



714 Main Street • Shrewsbury, MA 01545
508.842.7400

www.centralfcu.com

Rooted In Community



ANNUAL REPORT 2013

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



714 Main Street
Shrewsbury, MA 01545

508.842.7400

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.

STRIVING TO MAKE OUR COMMUNITIES BETTER

Credit unions were created based on the principal of "People Helping People." Central One is an organization where people are valued over money. This is the premise of our business. We strive to carry that foundation to our local communities. We enjoy helping local schools, charities, and worthy organizations with financial donations and volunteers from our staff.

Central One employees volunteer and support organizations within our community throughout the year. Here are a few ways Central One and its employees have committed to the betterment of those within our community.

THE SCHOOLS

Central One has had a representative on Corridor Nine Chamber of Commerce School to Business Partnership Committee for the past 14 years. During that time, Central One has been working with schools on a regular basis in Shrewsbury, Northborough and Westborough offering financial literacy programs.

THESE PROGRAMS RANGE FROM:

- "Oakie's Bank at School Program" which allows elementary school children to have a designated "banking day".
- "The Money Trail Program" which takes middle school children on an interactive journey where money goes after it is deposited into their savings account.
- "The Road to Financial Independence" is a three-day interactive course that we run for all seniors at Shrewsbury High School and math classes at Westborough High School. The course covers savings basics, budgeting, interest, lending, credit, credit cards, auto loans and leasing and credit reports.

We also have a high school branch at Shrewsbury High School and Westborough High School. The branches allow students to function as tellers at Central One and learn about finances.

The Credit Union awards a college scholarship of \$1,000 to a member/ child of a member annually. Central One also offers the High School Academic Award, which is a four-year award that totals \$4,000 for a student.

Donations

Central One provides donations to various organizations in the community. Credit Union employees volunteer their time at charity events and functions throughout the year. Donations of clothes, toys and food are made to different groups through Central One employees. The Credit Union also provides financial contributions to many organizations each year. These include town Fire and Police departments, senior organizations, the YMCA, American Red Cross, veteran's groups, local youth sports organizations, Shrewsbury Youth & Family Services and more.

Harry S. Cutting Jr. Award

This year, Shrewsbury Youth and Family Services presented long-time SYFS supporter, Central One Federal Credit Union, the Harry S. Cutting Jr. Award. In the past, this award has gone only to individuals, however, due to Central One's unprecedented generosity to the agency over the years, SYFS decided that Central One Federal Credit Union deserved the award this year. Central One supports many programs that directly impact the quality of life for people of all ages in Shrewsbury.

2013 ENHANCEMENTS

The Credit Union worked diligently improving the member experience in 2013. We have been focusing on improving accessibility of surcharge-free ATMs for our members. In addition, the Credit Union is maintaining its focus of staying current with new technology for our members. Each year we review our members' suggestions and recommendations; directing our focus for the following year.

Central One Federal Credit Union, President and CEO David L'Ecuyer accepts the Harry S. Cutting Jr. Award from SYFS Executive Director Terry Cassidy.



CENTRAL
ONE FEDERAL CREDIT UNION
"We're Not a Bank, We're Better."

ALLPOINT ATM NETWORK

Our members asked for more surcharge-free ATMs and we delivered. Members can access over 65,000 surcharge-free ATMs all over the country. Just look for the Allpoint, NYCE, SUM or PLUS logo on the ATM.

DOCUSIGN

Central One implemented DocuSign which facilitates the signing of documents for members conducting business via telephone. This means less time traveling for our members and quicker turnaround on loans!

V.me, MOBILE WALLET

The Credit Union is now part of the V.me. This is a Mobile Wallet Solution, providing members the option to preregister their credit and debit cards Online. This allows easy Online checkout options with participating merchants.

MEMBER TRIBUTE MONTH

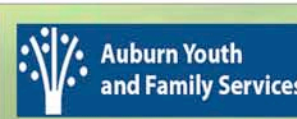
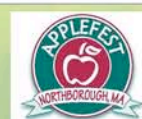
2013 was the inaugural year for the Credit Union's Member Tribute Month. Member Tribute Month was created to say "thank you" to our membership. Thousands of members enjoyed the month long activities, prizes and food vendors.

WESTBORO HIGH SCHOOL

Central One opened the new Westboro High School Branch in September of 2013. Many students and staff have taken advantage of the in-school branch. In addition, students have the opportunity to learn about financial education and work as tellers during their lunch breaks.

CENTRALNET SIGN IN

The Credit Union upgraded security to access CentralNet Online Banking. Members now have the latest security requirements recommended by the government to protect their Online Banking.



BOARD OF DIRECTORS

Roland G. Carlson, Chairman – 2016
James S. Chalke, Vice-Chairman – 2015
Jeffrey M. Pond, Secretary – 2014

Christine A. Baril – 2016
Michael J. Cavanaugh – 2015
Diane L. Collins – 2014

Carl W. Masshardt – 2016
Elaine M. Racine – 2015
Robert Scarfo – 2014

ASSOCIATE DIRECTORS

Keith P. Early – 2010
Robert H. McLaren – 2010

Margaret L. Norton – 2009
Gregory J. O'Connor – 2003

Anthony Pini - 2009

COMMITTEES (2013-2014)

MEMBER TRIBUTE MONTH/ COMMUNICATION
Elaine M. Racine, Chairperson
Margaret L. Norton
Robert Scarfo
David A. L'Ecuyer
April B. Healey
Zachary Daniels

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

SUPERVISORY
Gregory J. O'Connor, Chairman
Christine A. Baril
Thomas E. Davey

ASSET LIABILITY MANAGEMENT
Michael P. Rooney, Chairperson
Christine A. Baril
Michael J. Cavanaugh
Robert Scarfo
David A. L'Ecuyer
Jeffrey M. Pond
Anthony Pini

NOMINATING
Carl W. Masshardt, Chairman
Christine A. Baril
Michael J. Cavanaugh

MEMBER BUSINESS LOAN COMMITTEE
James S. Chalke, Chairman
David A. L'Ecuyer, Vice-Chairman
Michael P. Rooney, Secretary
Jeffrey A. Dunn
Robert H. McLaren
Carl W. Masshardt (alternate)

ELECTION
Gregory J. O'Connor, Chairman
Keith P. Early
Margaret L. Norton

PERSONNEL
Carl W. Masshardt, Chairman
James S. Chalke
Diane L. Collins
Elaine M. Racine

IT STEERING COMMITTEE
Diane L. Collins
Keith P. Early
David A. L'Ecuyer
Michael P. Rooney
April B. Healey
Jeffrey Dunn
Neal Reardon

PLANNING
Robert Scarfo, Chairman
Diane L. Collins
Jeffrey M. Pond
Carl W. Masshardt

SECURITY OFFICER
Diane L. Collins

MANAGEMENT
President/CEO -
David A. L'Ecuyer

Vice President – Human Resources & Administration
Wendy B. Morin

Vice President – Retail Services
April B. Healey

Chief Financial Officer
Michael P. Rooney

Vice President – Lending
Jeffrey A. Dunn

Assistant Vice President of Information Systems & Technology
Neal Reardon

Controller
Joseph D. Rollo

Assistant Vice President of Operations
Karen Mills

Card Services Manager
Eva M. Polymeros

Facilities Manager
William P. Hamilton

Member Support Manager
Christine M. Bates

Lending Manager
Nancy A. Burns

Marketing Manager
Zachary Daniels

Commercial Loan Manager
Michael T. Murphy

Branch Manager - Northborough
Kathryn Shaw

Branch Manager – Shrewsbury
Joan M. Day

Branch Manager - Westborough
David V. Kaiser

Branch Manager – Auburn
Owen J. Russell

The Credit Union continued to upgrade various Systems and Services in 2013 to better serve our membership.

During the year, the Credit Union took on the ambitious task of Virtualizing its entire network. This Virtualization of servers creates the optimum environment to manage the network and make it the most cost efficient as possible. The Credit Union was able to reduce its servers from 40 servers to less than 10. In addition, the Credit Union's hot site in Northborough, to be used for Disaster Recovery, has been enhanced as well. This redundancy will ensure members will have access to their critical information in the case of a loss of power or another disaster situation.

Internet/Mobile Banking

The Credit Union upgraded the platform for its Internet Banking and Mobile Banking services in order to comply with the recent Federal Financial Institutions Examination Council's (FFIEC) standards. These standards are meant to enhance the security and protection of our members' information. This upgrade resulted in members having to increase the complexity of their usernames and passwords. Additionally, the Credit Union has seen great growth in these services where Internet Banking users have now grown to 15,917 users at year end and Mobile Banking users are now over 4,000.

Other Accomplishments in 2013

- The opening of a branch in Westborough High School. This will allow the students to learn about financial responsibilities. It will also allow students and staff to become members of the Credit Union.
- Establish a Member Tribute Month. This replaces the Annual Family Day. Under this new plan, various events will take place during the month at all locations. This will give members more chances to be involved in various events. It will also give more visibility in the community.
- Establish a program called Future Focus, this program will provide young membership with the tools and services to establish themselves financially.



ROLAND G. CARLSON
CHAIRMAN OF THE BOARD

Financial Highlights for 2013:

- **Net Income**-\$2,618,739
- **Net Worth Ratio**- 8.86% (Well Capitalized)
- **Member Satisfaction**- 98.15%
- **World Class Service** - 69.81% of the 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

“...Internet Banking users have now grown to 15,917 users at year end and Mobile Banking users are now over 4,000.”

Central One FCU has completed another very successful year. With interest rates and consequently interest margins at all-time lows, it is a very difficult time for financial institutions to increase earnings. However, at Central One, your Credit Union has been able to do just that. The Credit Union earned \$2.6 million dollars in earnings in 2013 which was almost \$400,000 over budget, and at the same time, the Credit Union was able to come in under budget for Operating Expenses.

Additionally, the Credit Union was able to grow its loan portfolio by over \$25 million. This exceptional loan growth means that many more members have entrusted your credit union to assist them in attaining their financial goals and this is consistent with our mission to become your Primary Financial Institution.

All these accomplishments help raise the Credit Union's net worth ratio to 8.86% from 8.47% in 2013.

In addition to these financial accomplishments, the Credit Union completed many projects which we believe will improve and strengthen the Credit Union long term infrastructure. These projects included Virtualizing the data center which allows for ease of maintenance and oversight of the network, as well as providing higher level of redundancy. The Credit Union has also opened a new branch inside the Westborough High School providing our younger members with Financial Literacy training. In addition, the Internet Banking and Mobile Banking programs had improved security and feature functionality which has supported tremendous growth in member usage during calendar year 2013.

With our members in focus, the Credit Union continues to maintain a Member Satisfaction level of 98% and World Class Service ratings approaching 70% (of positive returned member surveys). Both of these levels are new historic highs for Central One FCU.

I'd like to thank the staff for their dedication and hard work, the Board of Directors and Committee members for their direction and commitment, and most importantly the membership for their confidence and participation.

Sincerely yours,

David A. L'Ecuyer
President/CEO



DAVID A. L'ECUYER
PRESIDENT/ CEO

**"...THE CREDIT
UNION
CONTINUES TO
MAINTAIN A
MEMBER
SATISFACTION
LEVEL OF 98%"**

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

YEARS ENDED DECEMBER 31, 2013 AND 2012 (In Thousands)

	2013	2012
INTEREST INCOME		
Loans	\$11,517	\$12,062
Investment and mortgage-backed securities	457	466
Interest-bearing deposits	19	33
Total interest income	11,993	12,561
DIVIDEND AND INTEREST EXPENSE		
Members' share accounts	1,785	2,394
Borrowed funds	8	-
Total dividend and interest expense	1,793	2,394
Net interest income	10,200	10,167
PROVISION FOR POSSIBLE LOAN LOSSES	450	692
Net interest income after provision for possible loan losses	9,750	9,475
NON-INTEREST INCOME		
Customer Service fees and commissions	1,560	1,522
Credit and debit card income	1,244	1,145
Loan and servicing fees	1,211	1,518
Unrealized gains on deferred compensation plan assets	333	238
Realized gain (loss) on sale of other assets	(10)	18
Other income	94	178
Total non-interest income	4,432	4,619
NON-INTEREST EXPENSES		
Compensation and employee benefits	6,588	6,489
Occupancy costs	579	579
Operating expenses	4,134	3,883
NCUSIF stabilization expense	262	304
Total non-interest expenses	11,563	11,255
NET INCOME	2,619	2,839
OTHER COMPREHENSIVE INCOME		
Changes in pension plan assets and obligations		
Actuarial gain	340	461
Add: Amortization included in net periodic benefit cost	26	89
Other comprehensive income	366	550
COMPREHENSIVE INCOME	\$2,985	\$3,389

Notes to Consolidated Financial Statements: (as of December 31, 2013)

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

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

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2013 AND 2012 (In Thousands)

ASSETS	2013	2012
Cash and due from banks	\$ 2,898	\$ 6,175
Investment securities held to maturity, at cost	46,679	55,060
Deferred compensation plan assets	2,262	1,930
Loans to members, net of allowance of \$1,276 and \$1,445 in 2013 and 2012, respectively	303,809	278,271
Premises and equipment, net	13,307	13,383
Accrued interest receivable	891	868
National Credit Union Share Insurance Fund Deposit	3,270	3,203
Stock of the Central Liquidity Facility	875	855
Foreclosed real estate	593	983
Prepaid expenses and other assets	3,017	3,318
TOTAL ASSETS	\$ 377,601	\$ 364,046
LIABILITIES AND MEMBERS' EQUITY		
Short term borrowings	\$ 13,000	\$ -
Members' share accounts	329,305	331,911
Accrued and other liabilities	2,284	2,108
TOTAL LIABILITIES	344,589	334,019
MEMBERS' EQUITY		
Regular reserve	4,982	4,982
Undivided earnings	28,458	25,839
Accumulated other comprehensive income (loss)	(428)	(794)
TOTAL MEMBERS' EQUITY	33,012	30,027
TOTAL LIABILITIES AND MEMBERS EQUITY	\$ 377,601	\$ 364,046

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBER'S EQUITY

YEARS ENDED DECEMBER 31, 2013 AND 2012 (In Thousands)

	REGULAR RESERVE	UNDIVIDED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TOTAL
Balance, December 31, 2011	\$ 4,982	\$ 23,000	\$ (1,344)	\$26,638
Comprehensive income	-	2,839	550	3,389
Balance, December 31, 2012	4,982	25,839	(794)	30,027
Comprehensive income	-	2,619	366	2,985
Balance, December 31, 2013	\$ 4,982	\$ 28,458	\$ (428)	\$33,012

SUPERVISORY COMMITTEE

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 2013 survey results showed over 98% 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. 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



W.F. Financial Services was established in 2000, to offer a complete array of financial products and services to our membership, including a variety of mutual funds, real estate investment trusts, fixed and variable annuities, individual stocks and bonds, and wealth strategies.

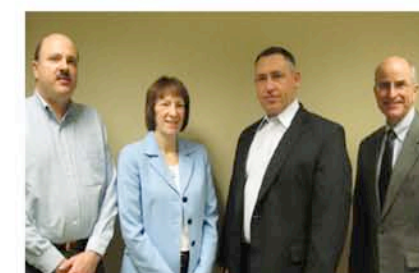


Oak Tree Insurance Agency, LLC was established in 2001 to provide a complete line of personal and commercial insurance products and services to our membership. Property and casualty, life and health insurance products and programs of several well-rated carriers are offered with World-Class Service and competitive pricing.



GREGORY J. O'CONNOR
CHAIRMAN,
AND CHRISTINE A. BARIL
(MISSING FROM
PICTURE- THOMAS E.DAVEY)

ASSOCIATE BOARD



(L-R) GREGORY J. O'CONNOR,
MARGARET L. NORTON, KEITH P.
EARLY, ANTHONY PINI
(MISSING FROM PICTURE - ROBERT
H. MCLAREN)

PERSONNEL COMMITTEE

The beginning of the year is when the Central One Personnel Committee is most active.

We have been reviewing the staff pay scale grades and pay matrix for the year 2014.

Also, we have recently reviewed the staff and V.P. goals programs for 2013 and approved the goals programs for 2014. The final part of this is the CEO performance and compensation evaluation.

On behalf of the Personnel Committee, Roland Carlson, James Chalke, Diane Collins, Elaine Racine and myself, we thank you for your continued support.

Respectfully submitted,

Carl W. Masshardt
Personnel Committee Chairman



(l-r) Diane L. Collins, Carl W. Masshardt, Elaine M. Racine, James S. Chalke

MEMBER BUSINESS LOAN COMMITTEE

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) Carl W. Masshardt (Alternate), James S. Chalke, Robert H. McLaren

ALM COMMITTEE

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



(l-r) Michael J. Cavanaugh, Robert Scarfo, Christine A. Baril, Jeffrey M. Pond, Anthony Pini



Michael P. Rooney
CFO

“Net worth ratio is 8.86% up from 8.47% in 2012. A net worth ratio of 7% or greater is considered by NCUA, our regulator, to be “well capitalized”.

Central One's Auto Advisor is a free service which helps you cut through the frustration and confusion of buying a new or used vehicle. They do the leg work for you, eliminating the high pressure of sales tactics, waiting around, and the driving from dealership to dealership that you usually do.

Call the Auto Advisor hotline before you visit the dealership!
508.841.0598

CFO'S LETTER

Total assets increased 3.7% and at year-end were \$377 million compared to \$364 million on 2012.

Total loans at December 31, 2013 were \$304 million. Loans increased 9.2% or \$25.5 million during the year. The Credit Union made the decision to portfolio some of the 10 and 15 year fixed rate product we were generating, this resulted in an \$8.8 million increase which represents 12.8% of our loan portfolio and 10.3% of total assets. We also had significant growth in our Auto Loan and Member Business Loan portfolios increasing 25.8% and 25.2% respectively.

The Credit Union ended the year with share balances of \$329 million compared to \$332 million in 2012 a 1% decrease. The decrease from the prior year-end was primarily attributable to a drop in the Certificates of Deposit portfolio down 10.7% from 2012, as lower market rates caused some members to move their balances into the MAXI account. The Core Deposit Account portfolio in total increased 6.3% from prior year.

The Credit Union's capital is the foundation for developing programs for growth and new activities, capital at December 31, 2013 was \$33.4 million. Net worth ratio is 8.86% up from 8.47% in 2012. 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 \$2,619,000 compared to \$2,839,000 in 2012. The net interest margin increased \$33,000 as low interest rates continue to put pressure on the margin. Lower fee income from loan sales was a result of a slowdown in the number of loans that refinanced as compared to prior years. Operating expenses increased 2.7% for the year.



PLANNING COMMITTEE

The Planning Committee is responsible for the review and approval of new branch expansion strategies for the credit union.



(l-r) Robert Scarfo, Carl W. Masshardt, Diane L. Collins, Jeffrey M. Pond