



2017

Annual Report



MISSION STATEMENT

Central One Federal Credit Union strives to be its members' Primary Financial Institution by providing access to a comprehensive set of financial products and services at an industry leading level of service quality.

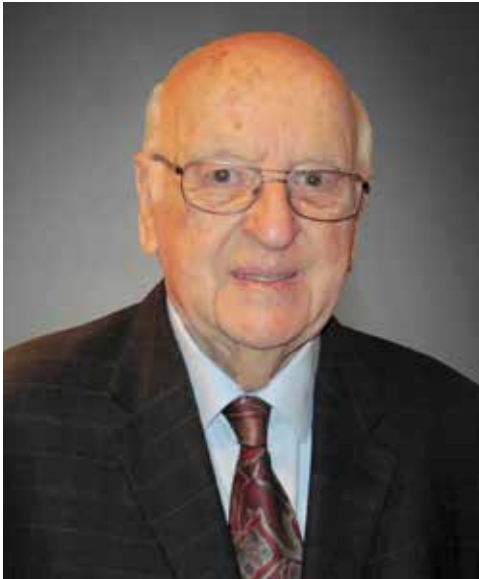
ENHANCEMENTS 2017

- Member authentication improvements
- Mobile Wallet featuring Apple Pay™ and Google Pay™
- Responsive mobile experience
- Auburn branch redesign & Shrewsbury branch renovation – *featuring full-service workstation pods for improved interaction with our members*

Auburn branch ribbon cutting ceremony, April 2017.
From left to right, Carl W. Masshardt, Jeffrey M. Pond, David A. L'Ecuyer, Roland G. Carlson, and Christine A. Baril.



FROM THE CHAIRMAN



Roland G. Carlson
Chairman of the Board

The Credit Union continues to provide financial choices at lower costs for our members. Central One offers financial products that provide better returns on savings, reduced rates on loans, and lower or no fees on services.

Some of the Major Accomplishments in 2017

The Credit Union was able to accomplish two major renovations during the year. First, it completed the expansion and update of the Auburn location. Additionally, it renovated the lobby at the Main Office in Shrewsbury. In both locations, the lobbies were converted to "Dialogue Banking Pods" to support the "universal banker" concept to better serve our members for years to come.

The Credit Union has a social responsibility to give back to the communities it serves. The Credit Union proudly made major contributions to the athletic field projects at the Shrewsbury and Westborough high schools. This earned the Credit Union naming and signage rights in Shrewsbury and signage rights at the Westborough facility in perpetuity.

The Credit Union was also able to implement new technologies to better serve members:

- New "out of wallet" authentication to prevent fraud, identity theft, and misuse of funds to protect the membership and;
- New methodologies for payment processing for merchants is now offered to members – Apple Pay™, Google Pay™, Samsung Pay, Microsoft Wallet, Visa Checkout®.

Once again, the Credit Union received favorable reviews regarding outside financial audits.

I would like to thank both the Management and Staff for their exceptional service to our members. I would also like to thank the Board of Directors, Associate Directors, and members of the Supervisory Committee for their commitment to the Credit Union.

A handwritten signature in black ink that reads "Roland G. Carlson".

Sincerely,
Roland G. Carlson
Chairman of the Board

2017 Financial Highlights

Net Income
\$2,940,000

Net Worth
9.65% "Well Capitalized"

Member Satisfaction
98.40%

World Class Service
85.43%
of positive surveys received

CUSO^{*} INFO

2,500 of our members use the services of W.F. Financial and Oak Tree Insurance Agency

OAK TREE INSURANCE AGENCY

Added **35 new clients** each month

W.F. FINANCIAL SERVICES

Increased assets under management **by 26%**

2017 LOAN HIGHLIGHTS



Home Equity Loans



Member Business Loans



Student Loans

* Credit Union Service Organizations

FROM THE PRESIDENT



David A. L'Ecuyer
President/CEO

Your Credit Union completed another very successful year. With asset growth at 8.5% and loan growth at 11.4%, Central One exceeded its growth goals in both categories. Additionally, the Credit Union was able to maintain a net worth ratio of over 9.5% (9.65% year end 2017). This is consistent with the Credit Union's goals and maintains a net worth ratio well over 7% which is considered "well capitalized" according to the National Credit Union Administration.

The Credit Union was also able to accomplish many new projects that enhance the member experience and protect critical data of its membership, which is a priority for the Credit Union.

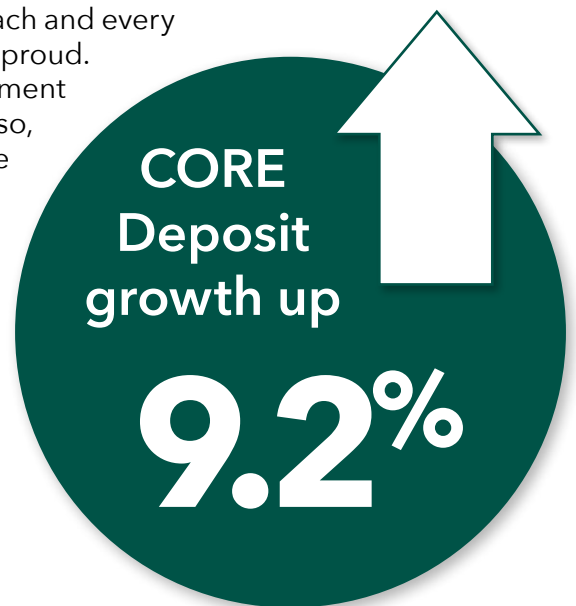
The Credit Union also continues to pursue the implementation of "Dialogue Banking Pods" at all service locations. Shrewsbury's branch was updated and the Auburn Branch expansion included the conversion of the teller line to the new Banking Pods. Central One will continue to convert its remaining branches to this new business model which will improve the overall member experience in all branches.

Continued monitoring of the "Member Experience" through random surveys reviewed by the Supervisory Committee has again determined that most members are satisfied with their experience at the Credit Union (98.4%) with over 85% stating they have received "World Class Service".

This is a critical goal for the Credit Union each and every year and is something of which we are most proud.

I would like to thank the Staff and Management team for their commitment to excellence. Also, my appreciation to the Board and Committee members for their direction and leadership. Finally, I'd like to thank the Membership for their loyalty and participation in the Credit Union.

Sincerely,
David L'Ecuyer
President/CEO



COMMUNITY IMPACT

Central One employees believe in making a difference and are committed to our communityS

OVER
2000
HOURS

Served to local agencies and organizations

Partnered with community agencies and associations

OVER
100

NEARLY
1500
STUDENTS

Reached through Central One financial literacy programs

*Lives touched,
dollar value*

Priceless\$

CFO'S LETTER



Michael P. Rooney
CFO/EVP

Total assets increased 8.5% and at year-end were \$477 million compared to \$439 million in 2016.

Total loans at December 31, 2017 were \$422 million. The Credit Union had strong growth in our loan portfolio increasing \$43.2 million or 11.4%. Home equity loan products were up 10.4%, Adjustable Rate Mortgages were up 12.1%, and Member Business Loans were up 25.9%, which all contributed to the loan growth in 2017.

The Credit Union ended the year with share balances of \$393 million compared to \$372 million in 2016, a 5.6% increase. Core deposits (share savings, share draft and money market accounts) continue to have significant growth increasing 9.2% or \$22.8 million. The amount of borrowed funds increased \$13.3 million to help fund the loan growth during the year.

The Credit Union's capital is the foundation for developing programs for growth and new activities; capital as of December 31, 2017 was \$46 million. Net worth ratio is 9.65% down from 9.80% in 2016 as a result of the strong asset growth. A net worth ratio of 7% or greater is considered by NCUA (our regulator) to be "well capitalized".

On the income side, Central One Federal Credit Union generated net income of \$2,940,000 compared to \$3,240,000 in 2016. The net interest margin increased \$972,000 due to an increase in loan income offset somewhat by an increase in our cost of funds. Fee income was up 4.9% and operating expenses as a percentage of assets was 3.07% compared to 3.05% in 2016.

Sincerely,
Michael P. Rooney
CFO/EVP

In 2017:

Total assets grew to
\$477 MILLION

Member savings increased to
\$393 MILLION

Loans to members grew to
\$422 MILLION



8.5%



5.6%



11.4%

CONSOLIDATED BALANCE SHEETS

Years ended December 31, 2017 and 2016 (In Thousands)

	<u>2017</u>	<u>2016</u>
Assets		
Cash and due from banks	\$ 8,676	\$ 15,674
Investment securities held to maturity, at cost	5,753	5,114
Other investments, at cost	10,964	12,799
Deferred compensation plan assets	4,061	3,529
Loans to members, net of allowance of \$1,276 and \$1,254 in 2017 and 2016, respectively	422,135	378,936
Premises and equipment, net	14,761	13,862
Accrued interest receivable	1,346	1,147
Foreclosed real estate	—	201
Prepaid expenses and other assets	4,556	3,857
Stock of the Central Liquidity Facility	1,005	940
National Credit Union Share Insurance Fund deposit	3,731	3,509
	<u>\$ 476,988</u>	<u>\$ 439,568</u>
Liabilities and Members' Equity		
Short term borrowings	\$ 27,000	\$ 19,000
Accrued and other liabilities	4,114	3,215
Long term borrowings	9,239	3,925
Members' share accounts	393,212	372,454
	<u>433,565</u>	<u>398,594</u>
Total liabilities	<u>433,565</u>	<u>398,594</u>
Members' equity		
Regular reserve	4,982	4,982
Undivided earnings	41,045	38,105
Accumulated other comprehensive loss	(2,604)	(2,113)
	<u>43,423</u>	<u>40,974</u>
Total members' equity	<u>\$ 476,988</u>	<u>\$ 439,568</u>

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Years ended December 31, 2017 and 2016 (In Thousands)

	<u>Regular Reserve</u>	<u>Undivided Earnings</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total</u>
Balance, December 31, 2015	\$ 4,982	\$ 34,865	\$ (1,238)	\$ 38,609
Comprehensive income (loss)	—	3,240	(875)	2,365
Balance, December 31, 2016	4,982	38,105	(2,113)	40,974
Comprehensive income (loss)	—	2,940	(491)	2,449
Balance, December 31, 2017	<u>\$ 4,982</u>	<u>\$ 41,045</u>	<u>\$ (2,604)</u>	<u>\$ 43,423</u>

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Years ended December 31, 2017 and 2016 (In Thousands)

	<u>2017</u>	<u>2016</u>
Interest income		
Loans	\$ 15,001	\$ 13,850
Investment securities	293	235
Interest-bearing deposits	<u>187</u>	<u>132</u>
Total interest income	<u>15,481</u>	<u>14,217</u>
Dividend and interest expense		
Members' share accounts	1,938	1,820
Borrowings	<u>338</u>	<u>164</u>
Total dividend and interest expense	<u>2,276</u>	<u>1,984</u>
Net interest income	13,205	12,233
Provision for possible loan losses	<u>627</u>	<u>325</u>
Net interest income after provision for possible loan losses	<u>12,578</u>	<u>11,908</u>
Non-interest income		
Customer service fees and commissions	1,835	1,789
Credit and debit card income	1,563	1,465
Loan and servicing fees	864	1,106
Unrealized gain on deferred compensation plan assets	533	174
Realized gain on sale of foreclosed real estate	55	—
Other income	<u>142</u>	<u>224</u>
Total non-interest income	<u>4,992</u>	<u>4,758</u>
Non-interest expenses		
Compensation and employee benefits	8,951	8,015
Occupancy costs	658	650
Operating expenses	<u>5,021</u>	<u>4,761</u>
Total non-interest expenses	<u>14,630</u>	<u>13,426</u>
Net income	2,940	3,240
Other comprehensive income (loss)		
Net adjustments pertaining to defined benefit and other post employment benefit plans	<u>(491)</u>	<u>(875)</u>
Comprehensive income	<u>\$ 2,449</u>	<u>\$ 2,365</u>

Notes to Consolidated Financial Statements: (as of December 31, 2017)

The accounting firm Bollus Lynch LLP conducted the audit of our consolidated financial statements.

The complete disclosure and footnotes are available at the Credit Union upon request.

COMMITTEEREPORTS

THE SUPERVISORY COMMITTEE

is the members' link to their Credit Union. The Committee plays a critical role in helping to safeguard the Credit Union's assets by ensuring adherence to established internal controls, and ongoing examination of accounting records, and loan documentation.

Additionally, the Committee is involved in evaluating and reviewing policies and procedures in terms of their effect on the quality of services, as well as safety of the members' funds. In this regard, the member satisfaction survey has been an excellent source by which we measure your satisfaction. Only if you respond to these surveys, whether critical or complimentary, can we be of better service to you. Our 2017 survey results showed over 98% member satisfaction.

The Supervisory Committee is also responsible for the annual audit. The



(L - R) Christine A. Baril,
Gregory J. O'Connor - *Chair*
and Elaine M. Racine
(missing from picture Diane L. Collins)

annual audit has certified that Central One Federal Credit Union was found to be in conformity with generally accepted accounting principles. The management letter that was issued disclosed no material weaknesses or reportable conditions in the internal controls.

As an organization, we also engage the services of Macpage LLC to perform quarterly internal control audits of our operations to ensure that the Credit Union is in compliance with federal rules and regulations regarding credit unions, as well as our own internal policies and procedures.

The Committee wishes to thank the Board of Directors, Management, Staff, and most importantly, the Members for their support that further ensures your Credit Union's continued success.

Respectfully submitted,
Gregory J. O'Connor, *Chairman*

THE PLANNING COMMITTEE

provides Management assistance and direction in facilities improvements, branch expansion, and periodic charter review.

The past fiscal year was a busy one for your Planning Committee. Improvements to your Auburn Branch were completed and a re-opening celebration was held in April 2017. To better serve you, our members, we completed the installation of banking pods in most of our locations moving away from traditional teller lines. The Committee continued to review opportunities for additional branch locations, however none met our strict criteria.

Much time was spent on the design and permitting of a new Member Support Center which will be located next to



(L - R) Keith P. Early, Anthony C. Pini - *Chair*,
Carl W. Masshardt and Jeffrey M. Pond

our Auburn branch. Your Credit Union continues to grow and additional space is needed both now and in the future. We expect to break ground by mid-2018.

Your Planning Committee Members, Keith P. Early, Carl W. Masshardt, Jeffrey M. Pond, and I will continue to focus on providing you, our Members, with "World Class Service" for your current and future financial needs. We thank the Board of Directors, Management and Staff for their continued support. Most importantly, we thank you, our Members, for your steadfast support in the continued success of Central One Federal Credit Union.

Respectfully submitted,
Anthony C. Pini, *Chairman*

BOARD OF DIRECTORS

BOARD OF DIRECTORS

Roland G. Carlson, *Chairman*
James S. Chalke, *Vice-Chairman*
Jeffrey M. Pond, *Secretary*
Christine A. Baril
Keith P. Early
Charles M. Giacoppe
Carl W. Masshardt
Robert H. McLaren
Anthony C. Pini

Term Expires

2019
2018
2020
2019
2020
2018
2019
2018
2020



ASSOCIATE DIRECTORS

(L - R) Joshua P. LaPan
Deborah J. Drew
Michael T. Gregory
Gregory J. O'Connor

Appointed

2015
2017
2017
2003

COMMITTEES 2017-2018



The Executive Committee is the leadership of the Credit Union's Board of Directors, consisting of the Board officers.

(L - R) James S. Chalke - *Vice Chair*, Jeffrey M. Pond - *Secretary* and Roland G. Carlson - *Chair*



The Asset Liability Management Committee is responsible for the review and analysis of the interest rate risk and liquidity risk in the balance sheet.

(L - R) Robert H. McLaren, Joshua P. LaPan and Charles M. Giacoppe. Not Pictured: Michael P. Rooney - *Chair*, David A. L'Ecuyer, Joseph D. Rollo, Jeffrey A. Dunn



The Personnel Committee oversees the staff and VP goals programs, pay scale grades and the CEO's performance and compensation.

(L - R) Charles M. Giacoppe, James S. Chalke, Carl W. Masshardt - *Chair* and Christine A. Baril



The Member Business Loan Committee is responsible for establishing member business loan policy, as well as reviewing and approving large member borrowing relationships.

(L - R) Robert H. McLaren - *Chair*, James S. Chalke (*Alternate*) and Anthony C. Pini.

Not Pictured: David A. L'Ecuyer - *Vice Chair*, Michael P. Rooney - *Secretary*, Michael T. Murphy, Jeffrey A. Dunn

Election Committee

Gregory J. O'Connor, *Chair*
Keith P. Early
Robert H. McLaren

Security Officer

Michael P. Rooney

IT Steering Committee

Neal R. Reardon, *Chair*
Ryan A. Angelo
Jeffrey A. Dunn
Keith P. Early
David V. Kaiser
David A. L'Ecuyer
Michael P. Rooney

Nominating Committee

Jeffrey M. Pond, *Chair*
Carl W. Masshardt
Anthony C. Pini

OUR TEAM

MANAGEMENT

President/CEO, David A. L'Ecuyer
Executive Vice President, Michael P. Rooney
SVP of Lending, Jeffrey A. Dunn
VP of Finance, Joseph D. Rollo
VP of Information Systems & Technology, Neal R. Reardon
VP of Operations, Karen E. Mills
AVP of Commercial Lending, Michael T. Murphy
AVP of Human Resources, Kerry R. Crutchley
AVP of Member Support, Christine Bates
AVP of Retail Services, David V. Kaiser
Director of Card Services, Eva M. Polymeros
Director of Facilities, William P. Hamilton
Administration and Training Manager, Kathryn E. Shaw

Compliance Manager, Jeanne Reimonn
Consumer Lending Manager, Kellie A. Drew
Data Operations Manager, Mandy L. Corfey
Marketing Manager, Susanne R. Drugge
Mortgage Manager, Deborah J. Cormier
Network/Server Manager, Ryan A. Angelo
Project Manager, Sandra H. Dunay
System Support Manager, Charles A. Frail

BRANCH MANAGERS

Auburn, Jonathan P. Knight
Northborough, Scott R. McCarthy
Shrewsbury, Owen J. Russell
Westborough, Rajani Koduri



We're not a bank. We're better!

800-527-1017 | centralfcu.com

Auburn | Northborough | Shrewsbury | Westborough

