Report at the close of business as of the end of fiscal year

This Report is required by law: Section 5(c)(1)(A) of the Bank Holding Company Act (12 U.S.C. § 1844(c)(1)(A)); sections 8(a) and 13(a) of the International Banking Act (12 U.S.C. §§ 3106(a) and 3108(a)); sections 11(a)(1), 25, and 25A of the Federal Reserve Act (12 U.S.C. §§ 248(a)(1), 602, and 611a); and sections 113, 165, 312, 619, and 809 of the Dodd-Frank Act (12 U.S.C. §§ 6361, 6365, 5412, 1850a(c)(1), and 5468(b)(1)). Return to the appropriate Federal Reserve Bank the original and the number of copies specified.

NOTE: The Annual Report of Holding Companies must be signed by one director of the top-tier holding company. This individual should also be a senior official of the top-tier holding company. In the event that the top-tier holding company does not have an individual who is a senior official and is also a director, the chairman of the board must sign the report. If the holding company is an ESOP/ESCOT formed as a corporation or is an LLC, see the General Instructions for the authorized individual who must sign the report.

I, Charles Boulier
Name of the Holding Company Director and Official
President & CEO
Title of the Holding Company Director and Official
attest that the Annual Report of Holding Companies (including the supporting attachments) for this report date has been prepared in conformance with the instructions issued by the Federal Reserve System and are true and correct to the best of my knowledge and belief.

With respect to information regarding individuals contained in this report, the Reporter certifies that it has the authority to provide this information to the Federal Reserve. The Reporter also certifies that it has the authority, on behalf of each individual, to consent or object to public release of information regarding that individual. The Federal Reserve may assume, in the absence of a request for confidential treatment submitted in accordance with the Board’s “Rules Regarding Availability of Information,” 12 C.F.R. Part 261, that the Reporter and individual consent to public release of all details in the report concerning that individual.

Signature of Holding Company Director and Official

Date of Signature

For holding companies not registered with the SEC—Indicate status of Annual Report to Shareholders:

X is included with the FR Y-6 report

☐ will be sent under separate cover

☐ is not prepared

For Federal Reserve Bank Use Only

RUSID ID: 2912766
C.I.

Is confidential treatment requested for any portion of this report submission? [ ] No [ ] Yes

In accordance with the General Instructions for this report, check only one,

☐ 1. a letter justifying this request is being provided along with the report

☐ 2. a letter justifying this request has been provided separately

NOTE: Information for which confidential treatment is being requested must be provided separately and labeled as "confidential.”

Date of Report (top-tier holding company's fiscal year-end):
December 31, 2016

Month / Day / Year

Reporter's Legal Entity Identifier (LEI) (20 Character LEI Code)

Reporter's Name, Street, and Mailing Address

Ion Financial, MHC
Legal Title of Holding Company

251 Church Street
(Mailing Address of the Holding Company) Street / P.O. Box

Naugatuck, CT 06770
City State Zip Code

Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Dana Silva
Name

VP & Controller
Title

Area Code / Phone Number / Extension

Area Code / Fax Number
dsilva@ionbank.com

Address (URL) for the Holding Company’s web page

Public reporting burden for this information collection is estimated to vary from 1.3 to 101 hours per response, with an average of 5.50 hours per response, including time to gather and maintain data in the required form and to review instructions and complete the information collection. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to Secretary, Board of Governors of the Federal Reserve System, 25th and C Streets, NW, Washington, DC 20551, and to the Office of Management and Budget, Paperwork Reduction Project (7100-0297), Washington, DC 20503.
### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands)

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Fair Value</th>
<th>Valuation Technique</th>
<th>Unobservable Input</th>
<th>Range (Weighted Average)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impaired loans</td>
<td>$ 21,207</td>
<td>Real estate appraisals</td>
<td>Discount for dated appraisals or condition of property</td>
<td>10%-20%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Discount for appraisal type</td>
<td>0-10%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Asset appraisals</td>
<td>Discount for payment status</td>
<td>25%-30%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Discount to inventory</td>
<td>15%-35%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Discount for accounts receivable</td>
<td>35%-65%</td>
</tr>
<tr>
<td>Other real estate owned</td>
<td>$ 1,296</td>
<td>Real estate appraisals</td>
<td>Discount for dated appraisals or condition of property</td>
<td>10%-20%</td>
</tr>
</tbody>
</table>

#### 17. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following is a summary of the changes in the components of accumulated other comprehensive loss on an after tax basis for the years ended December 31, 2016 and 2015:

<table>
<thead>
<tr>
<th>(In thousands)</th>
<th>Pension and Postretirement Plan Liabilities</th>
<th>Net Unrealized Gains on Investment Securities Available for Sale</th>
<th>Net Unrealized Losses on Derivative Cash Flow Hedges</th>
<th>Total Accumulated Other Comprehensive Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at December 31, 2014</strong></td>
<td>$ (13,151)</td>
<td>$ 2,518</td>
<td>$ (688)</td>
<td>$ (11,321)</td>
</tr>
<tr>
<td>Other comprehensive loss before reclassifications</td>
<td>(219)</td>
<td>(491)</td>
<td>(485)</td>
<td>(1,195)</td>
</tr>
<tr>
<td>Amounts reclassified</td>
<td>-</td>
<td>(711)</td>
<td>-</td>
<td>(711)</td>
</tr>
<tr>
<td>Current period other comprehensive loss</td>
<td>(219)</td>
<td>(1,202)</td>
<td>(485)</td>
<td>(1,906)</td>
</tr>
<tr>
<td><strong>Balance at December 31, 2015</strong></td>
<td>(13,370)</td>
<td>1,316</td>
<td>(1,173)</td>
<td>(13,227)</td>
</tr>
<tr>
<td>Other comprehensive loss before reclassifications</td>
<td>233</td>
<td>921</td>
<td>902</td>
<td>2,056</td>
</tr>
<tr>
<td>Amounts reclassified</td>
<td>-</td>
<td>(1,480)</td>
<td>-</td>
<td>(1,480)</td>
</tr>
<tr>
<td>Current period other comprehensive loss</td>
<td>233</td>
<td>(559)</td>
<td>902</td>
<td>576</td>
</tr>
<tr>
<td><strong>Balance at December 31, 2016</strong></td>
<td>$ (13,137)</td>
<td>$ 757</td>
<td>$ (271)</td>
<td>$ (12,651)</td>
</tr>
</tbody>
</table>
Ion Financial, MHC Overview

Report Item 2a: Organizational Chart

Ion Financial, MHC
Naugatuck, CT.
Incorporated in Connecticut

100%:

Ion Bank
Naugatuck, CT.
Incorporated in Connecticut

LEI
5493004D0Z2WQR26VL57

100%:

Nutmeg
Financial Holdings, LLC
Naugatuck, CT.
Incorporated in Connecticut

Limited Partner
Non-managing Member

100%:

Ion Insurance Corporation
Naugatuck, CT.
Incorporated in Connecticut

100%:

Ion Mortgage Corp.
Naugatuck, CT.
Incorporated in Connecticut

100%:

Ion Investments
Naugatuck, CT.
Incorporated in Connecticut
Ion Financial Mutual Holding Company

FR Y-6

December 31, 2016

Report Item 2b Domestic Branch

This item was submitted separately via email on March 23, 2017
Ion Financial Mutual Holding Company

FR Y-6

December 31, 2016

Report Item 3. Securities Holders

NOT APPLICABLE
1. Name, City and State

Board of Trustees
Charles J. Boulier III  Wolcott, CT.
Ann Merriam Feinberg  Middlebury, CT.
Richard H. G esseck  Cheshire, CT.
Lucille Janatka  Woodbury, CT.
David W. Nurnberger  Woodbury, CT.
Gary B. O'Connor  Woodbury, CT.
John H. Tobin  Southbury, CT.
Stephen C. Widman  Middlebury, CT.
Mark C. Yanarella  Naugatuck, CT.

Executive Officers
Charles J. Boulier, III  President & CEO  Wolcott, CT.
David J. Rotatori  VP, Treasurer, CFO, Secretary  Naugatuck, CT.
Kathleen McPadden  VP  Naugatuck, CT.

2. Principal Occupation, if other than with the holding company

Ann Merriam Feinberg  Retired, VP, CT Community Foundation – Waterbury, CT
Richard H. G esseck  Retired Partner, Ernst & Young LLP – Hartford, CT
Lucille Janatka  President; Central Region; Hartford Healthcare – New Britain, CT.
David W. Nurnberger  Retired Sr. VP – Boehringer Ingelheim Corp – Ridgefield, CT
Gary B. O'Connor  Partner, Pullman & Comley – Hartford, CT.
John H. Tobin  Retired President & CEO – Waterbury Hospital – Waterbury, CT.
Stephen C. Widman  M.D., Cardiology Associates – Waterbury, CT
Mark C. Yanarella  Retired President & CEO – Naugatuck Savings Bank – Naugatuck, CT.
3. Title or position with:

a. holding company:

Charles J. Boulier, III  President & CEO; Board of Trustees
Ann Merriam Feinberg  Board of Trustees
Richard H. Gesseck  Board of Trustees
Lucille Janatka  Board of Trustees
David W. Nurnberger  Board of Trustees
Gary B. O’Connor  Board of Trustees
John H. Tobin  Board of Trustees
Stephen C. Widman  Board of Trustees
Mark C. Yanarella  Board of Trustees; Chairman of the Board

Executive Officers

Charles J. Boulier, III  President & CEO
David J. Rotatori  VP, Treasurer, CFO, Treasurer & Secretary
Kathleen McPadden  VP

b. all direct & indirect subsidiaries

Charles J. Boulier, III  Ion Bank
Nutmeg Financial Holding LLC  President & CEO
Ion Insurance  Board of Directors
Ion Mortgage Corp  President
Ion Investment Holding Co  President
Ion Bank Foundation Inc  President

David J. Rotatori  Ion Bank  EVP, Treasurer, CFO, CRO & Corporate Secretary
Nutmeg Financial Holding LLC  Secretary
Ion Insurance  Board of Directors
Ion Mortgage Corp  Secretary & Treasurer
Ion Investment Holding Co  Secretary & Treasurer
Ion Foundation Inc  Secretary & Treasurer

David Drescher  Ion Insurance Corp  President & CEO

Mark C. Yanarella  Ion Bank  Chairman of the Board
Ann Merriam Feinberg  Ion Bank  Board of Director
Richard H Gesseck  Ion Bank  Board of Director
Lucille Janatka  Ion Bank  Board of Director
David W. Nurnberger  Ion Bank  Board of Director
Gary B. O’Connor  Ion Bank  Board of Director
c. Any other company in which the person is a director, trustee, partner or exec.

Charles J. Boulier, III
Chairman – American Savings Foundation
Chairman – America’s Mutual Banks
Director – St. Mary’s Hospital Foundation
Director – Waterbury Regional Chamber of Commerce

Ann Merriam Feinberg
Vice Chair – Western CT Leadership Alumni
Director – Pomperaug River Watershed Coalition
Director – Gift of Adoption, Inc.
Director – Naugatuck Valley Community College Foundation

Richard H. Gesseck
Board of Trustees – Lincoln College of N.E.

David W. Nurnberger
Chairman – Western CT State University
Director – Ann’s Place, The Home of I Can
Director – Simply Smiles

Gary B. O’Connor
Co-Chair – State Brownfield’s Working Group
Director & Secretary – Loyola Development, Inc
Director – Waterbury Regional Chamber of Commerce

John H. Tobin
Chairman – Dora’s Hope
Board of Directors - Palace Theater
Board of Directors - United Way of Greater Waterbury

Stephen C. Widman
Board of Directors - St. Mary’s Hospital Foundation
CT Chapter Member - American College of Cardiology

4. Percentage of each class of voting securities owned, controlled or held with power to vote in:

a. The holding company
Not applicable

b. Direct and indirect subsidiaries
Not applicable
c. **Any other company if 25% or more of its outstanding voting securities or proportionate interest in a partnership are held; list the name of the company and percentage of voting securities**

<table>
<thead>
<tr>
<th>Name</th>
<th>Company Name</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ann Merriam Feinberg</td>
<td>Westside Medical Group</td>
<td>50%</td>
</tr>
<tr>
<td>Mark C. Yanarella</td>
<td>Wedgewood Investments Inc</td>
<td>50%</td>
</tr>
<tr>
<td>David J. Rotatori</td>
<td>Equity Property Management LLC</td>
<td>50%</td>
</tr>
<tr>
<td>David W. Nurnberger</td>
<td>Simply Smiles Products</td>
<td>49%</td>
</tr>
<tr>
<td>John H. Tobin</td>
<td>Nellis &amp; Tobin LLC</td>
<td>50%</td>
</tr>
</tbody>
</table>