

Annual Report 2014

Thousands are using our **Mobile App** to bank wherever & whenever they want!

Available at:



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

The Central One Mobile App Launched!

Central One is striving to serve the needs of the membership in all capacities. This includes offering the latest technology to our members. In 2014, the Central One Mobile App was released on multiple app stores. This included Amazon, Apple and the Android app stores.

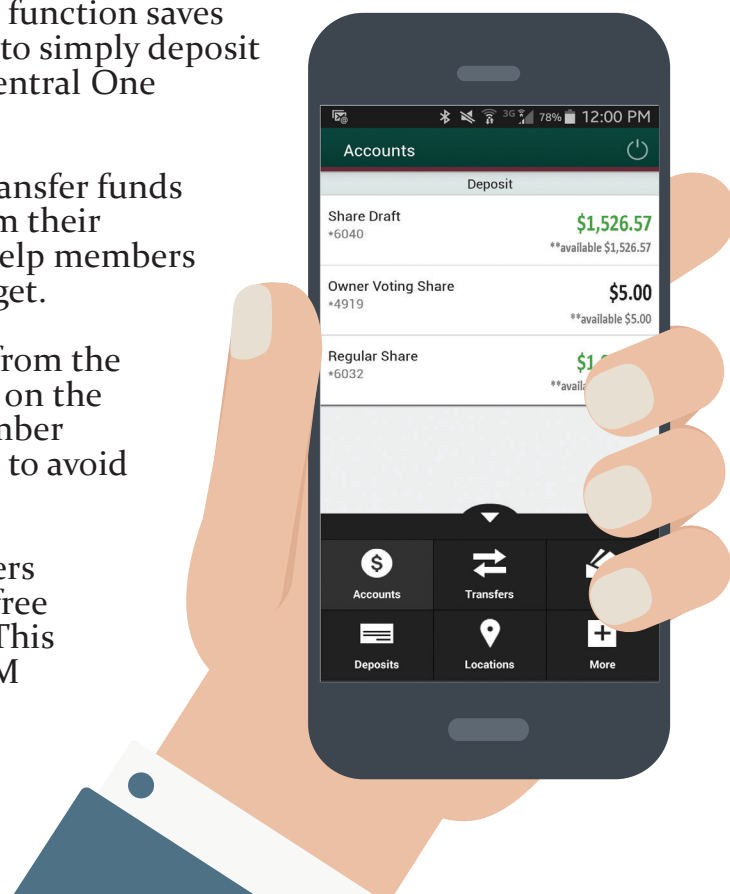
During that time, over 5,000 members became regular users of the Central One Mobile App. To put that in perspective, the Credit Union has 11,062 members using Central Net.

In addition, almost 3,000 members took advantage of the Mobile Deposit function of the Mobile App. These members deposited \$413,033.05 during the calendar year. This function saves members countless hours with the ability to simply deposit a check from almost anywhere with the Central One Mobile App.

The mobile app also allows members to transfer funds between accounts and check balances from their smartphone or tablet. This function can help members prevent overdrafts or better stick to a budget.

The app also allows members to pay bills from the convenience of their phone while they are on the go. This is great for instances where a member remembers a bill last minute and is trying to avoid a late fee or charge.

When members are on the go, the app offers the ability to locate the closest surcharge free ATM that is in the Central One network. This function can help a member locate an ATM anywhere in the world!



CHAIRMAN'S LETTER

The security of the members' personal information is a priority of the Credit Union. In order to ensure that this security continues to be a priority, the Credit Union hires an outside firm on an annual basis. They perform External and Internal penetration tests on accessing member accounts to determine if they are able to infiltrate our members' personal and confidential information. This testing has identified no major weaknesses in the operational systems of the Credit Union.

Other Accomplishments in 2014

Instant Issue Plastic Cards: The Credit Union will soon be able to implement (Debit and Credit Card) creation at all four branches with an EMV Chip. If a member is inconvenienced by the loss of a card, it will be possible for them to go to any one of the four branches and obtain a new card the same day, rather than waiting for a third-party to deliver their plastic card.

Phone System Upgrade: These upgrades will help both the Call Center representatives as well as the members.

Statement Upgrade: The Credit Union selected a new vendor to process the member statements. The new vendor is more cost effective and provides more efficiencies and functionality for statement access.

New Signs: Two new L.E.D. signs were installed at the Shrewsbury location. These signs will enable the Credit Union to display various messages regarding our products and services. Information will also be displayed about both W.F. Financial Services and Oak Tree Insurance.

Financial Highlights for 2014

- Net Income: \$3,024,000
- Net Worth Ratio: 9.24% (Well Capitalized)
- Member Satisfaction: 98.21%
- World Class Service: 64.24% 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



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 all the legwork for you!
Call Today: **508-841-0598**

CEO'S LETTER

Dear Members,

Your Credit Union has completed another very successful year. Financially, Central One FCU finished 2014 with extremely strong numbers.

With assets now exceeding \$400 million, the Credit Union grew its loan portfolio almost 10% (9.29%) through 12/31/2014. The bulk of this growth was in both Member Business Loans as well as auto lending. Additionally, the Credit Union was able to grow its Share Draft or checking accounts considerably with an increase of \$8.3 million during the calendar year. This account growth is crucial to the overall increase in member participation with the Credit Union as this core account drives growth in other product areas.

The Credit Union finished the year with a loan to share ratio of just under 100% (99.32%). This means that virtually every dollar deposited with the Credit Union is then lent back out to the membership. This is a strategic goal set each year by the Board of Directors.

The success of the Credit Union during 2014 with a Return on Assets of 0.78%, resulted in a growth in net worth ratio from 8.86% (12/31/2013) to 9.24% (12/31/2014). This illustrates an increase in safety and soundness for your Credit Union and exceeds the standard of 7% considered to be "Well Capitalized" by our regulator, NCUA.

While your Credit Union either met or exceeded most of its goals for 2014, it was also able to complete an extensive level of projects during the year to help make the Credit Union more efficient and improve the overall member experience.

Additionally, the Credit Union has seen great growth in the number of users of its Mobile Banking and Mobile Deposit services. Currently, the level of participation in these two relatively new services exceeds most other Credit Unions in our peer group.

The quality of our loan portfolio remains very strong with both delinquent loans and actual loan losses well below peer averages.

In summary, your Credit Union is extremely healthy and its member satisfaction rating of approximately 98% illustrates that the member experiences remains strong as well. I wish to thank our staff for their hard work and dedication.

As well as the Board of Directors and Committee members for their leadership and commitment, and the 30,000 members who do their business with us, I wish to thank them for their support and participation.

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



"While your Credit Union either met or exceeded most of its goals for 2014, it was also able to complete an extensive level of projects during the year..."

SUPERVISORY COMMITTEE



(L - R) Gregory J. O'Connor, Christine A. Baril,
Thomas E. Davey (Missing: Robert Scarfo)

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 2014 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*

ASSOCIATE BOARD



(L - R) Gregory J. O'Connor, Keith P. Early,
Robert H. McLaren

W.F.
Financial Services

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**

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.

PERSONNEL COMMITTEE



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

The past year has been another busy one for your Central One Personnel Committee. We have just completed the Staff and V.P. Goals Programs for 2015. Every year we set the standards a little higher, and have been very successful in meeting or exceeding them.

We have also completed the annual CEO performance evaluation and compensation package.

We have recently entered into an agreement with a company called "Compease" to review the annual pay scale grades for our employees. This is a company that deals only with credit unions and is well known to many credit unions across the country. By using their services, it saves Central One both time and money.

On behalf of your Personnel Committee, James Chalke, Diane Collins, Elaine Racine and myself, we would like to thank you for supporting your credit union.

Respectfully submitted,

Carl W. Masshardt
Personnel Committee Chairman

PLANNING COMMITTEE

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's comprehensive review of the aforementioned topics has resulted in the Board's decision to remain under the Federal Charter and continue being 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



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



Michael P. Rooney, *CFO*

CFO'S LETTER

Total assets increased 4.5% and at year-end were \$395 million compared to \$377 million in 2013.

Total loans at December 31, 2014 were \$332 million. Loans increased 9.3% or \$28.2 million during the year. The Credit Union had significant growth in our Auto Loan portfolio of 25.5% and continued to see growth in the adjustable-rate and home equity loan products, up 5.6% and 7.5% respectively.

The Credit Union ended the year with share balances of \$332 million compared to \$329 million in 2013, a 1 % increase. The increase from the prior year-end was primarily attributable to an increase in share draft and savings balances, offset by a drop in the Certificates of Deposit portfolio which was down 7.2% from 2013. The Core Deposit Account portfolio in total increased 5.63% from prior year.

The Credit Union's capital is the foundation for developing programs for growth and new activities. Capital at December 31, 2014 was \$36.4 million. Net worth ratio was 9.24%, up from 8.86% in 2013. 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 \$3,024,000 compared to \$2,619,000 in 2013. The net interest margin increased \$1,017,000 due to an increase in loan income combined with a lower cost of funds. 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 0.4% for the year there was no NCUA stabilization expense in 2014.

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 is responsible for the review and analysis of the interest rate risk in the balance sheet.



(L - R) Jeffrey M. Pond, Anthony C. Pini, Christine A. Baril, (Missing: Michael J. Cavanaugh)

Consolidated Balance Sheets

December 31, 2014 - and 2013 (In Thousands)

Assets

	2014	2013
Cash and due from Banks	\$ 6,832	\$ 2,898
Investment securities held to maturity, at cost	31,080	46,679
Deferred compensation plan assets	2,380	2,262
Loans to members, net allowance of \$1,459 and \$1,276 in 2014 and 2013, respectively	332,045	303,809
Premises and equipment, net	13,290	13,307
Accrued interest receivable	928	891
National Credit Union Share Insurance Fund deposit	3,188	3,270
Stock of the Central Liquidity Facility	897	875
Foreclosed real estate	212	593
Prepaid expenses and other assets	3,749	3,017
	<u>\$ 394,601</u>	<u>\$ 377,601</u>

Liabilities and Members' Equity

Short term borrowings	19,000	13,000
Members' share accounts	332,058	329,305
Accrued and other liabilities	2,483	2,284
	<u>353,541</u>	<u>344,589</u>
Total current liabilities		
Long term borrowings	5,000	-
	<u>5,000</u>	<u>-</u>
	<u>358,541</u>	<u>344,589</u>
<u>Members' Equity</u>		
Regular Reserve	4,982	4,982
Undivided earnings	31,482	28,458
Accumulated other comprehensive income (loss)	(404)	(428)
	<u>36,060</u>	<u>33,012</u>
Total members' equity		
	<u>\$ 394,601</u>	<u>\$ 377,601</u>

Consolidated Statements of Changes in Members' Equity

Years ended December 31, 2014 and 2013 (In Thousands)

	Regular Reserve	Undivided Earnings	Accumulated Other Comprehensive Income (Loss)	Total
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
Comprehensive Income	-	3,024	24	3,048
Balance, December 31, 2014	\$ 4,982	\$ 31,482	\$ (404)	\$ 36,060



Consolidated Statements of Income and Comprehensive Income

Years ended December 31, 2014 and 2013 (In Thousands)

Interest Income

	2014	2013
Loans	\$ 12,354	\$ 11,517
Investment and mortgage - backed securities	338	457
Interest - bearing deposits	30	19
Total Interest income	12,722	11,993

Divided and Interest expense

Members' share accounts	1,450	1,785
Borrowed funds	55	8
Total dividend and interest expense	1,505	1,793
Net interest income	11,217	10,200
Provision for possible losses	571	450
Net interest income after provision for possible losses	10,646	9,750

Non-Interest Income

Customer service fees and commissions	1,575	1,560
Credit and debit card income	1,337	1,244
Loan and servicing fees	838	1,211
Unrealized gains on deferred compensation plan assets	118	333
Realized gain (loss) on sale of other assets	23	(10)
Other income	102	94
Total non-interest income	3,993	4,432

Non-Interest Expenses

Compensation and employee benefits	6,513	6,588
Occupancy costs	565	579
Operating expenses	4,537	4,134
NCUSIF stabilization expense	-	262
Total non - interest expenses	11,615	11,563

Net Income	3,024	2,619
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Other Comprehensive Income

Changes in pension plan assets and obligations		
Actuarial gain	2	340
Add: Amortization included in net periodic benefit cost	22	26
Other comprehensive income	24	366
Comprehensive income	\$ 3,048	\$ 2,985

The People of Central One 2014:

BOARD OF DIRECTORS

Roland G. Carlson, *Chairman* - 2016
James S. Chalke, *Vice-Chairman* - 2015
Jeffrey M. Pond, *Secretary* - 2017
Christine A. Baril - 2016
Michael J. Cavanaugh - 2015
Diane L. Collins - 2017
Carl W. Masshardt - 2016
Anthony C. Pini - 2017
Elaine M. Racine - 2015

ASSOCIATE DIRECTORS

Keith P. Early - 2010
Robert H. McLaren - 2010
Gregory J. O'Connor - 2003

COMMITTEES (2013 - 2014)

Member Tribute Month/ Communication

Elaine M. Racine, *Chairperson*
David A. L'Ecuier
April B. Healey
Zachary Daniels

Asset Liability

Michael P. Rooney, *Chairman*
Christine A. Baril
Michael J. Cavanaugh
David A. L'Ecuier
Jeffery M. Pond
Anthony C. Pini
Joseph Rollo

Election

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

Executive

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

Nominating

Jeffery M. Pond, *Chairman*
Diane L. Collins
Anthony C. Pini

Personnel

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

Planning

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

Security Officer

Elaine M. Racine

Supervisory

Gregory J. O'Connor, *Chairman*
Christine A. Baril
Thomas E. Davey
Robert Scarfo

Member Business Loan Committee

James S. Chalke, *Chairman*
David A. L'Ecuier, *Vice-Chairman*
Michael P. Rooney, *Secretary*
Michael Murphy
Robert H. McLaren
Jeffrey A. Dunn
Carl W. Masshardt (Alternate)

IT Steering Committee

Neal Reardon, *Chairman*
Keith P. Early
Elaine M. Racine
David A. L'Ecuier
Michael P. Rooney
April B. Healey
Jeffrey A. Dunn
Ryan Angelo

MANAGEMENT

President/CEO

David A. L'Ecuier

Chief Financial Officer

Michael P. Rooney

Vice-President - Human Resources & Administration

Wendy B. Morin

Vice-President - Lending

Jeffrey A. Dunn

Vice-President - Retail Services

April B. Healey

Assistant Vice President of Information Systems & Technology

Neal Reardon

Assistant Vice President of Operations

Karen Mills

Controller

Joseph Rollo

Card Service Manager

Eva M. Polymeros

Commercial Loan Manager

Michael Murphy

Facilities Manager

William P. Hamilton

Marketing Manager

Zachary Daniels

Member Support Manager

Christine M. Bates

Network Manager

Ryan Angelo

Lending Manager

Nancy Burns

BRANCH MANAGERS:

Northborough

Kathryn Shaw

Shrewsbury

Joan M. Day

Auburn

Owen J. Russell

Westborough

David V. Kaiser

2014 ENHANCEMENTS

We continued to work diligently in 2014 to enhance the member experience here at Central One. With member feedback in mind, we made improvements to how we communicate with our membership via statements as well as telephonically. We also developed a new program to better assist members who are experiencing key financial decisions for the first time.

New Monthly Statements

During the year we researched better options for presenting members with their account information during each statement cycle. We were pleased to contract with a new vendor who was able to bring more advanced quality and efficiency to our statement delivery system. Having timely and easy-to-read statements makes for a better member experience, and we believe this new format achieves that goal.

Digital Sign

We installed and began to display new digital message boards outside of our Shrewsbury headquarters. This technology allows us to share more information about our products and services with not only our members, but also with prospective members driving through our community.

Telephonic System

A major undertaking in 2014 was upgrading the phone system throughout the Credit Union. A major part of this was to enhance the capabilities and efficiencies of our Member Support Center. This state-of-the-art technology allows our agents to better handle member inquiries and helps us to deliver the World-Class Service our members deserve.



Future Focus Program



In order to help those members who are first time car or home buyers, or who are obtaining their first credit card, we've developed a program to provide discounted rates and special incentives. By making these experiences less costly and less intimidating, we hope these "first time" members will find that Central One will be there for them every step of the way along the financial path of their life journey.



“We’re Not a Bank, We’re Better.”

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