



714 Main Street • Shrewsbury, MA 01545 • 508-842-7400 • www.centralfcu.com

"THE YEAR OF WORLD CLASS SERVICE"

2015 ANNUAL REPORT



Best Community Bank
Shrewsbury



Best Community Bank
Westborough

We're not a bank. We're better!
800-527-1017 • www.centralfcu.com

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 leader" level of service quality.

WORLD CLASS IS CONVENIENCE

World Class Service can be measured in terms of convenience. To grow as a world-class institution, Central One implemented a number of new convenience features to members in 2015.

INSTANT ISSUE: Same day replacement of lost, damaged, or stolen debit and credit cards at any Central One branch. In early 2016, we expanded this service to include the new EMV chip for added security and member protection!

TOUCH ID: Security and convenience are often at odds with each other. However, in 2015 Central One introduced an innovative, more convenient AND more secure way to conduct mobile banking on an Apple device. Touch ID allows members to log into their mobile banking using biometrics. This technology is faster than inputting a password and prevents hackers and casual observers from stealing a member's banking credentials.

CLICKSWITCH: Switching banks can be frustrating. Having to change all your automatic bill payments and direct deposits is time consuming, and one oversight may result in a missed payment. With ClickSwitch, we are able to help members quickly and easily switch these transactions using an online form.



CHAIRMAN'S LETTER

The Credit Union continues to strive to provide access to a wide array of financial products and services to the members.

In 2015, the Credit Union introduced several new products and services in order to provide World Class Service to the members.

Accomplishments in 2015

ClickSwitch - Software that allows members to switch their primary financial account information to Central One Federal Credit Union. This process includes direct deposit set up for our members.

Instant Issue - If a member loses their card, they will be able to go to any branch and instantly obtain a new card. The new card will have flat printed letters and numbers making it easy to read. It will also have an EMV chip for security.

POD - The Credit Union installed a POD in the lobby of the Shrewsbury branch. This branch was selected as a test site in order to receive responses from the members. Members will be able to process a variety of transactions at this location. Additionally, if a member has a complex question or wants privacy, they will be able to go to an office with a Personal Financial Representative and resolve their concerns.

Auburn Branch - The Board approved plans for significant expansion of the branch which includes a stand-alone ATM and additional parking. The Credit Union will also double the size of the lobby. This project will improve the service to the members.

Financial Highlights for 2015

Net Income - \$3,383,000

Net Worth - 9.46% (Well Capitalized)

Member Satisfaction - 97.20%

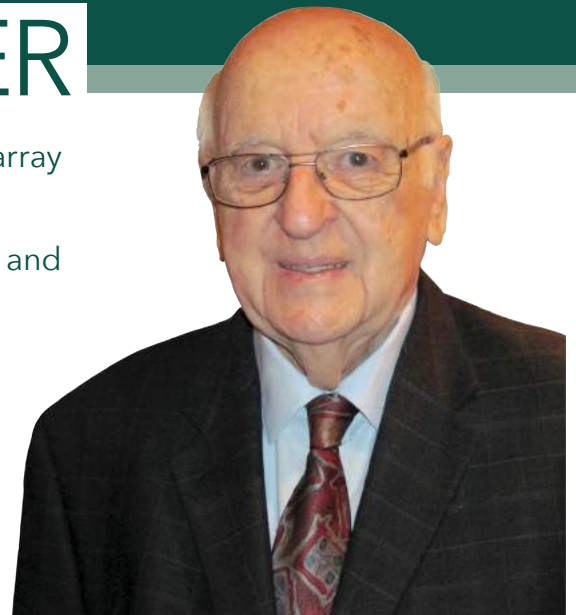
World Class Service - 82.62% of positive surveys received.

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.

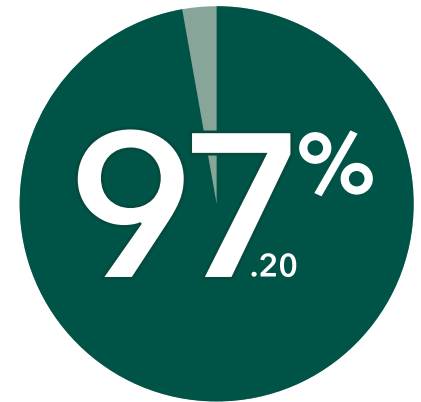
Roland G. Carlson
Chairman of the Board



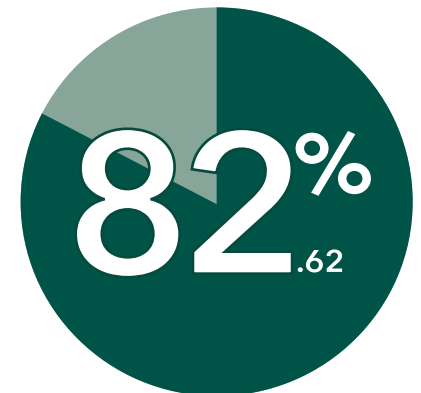
Roland G. Carlson
Chairman of the Board

2015 KEY STATS

MEMBER SATISFACTION



WORLD CLASS SERVICE



PRESIDENT'S REPORT



David A. L'Ecuyer
President/CEO

Dear Members,

The Credit Union completed another very successful year here at Central One Federal Credit Union.

The Credit Union grew its assets by 6.73% to approximately \$421 million from \$394 million during calendar year 2015. Additionally, the Credit Union's Net Income increased by more than 10% to \$3.4 million from the previous year. This allowed the Credit Union's net worth ratio to remain above 9% while growing the Credit Union by more than \$25 million in assets. A net worth ratio of 7% is considered "well capitalized" by its regulator NCUA (National Credit Union Administration), which is the highest rating available.

The primary reason for this level of success is directly attributed to the overall growth of the loan portfolio. The Credit Union grew its loan portfolio by \$32 million which reflects over 10% growth in 2015. The Credit Union had loan growth in every category of lending this past year.

The Credit Union was able to accomplish many new projects during this past year as well. The Disaster Recovery technology and infrastructure has been improved upon, while other technologies have been implemented to better protect member data and make the Credit Union better able to operate should a problem arise.

The Credit Union has implemented new "Instant Issue" plastic with the EMV chip to provide immediate access for replacement cards and better protection against potential fraud.

The priority for the Credit Union in its Mission Statement, and its overall business philosophy, has been to supply the highest level of service possible. It's with great pride that the Credit Union attained a member satisfaction rating of over 97% and a World Class Service rating of 82%. This is a very significant improvement in the World Class Service rating and the direct result of the Credit Union striving to offer the best possible member experience each and every time a member conducts business with the Credit Union.

I would like to thank our staff for their hard work and determination. I'd also like to thank the Board and Committee members for their leadership and direction throughout the year. Finally, I'd like to thank the membership for their participation and feedback throughout the year.

Sincerely yours,
David A. L'Ecuyer, President/CEO

2015 KEY STATS

ASSETS

\$421
MILLION
6.73% GROWTH

LOAN GROWTH

+\$32
MILLION
10% GROWTH

SUPERVISORY COMMITTEE



(L - R) Gregory J. O'Connor, Christine A. Baril (missing from picture Michael J. Cavanaugh and Thomas E. Davey)

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 2015 survey results showed more than 97% member satisfaction.

The Supervisory Committee is also responsible for the annual audit. The annual audit has certified that Central One Federal Credit Union was found to be in conformity with generally accepted accounting principles.

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.

Gregory J. O'Connor, Chairman

WORLD CLASS IS FULL SERVICE

World Class Service goes beyond lending and savings. That's why we've partnered with these great affiliates to assist with our members' other financial needs.



W.F. Financial Services offers an array of financial products and services for members - including a variety of mutual funds, real estate investment trusts, fixed and variable annuities, individual stocks and bonds, and wealth strategies. In 2015 W.F. brought on an additional financial advisor to meet the needs of Central One's growing membership.



Oak Tree Insurance Agency, LLC provides a wide array of home, auto, and commercial insurance products and services. Members can save up to 8% on their auto insurance.



Auto Advisors makes car buying hassle-free by helping members find the right auto at the right price, then accompanying the member to the dealership – protecting them from being overcharged and helping with the paperwork!

PERSONNEL AND PLANNING

PERSONNEL COMMITTEE



(L - R) Charles M. Giacoppe, Diane L. Collins, James S. Chalke, Elaine M. Racine, Carl W. Masshardt

The Personnel Committee has met several times recently and has completed many projects. We have done the Annual CEO Review, approved staff pay scale grades and completed overview of our Employee Goals Program.

The Goals Program is a key measure of how well our Credit Union is doing. The fact that 2015 was the most successful year in the history of Central One shows that the program works and that our staff is very aware that they can share in that success.

Your Personnel Committee members, James Chalke, Diane Collins, Elaine Racine, Charles Giacoppe and myself would like to thank our management team, staff and you, the members, for our continued growth. I would like to add a personal thank you to Wendy Morin, our Vice President of Human Resources & Administration. Wendy does a great job of getting us the information we need to help us make our decisions. She is always there for us when we have questions about anything employee related.

Respectfully submitted,
Carl W. Masshardt, Chairman

PLANNING COMMITTEE



(L - R) Jeffrey M. Pond, Diane L. Collins, Carl W. Masshardt, Anthony C. Pini

The purpose of the planning committee is to provide Management assistance and direction in such areas as growth strategy; branch and/or merger expansion, and periodic charter review.

This year the committee has focused on three major areas to better serve our membership. Our recommendations to the Board were approved for the redesign and expansion of our Auburn Branch that will come to fruition in 2016. The Board also approved recommendations for the Call Center expansion and the testing of POD transactions at our Shrewsbury headquarters. During 2015, the new phone system for the Call Center expansion was completed and the test POD setup was an overwhelming success.

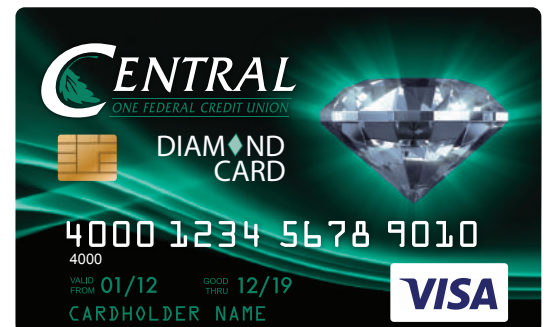
The committee continues to remain open to branch and/or merger possibilities as opportunities may arise.

Your Planning Committee Members, Carl Masshardt, Anthony Pini, Jeffrey Pond, and I look forward to our future meetings that will focus on providing you, our Members, with World Class Service for your current and future 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,
Diane L. Collins, Chairperson

WORLD CLASS IS SECURITY

Touch ID wasn't the only security upgrade Central One made in 2015. The hallmark of security comes with the launch of EMV chips on all of our credit and debit cards. The new chip prevents card skimmers from gaining access to members' credit and debit account data.



CFO'S LETTER



Michael P. Rooney
CFO

Total assets increased 6.7% and at year-end were \$421 million compared to \$394 million in 2014.

Total loans at December 31, 2015 were \$364 million. Loans increased 10% or \$32 million during the year. The Credit Union continued to have growth in our Auto Loan portfolio increasing 14.5% and continued to see growth

in the adjustable rate and home equity loan products, up 7.1% and 9.7% respectively.

The Credit Union ended the year with share balances of \$349 million compared to \$332 million in 2014 a 5.2% increase. The increase from the prior year-end was in share draft, savings and certificate share accounts offset by a drop in the Maxi Fund portfolio down 2.9% from 2014. The Core Deposit Account portfolio in total increased 4.5% from prior year.

The Credit Union's capital is the foundation for developing programs for growth and new activities; capital at December 31, 2015 was \$39.8 million. Net worth ratio is 9.46% up from 9.24% in 2014. A net worth ratio of 7% or greater is considered by NCUA, our regulator, to be "well capitalized".

Central One Federal Credit Union generated net income of \$3,383,000 compared to \$3,024,000 in 2014. The net interest margin increased \$578,000 due to an increase in loan income offset somewhat by an increase in our cost of funds. Fee income was up 3.5% helped by an increase in the income from our debit and credit card interchange fees. Operating expenses as a percentage of assets were 2.93% compared to 2.94% in 2014.

Sincerely,
Michael P. Rooney, CFO

EXECUTIVE, ALM, BUSINESS LOANS

EXECUTIVE COMMITTEE



(L - R) Roland G. Carlson, James S. Chalke,
Jeffrey M. Pond

ALM COMMITTEE



(L - R) Jeffrey M. Pond, Anthony C. Pini,
Christine A. Baril, Joshua P. LaPan, Robert H. McLaren

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

MEMBER BUSINESS LOAN COMMITTEE



(L - R) James S. Chalke, Carl W. Masshardt,
Robert H. McLaren

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

CONSOLIDATED BALANCE SHEETS

Years ended December 31, 2015 and 2014 (In Thousands)

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
Cash and due from banks	\$ 12,219	\$ 6,832
Investment securities held to maturity, at cost	5,601	6,078
Other investments, at amortized cost	14,683	25,002
Deferred compensation plan assets	2,355	2,380
Loans to members, net of allowance of \$1,404 and \$1,459 in 2015 and 2014, respectively	364,082	332,045
Premises and equipment, net	13,289	13,290
Accrued interest receivable	1,265	928
National Credit Union Share Insurance Fund deposit	3,297	3,188
Stock of the Central Liquidity Facility	909	897
Foreclosed real estate	296	212
Prepaid expenses and other assets	3,199	3,749
	<u>\$ 421,195</u>	<u>\$ 394,601</u>
<u>LIABILITIES AND MEMBERS' EQUITY</u>		
Short term borrowings	\$ 22,000	\$ 17,000
Current maturities of long-term borrowings	5,000	2,000
Members' share accounts	349,315	332,058
Accrued and other liabilities	2,886	2,483
Total current liabilities	<u>379,201</u>	<u>353,541</u>
Long term borrowings, less current maturities	<u>3,385</u>	<u>5,000</u>
<u>MEMBERS' EQUITY</u>		
Regular reserve	4,982	4,982
Undivided earnings	34,865	31,482
Accumulated other comprehensive income (loss)	(1,238)	(404)
Total members' equity	<u>38,609</u>	<u>36,060</u>
	<u>\$ 421,195</u>	<u>\$ 394,601</u>

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

	Regular Reserve	Undivided Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2013	\$ 4,982	\$ 28,458	\$ (428)	\$ 33,012
Comprehensive income	-	3,024	24	3,048
Balance, December 31, 2014	4,982	31,482	(404)	36,060
Comprehensive income (loss)	-	3,383	(834)	2,549
Balance, December 31, 2015	<u>\$ 4,982</u>	<u>\$ 34,865</u>	<u>\$ (1,238)</u>	<u>\$ 38,609</u>

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Years ended December 31, 2015 and 2014 (In Thousands)

	2015	2014
<u>INTEREST INCOME</u>		
Loans	\$ 13,105	\$ 12,354
Investment and mortgage-backed securities	241	338
Interest-bearing deposits	63	30
Total interest income	<u>13,409</u>	<u>12,722</u>
<u>DIVIDEND AND INTEREST EXPENSE</u>		
Members' share accounts	1,499	1,450
Borrowed funds	115	55
Total dividend and interest expense	<u>1,614</u>	<u>1,505</u>
Net interest income	11,795	11,217
<u>PROVISION FOR POSSIBLE LOAN LOSSES</u>	<u>225</u>	<u>571</u>
Net interest income after provision for possible loan losses	<u>11,570</u>	<u>10,646</u>
<u>NON-INTEREST INCOME</u>		
Customer service fees and commissions	1,661	1,575
Credit and debit card income	1,410	1,337
Loan and servicing fees	891	838
Unrealized gain (loss) on deferred compensation plan assets	(26)	118
Realized gains on sale of other assets	79	23
Other income	119	102
Total non-interest income	<u>4,134</u>	<u>3,993</u>
<u>NON-INTEREST EXPENSES</u>		
Compensation and employee benefits	7,103	6,513
Occupancy costs	617	565
Operating expenses	4,601	4,537
Total non-interest expenses	<u>12,321</u>	<u>11,615</u>
<u>NET INCOME</u>	<u>3,383</u>	<u>3,024</u>
<u>OTHER COMPREHENSIVE INCOME (LOSS)</u>		
Net adjustments pertaining to defined benefit and other post employment benefit plans	<u>(834)</u>	<u>24</u>
<u>COMPREHENSIVE INCOME</u>	<u>\$ 2,549</u>	<u>\$ 3,048</u>

Notes to Consolidated Financial Statements: (as of December 31, 2015)

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.

PEOPLE OF CENTRAL ONE

Board of Directors

Roland G. Carlson, Chairperson - 2016
James S. Chalke, Vice-Chairperson - 2018
Jeffrey M. Pond, Secretary - 2017
Christine A. Baril - 2016
Diane L. Collins - 2017
Carl W. Masshardt - 2016
Robert H. McLaren - 2018
Anthony C. Pini - 2017
Elaine M. Racine - 2018

Associate Directors

Keith P. Early - 2010
Charles M. Giacoppe - 2015
Joshua P. LaPan - 2015
Gregory J. O'Connor - 2003

Committees (2015 - 2016)

Asset Liability

Michael P. Rooney, Chairperson
Christine A. Baril
Joshua P. LaPan
David A. L'Ecuyer
Robert H. McLaren
Anthony C. Pini
Jeffery M. Pond
Joseph D. Rollo

Election

Gregory J. O'Connor, Chairperson
Michael J. Cavanaugh
Keith P. Early

Executive

Roland G. Carlson, Chairperson
James S. Chalke, Vice-Chairperson
Jeffrey M. Pond, Secretary

Nominating

James S. Chalke, Chairperson
Elaine M. Racine
Robert H. McLaren

Personnel

Carl W. Masshardt, Chairperson
James S. Chalke
Diane L. Collins
Elaine M. Racine
Charles M. Giacoppe

Planning

Diane L. Collins, Chairperson
Anthony C. Pini
Jeffrey M. Pond
Carl W. Masshardt

Security Officer

Elaine M. Racine

Supervisory

Gregory J. O'Connor, Chairperson
Christine A. Baril
Thomas E. Davey
Michael J. Cavanaugh

Member Business Loan

Robert H. McLaren, Chairperson
David A. L'Ecuyer, Vice-Chairperson
Michael P. Rooney, Secretary
Jeffrey A. Dunn
Carl W. Masshardt
Michael T. Murphy
James S. Chalke (Alternate)

Member Tribute Month

Elaine M. Racine, Chairperson
David A. L'Ecuyer
April B. Healey
Michael J. Cavanaugh

IT Steering

Neal R. Reardon, Chairperson
Ryan A. Angelo
Jeffrey A. Dunn
Keith P. Early
April B. Healey
David A. L'Ecuyer
Elaine M. Racine
Michael P. Rooney

Management

President/CEO, David A. L'Ecuyer
Chief Financial Officer, Michael P. Rooney
Senior V.P. of Lending, Jeffrey A. Dunn
V.P. of HR & Admin., Wendy B. Morin
V.P. of Retail Services, April B. Healey
Assistant V.P. of Operations, Karen E. Mills
Assistant V.P. of Info. Systems & Technology, Neal R. Reardon
Assistant V.P. of Retail Services, David V. Kaiser
Assistant V.P. of Commercial Lending, Michael T. Murphy
Assistant V.P. of Member Support, Christine M. Bates
Controller, Joseph D. Rollo
Card Services Manager, Eva M. Polymeros
Facilities Manager, William P. Hamilton
Human Resources Manager, Kerry R. Crutchley
Lending Manager, Nancy A. Burns
Marketing Manager, Daniel Brent Arnold
Network Manager, Ryan A. Angelo
Project Manager, Sandra H. Dunay
System Support Manager, Charles A. Frail

Branch Managers

Auburn, Owen J. Russell
Northborough, Kathryn E. Shaw
Shrewsbury, Joan M. Day
Westborough, Alan Bo Daley

KEY MILESTONES

2015 ENHANCEMENTS

We continued to work diligently and mindfully in 2015 to enhance the member experience at Central One. Below are some of the year's enhancements:



Focus Groups

To further increase our understanding of member and community needs, we implemented a series of focus groups. The participants represented an array of ages and backgrounds, and included both members and non-members from the community. From their feedback, we identified growth opportunities and have begun implementing improvements to better meet our members' and potential members' needs.



Mobile Enhancements

Our members are becoming more mobile savvy. To meet the growing demand, we made significant improvements to our mobile app experience. Touch ID for iPhone improved security and simplified the login process; a redesign of the tablet app increased functionality; and the addition of mobile deposit history made the member experience more similar to that of online banking.



ClickSwitch

With our mission of becoming members' primary financial institution in mind, we launched ClickSwitch. Changing banks can be difficult, but ClickSwitch automates the process by switching outside bill pay and direct deposits to your Central One account with the "click" of a "switch". This simple online form lets members easily and quickly complete tasks that used to take weeks - eliminating one of the greatest hurdles of account switching.



Instant Issue and EMV

Focused on improving both the member experience and increasing member security, the rollout of instant issue with EMV for both Debit and Credit cards makes Central One unique in the financial market. When a member's card is lost or compromised, Central One now has the ability to instantly print a new debit or credit card for the member. These new cards feature EMV security which prevents "skimmers" from stealing card data.



Best Community Bank
Shrewsbury



Best Community Bank
Westborough

Voted "Best Community Bank" - TWICE!

Each year Gatehouse Media, publisher of local newspapers and the WickedLocal.com website, conducts a readers' poll to determine the top local businesses in cities across Massachusetts. In 2015, Central One Federal Credit Union was honored to win "Best Community Bank" in both Shrewsbury and Westborough!



Shrewsbury Branch (Main Office)

714 Main Street
Shrewsbury, MA 01545
508-842-7400

Monday: 7:00 a.m. - 6:00 p.m.
Tuesday: 7:00 a.m. - 4:30 p.m.
Wednesday: 7:00 a.m. - 4:30 p.m.
Thursday: 7:00 a.m. - 6:00 p.m.
Friday: 7:00 a.m. - 5:00 p.m.
Saturday: 8:30 a.m. - 12:30 p.m.

Extended Drive Up Hours

Tuesday: 7:00 a.m. - 5:00 p.m.
Wednesday: 7:00 a.m. - 5:00 p.m.
Friday: 7:00 a.m. - 5:30 p.m.
Saturday: 8:30 a.m. - 1:00 p.m.

Northborough Branch

148 Main Street
Northborough, MA 01532
508-393-8112

Monday: 7:00 a.m. - 6:00 p.m.
Tuesday: 7:00 a.m. - 4:30 p.m.
Wednesday: 7:00 a.m. - 4:30 p.m.
Thursday: 7:00 a.m. - 6:00 p.m.
Friday: 7:00 a.m. - 4:30 p.m.
Saturday: 8:30 a.m. - 12:00 p.m.

Extended Drive Up Hours

Friday: 7:00 a.m. - 5:00 p.m.

Auburn Branch

63 Southbridge Street
Auburn, MA 01501
508-832-2100

Monday: 7:00 a.m. - 6:00 p.m.
Tuesday: 7:00 a.m. - 4:30 p.m.
Wednesday: 7:00 a.m. - 4:30 p.m.
Thursday: 7:00 a.m. - 6:00 p.m.
Friday: 7:00 a.m. - 4:30 p.m.
Saturday: 8:30 a.m. - 12:30 p.m.

Extended Drive Up Hours

Friday: 7:00 a.m. - 5:00 p.m.
Saturday: 8:30 a.m. - 1:00 p.m.

Westborough Branch

40 South Street
Westborough, MA 01581
508-366-5553

Monday: 7:00 a.m. - 6:00 p.m.
Tuesday: 7:00 a.m. - 4:30 p.m.
Wednesday: 7:00 a.m. - 4:30 p.m.
Thursday: 7:00 a.m. - 6:00 p.m.
Friday: 7:00 a.m. - 4:30 p.m.
Saturday: 8:30 a.m. - 12:00 p.m.

Member Support Call Center

508-842-7400 or 800-527-1017

Monday - Friday: 7:00 a.m. - 6:00 p.m.
Saturday: 8:30 a.m. - 3:00 p.m.

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

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