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“SECTION 1. All the co-operative banks now established under the laws of the commonwealth and subject to the provisions of chapter one hundred and seventy of the General Laws, hereinafter referred to as member banks, are hereby constituted a corporation under the name of The Co-operative Central Bank, hereinafter referred to as the central bank, and every co-operative bank hereafter so established shall thereupon become a member bank thereof. It shall be the purpose of the central bank to promote the elasticity and flexibility of the resources of the co-operative banks of the commonwealth by centralizing their reserve funds. The assets of the corporation shall be divided into two separate and distinct funds, as follows — (a) the Reserve Fund, which shall consist of all assessment collected under section six, as amended, and all investments therein and all income thereon; and (b) the Share Insurance Fund, established by chapter seventy-three of the acts of nineteen hundred and thirty-four, as amended.”

A part of SECTION 1 from the Act Establishing *The Co-operative Central Bank, Including the Reserve Fund, Chapter 45 of the Acts of 1932*. (As amended)

“SECTION 1. The Co-operative Central Bank, established by chapter forty-five of the acts of nineteen hundred and thirty-two, hereinafter referred to as the corporation, shall in the manner herein provided establish a fund for the insurance of shares in co-operative banks established under the laws of the commonwealth, hereinafter referred to as member banks.”

A part of SECTION 1 from the *Act Establishing the Share Insurance Fund, Chapter 73 of the Acts of 1934*. (As amended)

# THE CO-OPERATIVE CENTRAL BANK

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EIGHTIETH ANNUAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2011

OPERATED AND WHOLLY OWNED BY ALL 55  
MASSACHUSETTS CO-OPERATIVE BANKS, SOLELY FOR THE  
MUTUAL BENEFIT OF ALL OF THEIR DEPOSITORS, AS A  
SOURCE OF CASH RESERVES AND TO PROVIDE INSURANCE  
IN FULL OF DEPOSITS UNDER MASSACHUSETTS LAW.



75 PARK PLAZA, BOSTON, MASSACHUSETTS 02116

## THE CO-OPERATIVE CENTRAL BANK

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Edward M. Pratt . . . . . Chairman  
William T. Stapleton . . . . . Vice Chairman  
Peter A. Conrad . . . . . President and Chief Executive Officer  
Andrew J. Calamare . . . . . Executive Vice President  
Annemarie Lee . . . . . Vice President  
Phillip J. Kimball . . . . . Vice President and Comptroller

### BOARD OF DIRECTORS

Term Expires

Thomas M. Caron, President & CEO	Bank of Easton	2013
Eleanor J. Fox, President & CEO	Colonial Co-operative Bank	2012
Michael D. Goodman, Director	UMass Dartmouth	2012
John S. Hamilton, President & CEO	Charles River Bank	2012
Robert J. Hickey, President & CEO	Winchester Co-operative Bank	2012
Janice T. Houghton, President & CEO	StonehamBank	2013
John R. Korona, President & CEO	Mansfield Bank	2013
John W. McGeorge, President & CEO	Needham Bank	2012
David P. O'Brien, President & CEO	Braintree Cooperative Bank	2013
Jonathan W. Pierce, President & CEO	Avon Co-operative Bank	2011
Edward M. Pratt, President & CEO	Mayflower Bank	2011
Andrew J. Raczka, President & CEO	Abington Bank	2011
Karen Schwartzman	Polaris Public Relations	2011
Edwin G. Silver, Director	Wellesley Bank	2012
Matthew S. Sosik, President & CEO	Hometown Bank	2011
William T. Stapleton, President & CEO	Northampton Cooperative Bank	2012
Joseph M. Vinard, President & CEO	Chelsea Bank	2012
Darnell L. Williams, President & CEO	Urban League of Eastern Massachusetts	2011

### **The Economy**

The economy started fiscal 2011 on a flat note and ended on a sour one with expectations for a continued modest recovery being replaced by renewed recessionary fears. Real GDP grew only 1.5% in the year ended June 30, 2011, nowhere near enough to create the jobs needed to reduce the unemployment rate. Non-farm payrolls were only 639,000 more at the end of August 2011 than they were when the recession ended in June of 2009.

Unemployment exceeded 9.0% throughout the year, keeping fourteen million Americans out of work and millions more underemployed. The housing sector remained stubbornly in the doldrums despite very favorable financing rates. Housing starts averaged a meager 571,000 and new home sales totaled only 300,000. Consumer confidence plummeted with spending following suit.

The most discouraging aspect of the poor economic performance was that both the fiscal and monetary authorities tried mightily to counter it. The federal government passed a variety of programs to jump start the economy. Billions of dollars were spent to little avail and at a very steep price. Budget deficits now exceed \$1.0 trillion annually and the federal debt is more than 100% of GDP for the first time since World War II.

As summer ended, the administration was pushing for additional fiscal stimulus of \$447 billion as part of the American Jobs Act. Passage is far from certain as Congress argues over the size of our budget deficit and the best way to reduce it. A faction within the House actually was so focused on the deficit this past summer that it was willing to let the Treasury default rather than vote to increase the debt ceiling. This caused S&P to downgrade the obligations of the U.S. government on August 5th from the top-tier AAA to AA+.

Monetary authorities also tried almost everything within their power to stimulate the economy. The overnight lending rate has been 0-to-.25% for almost three years and the FOMC recently stated that the fed fund's rate would remain at this low level until at least mid-2013. Two rounds of quantitative easing have ballooned the Fed's balance sheet to almost \$3.0 trillion. These efforts may have kept things from getting worse but so far haven't produced any tangible positive results.

Having already pumped \$2.0 trillion into a \$14.0 trillion economy, the Fed is reluctant to increase its balance sheet further so it is now embarking on "Operation Twist." The Fed will finance the purchases of up to \$400 billion of longer-term bonds through the sale of a similar amount of their current holdings of shorter-term obligations. The FOMC hopes to "put downward pressure on longer term rates and help make broader financial conditions more accommodative." The desired outcome may prove to be wishful thinking, but it's possible that there may not be much else the Fed can do.

Our domestic economic malaise has been compounded by events overseas. The European Union stands at the precipice with Greece on the verge of default

and concerns mounting over the solvency of Spain, Portugal and Ireland along with their banks and others that have lent to them. Many private investors are refusing to roll over their commercial paper holdings or their certificates of deposit at these banks, raising the 2008 specters of Bear Stearns and Lehman Brothers. A.I.G.-like concerns have also resurfaced with questions arising as to who is on the wrong end of the billions of dollars of credit default swaps written on those sovereign debts and the billions more on the European banks that own so much of that debt.

Throughout the year, the bond market focused on these and other negatives, driving yields to levels not seen since the 1940s. The three-month Treasury bill now yields zero, the two-year returns .20% and the ten year 1.90%. Thirty-year mortgages are in the “threes” and fifteen year loans could probably be had in the “twos.” At first the stock market saw the glass as half full, rallying over twenty percent into the spring of this year. Since then, its perception of the water level in the glass has changed. Now both the Dow and S&P 500 are only slightly above where they started the year.

As the year ends, the economic outlook seems increasingly bleak. The issues at the beginning of the year are still with us despite massive efforts to correct them. The economy is growing too slowly to reduce unemployment and it’s not clear that there’s much more that can or will be done about it. If the euro zone implodes there are bound to be negative consequences for our economy, increasing the possibility of recession.

### **Our Member Banks**

Notwithstanding the national and international turbulence, our member banks performed well during the year. The positive slope of the yield curve kept the industry’s net interest margin above 3.00% at 3.24% and continued consumer caution kept deposit growth strong no matter how low rates went. The Massachusetts’ economy fared relatively well compared to the national economy and our real estate market started to bottom out. As a result, the negative impact of the past several years from increased loss provisions and asset write-downs diminished significantly. Declining mortgage rates helped the refinance market to stay strong, keeping our non-interest income at solid levels. Members continued to control their operating costs and midway through the year we were earning at an annual rate of 52 basis points on assets and 4.75% on equity. Efficiency was a respectable 75%.

Capital has always been one of our industry’s strong suits and this past year was no exception. Strong earnings and investment returns brought June 30th capital to 11.08% compared to 10.93% at year-end 2010 and 9.74% one year ago. Tier 1 was 10.97% and total risk based was an exceptionally strong 18.62%.

We lost two members during the year. Athol-Clinton merged into Hometown Bank and Bank of Fall River merged into Citizens-Union Savings Bank. We finished the year with 55 member banks with assets totaling \$14.2

billion. The average asset size of our members is now \$258.0 million and the median is \$219.6 million.

### **The Central Bank**

By far the best news of the year for the Central Bank occurred on January 1, 2011 when Andy Calamare joined the bank as its Executive Vice President. Andy had previously served on our board of directors during some very turbulent times first as Vice Chairman and then as Chairman. He brings a vast amount of practical legal, banking and regulatory experience with him and his impeccable reputation makes him highly respected in a number of different circles. His genuine affinity for the cooperative banks of Massachusetts is well known and we couldn't be more pleased that he is now with us full-time. Our industry will benefit tremendously.

### **Reserve Fund**

The Reserve Fund had a fairly quiet year. None of our members borrowed money for liquidity purposes although most of the membership tested their lines with the fund by borrowing small amounts on an overnight basis. The fund's short duration portfolio enabled it to have available funds to lend if necessary and to pay interest on deposits in line with existing short-term rates. The average rate paid on deposits during the year was .75%. Fed funds averaged less than 14 basis points during the same time period.

### **Share Insurance Fund**

The Share Insurance Fund (SIF) continued to provide insurance in full to all depositors in Massachusetts co-operative banks by insuring all amounts in excess of the now permanent FDIC limit of \$250,000. As of fiscal year end, SIF insured a total of \$1.5 billion or 13% of the industry's deposits. The fund maintained a strong coverage ratio of 5.8%.

In fiscal 2010, SIF reversed the \$3.0 million contingency loss provision it had set aside for expected losses at Butler Bank after People's United paid a premium for the failed bank's assets, resulting in no loss to the fund. This left an accrued loss contingency of \$2.0 million on the books at year end 2010. Although concerns remain about asset quality, it is the opinion of management and the Board of Directors that SIF is not exposed to risk of loss at this time. As a result, the \$2.0 million accrued loss contingency that was on our books at the end of last year was reversed in this year's financial statements leaving SIF with no accrued loss contingency at fiscal year end 2011.

The fund continued to provide technical assistance to the membership in a variety of ways throughout the year. A great deal of time was spent during the year providing assistance to those member banks in need. Also, we added additional members to the growing list of banks for whom we facilitate annual strategic planning sessions. We made several presentations during the year to member bank's Boards of Directors about the state of the economy and

the banking industry. We hosted a meeting of the FDIC regional office with member banks to discuss and ultimately resolve concerns about compliance exams. As always, we met periodically with the FDIC, the Division of Banks and the Federal Reserve to discuss the condition of our members and issues of mutual concern. The SIF was established in 1934 to be a local fund that provided insurance in full and assistance to all its members. Seventy-seven years later we continue to fulfill that commitment and to protect the depositors of all Massachusetts cooperative banks.

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Parent, McLaughlin & Nangle, Certified Public Accountants, has audited the individual funds and combining statements of financial condition, the individual funds and combining statements of operations and retained earnings, comprehensive income (loss), and cash flows within this report. The schedules of Reserve Fund Investment Securities and Share Insurance Fund Investment Securities were subjected to the auditing procedures applied in the audit of the basic financial statements.

The financial statements were prepared in conformity with generally accepted accounting principles and include, as necessary, best estimates and judgments by management. To ensure the integrity, objectivity and fairness of the information in these financial statements, management has established and maintains internal controls designed to provide reasonable assurance that assets are safeguarded and transactions are executed, recorded and reported in accordance with management's intentions and authorizations, and to comply with applicable laws and regulations. To enhance the reliability of internal controls, management employs highly qualified personnel and maintains sound risk management practices.

Respectfully submitted,  
By Order of the Board of Directors



Peter A. Conrad  
President & Chief Executive Officer

THE CO-OPERATIVE CENTRAL BANK

**SHARE INSURANCE FUND**

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EXCESS DEPOSIT INSURANCE COVERAGE RATIO

*August 31, 2011*

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Share Insurance Fund Equity	\$100,050,786
Less: Capital Assistance	3,000,000
Less: Restricted or Unavailable Assets — Other Assets	<u>7,082,437</u>
Available for Insurance Purposes	<u>\$ 89,968,349</u>
Insurance Coverage Ratio	5.8%

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THE CO-OPERATIVE CENTRAL BANK

RESERVE FUND AND SHARE INSURANCE FUND

FISCAL YEAR END COMBINED ASSETS

<i>August 31st</i>	<i>Reserve Fund</i>	<i>Share Insurance Fund</i>	<i>Combined Total</i>
<b>2011</b>	<b>\$ 47,123,869</b>	<b>\$100,064,786</b>	<b>\$147,188,655</b>
2010	47,475,131	100,924,937	148,400,068
2009	49,857,447	98,985,155	148,842,602
2008	54,873,028	94,649,968	149,522,996
2007	70,955,336	92,263,073	163,218,409
2006	70,536,846	90,005,321	160,542,167
2005	70,605,261	88,038,030	158,643,291
2004	74,966,389	87,876,363	162,842,752
2003	92,420,098	87,691,686	180,111,784
2002	94,192,561	95,186,733	189,379,294
2001	86,145,281	92,107,128	178,252,409
1998	94,768,657	83,833,715	178,602,372
1994	108,750,383	77,315,394	186,065,777
1990	88,823,320	74,212,980	163,036,300
1986	77,043,460	154,677,159	231,720,619
1982	47,908,523	103,600,484	151,509,007
1978	41,045,827	75,889,045	116,934,872
1974	31,061,630	53,307,780	84,369,410
1970	21,411,441	38,165,393	59,576,834
1966	17,190,948	27,506,170	44,697,118
1962	12,790,124	19,287,103	32,077,227
1958	10,752,634	13,723,828	24,476,462
1954	9,854,273	9,740,615	19,594,888
1950	9,461,424	6,923,455	16,384,879
1946	5,802,585	4,595,557	10,398,142
1942	4,239,619	2,492,193	6,731,812
1938	1,819,930	2,955,693	4,775,623
1934	4,149,520	1,175,198	5,324,718

# THE CO-OPERATIVE CENTRAL BANK

## INDEPENDENT AUDITOR'S REPORT



BOARD OF DIRECTORS  
THE CO-OPERATIVE CENTRAL BANK  
Boston, Massachusetts

We have audited the accompanying individual funds and combining statements of financial condition of The Co-operative Central Bank as of August 31, 2011, and the related individual funds and combining statements of operations and retained earnings, comprehensive income (loss), and cash flows for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Bank's 2010 financial statements, and in our report dated October 22, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2011 financial statements referred to above present fairly, in all material respects, the financial position of the individual funds and the combined financial position of The Co-operative Central Bank as of August 31, 2011, and the results of operations of the individual funds and the results of operations of the combined funds and the cash flows of the individual funds and the cash flows of the combined funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of Reserve Fund Investment Securities and Share Insurance Fund Investment Securities are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Parent, McLaughlin & Nangle*

Certified Public Accountants, Inc.

October 28, 2011

160 Federal Street  
Boston, MA 02110-1713  
617/426-9440  
Fax 617/423-3955

Parent, McLaughlin & Nangle  
Certified Public Accountants, Inc.

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Ten Commerce Way  
Raynham, MA 02767-1071  
508/880-4955  
Fax 508/823-6976

THE CO-OPERATIVE CENTRAL BANK

COMBINING STATEMENTS OF FINANCIAL CONDITION

<i>August 31,</i>			<i>2011</i>	<i>2010</i>
	<i>Reserve Fund</i>	<i>Share Insurance Fund</i>	<i>Combined</i>	<i>Combined</i>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,304,257	\$ 1,435,800	<b>\$ 4,740,057</b>	\$ 2,001,736
Investment securities:				
Securities available-for-sale	42,472,654	87,555,730	<b>130,028,384</b>	133,930,378
Capital assistance	—	3,000,000	<b>3,000,000</b>	3,000,000
Accrued interest receivable	158,359	990,819	<b>1,149,178</b>	1,256,758
Other assets	1,188,599	7,082,437	<b>8,271,036</b>	8,211,196
Total Assets	<u>\$ 47,123,869</u>	<u>\$ 100,064,786</u>	<u><b>\$ 147,188,655</b></u>	<u>\$ 148,400,068</u>
<b>LIABILITIES AND EQUITY</b>				
Deposits by member banks	\$ 35,424,200	\$ —	<b>\$ 35,424,200</b>	\$ 35,925,550
Interest payable	132,841	—	<b>132,841</b>	179,628
Accrued expenses and other liabilities	273,541	14,000	<b>287,541</b>	312,699
Accrued loss contingency	—	—	—	2,000,058
Total Liabilities	<u>35,830,582</u>	<u>14,000</u>	<u><b>35,844,582</b></u>	<u>38,417,935</u>
Retained earnings	10,826,652	97,096,534	<b>107,923,186</b>	106,417,485
Accumulated other comprehensive income	466,635	2,954,252	<b>3,420,887</b>	3,564,648
Total Equity	<u>11,293,287</u>	<u>100,050,786</u>	<u><b>111,344,073</b></u>	<u>109,982,133</u>
Total Liabilities and Equity	<u>\$ 47,123,869</u>	<u>\$ 100,064,786</u>	<u><b>\$ 147,188,655</b></u>	<u>\$ 148,400,068</u>

See notes to financial statements.

THE CO-OPERATIVE CENTRAL BANK

COMBINING STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

<i>Year Ended August 31,</i>			<i>2011</i>	<i>2010</i>
	<i>Reserve Fund</i>	<i>Share Insurance Fund</i>	<i>Combined</i>	<i>Combined</i>
Interest Income:				
Investment securities	\$ 753,156	\$ 2,475,273	<b>\$ 3,228,429</b>	\$ 4,023,055
Capital assistance	—	112,439	<b>112,439</b>	60,000
Loans	20	—	<b>20</b>	938
Total Interest Income	<u>753,176</u>	<u>2,587,712</u>	<b><u>3,340,888</u></b>	<u>4,083,993</u>
Interest Expense:				
Deposits	<u>221,401</u>	—	<b><u>221,401</u></b>	<u>365,455</u>
Total Interest Expense	<u>221,401</u>	<u>—</u>	<b><u>221,401</u></b>	<u>365,455</u>
Net Interest Income	531,775	2,587,712	<b>3,119,487</b>	3,718,538
Operating Expenses	<u>355,593</u>	<u>1,758,251</u>	<b><u>2,113,844</u></b>	<u>1,915,135</u>
Income Before Gain on Sales of Investment Securities and Contingency Loss Credit	176,182	829,461	<b>1,005,643</b>	1,803,403
Gain on Sales of Investment Securities	—	—	—	<u>3,488</u>
Income Before Contingency Loss Credit	<u>176,182</u>	<u>829,461</u>	<b><u>1,005,643</u></b>	<u>1,806,891</u>
Contingency Loss Credit	—	2,000,058	<b>2,000,058</b>	<u>3,000,000</u>
Net Income	176,182	2,829,519	<b>3,005,701</b>	4,806,891
Retained Earnings, at beginning of year	10,650,470	95,767,015	<b>106,417,485</b>	101,610,594
Dividend Paid	—	(1,500,000)	<b>(1,500,000)</b>	—
Retained Earnings, at end of year	<u>\$ 10,826,652</u>	<u>\$ 97,096,534</u>	<b><u>\$107,923,186</u></b>	<u>\$106,417,485</u>

See notes to financial statements.

THE CO-OPERATIVE CENTRAL BANK

COMBINING STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

<i>Year Ended August 31,</i>	<i>2011</i>			<i>2010</i>
	<u><i>Reserve Fund</i></u>	<u><i>Share Insurance Fund</i></u>	<u><i>Combined</i></u>	<u><i>Combined</i></u>
Net Income	\$ 176,182	\$ 2,829,519	<b>\$ 3,005,701</b>	\$ 4,806,891
Other Comprehensive Income (Loss):				
Unrealized holding gains (losses) on available-for-sale securities arising during the period	23,051	( 166,812)	( <b>143,761</b> )	70,716
Reclassification adjustment for gains included in net income	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,291</u>
Other Comprehensive Income (Loss)	<u>23,051</u>	<u>( 166,812)</u>	<u>( <b>143,761</b>)</u>	<u>77,007</u>
Comprehensive Income	<u>\$ 199,233</u>	<u>\$ 2,662,707</u>	<u><b>\$ 2,861,940</b></u>	<u>\$ 4,883,898</u>

*See notes to financial statements.*

THE CO-OPERATIVE CENTRAL BANK

COMBINING STATEMENTS OF CASH FLOWS

<i>Year Ended August 31,</i>			<i>2011</i>	<i>2010</i>
	<i>Reserve Fund</i>	<i>Share Insurance Fund</i>	<i>Combined</i>	<i>Combined</i>
Cash flows from operating activities:				
Interest received	\$ 940,471	\$ 2,819,378	<b>\$ 3,759,849</b>	\$ 4,570,581
Interest paid	( 268,188)	—	( <b>268,188</b> )	( 518,789)
Cash paid for operating expenses	( 351,791)	( 1,781,051)	( <b>2,132,842</b> )	( 1,974,037)
Net cash provided by operating activities	<u>320,492</u>	<u>1,038,327</u>	<b><u>1,358,819</u></b>	<u>2,077,755</u>
Cash flows from investing activities:				
Proceeds from sales and maturities of available-for-sale securities	38,500,000	18,000,000	<b>56,500,000</b>	53,007,320
Purchases of available-for-sale securities	( 35,992,559)	( 17,126,589)	( <b>53,119,148</b> )	( 53,497,078)
Principal collected on loans	1,528,000	—	<b>1,528,000</b>	4,100,000
Principal disbursed for loans	( 1,528,000)	—	( <b>1,528,000</b> )	( 4,100,000)
Net cash provided (used) by investing activities	<u>2,507,441</u>	<u>873,411</u>	<b><u>3,380,852</u></b>	( 489,758)
Cash flows from financing activities:				
Deposit repayments	( 501,350)	—	( <b>501,350</b> )	( 2,127,255)
Dividend paid	—	( 1,500,000)	( <b>1,500,000</b> )	—
Net cash used by financing activities	( 501,350)	( 1,500,000)	( <b>2,001,350</b> )	( 2,127,255)
Net increase (decrease) in cash and cash equivalents	2,326,583	411,738	<b>2,738,321</b>	( 539,258)
Cash and cash equivalents at beginning of year	<u>977,674</u>	<u>1,024,062</u>	<b><u>2,001,736</u></b>	<u>2,540,994</u>
Cash and cash equivalents at end of year	<u>\$ 3,304,257</u>	<u>\$ 1,435,800</u>	<b><u>\$ 4,740,057</u></b>	<u>\$ 2,001,736</u>

See notes to financial statements.

THE CO-OPERATIVE CENTRAL BANK

COMBINING STATEMENTS OF CASH FLOWS (Continued)

<i>Year Ended August 31,</i>	<i>2011</i>			<i>2010</i>
	<u>Reserve Fund</u>	<u>Share Insurance Fund</u>	<u>Combined</u>	<u>Combined</u>
<b>Reconciliation of Net Income to Net Cash Provided by Operating Activities</b>				
Net Income	\$ 176,182	\$ 2,829,519	<b>\$ 3,005,701</b>	\$ 4,806,891
Adjustments to reconcile net income to net cash provided by operating activities:				
(Increase) decrease in:				
Accrued interest receivable	122,071	( 14,491)	<b>107,580</b>	136,190
Other assets	6,160	—	<b>6,160</b>	( 13,059)
Cash surrender value	—	( 66,000)	<b>( 66,000)</b>	( 66,000)
Increase (decrease) in:				
Interest payable	( 46,787)	—	<b>( 46,787)</b>	( 153,334)
Accrued expenses and other liabilities	( 2,358)	( 22,800)	<b>( 25,158)</b>	( 45,843)
Accrued loss contingency	—	( 2,000,058)	<b>( 2,000,058)</b>	( 3,000,000)
Gain on sales of investment securities	—	—	—	( 3,488)
Amortization and accretion on investments, net	65,224	312,157	<b>377,381</b>	416,398
Total adjustments	<u>144,310</u>	<u>( 1,791,192)</u>	<b><u>( 1,646,882)</u></b>	<u>( 2,729,136)</u>
Net cash provided by operating activities	<u>\$ 320,492</u>	<u>\$ 1,038,327</u>	<b><u>\$ 1,358,819</u></b>	<u>\$ 2,077,755</u>

Supplemental Schedule of Non-Cash Investing Activities

Total (decrease) increase in unrealized gain/loss on available-for-sale securities	<u>\$ 23,051</u>	<u>(\$ 166,812)</u>	<b><u>(\$ 143,761)</u></b>	<u>\$ 77,007</u>
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See notes to financial statements.

## THE CO-OPERATIVE CENTRAL BANK

### NOTES TO COMBINING FINANCIAL STATEMENTS

*(Years Ended August 31, 2011 and 2010)*

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#### A. ORGANIZATION

The Co-operative Central Bank (The Bank) was established by an Act of the Massachusetts legislature in 1932, as amended. The Bank is comprised of two separate and distinct funds.

The Reserve Fund was established in 1932 for the purpose of centralizing reserve funds to promote elasticity and flexibility of resources. Member banks maintain deposit balances with the Reserve Fund and may borrow from the Fund on a demand basis from time to time for liquidity or other short term purposes.

The Share Insurance Fund was established in 1934 for the insurance of all deposits in Massachusetts Co-operative Banks. The Share Insurance Fund insures all deposits in excess of the federal limit for its member banks which are also members of the Federal Deposit Insurance Corporation's Deposit Insurance Fund (DIF).

#### B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following items comprise the significant accounting policies which The Bank follows in preparing and presenting its financial statements.

##### **Method of accounting**

The financial statements are prepared on a modified accrual basis, which produces essentially the same results as the accrual basis.

##### **Use of estimates in preparation of financial statements**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### **Recognition of income**

Income on investments, capital assistance in the form of perpetual preferred stock and loans is recognized when earned; income on advances, subordinated debentures, and capital certificates to member banks is recognized when received.

##### **Investment securities**

Gains and losses on the sale of investment securities are determined using the specific-identification method.

Declines in the fair value of individual available-for-sale securities below their cost that are other than temporary, if any, result in write-downs of the individual securities to their fair value. The related write-downs are included in earnings as realized losses.

Premiums and discounts are recognized in interest income using a method which approximates the interest method over the period to maturity.

## THE CO-OPERATIVE CENTRAL BANK

### NOTES TO COMBINING FINANCIAL STATEMENTS *(Continued)*

*(Years Ended August 31, 2011 and 2010)*

B. SUMMARY OF  
SIGNIFICANT  
ACCOUNTING  
POLICIES  
*(Continued)*

#### **Available-for-sale securities**

Available-for-sale securities consist of certain debt securities not classified as trading securities nor as held-to-maturity securities.

Unrealized holding gains and losses on available-for-sale securities are reported as accumulated other comprehensive income (loss).

At August 31, 2011, the Bank had no outstanding commitments to sell loans or securities.

#### **Property and equipment**

Expenditures for property and equipment are charged to expense in the year of purchase, rather than being capitalized and depreciated over the estimated useful lives of the asset. This practice does not have a material effect on the total assets or net income.

#### **Contingency loss provision**

An accrued loss contingency is established through a contingency loss provision charged to operations. The accrued loss contingency is an amount that management reasonably believes will be adequate to absorb possible excess deposit insurance losses, net of recoveries and adjustments, if any, from the final disposition of any member banks that have or may fail due to the current economic climate in Massachusetts, especially as it relates to banking and real estate lending. The estimated loss provision or recovery has been determined based upon reviews of financial statements and regulatory examination reports of member banks and consultations with bank regulators.

#### **Income taxes**

The Bank is exempt from federal income taxes under the provisions of Section 501(c)14 of the Internal Revenue Code. The Bank's policy is to analyze its tax positions for all open years and has not identified any uncertain tax positions.

#### **Cash equivalents**

For purposes of the statements of cash flows, The Bank considers all highly liquid debt instruments, with an initial maturity of three months or less, when purchased, to be cash equivalents.

#### **Comparative financial information**

The financial statements include certain prior-year comparative information in total but not by fund class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended August 31, 2010, from which the summarized information was derived.

## THE CO-OPERATIVE CENTRAL BANK

### NOTES TO COMBINING FINANCIAL STATEMENTS *(Continued)*

*(Years Ended August 31, 2011 and 2010)*

B. SUMMARY OF  
SIGNIFICANT  
ACCOUNTING  
POLICIES  
*(Continued)*

#### **Comprehensive income**

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, none of which have related tax effects, are reported as a separate component of the equity section of the Combining Statements of Financial Condition, such items, along with net income, are components of comprehensive income.

#### **Subsequent events**

The Bank has evaluated subsequent events through October 28, 2011, which is the date the financial statements were available to be issued.

C. COMMITMENTS AND  
CONTINGENCIES

Various legal claims may arise from time to time in the normal course of business which, in the opinion of management, have no material effect on the financial position of The Bank.

The Bank may be a party to various financial instruments and agreements with off balance sheet risk in the normal course of business to meet its financial assistance obligations within the Share Insurance Fund.

The Bank has entered into two employment agreements with certain executive officers with employment periods ranging from twelve to twenty-four months. The agreements provide for certain severance benefits to be paid in the event of a change in employment status.

D. CAPITAL  
ASSISTANCE AND  
SUBORDINATED  
DEBT

Since 1987, The Bank has executed financial or capital assistance agreements with various member banks under Sections 3A, 3B and 4 of Chapter 73 of the Acts of 1934, as amended. The capital assistance has taken the form of subordinated debentures, mutual capital certificates, capital certificates and perpetual preferred stock. All of the aforementioned instruments are subordinated to depositors' accounts and liabilities of equal or higher priority.

Principal and interest on these instruments are required when earnings and capital levels of the assisted bank exceed certain minimum requirements. All payments of principal and/or interest are subject to the prior consent or approval of the Federal Deposit Insurance Corporation (FDIC) or the Office of the Comptroller of the Currency (OCC). The additional prior approval of the Commissioner of Banks for the Commonwealth of Massachusetts is also required.

As of August 31, 2011, there was \$3,000,000 of capital assistance outstanding in the form of 300,000 shares of perpetual preferred stock.

THE CO-OPERATIVE CENTRAL BANK

NOTES TO COMBINING FINANCIAL STATEMENTS (Continued)

(Years Ended August 31, 2011 and 2010)

E. INVESTMENT  
SECURITIES

The amortized cost and approximate fair values of investment securities are summarized as follows as of August 31, 2011:

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
<i>Available-for-sale securities</i>				
<b>Reserve Fund</b>				
Federal agency obligations	\$ 42,006,020	\$ 493,531	(\$ 26,897)	\$ 42,472,654
<b>Share Insurance Fund</b>				
Federal agency obligations	84,601,478	2,954,252	—	87,555,730
Combined	<u>\$ 126,607,498</u>	<u>\$ 3,447,783</u>	<u>(\$ 26,897)</u>	<u>\$ 130,028,384</u>

There were no sales of available-for-sale securities during 2011.

The amortized cost and approximate fair values of investment securities are summarized as follows as of August 31, 2010:

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
<i>Available-for-sale securities</i>				
<b>Reserve Fund</b>				
Federal agency obligations	\$ 44,578,684	\$ 443,758	(\$ 174)	\$ 45,022,268
<b>Share Insurance Fund</b>				
Federal agency obligations	85,787,046	3,121,064	—	88,908,110
Combined	<u>\$ 130,365,730</u>	<u>\$ 3,564,822</u>	<u>(\$ 174)</u>	<u>\$ 133,930,378</u>

Combined proceeds from sales of available-for-sale securities during 2010 were \$2,007,320 with gross gains of \$3,488 realized on those sales.

The gross unrealized losses and approximate fair values of investment securities are summarized as follows as of August 31, 2011:

	<u>Less Than Twelve Months Gross Unrealized Losses</u>		<u>Twelve Months or Greater Gross Unrealized Losses</u>	
	<u>Fair Value</u>	<u>Fair Value</u>	<u>Fair Value</u>	<u>Fair Value</u>
<b>Reserve Fund</b>				
Federal agency obligations	\$ 26,897	\$ 9,973,103	\$ —	\$ —
<b>Share Insurance Fund</b>				
Federal agency obligations	—	—	—	—
Combined	<u>\$ 26,897</u>	<u>\$ 9,973,103</u>	<u>\$ —</u>	<u>\$ —</u>

# THE CO-OPERATIVE CENTRAL BANK

## NOTES TO COMBINING FINANCIAL STATEMENTS (Continued)

(Years Ended August 31, 2011 and 2010)

E. INVESTMENT  
SECURITIES  
(Continued)

The amortized cost and approximate fair values of debt securities at August 31, 2011, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	<i>Available-for-sale securities</i>			
	<b>Reserve Fund</b>		<b>Share Insurance Fund</b>	
	<i>Amortized Cost</i>	<i>Fair Value</i>	<i>Amortized Cost</i>	<i>Fair Value</i>
Due in one year or less	\$ 2,002,555	\$ 2,014,040	\$ 23,009,449	\$ 23,378,570
Due after one year through five years	38,003,465	38,461,174	57,445,998	59,919,740
Due after five years through ten years	<u>2,000,000</u>	<u>1,997,440</u>	<u>4,146,031</u>	<u>4,257,420</u>
	<u>\$ 42,006,020</u>	<u>\$ 42,472,654</u>	<u>\$ 84,601,478</u>	<u>\$ 87,555,730</u>

Management periodically reviews the investment portfolio to evaluate securities for other-than-temporary impairment. The investments in the fixed-income portfolio as of August 31, 2011 consisted of highly-rated debt securities issued by government sponsored enterprises (GSE's). As of August 31, 2011, five of the GSE securities had unrealized losses that were not significant. These losses are attributable to changes in market interest rates. As the Bank has the ability to hold these securities until maturity, no declines are deemed to be other-than-temporary.

F. RESERVE FUND  
LOANS TO  
MEMBER BANKS

Member banks may borrow from the Reserve Fund to meet their liquidity needs. Such loans are payable on demand at an interest rate of 50 basis points above the target federal funds rate as maintained by the Federal Reserve Bank, adjusted periodically. There were no loans outstanding as of August 31, 2011.

G. OPERATING  
EXPENSES

Operating expenses consisted of the following for the years ended August 31, 2011 and 2010:

	<i>Reserve</i>	<i>Share</i>	<i>Combined</i>	
	<i>Fund</i>	<i>Insurance</i>		
	<u>2011</u>	<u>2011</u>	<u>2011</u>	<u>2010</u>
Salaries and benefits	\$ 216,044	\$ 1,107,100	\$ <b>1,323,144</b>	\$ 1,047,592
Legal	27,830	98,553	<b>126,383</b>	247,499
Occupancy	35,111	176,100	<b>211,211</b>	209,144
Bank fees	1,886	9,700	<b>11,586</b>	11,586
Other	<u>74,722</u>	<u>366,798</u>	<u><b>441,520</b></u>	<u>399,314</u>
	<u>\$ 355,593</u>	<u>\$ 1,758,251</u>	<u>\$ <b>2,113,844</b></u>	<u>\$ 1,915,135</u>

H. PENSION,  
RETIREMENT AND  
OTHER EMPLOYEE  
BENEFIT PLANS

The Bank participates in the Co-operative Banks Employees Retirement Association's pension plans. The Bank has a defined contribution pension plan covering all eligible officers and employees. Under the plan, contributions by employees are doubled by The Bank, up to a maximum of 10% of each employee's salary. The Bank also participates in a multi-employer defined benefit plan which covers all eligible employees, and is funded currently. The Bank's contributions to the plans were \$139,474 in 2011 and \$118,530 in 2010.

## THE CO-OPERATIVE CENTRAL BANK

### NOTES TO COMBINING FINANCIAL STATEMENTS (Continued)

(Years Ended August 31, 2011 and 2010)

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H. PENSION, RETIREMENT AND OTHER EMPLOYEE BENEFIT PLANS <i>(Continued)</i>	<p>In order to provide key executives with supplemental retirement benefits, The Bank has purchased insurance contracts on behalf of certain past executives. The Bank, by assignment, is entitled to the cash surrender value at policy termination, not to exceed the cumulative premiums paid (first contract) or the single premium plus accrued interest (additional contracts). The remaining insurance proceeds would accrue to the beneficiaries of the insured executives. Of the total annual premiums paid, the portion representing the increase in cash surrender value of the policy has been recorded in Other Assets, and the remainder of the premium has been expensed. At August 31, 2011, the cash surrender value totaling \$1,024,113 in the Reserve Fund and \$7,075,770 in the Share Insurance Fund is included in Other Assets. Interest income of \$66,000 in 2011 and 2010 has been recognized as the increase in cash surrender values of the policies.</p> <p>The Bank also provides postretirement medical benefits to certain retired employees and spouses, where applicable, until age 65. Employees who have reached the age of 62 and have met the bank's minimum service requirements, become eligible for medical benefits under the voluntary early retirement program. The Bank has accrued the expected cost of providing these benefits.</p>
I. LEASE COMMITMENT	<p>The Bank is obligated under a non-cancelable lease agreement extension, expiring June 30, 2015, for the office space it occupies. Under the agreement, the fixed minimum annual rent is \$193,800 from July 1, 2008 through June 30, 2011, and \$209,100 from July 1, 2011 through June 30, 2015.</p> <p>Net rent expense charged to operations for the years ended August 31, 2011 and 2010 was \$196,350 and \$193,800, respectively.</p>
J. FAIR VALUES OF FINANCIAL INSTRUMENTS	<p>The carrying amounts for cash and cash equivalents, loans to member banks and deposits by member banks approximate fair value.</p> <p>Fair values of investment securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on recent quoted market prices of comparable instruments.</p>
K. FAIR VALUES OF ASSETS AND LIABILITIES	<p>The Bank uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Bank's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.</p>

## THE CO-OPERATIVE CENTRAL BANK

### NOTES TO COMBINING FINANCIAL STATEMENTS (Continued)

(Years Ended August 31, 2011 and 2010)

K. FAIR VALUES  
OF ASSETS AND  
LIABILITIES  
(Continued)

Fair value hierarchy:

The Bank groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1 – Valuation is based on quoted market prices in active markets for identical assets or liabilities that the Bank has the ability to access at the measurement date. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuation is based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. The valuation must be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 – Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

A description of the valuation techniques applied to the Bank's major categories of assets and liabilities measured at fair value on a recurring basis follows:

Federal agency obligations are measured at fair value in Level 2 and are based on independent unadjusted market-based prices received from a third-party pricing service that utilizes pricing models that consider standard input factors such as observable market data. These securities include debt issued by government sponsored enterprises including Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Federal Farm Credit Bank, and Federal Home Loan Bank.

Assets and liabilities measured at fair value on a recurring basis:

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level of input that is significant to the fair value measurement in its entirety.

## THE CO-OPERATIVE CENTRAL BANK

### NOTES TO COMBINING FINANCIAL STATEMENTS (Continued)

(Years Ended August 31, 2011 and 2010)

K. FAIR VALUES OF ASSETS AND LIABILITIES (Continued)	Fair Value Measurements Using:			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>August 31, 2011</u>				
Federal agency obligations	\$ —	\$ 130,028,384	\$ —	\$ 130,028,384
<u>August 31, 2010</u>				
Federal agency obligations	\$ —	\$ 133,930,378	\$ —	\$ 133,930,378

There were no transfers among the three levels during the year ended August 31, 2011. There were no liabilities measured at fair value at either August 31, 2011 or 2010.

THE CO-OPERATIVE CENTRAL BANK

RESERVE FUND INVESTMENT SECURITIES

August 31, 2011

<i>Description</i>	<i>% Coupon</i>	<i>Maturity</i>	<i>Par Value</i>	<i>Amortized Cost</i>	<i>Fair Value</i>
<b>Available-for-sale</b>					
<b>Federal Agency Obligations</b>					
Federal Farm Credit Banks	2.000	01/17/12	\$ 2,000,000	\$ 2,002,555	\$ 2,014,040
Federal Farm Credit Banks	1.550	10/15/12	1,000,000	998,902	1,014,270
Federal Farm Credit Banks	1.320	03/10/14	2,000,000	1,994,569	2,038,840
Federal Farm Credit Banks	0.875	08/15/14	2,000,000	2,000,000	2,005,880
Federal Farm Credit Banks	1.600	11/09/15	1,000,000	1,000,000	1,002,300
Federal Farm Credit Banks	2.370	01/11/16	3,000,000	3,000,000	3,023,070
Federal Farm Credit Banks	1.370	02/25/16	4,000,000	4,000,000	3,985,614
Federal Farm Credit Banks	1.500	08/22/16	2,000,000	2,000,000	1,994,429
Federal Home Loan Banks	2.000	09/14/12	2,000,000	2,005,018	2,035,417
Federal Home Loan Banks	1.750	03/08/13	2,000,000	2,002,361	2,044,132
Federal Home Loan Banks	1.625	03/20/13	1,000,000	999,614	1,020,376
Federal Home Loan Banks	1.625	06/14/13	1,000,000	1,002,348	1,022,403
Federal Home Loan Banks	1.875	06/21/13	2,000,000	2,002,625	2,055,330
Federal Home Loan Banks	1.550	11/18/15	2,000,000	2,000,000	2,004,200
Federal Home Loan Banks	1.550	08/24/16	2,000,000	2,000,000	1,995,620
Federal Home Loan Banks	1.750	02/24/17	2,000,000	2,000,000	1,997,440
Federal Home Loan Mortgage Corporation	1.625	04/15/13	2,000,000	1,998,874	2,044,066
Federal Home Loan Mortgage Corporation	1.350	04/29/14	2,000,000	2,000,000	2,044,557
Federal Home Loan Mortgage Corporation	1.250	12/29/14	1,000,000	1,000,000	1,005,960
Federal National Mortgage Association	1.750	05/07/13	1,000,000	999,961	1,024,827
Federal National Mortgage Association	1.500	07/13/15	1,000,000	1,000,000	1,008,740
Federal National Mortgage Association	1.875	09/09/15	2,000,000	1,999,193	2,070,043
Federal National Mortgage Association	2.000	06/27/16	2,000,000	2,000,000	2,021,100
Total Federal Agency Obligations			<u>\$ 42,000,000</u>	<u>\$ 42,006,020</u>	<u>\$ 42,472,654</u>

Weighted Average Yield on Available-for-Sale Portfolio 1.628% at August 31, 2011.

# THE CO-OPERATIVE CENTRAL BANK

## SHARE INSURANCE FUND INVESTMENT SECURITIES

August 31, 2011

Description	% Coupon	Maturity	Par Value	Amortized Cost	Fair Value
<b>Available-for-sale</b>					
<b>Federal Agency Obligations</b>					
Federal Farm Credit Banks	4.150	12/19/11	\$ 2,000,000	\$ 2,000,245	\$ 2,024,040
Federal Farm Credit Banks	3.300	02/13/12	2,000,000	2,000,248	2,028,260
Federal Farm Credit Banks	3.250	04/09/12	2,000,000	1,999,430	2,036,280
Federal Farm Credit Banks	3.450	05/16/12	2,000,000	1,995,792	2,045,260
Federal Farm Credit Banks	3.950	07/23/12	2,000,000	1,999,554	2,065,880
Federal Farm Credit Banks	2.600	03/04/13	2,000,000	1,999,141	2,068,500
Federal Farm Credit Banks	2.200	04/08/13	2,000,000	1,999,875	2,059,380
Federal Farm Credit Banks	2.800	06/03/13	2,000,000	2,001,311	2,084,900
Federal Farm Credit Banks	2.700	08/19/13	2,000,000	2,003,350	2,085,860
Federal Farm Credit Banks	2.125	02/10/14	2,000,000	1,998,349	2,074,940
Federal Farm Credit Banks	2.050	02/18/15	2,000,000	2,000,658	2,084,660
Federal Farm Credit Banks	2.950	03/29/18	1,000,000	1,028,057	1,067,950
Federal Farm Credit Banks	2.750	06/01/18	1,000,000	1,013,598	1,044,690
Federal Home Loan Banks	5.000	09/09/11	2,000,000	2,000,748	2,002,080
Federal Home Loan Banks	3.375	10/14/11	1,000,000	1,001,545	1,003,410
Federal Home Loan Banks	4.875	11/18/11	2,000,000	2,007,041	2,020,020
Federal Home Loan Banks	3.250	03/09/12	2,000,000	1,999,411	2,031,940
Federal Home Loan Banks	3.500	03/09/12	2,000,000	2,002,409	2,034,540
Federal Home Loan Banks	3.500	03/09/12	2,000,000	2,003,027	2,034,540
Federal Home Loan Banks	3.625	06/08/12	2,000,000	2,000,000	2,052,320
Federal Home Loan Banks	4.500	09/14/12	2,000,000	2,010,100	2,087,107
Federal Home Loan Banks	4.625	10/10/12	2,000,000	2,025,205	2,095,440
Federal Home Loan Banks	3.625	10/18/13	2,000,000	2,040,093	2,137,211
Federal Home Loan Banks	3.125	12/13/13	2,000,000	2,046,252	2,120,488
Federal Home Loan Banks	3.125	12/13/13	2,000,000	2,049,196	2,120,488
Federal Home Loan Banks	2.375	02/19/14	2,000,000	2,004,463	2,094,080
Federal Home Loan Banks	2.375	03/14/14	1,000,000	999,837	1,048,707
Federal Home Loan Banks	2.500	08/25/14	2,000,000	2,012,454	2,117,200
Federal Home Loan Banks	2.750	03/13/15	1,000,000	1,015,293	1,069,596
Federal Home Loan Banks	2.875	06/12/15	2,000,000	2,033,668	2,152,950
Federal Home Loan Banks	1.630	08/20/15	2,000,000	1,972,026	2,053,300
Federal Home Loan Banks	1.875	12/11/15	1,000,000	1,004,279	1,032,437
Federal Home Loan Banks	1.875	12/11/15	2,000,000	1,989,853	2,064,873
Federal Home Loan Banks	2.500	03/30/16	2,000,000	2,013,334	2,121,400
Federal Home Loan Banks	3.250	03/09/18	2,000,000	2,104,376	2,144,780
Federal Home Loan Mortgage Corporation	4.000	06/12/13	2,000,000	2,037,474	2,127,816
Federal Home Loan Mortgage Corporation	2.500	04/23/14	2,000,000	2,008,992	2,107,966
Federal Home Loan Mortgage Corporation	1.750	09/10/15	2,000,000	1,993,868	2,070,153
Federal National Mortgage Association	4.750	11/19/12	2,000,000	2,032,800	2,107,713
Federal National Mortgage Association	2.750	03/13/14	2,000,000	2,015,292	2,116,339
Federal National Mortgage Association	2.500	05/15/14	2,000,000	2,014,124	2,109,625
Federal National Mortgage Association	3.000	09/16/14	2,000,000	2,037,374	2,148,999
Federal National Mortgage Association	2.375	07/28/15	2,000,000	2,023,294	2,121,970
Federal National Mortgage Association	2.375	07/28/15	2,000,000	2,055,783	2,121,970
Federal National Mortgage Association	2.375	04/11/16	2,000,000	2,008,259	2,113,672
Total Federal Agency Obligations			<u>\$ 84,000,000</u>	<u>\$ 84,601,478</u>	<u>\$ 87,555,730</u>

Weighted Average Yield on Available-for-Sale Portfolio 2.688% at August 31, 2011.

# THE CO-OPERATIVE CENTRAL BANK

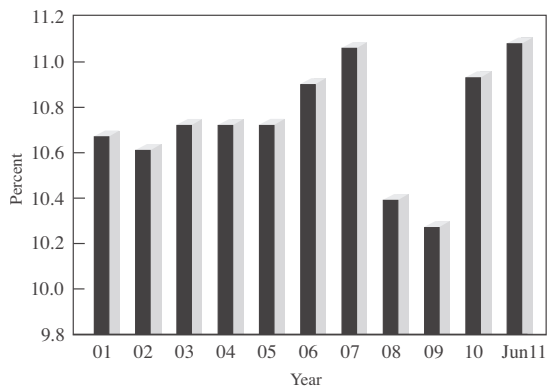
## CO-OPERATIVE BANK INDUSTRY SUMMARY

### SUMMARY DATA

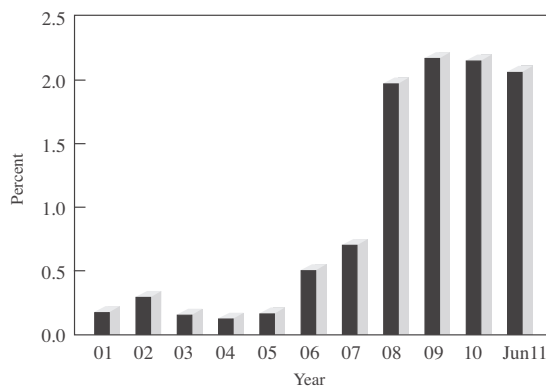
(In Thousands)

		Total		Return		Capital/Surplus		Non-performing Assets		Operating Expenses	
		Assets	on Assets	Amount	% to Assets	Amount	% to Assets	Amount	% to Assets		
December	<b>2001</b>	10,711,804	0.889	1,142,870	10.67	18,445	0.17	263,237	2.46		
	<b>2002</b>	11,699,037	0.908	1,241,108	10.61	33,619	0.29	285,370	2.44		
	<b>2003</b>	12,595,222	0.814	1,350,432	10.72	18,780	0.15	315,114	2.50		
	<b>2004</b>	12,602,729	0.723	1,351,388	10.72	15,506	0.12	316,625	2.51		
	<b>2005</b>	12,735,220	0.724	1,364,755	10.72	20,877	0.16	317,427	2.49		
	<b>2006</b>	13,182,679	0.601	1,436,494	10.90	66,500	0.50	325,382	2.47		
	<b>2007</b>	13,090,428	0.404	1,447,201	11.06	91,058	0.70	331,030	2.53		
	<b>2008</b>	14,063,674	0.061	1,461,909	10.39	276,592	1.97	358,949	2.55		
	<b>2009</b>	14,594,587	0.192	1,498,861	10.27	316,642	2.17	393,203	2.69		
December	<b>2010</b>	14,118,168	0.490	1,543,062	10.93	302,886	2.15	380,181	2.69		
June	<b>2011</b>	14,192,406	0.523	1,572,995	11.08	291,800	2.06	386,282	2.72		

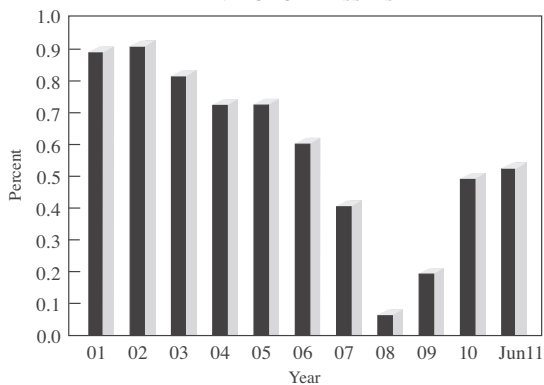
**TOTAL CAPITAL  
% TO TOTAL ASSETS**



**NON-PERFORMING ASSETS  
% TO TOTAL ASSETS**



**RETURN ON ASSETS  
% TO TOTAL ASSETS**



## THE CO-OPERATIVE CENTRAL BANK

### MEMBER BANKS

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Abington Bank	Mayflower Bank
Adams Co-operative Bank	Mechanics Cooperative Bank
Avon Co-operative Bank	Meetinghouse Bank
Bank of Easton	Melrose Cooperative Bank
Bank Gloucester	Methuen Co-operative Bank
Beverly Cooperative Bank	Needham Bank
Braintree Cooperative Bank	North Cambridge Co-operative Bank
Canton Co-operative Bank	North Shore Bank
Central Bank	Northampton Cooperative Bank
Charles River Bank	Norwood Bank
Chelsea Bank	Patriot Community Bank
Colonial Co-operative Bank	Pilgrim Bank
Commonwealth Cooperative Bank	Pittsfield Co-operative Bank
The Community Bank	Reading Co-operative Bank
The Cooperative Bank	Saugusbank
Dean Bank	Savers Bank
Economy Co-operative Bank	S Bank
Equitable Co-operative Bank	StonehamBank
Everett Co-operative Bank	Stoughton Co-operative Bank
FamilyFirst Bank	The Co-operative Bank of Cape Cod
Fidelity Bank	The Village Bank
Framingham Co-operative Bank	Wakefield Co-operative Bank
Greenfield Co-operative Bank	Walpole Co-operative Bank
Haverhill Bank	Wellesley Bank
Holbrook Cooperative Bank	Weymouth Bank
Hometown Bank	Winchester Co-operative Bank
Lowell Co-operative Bank	Wrentham Co-operative Bank
Mansfield Bank	









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Web: [www.coopcentralbank.com](http://www.coopcentralbank.com)

Deposits in every Massachusetts co-operative bank are insured in full.  
The Federal Deposit Insurance Corporation (FDIC) insures each depositor to at least \$250,000.  
All amounts above that are insured by the Share Insurance Fund  
of The Co-operative Central Bank.

