

**Strength and Growth Come From Dedication
and Community Partnership.**



2016 Annual Report

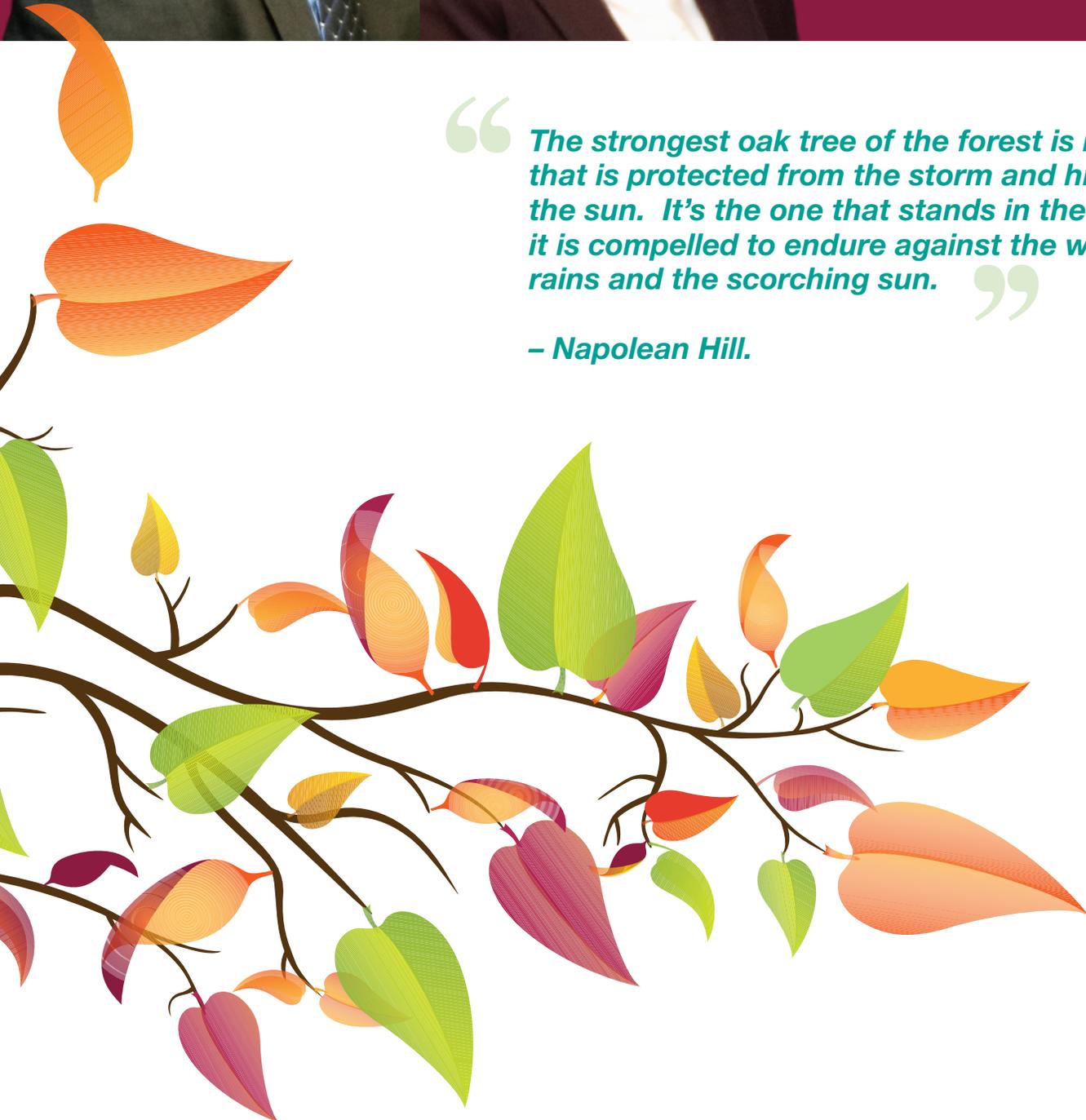




**A message from the
Chief Governance Officer
and Chief Executive Officer**

“ The strongest oak tree of the forest is not the one that is protected from the storm and hidden from the sun. It’s the one that stands in the open where it is compelled to endure against the winds and rains and the scorching sun. ”

– Napoleon Hill.



To summarize 2016, it was a tremendous success for GFA, a direct result of our dedication to member service and our ability to move with changes in the economic environment and changing consumer expectations. While we recognize our success, we are also aware of our responsibility to make every interaction with our members personalized and knowledgeable, while supporting organizations within our local communities.

Our mission holds true to earning the trusted position as your financial solutions partner. Whether you purchased your first home or needed help buying new equipment for your business, GFA has been there to assist our members and local businesses with your financial needs for almost 80 years.

The 2016 report cover features a tree, symbolic of strength, security and growth; all characteristics that GFA has shown in the past year. Total assets increased to \$471 million, which represents an increase of \$16 million or 3.77%. Member deposits rose by \$17 million, a 4.9% increase which is above the industry average of 3.4% for the third quarter. This inflow of deposits supplemented the liquidity to lend to borrowers, where we achieved a record level growth in loans, with a portfolio at year end of \$253 million. Loan originations for the year were \$84.3 million compared to the prior year of \$56.2 million. This volume represents a 50% increase (\$28 million), and is well above the peer average of 5.27% for the third quarter. These results come from the commitment of our staff to manage member expectations and needs. Needless to say it was a very strong year for GFA.

We were successful in securing a highly visible site for the relocation of our Peterborough branch. The process of due diligence, approvals from the town and various committees, property purchase and design plans have all been completed. Preparations are being made to start construction in early spring. The relocation of the Peterborough branch brings greater visibility and convenience for members with a drive up window, a state-of-the-art technology exploration area, and an atmosphere that is casual and inviting.

Also, GFA has formed a Partnership with Northeast Planning Associates to expand our wealth management services to the New Hampshire region.

In a commitment to keeping our member's information secure, several technology enhancements took place. A cyber security assessment was completed to assure that your personal information is guarded. Our findings reflected that GFA exceeded standard scores on technology security. We also transitioned to an EMV platform with all your debit cards chipped as of January 2017. This provides greater security against fraudulent attempts.

A project that was critical and time consuming was the research and recommendation for the expansion of our headquarters. Growth didn't only occur in our assets and deposits, our staff is also expanding and in need of more room. We purchased property located at 242-244 Parker Street and subsequently was demolished to expand parking. A suitable location was secured to temporarily house displaced employees during the construction phase. The expansion will add approximately 25,000 square feet to our current headquarters and enable us to continue our path of growth and service.

We were honored to be awarded the distinction as Peterborough's Educator of the Year and were recognized by the Boston Business Journal as one of the Top Ten Fastest Growing Credit Unions in the state. Both of these recognitions validate GFA's unwavering commitment to our members by providing financial literacy and stability.

Our improvements and additional services have been able to happen in a period of an extraordinarily low interest rate environment that has squeezed margins at all financial institutions. The challenge of increasing technology and regulatory compliance costs are successfully managed at GFA through efficiency in operations and expense control.

Bringing you better banking is our top priority. That starts with personalized service at the branches to the ever changing technology that gives you access to your accounts no matter where you are. Our roots are planted firmly in the communities we serve. We will continue to support, educate and advise as your trusted financial institution of choice. On behalf of the Board of Directors, we thank you for your loyalty and help in making 2016 a strong, successful year.

Sincerely,



Tina M. Sbrega
President & Chief Executive Officer



Gerald L. Bankowski, CPA
Chief Governance Officer





With the promise of lower rates on loans and higher rates on deposits, new members continue to be attracted to the GFA brand.

Deposits

In 2016 GFA Federal Credit Union introduced our new Preferred Choice Checking high-interest checking account. This account features no minimum balance and debit card member bonuses. Deposits increased by \$17 million, a 4.9% increase over the prior year. Every dollar you entrust with GFA is fully insured so you know your money is secure with us.

Mortgages

Members turned to GFA for their mortgage needs in unprecedented numbers in 2016. Mortgage volume increased by more than 50% with members taking advantage of GFA Federal Credit Union's first-time homebuyer program, the NH program, FHA Rehab programs and Home Start Homebuyer Credits.

“Ed was with us for the entire home buying process... I know there are many mortgage companies out there, but the experience I had with Ed and GFA will not be forgotten!!
– Matthew M.

Skip-A-Pay

We encourage our members to make responsible financial decisions, but sometimes life happens and paying your loan may be difficult. Skip-A-Pay provides a way for members to put a little extra in their pocket without penalty.

“Just wanted to tell you how great Rochelle and Naomi were when my daughter and I were getting a car loan... they both were very helpful.
– Jim B.

Auto Loans

At GFA Federal Credit Union we have made the purchase of a new or used vehicle easy. We put you in the drivers seat fast – from shopping to financing – and even insurance. GFA Federal Credit Union continues to be recognized as the auto loan expert within the market served. And GFA's Concierge Auto Program helps members get the best deals from the best dealers. GFA has the best product for your lifestyle, from 1st time auto buyer to the Better Than a Lease Auto Loan.

eServices

GFA Federal Credit Union's suite of Online Banking services continues to be rapidly adopted by members with e statements growing by 46% during 2016 and mobile banking usage increasing 43% over this same time period. GFA Federal Credit Union has processed over 11,000 mobile deposit transactions since it's launch totaling \$3.2 million. Waiting in line to do a transaction is a thing of the past, you have a GFA branch in the palm of your hand with Mobile Banking.

Online Banking Users



“We are very happy with how easy and simple the equity loan process was. I have recommended GFA to all my friends.
– Mark F.



Personal



Business



Investments



Insurance

Mobile Banking Users

2015
2,298

2016
3,295

Business Lending

Whether you are a start-up, 5th generation company, a DBA, non-profit, or locally-based corporation, we are here to help. We provide assistance with all of your business banking needs including SBA Lending, Commercial Lending, GFA@Work programs, merchant services and personalized solutions.

GFA@Work

This no-cost program brings GFA to your business. GFA@Work provides access to special programs, financial education, and a Better Banking Representative on hand to answer employee questions about financial decisions.

GFA Financial Group

GFA Financial Group* has assisted members in preparing for a more secure financial future. GFA Financial Group offers custom financial planning for you, your business and your employees. A financial professional can help you develop a customized investment strategy to plan for the future.

“*When I first met with GFA Financial Group, I was not comfortable financially. Today, because of their advice, guidance and planning, I am very comfortable. I know what investments I own and why I own them. I am thrilled by how hard my money is working for me and I know that my financial future is secure.*

– Florence P.

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Insurance Services

With GFA Federal Credit Union’s wholly owned subsidiary, GFA Insurance Services, LLC we can provide you and your business with affordable comprehensive coverage. GFA Insurance Services saved Members an average of \$568 annually for home and auto insurance.** Make sure you and your employees are protected. We offer insurance for liability, business auto, property, life, key man insurance, as well as other plans.

eStatements

2015
8,948

2016
13,094

*Securities and insurance products offered through LPL Financial and its affiliates, Member FINRA / SIPC

Not NCUA Insured | No Credit Union Guarantee | May Lose Value

Investment products are not deposits of GFA Federal Credit Union and are not protected by any type of deposit insurance and are not insured by any federal government agency, are not obligations of or guaranteed by GFA Federal Credit Union, and may be subject to risk.

**The figure of \$568 is a national average savings number from January 2016 – December 2016 of auto, homeowners, and packaged policyholders’ savings when compared to the policyholders’ former premiums, individual premiums and savings will vary. Any insurance required as a condition of the extension of credit by GFA Federal Credit Union need not be purchased from GFA insurance Services, LLC but may, without affecting the approval of the application for an extension of credit, be purchased from an agent or insurance company of the Member’s choice.

Our Better Banking Staff



Leadership Team

Linda Carmichael, SVP/ERM Officer
John Colantino, 1st VP/ Chief Technology Officer
Joan Moran, SVP/Chief Lending Officer
Paul Fitzpatrick, SVP/GFA Financial Group
Tina M. Sbrega, President & CEO
Susan Franklin, AVP/Marketing Director
Siobhan Bohanson, VP/Member Engagement
David C. Bojarczuk, Executive VP/CFO
Pamela Genelli, 1st VP/Culture Officer

Supervisory Committee Members

Wendy Wiiks
Winfield S. Brown
JoAnne Parks
Dr. Daniel M. Asquino
James O. Garrison, Chairman



Board of



Tina M. Sbrega
President &
Chief Executive Officer



Andrew N. Boucher
Vice Chair



Charles P. Bowles



Gerald L. Bankowski, CPA
Chief Governance Officer



Mayor Mark P. Hawke
Clerk

Advisory Groups

Hubbardston/Rutland Advisory Group

Ed Blanchard
Michael Caruso
Joyce Green
Brian Stidsen

Monadnock Advisory Group

Laura Gingras
Samuel Hackler
Timothy Kolk
Thomas LaFortune
Barbara Miller

Ashburnham Advisory Group

Joanne Catlin
Joseph McPeak
Ronald Newman

Fitchburg/Leominster Advisory Group

Leonard Croteau
Peter Lahtinen
Richard Leger
Warren Legsdin
Stephen Masiello

In Memoriam

Past Directors

 Charles Langlois
 Leo Monette
 Henry Robichaud

Better Banking Designer

 Jennifer Leclair

GHS Student Advisory

Keiley Benton
Jonathan Chipman
Ava Cormier
Brianna Cosgrove
Laney Grenier
Danielle Jaillet
Camden Kulczyk
Heather Malloy
Emma Mierzewjewski
Emily Raimon
Daniel Robichaud
Joel Santiago



Directors



Douglas R. Delay



Allen T. Goguen



Omer Cormier
Director Emeritus



Elaine Fluet



Michael T. Horrigan

Our Future

Our new Peterborough branch - Opening late 2017



Our Commitment to the Monadnock Region

GFA emerged into the Monadnock region in 2012 when we merged with Monadnock Community Bank, making GFA the first credit union in the nation to purchase a stock owned bank. Since joining the community, GFA has been an active part of the Monadnock community, including the launch of the financial literacy program at ConVal Regional High School, in partnership with the Peterborough Chamber of Commerce Education Committee.

The new branch will be located at 99 Grove Street and will include a drive up window and ATM. The concept for this new branch will provide a new technology exploration area where you can test drive our innovative products. The atmosphere will be casual and personal for a one-on-one experience. We are looking to make your banking experience more personalized and interactive.

We expect construction will commence by June of this year and hopefully be open by before the end of the year.

We are Growing

Our Commitment to Gardner

GFA Federal Credit Union is growing not only in membership, but organizationally as well. Our headquarters located at 229 Parker Street will be undergoing a major expansion of approximately 25,000 square feet to accommodate for this growth.

With growth comes opportunity and challenges. With our success, it has become evident that we have outgrown our facilities located at 229 Parker Street - which was last expanded nearly 30 years ago. Your Board of Directors launched a long and extensive search and examined numerous opportunities both within Gardner and the surrounding area. After much research it was determined that it is important to stick to our roots and commitment to the Gardner community.

The expansion will provide a state-of-the-art work environment for our employees to fuel their creativity and productivity.

Construction is expected to begin this year and be completed in 2018.

GFA Headquarters - Opening 2018



Our Mission

To earn the trusted position as your financial solutions partner for all life's occasions while remaining invested in our communities.



Financials

GFA Federal Credit Union and Subsidiary Consolidated Balance Sheets December 31



2016

2015

Assets

Cash and interest bearing deposits due from banks	\$ 7,876,722	\$ 6,179,641
Federal funds sold	6,048,500	7,597,467
Total cash and cash equivalents	<u>13,925,222</u>	<u>13,777,108</u>
Certificates of deposit	12,800,000	11,808,000
Investment securities		
Available-for-sale, at fair value	170,903,095	179,897,886
Held-to-maturity, at amortized cost	561,992	602,173
Loans receivable, net	251,560,141	227,545,811
Accrued interest receivable	1,195,421	1,210,591
Other real-estate owned	-	271,553
Premises and equipment, net	6,494,333	6,437,280
NCUSIF deposit	3,404,878	3,112,073
EasCorp membership deposits	169,133	169,133
FHLB stock, restricted, at cost	3,713,200	4,019,700
Prepaid expenses and other assets	777,849	484,906
Goodwill	5,187,137	5,187,137
	<u>\$ 470,692,401</u>	<u>\$ 454,523,351</u>

Liabilities and Members' Equity

Members' shares and savings accounts	\$ 361,739,643	\$ 345,200,637
Mortgagors' escrow accounts	1,160,759	949,897
Borrowed funds	57,015,335	59,295,174
Other liabilities	2,643,211	2,494,333
	<u>422,558,948</u>	<u>407,940,041</u>

Commitments and Contingencies

Members' Equity - Substantially Restricted		
Unappropriated earnings	46,278,381	44,237,475
Regular reserves	3,853,115	3,853,115
Accumulated other comprehensive loss	(1,998,043)	(1,507,280)
	<u>\$ 48,133,453</u>	<u>\$ 46,583,310</u>
	<u>470,692,401</u>	<u>454,523,351</u>

Total Liabilities and Surplus

Our Community

We Love our Community!

Many of our employees volunteer their time to serve on more than 18 community boards and committees. In 2016, we donated \$70,000 to organizations throughout our communities. We are making a difference.



*Mayor Mark Hawke teaching
Financial Literacy Class at
Gardner High School*



*GFA Employee
Appreciation Night*

Sponsorships

- American Cancer Society Relay For Life
 - Ashburnham Lions Club
 - Fitchburg State University
 - Franklin Pierce University
 - Gardner Visiting Nurses Association
 - Heywood Hospital
 - Holy Family Academy
 - Hubbarston Youth Sports Teams
 - Local Chambers of Commerce
 - Monadnock Community Hospital
 - Montachusett Veteran's Outreach Center
 - Mount Wachusett Community College
 - Peterborough Players
 - Rutland 4th of July Celebration
 - United Way of North Central Massachusetts
 - Wendell P. Clark Memorial YMCA
- ...and many more!



Ice Cream Day at GFA



*Toys for Tots Drive
at Parker Branch*



Salvadore Movie Night



Personal



Business



Investments



Insurance

GFATM
FEDERAL CREDIT UNION
Better Banking.

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Ashburnham | Gardner | Hubbardston | Leominster | Peterborough | Rindge | Rutland | Winchendon



FEDERALLY INSURED BY NCUA



EQUAL OPPORTUNITY LENDER