardworking staff who work very hard to satisfy your needs. And Thank YOU... Our members; without whom we could not succeed. We consider it a privilege to serve YOU.

David E. Rossignol,
CCE, CEO



You may reach David Rossignol via email
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FAMILY
COMMUNITY
FRIENDS
FOR PEOPLE,
NOT FOR PROFIT

Dear Friends:

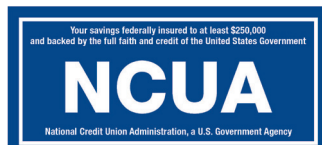
It is a pleasure and privilege to welcome you to NorState's 2012 annual membership meeting. Your credit union has continued to grow and strengthen over the past year, despite the lingering effects of the nationwide economic recession. Things are changing rapidly in the financial industry and your board of directors meets monthly with the management team to oversee

new policies and practices needed to keep us in compliance with our regulatory agencies. In closing, I want to acknowledge the dedicated service of director Roger Vaillancourt who is stepping down this year after 17 years. Roger has always been a great resource of grace and wisdom and we will miss him.

Dr. David Mitchell
Chairman, Board of Directors

COMPARATIVE INCOME STATEMENT

	2011	2010
Unrealized Loss On Canadian \$	7,382.21	5,828.00
Loss On Canadian Exchange	0.00	0.00
Miscellaneous Expenses	44,613.63	41,525.36
Total Operating Expense	\$5,334,524.63	\$5,295,753.08
OTHER OPERATING INCOME:		
Recovery of Unrealized loss on Can \$	\$9,193.27	\$8,321.99
Income from Canadian Exchange	21,827.32	38,661.04
Misc. Operating Income	1,249,925.41	1,213,399.33
Total Other Operating Income	\$1,280,946.00	\$1,260,382.36
NON-OPERATING GAIN (LOSS):		
Gain (Loss) on Disposition-Assets	\$6,100.00	0
Oreo Expense / Income	54,347.02	32,369.14
Total Non-Operating Gain (Loss)	(48,247.02)	(32,369.14)
NCUSIF STABILIZATION EXPENSE	0.00	0.00
TRICORP MCS WRITE DOWN EXPENSE	0.00	0.00
NCUSIF PASSED BACK INCOME	0.00	0.00
Net Income (Loss)	\$1,314,865.75	\$1,011,606.48



COMPARATIVE BALANCE SHEET

As of December 31, 2011

	2011	2010
ASSETS		
Loans	\$105,539,702.30	\$98,807,604.00
Participation Loan	1,034,809.54	1,060,274.11
Student Loans	639,063.34	380,874.39
VISA Loans	4,538,004.62	4,490,653.93
Mortgage Loans	10,464,698.37	9,430,826.71
Allowance for Loan Losses	(336,904.32)	(496,370.49)
Net Loans Outstanding	\$121,879,373.85	\$113,673,862.65
Cash	\$1,829,946.60	\$1,802,086.76
Federal Agency Securities	0	0
TRICORP	3,829,002.56	2,340,903.66
Jumbo CD Investment	9,556,976.91	11,149,976.91
MECUL Capital Stock	200,000.00	200,000.00
Other CU Shares	11,536.59	15,997.13
Synergent Debentures	15,000.00	25,000.00
Federal Home Loan Bank	898,621.09	686,764.61
Invest in Equinox Aroostook - CUSO	5,010.00	10.00
Loan to Equinox Aroostook - CUSO	340,000.00	340,000.00
Allowance for Loss on Investments	(1,417.07)	(1,417.07)
Net Investments	\$14,854,730.08	\$14,757,235.24
New Building (Net)	\$1,263,795.34	\$1,340,543.74
Land & Building - Mad Branch (Net)	157,589.96	162,989.96
Land & Building - E.L. Branch (Net)	136,286.57	141,501.77
Land & Building - Ash. Branch (Net)	180,652.10	191,641.94
Land & Building - VB Branch (Net)	173,190.10	182,118.82
Land & Building - FK Branch (Net)	305,529.53	319,114.61
Storage Shed (Net)	1,659.40	2,021.56
Leasehold Improvements (Net)	9,608.11	10,861.39
Land Improvements (Net)	11,941.30	11,086.20
Furniture & Equipment (Net)	294,423.07	293,466.71

COMPARATIVE BALANCE SHEET

	2011	2010
All Other Assets	2,458,031.54	1,842,584.68
Deposits in NCUSIF	1,169,307.09	1,110,320.94
Pension Plan Asset	2,131,905.00	927,455.00
Split Dollar Life Insurance CSV	979,526.75	835,606.23
Total Other Assets	9,273,445.86	7,371,313.55
Total Assets	\$147,837,496.39	\$137,604,498.20

LIABILITIES

Accounts Payable (Including CSD)	\$734,288.92	\$761,431.28
Notes Payable	6,094,436.44	5,238,887.64
Divs Payable - Market Index Cert.	0.00	0.00
Pension Plan Liability	0.00	0.00
All Other Liabilities	245,799.39	131,682.70
Total Liabilities	\$7,074,524.75	\$6,132,001.62

OWNERS' EQUITY

Shares	\$23,381,185.65	\$23,024,154.75
Share Drafts	13,950,472.17	12,325,559.58
IRA Certificates	16,105,577.90	15,982,415.39
Share Certificates	51,519,009.04	47,997,747.69
Money Market Fund (Flexes)	16,310,314.64	13,573,047.23
Regular Clubs	1,815,253.81	1,758,566.20
IRA Clubs	1,809,815.58	1,406,557.87
Escrow Payable	119,096.17	73,170.86
Unapplied Club	71,892.65	73,632.73
Total Deposits	\$125,082,617.61	\$116,214,852.30
Regular Reserves	\$3,718,650.07	\$3,718,650.07
Acc Gain/Loss AFS Securities	0.00	0.00
Undivided Earnings	13,680,301.96	12,365,436.21
Unrecognized Gn (Ls) in Pension Plan	-1,718,598.00	-826,442.00
Total Retained Earnings	15,680,354.03	15,257,644.28
Total Liabilities & Equity	\$147,837,496.39	\$137,604,498.20

COMPARATIVE INCOME STATEMENT

As of December 31, 2011

	2011	2010
INCOME		
Interest Income:		
Interest On Loans	\$7,067,743.70	\$6,807,014.72
Income From Investments	396,693.10	567,389.13
Income from Investment in CUSO	11,900.04	17,000.04
Total Interest Income	\$7,476,336.84	\$7,391,403.89

Interest Expense:

Dividends	\$1,573,321.57	\$1,876,178.25
Interest On Borrowed Funds	105,055.85	163,187.04
Total Interest Expense	1,678,377.42	2,039,365.29
Net Interest Income	\$5,797,959.42	\$5,352,038.60

Provision Loan Loss	\$381,268.02	\$272,692.26
Provision for Investment Loss	0.00	0.00
Net Int. Inc. After Provision Loss	\$5,416,691.40	\$5,079,346.34

OPERATING EXPENSES:

Salaries	\$2,259,294.72	\$2,221,786.35
Employee Benefits	688,390.57	707,456.16
Education & Conference Expenses	65,761.15	77,100.77
League Dues	21,384.18	21,235.18
Office Occupancy Expenses	480,747.46	472,844.35
Office Operations Expenses	485,813.04	482,291.36
Member Educational & Promotional	117,529.27	116,494.29
Loan Servicing Expenses	309,707.89	338,990.85
Professional & Outside Expenses	484,932.37	457,773.35
Member Insurance	313,861.01	308,064.77
Operating Fee - NCUA	31,323.30	31,476.20
Cash Over & Short	5,273.01	-4,168.69
Annual & Other Meetings	18,510.82	17,054.78